You should read the discussion and analysis of our results of operations and financial condition set forth below in conjunction with Appendix I — "Accountants' Report", which has been prepared in accordance with HKFRS. The financial data relating to us set forth below have been prepared in accordance with HKFRS except for (i) the discussion of solvency margin, which is calculated in accordance with applicable CIRC guidelines and based on PRC GAAP; (ii) the discussion of certain gross written premiums, policy fees and deposits from our life insurance and property and casualty insurance operations in the section headed "— Overview — General"; and (iii) the discussion of certain data relating to our legacy high guaranteed return products in the section headed "— Overview — Negative Interest Rate Spread on Legacy High Guaranteed Return Products". These discussions are not part of the Accountants' Report.

As applied to insurance companies, PRC GAAP and HKFRS differ in certain significant respects, including, among other things, (i) the definitions of insurance and investment contracts and resulting recognition and measurement of gross written premiums and policy fees; (ii) methods to measure insurance and investment contract liabilities; and (iii) accounting for deferred acquisition costs, as well as deferred tax and minority interest effects arising as a result.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in the sections headed "Forward-Looking Statements" and "Risk Factors".

OVERVIEW

General

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

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

We operate two principal business segments:

- ***Life insurance***, which offers traditional, participating and universal life insurance and accident and health insurance products to individual and institutional customers; and
- ***Property and casualty insurance***, which offers a broad range of property and casualty insurance products to individual and institutional customers, such as automobile insurance, commercial property and engineering insurance, short-term accident insurance, cargo insurance, hull insurance, homeowners insurance and liability insurance.

We conduct our life insurance business primarily through our 98.29% ownership in CPIC Life and conduct our property and casualty insurance business primarily through our 98.30% ownership in CPIC Property. We also operate Pacific-Antai, a life insurance joint venture with an affiliate of ING

Groep N.V., which is accounted for by us under the equity method of accounting. In addition, we conduct our overseas operations in Hong Kong through CPIC HK, our wholly owned subsidiary, which engages in general insurance business and whose results are included in our property and casualty insurance business segment in the Accountants' Report set forth in Appendix I to this prospectus. In 2006, 2007, 2008 and the first six months of 2009, CPIC HK represented approximately 0.4%, 0.3%, 0.3% and 0.2% of our total income, respectively.

In addition to life insurance and property and casualty insurance, we also derive a small amount of income from our corporate and other activities.

Factors Affecting Our Results of Operations and Financial Condition

Our results of operations and financial condition, as well as the period-to-period comparability of our financial results, are significantly affected by a number of external factors, most of which are beyond our control, including:

- economic and demographic conditions and socioeconomic policies in the PRC;
- fluctuations in market interest rates;
- investment environment;
- reinsurance market; and
- regulatory environment for PRC insurance companies.

In addition, our results of operations and financial condition may be significantly affected by losses arising out of catastrophic events, which are unpredictable by nature. See "Risk Factors — Risks Relating to the PRC Insurance Industry — Catastrophic events, which are unpredictable by nature, could materially and adversely affect our profitability and financial condition".

Economic and Demographic Conditions and Socioeconomic Policies in the PRC

Our results of operations are significantly affected by the economic and demographic conditions and socioeconomic policies in the PRC. In particular, the PRC is in the midst of an economic and demographic transformations, which involve, among other things, the gradual reform of State-owned enterprises and a reduced focus on government- or employer-sponsored benefits that those enterprises have traditionally provided to their employees, such as housing, medical and retirement benefits. Recent reform efforts in social welfare have instead focused on shifting the provision of social welfare benefits to a mix of private and public providers. The PRC government is gradually establishing a state social welfare and security system to provide basic social welfare protection of pension, medical and unemployment benefits. Insurance companies are expected to act as private providers of supplemental social welfare protection by offering group and individual insurance products. As a result, demand for insurance-related products, such as life insurance, health insurance and pension plans is increasing, which in turn provides an opportunity for further significant expansion and development of the PRC insurance industry.

Moreover, the PRC is undergoing significant demographic transformations, including an increase in life expectancy, a decrease in birth rate, an ageing population and a growth in urban population and income, all of which are expected to create substantial growth opportunities for life insurance, health insurance and pension products. At the same time, the expanding private sector in the PRC is giving rise to a middle class that has growing levels of disposable income and is increasing its spending on insurable property, such as automobiles and residential housing. With the economic and demographic transformations, the Chinese public has also become increasingly aware of the need and attractiveness of insurance products, further fostering the demand for insurance products.

As we conduct most of our business and generate substantially all of our revenues in the PRC, economic conditions in the PRC have a significant effect on our results of operations and financial condition, as well as our future prospects. In recent years, the PRC has been one of the world's fastest growing economies in terms of GDP growth. However, the global financial crisis that unfolded in 2008 and continued during 2009 has led to a marked slowdown in the economic growth of the PRC. In an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending, the demand for our insurance products and services could be adversely affected. In addition, we may experience an elevated incidence of claims and lapses or surrenders of policies. Our policyholders may also choose to defer paying insurance premiums or stop paying insurance premiums altogether. If the PRC economy experiences or continues to experience a slower growth or a significant downturn, our results of operations and financial condition would be materially and adversely affected. See "Risk Factors — Risks Relating to the PRC — An economic slowdown in the PRC may reduce the demand for our products and services and have a material adverse effect on our results of operations, financial condition and profitability".

Fluctuations in Market Interest Rates

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

Conversely, a decline in interest rates could result in reduced investment returns on our newly added assets and a decline in our profitability. During periods of declining interest rates, our average investment yield will decline as our maturing investments, as well as bonds or similar debt investments that are redeemed or prepaid by an issuer or borrower, as applicable, to take advantage of the lower interest rate environment, are replaced with new investments with lower yields. In addition, our life insurance policies tend to have a longer duration than our investment assets, and because our premiums are generally calculated based on a fixed assumed investment yield, lower interest rates tend to reduce the yield on our investment portfolio while our premium income from outstanding policies remains unchanged, thereby reducing our profitability.

A significant portion of our in-force life insurance policies are participating and universal life insurance policies. Holders of these policies are credited with a portion of the investment returns earned by the invested assets that support these types of life insurance policies. Since a substantial portion of these invested assets consist of fixed income securities, their returns are affected to a significant degree by fluctuations in market interest rates in the PRC.

In addition, as some of our historical life insurance products provide guaranteed returns to policyholders, we are exposed to the risk that declines in market interest rates may reduce our interest rate spread, or the difference between the rate of return we are able to earn on our investments intended to support our obligations under these policies and the amounts that we are required to pay under these policies.

Investment Environment

Our investments are an integral part of our business. Our results of operations and financial condition are affected by the quality and performance of our investment portfolio. Insurance companies in the PRC generally have limited investment opportunities due to the lack of available investment options and vehicles as a result of legal and regulatory constraints as well as the lack of liquidity and depth in the PRC capital markets. Prior to 2005, PRC insurance companies were allowed to invest their funds only in PRC bank deposits, government bonds, policy finance bonds, bonds and subordinated bonds issued by commercial banks and other financial institutions, PRC corporate bonds and equity investment funds. In recent years, the PRC regulatory authorities, including the CIRC, have significantly expanded the types of assets that insurance companies may invest their insurance funds in to direct investment in shares of companies listed on the PRC securities market and selected non-PRC securities markets, as well as indirect investment in infrastructure projects, subject to various limitations. In April 2006, the PBOC announced a Qualified Domestic Institutional Investors scheme, under which eligible institutional investors in the PRC may make approved investments in overseas assets. The Certain Opinions of the State Council on the Development and Reform of the Insurance Industry, published in June 2006, suggests that investment regulations would be further relaxed to allow more investments in equities, asset-backed securities, real estate, venture capital, commercial banks and foreign assets. The PRC Insurance Law amended in 2009 also for the first time permits PRC insurance companies to invest in real estate. The asset classes in which insurance companies in the PRC are permitted to invest are expected to further expand to include private equity, among other things, in the future. Despite the relaxation of some of the investment restrictions by the CIRC in recent years, the asset classes and sub-classes in which we are permitted to invest remain limited, as compared to those available to many international insurance companies. Even with the broadened investment channels, our ability to diversify our investment portfolio is affected by limitations on the amount of funds that we may invest in some of these asset classes or sub-classes.

The limitations on the types of investments we are permitted to make affect the investment returns we are able to generate and subject us to various risks that we would not, or to a lesser extent, be subject to if we were able to invest in a wider array of investments. In particular, the limited availability of long-duration investment assets in the markets in which we invest has resulted in the duration of our assets being shorter than that of our liabilities. We believe that with the gradual easing of the investment restrictions imposed on insurance companies in the PRC, our ability to match the duration of our assets to that of our liabilities will improve.

In addition, our results of operations may be materially affected by investment impairments. In particular, a significant portion of our investments are in the PRC securities markets, which are in their early stage of development and whose regulatory, accounting and disclosure requirements are still evolving. The development of the PRC securities markets may be significantly affected by changes in laws, rules, regulations and government policies in the PRC. Furthermore, any potential market and economic downturns or geopolitical uncertainties in the PRC, its neighboring countries or regions or the rest of the world may exacerbate the risks relating to the PRC securities markets. These and other factors may from time to time result in significant price volatility, unexpected losses, lack of liquidity, including potentially more substantial fluctuations in the prices and trading volumes of listed securities compared to more mature securities markets in the world, such as those in the United States and the European Union, and could cause us to incur significant losses on our investments in equity securities. For example, the SSE Composite Index, a major stock exchange index in the PRC, closed at 1,706.70 points on 4 November 2008, representing a 72% decline from its all-time high of 6,092.06 points on 16 October 2007. See "Risk Factors — Risks Relating to Our Company — Our investment assets may suffer significant losses or experience sharp declines in their returns, which would have a material adverse effect on our results of operations and financial condition".

Reinsurance Market

The net written premiums and policy fees presented in our historical consolidated income statements are net of amounts ceded to reinsurers. We may purchase treaty reinsurance, facultative reinsurance and catastrophe excess-of-loss reinsurance, among other things. Reinsurance premiums ceded to reinsurers in connection with our reinsurance arrangements were RMB6,394 million in 2006, RMB6,762 million in 2007, RMB8,435 million in 2008 and RMB5,538 million in the six months ended 30 June 2009, accounting for 17.8%, 15.1%, 15.7% and 15.5%, respectively, of our total gross written premiums and policy fees for the respective periods.

The reinsurance market is cyclical, with periodic fluctuations in underwriting capacity in the market affecting the price at which reinsurance can be obtained. Underwriting capacity and rates in the reinsurance market, which are determined largely by underwriting conditions in the international market, may not necessarily move in tandem with those in the domestic PRC direct insurance market. Scarcity of underwriting capacity in the reinsurance market leading to increases in reinsurance rates could raise the cost of reinsurance to us and potentially decrease our underwriting profit. Since the terrorist attacks of 11 September 2001, the occurrence of major regional natural disasters in recent years, such as the severe winter weather in the PRC in early 2008 and the Sichuan earthquake in May 2008, and the global financial crisis that unfolded in 2008, reinsurance rates have increased. It may become more difficult to obtain reinsurance in the future.

Regulatory Environment for PRC Insurance Companies

Our business operations, which are conducted primarily in the PRC, are highly regulated. In particular, our life insurance and property and casualty insurance operations are regulated primarily by the CIRC. Changes in regulation can have a significant impact on our revenues, expenses and profitability. Despite recent easing of investment restrictions, insurance companies in the PRC generally still have limited investment opportunities due to the lack of available investment options and vehicles as a result of legal and regulatory constraints as well as the lack of liquidity and depth in the PRC capital markets. As a result, substantially all of our investment assets are concentrated in a limited number of investments that are located in the PRC, and our ability to diversify our portfolio as well as seek an optimal return on our investments is limited. Our inability to diversify our investment portfolio also exposes us to a higher level of risk than in the case where we could have a more diversified investment portfolio.

Our ability to price our insurance products is also directly or indirectly regulated by the CIRC to a significant extent. Under the applicable CIRC regulations, we must submit to the CIRC for its review and approval:

- new types of life insurance products;
- insurance products relating to compulsory insurance; and
- the terms and premium rates of insurance products that affect the public interest.

See the section headed "Supervision and Regulation — Insurance Business — Terms and Premium Rates of Insurance".

We may have to incur significant costs and expenses to comply with, and our prospects may be adversely affected by, the applicable laws, rules and regulations, which may reduce our profitability as well as affect our future growth. For example, the evolving implementation of compulsory auto liability insurance in the PRC could materially and adversely affect our results of operations and profitability, depending on the volume, loss ratio and expense ratio of our compulsory auto liability insurance product and any potential further regulatory changes affecting this product. See "Risk Factors — Risks Relating to the PRC Insurance Industry — Changes in demand for automobiles in the PRC and the evolving implementation of compulsory auto liability insurance in the PRC could materially and adversely affect our results of operations and profitability".

Principal Income Statement Components

Gross Written Premiums and Policy Fees

Gross written premiums and policy fees primarily include premiums written by us on long-term life insurance contracts, short-term accident and health insurance contracts and property and casualty insurance contracts issued or renewed for a given period, without deduction for premiums ceded by us to reinsurers. Gross written premiums and policy fees also include policy fees that we earn from our investment type insurance contracts and investment contracts and premiums ceded to us from other insurers in our inward reinsurance business.

Premiums Ceded to Reinsurers

Premiums ceded to reinsurers represent the portion of gross written premiums ceded to reinsurers, who share part of the insured risk that we have assumed under life insurance contracts and property and casualty insurance contracts.

Net Written Premiums and Policy Fees

Net written premiums and policy fees represent gross written premiums and policy fees less premiums ceded to reinsurers.

Net Premiums Earned and Policy Fees

Net premiums earned and policy fees represent net written premiums and policy fees less net changes in our unearned premium reserves, which are the portions of written premiums relating to unexpired periods of insurance coverage.

Investment Income

Investment income primarily includes (i) dividend income from our investments in equity securities and equity investment funds and interest income from our investments in fixed-income securities, loans and other receivables, including interest income that we earn from securities purchased under agreements to resell; (ii) realized gains from sale of our financial assets at fair value through profit or loss and our available-for-sale financial assets, net of impairment losses; and (iii) unrealized gains due to changes in the fair value of our financial assets at fair value through profit or loss and of our derivative financial instruments classified as held for trading.

Other Operating Income

Other operating income primarily includes interest income from demand deposits, term deposits with original maturities of three months or less, gain from the disposition of fixed assets and revenues from other operating activities.

Life Insurance Death and Other Benefits Paid

Life insurance death and other benefits paid represent death and other benefits, including maturities and surrenders, paid on long-term life insurance policies issued by us.

Claims Incurred

Claims incurred represent claims and claim adjustment expenses incurred on property and casualty insurance contracts and short-term accident and health insurance contracts, net of claims and claim adjustment expenses that are recoverable from reinsurers through pre-existing reinsurance arrangements. Claims incurred also include changes in our claim reserves.

Changes in Long-Term Traditional Insurance Contract Liabilities

Changes in long-term traditional insurance contract liabilities represent the increase in the liabilities with respect to long-term traditional insurance contracts issued by us, net of the portion of such increase in the liabilities that is assumed by our reinsurers through pre-existing reinsurance arrangements. Changes in long-term traditional insurance contract liabilities also include provisions made with respect to dividends payable on our participating life insurance products.

Interest Credited to Long-Term Investment Type Insurance Contract Liabilities

Interest credited to long-term investment type insurance contract liabilities represents interest incurred by us and credited to account balances of long-term investment type insurance contracts issued by us.

Policyholder Dividends

Policyholder dividends represent dividends paid on our participating life insurance products.

Finance Costs

Finance costs represent interest expense on policyholders' deposits and interest expense on our other borrowings, including subordinated bonds issued by CPIC Life and securities sold under agreements to repurchase.

Interest Credited to Investment Contracts

Interest credited to investment contracts represents interest incurred by us and credited to account balances of investment contracts issued by us, such as certain group annuities.

Amortization on Deferred Acquisition Costs

Amortization on deferred acquisition costs represents amortization, over the terms of the contracts or the premium paying periods, of commissions and other acquisition costs related to securing new contracts and renewing existing contracts that are initially capitalized as an asset.

Provision for Insurance Guarantee Fund

Before 1 January 2009, we were required under the applicable CIRC regulations to maintain an insurance guarantee fund equal to 1% of the net written premiums for our property and casualty insurance and short-term accident and health insurance, 0.15% of the net written premiums for our long-term life insurance with guaranteed interest and long-term health insurance and 0.05% of the net written premiums for our long-term life insurance without guaranteed interest, subject to a maximum balance equal to specified percentages of our total assets, in each case calculated in accordance with PRC GAAP.

Beginning on 1 January 2009, we are required under the applicable CIRC regulations to maintain an insurance guarantee fund equal to 0.8% of premium income for non-investment type property and casualty insurance and non-investment type accident insurance, 0.08% of premium income and deposits for investment type property and casualty insurance with guaranteed investment returns and investment type accident insurance with guaranteed investment returns, 0.05% of premium income and deposits for investment type property and casualty insurance without guaranteed investment returns and investment type accident insurance without guaranteed investment returns, 0.15% of premium and deposits for life insurance with guaranteed investment returns, 0.05% of premium and deposits for life insurance without guaranteed investment returns, 0.8% of premium income for short-term health insurance and 0.15% of premium income for long-term health insurance, subject to a maximum balance equal to specified percentages of our total assets, in each case calculated in accordance with PRC GAAP.

Change in Deferred Revenue

Change in deferred revenue represents the change in the corresponding liability, primarily consisting of initial and other front-end fees received for rendering future investment management services relating to certain investment contracts issued by us and excess first year charges received for insurance contracts issued by us that are deferred and recognized as income.

Other Operating and Administrative Expenses

Other operating and administrative expenses primarily represent wages, salaries and other employee benefit expenses, office expenses, business taxes and surcharges, operating lease expenses, depreciation and amortization expenses, provision for doubtful debts, traveling and advertising expenses and other operating and administrative expenses, net of deferred acquisition costs.

Profitability

Our profitability depends principally on our ability to price and manage risk on insurance products, our ability to attract and retain customers, our ability to manage expenses and our ability to maximize risk-adjusted investment returns. Specific drivers of our profitability include:

- our ability to design and distribute products and services and to introduce new products that gain market acceptance on a timely basis;
- our ability to price our insurance products at levels that enable us to earn a margin over the costs of providing benefits and the expense of acquiring customers and administering those products;
- our mortality and morbidity experience on individual and group life and health insurance products;
- our lapse experience, which affects our ability to recover the cost of acquiring insurance policies over the lives of such policies;
- our management of risk exposures, including exposure to catastrophic and other losses, on our property and casualty insurance products; and
- the amount and composition of our investment assets and our ability to manage our portfolio and seek an optimal return within our risk parameters.

Other factors, such as competition, taxes, capital market conditions, macroeconomic conditions and legal or regulatory changes, may also affect our profitability.

Negative Interest Rate Spread on Legacy High Guaranteed Return Products

Like other major PRC life insurance companies, we offered life insurance products with relatively high guaranteed rates of return from 1995 to June 1999, primarily as a result of the then prevailing high market interest rates. These high guaranteed return life insurance products included our *Lao Lai Fu Whole Life Insurance* (“老來福終身壽險”), *Bu Bu Gao Increasing Amount Life Insurance* (“步步高增額壽險”) and *Shao Er Le Child Comprehensive Insurance* (“少兒樂綜合保險”).

As market interest rates in the PRC generally decreased over the years from the late 1990s through 2004 and have since remained at relatively low levels, despite some interest rate increases by the PBOC between 2004 and 2007 that were followed by interest rate decreases by the PBOC in 2008, the investment yield earned by us for those products have generally fallen below the assumed interest rates used in the calculation of premiums and policy fees. Since the assumed mortality rates, morbidity rates and administrative expenses used in calculating premiums for our insurance products are estimated conservatively and are generally more stable, the difference between actual and assumed mortality rates, morbidity rates and expense experience have to date generally offset some shortfall in interest rates. However, if the shortfall in interest rates is large enough, lower mortality rates, morbidity rates and administrative expenses may not be sufficient to cover the shortfall. As a result, the substantial shortfall between the investment yield and the guaranteed return rates has resulted in a negative interest rate spread with respect to these products, which has adversely affected our results of operations.

As of 30 June 2009, the policyholders' reserves (excluding unrealized gains/losses) of our high guaranteed return long-term life insurance policies, as calculated based on our PRC GAAP financial data, were approximately RMB45,736 million, with the average valuation interest rate at approximately 6.37%. If our actual investment return is lower than the average valuation interest rate of such high guaranteed return during any given period, these policies will result in a negative interest rate spread. The amount of the negative interest rate spread may be estimated as the average policyholders' reserves multiplied by the difference between our average valuation interest rate for these high guaranteed return policies and our actual investment return in the same period. In the years ended 31 December 2006 and 2008 and the six months ended 30 June 2009, the negative interest rate spreads were approximately RMB362 million, RMB150 million and RMB88 million, respectively, while in the year ended 31 December 2007 the positive interest rate spread was approximately RMB2,426 million. If our average valuation interest rate for these high guaranteed return policies in any future period exceeds our actual investment return in the same period, these policies may continue to result in a negative interest rate spread, which will have an adverse effect on our profitability in the corresponding period.

During the year ended 31 December 2008 and the six months ended 30 June 2009, the total renewal premiums, policy fees and deposits we received from our high guaranteed return policies, as calculated based on our HKFRS financial data, were approximately RMB1,900 million and RMB722 million, accounting for approximately 2.8% and 2.0%, respectively, of the gross written premiums, policy fees and deposits we received for our life insurance business in the respective period. However, we expect that the renewal premiums for such high guaranteed return policies will continue to decline in the future, as policies are terminated and the payment periods expire. In the next several years, our policyholders' reserves for high guaranteed return policies are expected to increase, as we continue to receive renewal premiums from these policies and as we approach the liabilities payment phase under these policies.

As of 31 December 2006, 2007 and 2008 and 30 June 2009, policyholders' reserves for life insurance policies with guaranteed rates of return equal to or in excess of 4%, as calculated based on our PRC GAAP financial data, represented approximately 24.4%, 22.8%, 20.3% and 19.2% of our total policyholders' reserves for long-term life insurance, respectively. The decrease in the proportion of the policyholders' reserves for life insurance policies with guaranteed rates of return equal to or in excess of 4% from 2006 to 30 June 2009 was primarily due to the increased proportion of our total in-force life insurance policies with lower guaranteed rates of return.

As of 30 June 2009, based on PRC GAAP reserves and an assumed discount rate of 11.0%, 11.5% and 12.0%, before deducting the cost of solvency margin, the estimated value of our in-force business written prior to June 1999 was negative RMB2,613 million, negative RMB2,494 million and negative RMB2,385 million, respectively. As of the same date, based on PRC GAAP reserves and an assumed discount rate of 11.0%, 11.5% and 12.0%, before deducting the cost of solvency margin, the estimated value of our in-force business written after June 1999 was RMB33,046 million, RMB31,953 million and RMB30,927 million, respectively.

TRADING RECORD

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

	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
	(in millions of RMB, except per share data)				
Income Statement Data					
Gross written premiums and policy fees	35,926	44,881	53,845	29,393	35,773
Less: premiums ceded to reinsurers	(6,394)	(6,762)	(8,435)	(4,690)	(5,538)
Net written premiums and policy fees	29,532	38,119	45,410	24,703	30,235
Net change in unearned premium reserves	(1,618)	(1,937)	(1,307)	(2,386)	(3,259)
Net premiums earned and policy fees	27,914	36,182	44,103	22,317	26,976
Investment income	9,534	27,230	8,110	14,452	8,878
Other operating income	284	535	816	344	165
Other income	9,818	27,765	8,926	14,796	9,043
Total income	37,732	63,947	53,029	37,113	36,019
Net policyholders' benefits and claims					
Life insurance death and other benefits paid	(1,407)	(1,822)	(2,838)	(2,135)	(1,850)
Claims incurred	(7,800)	(10,568)	(13,943)	(7,041)	(7,361)
Changes in long-term traditional insurance contract liabilities	(10,362)	(17,409)	(10,093)	(9,645)	(9,512)
Interest credited to long-term investment type insurance contract liabilities	(2,660)	(3,511)	(4,748)	(2,322)	(2,413)
Policyholder dividends	(1,105)	(1,223)	(2,595)	(1,274)	(985)
Finance costs	(581)	(848)	(532)	(380)	(138)
Interest credited to investment contracts	(221)	(165)	(102)	(59)	(38)
Amortization on deferred acquisition costs	(3,880)	(5,155)	(5,634)	(2,517)	(3,786)
Provision for insurance guarantee fund	(211)	(275)	(318)	(176)	(213)
Change in deferred revenue	240	(430)	(2,903)	(1,541)	(987)
Other operating and administrative expenses	(5,742)	(7,845)	(7,246)	(3,878)	(3,603)
Total benefits, claims and expenses	(33,729)	(49,251)	(50,952)	(30,968)	(30,886)
Share of profits/(losses) of					
A jointly-controlled entity	5	70	(52)	(2)	26
Associates	(8)	—	—	—	—
Profit before tax	4,000	14,766	2,025	6,143	5,159
Income tax	(1,363)	(2,500)	1,161	55	(1,158)
Net profit for the year/period	2,637	12,266	3,186	6,198	4,001
Attributable to:					
- Equity holders of the parent	2,019	11,238	3,086	6,082	3,937
- Minority interests	618	1,028	100	116	64
Basic earnings per share attributable to ordinary equity holders of the parent (RMB)	0.47	1.82	0.40	0.79	0.51

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

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

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

(1) Ratio of net profit attributable to equity holders of the parent to average balance of equity attributable to equity holders of the parent at the beginning and end of the period.
(2) Ratio of investment income (net of interest expense incurred for securities sold under agreements to repurchase) to average investments (net of associated liabilities relating to securities sold under agreements to repurchase) at the beginning and end of the period. The yield information for the six months ended 30 June 2008 and 2009 has not been annualized. See the section headed "Business — Asset Management and Investment Portfolio — Portfolio Composition" for information regarding the composition of our investment portfolio and other information relating to our investment assets.
(3) Financial and operating ratios of life insurance represented those of CPIC Life.
(4) Ratio of operating expenses excluding acquisition cost included in deferred acquisition costs to net premiums earned.
(5) Financial and operating ratios of property and casualty insurance represented those of CPIC Property.

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Note 2.2 to the Accountants' Report set forth in Appendix I includes a summary of principal accounting policies used in the preparation of our consolidated financial statements. The determination of these accounting policies is fundamental to our results of operations and financial condition, and requires management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial condition, results of operations or cash flows.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimates may differ significantly from management's current judgments. We believe the following represents our critical accounting policies.

Insurance Contract Liabilities

Long-term life insurance contract reserves. Long-term traditional insurance contracts include whole life and term life insurance, long-term health insurance, endowment insurance and annuity policies with significant life contingency risk. Liabilities for contractual benefits that are expected to be incurred in the future are recorded when the related premiums are recognized. Such liabilities for long-term traditional insurance contracts are calculated using a net level premium valuation method based on actuarial assumptions as to mortality, persistency, expenses, withdrawals and investment return, including where appropriate a margin for adverse deviation. The assumptions are established at the time of the issue of the policy and remain unchanged unless adverse experience causes a deficiency in liability adequacy testing. For policies where the premium payment period is less than the policy term, an extra reserve, often known as deferred profit liability, is also included in the policyholder liability for long-term traditional insurance contracts. The deferred profit liability ensures a profit emergence in a constant relationship to the amount of insurance in force.

Long-term investment-type insurance contracts include life insurance and annuity contracts with significant investment features but with sufficiently significant insurance risk to be considered as insurance contracts under HKFRS 4, "Insurance Contracts", as well as investment contracts with discretionary participation features, or DPF. With respect to these contracts, revenue from a contract consists of various charges, such as policy fees, handling fees, management fees, surrender charges, made against the contract for the cost of insurance, expenses and early surrender. Excess first-year charges are deferred as an unearned revenue liability and are recognized in the income statement over the estimated life of the contracts in a constant relationship to estimated gross profits. The unearned revenue liability is included in deferred revenue. To the extent unrealized gains or losses from available-for-sale financial assets affect the estimated gross profits, shadow adjustments are recognized in equity. Policy benefits and claims that are charged to expenses include benefit claims incurred in the year in excess of related contract balances and interest credited to these contracts. The policyholder liability represents the accumulation of premium received less charges, as described above.

Claim reserves. Claims reserves comprise a best estimate of insurance contract provisions for the ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Significant delays can be experienced in the notification and settlement of claims and therefore, the ultimate cost cannot be known with certainty at the balance sheet date. The methods of determining such estimates and establishing the resulting liabilities are continually reviewed and updated. Resulting adjustments are reflected in the income statement for the period. We do not discount our claim reserves.

Unearned premium reserves. Upon inception of property and casualty and short term life insurance contracts, premiums are recorded as written and are earned on a pro-rata basis over the term of the related policy coverage. The unearned premium reserves represent the portions of premiums written relating to unexpired periods of coverage.

Liability adequacy test. At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of the related deferred acquisition costs. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses, as well as investment income from assets backing such liabilities, are used. Any deficiency is immediately charged to the income statement initially by writing off deferred acquisition costs and subsequently by establishing a provision for losses arising from the liability adequacy tests. Any deferred acquisition costs written off will not be reinstated subsequently. As mentioned above, long-term traditional life insurance contracts are measured based on assumptions set out at the inception of the policies. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions are used for the subsequent measurement of these liabilities. For short term life and property and casualty insurance contracts, a provision is assessed on the basis of estimates of future claims, costs, premiums earned and other factors.

Investment Contract Liabilities

Our investment contracts are investment contracts without DPF. Investment contracts without DPF are not considered to be insurance contracts and are accounted for as a financial liability. The liability for investment contracts without DPF is measured at estimated fair value or amortized costs using the effective interest rate method. Revenue from these contracts consists of various charges, such as policy fees, handling fees, management fees and surrender charges, made against the contract for the cost of management, expenses and early surrender. Front-end fees received for rendering future investment management services are deferred and recognized in the income statement over the estimated life of the contracts when the related services are rendered. The deferred front-end fees are included in deferred revenue.

Deferred Acquisition Costs

The costs of acquiring new and renewal business, including commissions, underwriting, marketing and policy issue expenses, which vary with and are primarily related to the production of the new and renewal business, are deferred. Such deferred acquisition costs, or DAC, are subject to recoverability testing at the time of the issue of the policy and at the end of each accounting period. Future investment income is taken into account in assessing recoverability.

For long-term traditional life insurance contracts, DAC is amortized over the expected life of the contracts as a constant percentage of expected premiums. Expected premiums are estimated at the date of policy issue and are consistently applied throughout the life of the contract unless adverse experience causes a deficiency in liability adequacy test.

For long-term investment type insurance contracts, DAC is amortized over the expected life of the contracts based on a constant percentage of the present value of estimated gross profits that are expected to be realized over the life of the contracts. Estimated gross profits include expected amounts to be assessed for mortality, administration, investment and surrender, less benefit claims in excess of policyholder balances, administrative expenses and interest credited. Estimated gross profits are revised regularly and the interest rate used to compute the present value of revised estimates of expected gross profits is the latest revised rate applied to the remaining benefit period. Deviations of actual results from estimated experience are reflected in the consolidated income statement. When DAC is amortized in proportion to gross profits on the acquired contracts, realized gains/losses are taken into account as well as gains/losses recognized directly in equity (unrealized gains/losses). If these gains/losses were to be realized, the gross profits used to amortize DAC would be affected. Therefore, an adjustment relating to these unrealized gains/losses is recognized in equity and is also reflected in the amount of DAC in the balance sheet, known as shadow accounting.

For property and casualty and short-term accident and health insurance contracts, DAC is amortized over the period in which the related written premiums are earned. DAC is derecognized when the related contracts are settled or disposed of. DAC is periodically reviewed to determine that it does not exceed recoverable amounts. Contributions received from reinsurers towards acquisition costs are deferred in an identical manner.

For investment contracts without DPF, those incremental costs that are directly attributable to the provision of investment management services are deferred and recognized as an asset, to the extent that these costs can be identified separately, measured reliably and it is probable that they will be recovered. This asset is amortized in line with revenue generated by the investment management service and is tested for recoverability at each reporting date.

Classification and Fair Value of Financial Instruments

We classify our financial instruments as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, or available-for-sale financial assets, as appropriate. Certain of these classifications require significant judgments. In making these judgments, we consider our intention of holding these financial assets, our compliance with the relevant requirements under HKFRS and the implications of different classifications on the presentation in the financial statements. We determine the classification of our financial assets after initial recognition and, where allowed and appropriate, re-evaluate this designation at the balance sheet date.

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

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

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

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

Impairment of Available-for-Sale Equity Financial Assets

We determine that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. We collectively consider the magnitude of the decline in fair value relative to the cost, the volatility and the duration of the decline in evaluating whether a decline in fair value is significant. We consider the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. In general, the larger the magnitude of the decline in fair value relative to the cost, the lower the volatility, the longer the duration of the decline or the more consistent the magnitude of the decline, the more likely objective evidence of impairment of an equity instrument exists.

Revenue Recognition

Premiums and policy fees. Premiums from long-term traditional life insurance contracts are recognized as revenue when due from policyholders. Amounts collected as premiums from long-term investment type insurance contracts and investment contracts are reported as deposits. Only those parts of the premiums used to cover the insured risks and associated costs are treated as revenue. These primarily include fees for the cost of insurance, administrative charges and surrender charges.

Premiums from the sale of property and casualty insurance contracts and short-term accident and health insurance contracts, net of endorsements, are recorded as written at the inception of risk and are earned on a pro-rata basis over the term of the related policy coverage. For those contracts for which the period of risk differs significantly from the contract period, premiums are recognized over the period of risk in proportion to the amount of insurance protection provided.

Net investment income. Net investment income primarily includes interest from term deposits, fixed-income securities, securities purchased under agreements to resell, policy loans and other loans, dividends from investment funds and securities. Interest income is recognized on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument. Dividends are recognized when the right to receive payment is established.

NEW PRC ACCOUNTING PRONOUNCEMENTS

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

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

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

RESULTS OF OPERATIONS

Years Ended 31 December 2008, 2007 and 2006

Gross Written Premiums and Policy Fees. Our gross written premiums and policy fees increased by 20.0% to RMB53,845 million in 2008 from RMB44,881 million in 2007. This increase benefited from the increased demand for insurance products resulting from the continued economic growth, as well as the ongoing economic and demographic transformation, in the PRC in 2008. In particular, this increase reflected the increase in gross written premiums and policy fees attributable to our promotion of participating life insurance products in connection with our continued efforts to optimize the business mix in life insurance, as well as the increased gross written premiums and policy fees from our automobile insurance business, reflecting the continued growth in private car ownership in the PRC in 2008 and our efforts to promote automobile insurance products in response to improved competitive environment of the PRC automobile insurance market in the second half of 2008.

Our gross written premiums and policy fees increased by 24.9% to RMB44,881 million in 2007 from RMB35,926 million in 2006. This increase benefited from the increased demand for insurance products resulting from the continued economic growth, as well as the economic and demographic transformation, in the PRC in 2007. In particular, this increase reflected the increase in gross written premiums and policy fees attributable to our development and promotion of life insurance products with investment features, in response to the favorable equity investment environment in the PRC in 2007, and the increase in policy fees from our universal life insurance products, as well as the increased gross written premiums and policy fees from our property and casualty insurance business driven by the introduction of compulsory auto liability insurance on 1 July 2006, which significantly increased the number of insured vehicles in the PRC.

Premiums Ceded to Reinsurers. Premiums ceded to reinsurers increased by 24.7% to RMB8,435 million in 2008 from RMB6,762 million in 2007. Premiums ceded to reinsurers as a percentage of the gross written premiums and policy fees increased to 15.7% in 2008 from 15.1% in 2007. This increase in the percentage primarily reflected the increase in gross written premiums and policy fees from our insurance businesses with higher cession ratios, such as our engineering insurance business, and a decrease in the proportion of gross written premiums and policy fees from our compulsory auto liability insurance business, which we generally do not cede to reinsurers. This increase in the percentage was partially offset by our discontinuation in 2008 of certain long-term critical illness life insurance products, which had a higher cession ratio.

Premiums ceded to reinsurers increased by 5.8% to RMB6,762 million in 2007 from RMB6,394 million in 2006. Premiums ceded to reinsurers as a percentage of the gross written premiums and policy fees decreased to 15.1% in 2007 from 17.8% in 2006. This decrease was primarily due to the significant increase in gross written premiums and policy fees from our automobile insurance business, which has a lower cession ratio, and the decrease in gross written premiums and policy fees from our hull insurance, engineering insurance and special risk insurance businesses, which generally have higher cession ratios. This decrease also reflected our downward adjustment in the cession ratio of our property and casualty insurance and short-term accident and health insurance contracts in light of the increased underwriting capacity of our insurance businesses in 2007, as well as the decrease in the proportion of gross written premiums and policy fees generated by long-term health insurance contracts, which typically have a higher cession ratio.

Net Written Premiums and Policy Fees. After taking into account premiums ceded to reinsurers, our net written premiums and policy fees increased by 19.1% to RMB45,410 million in 2008 from RMB38,119 million in 2007 and increased by 29.1% to RMB38,119 million in 2007 from RMB29,532 million in 2006.

Net Change in Unearned Premium Reserves. Net change in unearned premium reserves was an increase of RMB1,307 million in 2008 as compared to an increase of RMB1,937 million in 2007. The smaller increase in 2008 was primarily due to the smaller increase in our net written premiums in 2008 compared to 2007.

Net change in unearned premium reserves was an increase of RMB1,937 million in 2007 as compared to an increase of RMB1,618 million in 2006. The larger increase in 2007 was primarily attributable to the increase in net written premiums for our property and casualty insurance business during the period. In particular, driven by the introduction of compulsory auto liability insurance on 1 July 2006, the net written premiums from our automobile insurance business in 2007 increased significantly compared to 2006, resulting in a significant increase in our unearned premium reserves as of 31 December 2007 as most of these automobile insurance products had a term of one year. This increase also reflected the increase in the net written premiums for short-term accident and health insurance contracts from 2006 to 2007 and the lower cession ratio for these contracts in 2007.

Net Premiums Earned and Policy Fees. As a result of the foregoing, our net premiums earned and policy fees increased by 21.9% to RMB44,103 million in 2008 from RMB36,182 million in 2007 and increased by 29.6% to RMB36,182 million in 2007 from RMB27,914 million in 2006.

Investment Income. Our investment income decreased by 70.2% to RMB8,110 million in 2008 from RMB27,230 million in 2007. This decrease was primarily due to significant declines in the PRC stock markets in 2008. Realized and unrealized losses from equity securities and equity investment funds, which amounted to RMB4,623 million in 2008 compared to realized and unrealized gains of RMB15,301 million in 2007, and impairment provisions for equity investments, which amounted to RMB5,143 million in 2008, contributed significantly to our sharply lower investment income in 2008. The decrease in investment income from equity investments in 2008 was partially offset by the 59.7% increase in interest income from fixed-income investments from RMB6,568 million in 2007 to RMB10,490 million in 2008, and the 24.1% increase in dividend income from equity investment funds and equity securities from RMB5,748 million in 2007 to RMB7,132 million in 2008.

Our investment income increased by 185.6% to RMB27,230 million in 2007 from RMB9,534 million in 2006. This significant increase was primarily due to the favorable performance of the PRC stock markets in 2007. Realized gains from equity securities and equity investment funds as well as dividend income from equity investment funds contributed significantly to our higher investment income in 2007, as we benefited from our increased investments in equity securities and the favorable performance of the PRC stock markets in 2007.

For additional information regarding our investment portfolio and investment income, see the section headed "Business — Asset Management and Investment Portfolio — Portfolio Composition".

Other Operating Income. Our other operating income increased by 52.5% to RMB816 million in 2008 from RMB535 million in 2007. This increase was primarily due to the RMB284 million partial reversal of provisions made for disputes arising in our business that were settled at amounts lower than our prior estimates.

Our other operating income increased by 88.4% to RMB535 million in 2007 from RMB284 million in 2006. This increase was primarily due to higher interest income from our cash and cash equivalents in 2007, reflecting our higher daily cash balance during the period, partially offset by the recognition in 2006 of certain fixed asset overage and certain income relating to housing reform funds that did not occur in 2007.

Other Income. As a result of the foregoing, our other income decreased by 67.9% to RMB8,926 million in 2008 from RMB27,765 million in 2007 and increased by 182.8% to RMB27,765 million in 2007 from RMB9,818 million in 2006.

Total Income. As a result of the foregoing, our total income decreased by 17.1% to RMB53,029 million in 2008 from RMB63,947 million in 2007 and increased by 69.5% to RMB63,947 million in 2007 from RMB37,732 million in 2006.

Life Insurance Death and Other Benefits Paid. Our life insurance death and other benefits paid increased by 55.8% to RMB2,838 million in 2008 from RMB1,822 million in 2007. This increase was primarily due to higher death and other benefits paid as a result of the overall growth in our in-force life insurance contracts.

Our life insurance death and other benefits paid increased by 29.5% to RMB1,822 million in 2007 from RMB1,407 million in 2006. This increase was primarily due to the increase in payments made upon the surrender of certain individual life insurance contracts resulting from higher interest rates and favorable equity investment environment, as well as the increase in death and other benefits paid as a result of the increase in the total number of our in-force life insurance contracts, in 2007 compared to 2006. This increase also resulted from, to a lesser extent, the increase in survival benefits paid.

Claims Incurred. Claims incurred increased by 31.9% to RMB13,943 million in 2008 from RMB10,568 million in 2007. This increase reflected the overall growth in our property and casualty insurance business in 2008, as well as claims incurred resulting from the severe winter weather in the PRC in early 2008 and the Sichuan earthquake in May 2008.

Claims incurred increased by 35.5% to RMB10,568 million in 2007 from RMB7,800 million in 2006. This increase reflected the overall growth in our property and casualty insurance business in 2007, as well as the decrease in the cession ratio for our short-term accident and health insurance contracts in our life insurance business.

Changes in Long-Term Traditional Insurance Contract Liabilities. Changes in our long-term traditional insurance contract liabilities were RMB10,093 million in 2008 compared to RMB17,409 million in 2007. This decrease of 42.0% was primarily due to the significantly lower reserves relating to our participating life insurance contracts and universal life insurance contracts in 2008 as a result of lower investment returns in 2008 compared to 2007.

Changes in our long-term traditional insurance contract liabilities were RMB17,409 million in 2007 compared to RMB10,362 million in 2006. This 68.0% increase was primarily due to the increase in the total number of our in-force long-term traditional insurance contracts in 2007 compared to 2006, as well as the significantly increased reserves relating to our participating life insurance contracts and universal life insurance contracts in 2007 as a result of higher investment returns in that year.

Interest Credited to Long-Term Investment Type Insurance Contract Liabilities. Interest credited to long-term investment type insurance contract liabilities increased by 35.2% to RMB4,748 million in 2008 from RMB3,511 million in 2007. This increase was primarily due to higher average account balances of our long-term investment type insurance contracts in 2008 compared to 2007 as a result of additional deposits received in 2008, in line with the overall growth in our life insurance business.

Interest credited to long-term investment type insurance contract liabilities increased by 32.0% to RMB3,511 million in 2007 from RMB2,660 million in 2006. This increase was primarily due to higher average account balances of our long-term investment type insurance contracts in 2007 compared to 2006 as a result of additional deposits received in 2007.

Policyholder Dividends. Policyholder dividends increased by 112.2% to RMB2,595 million in 2008 from RMB1,223 million in 2007. This increase was primarily due to the increase in the total number of our in-force participating life insurance contracts and higher policyholder dividends declared and paid in 2008 as a result of favorable investment returns on our participating life insurance contracts in 2007.

Policyholder dividends increased by 10.7% to RMB1,223 million in 2007 from RMB1,105 million in 2006. This increase was primarily due to higher dividends declared and paid in 2007 as a result of favorable investment returns on our participating life insurance contracts in 2007, as well as the increase in the total number of our in-force participating life insurance contracts.

Finance Costs. Our finance costs decreased by 37.3% to RMB532 million in 2008 from RMB848 million in 2007. This decrease was primarily due to lower interest expense on policyholders' deposits as a result of lower average account balances of deposits received from our policyholders and lower interest expense on securities sold under agreements to repurchase in 2008.

Our finance costs increased by 46.0% to RMB848 million in 2007 from RMB581 million in 2006. This increase was primarily due to higher interest expense on securities sold under agreements to repurchase in 2007 and additional interest expense during the same period on the RMB2 billion aggregate principal amount of subordinated bonds issued by CPIC Life in June 2006, partially offset by the decrease in interest expense on policyholders' deposits as a result of lower account balances of deposits received from our savings-type homeowners insurance products.

Interest Credited to Investment Contracts. Interest credited to investment contracts decreased by 38.2% to RMB102 million in 2008 from RMB165 million in 2007. The decrease was primarily due to lower average account balances of investment contracts in 2008 compared to 2007, as a result of higher maturities and withdrawals of certain group life insurance products in 2008.

Interest credited to investment contracts decreased by 25.3% to RMB165 million in 2007 from RMB221 million in 2006. The decrease was primarily due to lower average account balances of investment contracts in 2007 compared to 2006, as a result of higher maturities and withdrawals of certain group life insurance products in 2007.

Amortization on Deferred Acquisition Costs. Amortization on deferred acquisition costs increased by 9.3% to RMB5,634 million in 2008 from RMB5,155 million in 2007. This increase was primarily due to the overall growth in net premiums earned and policy fees from our property and casualty insurance business in 2008 and, to a lesser extent, the increase in the proportion of net premiums earned and policy fees generated by our agents and other intermediaries in the same period, which typically results in higher acquisition costs and hence higher amortization of deferred acquisition costs, partially offset by the lower amortization of deferred acquisition costs for our life insurance business as a result of our lower investment returns in 2008 compared to 2007. Amortization on deferred acquisition costs decreased as a percentage of the net premiums earned and policy fees for our insurance business to 12.8% in 2008 from 14.2% in 2007.

Amortization on deferred acquisition costs increased by 32.9% to RMB5,155 million in 2007 from RMB3,880 million in 2006. This increase was primarily due to the increase in our net premiums earned and policy fees in 2007. Amortization on deferred acquisition costs increased as a percentage of the net premiums earned and policy fees for our insurance business to 14.2% in 2007 from 13.9% in 2006.

Provision for Insurance Guarantee Fund. Provision for insurance guarantee fund increased by 15.6% to RMB318 million in 2008 from RMB275 million in 2007. This increase primarily reflected the increase in the net written premiums from our insurance products in 2008.

Provision for insurance guarantee fund increased by 30.3% to RMB275 million in 2007 from RMB211 million in 2006. This increase primarily reflected the increase in the net written premiums from our insurance products in 2007.

Change in Deferred Revenue. Our deferred revenue increased significantly by 575.1% to RMB2,903 million in 2008 from RMB430 million in 2007. This increase in 2008 reflected primarily more deferral of policy fees resulting from a higher number of participating bancassurance products sold in 2008, as well as the lower amortization as a result of our lower investment returns in 2008 compared to 2007.

Our deferred revenue experienced an increase of RMB430 million in 2007 compared to a decrease of RMB240 million in 2006. The increase in our deferred revenue in 2007 was primarily due to more deferral of policy fees resulting from a higher number of universal life insurance contracts sold in 2007, partially offset by the increase in the amortization amount in 2007 compared to 2006.

Other Operating and Administrative Expenses. Our other operating and administrative expenses decreased by 7.6% to RMB7,246 million in 2008 from RMB7,845 million in 2007. This decrease was primarily due to our enhanced cost control measures, as well as the decrease in our business tax and other surcharges relating to our life insurance business, in 2008 compared to 2007.

Our other operating and administrative expenses increased by 36.6% to RMB7,845 million in 2007 from RMB5,742 million in 2006. This increase was primarily due to the expansion in our operations, in 2007 compared to 2006.

Total Benefits, Claims and Expenses. As a result of the foregoing, our total benefits, claims and expenses increased by 3.5% to RMB50,952 million in 2008 from RMB49,251 million in 2007 and increased by 46.0% to RMB49,251 million in 2007 from RMB33,729 million in 2006.

Profit Before Tax. As a result of the foregoing and after taking into account our share of profits or losses of our jointly-controlled entity and associates, our profit before tax decreased by 86.3% to RMB2,025 million in 2008 from RMB14,766 million in 2007 and increased by 269.2% to RMB14,766 million in 2007 from RMB4,000 million in 2006.

Income Tax. Our income tax was a negative RMB1,161 million in 2008 compared to RMB2,500 million in 2007. The negative income tax in 2008 principally resulted from the significantly lower profit before tax and the higher tax-exempt income, primarily dividend income from equity investment funds, in 2008.

Our income tax increased by 83.4% to RMB2,500 million in 2007 from RMB1,363 million in 2006. This increase principally resulted from the significantly higher profit before tax. Our effective tax rate was 16.9% in 2007 and 34.1% in 2006. The decline in our effective tax rate from 2006 to 2007 was primarily due to the increase in tax-exempt income in 2007, primarily dividend income from equity investment funds, and the effect on deferred tax due to the change in the enacted enterprise income tax rate from 33% to 25% effective on 1 January 2008.

Net Profit. As a result of the foregoing, our net profit decreased by 74.0% to RMB3,186 million in 2008 from RMB12,266 million in 2007 and increased by 365.1% to RMB12,266 million in 2007 from RMB2,637 million in 2006.

Net Profit Attributable to Equity Holders of the Parent. As a result of the foregoing, and after taking into account minority interests, our net profit attributable to equity holders of the parent decreased by 72.5% to RMB3,086 million in 2008 from RMB11,238 million in 2007 and increased by 456.6% to RMB11,238 million in 2007 from RMB2,019 million in 2006.

Six Months Ended 30 June 2009 and 2008

Gross Written Premiums and Policy Fees. Our gross written premiums and policy fees increased by 21.7% to RMB35,773 million in the six months ended 30 June 2009 from RMB29,393 million in the six months ended 30 June 2008. This increase reflected the increase in gross written premiums and policy fees from our participating life insurance products in connection with our continued efforts to optimize our business mix in life insurance. This increase was also due to increased gross written premiums and policy fees from our automobile insurance business, reflecting the continued growth in private car ownership in the PRC under favorable automobile consumption policies of the PRC government, and increased premium adequacy resulting from improved competitive environment of the PRC automobile insurance market, in the first half of 2009.

Premiums Ceded to Reinsurers. Premiums ceded to reinsurers increased by 18.1% to RMB5,538 million in the six months ended 30 June 2009 from RMB4,690 million in the six months ended 30 June 2008. Premiums ceded to reinsurers decreased as a percentage of the gross written premiums and policy fees to 15.5% in the six months ended 30 June 2009 from 16.0% in the six months ended 30 June 2008. This decrease in the percentage was primarily due to the higher percentage of gross written premiums and policy fees from our compulsory auto liability insurance business, which we generally do not cede to reinsurers.

Net Written Premiums and Policy Fees. After taking into account premiums ceded to reinsurers, our net written premiums and policy fees increased by 22.4% to RMB30,235 million in the six months ended 30 June 2009 from RMB24,703 million in the six months ended 30 June 2008.

Net Change in Unearned Premium Reserves. Net change in unearned premium reserves was an increase of RMB3,259 million in the six months ended 30 June 2009 as compared to an increase of RMB2,386 million in the six months ended 30 June 2008, generally attributable to the overall growth in our property and casualty insurance business during the respective period.

Net Premiums Earned and Policy Fees. As a result of the foregoing, our net premiums earned and policy fees increased by 20.9% to RMB26,976 million in the six months ended 30 June 2009 from RMB22,317 million in the six months ended 30 June 2008.

Investment Income. Our investment income decreased by 38.6% to RMB8,878 million in the six months ended 30 June 2009 from RMB14,452 million in the six months ended 30 June 2008. This decrease was primarily due to the decrease in dividend income from equity investment funds and, to a lesser extent, the decrease in gains realized from the disposition of equity securities, partially offset by a decrease in impairment losses on financial assets and by unrealized gains from equity investment funds in the first half of 2009 compared to the first half of 2008.

Other Operating Income. Our other operating income decreased by 52.0% to RMB165 million in the six months ended 30 June 2009 from RMB344 million in the six months ended 30 June 2008. This decrease was primarily due to higher income in the first half of 2008 derived from the disposition of a non-operating real estate asset.

Other Income. As a result of the foregoing, our other income decreased by 38.9% to RMB9,043 million in the six months ended 30 June 2009 from RMB14,796 million in the six months ended 30 June 2008.

Total Income. As a result of the foregoing, our total income decreased by 2.9% to RMB36,019 million in the six months ended 30 June 2009 from RMB37,113 million in the six months ended 30 June 2008.

Life Insurance Death and Other Benefits Paid. Our life insurance death and other benefits paid decreased by 13.3% to RMB1,850 million in the six months ended 30 June 2009 from RMB2,135 million in the six months ended 30 June 2008. This decrease was primarily due to higher death and other benefits paid in the first half of 2008 partly as a result of the Sichuan earthquake in May 2008.

Claims Incurred. Claims incurred increased by 4.5% to RMB7,361 million in the six months ended 30 June 2009 from RMB7,041 million in the six months ended 30 June 2008. This increase reflected the overall growth in our property and casualty insurance business in the first half of 2009, partially offset by claim payments recovered from reinsurers in the first half of 2009 in connection with our catastrophe excess-of-loss reinsurance arrangements.

Changes in Long-Term Traditional Insurance Contract Liabilities. Changes in long-term traditional insurance contract liabilities were RMB9,512 million in the six months ended 30 June 2009 compared to RMB9,645 million in the six months ended 30 June 2008. This 1.4% decrease primarily reflected the impact of the decrease in investment returns, in the first half of 2009 compared to the first half of 2008, on long-term traditional insurance contract liabilities.

Interest Credited to Long-Term Investment Type Insurance Contract Liabilities. Interest credited to long-term investment type insurance contract liabilities increased by 3.9% to RMB2,413 million in the six months ended 30 June 2009 from RMB2,322 million in the six months ended 30 June 2008. This increase was primarily due to higher average account balances of our long-term investment type insurance contracts in the first half of 2009 compared to the first half of 2008.

Policyholder Dividends. Policyholder dividends decreased by 22.7% to RMB985 million in the six months ended 30 June 2009 from RMB1,274 million in the six months ended 30 June 2008. This decrease primarily reflected our adjustments to dividend distribution levels in the first half of 2009 in light of the market conditions, our investment return and other factors.

Finance Costs. Our finance costs decreased by 63.7% to RMB138 million in the six months ended 30 June 2009 from RMB380 million in the six months ended 30 June 2008. This decrease was primarily due to the decrease in interest expense on policyholders' deposits as a result of lower average account balances of deposits received from our policyholders, as well as the decrease in interest expense on securities sold under agreements to repurchase in the six months ended 30 June 2009, compared to the six months ended 30 June 2008.

Interest Credited to Investment Contracts. Interest credited to investment contracts decreased by 35.6% to RMB38 million in the six months ended 30 June 2009 from RMB59 million in the six months ended 30 June 2008. The decrease was primarily due to the decrease in our in-force investment contracts in the six months ended 30 June 2009 compared to the six months ended 30 June 2008.

Amortization on Deferred Acquisition Costs. Amortization on deferred acquisition costs increased by 50.4% to RMB3,786 million in the six months ended 30 June 2009 from RMB2,517 million in the six months ended 30 June 2008. This increase was primarily due to a higher balance of deferred acquisition costs relating to the overall growth in our life insurance business, resulting in a higher amortization amount, as well as the increase in net premiums earned and policy fees from our property and casualty insurance business in the first half of 2009. This increase also reflected the increase in the proportion of net premiums earned and policy fees generated by our agents and other intermediaries from our property and casualty insurance business in the first half of 2009, which typically results in higher acquisition costs and hence higher amortization of deferred acquisition costs. Amortization on deferred acquisition costs as a percentage of the net premiums earned and policy fees for our insurance business was 14.0% and 11.3%, respectively, in the six months ended 30 June 2009 and the six months ended 30 June 2008.

Provision for Insurance Guarantee Fund. Provision for insurance guarantee fund increased by 21.0% to RMB213 million in the six months ended 30 June 2009 from RMB176 million in the six months ended 30 June 2008. This increase primarily reflected the overall increase in the written premiums from our property and casualty insurance products, as well as the increase in the written premiums from our life insurance products and our short-term accident and health insurance products in the six months ended 30 June 2009 compared to the six months ended 30 June 2008.

Change in Deferred Revenue. Our deferred revenue experienced an increase of RMB987 million in the six months ended 30 June 2009 compared to an increase of RMB1,541 million in the six months ended 30 June 2008. The lower increase in deferred revenue in the six months ended 30 June 2009 primarily reflected the impact of the significant increase in deferred revenue in 2008 relating to the overall growth in our bancassurance business in 2008, which resulted in a higher amortization amount of deferred revenue in the first half of 2009 compared to the first half of 2008.

Other Operating and Administrative Expenses. Our other operating and administrative expenses decreased by 7.1% to RMB3,603 million in the six months ended 30 June 2009 from RMB3,878 million in the six months ended 30 June 2008. This decrease was primarily due to our enhanced cost control measures in the first half of 2009.

Total Benefits, Claims and Expenses. As a result of the foregoing, our total benefits, claims and expenses decreased by 0.3% to RMB30,886 million in the six months ended 30 June 2009 from RMB30,968 million in the six months ended 30 June 2008.

Profit Before Tax. As a result of the foregoing and after taking into account our share of profits or losses of our jointly-controlled entity, our profit before tax decreased by 16.0% to

RMB5,159 million in the six months ended 30 June 2009 from RMB6,143 million in the six months ended 30 June 2008.

Income Tax. Our income tax increased to RMB1,158 million in the six months ended 30 June 2009 from a negative RMB55 million in the six months ended 30 June 2008, primarily due to a higher proportion of tax-exempt income in the six months ended 30 June 2008 compared to the six months ended 30 June 2009.

Net Profit. As a result of the foregoing, our net profit decreased by 35.4% to RMB4,001 million in the six months ended 30 June 2009 from RMB6,198 million in the six months ended 30 June 2008.

Net Profit Attributable to Equity Holders of the Parent. As a result of the foregoing, and after taking into account minority interests, our net profit attributable to equity holders of the parent decreased by 35.3% to RMB3,937 million in the six months ended 30 June 2009 from RMB6,082 million in the six months ended 30 June 2008.

SEGMENTAL OPERATING RESULTS

We have two principal business segments for financial reporting purposes: our life insurance business and our property and casualty insurance business. See note 4 to the Accountants' Report set forth in Appendix I for a discussion of our segment information.

Life Insurance

The following table sets forth selected income statement data for our life insurance business for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
	(in millions of RMB, except per share data)				
Income Statement Data					
Gross written premiums and policy fees	17,729	21,332	25,921	13,603	17,091
Less: premiums ceded to reinsurers	(2,137)	(1,747)	(2,024)	(920)	(1,369)
Net written premiums and policy fees	15,592	19,585	23,897	12,683	15,722
Net change in unearned premium reserves	(52)	(300)	(63)	(88)	(207)
Net premiums earned and policy fees	15,540	19,285	23,834	12,595	15,515
Investment income	8,320	22,881	9,587	12,630	7,889
Other operating income	116	299	422	65	83
Other income	8,436	23,180	10,009	12,695	7,972
Segment income	23,976	42,465	33,843	25,290	23,487
Net policyholders' benefits and claims					
Life insurance death and other benefits paid	(1,407)	(1,822)	(2,838)	(2,135)	(1,850)
Claims incurred	(326)	(463)	(629)	(279)	(147)
Changes in long-term traditional insurance contract liabilities	(10,362)	(17,409)	(10,093)	(9,645)	(9,512)
Interest credited to long-term investment type insurance contract liabilities	(2,660)	(3,511)	(4,748)	(2,322)	(2,413)
Policyholder dividends	(1,105)	(1,223)	(2,595)	(1,274)	(985)
Finance costs	(209)	(452)	(317)	(219)	(135)
Interest credited to investment contracts	(221)	(165)	(102)	(59)	(38)
Amortization on deferred acquisition costs	(2,623)	(3,008)	(2,545)	(1,167)	(1,889)
Provision for insurance guarantee fund	(73)	(97)	(104)	(56)	(64)

	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
	(in millions of RMB, except per share data)				
Change in deferred revenue	240	(430)	(2,903)	(1,541)	(987)
Other operating and administrative expenses	(1,973)	(3,165)	(2,901)	(1,733)	(1,575)
Segment benefits, claims and expenses	(20,719)	(31,745)	(29,775)	(20,430)	(19,595)
Segment results	3,257	10,720	4,068	4,860	3,892
Profit before tax	3,257	10,720	4,068	4,860	3,892
Income tax	(1,058)	(1,430)	345	98	(872)
Net profit	2,199	9,290	4,413	4,958	3,020

Years Ended 31 December 2008, 2007 and 2006

Gross Written Premiums and Policy Fees. Gross written premiums and policy fees for our life insurance business increased by 21.5% to RMB25,921 million in 2008 from RMB21,332 million in 2007. This increase was primarily due to the increase in our gross written premiums attributable to our promotion of participating individual life insurance products in connection with our continued efforts to optimize our business mix and, to a lesser extent, the increase in policy fees from participating bancassurance products. This increase was also due to the continued increase in renewal premiums from our traditional individual life insurance products. Gross written premiums and policy fees from our individual life insurance, bancassurance and group life insurance businesses all increased in 2008.

Gross written premiums and policy fees for our life insurance business increased by 20.3% to RMB21,332 million in 2007 from RMB17,729 million in 2006. The growth in gross written premiums and policy fees for our life insurance business in 2007 was primarily due to the increase in gross written premiums and policy fees attributable to our development and promotion of life insurance products with investment features, in response to the favorable equity investment environment in the PRC during the year, and the increase in policy fees from our universal life insurance products, as well as the continued increase in renewal premiums from our individual life insurance business. Gross written premiums and policy fees from our individual life insurance, bancassurance and group life insurance businesses all increased in 2007.

Individual Life Insurance. Gross written premiums and policy fees attributable to our individual life insurance business increased by 18.4% to RMB20,543 million in 2008 from RMB17,353 million in 2007. This increase was primarily due to increased premiums from participating individual life insurance products, in particular an RMB1,494 million increase in first-year regular premiums to RMB3,268 million in 2008 from RMB1,774 million in 2007 and an RMB1,520 million increase in renewal premiums to RMB 3,193 million in 2008 from RMB1,673 million in 2007, resulting from our promotion of participating life insurance products in connection with our continued efforts to optimize our business mix. This increase was partially offset by decreases in first-year regular premiums from traditional individual life insurance products and in policy fees from universal individual life insurance products.

Gross written premiums and policy fees attributable to our individual life insurance business increased by 20.8% to RMB17,353 million in 2007 from RMB14,366 million in 2006. This increase was primarily due to increased premiums from participating individual life insurance products, in particular an RMB1,725 million increase in first-year regular premiums to RMB1,774 million in 2007 from RMB49 million in 2006, resulting from our promotion of a new participating life insurance product in response to the favorable equity investment environment in the PRC in 2007. This increase was also due to an increase in renewal premiums from our traditional individual life insurance business and an increase in policy fees from our universal life insurance business.

Bancassurance. Gross written premiums and policy fees attributable to our bancassurance business increased significantly by 74.3% to RMB2,937 million in 2008 from RMB1,685 million in 2007. This increase was primarily due to an RMB1,668 million increase in policy fees from our participating bancassurance products to RMB2,014 million in 2008 from RMB346 million in 2007, partially offset by a 39.0% decrease in policy fees from our universal bancassurance products to RMB685 million in 2008 from RMB1,123 million in 2007, as a result of our promotion of participating bancassurance products, as opposed to universal bancassurance products, in connection with our continued efforts to optimize our business mix.

Gross written premiums and policy fees attributable to our bancassurance business increased by 33.2% to RMB1,685 million in 2007 from RMB1,265 million in 2006. This increase was primarily due to an RMB1,016 million increase in policy fees from our universal bancassurance products to RMB1,123 million in 2007 from RMB107 million in 2006, partially offset by a 64.9% decrease in policy fees from our participating bancassurance products to RMB346 million in 2007 from RMB985 million in 2006. The increase in policy fees from our universal bancassurance products and the decrease in policy fees from our participating bancassurance products in 2007 primarily resulted from our universal bancassurance products launched in 2007 that are more attractive to our customers compared to certain of our participating bancassurance products.

Group Life Insurance. Gross written premiums and policy fees attributable to our group life insurance business increased by 6.4% to RMB2,441 million in 2008 from RMB2,294 million in 2007. This increase was primarily due to increased premiums from our short-term accident and health insurance products to RMB2,105 million in 2008 from RMB1,898 million in 2007, partially offset by decreased gross written premiums and policy fees from our traditional life insurance products.

Gross written premiums and policy fees attributable to our group life insurance business increased by 9.3% to RMB2,294 million in 2007 from RMB2,098 million in 2006. This increase was primarily due to an increase in premiums from our short-term accident and health insurance products to RMB1,898 million in 2007 from RMB1,717 million in 2006 and a 41.8% increase in policy fees from our participating life insurance products to RMB190 million in 2007 from RMB134 million in 2006.

Premiums Ceded to Reinsurers. Premiums ceded to reinsurers for our life insurance business increased by 15.9% to RMB 2,024 million in 2008 from RMB1,747 million in 2007. Premiums ceded to reinsurers as a percentage of the gross written premiums and policy fees for our life insurance business decreased to 7.8% in 2008 from 8.2% in 2007. This decrease in the percentage was primarily due to our discontinuation in 2008 of certain long-term critical illness life insurance products, which had a higher cession ratio.

Premiums ceded to reinsurers for our life insurance business decreased by 18.2% to RMB1,747 million in 2007 from RMB2,137 million in 2006. Premiums ceded to reinsurers as a percentage of the gross written premiums and policy fees for our life insurance business decreased to 8.2% in 2007 from 12.1% in 2006. This decrease was primarily due to our downward adjustment in the cession ratio for our short-term accident and health insurance contracts in light of the increased underwriting capacity of our life insurance business in 2007, as well as the decrease in the proportion of gross written premiums and policy fees generated by long-term health insurance contracts, which typically had a higher cession ratio, partially offset by the increase in the gross written premiums and policy fees generated from some long-term critical illness life insurance products, which typically had a higher cession ratio.

Net Written Premiums and Policy Fees. After taking into account premiums ceded to reinsurers, net written premiums and policy fees for our life insurance business increased by 22.0% to RMB23,897 million in 2008 from RMB19,585 million in 2007 and increased by 25.6% to RMB19,585 million in 2007 from RMB15,592 million in 2006.

Net Change in Unearned Premium Reserves. Net change in unearned premium reserves for our life insurance business was an increase of RMB63 million in 2008 as compared to an increase of RMB300 million in 2007. The smaller increase was primarily due to the modest overall increase in our gross written premiums from short-term accident and health insurance business.

Net change in unearned premium reserves for our life insurance business was an increase of RMB300 million in 2007 as compared to an increase of RMB52 million in 2006. The larger increase was primarily due to the increase in the gross written premiums for short-term accident and health insurance contracts from 2006 to 2007 and the lower cession ratio for these contracts during the same period.

Net Premiums Earned and Policy Fees. As a result of the foregoing, net premiums earned and policy fees for our life insurance business increased by 23.6% to RMB23,834 million in 2008 from RMB19,285 million in 2007 and increased by 24.1% to RMB19,285 million in 2007 from RMB15,540 million in 2006.

Investment Income. Investment income for our life insurance business decreased by 58.1% to RMB9,587 million in 2008 from RMB22,881 million in 2007. This significant decrease was primarily due to realized and unrealized losses from equity investment funds, the decrease in realized gains from equity securities and, to a lesser extent, impairment losses on financial assets, largely as a result of the significant declines in the PRC stock markets in 2008, partially offset by the increase in interest income from fixed-income investments and dividend income from equity investment funds in 2008.

Investment income for our life insurance business increased by 175.0% to RMB22,881 million in 2007 from RMB8,320 million in 2006. This significant increase was primarily due to the favorable performance of the PRC stock markets in 2007. Realized gains from equity securities and equity investment funds as well as dividend income from equity investment funds contributed significantly to our higher investment income in 2007, as we benefited from our increased investments in equity securities and the favorable performance of the PRC stock markets in 2007.

Other Operating Income. Other operating income for our life insurance business increased by 41.1% to RMB422 million in 2008 from RMB299 million in 2007. This increase was primarily due to the RMB284 million partial reversal of provisions made for disputes arising in our business that were settled at amounts lower than our prior estimates, partially offset by a decrease in interest income from our cash and cash equivalents in 2008.

Other operating income for our life insurance business increased by 157.8% to RMB299 million in 2007 from RMB116 million in 2006. This increase was primarily due to higher interest income from our cash and cash equivalents in 2007, reflecting our higher daily cash balance during the period, and the partial reversal of provisions made in relation to certain litigation matters that have since been resolved.

Other Income. As a result of the foregoing, other income for our life insurance business decreased by 56.8% to RMB10,009 million in 2008 from RMB23,180 million in 2007 and increased by 174.8% to RMB23,180 million in 2007 from RMB8,436 million in 2006.

Segment Income. As a result of the foregoing, segment income for our life insurance business decreased by 20.3% to RMB33,843 million in 2008 from RMB42,465 million in 2007 and increased by 77.1% to RMB42,465 million in 2007 from RMB23,976 million in 2006.

Life Insurance Death and Other Benefits Paid. Life insurance death and other benefits paid for our life insurance business increased by 55.8% to RMB2,838 million in 2008 from RMB1,822 million in 2007. This increase was primarily due to higher death and other benefits paid as a result of the overall growth in our in-force life insurance contracts.

Life insurance death and other benefits paid for our life insurance business increased by 29.5% to RMB1,822 million in 2007 from RMB1,407 million in 2006. This increase was primarily due to the increase in payments made upon the surrender of certain individual life insurance contracts resulting from higher interest rates and favorable equity investment environment, as well as the increase in death and other benefits paid as a result of the increase in the total number of our in-force life insurance contracts, in 2007 compared to 2006. This increase was also due to, to a lesser extent, the increase in survival benefits paid.

Claims Incurred. Claims incurred for our life insurance business increased by 35.9% to RMB629 million in 2008 from RMB463 million in 2007. This increase was primarily due to the higher claims incurred in 2008 as a result of our downward adjustment in 2007 in the cession ratio of our short-term accident and health insurance contracts, as well as the increase in the gross written premiums generated by our short-term accident and health insurance business in 2008 compared to 2007.

Claims incurred for our life insurance business increased by 42.0% to RMB463 million in 2007 from RMB326 million in 2006. This increase was primarily due to the decrease in the cession ratio of our short-term accident and health insurance contracts, and, to a lesser extent, the increase in the gross written premiums generated by our short-term accident and health insurance business in 2007 compared to 2006.

Changes in Long-Term Traditional Insurance Contract Liabilities. Changes in long-term traditional insurance contract liabilities for our life insurance business were RMB10,093 million in 2008 compared to RMB17,409 million in 2007. This decrease of 42.0% was primarily due to the significantly lower reserves relating to our participating life insurance contracts and universal life insurance contracts in 2008 as a result of lower investment returns in 2008 compared to 2007.

Changes in long-term traditional insurance contract liabilities for our life insurance business were RMB17,409 million in 2007 compared to RMB10,362 million in 2006. This 68.0% increase was primarily due to the increase in the total number of our in-force long-term traditional insurance contracts in 2007 compared to 2006, as well as the significantly increased reserves relating to our participating life insurance contracts and universal life insurance contracts in 2007 as a result of higher investment returns in that year.

Interest Credited to Long-Term Investment Type Insurance Contract Liabilities. Interest credited to long-term investment type insurance contract liabilities for our life insurance business increased by 35.2% to RMB4,748 million in 2008 from RMB3,511 million in 2007. This increase was primarily due to higher average account balances of our long-term investment type insurance contracts in 2008 compared to 2007 as a result of additional deposits received in 2008, in line with the overall growth in our life insurance business.

Interest credited to long-term investment type insurance contract liabilities for our life insurance business increased by 32.0% to RMB3,511 million in 2007 from RMB2,660 million in 2006. This increase was primarily due to higher average account balances of our long-term investment type insurance contracts in 2007 compared to 2006 as a result of additional deposits received in 2007.

Policyholder Dividends. Policyholder dividends for our life insurance business increased by 112.2% to RMB2,595 million in 2008 from RMB1,223 million in 2007. This increase was primarily due to the increase in the total number of our in-force participating life insurance contracts and higher policyholder dividends declared and paid in 2008 as a result of favorable investment returns on our participating life insurance contracts in 2007.

Policyholder dividends for our life insurance business increased by 10.7% to RMB1,223 million in 2007 from RMB1,105 million in 2006. This increase was primarily due to higher dividends declared and paid in 2007 as a result of favorable investment returns on our participating life insurance contracts in 2007, as well as the increase in the total number of our in-force participating life insurance contracts.

Finance Costs. Finance costs for our life insurance business decreased by 29.9% to RMB317 million in 2008 from RMB452 million in 2007. This decrease was primarily due to lower interest expense on securities sold under agreements to repurchase in 2008, partially offset by higher interest expense on policyholders' deposits in 2008.

Finance costs for our life insurance business increased by 116.3% to RMB452 million in 2007 from RMB209 million in 2006. This increase was primarily due to higher interest expense on securities sold under agreements to repurchase in 2007 and additional interest expense in 2007 on the RMB2 billion aggregate principal amount of subordinated bonds issued by CPIC Life in June 2006.

Interest Credited to Investment Contracts. Interest credited to investment contracts decreased by 38.2% to RMB102 million in 2008 from RMB165 million in 2007. The decrease was primarily due to lower average account balances of investment contracts in 2008 compared to 2007, as a result of higher maturities and withdrawals of certain group life insurance products in 2008.

Interest credited to investment contracts decreased by 25.3% to RMB165 million in 2007 from RMB221 million in 2006. The decrease was primarily due to lower average account balances of investment contracts in 2007 compared to 2006, as a result of higher maturities and withdrawals of certain group life insurance products in 2007.

Amortization on Deferred Acquisition Costs. Amortization on deferred acquisition costs for our life insurance business decreased by 15.4% to RMB2,545 million in 2008 from RMB3,008 million in 2007. This decrease was primarily due to the lower amortization as a result of our lower investment returns in 2008 compared to 2007, partially offset by the overall growth in our life insurance business in 2008.

Amortization on deferred acquisition costs for our life insurance business increased by 14.7% to RMB3,008 million in 2007 from RMB2,623 million in 2006. This increase was primarily due to the overall growth in our life insurance business and the higher amortization as a result of our higher investment returns in 2007 compared to 2006.

Provision for Insurance Guarantee Fund. Provision for insurance guarantee fund for our life insurance business increased by 7.2% to RMB104 million in 2008 from RMB97 million in 2007. This increase primarily reflected the increase in the net written premiums from our life insurance products and our short-term accident and health insurance products in 2008.

Provision for insurance guarantee fund for our life insurance business increased by 32.9% to RMB97 million in 2007 from RMB73 million in 2006. This increase primarily reflected the increase in the net written premiums from our life insurance products and our short-term accident and health insurance products in 2007.

Change in Deferred Revenue. Deferred revenue for our life insurance business increased significantly by 575.1% to RMB2,903 million in 2008 from RMB430 million in 2007. This increase in 2008 reflected primarily more deferral of policy fees resulting from a higher number of participating bancassurance products sold in 2008, as well as the lower amortization as a result of our lower investment returns in 2008 compared to 2007.

Deferred revenue for our life insurance business experienced an increase of RMB430 million in 2007 compared to a decrease of RMB240 million in 2006. The increase in our deferred revenue in 2007 was primarily due to more deferral of policy fees resulting from a higher number of universal life insurance contracts sold in 2007 partially offset by the increase in the amortization amount in 2007 compared to 2006.

Other Operating and Administrative Expenses. Other operating and administrative expenses for our life insurance business decreased by 8.3% to RMB2,901 million in 2008 from RMB3,165 million in 2007. This decrease was primarily due to the decrease in our business tax and other surcharges relating to our investment income, partially offset by an increase in our employee benefits expenses, in 2008 compared to 2007.

Other operating and administrative expenses for our life insurance business increased by 60.4% to RMB3,165 million in 2007 from RMB1,973 million in 2006. This increase was primarily due to higher employee benefits expenses and business tax and other surcharges, as a result of the expansion in our operations, in 2007 compared to 2006.

Segment Benefits, Claims and Expenses. As a result of the foregoing, segment benefits, claims and expenses for our life insurance business decreased by 6.2% to RMB29,775 million in 2008 from RMB31,745 million in 2007 and increased by 53.2% to RMB31,745 million in 2007 from RMB20,719 million in 2006.

Profit Before Tax. As a result of the foregoing, profit before tax for our life insurance business decreased by 62.1% to RMB4,068 million in 2008 from RMB10,720 million in 2007 and increased by 229.1% to RMB10,720 million in 2007 from RMB3,257 million in 2006.

Income Tax. Income tax for our life insurance business was a negative RMB345 million in 2008 compared to RMB1,430 million in 2007. The negative income tax principally resulted from the lower profit before tax for our life insurance business in 2008 compared to 2007 and the increase in tax-exempt income, primarily dividend income from equity investment funds in 2008.

Income tax for our life insurance business increased by 35.2% to RMB1,430 million in 2007 from RMB1,058 million in 2006. This increase principally resulted from the higher profit before tax for our life insurance business in 2007 compared to 2006. The effective tax rate for our life insurance business was 13.3% in 2007 and 32.5% in 2006. The decrease in the effective tax rate for our life insurance business from 2006 to 2007 was primarily due to the increase in tax-exempt income, primarily dividend income from equity investment funds, and the effect on deferred tax due to the change in the enacted enterprise income tax rate from 33% to 25% effective on 1 January 2008.

Net Profit. As a result of the foregoing, net profit for our life insurance business decreased by 52.5% to RMB4,413 million in 2008 from RMB9,290 million in 2007 and increased by 322.5% to RMB9,290 million in 2007 from RMB2,199 million in 2006.

Six Months Ended 30 June 2009 and 2008

Gross Written Premiums and Policy Fees. Gross written premiums and policy fees for our life insurance business increased by 25.6% to RMB17,091 million in the six months ended 30 June 2009 from RMB13,603 million in the six months ended 30 June 2008. This increase was primarily due to the increase in our gross written premiums from our participating individual life insurance products in connection with our continued efforts to optimize our business mix and the increase in policy fees from participating bancassurance products. Gross written premiums and policy fees from our individual life insurance, bancassurance and group life insurance businesses all increased in the six months ended 30 June 2009 compared to the same period in 2008.

Individual Life Insurance. Gross written premiums and policy fees attributable to our individual life insurance business increased by 24.5% to RMB13,559 million in the six months ended 30 June 2009 from RMB10,893 million in the six months ended 30 June 2008. This increase was primarily due to increased premiums from participating individual life insurance products, in particular an RMB1,444 million increase in first-year regular premiums to RMB3,131 million in the first half of 2009 from RMB1,687 million in the first half of 2008 and an RMB1,441 million increase in renewal premiums to RMB3,511 million in the first half of 2009 from RMB2,070 million in the first half of 2008, as we enhanced our sales efforts to promote participating life insurance products in continuing to optimize our business mix. This increase was partially offset by a decrease in first-year regular premiums from traditional individual life insurance products.

Bancassurance. Gross written premiums and policy fees attributable to our bancassurance business increased by 47.6% to RMB2,091 million in the six months ended 30 June 2009 from RMB1,417 million in the six months ended 30 June 2008. This increase was primarily due to an RMB1,118 million increase in first-year policy fees from our participating bancassurance products to RMB1,805 million in the first half of 2009 from RMB687 million in the first half of 2008, partially offset by an 82.3% decrease in policy fees from our universal bancassurance products to RMB103 million in the first half of 2009 from RMB581 million in the first half of 2008, as a result of our promotion of participating bancassurance products, as opposed to universal bancassurance products, in connection with our continued efforts to optimize our business mix.

Group Life Insurance. Gross written premiums and policy fees attributable to our group life insurance business increased by 11.4% to RMB1,441 million in the six months ended 30 June 2009 from RMB1,293 million in the six months ended 30 June 2008. This increase was primarily due to increased gross written premiums from our short-term accident and health insurance products to RMB1,305 million in the first half of 2009 from RMB1,087 million in the first half of 2008, partially offset by a decrease in policy fees from our participating group life insurance products.

Premiums Ceded to Reinsurers. Premiums ceded to reinsurers for our life insurance business increased by 48.8% to RMB1,369 million in the six months ended 30 June 2009 from RMB920 million in the six months ended 30 June 2008. Premiums ceded to reinsurers as a percentage of gross written premiums and policy fees for our life insurance business increased to 8.0% in the six months ended 30 June 2009 from 6.8% in the six months ended 30 June 2008. This increase in the percentage was primarily due to the increase in our gross written premiums from some of our participating life insurance products that have higher cession ratios.

Net Written Premiums and Policy Fees. After taking into account premiums ceded to reinsurers, net written premiums and policy fees for our life insurance business increased by 24.0% to RMB15,722 million in the six months ended 30 June 2009 from RMB12,683 million in the six months ended 30 June 2008.

Net Change in Unearned Premium Reserves. Net change in unearned premium reserves for our life insurance business was an increase of RMB207 million in the six months ended 30 June 2009 as compared to an increase of RMB88 million in the six months ended 30 June 2008. The increase in the six months ended 30 June 2009 was primarily due to the overall increase in the gross written premiums from our short-term accident and health insurance business and the lowered cession ratio for our short-term accident and health insurance products in the first six months of 2009 compared to the first six months of 2008.

Net Premiums Earned and Policy Fees. As a result of the foregoing, net premiums earned and policy fees for our life insurance business increased by 23.2% to RMB15,515 million in the six months ended 30 June 2009 from RMB12,595 million in the six months ended 30 June 2008.

Investment Income. Investment income for our life insurance business decreased by 37.5% to RMB7,889 million in the six months ended 30 June 2009 from RMB12,630 million in the six months ended 30 June 2008. This decrease was primarily due to the decrease in dividend income from equity investment funds and, to a lesser extent, the decrease in gains realized from the disposition of equity securities and equity investment funds, partially offset by an increase in interest income from fixed-income securities and a decrease in impairment losses on financial assets in the first half of 2009 compared to the first half of 2008.

Other Operating Income. Other operating income for our life insurance business increased by 27.7% to RMB83 million in the six months ended 30 June 2009 from RMB65 million in the six months ended 30 June 2008. This increase primarily resulted from the increase in interest income from our cash and cash equivalents in the first half of 2009 compared to the first half of 2008.

Other Income. As a result of the foregoing, other income for our life insurance business decreased by 37.2% to RMB7,972 million in the six months ended 30 June 2009 from RMB12,695 million in the six months ended 30 June 2008.

Segment Income. As a result of the foregoing, segment income for our life insurance business decreased by 7.1% to RMB23,487 million in the six months ended 30 June 2009 from RMB25,290 million in the six months ended 30 June 2008.

Life Insurance Death and Other Benefits Paid. Life insurance death and other benefits paid for our life insurance business decreased by 13.3% to RMB1,850 million in the six months ended 30 June 2009 from RMB2,135 million in the six months ended 30 June 2008. This decrease was primarily due to higher death and other benefits paid in the first half of 2008 partly as a result of the Sichuan earthquake in May 2008.

Claims Incurred. Claims incurred for our life insurance business decreased by 47.3% to RMB147 million in the six months ended 30 June 2009 from RMB279 million in the six months ended 30 June 2008, primarily due to claim payments recovered from reinsurers in the first half of 2009 in connection with our catastrophe excess-of-loss reinsurance arrangements.

Changes in Long-Term Traditional Insurance Contract Liabilities. Changes in long-term traditional insurance contract liabilities for our life insurance business were RMB9,512 million in the six months ended 30 June 2009 compared to RMB9,645 million in the six months ended 30 June 2008. This 1.4% decrease primarily reflected the impact of the decrease in investment returns, in the first half of 2009 compared to the first half of 2008, on long-term traditional insurance contract liabilities.

Interest Credited to Long-Term Investment Type Insurance Contract Liabilities. Interest credited to long-term investment type insurance contract liabilities for our life insurance business increased by 3.9% to RMB2,413 million in the six months ended 30 June 2009 from RMB2,322 million in the six months ended 30 June 2008. This increase was primarily due to higher average account balances of our long-term investment type insurance contracts in the first half of 2009 compared to the first half of 2008.

Policyholder Dividends. Policyholder dividends for our life insurance business decreased by 22.7% to RMB985 million in the six months ended 30 June 2009 from RMB1,274 million in the six months ended 30 June 2008. This decrease primarily reflected the impact of the decrease in our investment returns, in the first half of 2009 compared to the first half of 2008, on policyholder dividends declared and paid.

Finance Costs. Finance costs for our life insurance business decreased by 38.4% to RMB135 million in the six months ended 30 June 2009 from RMB219 million in the six months ended 30 June 2008. This decrease was primarily due to the decrease in interest expense on securities sold under agreements to repurchase in the first half of 2009 compared to the first half of 2008.

Interest Credited to Investment Contracts. Interest credited to investment contracts decreased by 35.6% to RMB38 million in the six months ended 30 June 2009 from RMB59 million in the six months ended 30 June 2008. The decrease was primarily due to the decrease in our in-force investment contracts in the six months ended 30 June 2009 compared to the six months ended 30 June 2008.

Amortization on Deferred Acquisition Costs. Amortization on deferred acquisition costs for our life insurance business increased by 61.9% to RMB1,889 million in the six months ended 30 June 2009 from RMB1,167 million in the six months ended 30 June 2008. This increase was primarily due to a higher balance of deferred acquisition costs relating to the overall growth in our life insurance business, resulting in a higher amortization amount in the first half of 2009 compared to the first half of 2008.

Provision for Insurance Guarantee Fund. Provision for insurance guarantee fund for our life insurance business increased by 14.3% to RMB64 million in the six months ended 30 June 2009 from RMB56 million in the six months ended 30 June 2008. This increase was primarily due to the increase in the written premiums from our life insurance products and our short-term accident and health insurance products in the six months ended 30 June 2009.

Change in Deferred Revenue. Deferred revenue for our life insurance business experienced an increase of RMB987 million in the six months ended 30 June 2009 compared to an increase of RMB1,541 million in the six months ended 30 June 2008. The lower increase in deferred revenue in the six months ended 30 June 2009 primarily reflected the impact of the significant increase in deferred revenue in 2008 relating to the overall growth in our bancassurance business in 2008, which resulted in a higher amortization amount of deferred revenue in the first half of 2009 compared to the first half of 2008.

Other Operating and Administrative Expenses. Other operating and administrative expenses for our life insurance business decreased by 9.1% to RMB1,575 million in the six months ended 30 June 2009 from RMB1,733 million in the six months ended 30 June 2008. This decrease was primarily due to the higher business tax and other surcharges relating to our investment income in the first half of 2008.

Segment Benefits, Claims and Expenses. As a result of the foregoing, segment benefits, claims and expenses for our life insurance business decreased by 4.1% to RMB19,595 million in the six months ended 30 June 2009 from RMB20,430 million in the six months ended 30 June 2008.

Profit Before Tax. As a result of the foregoing, profit before tax for our life insurance business decreased by 19.9% to RMB3,892 million in the six months ended 30 June 2009 from RMB4,860 million in the six months ended 30 June 2008.

Income Tax. Income tax for our life insurance business increased to RMB872 million in the six months ended 30 June 2009 from a negative RMB98 million in the six months ended 30 June 2008, primarily due to the significant decrease in our tax-exempt income in the six months ended 30 June 2009 compared to the six months ended 30 June 2008.

Net Profit. As a result of the foregoing, net profit for our life insurance business decreased by 39.1% to RMB3,020 million in the six months ended 30 June 2009 from RMB4,958 million in the six months ended 30 June 2008.

Property and Casualty Insurance

As substantially all of our property and casualty insurance business consists of that of CPIC Property, we focus the following discussion of the segment operating results of our property and casualty insurance business on those of CPIC Property for the periods indicated.

The following table sets forth selected income statement data for CPIC Property for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
	(in millions of RMB, except per share data)				
Income Statement Data					
Gross written premiums and policy fees	18,144	23,474	27,875	15,764	18,656
Less: premiums ceded to reinsurers	(4,322)	(5,097)	(6,505)	(3,821)	(4,230)
Net written premiums and policy fees	13,822	18,377	21,370	11,943	14,426
Net change in unearned premium reserves	(1,568)	(1,624)	(1,238)	(2,291)	(3,044)
Net premiums earned and policy fees	12,254	16,753	20,132	9,652	11,382
Investment income	1,112	3,782	1,179	1,225	566
Other operating income	68	50	83	34	49
Other income	1,180	3,832	1,262	1,259	615
Segment income	13,434	20,585	21,394	10,911	11,997
Net policyholders' benefits and claims					
Life insurance death and other benefits paid	—	—	—	—	—
Claims incurred	(7,395)	(10,007)	(13,208)	(6,708)	(7,166)
Changes in long-term traditional insurance contract liabilities	—	—	—	—	—
Interest credited to long-term investment type insurance contract liabilities	—	—	—	—	—
Policyholder dividends	—	—	—	—	—
Finance costs	(368)	(393)	(178)	(126)	(3)
Interest credited to investment contracts	—	—	—	—	—
Amortization on deferred acquisition costs	(1,257)	(2,147)	(3,089)	(1,350)	(1,897)
Provision for insurance guarantee fund	(138)	(178)	(214)	(120)	(149)
Change in deferred income	—	—	—	—	—
Other operating and administrative expenses	(3,324)	(4,179)	(3,955)	(2,028)	(1,887)
Segment benefits, claims and expenses	(12,482)	(16,904)	(20,644)	(10,332)	(11,102)
Segment results	952	3,681	750	579	895
Profit before tax	952	3,681	750	579	895
Income tax	(261)	(1,031)	(27)	(48)	(208)
Net profit	691	2,650	723	531	687

Years Ended 31 December 2008, 2007 and 2006

Gross Written Premiums and Policy Fees. Gross written premiums and policy fees for our property and casualty insurance business increased by 18.7% to RMB27,875 million in 2008 from RMB23,474 million in 2007. This increase was primarily due to the significant increase in gross written premiums from our automobile insurance business in 2008, as well as higher gross written premiums from our engineering insurance, commercial property insurance and short-term accident and health insurance businesses. Gross written premiums and policy fees from our homeowners insurance business decreased in 2008 compared to 2007.

Gross written premiums and policy fees for our property and casualty insurance business increased by 29.4% to RMB23,474 million in 2007 from RMB18,144 million in 2006. This increase was primarily due to the significant growth in our automobile insurance business, in particular our compulsory auto liability insurance business, in 2007 compared to 2006. Gross written premiums and policy fees from our engineering insurance, special risk insurance, hull insurance and homeowners insurance businesses decreased in 2007 compared to 2006.

Automobile Insurance. Gross written premiums and policy fees attributable to our automobile insurance products increased by 19.5% to RMB19,681 million in 2008 from RMB16,475 million in 2007. This increase was primarily due to the significant contribution from our commercial automobile insurance business and, to a lesser extent, our compulsory auto liability insurance business, largely due to the continued growth in private car ownership in the PRC. This increase also reflected our efforts to promote automobile insurance products in response to improved competitive environment of the PRC automobile insurance market, in part due to strengthened CIRC regulations, in the second half of 2008. Gross written premiums and policy fees attributable to our automobile insurance products accounted for 70.6% and 70.2% of the gross written premiums and policy fees for our property and casualty insurance business in 2008 and 2007, respectively.

Gross written premiums and policy fees attributable to our automobile insurance products increased by 42.4% to RMB16,475 million in 2007 from RMB11,571 million in 2006. This increase was primarily due to the significant contribution from our compulsory auto liability insurance business, which we started to offer on 1 July 2006, and, to a lesser extent, our commercial automobile insurance business, largely due to the continued growth in private car ownership in the PRC. Gross written premiums and policy fees attributable to our automobile insurance products accounted for 70.2% and 63.8% of the gross written premiums and policy fees for our property and casualty insurance business in 2007 and 2006, respectively.

Commercial Property and Engineering Insurance. Gross written premiums and policy fees attributable to our commercial property and engineering insurance products increased by 17.4% to RMB4,365 million in 2008 from RMB3,719 million in 2007. This increase was primarily due to the significant increase in gross written premiums and policy fees from our engineering insurance business. Our commercial property insurance business grew at a more modest rate in 2008, compared to 2007, due to our more stringent risk selection policy in underwriting in light of the decrease in premium rates and profitability partly as a result of intensified market competition. Gross written premiums and policy fees attributable to our commercial property and engineering insurance products accounted for 15.7% and 15.8% of the gross written premiums and policy fees for our property and casualty insurance business in 2008 and 2007, respectively.

Gross written premiums and policy fees attributable to our commercial property and engineering insurance products increased by 6.8% to RMB3,719 million in 2007 from RMB3,481 million in 2006. This increase was primarily due to the increase in gross written premiums and policy fees from our commercial property insurance business, largely offset by the decrease in gross written premiums and policy fees from our engineering insurance and special risk insurance businesses, reflecting the fluctuating nature of engineering insurance business and special risk insurance business. Gross written premiums and policy fees attributable to our commercial property and engineering insurance products accounted for 15.8% and 19.2% of the gross written premiums and policy fees for our property and casualty insurance business in 2007 and 2006, respectively.

Short-Term Accident and Health Insurance. Gross written premiums and policy fees attributable to our short-term accident and health insurance products increased by 23.2% to RMB1,338 million in 2008 from RMB1,086 million in 2007. This increase was primarily attributable to our enhanced efforts to promote our short-term accident and health insurance products with better profitability, in particular our enhanced sales efforts targeting existing customers and distribution channels. Gross written premiums and policy fees attributable to our short-term accident and health insurance products accounted for 4.8% and 4.6% of the gross written premiums and policy fees for our property and casualty insurance business in 2008 and 2007, respectively.

Gross written premiums and policy fees attributable to our short-term accident and health insurance products increased by 13.8% to RMB1,086 million in 2007 from RMB954 million in 2006. This increase was primarily attributable to the overall rapid growth in the PRC short-term accident and health insurance market. Gross written premiums and policy fees attributable to our short-term accident and health insurance products accounted for 4.6% and 5.3% of the gross written premiums and policy fees for our property and casualty insurance business in 2007 and 2006, respectively.

Cargo Insurance. Gross written premiums and policy fees attributable to our cargo insurance products increased by 6.9% to RMB966 million in 2008 from RMB904 million in 2007. Our cargo insurance business continued to grow in 2008, although the growth was more modest compared to 2007 largely due to decreased economic activities resulting from the global financial crisis that unfolded in 2008 and decreased premium rates as a result of intensified competition. Gross written premiums and policy fees attributable to our cargo insurance products accounted for 3.5% and 3.9% of the gross written premiums and policy fees for our property and casualty insurance business in 2008 and 2007, respectively.

Gross written premiums and policy fees attributable to our cargo insurance products increased by 14.9% to RMB904 million in 2007 from RMB787 million in 2006. This increase was primarily due to the growth in the PRC cargo insurance market resulting from the rapid growth in trade in the PRC in 2007, which contributed to the increase in the volume of our cargo insurance business in the same period, partially offset by slightly decreased premium rates for cargo insurance products due to intensified competition. Gross written premiums and policy fees attributable to our cargo insurance products accounted for 3.9% and 4.3% of the gross written premiums and policy fees for our property and casualty insurance business in 2007 and 2006, respectively.

Hull Insurance. Gross written premiums and policy fees attributable to our hull insurance products increased by 15.6% to RMB690 million in 2008 from RMB597 million in 2007. This increase was primarily due to an overall increase in the purchase prices of vessels in 2008, which resulted in higher premium for our hull insurance products in 2008 compared to 2007. Gross written premiums and policy fees attributable to our hull insurance products accounted for 2.5% and 2.5% of the gross written premiums and policy fees for our property and casualty insurance business in 2008 and 2007, respectively.

Gross written premiums and policy fees attributable to our hull insurance products decreased by 4.0% to RMB597 million in 2007 from RMB622 million in 2006. This decrease primarily reflected CPIC Property's continued risk selection and control policy in increasing the proportion of underwriting business covering insured fleets with sound management and more favorable risk profile, which generally carried lower premium rates. Gross written premiums and policy fees attributable to our hull insurance products accounted for 2.5% and 3.4% of the gross written premiums and policy fees for our property and casualty insurance business in 2007 and 2006, respectively.

Liability Insurance. Gross written premiums and policy fees attributable to our liability insurance products increased by 30.2% to RMB677 million in 2008 from RMB520 million in 2007. This significant increase was primarily due to our enhanced efforts to promote our liability insurance products in light of the growth potentials of this business in the PRC. Gross written premiums and policy fees attributable to our liability insurance products accounted for 2.4% and 2.2% of the gross written premiums and policy fees for our property and casualty insurance business in 2008 and 2007, respectively.

Gross written premiums and policy fees attributable to our liability insurance products increased by 20.1% to RMB520 million in 2007 from RMB433 million in 2006. This increase was primarily due to the significant growth in gross written premiums and policy fees from our passenger carrier liability and employer liability insurance products. Gross written premiums and policy fees attributable to our liability insurance products accounted for 2.2% and 2.4% of the gross written premiums and policy fees for our property and casualty insurance business in 2007 and 2006, respectively.

Other Insurance. Gross written premiums and policy fees attributable to our other property and casualty insurance products decreased by 8.7% to RMB158 million in 2008 from RMB173 million in 2007. This decrease was primarily due to the surrender of house mortgage insurance policies and the decrease in gross written premiums and policy fees attributable to our savings-type homeowners insurance products in 2008. Gross written premiums and policy fees attributable to our other insurance products accounted for 0.6% and 0.7% of the gross written premiums and policy fees for our property and casualty insurance business in 2008 and 2007, respectively.

Gross written premiums and policy fees attributable to our other property and casualty insurance products decreased by 41.6% to RMB173 million in 2007 from RMB296 million in 2006. This decrease was primarily due to the increased surrender of house mortgage insurance policies, the change in the payment method from single premium to regular premium for these policies and the decrease in gross written premiums and policy fees attributable to our savings-type homeowners insurance products as a result of lower account balances of policyholders' deposits received from such products in 2007. Gross written premiums and policy fees attributable to our other insurance products accounted for 0.7% and 1.6% of the gross written premiums and policy fees for our property and casualty insurance business in 2007 and 2006, respectively.

Premiums Ceded to Reinsurers. Premiums ceded to reinsurers for our property and casualty insurance business increased by 27.6% to RMB 6,505 million in 2008 from RMB5,097 million in 2007. Premiums ceded to reinsurers increased as a percentage of the gross written premiums and policy fees for our property and casualty insurance business to 23.3% in 2008 from 21.7% in 2007. This increase in the percentage primarily reflected the increase in gross written premiums and policy fees from our insurance businesses with higher cession ratios, such as our engineering insurance business.

Premiums ceded to reinsurers for our property and casualty insurance business increased by 17.9% to RMB5,097 million in 2007 from RMB4,322 million in 2006. Premiums ceded to reinsurers decreased as a percentage of the gross written premiums and policy fees for our property and casualty insurance business to 21.7% in 2007 from 23.8% in 2006. This decrease was primarily due to the significant increase in gross written premiums and policy fees from our automobile insurance business, which has a lower cession ratio, and the decrease in gross written premiums and policy fees from our hull insurance, engineering insurance and special risk insurance businesses, which generally have higher cession ratios. In particular, we experienced a significant contribution in gross written premiums and policy fees from our compulsory auto liability insurance business in 2007, which we generally do not cede to reinsurers. This decrease was also due to our downward adjustment in the cession ratio of our homeowners insurance, cargo insurance and short-term accident and health insurance businesses in 2007, as the underwriting capacity of our property and casualty insurance business increased during the period.

Net Written Premiums and Policy Fees. After taking into account premiums ceded to reinsurers, net written premiums and policy fees for our property and casualty insurance business increased by 16.3% to RMB21,370 million in 2008 from RMB18,377 million in 2007 and increased by 33.0% to RMB18,377 million in 2007 from RMB13,822 million in 2006.

Net Change in Unearned Premium Reserves. Net change in unearned premium reserves for our property and casualty insurance business decreased by 23.8% to RMB1,238 million in 2008 from RMB1,624 million in 2007. This decrease in net change in unearned premium reserves was primarily due to the smaller increase in our net written premiums in 2008 compared to 2007.

Net change in unearned premium reserves for our property and casualty insurance business increased by 3.6% to RMB1,624 million in 2007 from RMB1,568 million in 2006. This increase was primarily attributable to the increase in net written premiums for our property and casualty insurance business in 2007. In particular, the net written premiums from our automobile insurance business in 2007 increased significantly compared to 2006, resulting in a significant increase in our unearned premium reserves as of 31 December 2007 as most of these automobile insurance products had a term of one year.

Net Premiums Earned and Policy Fees. As a result of the foregoing, net premiums earned and policy fees for our property and casualty insurance business increased by 20.2% to RMB20,132 million in 2008 from RMB16,753 million in 2007 and increased by 36.7% to RMB16,753 million in 2007 from RMB12,254 million in 2006.

Investment Income. Investment income for our property and casualty insurance business decreased by 68.8% to RMB1,179 million in 2008 from RMB3,782 million in 2007. This significant decrease was primarily due to the significant declines in the PRC stock markets in 2008. Realized losses from our equity securities and equity investment funds and impairment losses on our financial assets contributed significantly to our sharply lower investment income in 2008.

Investment income for our property and casualty insurance business increased by 240.1% to RMB3,782 million in 2007 from RMB1,112 million in 2006. Realized gains from equity securities and equity investment funds as well as dividend income from equity investment funds contributed significantly to our higher investment income in 2007.

Other Operating Income. Other operating income for our property and casualty insurance business increased by 66.0% to RMB83 million in 2008 from RMB50 million in 2007. This increase was primarily due to the increase in commissions received by us in connection with our withholding of vehicle taxes on behalf of the tax authorities, as well as the increase in interest income from cash and short-term deposits.

Other operating income for our property and casualty insurance business decreased by 26.5% to RMB50 million in 2007 from RMB68 million in 2006. This decrease was primarily due to higher income in 2006 resulting from the recognition of certain fixed asset overage.

Other Income. As a result of the foregoing, other income for our property and casualty insurance business decreased by 67.1% to RMB1,262 million in 2008 from RMB3,832 million in 2007 and increased by 224.7% to RMB3,832 million in 2007 from RMB1,180 million in 2006.

Segment Income. As a result of the foregoing, segment income for our property and casualty insurance business increased by 3.9% to RMB21,394 million in 2008 from RMB20,585 million in 2007 and increased by 53.2% to RMB20,585 million in 2007 from RMB13,434 million in 2006.

Claims Incurred. Claims incurred for our property and casualty insurance business increased by 32.0% to RMB13,208 million in 2008 from RMB10,007 million in 2007. This increase reflected the overall growth in our property and casualty insurance business in 2008, as well as claims incurred resulting from the severe winter weather in the PRC in early 2008 and the Sichuan earthquake in May 2008. Claims incurred increased as a percentage of the net premiums earned and policy fees for our property and casualty insurance business to 65.6% in 2008 from 59.7% in 2007, as we incurred higher claims with respect to our automobile insurance and commercial property insurance products in 2008 compared to 2007.

Claims incurred for our property and casualty insurance business increased by 35.3% to RMB10,007 million in 2007 from RMB7,395 million in 2006. This increase reflected the overall growth in our property and casualty insurance business in 2007. Claims incurred decreased as a percentage of the net premiums earned and policy fees for our property and casualty insurance business to 59.7% in 2007 from 60.4% in 2006, as we incurred lower claims with respect to our automobile insurance, commercial property and engineering insurance and hull insurance products in 2007 compared to 2006.

Finance Costs. Finance costs for our property and casualty insurance business decreased by 54.7% to RMB178 million in 2008 from RMB393 million in 2007. This decrease was primarily due to the decrease in interest expense on policyholders' deposits as a result of lower average account balances of deposits received from our policyholders in 2008.

Finance costs for our property and casualty insurance business increased by 6.8% to RMB393 million in 2007 from RMB368 million in 2006. This increase was primarily due to the increase in interest expense on securities sold under agreements to repurchase.

Amortization on Deferred Acquisition Costs. Amortization on deferred acquisition costs for our property and casualty insurance business increased by 43.9% to RMB3,089 million in 2008 from RMB2,147 million in 2007. This increase was primarily due to the increase in our net premiums earned and policy fees in 2008 and, to a lesser extent, the increase in the proportion of net premiums earned and policy fees generated by our agents and other intermediaries in the same period, which typically results in higher acquisition costs and hence higher amortization of deferred acquisition costs. The increase in amortization on deferred acquisition costs was also due to an increase in the expiration and maturity of insurance policies in 2008 compared to 2007. Amortization on deferred acquisition costs increased as a percentage of the net premiums earned and policy fees for our property and casualty insurance business to 15.3% in 2008 from 12.8% in 2007.

Amortization on deferred acquisition costs for our property and casualty insurance business increased by 70.8% to RMB2,147 million in 2007 from RMB1,257 million in 2006. This increase was primarily due to the increase in our net premiums earned and policy fees in 2007 and, to a lesser extent, the increase in the proportion of net premiums earned and policy fees generated by our agents and other intermediaries in the same period, which typically results in higher acquisition costs and hence higher amortization of deferred acquisition costs. Amortization on deferred acquisition costs increased as a percentage of the net premiums earned and policy fees for our property and casualty insurance business to 12.8% in 2007 from 10.3% in 2006.

Provision for Insurance Guarantee Fund. Provision for insurance guarantee fund for our property and casualty insurance business increased by 20.2% to RMB214 million in 2008 from RMB178 million in 2007. This increase primarily reflected the overall increase in the net written premiums from our property and casualty insurance products.

Provision for insurance guarantee fund for our property and casualty insurance business increased by 29.0% to RMB178 million in 2007 from RMB138 million in 2006. This increase primarily reflected the overall increase in the net written premiums from our property and casualty insurance products.

Other Operating and Administrative Expenses. Other operating and administrative expenses for our property and casualty insurance business decreased by 5.4% to RMB3,955 million in 2008 from RMB4,179 million in 2007. This decrease was primarily due to our enhanced cost control measures in 2008.

Other operating and administrative expenses for our property and casualty insurance business increased by 25.7% to RMB4,179 million in 2007 from RMB3,324 million in 2006. This increase was primarily due to the expansion in our operations in 2007 compared to 2006.

Segment Benefits, Claims and Expenses. As a result of the foregoing, segment benefits, claims and expenses for our property and casualty insurance business increased by 22.1% to RMB20,644 million in 2008 from RMB16,904 million in 2007 and increased by 35.4% to RMB16,904 million in 2007 from RMB12,482 million in 2006.

Profit Before Tax. As a result of the foregoing, profit before tax for our property and casualty insurance business decreased by 79.6% to RMB750 million in 2008 from RMB3,681 million in 2007 and increased by 286.7% to RMB3,681 million in 2007 from RMB952 million in 2006.

Income Tax. Income tax for our property and casualty insurance business decreased by 97.4% to RMB27 million in 2008 from RMB1,031 million in 2007. This decrease principally resulted from lower profit before tax for our property and casualty insurance business in 2008 compared to 2007. The effective tax rate for our property and casualty insurance business in 2008 and 2007 was 3.6% and 28.0%, respectively. The decrease in the effective tax rate for our property and casualty insurance business from 2007 to 2008 was primarily due to the increase in tax-exempt income, primarily dividend income from equity investment funds, and the change in the enacted enterprise income tax rate from 33% to 25% effective on 1 January 2008.

Income tax for our property and casualty insurance business increased by 295.0% to RMB1,031 million in 2007 from RMB261 million in 2006. This increase principally resulted from higher profit before tax for our property and casualty insurance business in 2007 compared to 2006. The effective tax rate for our property and casualty insurance business in 2007 was 28.0%, which remained substantially the same as the effective tax rate of 27.4% in 2006.

Net Profit. As a result of the foregoing, net profit for our property and casualty insurance business decreased by 72.7% to RMB723 million in 2008 from RMB2,650 million in 2007 and increased by 283.5% to RMB2,650 million in 2007 from RMB691 million in 2006.

Six Months Ended 30 June 2009 and 2008

Gross Written Premiums and Policy Fees. Gross written premiums and policy fees for our property and casualty insurance business increased by 18.3% to RMB18,656 million in the six months ended 30 June 2009 from RMB15,764 million in the six months ended 30 June 2008. This increase was primarily due to the growth in our automobile insurance business in the six months ended 30 June 2009, as well as the growth in our short-term accident and health insurance, liability insurance and special risk insurance businesses. Gross written premiums and policy fees from our cargo insurance and engineering insurance businesses decreased in the six months ended 30 June 2009 compared to the same period in 2008.

Automobile Insurance. Gross written premiums and policy fees attributable to our automobile insurance products increased by 25.8% to RMB13,441 million in the six months ended 30 June 2009 from RMB10,688 million in the six months ended 30 June 2008. This increase was primarily due to the significant contribution from our commercial automobile insurance business and, to a lesser extent, our compulsory auto liability insurance business, reflecting the continued growth in private car ownership in the PRC under favorable automobile consumption policies of the PRC government, and increased premium adequacy resulting from improved competitive environment of the PRC automobile insurance market, in the first half of 2009. Gross written premiums and policy fees attributable to our automobile insurance products accounted for 72.0% and 67.8% of the gross written premiums and policy fees for our property and casualty insurance business in the six months ended 30 June 2009 and the six months ended 30 June 2008, respectively.

Commercial Property and Engineering Insurance. Gross written premiums and policy fees attributable to our commercial property and engineering insurance products were RMB2,791 million in the six months ended 30 June 2009, essentially flat compared to RMB2,797 million in the six months ended 30 June 2008. Gross written premiums and policy fees from our commercial property insurance business decreased slightly, reflecting our more stringent risk selection policy in underwriting in light of the decrease in premium rates and profitability partly as a result of intensified market competition, as well as more stringent underwriting requirements of reinsurers regarding higher-risk projects, in the first half of 2009 compared to the same period in 2008. Gross written premiums from our engineering insurance business decreased primarily due to our more stringent risk selection policy in underwriting and intensified market competition. Gross written premiums and policy fees from our special risk insurance business increased by 24.3% to RMB312 million in the six months ended 30 June 2009 from RMB251 million in the six months ended 30 June 2008. Gross written premiums and policy fees attributable to our commercial property and engineering insurance products accounted for 15.0% and 17.7% of the gross written premiums and policy fees for our property and casualty insurance business in the six months ended 30 June 2009 and the six months ended 30 June 2008, respectively.

Short-Term Accident and Health Insurance. Gross written premiums and policy fees attributable to our short-term accident and health insurance products increased by 17.4% to RMB825 million in the six months ended 30 June 2009 from RMB703 million in the six months ended 30 June 2008. This increase was primarily attributable to our continued efforts to promote short-term accident and health insurance products with better profitability. Gross written premiums and policy fees attributable to our short-term accident and health insurance products accounted for 4.4% and 4.5% of the gross written premiums and policy fees for our property and casualty insurance business in the six months ended 30 June 2009 and the six months ended 30 June 2008, respectively.

Cargo Insurance. Gross written premiums and policy fees attributable to our cargo insurance products decreased by 18.0% to RMB475 million in the six months ended 30 June 2009 from RMB579 million in the six months ended 30 June 2008. This decrease was primarily due to the continued impact of decreased economic activities resulting from the global financial crisis that unfolded in 2008, as well as decreased premium rates as a result of intensified competition. Gross written premiums and policy fees attributable to our cargo insurance products accounted for 2.5% and 3.7% of the gross written premiums and policy fees for our property and casualty insurance business in the six months ended 30 June 2009 and the six months ended 30 June 2008, respectively.

Hull Insurance. Gross written premiums and policy fees attributable to our hull insurance products increased slightly by 1.8% to RMB509 million in the six months ended 30 June 2009 from RMB500 million in the six months ended 30 June 2008. This modest growth reflected decreased shipping and ship-building activities, as well as decreased premiums as a result of the overall decrease in the purchase prices of vessels, in the first half of 2009. Gross written premiums and policy fees attributable to our hull insurance products accounted for 2.7% and 3.2% of the gross written premiums and policy fees for our property and casualty insurance business in the six months ended 30 June 2009 and the six months ended 30 June 2008, respectively.

Liability Insurance. Gross written premiums and policy fees attributable to our liability insurance products increased by 23.8% to RMB494 million in the six months ended 30 June 2009 from RMB399 million in the six months ended 30 June 2008. This increase was primarily due to our enhanced efforts to promote liability insurance products in light of the growth potentials of this business in the PRC. Gross written premiums and policy fees attributable to our liability insurance products accounted for 2.6% and 2.5% of the gross written premiums and policy fees for our property and casualty insurance business in the six months ended 30 June 2009 and the six months ended 30 June 2008, respectively.

Other Insurance. Gross written premiums and policy fees attributable to our other property and casualty insurance products increase by 23.5% to RMB121 million in the six months ended 30 June 2009 from RMB98 million in the six months ended 30 June 2008. This increase was primarily due to the increase in gross written premiums and policy fees from our homeowners insurance products, reflecting our enhanced efforts to promote homeowners insurance products in light of the growth potentials of this business in the PRC. Gross written premiums and policy fees attributable to our other insurance products accounted for 0.6% and 0.6% of the gross written premiums and policy fees for our property and casualty insurance business in the six months ended 30 June 2009 and the six months ended 30 June 2008, respectively.

Premiums Ceded to Reinsurers. Premiums ceded to reinsurers for our property and casualty insurance business increased by 10.7% to RMB4,230 million in the six months ended 30 June 2009 from RMB3,821 million in the six months ended 30 June 2008. Premiums ceded to reinsurers decreased as a percentage of the gross written premiums and policy fees for our property and casualty insurance business to 22.7% in the six months ended 30 June 2009 from 24.2% in the six months ended 30 June 2008. This decrease in the percentage was primarily due to the higher percentage of gross written premiums and policy fees from our compulsory auto liability insurance business, which we generally do not cede to reinsurers. This decrease was also due to the lower percentage of gross written premiums and policy fees from our commercial property insurance and engineering insurance businesses, which generally have higher cession ratios.

Net Written Premiums and Policy Fees. After taking into account premiums ceded to reinsurers, net written premiums and policy fees for our property and casualty insurance business increased by 20.8% to RMB14,426 million in the six months ended 30 June 2009 from RMB11,943 million in the six months ended 30 June 2008.

Net Change in Unearned Premium Reserves. Net change in unearned premium reserves for our property and casualty insurance business was an increase of RMB3,044 million in the six months ended 30 June 2009 compared to an increase of RMB2,291 million in the six months ended 30 June 2008, generally in line with the overall growth in our property and casualty insurance business in the respective period.

Net Premiums Earned and Policy Fees. As a result of the foregoing, net premiums earned and policy fees for our property and casualty insurance business increased by 17.9% to RMB11,382 million in the six months ended 30 June 2009 from RMB9,652 million in the six months ended 30 June 2008.

Investment Income. Investment income for our property and casualty insurance business decreased by 53.8% to RMB566 million in the six months ended 30 June 2009 from RMB1,225 million in the six months ended 30 June 2008. This decrease was primarily due to the significant decrease in dividend income from our equity investment funds in the six months ended 30 June 2009 compared to the same period in 2008 and, to a lesser extent, realized losses from equity investment funds and a decrease in realized gains from our equity securities, partially offset by the increase in realized gains and interest income from our fixed-income investments.

Other Operating Income. Other operating income for our property and casualty insurance business increased by 44.1% to RMB49 million in the six months ended 30 June 2009 from RMB34 million in the six months ended 30 June 2008. This increase was primarily due to the increase in commissions received by us in connection with our withholding of vehicle taxes on behalf of the tax authorities in the six months ended 30 June 2009, compared to the six months ended 30 June 2008.

Other Income. As a result of the foregoing, other income for our property and casualty insurance business decreased by 51.2% to RMB615 million in the six months ended 30 June 2009 from RMB1,259 million in the six months ended 30 June 2008.

Segment Income. As a result of the foregoing, segment income for our property and casualty insurance business increased by 10.0% to RMB11,997 million in the six months ended 30 June 2009 from RMB10,911 million in the six months ended 30 June 2008.

Claims Incurred. Claims incurred for our property and casualty insurance business increased by 6.8% to RMB7,166 million in the six months ended 30 June 2009 from RMB6,708 million in the six months ended 30 June 2008. This increase reflected the overall growth in our property and casualty insurance business in the first half of 2009. Claims incurred decreased as a percentage of the net premiums earned and policy fees for our property and casualty insurance business to 63.0% in the six months ended 30 June 2009 from 69.5% in the six months ended 30 June 2008.

Finance Costs. Finance costs for our property and casualty insurance business decreased significantly by 97.6% to RMB3 million in the six months ended 30 June 2009 from RMB126 million in the six months ended 30 June 2008. This decrease was primarily due to the decrease in interest expense on policyholders' deposits as a result of lower average account balances of deposits received from our policyholders in the six months ended 30 June 2009, compared to the six months ended 30 June 2008.

Amortization on Deferred Acquisition Costs. Amortization on deferred acquisition costs for our property and casualty insurance business increased by 40.5% to RMB1,897 million in the six months ended 30 June 2009 from RMB1,350 million in the six months ended 30 June 2008. This increase was primarily due to the increase in our net premiums earned and policy fees in the first half of 2009 and, to a lesser extent, the increase in the proportion of net premiums earned and policy fees generated by our agents and other intermediaries in the same period, which typically results in higher acquisition costs and hence higher amortization of deferred acquisition costs. Amortization on deferred acquisition costs increased as a percentage of the net premiums earned and policy fees for our property and casualty insurance business to 16.7% in the six months ended 30 June 2009 from 14.0% in the six months ended 30 June 2008.

Provision for Insurance Guarantee Fund. Provision for insurance guarantee fund for our property and casualty insurance business increased by 24.2% to RMB149 million in the six months ended 30 June 2009 from RMB120 million in the six months ended 30 June 2008. This increase primarily reflected the overall increase in the written premiums from our property and casualty insurance products in the six months ended 30 June 2009 compared to the six months ended 30 June 2008.

Other Operating and Administrative Expenses. Other operating and administrative expenses for our property and casualty insurance business decreased by 7.0% to RMB1,887 million in the six months ended 30 June 2009 from RMB2,028 million in the six months ended 30 June 2008. This decrease was primarily due to our continued cost control measures in the first half of 2009.

Segment Benefits, Claims and Expenses. As a result of the foregoing, segment benefits, claims and expenses for our property and casualty insurance business increased by 7.5% to RMB11,102 million in the six months ended 30 June 2009 from RMB10,332 million in the six months ended 30 June 2008.

Profit Before Tax. As a result of the foregoing, profit before tax for our property and casualty insurance business increased by 54.6% to RMB895 million in the six months ended 30 June 2009 from RMB579 million in the six months ended 30 June 2008.

Income Tax. Income tax for our property and casualty insurance business increased by 333.3% to RMB208 million in the six months ended 30 June 2009 from RMB48 million in the six months ended 30 June 2008. This increase was primarily due to the increase in the profit before tax for our property and casualty insurance business in the six months ended 30 June 2009 compared to the six months ended 30 June 2008, as well as the decrease in our tax-exempt income. The effective tax rate for our property and casualty insurance business in the six months ended 30 June 2009 and the six months ended 30 June 2008 was 23.2% and 8.3%, respectively. The increase in the effective tax rate for our property and casualty insurance business from the six months ended 30 June 2008 to the six months ended 30 June 2009 was primarily due to the decrease in our tax-exempt income, primarily dividend income from equity investment funds and interest income from government bonds in the six months ended 30 June 2009 compared to the same period in 2008.

Net Profit. As a result of the foregoing, net profit for our property and casualty insurance business increased by 29.4% to RMB687 million in the six months ended 30 June 2009 from RMB531 million in the six months ended 30 June 2008.

SELECTED UNAUDITED FINANCIAL INFORMATION FOR THE THREE MONTHS AND THE NINE MONTHS ENDED 30 SEPTEMBER 2009

Under the rules of the Shanghai Stock Exchange on which our A shares are listed, we are required to publish, on a quarterly basis, reports containing unaudited financial statements. Since we published certain financial statements for the three months and the nine months ended

30 September 2009 in the PRC prior to the date of this prospectus, we have included our unaudited consolidated financial statements as of and for the three months and the nine months ended 30 September 2009 in this prospectus. The unaudited consolidated financial statements, comprising the unaudited consolidated income statements and statements of comprehensive income for the three months and the nine months ended 30 September 2009 and 2008, the unaudited consolidated statements of changes in equity and cash flow statements for the nine months ended 30 September 2009 and 2008 and the unaudited consolidated balance sheet as of 30 September 2009, together with selected explanatory notes, have been prepared in accordance with HKFRS and reviewed by Ernst & Young in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* and are included in Appendix II to this prospectus.

Results of Operations for the Nine Months Ended 30 September 2009 and 2008

You should read the selected consolidated financial information set forth below in conjunction with our consolidated financial statements included in the Unaudited Interim Financial Report set forth in Appendix II, which have been prepared in accordance with HKFRS. The selected consolidated income statement information for the nine months ended 30 September 2008 and 2009 and the selected consolidated balance sheet information as of 30 September 2009 set forth below are derived from our unaudited consolidated financial statements that have been reviewed by Ernst & Young and included in the Unaudited Interim Financial Report set forth in Appendix II to this prospectus.

	For the nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
	(in millions of RMB, except per share data)	
Income Statement Data		
Gross written premiums and policy fees	42,034	52,103
Less: Premiums ceded to reinsurers	(6,569)	(7,776)
Net written premiums and policy fees	35,465	44,327
Net change in unearned premium reserves	(2,237)	(3,775)
Net premiums earned and policy fees	33,228	40,552
Investment income	10,594	14,675
Other operating income	402	252
Other income	10,996	14,927
Total income	44,224	55,479
Net policyholders' benefits and claims		
Life insurance death and other benefits paid	(2,283)	(2,481)
Claims incurred	(10,598)	(11,473)
Changes in long-term traditional insurance contract liabilities	(8,336)	(14,464)
Interest credited to long-term investment type insurance contract liabilities	(3,558)	(3,681)
Policyholder dividends	(2,003)	(1,565)
Finance costs	(471)	(307)
Interest credited to investment contracts	(85)	(56)
Amortisation on deferred acquisition costs	(3,858)	(6,027)
Provision for insurance guarantee fund	(254)	(309)
Change in deferred revenue	(2,572)	(1,361)
Other operating and administrative expenses	(5,504)	(5,583)
Total benefits, claims and expenses	(39,522)	(47,307)
Share of (losses)/profit of		
A jointly-controlled entity	(44)	52

	For the nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
	(in millions of RMB, except per share data)	
Profit before tax	4,658	8,224
Income tax	443	(1,931)
Net profit for the period	5,101	6,293
Attributable to:		
– Equity holders of the parent	4,981	6,195
– Minority interests	120	98
Basic earnings per share attributable to ordinary equity holders of the parent (RMB)	0.65	0.80

	As of 30 September 2009
	(unaudited)
	(in millions of RMB)
Balance Sheet Data	
Assets	
Property and equipment	7,326
Intangible assets	343
Prepaid land lease payments	205
Investment in a jointly-controlled entity	397
Financial assets at fair value through profit or loss	371
Held-to-maturity financial assets	86,618
Available-for-sale financial assets	117,694
Investments classified as loans and receivables	22,200
Securities purchased under agreements to resell	—
Term deposits	86,340
Restricted statutory deposits	1,838
Policy loans	1,182
Interest receivables	6,708
Deferred acquisition costs	24,046
Reinsurance assets	11,396
Deferred income tax assets	726
Income tax receivable	—
Insurance receivables	4,877
Other assets	3,555
Cash and short-term time deposits	11,996
Total assets	387,818
Equity and Liabilities	
Equity	
Issued capital	7,700
Reserves	37,739
Retained profits	17,276
Equity attributable to equity holders of the parent	62,715
Minority interests	706
Total equity	63,421
Liabilities	
Insurance contract liabilities	274,256
Investment contract liabilities	2,454

	As of 30 September 2009
	(unaudited) (in millions of RMB)
Subordinated debt	2,244
Securities sold under agreements to repurchase	14,778
Policyholders' deposits	90
Provisions	94
Deferred income tax liabilities	3,058
Income tax payable	382
Deferred revenue	11,016
Premium received in advance	1,454
Policyholder dividend payable	4,956
Payables to reinsurers	3,058
Other liabilities	6,557
Total liabilities	324,397
Total equity and liabilities	387,818

Gross Written Premiums and Policy Fees. Our gross written premiums and policy fees increased by 24.0% to RMB52,103 million in the nine months ended 30 September 2009 from RMB42,034 million in the nine months ended 30 September 2008. This increase reflected the increase in gross written premiums and policy fees from our participating life insurance products in connection with our continued efforts to optimize our business mix in life insurance. This increase was also due to increased gross written premiums and policy fees from our automobile insurance business, reflecting the continued growth in private car ownership in the PRC under favorable automobile consumption policies of the PRC government, and increased premium adequacy resulting from improved competitive environment of the PRC automobile insurance market, in the nine months ended 30 September 2009.

Premiums Ceded to Reinsurers. Premiums ceded to reinsurers increased by 18.4% to RMB7,776 million in the nine months ended 30 September 2009 from RMB6,569 million in the nine months ended 30 September 2008. Premiums ceded to reinsurers decreased as a percentage of the gross written premiums and policy fees to 14.9% in the nine months ended 30 September 2009 from 15.6% in the nine months ended 30 September 2008. This decrease in the percentage was primarily due to the growth in gross written premiums and policy fees from our compulsory auto liability insurance business, which we generally do not cede to reinsurers.

Net Written Premiums and Policy Fees. After taking into account premiums ceded to reinsurers, our net written premiums and policy fees increased by 25.0% to RMB44,327 million in the nine months ended 30 September 2009 from RMB35,465 million in the nine months ended 30 September 2008.

Net Change in Unearned Premium Reserves. Net change in unearned premium reserves was an increase of RMB3,775 million in the nine months ended 30 September 2009 as compared to an increase of RMB2,237 million in the nine months ended 30 September 2008, generally attributable to the overall growth in our property and casualty insurance business during the respective period.

Net Premiums Earned and Policy Fees. As a result of the foregoing, our net premiums earned and policy fees increased by 22.0% to RMB40,552 million in the nine months ended 30 September 2009 from RMB33,228 million in the nine months ended 30 September 2008.

Investment Income. Our investment income increased by 38.5% to RMB14,675 million in the nine months ended 30 September 2009 from RMB10,594 million in the nine months ended 30 September 2008. This increase was primarily due to the gains realized from the disposition of equity investment funds and equity securities in the nine months ended 30 September 2009, the decrease in impairment losses on financial assets and the increase in interest income from fixed-income securities, partially offset by the decrease in dividend income from equity investment funds.

Other Operating Income. Our other operating income decreased by 37.3% to RMB252 million in the nine months ended 30 September 2009 from RMB402 million in the nine months ended 30 September 2008. This decrease was primarily due to higher income in the nine months ended 30 September 2008 derived from the disposition of a non-operating real estate asset, as well as the decrease in interest income due to the lower prevailing interest rates in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Other Income. As a result of the foregoing, our other income increased by 35.7% to RMB14,927 million in the nine months ended 30 September 2009 from RMB10,996 million in the nine months ended 30 September 2008.

Total Income. As a result of the foregoing, our total income increased by 25.4% to RMB55,479 million in the nine months ended 30 September 2009 from RMB44,224 million in the nine months ended 30 September 2008.

Life Insurance Death and Other Benefits Paid. Our life insurance death and other benefits paid increased by 8.7% to RMB2,481 million in the nine months ended 30 September 2009 from RMB2,283 million in the nine months ended 30 September 2008. This increase was in line with the overall growth in our life insurance business.

Claims Incurred. Claims incurred increased by 8.3% to RMB11,473 million in the nine months ended 30 September 2009 from RMB10,598 million in the nine months ended 30 September 2008. This increase reflected the overall growth in our property and casualty insurance business in the nine months ended 30 September 2009, partially offset by claim payments recovered from reinsurers in the nine months ended 30 September 2009 in connection with our catastrophe excess-of-loss reinsurance arrangements.

Changes in Long-Term Traditional Insurance Contract Liabilities. Changes in long-term traditional insurance contract liabilities were RMB14,464 million in the nine months ended 30 September 2009 compared to RMB8,336 million in the nine months ended 30 September 2008. This 73.5% increase primarily reflected the overall growth in our life insurance business and the impact of the increase in investment returns, in the nine months ended 30 September 2009, compared to the nine months ended 30 September 2008, on long-term traditional insurance contract liabilities.

Interest Credited to Long-Term Investment Type Insurance Contract Liabilities. Interest credited to long-term investment type insurance contract liabilities increased by 3.5% to RMB3,681 million in the nine months ended 30 September 2009 from RMB3,558 million in the nine months ended 30 September 2008. This increase was primarily due to higher average account balances of our long-term investment type insurance contracts in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Policyholder Dividends. Policyholder dividends decreased by 21.9% to RMB1,565 million in the nine months ended 30 September 2009 from RMB2,003 million in the nine months ended 30 September 2008. This decrease primarily reflected our adjustments to dividend distribution levels in the nine months ended 30 September 2009 in light of the market conditions, our investment return and other factors.

Finance Costs. Our finance costs decreased by 34.8% to RMB307 million in the nine months ended 30 September 2009 from RMB471 million in the nine months ended 30 September 2008. This decrease was primarily due to the decrease in interest expense on policyholders' deposits as a result of lower average account balances of deposits received from our policyholders, as well as the decrease in interest expense on securities sold under agreements to repurchase in the nine months ended 30 September 2009, compared to the nine months ended 30 September 2008.

Interest Credited to Investment Contracts. Interest credited to investment contracts decreased by 34.1% to RMB56 million in the nine months ended 30 September 2009 from RMB85 million in the nine months ended 30 September 2008. The decrease was primarily due to the decrease in our in-force investment contracts in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Amortization on Deferred Acquisition Costs. Amortization on deferred acquisition costs increased by 56.2% to RMB6,027 million in the nine months ended 30 September 2009 from RMB3,858 million in the nine months ended 30 September 2008. This increase was primarily due to a higher balance of deferred acquisition costs relating to the overall growth in our life insurance business, resulting in a higher amortization amount, the impact of the increase in investment returns relating to our life insurance business in the third quarter of 2009 compared to the third quarter of 2008, as well as the increase in net premiums earned and policy fees from our property and casualty insurance business in the nine months ended 30 September 2009. This increase also reflected the increase in the proportion of net premiums earned and policy fees generated by our agents and other intermediaries from our property and casualty insurance business in the nine months ended 30 September 2009, which typically results in higher acquisition costs and hence higher amortization of deferred acquisition costs. Amortization on deferred acquisition costs as a percentage of the net premiums earned and policy fees for our insurance business was 14.9% and 11.6%, respectively, in the nine months ended 30 September 2009 and the nine months ended 30 September 2008.

Provision for Insurance Guarantee Fund. Provision for insurance guarantee fund increased by 21.7% to RMB309 million in the nine months ended 30 September 2009 from RMB254 million in the nine months ended 30 September 2008. This increase primarily reflected the overall increase in the written premiums from our property and casualty insurance products, as well as the increase in the written premiums from our life insurance products and our short-term accident and health insurance products in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Change in Deferred Revenue. Our deferred revenue experienced an increase of RMB1,361 million in the nine months ended 30 September 2009 compared to an increase of RMB2,572 million in the nine months ended 30 September 2008. The lower increase in deferred revenue in the nine months ended 30 September 2009 primarily reflected the impact of the significant increase in deferred revenue in 2008 relating to the overall growth in our bancassurance business in 2008, which resulted in a higher amortization amount of deferred revenue in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008, and also reflected the impact of the increase in investment returns in the third quarter of 2009 compared to the third quarter of 2008.

Other Operating and Administrative Expenses. Our other operating and administrative expenses increased by 1.4% to RMB5,583 million in the nine months ended 30 September 2009 from RMB5,504 million in the nine months ended 30 September 2008. This modest increase reflected our enhanced cost control measures in the nine months ended 30 September 2009.

Total Benefits, Claims and Expenses. As a result of the foregoing, our total benefits, claims and expenses increased by 19.7% to RMB47,307 million in the nine months ended 30 September 2009 from RMB39,522 million in the nine months ended 30 September 2008.

Profit Before Tax. As a result of the foregoing and after taking into account our share of profits or losses of our jointly-controlled entity, our profit before tax increased by 76.6% to RMB8,224 million in the nine months ended 30 September 2009 from RMB4,658 million in the nine months ended 30 September 2008.

Income Tax. Our income tax increased to RMB1,931 million in the nine months ended 30 September 2009 from a negative RMB443 million in the nine months ended 30 September

2008. This increase was primarily due to the increase in our profit before tax, as well as the decrease in our tax-exempt income in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Net Profit. As a result of the foregoing, our net profit increased by 23.4% to RMB6,293 million in the nine months ended 30 September 2009 from RMB5,101 million in the nine months ended 30 September 2008.

Net Profit Attributable to Equity Holders of the Parent. As a result of the foregoing, and after taking into account minority interests, our net profit attributable to equity holders of the parent increased by 24.4% to RMB6,195 million in the nine months ended 30 September 2009 from RMB4,981 million in the nine months ended 30 September 2008.

Segment Operating Results for the Nine Months Ended 30 September 2009 and 2008

Life Insurance

The following table sets forth selected income statement data for our life insurance business for the periods indicated:

	For the nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
	(in millions of RMB)	
Income Statement Data		
Gross written premiums and policy fees	19,833	25,058
Less: Premiums ceded to reinsurers	(1,444)	(2,088)
Net written premiums and policy fees	18,389	22,970
Net change in unearned premium reserves	(78)	(323)
Net premiums earned and policy fees	18,311	22,647
Investment income	10,391	13,027
Other operating income	94	134
Other income	10,485	13,161
Segment income	28,796	35,808
Net policyholders' benefits and claims		
Life insurance death and other benefits paid	(2,283)	(2,481)
Claims incurred	(481)	(280)
Changes in long-term traditional insurance contract liabilities	(8,336)	(14,464)
Interest credited to long-term investment type insurance contract liabilities	(3,558)	(3,681)
Policyholder dividends	(2,003)	(1,565)
Finance costs	(270)	(296)
Interest credited to investment contracts	(85)	(56)
Amortisation on deferred acquisition costs	(1,686)	(3,015)
Provision for insurance guarantee fund	(84)	(93)
Change in deferred revenue	(2,572)	(1,361)
Other operating and administrative expenses	(2,432)	(2,498)
Segment benefits, claims and expenses	(23,790)	(29,790)
Segment results	5,006	6,018
Profit before tax	5,006	6,018
Income tax	84	(1,409)
Net profit	5,090	4,609

Gross Written Premiums and Policy Fees. Gross written premiums and policy fees for our life insurance business increased by 26.3% to RMB25,058 million in the nine months ended

30 September 2009 from RMB19,833 million in the nine months ended 30 September 2008. This increase was primarily due to the increase in our gross written premiums from our participating individual life insurance products in connection with our continued efforts to optimize our business mix and the increase in policy fees from participating bancassurance products. Gross written premiums and policy fees from our individual life insurance, bancassurance and group life insurance businesses all increased in the nine months ended 30 September 2009 compared to the same period in 2008.

Individual Life Insurance. Gross written premiums and policy fees attributable to our individual life insurance business increased by 26.5% to RMB19,748 million in the nine months ended 30 September 2009 from RMB15,608 million in the nine months ended 30 September 2008. This increase was primarily due to increased premiums from participating individual life insurance products, in particular an RMB2,263 million increase in first-year regular premiums to RMB4,722 million in the nine months ended 30 September 2009 from RMB2,459 million in the nine months ended 30 September 2008 and an RMB2,133 million increase in renewal premiums to RMB4,778 million in the nine months ended 30 September 2009 from RMB2,645 million in the nine months ended 30 September 2008, as we enhanced our sales efforts to promote participating life insurance products in continuing to optimize our business mix. This increase was partially offset by a decrease in first-year regular premiums from traditional individual life insurance products.

Bancassurance. Gross written premiums and policy fees attributable to our bancassurance business increased by 32.8% to RMB3,098 million in the nine months ended 30 September 2009 from RMB2,333 million in the nine months ended 30 September 2008. This increase was primarily due to an RMB1,174 million increase in first-year policy fees from our participating bancassurance products to RMB2,672 million in the nine months ended 30 September 2009 from RMB1,498 million in the nine months ended 30 September 2008, partially offset by a decrease in policy fees from our universal bancassurance products to RMB146 million in the nine months ended 30 September 2009 from RMB646 million in the nine months ended 30 September 2008, as a result of our promotion of participating bancassurance products, as opposed to universal bancassurance products, in connection with our continued efforts to optimize our business mix.

Group Life Insurance. Gross written premiums and policy fees attributable to our group life insurance business increased by 16.9% to RMB2,212 million in the nine months ended 30 September 2009 from RMB1,892 million in the nine months ended 30 September 2008. This increase was primarily due to increased gross written premiums from our short-term accident and health insurance products to RMB2,029 million in the nine months ended 30 September 2009 from RMB1,633 million in the nine months ended 30 September 2008, partially offset by a decrease in policy fees from our participating group life insurance products.

Premiums Ceded to Reinsurers. Premiums ceded to reinsurers for our life insurance business increased by 44.6% to RMB2,088 million in the nine months ended 30 September 2009 from RMB1,444 million in the nine months ended 30 September 2008. Premiums ceded to reinsurers as a percentage of gross written premiums and policy fees for our life insurance business increased to 8.3% in the nine months ended 30 September 2009 from 7.3% in the nine months ended 30 September 2008. This increase in the percentage was primarily due to the increase in our gross written premiums from some of our participating life insurance products that have higher cession ratios.

Net Written Premiums and Policy Fees. After taking into account premiums ceded to reinsurers, net written premiums and policy fees for our life insurance business increased by 24.9% to RMB22,970 million in the nine months ended 30 September 2009 from RMB18,389 million in the nine months ended 30 September 2008.

Net Change in Unearned Premium Reserves. Net change in unearned premium reserves for our life insurance business was an increase of RMB323 million in the nine months ended 30 September 2009 as compared to an increase of RMB78 million in the nine months ended

30 September 2008. The increase in the nine months ended 30 September 2009 was primarily due to the overall increase in the gross written premiums from our short-term accident and health insurance business and the lowered cession ratio for our short-term accident and health insurance products in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Net Premiums Earned and Policy Fees. As a result of the foregoing, net premiums earned and policy fees for our life insurance business increased by 23.7% to RMB22,647 million in the nine months ended 30 September 2009 from RMB18,311 million in the nine months ended 30 September 2008.

Investment Income. Investment income for our life insurance business increased by 25.4% to RMB13,027 million in the nine months ended 30 September 2009 from RMB10,391 million in the nine months ended 30 September 2008. This increase was primarily due to the gains realized from the disposition of equity investment funds and equity securities in the nine months ended 30 September 2009, the decrease in impairment losses on financial assets and the increase in interest income from fixed-income securities, partially offset by the decrease in dividend income from equity investment funds, in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Other Operating Income. Other operating income for our life insurance business increased by 42.6% to RMB134 million in the nine months ended 30 September 2009 from RMB94 million in the nine months ended 30 September 2008.

Other Income. As a result of the foregoing, other income for our life insurance business increased by 25.5% to RMB13,161 million in the nine months ended 30 September 2009 from RMB10,485 million in the nine months ended 30 September 2008.

Segment Income. As a result of the foregoing, segment income for our life insurance business increased by 24.4% to RMB35,808 million in the nine months ended 30 September 2009 from RMB28,796 million in the nine months ended 30 September 2008.

Life Insurance Death and Other Benefits Paid. Life insurance death and other benefits paid for our life insurance business increased by 8.7% to RMB2,481 million in the nine months ended 30 September 2009 from RMB2,283 million in the nine months ended 30 September 2008. This increase was in line with the overall growth in our life insurance business.

Claims Incurred. Claims incurred for our life insurance business decreased by 41.8% to RMB280 million in the nine months ended 30 September 2009 from RMB481 million in the nine months ended 30 September 2008, primarily due to claim payments recovered from reinsurers in the nine months ended 30 September 2009 in connection with our catastrophe excess-of-loss reinsurance arrangements.

Changes in Long-Term Traditional Insurance Contract Liabilities. Changes in long-term traditional insurance contract liabilities for our life insurance business were RMB14,464 million in the nine months ended 30 September 2009 compared to RMB8,336 million in the nine months ended 30 September 2008. This 73.5% increase primarily reflected the overall growth in our life insurance business and the impact of the increase in investment returns, in the nine months ended 30 September 2009, compared to the nine months ended 30 September 2008, on long-term traditional insurance contract liabilities.

Interest Credited to Long-Term Investment Type Insurance Contract Liabilities. Interest credited to long-term investment type insurance contract liabilities for our life insurance business increased by 3.5% to RMB3,681 million in the nine months ended 30 September 2009 from RMB3,558 million in the nine months ended 30 September 2008. This increase was primarily due to higher average account balances of our long-term investment type insurance contracts in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Policyholder Dividends. Policyholder dividends for our life insurance business decreased by 21.9% to RMB1,565 million in the nine months ended 30 September 2009 from RMB2,003 million in the nine months ended 30 September 2008. This decrease primarily reflected our adjustments to dividend distribution levels in the nine months ended 30 September 2009 in light of the market conditions, our investment return and other factors.

Finance Costs. Finance costs for our life insurance business increased by 9.6% to RMB296 million in the nine months ended 30 September 2009 from RMB270 million in the nine months ended 30 September 2008. This increase was primarily due to the increase in interest expense on policyholder dividends and the increase in interest expense on securities sold under agreements to repurchase in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Interest Credited to Investment Contracts. Interest credited to investment contracts decreased by 34.1% to RMB56 million in the nine months ended 30 September 2009 from RMB85 million in the nine months ended 30 September 2008. The decrease was primarily due to the decrease in our in-force investment contracts in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Amortization on Deferred Acquisition Costs. Amortization on deferred acquisition costs for our life insurance business increased by 78.8% to RMB3,015 million in the nine months ended 30 September 2009 from RMB1,686 million in the nine months ended 30 September 2008. This increase was primarily due to a higher balance of deferred acquisition costs relating to the overall growth in our life insurance business, resulting in a higher amortization amount in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008, and also reflected the impact of the increase in investment returns in the third quarter of 2009 compared to the third quarter of 2008.

Provision for Insurance Guarantee Fund. Provision for insurance guarantee fund for our life insurance business increased by 10.7% to RMB93 million in the nine months ended 30 September 2009 from RMB84 million in the nine months ended 30 September 2008. This increase was primarily due to the increase in the written premiums from our life insurance products and our short-term accident and health insurance products in the nine months ended 30 September 2009.

Change in Deferred Revenue. Deferred revenue for our life insurance business experienced an increase of RMB1,361 million in the nine months ended 30 September 2009 compared to an increase of RMB2,572 million in the nine months ended 30 September 2008. The lower increase in deferred revenue in the nine months ended 30 September 2009 primarily reflected the impact of the significant increase in deferred revenue in 2008 relating to the overall growth in our bancassurance business in 2008, which resulted in a higher amortization amount of deferred revenue in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008, and also reflected the impact of the increase in investment returns in the third quarter of 2009 compared to the third quarter of 2008.

Other Operating and Administrative Expenses. Other operating and administrative expenses for our life insurance business increased by 2.7% to RMB2,498 million in the nine months ended 30 September 2009 from RMB2,432 million in the nine months ended 30 September 2008. This modest increase reflected our continued cost control measures in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Segment Benefits, Claims and Expenses. As a result of the foregoing, segment benefits, claims and expenses for our life insurance business increased by 25.2% to RMB29,790 million in the nine months ended 30 September 2009 from RMB23,790 million in the nine months ended 30 September 2008.

Profit Before Tax. As a result of the foregoing, profit before tax for our life insurance business increased by 20.2% to RMB6,018 million in the nine months ended 30 September 2009 from RMB5,006 million in the nine months ended 30 September 2008.

Income Tax. Income tax for our life insurance business increased to RMB1,409 million in the nine months ended 30 September 2009 from a negative RMB84 million in the nine months ended 30 September 2008, primarily due to the significant decrease in our tax-exempt income in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Net Profit. As a result of the foregoing, net profit for our life insurance business decreased by 9.4% to RMB4,609 million in the nine months ended 30 September 2009 from RMB5,090 million in the nine months ended 30 September 2008.

Property and Casualty Insurance

The following table sets forth selected income statement data for our property and casualty insurance business for the periods indicated:

	For the nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
	(in millions of RMB)	
Income Statement Data		
Gross written premiums and policy fees	22,160	27,001
Less: Premiums ceded to reinsurers	(5,197)	(5,775)
Net written premiums and policy fees	16,963	21,226
Net change in unearned premium reserves	(2,151)	(3,441)
Net premiums earned and policy fees	14,812	17,785
Investment income	1,302	860
Other operating income	35	76
Other income	1,337	936
Segment income	16,149	18,721
Net policyholders' benefits and claims		
Life insurance death and other benefits paid	—	—
Claims incurred	(10,039)	(11,123)
Changes in long-term traditional insurance contract liabilities	—	—
Interest credited to long-term investment type insurance contract liabilities	—	—
Policyholder dividends	—	—
Finance costs	(163)	(9)
Interest credited to investment contracts	—	—
Amortisation on deferred acquisition costs	(2,172)	(3,012)
Provision for insurance guarantee fund	(170)	(216)
Change in deferred revenue	—	—
Other operating and administrative expenses	(2,907)	(2,847)
Segment benefits, claims and expenses	(15,451)	(17,207)
Segment results	698	1,514
Profit before tax	698	1,514
Income tax	(80)	(374)
Net profit	618	1,140

Gross Written Premiums and Policy Fees. Gross written premiums and policy fees for our property and casualty insurance business increased by 21.8% to RMB27,001 million in the nine months ended 30 September 2009 from RMB22,160 million in the nine months ended 30 September 2008. This increase was primarily due to the growth in our automobile insurance business in the nine months ended 30 September 2009, as well as the growth in our short-term accident and health insurance, liability insurance and engineering insurance businesses. Gross written premiums and policy fees from our cargo insurance business decreased in the nine months ended 30 September 2009 compared to the same period in 2008.

Automobile Insurance. Gross written premiums and policy fees attributable to our automobile insurance products increased by 27.7% to RMB19,684 million in the nine months ended 30 September 2009 from RMB15,412 million in the nine months ended 30 September 2008. This increase was primarily due to the significant contribution from our commercial automobile insurance business and, to a lesser extent, our compulsory auto liability insurance business, reflecting the continued growth in private car ownership in the PRC under favorable automobile consumption policies of the PRC government, and increased premium adequacy resulting from improved competitive environment of the PRC automobile insurance market, in the nine months ended 30 September 2009. Gross written premiums and policy fees attributable to our automobile insurance products accounted for 72.9% and 69.5% of the gross written premiums and policy fees for our property and casualty insurance business in the nine months ended 30 September 2009 and the nine months ended 30 September 2008, respectively.

Commercial Property and Engineering Insurance. Gross written premiums and policy fees attributable to our commercial property and engineering insurance products increased by 5.6% to RMB3,789 million in the nine months ended 30 September 2009 from RMB3,588 million in the nine months ended 30 September 2008. Gross written premiums and policy fees from our commercial property insurance business decreased slightly, reflecting our more stringent risk selection policy in underwriting in light of the decrease in premium rates and profitability partly as a result of intensified market competition, as well as more stringent underwriting requirements of reinsurers regarding higher-risk projects, in the nine months ended 30 September 2009 compared to the same period in 2008. Gross written premiums and policy fees from our engineering insurance business increased by 22.4% to RMB791 million in the nine months ended 30 September 2009 from RMB646 million in the nine months ended 30 September 2008, in part attributable to the increase in infrastructure and other projects in the PRC in the first nine months of 2009 as a result of the economic stimulus package launched by the PRC government since late 2008. Gross written premiums and policy fees from our special risk insurance business increased by 25.3% to RMB342 million in the nine months ended 30 September 2009 from RMB273 million in the nine months ended 30 September 2008. Gross written premiums and policy fees attributable to our commercial property and engineering insurance products accounted for 14.0% and 16.2% of the gross written premiums and policy fees for our property and casualty insurance business in the nine months ended 30 September 2009 and the nine months ended 30 September 2008, respectively.

Short-Term Accident and Health Insurance. Gross written premiums and policy fees attributable to our short-term accident and health insurance products increased by 19.8% to RMB1,278 million in the nine months ended 30 September 2009 from RMB1,067 million in the nine months ended 30 September 2008. This increase was primarily attributable to our continued efforts to promote short-term accident and health insurance products with better profitability. Gross written premiums and policy fees attributable to our short-term accident and health insurance products accounted for 4.7% and 4.8% of the gross written premiums and policy fees for our property and casualty insurance business in the nine months ended 30 September 2009 and the nine months ended 30 September 2008, respectively.

Cargo Insurance. Gross written premiums and policy fees attributable to our cargo insurance products decreased by 13.0% to RMB693 million in the nine months ended 30 September 2009 from RMB797 million in the nine months ended 30 September 2008. This decrease was primarily due to the continued impact of decreased economic activities resulting from the global financial crisis that unfolded in 2008, as well as decreased premium rates as a result of intensified competition. Gross written premiums and policy fees attributable to our cargo insurance products accounted for 2.6% and 3.6% of the gross written premiums and policy fees for our property and casualty insurance business in the nine months ended 30 September 2009 and the nine months ended 30 September 2008, respectively.

Hull Insurance. Gross written premiums and policy fees attributable to our hull insurance products increased slightly by 4.4% to RMB641 million in the nine months ended 30 September 2009 from RMB614 million in the nine months ended 30 September 2008. This modest growth reflected decreased shipping and ship-building activities, as well as decreased premiums as a result of the overall decrease in the purchase prices of vessels, in the nine months ended 30 September 2009. Gross written premiums and policy fees attributable to our hull insurance products accounted for 2.4% and 2.8% of the gross written premiums and policy fees for our property and casualty insurance business in the nine months ended 30 September 2009 and the nine months ended 30 September 2008, respectively.

Liability Insurance. Gross written premiums and policy fees attributable to our liability insurance products increased by 29.0% to RMB703 million in the nine months ended 30 September 2009 from RMB545 million in the nine months ended 30 September 2008. This increase was primarily due to our enhanced efforts to promote liability insurance products in light of the growth potentials of this business in the PRC. Gross written premiums and policy fees attributable to our liability insurance products accounted for 2.6% and 2.5% of the gross written premiums and policy fees for our property and casualty insurance business in the nine months ended 30 September 2009 and the nine months ended 30 September 2008, respectively.

Other Insurance. Gross written premiums and policy fees attributable to our other property and casualty insurance products increase by 55.5% to RMB213 million in the nine months ended 30 September 2009 from RMB137 million in the nine months ended 30 September 2008. This increase was primarily due to the increase in gross written premiums and policy fees from our homeowners insurance products, reflecting our enhanced efforts to promote homeowners insurance products in light of the growth potentials of this business in the PRC, as well as the increase in gross written premiums and policy fees from our agricultural insurance products. Gross written premiums and policy fees attributable to our other insurance products accounted for 0.8% and 0.6% of the gross written premiums and policy fees for our property and casualty insurance business in the nine months ended 30 September 2009 and the nine months ended 30 September 2008, respectively.

Premiums Ceded to Reinsurers. Premiums ceded to reinsurers for our property and casualty insurance business increased by 11.1% to RMB5,775 million in the nine months ended 30 September 2009 from RMB5,197 million in the nine months ended 30 September 2008. Premiums ceded to reinsurers decreased as a percentage of the gross written premiums and policy fees for our property and casualty insurance business to 21.4% in the nine months ended 30 September 2009 from 23.5% in the nine months ended 30 September 2008. This decrease in the percentage was primarily due to the growth in gross written premiums and policy fees from our compulsory auto liability insurance business, which we generally do not cede to reinsurers. This decrease was also due to the lower percentage of gross written premiums and policy fees from our commercial property insurance business, which generally have higher cession ratios.

Net Written Premiums and Policy Fees. After taking into account premiums ceded to reinsurers, net written premiums and policy fees for our property and casualty insurance business increased by 25.1% to RMB21,226 million in the nine months ended 30 September 2009 from RMB16,963 million in the nine months ended 30 September 2008.

Net Change in Unearned Premium Reserves. Net change in unearned premium reserves for our property and casualty insurance business was an increase of RMB3,441 million in the nine months ended 30 September 2009 compared to an increase of RMB2,151 million in the nine months ended 30 September 2008, generally in line with the overall growth in our property and casualty insurance business in the respective period.

Net Premiums Earned and Policy Fees. As a result of the foregoing, net premiums earned and policy fees for our property and casualty insurance business increased by 20.1% to RMB17,785 million in the nine months ended 30 September 2009 from RMB14,812 million in the nine months ended 30 September 2008.

Investment Income. Investment income for our property and casualty insurance business decreased by 33.9% to RMB860 million in the nine months ended 30 September 2009 from RMB1,302 million in the nine months ended 30 September 2008. This decrease was primarily due to the significant decrease in dividend income from our equity investment funds in the nine months ended 30 September 2009 compared to the same period in 2008, partially offset by the increase in realized gains from our fixed-income investments.

Other Operating Income. Other operating income for our property and casualty insurance business increased by 117.1% to RMB76 million in the nine months ended 30 September 2009 from RMB35 million in the nine months ended 30 September 2008. This increase was primarily due to the increase in commissions received by us in connection with our withholding of vehicle taxes on behalf of the tax authorities in the nine months ended 30 September 2009, compared to the nine months ended 30 September 2008, as well as the increase in interest income from our cash and cash equivalents in the nine months ended 30 September 2009, compared to the nine months ended 30 September 2008.

Other Income. As a result of the foregoing, other income for our property and casualty insurance business decreased by 30.0% to RMB936 million in the nine months ended 30 September 2009 from RMB1,337 million in the nine months ended 30 September 2008.

Segment Income. As a result of the foregoing, segment income for our property and casualty insurance business increased by 15.9% to RMB18,721 million in the nine months ended 30 September 2009 from RMB16,149 million in the nine months ended 30 September 2008.

Claims Incurred. Claims incurred for our property and casualty insurance business increased by 10.8% to RMB11,123 million in the nine months ended 30 September 2009 from RMB10,039 million in the nine months ended 30 September 2008. This increase reflected the overall growth in our property and casualty insurance business in the nine months ended 30 September 2009. Claims incurred decreased as a percentage of the net premiums earned and policy fees for our property and casualty insurance business to 62.5% in the nine months ended 30 September 2009 from 67.8% in the nine months ended 30 September 2008.

Finance Costs. Finance costs for our property and casualty insurance business decreased significantly by 94.5% to RMB9 million in the nine months ended 30 September 2009 from RMB163 million in the nine months ended 30 September 2008. This decrease was primarily due to the decrease in interest expense on policyholders' deposits as a result of lower average account balances of deposits received from our policyholders in the nine months ended 30 September 2009, compared to the nine months ended 30 September 2008.

Amortization on Deferred Acquisition Costs. Amortization on deferred acquisition costs for our property and casualty insurance business increased by 38.7% to RMB3,012 million in the nine months ended 30 September 2009 from RMB2,172 million in the nine months ended 30 September 2008. This increase was primarily due to the increase in our net premiums earned and policy fees in the nine months ended 30 September 2009 and, to a lesser extent, the increase in the proportion of net premiums earned and policy fees generated by our agents and other intermediaries in the same period, which typically results in higher acquisition costs and hence higher amortization of deferred acquisition costs. Amortization on deferred acquisition costs increased as a percentage of the net premiums earned and policy fees for our property and casualty insurance business to 16.9% in the nine months ended 30 September 2009 from 14.7% in the nine months ended 30 September 2008.

Provision for Insurance Guarantee Fund. Provision for insurance guarantee fund for our property and casualty insurance business increased by 27.1% to RMB216 million in the nine months ended 30 September 2009 from RMB170 million in the nine months ended 30 September 2008. This increase primarily reflected the overall increase in the written premiums from our property and casualty insurance products in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Other Operating and Administrative Expenses. Other operating and administrative expenses for our property and casualty insurance business decreased by 2.1% to RMB2,847 million in the nine months ended 30 September 2009 from RMB2,907 million in the nine months ended 30 September 2008. This decrease was primarily due to our continued cost control measures in the nine months ended 30 September 2009.

Segment Benefits, Claims and Expenses. As a result of the foregoing, segment benefits, claims and expenses for our property and casualty insurance business increased by 11.4% to RMB17,207 million in the nine months ended 30 September 2009 from RMB15,451 million in the nine months ended 30 September 2008.

Profit Before Tax. As a result of the foregoing, profit before tax for our property and casualty insurance business increased by 116.9% to RMB1,514 million in the nine months ended 30 September 2009 from RMB698 million in the nine months ended 30 September 2008.

Income Tax. Income tax for our property and casualty insurance business increased by 367.5% to RMB374 million in the nine months ended 30 September 2009 from RMB80 million in the nine months ended 30 September 2008. This increase was primarily due to the increase in the profit before tax for our property and casualty insurance business in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008, as well as the decrease in our tax-exempt income. The effective tax rate for our property and casualty insurance business in the nine months ended 30 September 2009 and the nine months ended 30 September 2008 was 24.7% and 11.5%, respectively. The increase in the effective tax rate for our property and casualty insurance business from the nine months ended 30 September 2008 to the nine months ended 30 September 2009 was primarily due to the decrease in our tax-exempt income, primarily dividend income from equity investment funds and interest income from government bonds in the nine months ended 30 September 2009 compared to the same period in 2008.

Net Profit. As a result of the foregoing, net profit for our property and casualty insurance business increased by 84.5% to RMB1,140 million in the nine months ended 30 September 2009 from RMB618 million in the nine months ended 30 September 2008.

LIQUIDITY AND CAPITAL RESOURCES

We manage our liquidity and capital resources on a consolidated basis. CPIC Group is a holding company and does not conduct significant business operations on its own. As a result, it depends upon dividends from its operating subsidiaries and its investment income for substantially all of its cash flow.

The principal sources of funds generated by our insurance operations are written premiums, policy fees and deposits, investment income, net of administrative costs, and proceeds from the sale or maturity of investments, while the major uses of these funds are:

- to provide life insurance policy benefits, settle surrenders and withdrawals, pay short-term accident and health claims and provide for profit sharing for participating and universal life insurance policyholders;
- to pay property and casualty insurance claims and related claims expenses; and
- to pay other operating costs.

We generate a substantial cash flow from operations as a result of most premiums, policy fees and deposits being received in advance of the time when policy benefits or claim payments are required. Our positive operating cash flows, along with that portion of our investment portfolio that is held in cash and liquid securities, have historically met the liquidity requirements of our insurance operations, as evidenced by the growth of our investment portfolio. See the section headed "Business — Asset Management and Investment Portfolio".

In the insurance industry, liquidity generally refers to the ability of an insurance company to generate adequate amounts of cash from its normal operations, including its investment portfolio, in order to meet its financial commitments, which are principally obligations under its insurance policies. The liquidity needs of our life insurance operations are generally affected by trends in actual mortality and morbidity experience relative to the assumptions used in the pricing of our life insurance policies, by the extent to which minimum returns are provided in connection with our life insurance products and by the level of surrenders and withdrawals. The liquidity of our property and casualty insurance operations is affected by the frequency and severity of losses under our property and casualty insurance policies, as well as by the persistency of our property and casualty insurance products. Future catastrophic events, the timing and effect of which are inherently unpredictable, may also create increased liquidity requirements for our property and casualty insurance operations.

Our uses of funds include underwriting expenditures (reinsurance premiums, benefits, surrenders, claims, including claims handling expenses, and profit sharing with participating and universal life insurance policyholders), acquisitions and employee and other operating expenses, interest expense on outstanding borrowings and shareholder dividends. In particular, our participating life insurance products include mandatory profit sharing features, whereby we return a specified portion of statutory profits to policyholders annually, generally in the form of cash or premium offset or as an increase in policy amounts. We are required by the CIRC to allocate at least 70% of the annual distributable surplus for the benefit of policyholders. We are required to pay dividends annually on our participating life insurance products, which must be no less than 70% of the distributable surplus from participating life insurance products for that year, in accordance with CIRC requirements.

The liquidity requirements of our insurance operations are met on both a short-term and long-term basis by insurance premiums, policy fees and deposits collected, net investment income and cash received on the sale or maturity of investments. We also have access to additional liquidity through securities sold under agreements to repurchase. Our balance of cash and cash equivalents was RMB11,856 million, RMB29,122 million, RMB17,573 million and and RMB18,734 million as of 31 December 2006, 2007 and 2008 and as of 30 June 2009, respectively.

Net cash inflows from operating activities were RMB27,541 million in 2006, RMB21,670 million in 2007 and RMB25,056 million in 2008. The decrease in net cash inflows from operating activities from 2006 to 2007 was the result of lower cash generated from operating activities in 2007, primarily due to the increase of claims paid and higher income tax paid in 2007. The increase in net cash inflows from operating activities from 2007 to 2008 primarily reflected the increase in our premiums, policy fees and deposits received from our insurance businesses in 2008 compared to 2007, partially offset by increased cash outflows for payments of benefits and claims incurred for insurance and investment contracts, policy maturities, and payments of commissions to our insurance agents and other intermediaries in connection with the expansion of our businesses during the period. Net cash inflows from operating activities were RMB19,280 million in the six months ended 30 June 2009, representing primarily gross written premiums, policy fees and deposits received from our insurance businesses, net of the cash outflows for payments of benefits and claims incurred for insurance and investment contracts, policy surrenders and payments of commissions to insurance agents and other intermediaries during the period.

Net cash outflows from investing activities were RMB19,975 million in 2006, RMB48,171 million in 2007 and RMB29,374 million in 2008. The increase of RMB28,196 million in net cash outflows from investing activities from 2006 to 2007 primarily reflected the increase of RMB32,457 million in our net purchases of investments, partially offset by the increase of RMB4,919 million in dividends received from our investments. The decrease of RMB18,797 million in net cash outflows from investing activities from 2007 to 2008 primarily reflected the decrease of RMB15,514 million in our net purchases of investments, as well as an increase of RMB4,499 million in dividends and other cash distributions received from our investments. Net cash outflows from investing activities were RMB32,014 million in the six months ended 30 June 2009, reflecting primarily RMB35,509 million in our net purchases of investments, partially offset by dividends and other cash distributions in the amount of RMB4,199 million received from our investments during the period.

Net cash outflows from financing activities were RMB7,131 million in 2008 and RMB4,894 million in 2006, compared to net cash inflows of RMB43,810 million in 2007. The net cash outflows from financing activities in 2008 were primarily due to our dividend payments as well as cash outflows relating to securities sold under agreements to repurchase significantly exceeding corresponding cash inflows during the year, partially offset by capital injections from the minority shareholders of CPIC Life and CPIC Property. The net cash outflows from financing activities in 2006 were primarily due to cash outflows relating to securities sold under agreements to repurchase significantly exceeding corresponding cash inflows during the year, partially offset by the RMB2,000 million cash proceeds from the issuance of subordinated debt by CPIC Life in June 2006. The significant increase in net cash inflows from financing activities from 2006 to 2007 primarily resulted from total proceeds of RMB39,274 million received by us from share issuances, including our A Share Offering in December 2007 and our private placements to the existing shareholders of CPIC Group and our Overseas Investors earlier in 2007. Cash inflows relating to securities sold under agreements to repurchase during 2007 also contributed to the increase in net cash inflows from financing activities in that year. Net cash inflows from financing activities were RMB13,896 million in the six months ended 30 June 2009, representing primarily cash inflows relating to securities sold under agreements to repurchase significantly exceeding corresponding cash outflows during the period, partially offset by our dividend payments.

Solvency Margin Ratio

The solvency margin ratio is a measure of capital adequacy for PRC insurance companies and is calculated by dividing the actual solvency margin (which is the difference between an insurance company's admissible assets and admissible liabilities as determined by the CIRC) by a statutory minimum solvency margin. Under the applicable CIRC regulations, PRC insurance companies are required to maintain specified solvency margin ratios. As a general matter, the CIRC considers an insurance company with a solvency margin ratio of 150% or higher to be financially sound. If the solvency margin ratio falls between 100% and 150%, the CIRC may order the insurance company to submit and implement an insolvency prevention plan. If the solvency margin ratio falls below 100%, the CIRC may order the insurance company to increase its capital or restrict its distribution of dividends. The CIRC may also order the insurance company to dispose of its assets, limit the compensation of senior management, limit its ability to establish new branch entities or assume control of the insurance company's operations, among other things. For a detailed description of the solvency margin requirements, please see the section headed "Supervision and Regulation — Insurance Business — Solvency Margin".

The following table sets forth the solvency margin ratios for CPIC Life as of 31 December 2006, 2007 and 2008 and 30 June 2009:

	As of 31 December			As of 30 June
	2006	2007	2008	2009
	(in millions of RMB, except percentages)			
Actual solvency margin	4,201	23,570	24,035	25,285
Minimum solvency margin	7,119	8,507	10,291	11,305
Solvency margin ratio	59%	277%	234%	224%

The actual solvency margin and the minimum solvency margin of CPIC Life as of 1 January 2007, as recalculated under PRC GAAP, were RMB9,712 million and RMB7,095 million, respectively.

The following table sets forth the solvency margin ratios for CPIC Property as of 31 December 2006, 2007 and 2008 and 30 June 2009:

	As of 31 December			As of 30 June
	2006	2007	2008	2009
	(in millions of RMB, except percentages)			
Actual solvency margin	2,502	5,955	5,959	6,299
Minimum solvency margin	2,052	2,715	3,177	3,550
Solvency margin ratio	122%	219%	188%	177%

The actual solvency margin and the minimum solvency margin of CPIC Property as of 1 January 2007, as recalculated under PRC GAAP, were RMB3,112 million and RMB2,052 million, respectively.

Premium to Capital Ratio

The premium to capital ratio is the ratio of net written premiums under PRC GAAP of a property and casualty insurance company in any financial year to the sum of its issued capital, capital reserves, general reserve and surplus reserves. Pursuant to the PRC Insurance Law, this premium to capital ratio may not exceed 4:1 for any property and casualty insurance company in any financial year. We have complied with such requirement under the PRC Insurance Law in 2006, 2007 and 2008.

The following table sets forth our premium to capital ratio for the periods indicated:

	Year ended 31 December		
	2006	2007	2008
Premium to capital ratio	3.76:1	3.23:1	3.15:1

Contractual Obligations

As of 30 June, 2009, we did not have any material contractual obligations or commercial commitments, including long-term debt, rental commitments, operating lease commitments, purchase obligations or other capital commitments, other than contractual obligations under insurance and investment contracts we enter into in our ordinary course of business and other than as set forth in the Accountants' Report set forth in Appendix I.

The following table sets forth our contractual obligations, other than contractual obligations under insurance and investment contracts we entered into in our ordinary course of business, as of the dates indicated:

Contractual Obligations	Total	Payments Due by Period			
		Less Than 1 year	Over 1 year but less than 2 years	Over 2 year but less than 3 years	After 3 years
	(in millions of RMB)				
As of 31 December 2008					
Long-term debt	2,375	—	—	2,375	—
Securities sold under agreements to repurchase	7,021	7,021	—	—	—
Operating lease obligations	1,082	256	200	127	499
Capital commitments	7,324[(1)]	5,807	46	10	—
Total contractual obligations	17,802[(1)]	13,084	246	2,512	499
As of 30 June 2009					
Long-term debt	2,375	—	2,375	—	—
Securities sold under agreements to repurchase	22,458	22,458	—	—	—
Operating lease obligations	1,093	268	191	126	508
Capital commitments	6,047[(1)]	4,576	10	—	—
Total contractual obligations	31,973[(1)]	27,302	2,576	126	508

(1) Includes RMB1,461 million of capital commitments, the payment due dates relating to which were not yet determinable due to pending regulatory approvals or other factors and which have therefore not been reflected in the "Payments Due by Period" section of the above table.

As of 31 October 2009, our contractual obligations, other than contractual obligations under insurance and investment contracts we entered into in our ordinary course of business, totaled RMB13,480 million.

We did not have material contingent commitments as of 31 December 2008, 30 June 2009 or 31 October 2009.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements.

Contingent Liabilities

Due to the nature of the insurance business, we are involved in legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation as well as being the applicant respondent in arbitration. The legal proceedings involve primarily claims on our insurance policies. We are also involved in legal and arbitration proceedings that do not relate to claims on our insurance policies.

We make provision from time to time for the probable losses to us with respect to those claims when our management can reasonably estimate the outcome of the proceedings, taking into account the legal advice we have received. We do not make provision for pending litigation when the outcome of the litigation cannot be reasonably estimated or our management believes that the probability is remote or that any resulting liabilities will not have a material adverse effect on our financial position or operating results.

As of 31 December 2006, 2007 and 2008 and 30 June 2009, we did not have any material contingent liabilities, other than as set forth in note 49 to the Accountants' Report set forth in

Appendix I and representing our provision for probable or possible losses as a result of legal proceedings or other disputes and claims, based on best estimate by our management.

As of 31 October 2009, we did not have any material contingent liabilities, other than provision made for probable or possible losses as a result of legal proceedings or other disputes and claims, based on best estimate by our management.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Market risk is the risk of changes in fair value of financial instruments from fluctuations in foreign exchange rates, market interest rates and equity securities prices, whether any such change in fair value is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. As of 30 June 2009, we had investment assets of approximately RMB331.3 billion, which are subject to market risk arising from our investment activities.

We measure, manage and monitor the market risk associated with our investment assets on a continuous basis. In particular, we mitigate our market risk through proper diversification of our investment portfolio and proper execution of investment decisions, based on investment mandates approved by an investment decision-making committee of CPIC Asset Management.

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

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

Substantially all of our transactions are carried out in Renminbi. Certain insurance policies written by us, however, in particular cargo, commercial property and aviation insurance, are denominated in US dollars. Therefore, premiums received, reinsurance premiums ceded, claims paid and paid losses recovered from reinsurers in respect of these policies are transacted in US dollars. In addition, following the investments by our Overseas Investors in 2007, our holding of assets denominated in a currency other than Renminbi has increased. Following the Global Offering, our exposure to risks associated with foreign currency fluctuations may further increase as the net proceeds from the Global Offering are expected to be deposited overseas in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to remit these proceeds into the PRC. If the foreign exchange rate of the non-Renminbi currencies declines against that of Renminbi, the fair values of the non-Renminbi- denominated assets would also decline.

Risk Exposure Estimates

We conduct sensitivity analysis to analyze the implications of changes in market conditions on our investment assets. The sensitivity analysis measures the potential loss in the fair values of market sensitive investment assets resulting from selected hypothetical changes in interest rates and foreign exchange rates at a particular point in time.

We estimate interest rate risk sensitivity under the assumption of a 50-basis point increase in interest rates. If interest rates increase, the fair values of interest rate-sensitive instruments such as bonds may decrease. Furthermore, the magnitude of the decrease may be different depending on the maturity, coupon or other characteristics of a particular instrument.

The following table sets forth the aggregate fair value sensitivity of our interest rate-sensitive bond instruments assuming a simultaneous and instantaneous 50-basis point increase in interest rates across all relevant interest rate-sensitive bond instruments as of the dates indicated:

	As of 31 December			As of 30 June
	2006	2007	2008	2009
	(in millions of RMB)			
Interest rate risk	(824)	(566)	(468)	(541)

We estimate foreign exchange rate risk sensitivity by assuming a 5% depreciation in all non-Renminbi currency exchange rates against the Renminbi. If non-Renminbi currencies depreciate against the Renminbi, the carrying value of our non-Renminbi denominated term deposits, cash and cash equivalents and other assets will decrease.

The following table sets forth the aggregate carrying value sensitivity of our monetary foreign currency assets and liabilities assuming a simultaneous and uniform 5% depreciation of the value of US dollar against the Renminbi as of the dates indicated:

	As of 31 December			As of 30 June
	2006	2007	2008	2009
	(in millions of RMB)			
Foreign exchange risk	(207)	(106)	(112)	(88)

We believe that the sensitivity analysis makes reasonable assumptions based on past observations about market conditions. While market changes exceeding 50 basis points, in the case of interest rate, or 5%, in the case of foreign exchange rate, are possible, we believe our sensitivity analysis is a fair estimate on the risk inherent in our investment assets.

While we have conducted the sensitivity analysis based on simplified assumptions, we believe they provide a useful framework for understanding our risk management analysis and strategies.

Some of our investment assets involve more than one market risk category. Our sensitivity analysis does not take into account the impact of market risk in our insurance liabilities. We believe that the structure of our insurance liabilities would generally operate to mitigate our exposure to market risk.

Limitations of Sensitivity Analysis

While we consider sensitivity analysis to provide us with a valid estimation of market risk exposures, we recognize that there are certain limitations in its use.

Changes of prices in a diversified portfolio have offsetting effects, known as the "diversification effect" of holding a portfolio consisting of different assets, since different assets revalue in different directions or in different magnitudes in response to marketplace changes. We have not taken diversification into account in our risk estimates due to the generalized assumptions of a sensitivity analysis. The actual changes in the fair value of our investment assets may be different than those shown here.

Furthermore, routine daily business activity entails a certain amount of change in a portfolio's composition as bonds mature or as we buy or sell investment assets. As a result, the actual sensitivity of our portfolio will vary at any particular point in time, and the risk of loss from interest rate, foreign exchange rate or other risks cannot be eliminated.

In addition, our sensitivity analysis is an estimate based on a fixed point in the past. Nearly all of our assets and liabilities are subject to market risk from fluctuating equity prices, interest rates and foreign exchange rates. These fluctuations cannot be foreseen and could occur very suddenly. The quantitative risk measures provided by the sensitivity analysis are a snapshot, describing the potential losses to investments under a particular set of assumptions and parameters, which, though reasonably possible, may differ considerably from actual losses experienced in the future.

Value-at-Risk

Beginning in 2007, we have used the 5-day market price value-at-risk, or VaR, technique to estimate our risk exposures for listed equity securities and equity investment funds. VaR is the potential loss in value of trading positions due to adverse market movements over a defined time horizon with a specified confidence level. We use 5 days as the holding period upon the assumption that not all investments can be sold in one day. Our VaR calculation is made based on normal market conditions and seeks to measure the estimated impact on equity for listed equity securities and equity investment funds with 5-day reasonable market fluctuations and with a 95% confidence interval. As of 31 December 2007, 31 December 2008 and 30 June 2009, our estimated impact on equity for listed equity securities and equity investment funds, using the VaR technique and the assumptions above, was RMB4.12 billion, RMB1.19 billion and RMB2.28 billion, respectively.

While management believes that the assumptions used in our VaR technique are reasonable, there is no standard methodology for estimating VaR and different assumptions could produce materially different VaR estimates. Furthermore, given its reliance on historical data, VaR may be more effective in estimating risk exposures in markets in which there are no sudden fundamental changes or shifts in market conditions. An inherent limitation of VaR is that the distribution of past changes in market risk factors may not produce accurate predictions of future market risk. Moreover, VaR calculated for a 5-day time horizon does not fully capture the market risk of positions that cannot be liquidated or offset with hedges within five days.

PROFIT FORECAST

The Directors believe that, on the bases set out in Appendix III — "Profit Forecast", and in the absence of unforeseen circumstances, our consolidated net profit attributable to equity holders of the Company determined in accordance with current HKFRS accounting policies for the year ending 31 December 2009 is unlikely to be less than RMB6,510 million. The profit forecast has been prepared by the Directors based on the audited consolidated results of the Group for the six months ended 30 June 2009, the unaudited consolidated results of the Group for the three months ended 30 September 2009 and a forecast of the consolidated results of the Group for the remaining three months ending 31 December 2009. The Directors are currently unaware of any extraordinary items which have arisen or are likely to arise in respect of the year ending 31 December 2009 that would affect the forecast financial information presented. However, our reported net profits for the year ending 31 December 2009 to be included in our annual report for the year ending 31 December 2009 may differ materially from the profit forecast if Interpretation No. 2 and the CIRC Notice are implemented. See "Risk Factors — Risks Relating to Our Company — New PRC accounting pronouncements may significantly affect our financial statements for the year ending 31 December 2009 and future years, and may materially and adversely affect our reported net profits and shareholders' equity, among other things".

On a pro-forma fully diluted basis and on the assumption that a total of 8,483,000,000 Shares were issued and outstanding throughout the year ending 31 December 2009, the estimated earnings per H Share for the year ending 31 December 2009 is RMB0.77, representing a price/earnings multiple of 30.8 times and 34.6 times if the Offer Price is HK$26.80 per Offer Share and HK$30.10 per Offer Share, respectively.

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

DIVIDEND POLICY

The payment of any dividend by us must be approved by our shareholders in a shareholders' meeting. While our Board intends to recommend the declaration of cash dividends to the shareholders in general meeting, the decision to make a recommendation for the payment of any dividend and the amount of the dividend will depend on:

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

Our Board will declare dividends, if any, in Renminbi with respect to the H Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a fiscal year will be subject to shareholders' approval. Under the PRC Company Law and our Articles of Association, all of our shareholders have equal rights to dividends and distributions. Holders of the H Shares will share proportionately on a per Share basis in all dividends and other distributions declared by our Board.

In accordance with applicable requirements of the PRC Company Law, we may only distribute dividends after we have made allowance for:

- recovery of losses, if any;
- allocation to the statutory revenue reserve fund; and
- allocation to a discretionary revenue reserve fund if approved by our shareholders and after allocation is made to the statutory revenue reserve fund.

The allocations to the statutory funds are currently 10% of our net profit determined in accordance with PRC GAAP. Under the applicable CIRC regulations, we may also be required to make allowance for allocation to total reserves. Under the applicable PRC laws, our distributable earnings will be equal to our net profit, as determined in accordance with PRC GAAP or HKFRS, whichever is lower, less allocations to the statutory and discretionary funds.

We declared and paid cash dividends of RMB0.30 per Share, or RMB2.31 billion in the aggregate, with respect to each of the years ended 31 December 2007 and 2008.

DISTRIBUTABLE RESERVES

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

Pursuant to our Articles of Association, following the listing of our H Shares on the Hong Kong Stock Exchange, the amount of our retained profits available for distribution shall be the lower of the amount determined under PRC GAAP and that determined under HKFRS. As of 30 June 2009, our distributable reserves determined on this basis were RMB5,276 million.

In addition, the CIRC has the discretionary authority to prohibit any insurance company that has a solvency margin ratio of below 100% from paying dividends and other forms of distributions. The CIRC may also take supervisory measures against an insurance company with a solvency margin ratio of between 100% and 150%, which may affect the insurance company's ability to pay dividends or other forms of distributions. See "Supervision and Regulation — Insurance Business — Solvency Margin".

INDEBTEDNESS

As of 30 June 2009, our indebtedness included RMB2,226 million of callable subordinated bonds issued by CPIC Life in June 2006. These subordinated bonds are 10-year fixed rate subordinated bonds maturing in 2016, bearing a coupon rate of 3.75% per annum. CPIC Life has the option to redeem all or part of the bonds at face value in June 2011. If CPIC Life does not exercise this option, the annual coupon rate will increase to 5.75% thereafter. In addition, as of 30 June 2009, we had securities sold under agreements to repurchase in the amount of RMB22,435 million.

Except as otherwise disclosed in this prospectus, we did not have as of 30 June 2009 any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

As of 31 October 2009, our indebtedness included RMB2,251 million of callable subordinated bonds issued by CPIC Life in June 2006. In addition, as of 31 October 2009, we had securities sold under agreements to repurchase in the amount of RMB7,200 million.

The Directors have confirmed that there has not been any material change in our indebtedness or contingent liabilities since 31 October 2009.

PROPERTY INTERESTS

Our property interests were valued at approximately RMB7,366 million, with RMB7,281 million attributable to the Company, as of 30 September 2009 by Jones Lang LaSalle Sallmanns Limited, an independent property valuer. Details of our property interests are set out in the letter and valuation certificates of Jones Lang LaSalle Sallmanns Limited set forth in Appendix V to this prospectus.

The table below sets forth (i) the reconciliation of our property interests from our audited consolidated financial statements as of 30 June 2009 to the unaudited net book value of our property interests as of 30 September 2009; and (ii) the reconciliation of the unaudited net book value of our property interests and the valuation of such property interests as of 30 September 2009.

	RMB in millions
Net book value of our property interests as of 30 June 2009	4,627
Land and buildings	4,627
Movements for the three months ended 30 September 2009	6
Additions	33
Depreciation	(27)
Disposals	—
Net book value as of 30 September 2009	4,633
Valuation surplus as of 30 September 2009	2,733
Valuation as of 30 September 2009 as set forth in Appendix V to this prospectus	7,366

RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

The Directors have confirmed that they are not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

MAJOR CUSTOMERS

None of our customers, nor our top five major customers combined, accounted for 30% or more of our gross written premiums, policy fees and deposits from our insurance businesses in 2006, 2007, 2008 or the six months ended 30 June 2009.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the estimated net proceeds of the Global Offering (see the section headed "Use of Proceeds" in the section headed "Future Plans and Use of Proceeds from the Global Offering") and our internally generated funds, we have sufficient working capital to satisfy our requirements for the next 12 months following the date of this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS AND GROUP EMBEDDED VALUE, ADJUSTED FOR ESTIMATED NET PROCEEDS FROM THE GLOBAL OFFERING

For illustrative purpose only, the pro forma financial information set forth below is intended to provide potential investors with further information to assess the financial position of CPIC Group after completion of the Global Offering. Because of its nature, this pro forma financial information may not give a true picture of CPIC Group's financial position.

The following statement of unaudited pro forma adjusted net tangible assets of CPIC Group is based on the audited consolidated net assets attributable to equity holders of the Company as of 30 June 2009, as shown in the Accountants' Report set forth in Appendix I to this prospectus and adjusted as follows:

	Audited consolidated net assets attributable to equity holders of the Company as of 30 June 2009	Intangible assets	Deferred acquisition costs(1)	Tax liabilities related to deferred acquisition costs(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share(3)	
		(in millions of RMB, except per Share data)					(RMB)	(HK$)
Based on an Offer Price of HK$26.80 per Offer Share. . . .	64,044	342	22,320	5,581	17,835	64,798	7.64	8.67
Based on an Offer Price of HK$30.10 per Offer Share. . . .	64,044	342	22,320	5,581	20,054	67,017	7.90	8.97

(1) Deferred acquisition costs are regarded as an intangible asset as they are an identifiable non-monetary asset without physical substance. The deferred acquisition costs and their related deferred tax liabilities are excluded in the determination of net tangible assets.

(2) No account has been taken of the H Shares that may be issued pursuant to the H Share Over-Allotment Option. The estimated net proceeds from the Global Offering are based on the Offer Prices of HK$26.80 and HK$30.10 per Offer Share, respectively, after deducting the estimated underwriting fees and expenses payable by us in the Global Offering.

(3) The unaudited pro forma adjusted net tangible assets per Share are determined on the basis that 8,483,000,000 Shares are issued and outstanding, assuming the Global Offering had been completed on 30 June 2009 but not taking into account any Shares that may be issued upon the exercise of the H Share Over-Allotment Option.

(4) As at 30 September 2009, our properties were revalued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer, and the relevant property valuation report is set forth in Appendix V to this prospectus. The net revaluation surplus of those properties, representing the excess of market value of such properties over their carrying value, is approximately RMB2,733 million. In accordance with our accounting policies, such properties are stated at historical cost less accumulated depreciation and impairment. As such, the amount of such net revaluation surplus will not be included in our consolidated financial statements for the year ending 31 December 2009 nor the calculation of the above unaudited pro forma adjusted net tangible assets. Had these properties been stated at such valuation, an estimated additional depreciation charge of RMB110 million per annum would be incurred.

The following statement of group embedded value, adjusted for estimated net proceeds from the Global Offering, of CPIC Group is based on our group embedded value as of 30 June 2009 and adjusted as follows:

	Group embedded value of CPIC Group as of 30 June 2009(1)	Estimated net proceeds to us from the Global Offering(2)	Group embedded value, adjusted for estimated net proceeds from the Global Offering	Group embedded value per Share, adjusted for estimated net proceeds from the Global Offering(3)
	(in millions of RMB, except per Share data)			(RMB)
Based on an Offer Price of HK$26.80 per Offer Share	74,889	17,835	92,724	10.93
Based on an Offer Price of HK$30.10 per Offer Share	74,889	20,054	94,943	11.19

(1) Based on estimate of group embedded value of CPIC Group assuming a risk discount rate of 11.5%.

(2) No account has been taken of the H Shares that may be issued pursuant to the H Share Over-Allotment Option. The estimated net proceeds to us from the Global Offering are based on the Offer Prices of HK$26.80 and HK$30.10 per Offer Share, respectively, after deducting estimated underwriting fees and expenses payable by us in the Global Offering. To the extent the H Share Over-Allotment Option is exercised, the group embedded value per Share, adjusted for estimated net proceeds from the Global Offering, will be increased, and earnings per Share will be diluted correspondingly.

(3) The group embedded value per Share, adjusted for estimated net proceeds from the Global Offering, is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 8,483,000,000 Shares will be in issue and the H Share Over-Allotment Option is not exercised.

BUSINESS INTERRUPTION

There was no interruption in our business that may have or have had a significant effect on our financial position in the 12 months prior to the date of this prospectus.

RELATED PARTY TRANSACTIONS

As of the Latest Practicable Date, the Directors were of the view that our related party transactions, as disclosed in the Accountants' Report set forth in Appendix I to this prospectus, will continue after the listing of our H Shares.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed, after performing all due diligence work which the Directors consider appropriate, that there has been no material adverse change in our financial position or prospects since 30 June 2009.