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Building Blocks For The Future

2013
Annual Report

(Stock Code: 02601)

中國太平洋保險(集團)股份有限公司
China Pacific Insurance (Group) Co.,Ltd.
(A joint stock company incorporated in the People's Republic of China with limited liability)

中国太平洋保险
China Pacific Insurance

In 2013, we combined the implementation of market strategies with transformation initiatives centered on customers' needs, and delivered solid growth in revenue, value and profitability.

What we've achieved would have been impossible without the hard work of all our employees, from senior management to the sales force. Guided by a business philosophy that puts value first, they are doing their bit and creating value for the company and society at large. What follows is a snapshot of what they have been doing.

PRELUDE FOR THE ANNUAL REPORT 2013

01

Continued Efforts to Empower Sales Force

In 2013, CPIC recorded a first year premium (FYP) income of RMB 12.976 billion from the agency channel, up 10.4%; monthly average number of agents reached 286,000, a growth of 4.4%; FYP per agent per month stood at 3,795, increased by 6.2%; agents sold on the average 1.28 new policies per month, 11.3% higher than in 2012; product line-up was expanding, as the development of tailor-made products gathered pace.

In recent years, we stepped up the roll-out of transformation initiatives. Ms. LU Xiaomei, a top life agent, and her likes are beginning to see the benefits of the transformation.

> Our product offerings have been expanding over the years. In 2013, we particularly focused on the development of tailor-made products. This made it easier for agents like Ms. LU to recommend suitable products to her customers. Besides, the roll-out of the targeted marketing initiative provided Ms. LU with more insights into her customers' needs, and helped to improve her customers' experience and loyalty.

> We regularly revisit the rules on the management of agents and adopted a differentiated approach towards recruitment, giving stronger incentives to Ms. LU and her colleagues and helping to improve the retention.

> Enhanced infrastructure management, resting on the 4 pillars of attendance, morning sessions, activities and training, went a long way to increase the solidarity and capability of Ms. LU's team.

Ms. LU Xiaomei

Agent & Sales Director, Nanjing, Jiangsu Province, CPIC Life

Ms. LU has been working with CPIC for 18 years and now has over 4,000 customers. She is highly successful in up-selling. In fact, she up-sold successfully to all her customers with claims experience. She recommends products to her customers not only because they are easy to sell.

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On the back of our targeted marketing initiative, our agents can better understand customers' needs and sell the right products to the right people.

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"The product shouhu ankang is the first niche insurance solution for cancer. It was developed based on the real needs of our customers and encapsulates prevention, treatment and protection. That was indeed customer orientation writ large."

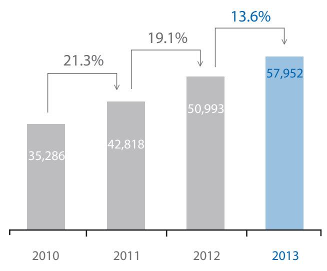
The targeted marketing initiative was embraced universally in CPIC. Meanwhile, we beefed up the development of tailor-made products, helping to expand our product line-up.

Targeted Marketing: Providing Products or Services That Best Meet Customers' Needs

"As China's economy grows, so do the affordability and public awareness of insurance. Besides, CPIC is a highly recognized brand in Jiangsu, which makes it easier for us to approach potential customers. The company also has a relatively extensive product line-up, which enables us to recommend flexible portfolios to our customers. For more sophisticated customers, the company's strong back office support can provide diverse services and options, helping with up-selling."

GWP FROM THE AGENCY CHANNEL AND GROWTH RATES

Unit: in millions RMB yuan



In the past, before she sat down with her customers, Ms. LU had to collect as much information about them as possible, which could be very time-consuming. But now, with the implementation of the targeted marketing initiative, she can better and more easily understand her customers' needs and feels more comfortable in making product proposals. For example, our local office once organized a gathering for her, where Ms. LU thanked her customers for their support and explored opportunities of up-selling. The event proved to be highly successful, and was the first of its kind in CPIC Life's Jiangsu office. It marked the emergence of an innovative model where sales activities are combined with the company's effective leads support. Ms. LU says: "This initiative is just like a beacon of light, helping me better navigate the unknown waters."

The product line-up spans the full life cycle of our customers, manifest in its positioning of "covering the four seasons of life, with sound protection and real happiness". There are diverse product suites like "rensheng" (meaning life), "niannian" (meaning year after year), "bao" (meaning protect) and "ankang" (meaning safety and healthy), covering life, pension, PA and health products. Ms. LU says: "Our products, centered on protection with flexible combinations stretching across the entire life cycle of our customers from their childhood to their late years, can give real happiness to our customers."

Ms. LU's motto is to offer products that best fit with customers' needs. And she has our extensive product line-up behind her. The jin product suite, focusing on risk protection, and the hong suite, skewed towards long-term savings, were developed based on our profound insights into people's needs. They are upgraded regularly and have helped Ms. LU acquire an increasing number of customers. In 2013, we launched a tailor-made cancer product, shouhu ankang, which was very well received upon its release. "This product is the first of its kind on the market, encapsulating prevention, treatment and protection. That was customer orientation writ large."

Ms. LU's motto is aligned with our vision of becoming an insurer that can be there with its customers through their life's journey. She has a long-term view on selling insurance and treats her customers as family or friends. She often says to her customers: "Whenever you have any problems, come to me." On the back of our strong back office platform, Ms. LU offers a wide range of quality services such as inquiry, underwriting, policy issuance, claims management and other post-sale services.

Ms. LU has been working with CPIC for 18 years and now has over 4,000 customers. She is highly successful in up-selling. In fact, she up-sold successfully to all her customers with claims experience.

In 2013, our agency channel achieved a FYP income of RMB **12.976 billion**, up **10.4%**. Average agency headcount per month reached **286,000**, up **4.4%**.

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For Ms. LU, the differentiated approach towards recruitment is definitely more effective than before. Productivity of new recruits has been higher, and since most of them were recruited by either managers or experienced high-performing agents, there has been better coaching and therefore, better retention.

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Ms. LU coaching recruits with more career development potential under the newly revised agency management regulations.

Revamping Regulations to Drive Healthy Agency Expansion

> "Revised regulations on the management of agents provides stronger incentives for top agents to advance their career paths, helping with the retention of productive agents. The company has been pushing forward a differentiated approach towards recruitment, which injects new vitality into the entire sales force, and my team, for one, has been growing healthily."

In 2013, we revised regulations on the management of agents, focusing more resources on career advancement. Besides, we rationalized certain KPIs to put career development on a more steady footing. Under new rules, Ms. LU can offer more targeted coaching for agents with advancement potential. She says: "The new regulation indeed gave us the shot in the arm we've all been expecting. Moreover, with promotion and publicity from the company, it really made a splash among us, creating even stronger incentives for us to pursue career advancement." In Ms. LU's team alone, there were 4 agents advancing to supervisors in 2013.

Ms. LU has been managing teams for many years, and knows only too well how important the quality and retention of new recruits are to a life insurance company. In recent years, our recruitment campaigns began to focus on productivity, age, activity volume, and the participation of managers and experienced high-performing agents, which can be defined as a differentiated approach. The productivity of new recruits is higher, and since most of them were recruited by either managers or experienced agents, there is better coaching and therefore, better retentions. Ms. LU says: "With new recruits on board, the whole team's development is set on an even more secure and steady footing, giving us even more confidence in fulfilling our KPIs."

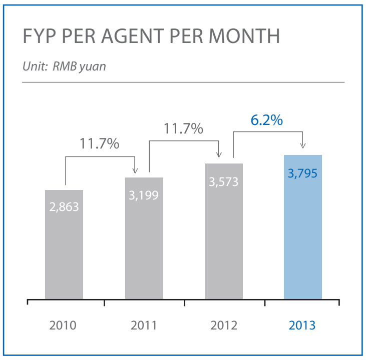
By the end of 2013, there were **125** agents in Ms. LU's team, with **4** of them advancing to supervisors in 2013.

As of the end of 2013, FYP per agent per month stood at **3,795**, up **6.2%**.

Enhancing Infrastructure Management Driving Productivity

> "The company's infrastructure management initiatives in morning sessions, activities, attendance and training have delivered huge benefits, lifting my team's morale and boosting productivity."

In recent years, we've been pushing these initiatives to enhance the infrastructure of agency management. They are by no means quick fixes. But we are confident that in time they will make a big difference. "My team is following these instructions closely, like coming to the work-site as required, attending morning sessions where, for one thing, product knowledge is shared, and paying 6 visits per day. Over time, they formed good sales habits, improved their skills and ultimately acquired a lot of customers. The company also devised a tailor-made training system for new recruits which has proved very useful in team development and productivity improvement, as it helps new agents make sales, which is essential to their retention and career advancement."



Management initiatives in attendance, morning sessions, activities and training are not quick fixes. But as long as they sink in, they can make a big impact.

Infrastructure management needs patience and persistency. But over time, it'll pay off. It helped Ms. LU's team acquire **20,000** customers, with FYP per agent per month in 2013 exceeding RMB **12,000**.

02

Tapping the Potential of Non-auto Business

In 2013, we[note] achieved a premium income of RMB 17.895 billion for non-auto P/C business, up 16.5%, representing 21.9% of the total P/C GWP.

As part of our transformation effort in recent years, we focused on the capability-building of our own employees to boost the development of non-auto insurance. CPIC P/C's Suzhou branch is a case in point. Its non-auto team pursued bold reforms and restructuring which were centered on customers' needs, and sharpened its competitiveness.

> With realignment of resources, the team consolidated its leading position in major corporate clients, and delivered both volume and value amid increasing market competitions;

> In response to market changes, the team rigorously explored new growth drivers;

> Our Suzhou office continuously pushed forward the restructuring of non-auto sales teams, aiming to foster a professional and high quality team.

Note: "we" or "the Company" refer to CPIC Property in this chapter.

NON-AUTO TEAM, SUZHOU, CPIC P/C

Mr. WU Xiaogang, along with the non-auto business of our Suzhou office, is well known for its top-notch service and expertise, providing insurance solutions to companies both at home and abroad.

Realignment of resources to solidify advantage in major corporate clients

> "Unlike smaller companies, big corporate clients tend to pay more attention to insurers' underwriting capacity and risk management. This is exactly where our strengths lie."

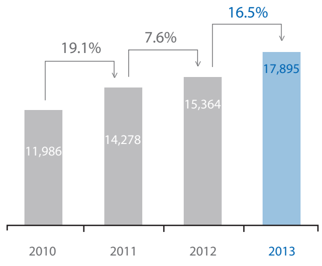
In 2013, we introduced a host of measures to cement our leading position in corporate clients, and in particular, major corporate clients. What we did included team-building, the promotion of centralized management for brokers, and the realignment of resources across the entire organization.

The non-auto team of our Suzhou branch made continuous efforts to refine the sales model for major corporate clients. On the back of its strong underwriting capacity, risk management expertise and customer service, our Suzhou office secured a big advantage over its competitors in local market.

Take Suzhou's subway as an example. For many times in the past 10 years, our Suzhou office served as the lead insurer for this project thanks to its insurance expertise and overall competitiveness. When the project first started, the branch focused on the collection of market intelligence and worked closely with experts from our head office. During the bidding process, they paid close attention to every detail in the preparation of the proposal and fully demonstrated their strengths in insurance expertise and customer service. In follow-up services, they adhered to high standards and provided a wide range of services from technical support to co-ordination and emergency response. They were responsive to customers' requests and offered other value-added services such as project oversight, timeline management and if necessary, additional insurance solutions. Their services and professionalism were well recognized by their customers, paving the way for future cooperation.

NON-AUTO GWP AND ITS GROWTH RATE

unit: RMB yuan, in millions



On the back of its strong underwriting capacity, risk management expertise and customer service, our Suzhou office secured an unassailable lead in local market.

In 2013, we reported a GWP of RMB2.767 billion for liability insurance, up 21.0%. Other emerging business lines such as agricultural insurance and credit/surety were also gaining momentum.

Our Suzhou branch closely follows the developments of government policies to identify opportunities in non-auto business.

Closely Following the Developments of Government Policies to Identify Opportunities in Non-auto Business

> "There have been a lot of changes in the non-auto sector in recent years. It's imperative for us to monitor such developments and respond to changing market needs so as to capture new growth opportunities."

In 2013, the Chinese government unveiled a flurry of policies to boost people's well-being. We closely tracked these developments and designed new products to tap the potential of non-auto sector and, in the meantime, serve China's social and economic development.

In Suzhou, based on our understanding of local realities in terms of economic growth drivers and industry mix, we identified liability, agricultural, and bundled products for residential communities and small-and-medium-sized businesses as the leverage to tap the "blue ocean" of non-auto business. Capitalizing on our transformation initiatives, our Suzhou branch has successfully become a trail-blazer in product and service innovation, securing a strong foothold in local market.

> Mandatory liability insurance: the first on the market

In response to governments' pilot programs for compulsory liability insurance in environment protection and health care, our Suzhou branch became the first on the local market to offer such products, helping our customers spread risks and delivering social benefits.

In 2013, we wrote agricultural business in Changshu, Wujiang and Taicang, three county-level townships in Suzhou, with a premium of RMB38.39 million, up 35%.

To tap the potential of small-and-medium-sized enterprises, we launched a niche insurance solution with flexible sector-specific portfolios, which realized RMB 153 million in GWPs in 2013 and adding 9,701 to our list of SME clients.

> New liability products: win for all

Insurance, for one thing, serves as a "social stabilizer". Our Suzhou office closely tracked the trends of the services industry and designed products that delivered multiple benefits in terms of profitability, public good and our brand name. An example. In the context of rapid development of the elderly care industry, it launched a series of niche-market liability products on elderly care facilities, which were very well received. The liability product on home-based care facilities was the first of its kind in China.

> Agricultural insurance and other rural-related products: a market leader

Our Suzhou branch is committed to tapping the local market for agricultural insurance. In 2013, it wrote agricultural business in Changshu, Wujiang and Taicang, three county-level townships, with a GWP of RMB38.39 million, up 35%.

> Insurance package for communities

We launched an insurance package for Suzhou's local urban dwellers which integrates home-owners' and personal accident to provide cover against life's uncertainties and risks. In 2013, we wrote such business either all by ourselves or as the lead insurer in many districts of Suzhou, generating a premium income of RMB13 million, No. 1 in local market.

> Insurance solutions for small-and-medium-sized enterprises (SME): upgrade of customer experience

To seize opportunities in SMEs and sustain our value growth, we introduced an initiative devoted to this market segment, in hope of working out a viable business model for SMEs in distribution, products and processes. In April, 2013, we launched a new insurance solution with flexible product portfolios for SMEs in Suzhou covering sectors such as retail & wholesale, manufacturing, hospitality & catering services and warehouse & storage. We redesigned application forms and product brochures, organized sales campaigns, and promoted cross-selling. Thanks to these measures, we have pulled off "an upgrade": shifting away from merely selling a product, or making a quotation to fully understanding customers' needs and offering a suitable package of products. By the end of 2013, our Suzhou office had acquired over 700 SMEs, over 40% of which were first-time buyers. Total premium hit RMB12 million.

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Focusing on the needs of SMEs, we launched a niche insurance solution on a trial basis in Suzhou covering retail &wholesale, manufacturing, hospitality & catering services and warehouse & storage.

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Our Suzhou office promotes a closer interaction between claims and sales so that the sales team can be more versatile, offering comprehensive services.

Exploring Team Restructuring to Promote Capability-building

"Non-auto business requires different sets of skills and expertise and can be very demanding for the sales team. Therefore, we give priority to capacity-building and enhanced management."

> Restructuring team management

First, our Suzhou office centralized the management of local sales teams in resource allocation and performance evaluation, with a clear understanding of all team members' backgrounds, like education, knowledge mix and work experience, so that sales resources can be better aligned with business opportunities. Second, in terms of infrastructure-building, it issued new regulations on team management, formalizing career development paths and promoting merit-based competitions. This move has been warmly welcomed by its sales teams, as they have now a better understanding of their career paths and more opportunities of advancement. Besides, thanks to centralized resource-allocation, they now get more back office technical support, helping with business.

> Campaigns injecting vitality

To promote knowledge transfer and dissemination amongst sales teams, our Suzhou branch organized sales contests to boost the overall sales capability. Such contests helped sales teams to identify their areas of specialization, providing stronger motivation and promoting sales across the board, i.e. from both corporate clients and individuals.

> Enhancing sales capability

Which cannot be possible without continued efforts in training. In Suzhou, our non–auto sales teams actively participate in various training programs such as morning sessions, regular meetings, and lectures given by both in-house and external experts. Besides, our Suzhou office promotes closer interaction between sales and claims, so that its sales team can become a versatile insurance adviser, offering comprehensive services and adding more value to their customers.

03

Innovations in alternative investment and capacity-building in third-party asset management

By the end of 2013, our asset management arm had issued 30 asset management products, amounting to RMB65.750 billion. For debt investment plans alone, there were as many as 15 in 2013, 1.2 times the combined total between 2007 and 2012, and raising RMB22.950 billion, up 113.5%. We for the first time issued 2 non-debt investment plans, equity and project- asset-backed each, raising in total RMB2.050 billion.

These helped with our net investment return which stood at 5.0% as of the end of 2013.

As CIRC deregulates the investment channels for insurance companies, our alternative investment team, headed by Mr. SU Gang, seized the opportunity and is pioneering business innovations, which covered all the main areas of investment recently opened up.

> Pursuing diversity in underlying assets and deal structures, our alternative investment team successfully expanded their product offerings and contributed to our overall value growth.

> Our asset management subsidiary gives priority to team-building and people empowerment, with clear definitions of duties and responsibilities and diversity in skills. Our alternative investment team strives to balance between business development, product distribution and post-sale administration. On the one hand, they seek to attract more third-party funding, and on the other hand, making efforts to improve post-sale infrastructure management and client services.

> We believe that compliance and risk management is an integral part of alternative investment. Compliance and risk management people are involved throughout the entire investment cycle from project initiation, project review to product design and post-sale administration to ensure full compliance and effective control of medium-to-long-term risks.

Alternative Investment, CPIC Asset Management

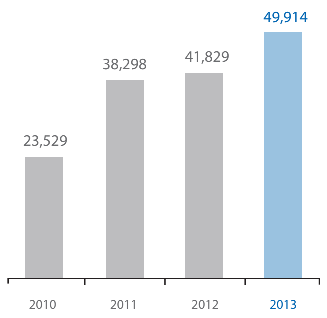
Mr. SU Gang watched over the establishment of 5 professional teams for debt, equity, real estate, sales and project administration. Mr. SU and his colleagues are pioneering innovations in alternative investment and hope they could make a difference.

Leveraging Underlying Assets for Alternative Investment to Drive Sustained Value Growth in AuM

On the back of a vast pool of underlying assets with diverse yield patterns and risk profiles, we've diversified the investment income both geographically and by sector. Geographically, our alternative investment covers 13 provinces in China. By sector, it stretches across a wide range of industries: transport, energy, urban construction, environmental protection, financial services, logistics, commercial property, affordable housing, land reserves and residential community resettlements. In term of deal structure, it supports equity, debt and real estate, with flexible design and portfolios.

ALTERNATIVE INVESTMENT ASSETS

unit: RMB yuan, in millions



Debt investment plans stand out among mid-to-long-term fixed income instruments as an asset class offering more attractive yields. As of the end of 2013, our total exposure to it was RMB34.545 billion, up 21.9%. Its share of our in-house AuM stood at 5.2%, up 0.7pt. The plans not only extended asset durations but helped to boost NII as well.

Real estate as an asset class is an international norm of asset allocation. With continued efforts to improve management, we successfully raised the occupancy rate of the properties we currently hold, generating a steady increase in rental income, and in turn, the investment return for real estate rose from 6.1% in 2012 to 7.1% in 2013. We also tried to plan ahead and searched for properties with medium to long term growth potential as "stand-by" investments.

Apart from real estate, we innovated and launched a project-asset-backed equity investment plan in 2013, the first of its kind in China, and in collaboration with our peers, issued successfully an infrastructure-related equity investment plan. These two products helped us generate investment income for the first time in equity-based asset management products.

We innovated and launched a "project-asset-backed equity investment plan" in 2013, the first of its kind in China; and in collaboration with our peers, issued successfully an "infrastructure-related equity investment plan". These two products help us generate investment income for the first time from equity-based asset management products.

By the end of 2013, our alternative investment management arm had issued 30 alternative asset management products, amounting to RMB65.750 billion.

For debt investment plans alone, there were as many as 15 in 2013, 1.2 times the combined total between 2007 and 2012, and raising RMB22.950 billion, up 113.5%.

We for the first time issued 2 non-debt investment plans in 2013, equity and project- asset-backed each, raising in total RMB2.050 billion. These helped with our net investment return.

Capitalizing on the Restructuring of Alternative Investment to Build Capability and Capture Opportunities in Third-party Asset Management

Alternative investment was restructured into a business unit (BU) in late 2011. After over a year's adjustments to its working mechanisms, it began to demonstrate its investment capabilities and competitive edge. The unit's internal organization structure also helped. There are 3 professional investment teams for debt, equity and real estate respectively, coupled by 2 project administration teams for real estate and equity/debt each. There are also 4 expert panels and 2 product decision-making bodies. The structure underpins and drives the entire cycle of alternative investment, making it efficient and competitive.

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In asset management we focus on team-building and people development, leveraging recruitment and training to enhance our employees' skills and competence. There is also a succession plan to minimize disruption. Now there are 35 people on the technical track in the alternative investment BU, with a clear definition of responsibilities and a wide array of expertise.

Our asset management subsidiary attaches great importance to team-building and people development, leveraging recruitment and training to enhance employees' skills and competence. There is also a succession plan to minimize disruption. Now there are 35 people on the technical track in this BU, with a clear definition of responsibilities and a wide array of expertise.

Apart from acquiring high-quality underlying assets, sales is also indispensable. To diversify the sources of funding beyond our in-house money, we need a strong sales team and a big customer base. In 2013, a priority of the sales team was to enhance its infrastructure, namely, staffing, training and re-definition of responsibilities. Another priority was post-sale information service, and it was made clear that information on the distribution of investment income is the responsibility of the sales team. This improved the communication between our sales teams and their principals. We also put in place a mechanism of "a single responsible person for sales" for all projects, so that sales can be involved in the product development stage, making sure that the distribution part is aligned with the pricing and deal structure.

In 2013, our investment subsidiary convened a number of meetings for beneficiaries in alternative investment, fulfilling its duties conscientiously in information disclosure, funds disbursement and income distribution; it further refined the matrix-based management model underpinned by a combination of on-site project management and supervision from the investment teams. In the meantime, compliance, risk management and internal credit-rating lent full support.

We convened a number of meetings for beneficiaries in alternative investment.

Enhancing Infrastructure in Alternative Investment to Ensure Compliance and Effective Control of Medium-to-long-term Risks

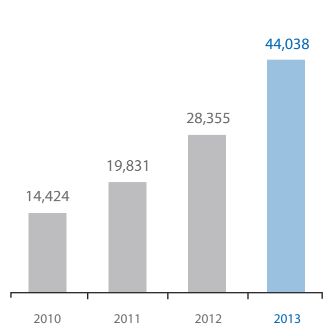
In post-sale management, we involve both project management teams and investment teams. Such an arrangement helps to ensure compliance and fend off major risks. The investment income has always been distributed on time and in full. The borrowers are running normally, without any significant warning or volatility.

For post-sale management, we persist in and keep fine-tuning the matrix-based model underpinned by a combination of both "on-site" project management teams and "back-office" investment teams, with a clear definition of duties and responsibilities. This will be an on-going process.

Compliance and risk management have always been high on our agenda. We believe they should be involved in every step of the alternative business: from project initiation through project review to product decisions. Heads of investment teams and those executing the investment are also required to enhance day-to-day communication with compliance and risk management to ensure effective internal controls throughout the whole investment cycle.

THIRD-PARTY AUM OVER THE YEARS

Unit: RMB yuan in millions



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04

Rapid Development of Direct Sales on the Back of Improved Operational Efficiency

In 2013, we reported a premium income of RMB 13.528 billion from direct sales (internet and telemarketing) of auto business, up 30.6%. As of the end of 2013, direct sales accounted for 16.5% of total P&C premium, up 1.6pt.

The overall target of our transformation initiatives is to better understand customers' needs through improved interfaces, and ultimately enhance their experience with us. As these initiatives gain traction, Ms. ZHOU Qianqian, a top telemarketing (TM) sales representative, and her team are beginning to benefit.

> We use "multiple touch-points" for customer access. This enabled Ms. ZHOU and her colleagues to better understand what their customers really want. The number of marketable customers increased. Data mining and smart decision-making system also helped. With customers' trust, it is now easier to achieve up-selling.

> Bearing in mind customers' needs, we tried to identify the key levers or steps in our communication with them and then transformed these findings into a standardized selling process for all TM representatives, which helped to boost the productivity of Ms. ZHOU and her team.

> Our management of direct sales is value-based. We regularly revisit and update the policy on performance evaluation and this, combined with differentiated valued-added services not only improved our operational efficiency but also offered strong incentives for Ms. ZHOU and her team.

Ms. ZHOU Qianqian

Senior Sales Manager, Shenzhen, CPIC Online Services

Ms. ZHOU is relatively new with us. She joined CPIC a year and a half ago. She gives first priority to customers' needs whenever she talks with them. She says: "you can only earn customers' trust when you put yourself into your customers' shoes, understanding what they want and recommending products that really suit their needs."

Multiple Touch-points and Customer Profiling Helping to Match Needs and Products

In the age of internet, the emergence of new technologies like cloud computing, search engines and big data have considerably expanded and facilitated our access to information. We strive to combine these emerging trends with traditional marketing methods and employ multiple touch points, such as telephone, websites, micro-blog, we-chat and mobile terminals to access potential customers; we also rolled out the initiatives of customer profiling and data mining to offer our sales representatives useful insights into their customers, helping them to match needs and products.

Ms. ZHOU was once a bit reluctant before she made calls to potential customers. First, many times her call was never answered; second, even when customers picked up the phone, their patience would soon wear out and they would hang up on her, because Ms. ZHOU was following a script and getting to know customers could be a very time-consuming and long-winding process. But now, with multiple touch points and customers profiling, things are different. Communication with customers was made much easier. The number of both marketable customers and interested customers grows. Ms. ZHOU says: "Customer profiling makes us more comfortable communicating with customers."

In 2013, Ms. ZHOU's average time on call was 12,454 seconds, which was about 6 hours. In the past 1.5 years, she has accumulated 614 customers, with a premium income of RMB2.6 million.

With multiple touch-points and customers profiling, the number of marketable customers grows, and so does the number of interested customers.

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Ms. ZHOU on a training program on how to plan and structure communication with potential customers.

A Standardized Sales Process Based on Customer Insights Effectively Enhanced Sales Capabilities

One objective of our transformation is to enhance customers' experience. To this end, one thing we did was to organize a special taskforce charged with reviewing the entire process of communication with customers, identifying the key steps and levers and the timing for the delivery of such steps. These best practices would then be duplicated across the entire organization to ensure that each customer lead is closely tracked and customers' requests can be met in a timely manner.

Ms. ZHOU also attended an in-house training program on communication management and the standardized sales process, which equipped her with necessary skills and knowledge on customers communication, like when to make a follow-up call when a customer's policy is expiring; what to say for the first call and how to plan the next steps; and how to project an image of financial planner instead of merely a salesperson. Ms. ZHOU says: "we were not just given a tool, but also taught how to use it to make selling easier and our customers more comfortable. CPIC commits itself to be with its customers all along their life's journey. We delivered on that promise."

In 2013, Ms. ZHOU's success ratio was 5.8%, up 4.2pt.

Higher Operational Efficiency to Drive Value Growth

Since 2012, we've been promoting a sales model based on differentiation, i.e., matching different strategies and value-added services with different customer segments. We continuously revisited and updated our compensation policy, making sure one's income is tied to their value contribution. We also strived to foster a favorable culture based on meritocracy and healthy competition.

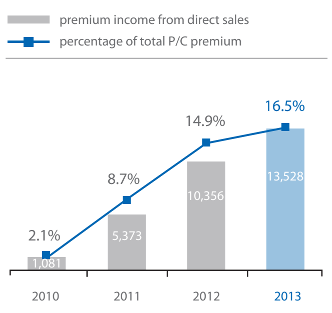
Starting in 2012, we began to focus on differentiation for the sales of auto insurance. We set up a model for the projection of claims pay-out; we differentiated marketing strategies and value-added services based on customer segmentation; we sifted through customer data to identify factors of success, both vehicle-specific and driver-specific, which were then fed into a model to calculate chances of an outbound call's success. These insights were then combined with customer leads. This initiative helped Ms. ZHOU and her team to improve their customer mix, boosting their value contribution.

We also revamped rules on compensation, adding details on bonus calculation, which is tied to factors like business quality and input and output ratio. On corporate culture, we strived to foster an enabling environment which could boost our employees' engagement and sense of ownership, lifting morale, promoting healthy competitions and offering strong incentives.

In a short space of one year and a half, Ms. ZHOU already became a senior sales manager, which is a bit unusual for people of her age. She says: "I'm grateful for the company's value-driven management approach."

PREMIUM INCOME FOR DIRECT SALES OF AUTO INSURANCE

unit: RMB yuan, in millions



a sales model based on differentiation, i.e., matching strategies and value-added services with different customer segments; continuously revisiting and updating the rules on compensation, making sure one's income is tied to their value contribution.

05

Innovation in Technology Bringing Convenience to Customers

With innovative technologies and management tools, we seek to bring convenience and ease to our customers and win their trust.

In response to the advances of technologies, internet, big data and social networks have all become part of our tool-kit to optimize processes and improve customer service. The extensive application of such innovative technologies not only served to boost the operational efficiency, but delivered tangible benefits to our customers as well.

> There are in total 72,000 Shenxing Taibao terminals in use, covering the entire agency channel and reducing the policy issue turnaround from 7 days to 15 minutes.

> With the help of over 5,000 terminals of 3G-based claims management system for auto insurance, now for ordinary cases, loss adjustment takes on the average 18 minutes, and all field claims inspectors are now equipped with the system.

> Our e-commerce B2C platform, www.ecpic.com.cn, had accumulated over 3.32 million members by the end of 2013, with a monthly average traffic of 9.29 million visits, up 95%, Now 39 products of 7 categories are available on line thanks to such platforms which also support 78 service items of 5 categories.

Internet-driven Transformation Initiatives

Internet has exerted a profound influence on consumers' behaviors, prompting a major shift in the distribution model of insurance companies. With the help of such new technologies, we constantly enhance customers' experience.

There are in total 72,000 Shenxing Taibao terminals in use, covering the entire agency channel and reducing the policy issue turnaround from 7 days to 15 minutes.

Shenxing Taibao, strong sales support

For agents, the system is an integration of multiple functions such as proposal drafting, premium rates enquiry, electronic signatures and claim settlement. It is also a scalable platform where customized distribution or recruitment apps can be installed.

The extensive use of Shenxing Taibao leverages our strong IT platform and helps our agents to better explain our products and projects an image of professionalism and reliability. This boosts our brand name, making it easier for our agents to earn customers' trust and make the deal. "It's not just a tool of distribution, but also a tool of recruitment. It's not just a thought, but has become realities. There are growing examples of its successful applications." The view was echoed by many agents who are using and benefitting from Shenxing Taibao.

Apart from sales and recruitment, Shenxing Taibao also flexed its muscle in training and daily management of the agency force. Our branch offices can easily up-load curriculum and learning materials onto the platform for agents' self-learning and information browsing. The system also supports instant messaging services like wechat. Cost-effective, efficient and easy-to-use, it has become a platform for information-sharing, learning, management and business tracking, and tremendously facilitated our agents' communication with their customers.

▷

Shenxing Taibao cannot only customize insurance solutions in response to customers' needs, but also supports electronic signatures, making the entire process paperless and minimizing the risk of mis-selling.

With the help of over 5,000 terminals of 3G-based fast track claims management system for auto insurance, now for ordianry cases, loss adjustment takes on the average 18 minutes, and all field claims inspectors are now equipped with the system.

On the P/C side, the application of 3G-based fast track claims system streamline the process, shortening turnaround and helped to optimize the service model.

The 3G-Based Fast Track Claims System: An Experience of Ease, Efficiency and Convenience

Enhanced claims service helped with renewal ratio for commercial car insurance which reached 62.4% as of the end of 2013, up 0.5pt.

Customers' experience has always been a priority when we handle claims. The use of the 3G-Based fast track claims system enabled us to reengineer the whole process so that field inspection and back office loss adjustment can run in parallel. With this innovation, the average loss adjustment only takes 18 minutes, and can be as short as 8 minutes. This shortens the entire claims turnaround and saves customer's time. We further built on this new system and launched programs, like "no paper document requirement", "electronic documents" and "collection of documents at doorsteps" in a bid to further streamline the claims process and improve customers' experience.

The 3G-based system enables real-time transmission of visual, connecting accident sites and our back office functions. In such a way the professional loss-adjustment skills can be transferred to the site of accidents and our field inspectors can access real-time our back office quotation management system for car parts. In the meantime, the system supports legacy data mining and can effectively detect frauds, further boosting our overall risk management.

"A lot of my customers, upon receiving the claims payments, indicated that they would renew their insurance with us the next year. Their first-hand experience with our claims system speaks volumes of the value we add to our customers."

The use of new technologies allowed our claims managers to focus on team-building and capacity-building so that they can handle more difficult cases. At the same time, enhanced customers experience leads to customers' trust and sustained improvement of customer loyalty.

A lot of our car insurance customers, having tried our 3G-based claims system, indicate that they would renew their contracts with us the next year.

Our e-commerce B2C platform, www.ecpic.com.cn, had accumulated over **3.32 million** members by the end of 2013, with a monthly average traffic of **9.29 million** visits, up **95%**, Now **39** products of 7 categories are available on line thanks to such platforms which also support **78** service items of 5 categories.

CPIC Online Services seeks to build a 3-dimensional platform for customer access on the back of an insurance portal, a lifestyle portal and mobile e-commerce apps.

Our E-commerce B2C Platform, www.ecpic.com.cn, A One-stop Service Platform

We made continuous efforts to extend our e-commerce product line-up. Now there are 39 products from 7 categories on offer, covering auto insurance, tourism visas, personal accident, home-owners', juvenile, wealth management and health. Besides, our e-commerce platform integrates both life and non-life services and supports 78 service items of 5 categories from policy inquiry to value-added services.

With insights from big data analysis, we have been able to optimize products and work flows to enhance our ability to acquire customers online. We've also put together a "generalist" call center to serve customers from multiple touch-points, e.g. our website, micro-blog and wechat to promote online and off-line integration. With this we can deliver on our promise: be there for our customers no matter when or where they want.

You may acquire this report
and other disclosed company results by:

Mail

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http://www.cpic.com.cn/cpic/en/investor/companynote/

iPad

Annual Report

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

2013

CONTENTS

Cautionary Statements:

Forward-looking statements included in this report, including future plans and development strategies, do not constitute a guarantee of the Company to investors. Investors shall be aware of the risks of investment.

You are advised to exercise caution.

ABOUT US

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About Us

Important Information

I. The Annual Report 2013 of the Company was considered and approved at the 4th session of the 7th Board of Directors on 28 March 2014, which 12 Directors were required to attend and 11 of them attended in person and WU Jumin, a director, appointed in HUO Lianhong, a director, to attend the meeting and vote on his behalf.

II. Ernst & Young audited the 2013 financial report of the Company and issued the standard unqualified auditors' report.

Operation Overview

CPIC is a leading integrated insurance group in the PRC, providing, through our nationwide marketing network and diversified service platform, a broad range of risk solutions, investment and wealth management and asset management services to about 80 million customers throughout the country.

Unit: in RMB million

GWP – CPIC Life 95,101
GWP – CPIC Property 81,744

Total income

192,217

Total assets

723,533

Net profit – CPIC Life 6,219
Net profit – CPIC Property 2,622

Group net profit attributable to equity holders of the parent

9,261

Group equity attributable to equity holders of the parent

98,968

Group basic earnings per share attributable to equity holders of the parent

RMB 1.02

Group weighted average return on equity attributable to equity holders of the parent

9.5%

Annual cash dividend [note]

RMB 0.40 / share

Solvency margin ratio
CPIC Life 191%
CPIC Property 162%

Group

283%

Note: Subject to the approval of the shareholders' meeting.

Unit : RMB million

Indicators	As at 31 December 2013/for the period between January and December in 2013	As at 31 December 2012/for the period between January and December in 2012	Changes(%)
Key value indicators			
Embedded value of the Group	144,378	135,280	6.7
Value of in-force business [note 1]	62,422	49,043	27.3
Net assets of the Group [note 2]	98,968	96,177	2.9
New business value of life insurance	7,499	7,060	6.2
New business margin of life insurance (%)	20.7	17.8	2.9pt
Combined ratio of CPIC Property (%)	99.5	95.8	3.7pt
Growth rate of investments' net asset value (%)	4.3	5.6	(1.3pt)
Key operating indicators			
Gross written premiums	176,923	163,228	8.4
CPIC Life	95,101	93,461	1.8
CPIC Property	81,744	69,697	17.3
Market share			
CPIC Life (%)	8.9	9.4	(0.5pt)
CPIC Property (%)	12.6	12.6	-
Number of Group customers (in thousand) [note 3]	78,973	76,207	3.6
Average number of insurance policies per customer	1.49	1.46	2.1
Monthly average agent number (in thousand)	286	274	4.4
Monthly average first-year gross written premiums per agent (RMB)	3,795	3,573	6.2
Total investment yield (%)	5.0	3.3	1.7pt
Net investment yield (%)	5.0	4.9	0.1pt
Third-party assets under management	79,840	52,096	53.3
Third-party assets under management by CPIC AMC	44,038	28,355	55.3
Assets under investment management by Changjiang Pension	35,802	23,741	50.8
Key financial indicators			
Net Profit attributable to equity holders of the parent	9,261	5,077	82.4
CPIC Life	6,219	2,495	149.3
CPIC Property	2,622	2,659	(1.4)
Basic earnings per share(RMB) [note 2]	1.02	0.59	72.9
Net assets per share(RMB) [note 2]	10.92	10.61	2.9
Solvency margin ratio (%)			
CPIC Group	283	312	(29pt)
CPIC Life	191	211	(20pt)
CPIC Property	162	188	(26pt)

Notes : 1. Based on Group's share of life's value of in-force business after solvency.

2. Attributable to equity holders of the parent.

3. The number of Group customers refers to the number of applicants and insureds who hold at least one insurance policy issued by one or any of CPIC subsidiaries as at the end of the period/year which has an insurance coverage period of not less than 365 days. In the event that the applicants and insureds are the same person, they shall be deemed as one customer.

In 2013, we persisted in the pursuit of sustained value growth and the focus on the core business of insurance and in the meantime pressed ahead with the transformation initiatives, delivering another year of overall value growth.

GROUP

Sustained growth in Group value. As at the end of 2013, Group embedded value stood at RMB144.378 billion, an increase of 6.7% from the end of 2012. Of this, Group value of in-force business [note 1] reached RMB62.422 billion, up 27.3% from the end of 2012. For the reporting period, our life business delivered RMB7.499 billion in new business value, up 6.2%, with a compound average growth rate of 7.1% in the previous 3 years.

Sound financial results. In 2013, we recorded operating revenues [note 2] of RMB193.137 billion, up 12.6%, of which GWP accounted for RMB176.923 billion, up 8.4%. Net profits [note 3] rose by 82.4% to RMB9.261 billion, with earnings per share [note 3] reaching RMB1.02, up 72.9%. Net assets [note 3] totalled RMB98.968 billion, a growth of 2.9% and the average weighted return on equity [note 3] stood at 9.5%, 3.4pt higher than in 2012.

Solid Increase in assets under management. As of the end of 2013, our total AuM increased by 9.9% to RMB746.639 billion, of which, in-house AuM stood at RMB666.799 billion, up 6.3% and third-party AuM RMB79.840 billion, up 53.3%.

LIFE INSURANCE

Sustained growth in life NBV

- The NBV of our life business grew by 6.2% and reached RMB7.499 billion with a 3-year average compound growth of 7.1% while the NBV margin [note 4], at 20.7%, increased by 2.9pt.
- The NBV from agency was RMB6.160 billion, accounting for 82.2% of the total and up 3.5pt. First year premium from the channel amounted RMB12.976 billion, a growth of 10.4%, with a 3-year average compound growth of 13.2%. Average number of agents in 2013 was 286,000, up 4.4%. First year premium per agent per month reached RMB3,795, up 6.2%.
- Regular premium business represented 45.4% of the total first year premium and the share was 40.6% in 2012. In bancassurance, high-margin RP business garnered RMB1.544 billion, up 32.8% [note 5] and helping the channel's NBV growth turn positive.

PROPERTY & CASUALTY INSURANCE

Rapid property and casualty insurance top-line growth with underwriting profits

- Our property and casualty insurance business [note 6] reported GWPs of RMB81.822 billion, up 17.3%, with a combined ratio of 99.5%, rising 3.8pt.
- CPIC Property achieved GWPs of RMB63.849 billion from its auto business, up 17.5%, and RMB17.895 billion from its non-auto segment, up 16.5%, with the growth rate 8.9pt higher than in 2012.
- CPIC Property recorded RMB16.672 billion in GWPs from direct sales (telemarketing and online sales) and cross-selling, up 28.7%, accounting for 20.4% of its total, up 1.8pt.

ASSET MANAGEMENT

Steady Growth of Investment Income

- We registered an investment income of RMB31.582 billion from our in-house asset management, up 70.5%. Total investment yield reached 5.0%, up 1.7pt. Net investment income amounted to RMB31.408 billion, an increase of 16.9%, with a net investment yield of 5.0%, up 0.1pt. The investments' net asset value rose 4.3%, with the growth rate down 1.3pt.
- We achieved a fee income of RMB223 million on third-party asset management, jumping 72.9%.
- CPIC AMC issued 15 investment plans in infrastructure and real estate, raising a total of RMB22.950 billion.
- Changjiang Pension's AuM reached RMB35.802 billion, rising 50.8%.

Notes:

1. Based on Group's share of life's value of in-force business after solvency.
2. Based on PRC GAAP.
3. Attributable to equity holders of the parent.
4. NBV margin = NBV/annualized first year premiums.
5. Based on restatement of figures in 2012.
6. This includes both CPIC Property and CPIC HK.

Chairman's Statement

Dear shareholders:

In the past year, the environment in which we operated was complex and challenging. The recovery of the world economy was full of twists and turns. In China, there were mounting downward pressure on its economic growth, with tighter liquidity on the market. A particular challenge for the insurance industry was the high frequency of natural disasters in 2013, from the devastating earthquake in Lushan of Sichuan in the west to typhoons in the east; from the spell of drought in the south to floods in the north. In the financial services sector, there were many emerging trends and dynamics. As the interest rate liberalization gathered pace, boundaries between different sectors of financial services began to blur, with increasing competitions between banks, securities companies, trust firms and insurers. Another force which no one can afford to overlook is the rise of internet-based finance, which is not just a distribution channel. Its DNA promises to reshape consumers' behaviours and overhaul the entire business model of the traditional financial services industry.

In spite of the many challenges listed above, we are still optimistic about the prospects of this business. There are opportunities, only that we have to change to capture them. There is huge potential demand for protection coverage in health and elderly care. As social wealth accumulates, demand is increasing fast for wealth management services, where insurance companies can definitely play a part, particularly given the regulatory change which has propelled the asset management industry into an era of cross-over and insurers' focus on the matching of assets and liabilities. There is also an opportunity to use mobile internet technologies to lower our costs, drive efficiency, improve customer interfaces and innovate business models. Besides, the market-oriented regulatory approach makes it possible for insurance companies to differentiate, refine and innovate in their strategies and operations.

In the past year, we adhered to the basics, i.e. focusing on the core business of insurance and pursuing sustainable value growth, while refining our market strategies in response to a changing environment. On the other hand, **we forged ahead with transformation initiatives founded on a "customer demand" approach. This, in turn, delivered better-than-expected results, as are set out below.**

Solid value growth. As of the end of 2013, Group embedded value amounted to RMB144.378 billion, up 6.7%, with Group value of in-force business[note 1] reaching RMB62.422 billion, up 27.3%. For the reporting period, we delivered RMB7.499 billion in NBV of our life business, an increase of 6.2%, with a 3-year compound average growth of 7.1%.

Sound financial results. We recorded operating revenues[note 2] of RMB193.137 billion, up 12.6%. Of this, gross written premiums amounted to RMB176.923 billion, 8.4% higher than in 2012. Net profits rose by 82.4% to RMB9.261 billion, with earnings per share of RMB1.02, up 72.9%. Group net assets stood at RMB98.968 billion, an increase of 2.9% from the beginning of the year. Average weighted return on equity was 9.5%, 3.4pt higher. Solvency margin ratio reached 283%, indicating a strong capital position. Continued gains reflected our ability to create new business value, as measured by the following indicators. First year premium per agent per month reached RMB3,795, up 6.2%. Monthly average number of agents hit 286,000, up 4.4% and the share of regular premium business reached 80.5%. Property and casualty insurance combined ratio, at 99.5%, rose steeply.

Steady growth in Group assets under management (AuM), which stood at RMB746.639 billion as of the end of 2013, up 9.9%. Of this, our in-house AuM hit RMB666.799 billion, up 6.3% from the end of 2012. Total investment yield was 5.0%, with the investments' net asset value increased by 4.3%. In term of third-party asset management, total assets under management increased 53.3% from the end of 2012 to RMB79.840 billion, with a management fee income of RMB223 million, up 72.9%.

Notes:

1. Based on Group's share of life's value of in-force business after solvency.

2. Based on PRC GAAP.

As part of our transformation efforts, we introduced a host of initiatives intending to both address current issues and deliver long-term benefits, and have chalked up some initial success.

First, we undertook to improve the customer data collection and analysis system. The approach is to access customer information via multiple touch points, and in doing so, continually enhancing a sophisticated and integrated customer data platform. Twenty-nine such touch points were identified involving 15 steps of 4 major work processes such as sales, underwriting, claims and other post-sale services. Besides, a mechanism was put in place to regularly update customer data. We also work closely with third parties to obtain complimentary information about customers' behaviours. With effective data treatment, as of the end of 2013, there were nearly 79 million customers in our database with relatively reliable information, up 66.2% from the end of 2010.

Secondly, based on insights derived from customer data, we can offer products or services catering for different customer segments. On the life side, we launched a cancer product "shouhu ankang" (meaning the guardian of your health) for young and middle-aged white collar workers, the first of its kind on the market. It encompasses prevention, treatment and protection, generating RMB97 million in gross written premiums (GWPs). On the property and casualty insurance side, to tap the potential of small-and-medium-sized enterprises, we launched a niche insurance solution with flexible sector-specific portfolios ("Cai Fu U Bao"), which realized RMB153 million in GWPs in 2013 and adding 9,701 to our list of SME clients. Our asset managers developed an innovative asset management product ("Wen Jian Number One") to meet our clients' needs in liquidity management, with a daily average balance of RMB3.439 billion. In response to rising demand for old-age provisions and care, Changjiang Pension, one of our subsidiaries, launched 3 pension fund products, the first of their kind on the market, with assets under investment amounting to almost RMB6 billion.

Thirdly, with the advances of internet and mobile technologies, we strived to optimize interfaces with customers, both virtual and physical, and promote effective interaction. We launched our e-commerce B2C platforms – CPIC Online. Now 39 products and 78 service items are available on line thanks to such platforms, as well as mobile and social media applications, and third party partnerships. For off-line interfaces, we made continuous efforts to improve both our brick-and-mortar outlets and sales force. With consolidation of resources, we can now provide one-stop services covering both life and property and casualty business in some of our outlets. On the back of sales force segmentation, we also seek to foster a team of financial planners catering for mid-and-high-end customers. In the meantime, we re-engineered our O2O process, so that we can attract potential customer online, who then will be referred by our call centre to our agents for further assistance.

Fourthly, we actively employ mobile internet technologies to drive operational efficiency and enhance customer's experience. For life, we were the first on the market to launch a smart tablet-based insurance platform, Shenxing Taibao .Now there are 72,000 such terminals in use, while the number was only 25,000 at the end of 2012. The system helped to reduce the policy issue turnaround from 7 days to 15 minutes and customers can take out a policy with us whenever and wherever they want, with great ease and convenience. Since the entire selling process is formalized and standardized on Shenxing Taibao, this will minimize the risk of mis-selling and help to boost agency productivity. Now almost all new policies from the agency channel are issued via this system. For property and casualty insurance, the 3G-based claims management system integrates on-site inspection and back-office loss adjustment, enabling us to do loss adjustment on site within an average of 18 minutes. Now 75.6% of ordinary cases are processed on the system, benefitting 15.2 million customers.

In spite of these achievements, there were also areas which we did not look back on with satisfaction. In 2013, CPIC Property recorded a net profit of RMB2.622 billion. But the underwriting profit fell by 87.1%, with the combined ratio rising to 99.5%. Despite intensifying competitions and natural disasters which all exerted an upward pressure on the sector's profitability, it is also imperative for us to take effective steps, and in particular, enhancing the intensive management of motor insurance to improve the overall competitiveness of our property and casualty insurance business.

In the past three years, the 6th Board of Directors performed their duties with due diligence and all our employees worked hard, helping the Company deliver on its targets.

In 2013, we elected a new board and formulated a blue-print for the future. In the next 3 years, we will continue to give first priority to sustainable value growth while striving for steady increase in our operating revenues. On the other hand, we'll follow through on our transformation initiatives centred on customers' needs. Another priority on our agenda is to put in place a development model underpinned by both underwriting and asset management.

Looking ahead, in 2014, macro-economic situation in China is yet complex and difficult. The insurance industry is still in a period of adjustment, with hopes as well as difficulties. **We will persist in the valued-based business strategy and seek to identify opportunities amid challenges, pursue transformation via innovation and promote development on the basis of adjustment.** On the life side, we will continue to focus on the agency channel and regular premium business to drive sustained value growth. For the property and casualty insurance side, we will further optimize cost structures to ensure underwriting profitability. For asset management, we will capitalize on the wave of investment deregulation and foster our own investment capabilities so that asset management can become a more meaningful source of our profits.

The year 2014 also marks a key step in the implementation of our transformation initiatives and the upgrade of the customer-centred business model. We will step up the roll-out of these initiatives, re-engineer our business process and organization structure and put in place an efficient and responsive operational system which supports continuous improvement of products and services.

I am confident that under the stewardship of the new Board of Directors, we can go from strength to strength, continuing to deliver value for our shareholders while offering even better products and services to our clients.

By order of the Board
China Pacific Insurance (Group) Co., Ltd.
GAO Guofu Chairman
28 March 2014

Honors

Group

- Once again on the list of the Fortune Global 500, ranked 429th, up 21 places from 2012.
- Ranked the 14th place on the league table of brand value in China by Interbrand, with our brand valued at 21.071 billion.
- Chairman GAO Guofu was awarded the Business Leader of the Year and the Business Manager of the Year jointly presented by CBN, CEIBS and KPMG Management Consulting Co. Ltd.
- Our Board of Directors won the award for the Board of Directors of the Year presented by the Hong Kong Institute of Directors, and Chairman GAO Guofu the Director of the Year award.
- Our Board of Directors was awarded the Board of Directors of the Year during the Golden Roundtable Competition, and Chairman GAO Guofu the Chairman with Strategic Vision of the Year award.
- Won the prize of Companies of Largest Market Capitalization in China Mainland by Asia Weekly.
- Our Board of Directors was awarded the 6th Annual Best Board of Directors of Listed Companies Rankings in China by Money Week.
- Won the Platinum Award on 2013 Vision Awards Annual Report Competition by LACP.

CPIC Life

- Won the Life insurance Company of the Year award. Its cancer product, Shouhu Ankang, was awarded the Innovative Insurance Product of the Year.
- Awarded the Service Innovation of the Year at the 6th Forum on Insurance Brand and Culture & the 8th Commendation Ceremony for Innovations in China's Insurance Industry. Its cancer product, Shouhu Ankang,was presented with the Health Product of the Year, with Jinyou Rensheng the Most Welcomed Product of the Year and Hongxiang Niannian Pension plan(participating) the Long-term Savings Product of the Year.

CPIC Property

- Presented with the Risk Manager of the Year award, being the only insurance company from China's mainland to be nominated and the first insurance company from China's mainland to win this award.
- Our programme "Using Construction Defects Insurance to Promote Shanghai's Housing Quality & Safety Management" was awarded the Innovation Prize of Financial Services in Shanghai of the first class, winning the prize for the insurance category for 4 years on end.

CPIC AMC & Changjiang Pension

- CPIC AMC was awarded the Assest Manager of the Year by China Government Securities Depository Trust & Clearing Co. Ltd.
- Changjiang Pension won the China's Manager of Enterprise Annuities of the Year by Asia Asset Mangement

2013 The Best Board Of
Listed Company Rankings In China
2013中国上市公司最佳董事会

金 圆 桌 奖
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2013年最佳中国品牌价值
BEST CHINA BRANDS 2013

2013中国最佳商业领袖奖
CHINA BUSINESS LEADERS 2013

Operating Results

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Operating Results

Highlights of Accounting and Operation Data

I. Key Accounting Data and Financial Indicators of the Company as at year ends

Unit: in RMB million

Key Accounting Data	2013	2012	Variance (%)	2011	2010	2009
Total income	192,217	167,157	15.0	155,517	141,327	104,189
Profit before tax	11,914	6,113	94.9	10,399	10,670	9,506
Net profit[note]	9,261	5,077	82.4	8,313	8,557	7,356
Net cash inflow from operating activities	45,114	52,124	(13.4)	55,527	61,618	38,474
	31 December 2013	31 December 2012	Variance (%)	31 December 2011	31 December 2010	31 December 2009
Total assets	723,533	681,502	6.2	570,612	475,711	397,187
Equity[note]	98,968	96,177	2.9	76,796	80,297	74,651

Note: Attributable to equity holders of the parent.

Unit: in RMB

Key Accounting Indicators	2013	2012	Variance (%)	2011	2010	2009
Basic earnings per share[note]	1.02	0.59	72.9	0.97	1.00	0.95
Diluted earnings per share[note]	1.02	0.59	72.9	0.97	1.00	0.95
Weighted average return on equity (%)[note]	9.5	6.1	Increased by 3.4pt	10.6	10.9	14.0
Net cash inflow per share from operating activities	4.98	5.75	(13.4)	6.46	7.16	4.54
	31 December 2013	31 December 2012	Variance (%)	31 December 2011	31 December 2010	31 December 2009
Net assets per share[note]	10.92	10.61	2.9	8.93	9.34	8.80

Note: Attributable to equity holders of the parent.

II. Other Key Financial and Regulatory Indicators

Unit: in RMB million

Indicators	31 December 2013/2013	31 December 2012/2012
The Group		
Investment assets[note 1]	666,799	627,328
Investment yield (%)[note 2]	5.0	3.3
CPIC Life		
Net premiums earned	93,268	91,513
Growth rate of net premiums earned (%)	1.9	1.1
Net policyholders' benefits and claims	89,451	84,372
CPIC Property		
Net premiums earned	66,001	56,010
Growth rate of net premiums earned (%)	17.8	20.5
Claims incurred	43,584	34,276
Unearned premium reserves	33,395	29,588

Indicators	31 December 2013/ 2013	31 December 2012/ 2012
Claim reserves	24,308	21,537
Combined ratio (%)[note 3]	99.5	95.8
Comprehensive loss ratio (%)[note 4]	66.0	61.2

Notes:
1. Investment assets include cash and short-term time deposits.
2. Total investment yield = (investment income + interest income from cash and short-term time deposits + rental income from investment properties + share of profit of a joint venture – interest expenses from securities sold under agreements to repurchase) / average investment assets , excluding foreign exchange gain or loss. Average investment assets used as the denominator are computed based on Modified Dietz method in principle. Figures for comparison already restated to this reporting period.
3. Combined ratio = (claim incurred + operating and administrative expenses relating to insurance businesses) / net premiums earned.
4. Comprehensive loss ratio = claim incurred / net premiums earned.

III. The discrepancy between the financial result prepared under PRC Accounting Standards (“PRC GAAP”) and Hong Kong Financial Reporting Standards (“HKFRSs”)

There is no difference on the equity of the Group as at 31 December 2013 and 31 December 2012 and the net profit of the Group for the years then ended as stated in accordance with PRC GAAP and HKFRS.

Management Discussion and Analysis

Performance Overview

In 2013, we persisted in the pursuit of sustained value growth and the focus on the core business of insurance and in the meantime pressed ahead with the transformation initiatives, delivering another year of overall value growth.

From left: PAN Yanhong, CAO Zenghe and SUN Peijian, Vice Presidents of CPIC Group, HUO Lianhong, President of CPIC Group, XU Jinghui, Chairman and General Manager of CPIC Life, GU Yue, Executive President of CPIC Group, WU Zongmin, Chairman and General Manager of CPIC Property and YU Yeming, General Manager of CPIC AMC

We provide life insurance through CPIC Life and property/casualty insurance through CPIC Property and CPIC HK respectively and manage insurance funds, including third-party assets, through our investment arm, CPIC AMC. At the same time, we conduct pension-related business via Changjiang Pension. We also provide other comprehensive services, as well as life and property and casualty insurance products via the telemarketing and e-commerce platform of CPIC Online Services (www.ecpic.com.cn).

I. Performance Overview

In 2013, we persisted in the pursuit of sustained value growth and the focus on the core business of insurance and in the meantime pressed ahead with the transformation initiatives, delivering another year of overall value growth.

Sustained growth in Group value. As at the end of 2013, Group embedded value stood at RMB144.378 billion, an increase of 6.7% from the end of 2012. Of this, Group value of in-force business[note 1] reached RMB62.422 billion, up 27.3% from the end of 2012. For the reporting period, our life business delivered RMB7.499 billion in new business value, up 6.2%, with a compound average growth rate of 7.1% in the previous 3 years.

Sound financial results. In 2013, we recorded operating revenues[note 2] of RMB193.137 billion, up 12.6%, of which GWP accounted for RMB176.923 billion, up 8.4%. Net profits[note 3] rose by 82.4% to RMB9.261 billion, with earnings per share[note 3] reaching RMB1.02, up 72.9%. Net assets[note 3] totalled RMB98.968 billion, a growth of 2.9% and the average weighted return on equity[note 3] stood at 9.5%, 3.4pt higher than in 2012.

Solid Increase in assets under management. As of the end of 2013, our total AuM increased by 9.9% to RMB746.639 billion, of which, in-house AuM stood at RMB666.799 billion, up 6.3% and third-party AuM RMB79.840 billion, up 53.3%.

Sustained growth in life NBV

- The NBV of our life business grew by 6.2% and reached RMB7.499 billion with a 3-year average compound growth of 7.1% while the NBV margin[note 4], at 20.7%, increased by 2.9pt.

- The NBV from agency was RMB6.160 billion, accounting for 82.2% of the total and up 3.5pt. First year premium from the channel amounted RMB12.976 billion, a growth of 10.4%, with a 3-year average compound growth of 13.2%. Average number of agents in 2013 was 286,000, up 4.4%. First year premium per agent per month reached RMB3,795, up 6.2%.

- Regular premium business represented 45.4% of the total first year premium and the share was 40.6% in 2012. In bancassurance, high-margin regular premium business garnered RMB1.544 billion, up 32.8%[note 5] and helping the channel's NBV growth turn positive.

Rapid property and casualty insurance top-line growth with underwriting profits

- Our property and casualty insurance business[note 6] reported GWPs of RMB81.822 billion, up 17.3%, with a combined ratio of 99.5%, rising 3.8pt.

- CPIC Property achieved GWPs of RMB63.849 billion from its auto business, up 17.5%, and RMB17.895 billion from its non-auto segment, up 16.5%, with the growth rate 8.9pt higher than in 2012.

- CPIC Property recorded RMB16.672 billion in GWPs from direct sales (telemarketing and online sales) and cross-selling, up 28.7%, accounting for 20.4% of its total, up 1.8pt.

Steady Growth of Investment Income

- We registered an investment income of RMB31.582 billion from our in-house asset management, up 70.5%. Total investment yield reached 5.0%, up 1.7pt. Net investment income amounted to RMB31.408 billion, an increase of 16.9%, with a net investment yield of 5.0%, up 0.1pt. The investments' net asset value rose 4.3%, with the growth rate down 1.3pt.

- We achieved a fee income of RMB223 million on third-party asset management, jumping 72.9%.

- CPIC AMC issued 15 investment plans in infrastructure and real estate, raising a total of RMB22.950 billion.

- Changjiang Pension's AuM reached RMB35.802 billion, rising 50.8%.

Notes:
1. Based on Group's share of life's value of in-force business after solvency.
2. Based on PRC GAAP.
3. Attributable to equity holders of the parent.
4. NBV margin = NBV/annualized first year premiums.
5. Based on restatement of figures in 2012.
6. This includes both CPIC Property and CPIC HK.

II. Key Performance Indicators

Unit: RMB million

Indicators	As at 31 December 2013/ for the period between January and December in 2013	As at 31 December 2012/ for the period between January and December in 2012	Changes (%)
Key value indicators			
Embedded value of the Group	144,378	135,280	6.7
Value of in-force business[note 1]	62,422	49,043	27.3
Net assets of the Group[note 2]	98,968	96,177	2.9
New business value of life insurance	7,499	7,060	6.2
New business margin of life insurance (%)	20.7	17.8	2.9pt
Combined ratio of CPIC Property (%)	99.5	95.8	3.7pt
Growth rate of investments' net asset value (%)	4.3	5.6	(1.3pt)
Key operating indicators			
Gross written premiums	176,923	163,228	8.4
CPIC Life	95,101	93,461	1.8
CPIC Property	81,744	69,697	17.3
Market share			
CPIC Life (%)	8.9	9.4	(0.5pt)
CPIC Property (%)	12.6	12.6	-
Number of Group customers (in thousand)[note 3]	78,973	76,207	3.6
Average number of insurance policies per customer	1.49	1.46	2.1
Monthly average agent number (in thousand)	286	274	4.4
Monthly average first-year gross written premiums per agent (RMB)	3,795	3,573	6.2
Total investment yield (%)	5.0	3.3	1.7pt
Net investment yield (%)	5.0	4.9	0.1pt
Third-party assets under management	79,840	52,096	53.3
Third-party assets under management by CPIC AMC	44,038	28,355	55.3
Assets under investment management by Changjiang Pension	35,802	23,741	50.8
Key financial indicators			
Net Profit attributable to equity holders of the parent	9,261	5,077	82.4
CPIC Life	6,219	2,495	149.3
CPIC Property	2,622	2,659	(1.4)
Solvency margin ratio (%)			
CPIC Group	283	312	(29pt)
CPIC Life	191	211	(20pt)
CPIC Property	162	188	(26pt)

Notes:
1. Based on Group's share of life's value of in-force business after solvency.
2. Attributable to equity holders of the parent.
3. The number of Group customers refers to the number of applicants and insureds who hold at least one insurance policy issued by one or any of CPIC subsidiaries as at the end of the period/year which has an insurance coverage period of not less than 365 days. In the event that the applicants and insureds are the same person, they shall be deemed as one customer.

Life Business

In 2013, we continued to focus on the agency channel and the regular premium business, and delivered sustained growth in both the NBV and its margin. The NBV stood at RMB7.499 billion, up 6.2%, with a 3-year compound average growth rate of 7.1%. The NBV margin reached 20.7%, a YoY increase of 2.9pt.

I. Business Analysis

In 2013, we achieved GWPs of RMB95.101 billion from life business, up 1.8%. Of this, first year premium amounted to RMB33.939 billion, down 9.1% and renewal business RMB 61.162 billion, up 9.0%.

(I)Analysis by Channels.

Unit: RMB million

For 12 months ended 31 December	2013	2012	Changes (%)
Agency channel			
Gross written premiums	57,952	50,993	13.6
New policies	12,976	11,752	10.4
Regular premium	12,136	10,980	10.5
Single premium	840	772	8.8
Renewed policies	44,976	39,241	14.6
Bancassurance			
Gross written premiums	30,657	34,541	(11.2)
New policies	15,384	18,245	(15.7)
Regular premium	2,742	3,624	(24.3)
Single premium	12,642	14,621	(13.5)
Renewed policies	15,273	16,296	(6.3)
Direct Sales[note]			
Gross written premiums	6,492	7,927	(18.1)
New policies	5,579	7,336	(24.0)
Regular premium	525	545	(3.7)
Single premium	5,054	6,791	(25.6)
Renewed policies	913	591	54.5
Total	**95,101**	**93,461**	**1.8**

Note: Direct sales include telemarketing and internet sales.

For 12 months ended 31 December	2013	2012	Changes (%)
Monthly average agent number (in thousand)	286	274	4.4
Monthly average first-year gross written premiums per agent (RMB)	3,795	3,573	6.2
Average number of new life insurance policies per agent per month	1.28	1.15	11.3

1. The agency channel

In 2013, we realized RMB57.952 billion in GWPs from this channel, up 13.6%, and accounting for 60.9% of life's total GWPs. Of this, new polices contributed RMB12.976 billion, up 10.4%, with a 3-year compound average growth of 13.2%. For renewal business, the GWPs amounted to RMB44.976 billion, an increase of 14.6% from 2012. The channel delivered RMB6.160 billion in NBV, an increase of 10.8%, accounting for 82.2% of the total NBV, 3.5pt higher than its share in 2012. The NBV margin stood at 44.6%.

We strive to promote the quality and productivity of our sales force. We revisited and updated agency management rules to promote healthy development and retention. We adopted a differentiated approach towards recruitment to improve the quality of new agents. To boost productivity, we focused on the development of niche products and the promotion of up selling among existing customers. In the meantime, we made continuous efforts to enhance infrastructure management in training, attendance and activities. As a result of these measures, the mix of our sales force saw big improvement in 2013 and the average monthly headcount reached 286,000, with an increased proportion of productive and high-performing agents, and first year premium per agent per month of RMB3,795, up 6.2%.

2. Bancassurance

In 2013, we realised RMB30.657 billion in GWPs from this channel, down 11.2%. It consisted of RMB15.384 billion in first year premium, down 15.7% and RMB15.273 billion in renewal, down 6.3%. The channel contributed RMB923 million in NBV, up 0.3% and representing 12.3% of the total. Its NBV margin, at 6.0%, expanded by 1.0pt.

We are pushing for the transformation of bancassurance, and a centrepiece of this endeavour is to promote regular premium business. In 2013, first year premium from regular premium reached RMB2.742 billion, of which, high-margin business contributed RMB1.544 billion, up 32.8% and accounting for 77.2% of the channel's NBV. The solid growth of high-margin business helped to improve the channel's business mix and led to its NBV turnaround.

3. Direct

While we tried to maintain our competitive edge in accident business, we also actively explored other growth drivers. In 2013, we reported RMB6.492 billion in GWPs from this channel, down 18.1%. The NBV from the channel, at RMB416 million, fell by 28.5% and its margin, at 5.9%, decreased slightly by 0.3pt.

(II) Analysis by Products

Unit: RMB million

For 12 months ended 31 December	2013	2012	Changes (%)
Gross written premiums	95,101	93,461	1.8
Traditional	16,773	16,457	1.9
Participating	72,627	71,992	0.9
Universal	54	62	(12.9)
Short-term accident and health	5,647	4,950	14.1
Gross written premiums	95,101	93,461	1.8
Individual business	92,697	88,952	4.2
Group business	2,404	4,509	(46.7)

We give priority to risk protection and long-term savings products. In 2013, traditional, participating and short-term accident & health generated RMB16.773 billion, RMB72.627 billion and RMB5.647 billion in GWPs, up 1.9%, 0.9% and 14.1% respectively. By customer types, the share of individual customers was 97.5%, up 2.3pt.

Information of the top five products

Unit: RMB million

For 12 months ended 31 December 2013				
Ranking	Name	Type	Premium	Sales channel
1	Hong Fu Bao with a term of 10 years 紅福寶兩全保險	participating/ endowment	12,903	bank/direct
2	Hongxin Rensheng 鴻鑫人生兩全保險	participating/ endowment	6,793	agency/bank/direct
3	Hong Li Ying(A) 红利盈 (A 款) 两全保险	participating/ endowment	6,327	bank/direct
4	Hong Fa Nian Nian 鸿发年年全能定投年金	participating/annuity	6,302	agency/bank/direct
5	Taiping shengshi – Changtai Ankang B (太平盛世 - 長泰安康 B 款) (9906)	traditional whole life	4,410	agency/bank/direct

(III)Policy Persistency Ratio

For 12 months ended 31 December	2013	2012	Changes (%)
Individual life insurance customer 13-month persistency ratio (%)[note 1]	90.2	90.7	(0.5pt)
Individual life insurance customer 25-month persistency ratio (%)[note 2]	87.0	89.7	(2.7pt)

Notes:
1. 13-month persistency ratio: Premiums of in-force policies 13 months after their issuance as a percentage of premiums from policies which entered into force during the same period.
2. 25-month persistency ratio: Premiums of in-force policies 25 months after their issuance as a percentage of premiums from policies which entered into force during the same period.

As bancassurance grappled with a challenging environment, surrenders were rising, causing the persistency ratios for both 13 months and 25 months to decline. But both ratios are still in the comfort zone.

(IV)Top 10 Regions for Premium Income

Our premium income mainly came from economically developed regions or populous areas.

Unit: RMB million

For 12 months ended 31 December	2013	2012	Changes (%)
Gross written premiums	95,101	93,461	1.8
Jiangsu	10,000	9,211	8.6
Henan	8,671	8,093	7.1
Shandong	7,597	7,733	(1.8)
Guangdong	6,668	6,646	0.3
Zhejiang	6,636	5,899	12.5
Hebei	5,717	5,501	3.9
Shanxi	4,516	4,137	9.2
Hubei	4,371	4,181	4.5
Sichuan	4,310	4,266	1.0
Beijing	3,965	4,476	(11.4)
Subtotal	62,451	60,143	3.8
Others	32,650	33,318	(2.0)

II. Financial Analysis

Unit: RMB million

For 12 months ended 31 December	2013	2012	Changes (%)
Net premiums earned	93,268	91,513	1.9
Investment income[note]	26,576	16,190	64.2
Other operating income	768	714	7.6
Total income	120,612	108,417	11.2
Net policyholders' benefits and claims	(89,451)	(84,372)	6.0
Finance costs	(2,626)	(2,088)	25.8
Interest credited to investment contracts	(1,924)	(1,715)	12.2
Other operating and administrative expenses	(19,046)	(17,830)	6.8
Total benefits, claims and expenses	(113,047)	(106,005)	6.6
Profit before tax	7,565	2,412	213.6
Income tax	(1,346)	83	(1,721.7)
Net profit	6,219	2,495	149.3

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

Investment income in 2013 was RMB26.576 billion, up 64.2%, due to higher interest payments on fixed income instruments and increased securities trading gains and reduced impairment charges.

Net policyholders' benefits and claims amounted to RMB89.451 billion in 2013, up 6.0%. Of which, death and other benefits paid increased by 38.0%, mainly due to lower maturity and survival benefits and rising surrenders.

Unit: RMB million

For 12 months ended 31 December	2013	2012	Changes (%)
Net policyholders' benefits and claims	89,451	84,372	6.0
Life insurance death and other benefits paid	28,420	20,596	38.0
Claims incurred	1,849	1,370	35.0
Changes in long-term insurance contract liabilities	55,056	58,501	(5.9)
Policyholder dividends	4,126	3,905	5.7

Finance costs amounted to RMB2.626 billion in 2013, an increase of 25.8%, largely attributable to higher interest expenses on securities sold under agreements to repurchase and subordinate debts.

Other operating and management expenses amounted to RMB19.046 billion, up 6.8%. The increase was mainly caused by growing business.

As a result, our life business recorded a net profit of RMB6.219 billion for 2013.

Property and Casualty

In 2013, focusing on channel management and resource-allocation optimisation, we recorded RMB81.822 billion in GWPs for our property and casualty insurance business, up 17.3%. The combined ratio stood at 99.5%, up 3.8pt. To cope with mounting pressure on property and casualty insurance profitability, we'll make greater efforts to enhance the intensive management of auto insurance, accelerate the development of non-auto business, and improve operational efficiency on the back of a centralised platform to ensure underwriting profitability.

I. CPIC Property

(I) Business Analysis

In 2013, we enhanced channel management, optimised resource allocation and delivered fast growth while maintaining underwriting profitability. GWPs reached RMB81.744 billion, up 17.3%, and the combined ratio 99.5%, up 3.7pt. Going forward, we will make greater efforts to enhance the intensive management of auto insurance, accelerate the development of non-auto business, and improve operational efficiency on the back of a centralised platform to ensure underwriting profitability.

1. Analysis by Lines of Business

Unit: RMB million

For 12 months ended 31 December	2013	2012	Changes (%)
Gross written premiums from insurance business	**81,744**	**69,697**	**17.3**
Automobile insurance	63,849	54,333	17.5
Compulsory motor insurance	14,531	13,010	11.7
Commercial automobile insurance	49,318	41,323	19.3
Non-automobile insurance	17,895	15,364	16.5
Commercial property insurance	5,725	5,064	13.1
Liability insurance	2,767	2,286	21.0
Accident insurance	2,400	1,866	28.6
Cargo insurance	1,661	1,598	3.9
Others	5,342	4,550	17.4

(1)Car insurance

In 2013, we reported GWPs of RMB63.849 billion from auto business, up 17.5%, with a combined ratio of 99.8%, up 2.5pt, largely due to increasing competitions and claims cost inflation.

We continued to push the intensive management initiative for car insurance, and employed new technologies such the 3G-based claims system to improve customer service. Average time spent on on-site inspection and loss adjustment has been reduced to only 18 minutes. We also tried to enhance renewal business management, with the renewal ratio reaching 62.4%, up 0.5pt.

(2)Non-auto business

In 2013, its GWPs amounted to RMB17.895 billion, up 16.5%, with the growth rate 8.9pt higher than in 2012. Its combined ratio, due to increased competition, cost inflation and natural catastrophes, rose 9.5pt and reached 98.4%.

We doubled our efforts in 2013 to boost the development of non-auto business. With realignment of resources and capability-building in sales, its top-line growth picked up considerably. To sustain this growth, we rigorously explored emerging non-auto business lines like agricultural and credit insurance in a bid to further optimise the product mix and secure new growth drivers. In terms of customer segments, we stepped up customer relations management and marketing efforts with our major corporate clients, which helped us realise GWPs of RMB5.460 billion, up 35.0%. For SMEs, we launched on a trial basis an insurance package with flexible sector-specific portfolios, which generated RMB153 million in GWPs, adding 9,701 small-and-medium-sized corporate clients.

(3)Key Financials of Major Business Lines

Unit: RMB million

For 12 months ended 31 December 2013

Name of insurance	Premiums	Amounts Insured	Claims paid	Reserves	Underwriting profit	Combined ratio (%)
Automobile insurance	63,849	8,920,509	38,664	41,592	118	99.8
Commercial property insurance	5,703	9,853,645	3,348	5,076	(84)	102.5
Liability insurance	2,760	4,518,696	1,347	2,107	69	96.6
Accident insurance	2,399	17,765,528	996	1,697	(202)	109.0
Cargo insurance	1,647	4,301,857	899	784	46	95.9

In 2013, increasing competitions, rising claims costs and higher frequencies of natural disasters all exerted an upward pressure on the combined ratios of major business lines. Typhoon Fitow alone, which struck in July, drove up our overall combined ratio by 1.1pt.

2. Analysis by Distribution Channels

Unit: RMB million

For 12 months ended 31 December	2013	2012	Changes (%)
Gross written premiums	81,744	69,697	17.3
Direct sales	13,155	12,102	8.7
Insurance agents	45,506	39,560	15.0
Insurance brokers	6,411	5,079	26.2
Telemarketing, Internet sales and cross-selling	16,672	12,956	28.7

In 2013, we persisted in the strategy of pursuing co-ordinated development across different channels and continued with their capacity-building.

We made steadfast efforts to boost direct sales (telemarketing and online) in a bid to strengthen its ability to acquire customers and contribute value. GWPs from this channel amounted to RMB13.528 billion, up 30.6%. We refined the model for cross-selling to promote resource-sharing, and as a result, it realized RMB3.144 billion in GWPs, up 20.9%. These two channels combined represented 20.4% of total property and casualty insurance GWP, up 1.8pt.

3. GWPs from the Top 10 Regions

We derived our premium income mainly from China's eastern coastal provinces and prosperous inland regions. Looking forward, we will rely on our nationwide distribution network to implement differentiated regional development strategies based on factors like market potential and operational efficiency.

Unit: in RMB million

For 12 months ended 31 December	2013	2012	Changes (%)
Gross written premiums	81,744	69,697	17.3
Guangdong	11,412	9,766	16.9
Jiangsu	9,430	7,987	18.1
Zhejiang	7,390	6,269	17.9
Shanghai	6,285	5,482	14.6
Shandong	5,988	5,153	16.2
Beijing	4,769	4,171	14.3
Sichuan	2,659	2,140	24.3
Fujian	2,539	2,131	19.1
Hebei	2,388	2,171	10.0
Guangxi	2,310	1,908	21.1
Sub-total	55,170	47,178	16.9
Others	26,574	22,519	18.0

(II) Financial Analysis

Unit: in RMB million

For 12 months ended 31 December	2013	2012	Changes (%)
Net premiums earned	66,001	56,010	17.8
Investment income[note]	3,341	1,425	134.5
Other operating income	320	260	23.1
Total income	69,662	57,695	20.7
Claims incurred	(43,584)	(34,276)	27.2
Finance costs	(109)	(185)	(41.1)
Other operating and administrative expenses	(22,382)	(19,566)	14.4
Total benefits, claims and expenses	(66,075)	(54,027)	22.3
Profit before tax	3,587	3,668	(2.2)
Income tax	(965)	(1,009)	(4.4)
Net profit	2,622	2,659	(1.4)

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

Investment income amounted to RMB3.341 billion, up 134.5%, mainly attributable to combined effects of the increase in interest income and reduced losses from securities trading and reduced impairment charges.

Claims incurred totalled RMB43.584 billion, representing an increase of 27.2%, mainly due to rising claims costs.

Other operating and management expenses amounted to RMB22.382 billion, up 14.4%, and its ratio to GWPs was lower than in 2012.

Hence, a net profit of RMB2.622 billion for CPIC Property for 2013.

II. CPIC Hong Kong

We conduct overseas business via CPIC Hong Kong, our wholly-owned subsidiary. As of the end of 2013, its total assets stood at RMB712 million, with net assets of RMB253 million. Its GWPs for 2013 were RMB413 million, with a combined ratio of 98.9% and a net profit of RMB22 million.

Asset Management

Our asset management business is committed to serving the insurance business, while exploring ways to enhance our competitive edge to attract more third-party business. As of the end of 2013, our total AuM reached RMB746.639 billion, a growth of 9.9%. Of this, in-house AuM rose to RMB666.799 billion, representing an increase of 6.3%, with investments' net asset value rising by 4.3%. Third-party AuM stood at RMB79.840 billion, up 53.3% and generating a fee income of RMB223 million, jumping 72.9%.

Unit: RMB million

	31 December 2013	31 December 2012	Changes (%)
Assets under management of the Group	746,639	679,424	9.9
Group in-house assets	666,799	627,328	6.3
Third-party assets under management	79,840	52,096	53.3
Third-party assets under management by CPIC AMC	44,038	28,355	55.3
Assets under investment management by Changjiang Pension	35,802	23,741	50.8

I. In-house Assets under Management

In 2013, China's money and bond markets experienced wild swings and the equity market fell. Our asset allocation, driven by liabilities, continued to focus on bonds and deposits with relatively high credit-rating and acceptable levels of return, delivering sustained increase in the investment return on fixed income with credit risks under control. In the meantime, in the face of the volatile capital market, we combined long-term value investment philosophy with flexible tactical moves and gave priority to stocks with high dividend yields. As a result, we achieved a positive return on equity investment for 2013.

(I) Consolidated Investment Portfolios

Unit: RMB million

	31 December 2013	Share (%)	Share changes (pt)	Changes (%)
Group investment assets (Total)	666,799	100.0	-	6.3
By investment category				
Fixed income investments	565,540	84.8	(0.2)	6.1
– Debt securities	373,254	56.0	3.2	12.8
– Term deposits	144,317	21.6	(4.6)	(12.2)
– Debt investment plans	34,545	5.2	0.7	21.9
– Wealth management products[note 1]	1,380	0.2	0.2	318.2
– Other fixed income investments[note 2]	12,044	1.8	0.3	29.5
Equity investment	75,129	11.3	1.3	19.8
– Investment Funds[note 3]	33,526	5.0	0.4	17.6
– Equity securities	31,201	4.7	0.4	15.3
– Wealth management products[note 1]	1,815	0.3	0.3	/
– Other equity investments[note 4]	8,587	1.3	0.2	20.2
Investment properties	6,795	1.0	-	7.0
Cash and cash equivalents	19,335	2.9	(1.1)	(22.6)
By investment purpose				
Financial assets at fair value through profit or loss	4,926	0.8	0.5	187.4

	31 December 2013	Share (%)	Share changes (pt)	Changes (%)
Available-for-sale financial assets	175,489	26.3	4.7	29.2
Held-to-maturity financial assets	262,942	39.4	(0.3)	5.7
Investment in a joint venture	11	-	-	/
Loans and other investments[note 5]	223,431	33.5	(4.9)	(7.3)

Notes:
1. Wealth management products mainly include wealth management products issued by commercial banks, collective trust plans by trust firms, special asset management plans by securities firms and loans-backed securities by banks.
2. Other fixed income investments include restricted statutory deposits and policy loans.
3. The aggregate amounts of bond funds and money market funds as at 31 December 2013 and 31 December 2012 were RMB16.812 billion and RMB11.822 billion, respectively.
4. Other equity investments include unlisted equities, etc.
5. Loan and other investments include term deposits, cash and short-term time deposits, securities purchased under agreements to resell, policy loans, restricted statutory deposits, and investments classified as loans and receivables, and investment properties, etc.

In 2013, our fixed income assets increased by RMB32.266 billion. Of this, bond investment rose by 12.8%, term deposits dropped and debt investment plans grew by 21.9%.

Equity's share of total investment was 11.3%, up 1.3pt. This increase was largely driven by increased allocation to stocks, equity-based mutual funds and bond-based mutual funds, in addition to RMB1.5 billion in the equity investment plan for PetroChina West Pipeline Projects (中石油西部管道), RMB550 million in the Pacific-Taishan project-asset-backed equity plan and RMB1.8 billion in wealth management products.

By investment purpose, our in-house assets are mainly in three categories, namely, available-for-sale financial assets, held-to-maturity investments as well as loans and other investments. The amount of available-for-sale financial assets increased by 29.2% from the end of 2012, primarily due to increased debt and equity investment, while loans and other investments fell by 7.3% for the same period as a result of reduced term deposits exposure.

(II) Investment Income

In 2013, our investment income totalled RMB31.582 billion, up 70.5%. Total investment yield reached 5.0%, up 1.7pt, driven by higher net investment income, a steep rise in securities trading gains and much lower provision for impairment losses.

Net investment income amounted to RMB31.408 billion, up 16.9%. This increase stemmed mainly from higher interest payments on fixed income assets and higher dividends on equity investment. Of this, interest payments on fixed income assets rose 15.2% and dividends on equity investment exceeded RMB2.5 billion, up 37.9%. All in all, net investment yield was 5.0%, up 0.1pt.

The growth rate of investments' net asset value was 4.3%, down 1.3pt, mainly due to an increase in unrealised losses for AFS assets as a result of the fall of the bond market.

1. Group Consolidated

Unit: RMB million

For 12 months ended 31 December	2013	2012	Changes (%)
Interest income from fixed income investments	28,398	24,646	15.2
Dividend income from equity securities	2,554	1,852	37.9
Rental income from investment properties	456	380	20.0
Net investment income	31,408	26,878	16.9
Realized gains/(losses)	1,231	(4,244)	(129.0)
Unrealized gains	16	99	(83.8)
Charge of impairment losses on investment assets	(1,321)	(4,413)	(70.1)
Other income[note 1]	248	201	23.4
Total investment income	31,582	18,521	70.5
Net investment yield (%)[notes 2 and 4]	5.0	4.9	0.1pt

For 12 months ended 31 December	2013	2012	Changes (%)
Total investment yield (%)[notes 2 and 4]	5.0	3.3	1.7pt
Growth rate of investments' net asset value (%)[notes 2, 3 and 4]	4.3	5.6	(1.3pt)

Notes:
1. Other income includes interest income from cash and short-term time deposits, securities purchased under agreements to resell and share of profits of associates/a joint venture.
2. The impact of securities sold under agreements to repurchase was considered in the calculation of net investment yield. Average investment assets used as the denominator are computed based on Modified Dietz method in principle in the calculation of net/total investment yield and growth rate of investments' net asset value.
3. Growth rate of investments' net asset value = total investment yield + net of fair value changes of AFS booked as other comprehensive income/ average investment assets.
4. Figures for comparison already restated to this reporting period.

2. CPIC Life

Unit：RMB million

For 12 months ended 31 December	2013	2012	Changes (%)
Net investment income	26,731	22,577	18.4
Net investment yield(%)	5.1	4.9	0.2pt
Total investment income	26,917	16,474	63.4
Total investment yield(%)	5.1	3.5	1.6pt

Note: The impact of securities sold under agreements to repurchase was considered in the calculation of net investment yield. Average investment assets used as the denominator are computed based on Modified Dietz method in principle in the calculation of net/total investment yield.

3. CPIC Property

Unit：RMB million

For 12 months ended 31 December	2013	2012	Changes (%)
Net investment income	3,407	3,216	5.9
Net investment yield(%)	5.0	4.9	0.1pt
Total investment income	3,358	1,444	132.5
Total investment yield(%)	4.9	2.0	2.9pt

Note: The impact of securities sold under agreements to repurchase was considered in the calculation of net investment yield. Average investment assets used as the denominator are computed based on Modified Dietz method in principle in the calculation of net/total investment yield.

(III) Total Investment Yield on a Consolidated Basis

Unit: %

For 12 months ended 31 December	2013	2012	Changes
Total investment yield	5.0	3.3	1.7pt
Fixed income investments[note]	5.2	5.2	-
Equity investment[note]	3.7	(11.1)	14.8pt
Investment properties[note]	7.1	6.1	1.0pt
Cash and cash equivalents[note]	1.4	1.4	-

Note: The impact of securities sold under agreements to repurchase was not considered.

II. Third-party Assets under Management

(I) Third-party assets under management by CPIC AMC

In 2013, we stepped up the efforts to expand third-party business, and as a result, our AMC's third-party AuM rose 55.3% and totalled RMB44.038 billion as of the end of 2013, with a fee income of RMB103 million for the reporting period, up 164.1%. With favourable market conditions, the issue of debt investment plans also gained momentum. In 2013, we successfully issued 15 such plans of different kinds, raising RMB22.950 billion. Besides, CPIC AMC issued 7 asset management products, covering money market instruments, debt instruments, equity and mutual funds, laying a sound foundation for product diversification.

(II) Assets under investment management by Changjiang Pension

Changjiang Pension, while seeking to consolidate its lead in regional markets, also beefed up marketing efforts for priority sectors across the country. As of the end of 2013, assets under its investment management amounted to RMB35.802 billion, up 50.8%, and assets under its custody hit RMB36.787 billion, an increase of 16.7%.

Analysis of specific items

The analysis of specific items consists of 7 parts including key consolidated results, liquidity analysis and solvency etc.

I. Key consolidated results

Unit: RMB million

	31 December 2013 /Year 2013	31 December 2012 /Year 2012	Changes (%)	Major Reason
Total assets	723,533	681,502	6.2	Business Expansion
Total liabilities	623,147	583,933	6.7	Business Expansion
Total equity	100,386	97,569	2.9	Profit for the period, fair value change on available-for-sale financial assets
Net profit attributable to equity holders of the parent	9,261	5,077	82.4	Increase in investment yield

II. Liquidity analysis

(I) Cash flow statement

Unit: RMB million

For 12 months ended 31 December	2013	2012	Changes (%)
Net cash inflow from operating activities	45,114	52,124	(13.4)
Net cash outflow from investing activities	(20,010)	(70,992)	(71.8)
Net cash (outflow)/inflow from financing activities	(30,581)	28,896	(205.8)

(II) Gearing ratio

	31 December 2013	31 December 2012	Changes
Gearing ratio (%)	86.3	85.9	0.4pt

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

(III) Liquidity analysis

We centralized liquidity management including that of our subsidiaries at the group level. As the parent company, our cash flows mainly stem from dividends from our subsidiaries and gains from our own investment activities.

Our liquidity mainly comes from premiums, investment income, sales or maturity of financial assets and cash from financing activities. The demand for liquidity primarily arises from surrenders, withdrawals or other forms of early termination of insurance policies, insurance claims or benefit payouts, dividends to shareholders and cash required for daily operation.

We usually record net cash inflows from our operating activities due to growing premium income. That being said, we adhere to asset-liability management and in line with SAA (strategic asset allocation), we would maintain an appropriate level of allocation to high liquidity assets to meet liquidity requirement.

Financing is also a major part of liquidity management. We have access to additional liquidity through securities repurchase arrangement and other financing arrangements.

We believe that our current liquidity level is sufficient in the foreseeable future.

III. Solvency

We calculate and disclose our actual capital, required capital and solvency margin ratio in accordance with requirements by CIRC. The solvency margin ratio of domestic insurance companies in the PRC shall meet certain prescribed levels as stipulated by the CIRC.

Unit: RMB million

	31 December 2013	31 December 2012	Reason of Change
CPIC Group			
Actual solvency margin	90,081	92,254	Profit for the period, profit distribution to the shareholders, change of the fair value of investment assets
Minimum solvency margin	31,849	29,600	Business growth
Solvency margin ratio (%)	283	312	
CPIC Life			
Actual solvency margin	41,436	43,478	Profit for the period, profit distribution to the shareholders, change of the fair value of investment assets
Minimum solvency margin	21,651	20,654	Growth of insurance business
Solvency margin ratio (%)	191	211	
CPIC Property			
Actual solvency margin	16,441	16,739	Profit for the period, profit distribution to the shareholders and change of the fair value of investment assets
Minimum solvency margin	10,136	8,891	Growth of insurance business
Solvency margin ratio (%)	162	188	

IV. Sensitivity Analysis

(I) Sensitivity analysis of solvency

1. CPIC Life

As of the end of 2013, our available capital and required capital stood at RMB41.436 billion and RMB21.651 billion respectively, with a solvency margin ratio of 191%. Other things being equal, we assumed a 50BPs-change in interest rates or a 10% change in stock prices (assuming the fair value of equity assets[note 1] move in proportion to stock prices), and tested their impact on our solvency margin ratio[note 2] as at 31 December 2013. The results are as follows:

31 December 2013	Changes in interest rates		Changes in equity securities prices	
	+50bp	-50bp	+10%	-10%
Solvency margin ratio (%)	189	194	203	180

Notes:
1. Equity assets do not include bond funds, money market funds and wealth management products.
2. After policyholder participation.

2. CPIC Property

As of the end of 2013, our available capital and required capital stood at RMB16.441 billion and RMB10.136 billion respectively, with a solvency margin ratio of 162%. We assumed, other things being equal, a 50BPs-change in interest rates or a 10% change in stock prices (assuming the fair value of equity assets[note] move in proportion to stock prices), and tested their impact on our solvency margin ratio as at 31 December 2013. The results are as follows:

31 December 2013	Changes in interest rates		Changes in equity securities prices	
	+50bp	-50bp	+10%	-10%
Solvency margin ratio (%)	160	164	167	157

Note: Equity assets do not include bond investment funds, money market investment funds and wealth management products.

(II) Sensitivity analysis of price risk

The following table shows the sensitivity analysis of price risk, i.e. the impact[note 1] of fair value changes of all equity assets[note 2] in the case of a 10% change in stock prices as at the end of the reporting period on our total profits and shareholders' equity (assuming the fair value of equity assets move in proportion to stock prices), other things being equal.

Unit: RMB million

Market value	Year 2013/31 December 2013	
	Impact on profit before tax	Impact on equity
+10%	87	3,103
-10%	(87)	(3,103)

Notes:
1. After policyholder participation.
2. Equity assets do not include bond funds, money market funds and wealth management products.

V. Insurance contract liabilities

Insurance contract liabilities include unearned premium reserves, claim reserves and long-term life insurance contract liabilities. All three are applicable in life insurance business, while only the first two are in property and casualty insurance business.

As at 31 December 2013, insurance contract liabilities of CPIC Life amounted to RMB444.761 billion, representing an increase of 14.7%. Those of CPIC Property amounted to RMB57.703 billion, an increase of 12.9%. The rise was mainly caused by business expansion and accumulation of insurance liabilities.

We also tested the adequacy of reserves at the balance sheet date. The test results show that reserves set aside for each type of insurance contracts was sufficient and no additional provision was required.

Unit: RMB million

	31 December 2013	31 December 2012	Changes (%)
CPIC Life			
Unearned premiums	1,879	1,654	13.6
Claim reserves	958	737	30.0
Long-term life insurance contract liabilities	441,924	385,283	14.7
CPIC Property			
Unearned premiums	33,395	29,588	12.9
Claim reserves	24,308	21,537	12.9

VI. Investment contract liabilities

Investment contract liabilities mainly cover the non-insurance portion of insurance contracts, and those contracts which fail to pass the testing of significant insurance risk.

Unit: RMB million

	31 December 2012	Increase for the period			Decrease for the period		31 December 2013
		Deposit received	Interest credited	Others	Deposits withdrawn	Fees deducted	
Investment contract liabilities	41,754	3,355	1,924	192	(12,595)	(187)	34,443

VII. Reinsurance business

In 2013, premiums ceded to reinsurers are shown below:

Unit: RMB million

For 12 months ended 31 December	2013	2012	Changes (%)
CPIC Life	1,605	1,688	(4.9)
Traditional insurance	1,160	1,153	0.6
Participating insurance	252	283	(11.0)
Universal insurance	6	10	(40.0)
Short-term accident and health insurance	187	242	(22.7)
CPIC Property	13,984	10,372	34.8
Automobile insurance	8,400	5,411	55.2
Non-automobile insurance	5,584	4,961	12.6

The decrease in ceded premiums for life was due to lower reinsurance ratio whereas the increase in ceded premiums for property and casualty insurance was because of business growth and the increase in reinsurance proportion.

In 2013, premiums ceded inwardly are set out below:

Unit: RMB million

For 12 months ended 31 December	2013	2012	Changes (%)
Property Insurance	130	146	(11.0)
Auto insurance	-	-	/
Non-auto insurance	130	146	(11.0)

As at the end of 2013, assets under reinsurance are set out below:

Unit: RMB million

	31 December 2013	31 December 2012	Changes (%)
CPIC Life			
Reinsurers' share of insurance contract liabilities			
Unearned premiums	55	57	(3.5)
Claim reserves	32	96	(66.7)
Long-term life insurance contract liabilities	6,347	5,706	11.2
CPIC Property			
Reinsurers' share of insurance contract liabilities			
Unearned premiums	5,786	3,739	54.7
Claim reserves	5,332	4,640	14.9

We determine retained insured amounts and reinsurance ratio according to insurance regulations and our business development needs. To lower the concentration risk of reinsurance, we also entered into reinsurance agreements with various leading international reinsurance companies. The criteria for the selection of reinsurance companies include their financial strength, service level, insurance clauses, claims settlement efficiency and price. Generally speaking, only domestic reinsurance companies with proven records or international reinsurance companies of ratings of A- or above would qualify. Besides China Reinsurance (Group) Corporation and its subsidiaries, China Life Reinsurance Company Ltd., and China Property & Casualty Reinsurance Company Ltd., our reinsurance partners also include international giants like Munich Reinsurance Company and Swiss Reinsurance Company.

VIII.Analysis of core competitiveness

- We are a leading insurance group with a strong foothold in China's market. Our business philosophy is to focus on the core business of insurance to create sustainable value and stable returns for our shareholders.
- strong insurance expertise;
- one of the most recognized insurance brand names with an extensive customer base and a nation-wide distribution network;
- transformation initiatives in full swing, aiming to focus on customers' needs, improve customer interface and enhance their experience;
- professional insurance asset management capabilities based on asset-liability management;
- sound corporate governance, solid risk management and internal control capabilities;
- advanced and reliable information technology system with leading competitive edge in operational efficiency, new technologies and customer experience;
- experienced management team and a centralized group management platform.

Outlook

In 2014, we'll seize opportunities of China's market-based reforms and at the same time cope with the challenges they bring along. We have formulated a 3-year plan setting forth a series of strategic objectives, which will serve as our guide. We'll continue to put value first, while making continued efforts to improve management, customer service and ensuring compliance. We seek to upgrade our business model and differentiate ourselves from our competitors to promote sustainable growth of our overall value.

I. Market Environment

In 2013, China's insurance industry recorded 1.72 trillion in gross written premiums, a growth of 11.2%, and 3.2pt higher than in 2012, marking a reversal of declining growths in previous years. Of this, the property and casualty insurance sector maintained its strong momentum and achieved GWPs of 621.2 billion, up 16.5%, while on the life side, there were signs of a recovery, with GWPs reaching 1.1 trillion, an increase of 8.4%, and 3.9pt faster than in 2012. The industry's assets totalled 8.29 trillion, rising 12.7% from the year beginning.

Looking ahead, the world economy will be rife with uncertainties in 2014. While the recovery on the back of fiscal stimulus may come to an end, new drivers of growth are yet to unfold. With the gradual exit of quantitative easing in the US, emerging economies are facing mounting pressure in capital flight and deficits of their international balance of payment. No doubt the rebalancing of global economy will be an uphill struggle. In China, there are signs of a growing momentum of social and economic development. Sweeping reforms are well underway, with market playing a decisive role in the allocation of resources. Insurance can hopefully contribute more to the advancement of this agenda. Besides, China's social and economic restructuring means more opportunities for the insurance industry. China's economic development, increasing disposable income per capita and the push for integrated development of both rural and urban areas will boost demand for insurance. In particular, government programmes for economic restructuring and industry upgrading require a more important role for insurance in social security and public administration. Besides, China's demographic change and the government's strategies for health care and elderly care industries will benefit private health insurance and pension business. The financial reform in Shanghai's Free Trade Zone will offer opportunities for insurers headquartered in Shanghai. In a nutshell, the sector will see steady development on the back of these market-based reforms.

Fast changing international and domestic environment also poses challenges. Against the backdrop of economic uncertainties and rising labour costs, systemic problems of the industry will gradually surface. With the advancement of new technologies, boundaries between industries began to blur. That requires enhanced capabilities in operational efficiency, big data management and customer resources consolidation on the part of insurance companies. In particular, high-tech companies are beginning to infiltrate the traditional turf of financial services industry, a challenge never envisaged before.

The insurance sector, in a new stage of development, needs to change. For CPIC Group, we'll persist in a business philosophy which pursues sustainable value growth while focusing on the core business of insurance. In practice, we'll combine the implementation of market strategies and transformation initiatives to boost steady development of our business.

II. Business Plan

In 2014, we'll seize opportunities of China's market-based reforms and at the same time cope with the challenges they bring along. We have formulated a 3-year plan setting forth a series of strategic objectives, which will serve as our guide. We'll continue to put value first, while making continued efforts to improve management, customer service and ensuring compliance. We seek to upgrade our business model and differentiate ourselves from our competitors to promote sustainable growth of our overall value.

- Focus on value creation and foster capabilities for sustainable development

Our efforts will stay centered on driving NBV growth, EV growth, underwriting profitability and an investment return that covers cost of liabilities.

- Innovate management models to sharpen our competitive edge

We'll step up the roll-out of transformation initiatives, with innovations in work mechanisms in operation, finance and HR management. This will improve the input-and-output ratio and strengthen our ability to create value and differentiate ourselves on the market.

- Ensure compliance for long-term and healthy development

The priority is to put in place long-term mechanisms to fend off systemic risks.

- Improve customer services and enhance their experience

Bearing in mind customers' needs, we'll continue to optimise customer interfaces, both on-line and off-line (e.g. sales force and brick-and-mortar shops), with resources allocation skewed towards grass-root levels and the front-end.

Embedded Value

To The Directors China Pacific Insurance (Group) Company Limited

Independent actuaries review opinion report on embedded value

Towers Watson Management (Shenzhen) Consulting Co. Ltd Beijing Branch, trading as Towers Watson, ("Towers Watson" or "we") has been engaged by China Pacific Insurance (Group) Company Limited ("CPIC Group") to review the embedded value information of CPIC Group as at 31 December 2013.

This review opinion is addressed solely to CPIC Group in accordance with the terms of our engagement letter, and sets out the scope of our work and our conclusions. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than CPIC Group for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

Scope of work

Towers Watson's scope of work comprised:

- a review of the methodology used to develop the embedded value of CPIC Group and the value of one year's sales of China Pacific Life Insurance Co. Ltd. ("CPIC Life") as at 31 December 2013, in the light of the requirements of the "Life Insurance Embedded Value Reporting Guidelines" issued by the China Insurance Regulatory Commission ("CIRC") in September 2005;
- a review of the economic and operating assumptions used to develop CPIC Group's embedded value and the value of one year's sales of CPIC Life as at 31 December 2013;
- a review of the results of CPIC Group's calculation of the value of in-force business, the value of one year's sales of CPIC Life, the results of the analysis of movement of embedded value of CPIC Group, and the sensitivity results of the value of in-force business and value of one year's sales of CPIC Life.

Opinion

As a result of our review of the embedded value of CPIC Group as at 31 December 2013 and the value of one year's sales of CPIC Life prepared by CPIC Group, Towers Watson has concluded that:

- The methodology used is consistent with a traditional deterministic discounted cash flow approach, and is consistent with the requirements of the "Life Insurance Embedded Value Reporting Guidelines" issued by the CIRC;
- The operating assumptions have been set with appropriate regard to past, current and expected future experience;
- The economic assumptions have been set with regard to current market information.

Towers Watson has performed reasonableness checks and analysis of CPIC Group's embedded value and value of one year's sales of CPIC Life as at 31 December 2013, and Towers Watson has concluded that these results have been determined in a manner consistent with the methodology and assumptions described in the Embedded Value Section of CPIC Group's 2013 annual report and that the aggregate results are reasonable in this context.

Towers Watson confirms that the results shown in the Embedded Value section of CPIC Group's 2013 annual report are consistent with those reviewed by Towers Watson.

In carrying out our review we have relied on the accuracy of audited and unaudited data and information provided by CPIC Group.

For and on behalf of Towers Watson

Adrian Liu, FIAA, FCAA

28 March 2014

2013 Embedded Value Annual Report of CPIC Group

I. Background

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared CPIC Group Embedded Value as at 31 December 2013 in accordance with the disclosure rules set by the China Securities Regulatory Commission ("CSRC") for publicly listed insurer and the embedded value guidelines issued by China Insurance Regulatory Commission ("CIRC") and have disclosed information relating to our group embedded value in this section. We have engaged Towers Watson, an independent firm of consultants, to review the reasonableness of the valuation methodology, the valuation assumptions as well as the valuation results, and to issue their independent embedded value review report, which is contained in our 2013 annual report.

The Group Embedded Value is defined as the sum of the Group Adjusted Net Worth determined on the PRC statutory basis, and the value of in force business of CPIC Life attributable to the shareholders of CPIC Group. The value of in force business and the value of one year's sales of CPIC Life are defined as the discounted value of the projected stream of future after-tax distributable profits for existing business in force at the valuation date and for one year's sales in the 12 months immediately preceding the valuation date, where distributable profits are determined based on PRC statutory reserves and solvency margins at the required regulatory minimum level. Embedded value does not allow for any value attributable to future new business sales.

The value of in force business and the value of one year's sales of CPIC Life are determined by using a traditional deterministic discounted cash flow methodology. This methodology makes implicit allowance for the cost of investment guarantees and policyholder options, asset/liability mismatch risk, credit risk and the economic cost of capital through the use of a risk-adjusted discount rate. This methodology is consistent with the embedded value guidelines issued by the CIRC and is also a common methodology used by life insurance companies in China at the current time.

The embedded value and the value of one year's sales provide valuable information to investors in two aspects. First, the value of in force business of CPIC Life represents the total amount of after-tax distributable earnings in present value terms, which can be expected to emerge over time, in accordance with the assumptions used. Second, the value of one year's sales of CPIC Life provides an indication of the value created for investors by current new business activity and hence the potential value of the business. However, the information on embedded value and the value of one year's sales should not be viewed as a substitute of other financial measures on the Company. Investors should not make investment decisions based solely on embedded value and the value of one year's sales information.

The embedded value is an estimation of a component of an insurance company's economic value using actuarial techniques, based on a series of assumptions. As there is uncertainty in selecting assumptions, estimates of embedded value could vary materially as key assumptions are changed, and future actual experience would differ from assumed valuation assumption. Therefore, special care is advised when interpreting embedded value results.

The Ministry of Finance and the State Administration of Taxation has issued the "Notice on Corporate Income Tax Deduction of Reserves for Insurance Companies" (Cai Shui [2012] No. 45), requiring the taxation basis to be based on accounting profits. Based on the above regulation, during the preparation of 2013 Embedded Value Annual Report, the contract liabilities of life insurance business related to distributable profit were measured according to the assessment standards of the liabilities pursuant to the current PRC statutory policy reserves, but those related to the income tax were measured according to the China Accounting Standards.

II. Summary of Embedded Value and Value of One Year's Sales

The table below shows the Group Embedded Value of CPIC Group as at 31 December 2013, and the value of one year's sales of CPIC Life in the 12 month to 31 December 2013 at risk discount rate of 11%.

Unit: RMB Million

Valuation Date	31 December 2013	31 December 2012
Group Adjusted Net Worth	81,956	86,237
Adjusted Net Worth of CPIC Life	33,791	35,371
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written prior to June 1999	(4,370)	(3,080)
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written since June 1999	80,592	65,129
Cost of Solvency Margin Held for CPIC Life	(12,715)	(12,153)
Value of In Force Business of CPIC Life After Cost of Solvency Margin Held	63,507	49,895
CPIC Group's Equity Interest in CPIC Life	98.29%	98.29%
Value of In Force Business of CPIC Life After Cost of Solvency Margin Held attributable to the shareholders of CPIC Group	62,422	49,043
Group Embedded Value	144,378	135,280
Life Embedded Value	97,298	85,266
Value of One Year's Sales of CPIC Life Before Cost of Solvency Margin Held	8,680	8,316
Cost of Solvency Margin	(1,181)	(1,256)
Value of One Year's Sales of CPIC Life After Cost of Solvency Margin Held	7,499	7,060

Note: that figures may not be additive due to rounding

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

III. Key Valuation Assumptions

In determining the embedded value as at 31 December 2013, we have assumed the Company continues to operate on a going concern basis under the current economic and regulatory environment, and that the current method for determining statutory policy reserves and statutory minimum solvency margin levels remain unchanged. The various operational assumptions are mainly based on the results of experience analyses, together with reference to the overall experience of the Chinese insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimate of the future based on information currently available at the valuation date.

The following describes the key assumptions used in determining the value of in force business and the value of one year's sales of CPIC Life as at 31 December 2013:

(I) Risk Discount Rate

The risk discount rate used to determine the value of in force business and the value of one year's sales of CPIC Life is 11%.

(II) Investment Returns

The investment returns for long term business are assumed to increase from 5.0% in 2014 to 5.2% in 2016, and remaining at 5.2% thereafter. The investment return for short term business is based on the recent one-year bank deposit interest rate as published by the People's Bank of China. These assumptions have been derived based on the current capital market environment, our current and expected future asset mix and the assumed investment returns for each major class of assets.

(III) Mortality

Mortality assumptions are expressed as a percentage of the standard industry mortality tables: "China Life Tables (2000-2003)":

- The majority of life products: 80% of China Life Table (2000-2003) for non-annuitants, with selection factors of 50% in policy year 1, 25% in policy year 2 and ultimate rates applicable thereafter;

- The majority of deferred annuity products: 90% of China Life Table (2000 to 2003) for annuitants, together with an allowance for future mortality improvements.

(IV) Morbidity

Assumptions have been developed based on CPIC Life's past morbidity experience, expectations of current and future experience, and vary by products. Claim ratios for short term accident and short term health business are assumed to be in the region of 20% to 75%.

(V) Lapse and Surrender Rates

Assumptions have been developed based on CPIC Life's past lapse and surrender experience, expectation of current and future experience, and assumptions vary by pricing interest rates, product type, policy duration and distribution channel.

(VI) Expense

Unit cost assumptions have been developed based on the recent results of an analysis of CPIC Life's 2013 non-commission related expenses. Future inflation of 2.5% pa in respect of per policy expenses is also assumed.

(VII) Policyholder Dividend

- Individual participating business: 70 % of interest and mortality surplus;
- Bancassurance participating business: 70 % of interest and mortality surplus; and
- Group participating annuity business: 80 % of interest surplus.

(VIII) Tax

Tax has been assumed to be payable at 25% of profits. The investment income assumed to be exempt from income tax is 16.5% in 2014 and thereafter. The tax exemption assumptions are based on our current and expected future asset mix and assumed investment returns for each major class of assets.

In addition, a 5.5% business tax has been applied to gross premium of the accident business.

IV. New Business Volumes and Value of One Year's Sales

The table below shows the volume of new business sold in terms of first year annual premium and value of one year's sales of CPIC Life after cost of solvency margin held at risk discount rate of 11% for year 2013.

Unit: RMB Million

	First Year Annual Premium (FYAP)		Value of One Year's Sales After Cost of Solvency Margin Held	
	2013	2012	2013	2012
Agency channel	13,799	12,108	6,160	5,558
Bancassurance	15,390	18,253	923	920
Direct sales[1]	7,098	9,368	416	582
Total	**36,287**	**39,729**	**7,499**	**7,060**

Notes:
1. Direct sales include telemarketing and internet sales.
2. Figures may not be additive due to rounding.

V. Analysis of Change in Embedded Value

The following table shows the change in the Group Embedded Value from 31 December 2012 to 31 December 2013.

Unit: RMB Million

No.	Item	Value	Comments
1	Embedded Value of the life business at 31 December 2012	**85,266**	
2	Expected Return on Embedded value	9,079	Expected returns on the 2012 embedded value of CPIC Life and the value of one year's sales of CPIC Life in 2013
3	Value of One Year's Sales	7,499	Value of one year's sale in respect of new business written in the 12 months prior to 31 December 2013
4	Investment Experience Variance	(3,099)	Reflects the difference between actual and assumed investment return in 2013
5	Operating Experience Variance	499	Reflects the difference between actual and assumed operating experience
6	Change in Valuation Basis	(19)	China Life Insurance Experienced Critical Illness Table (2006-2010) used to estimate PRC statutory reserves
7	Change of risk discount rate	2,362	Reflects the impact of the change of risk discount rate from 11.5% to 11%
8	Change in methodology, assumptions and models	(1,567)	Reflects assumption and methodology changes, together with model enhancements

No.	Item	Value	Comments
9	Change in market value adjustment	(807)	Reflects the change in value and methodology of assets not valued on a market value basis
10	Shareholder Dividends	(1,976)	Shareholder dividends distributed to shareholders of CPIC Life
11	Others	59	
12	Embedded Value of the life business at 31 December 2013	97,298	Increased by 14.1% relative to 31 December 2012
13	Adjusted net worth of businesses other than CPIC Life as at 31 December 2012	52,094	
14	Change in Adjusted Net Worth before payment of shareholder dividends to shareholders of CPIC Group	1,970	
15	Shareholder dividends	(3,230)	Dividend distributed to shareholders of CPIC Group
16	Change in market value adjustment	(1,530)	Reflects the change in value of assets not valued on a market value basis
17	Adjusted net worth of businesses other than CPIC Life as at 31 December 2013	49,305	
18	Minority interests relating to equity and market value adjustments	(2,225)	Minority interests on Embedded Value as at 31 December 2013
19	Group Embedded Value as at 31 December 2013	144,378	
20	Embedded Value as at 31 December 2013 per share(RMB)	15.93	

Note: that figures may not be additive due to rounding.

VI. Sensitivity Analysis

In consideration of the uncertainties as to future experience, we have evaluated the sensitivity of the value of in force business and the value of one year's sales of CPIC Life as at 31 December 2013 to changes in key assumptions. In determining the sensitivity results, only the relevant assumption has been changed, while all other assumptions have been left unchanged.

Alternative sensitivity scenarios are shown for the following:

- Risk Discount Rate Scenario 2 and Scenario 3:10.5% and 11.5%;
- Investment Return Scenario 2: Investment returns 25 basis points higher;
- Investment Return Scenario 3 : Investment returns 25 basis points lower;
- Mortality: Ultimate mortality rates 10% lower;
- Morbidity:10% lower;
- Lapse and surrender rates: 10% lower;
- Expenses: 10% lower;
- Participating Policyholder Dividends: 5 percentage points higher;
- Short Term Business Claim Ratios: 10% lower;
- Solvency Margin: 150% of the statutory minimum solvency margin.

The following table shows the sensitivity results of the value of in force business and the value of one year's sales after cost of solvency margin held.

Unit: RMB Million

	Value of In Force Business After Cost of Solvency Margin Held	Value of One Year's Sales After Cost of Solvency Margin Held
Base	63,507	7,499
Risk Discount Rate"10.5%"	66,581	7,992
Risk Discount Rate"11.5%"	60,632	7,042
Investment Return "+25 basis points"	68,871	7,892
Investment Return "-25 basis points"	58,080	7,110
Mortality "-10%"	63,776	7,528
Morbidity "-10%"	64,034	7,607
Lapse and Surrender Rates "-10%"	63,386	7,554
Expenses "-10%"	64,752	8,197
Participating "+5% Distribution"	60,858	7,198
Short Term Claim Ratio "-10 %"	63,572	7,634
150% Solvency Margin	57,150	6,909

Note : that figures may not be additive due to rounding.

Corporate Governance

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Corporate Governance

Changes in the Share Capital and Shareholders' Profile

I. Changes in the Share Capital

(I) Table of the share capital

The table below shows our share capital as of 31 December 2013:

Unit: share

	Before change		Increase or decrease (+ or -)					After change	
	Amount	Percentage (%)	New shares issued	Bonus shares	Transfer from reserve	Others	Sub-total	Amount	Percentage (%)
1. Shares with selling restrictions									
(1) State-owned shares	-	-	-	-	-	-	-	-	-
(2) State-owned enterprises shares	-	-	-	-	-	-	-	-	-
(3) Other domestic shares	78,412,727	0.87	-	-	-	-	-	78,412,727	0.87
held by									
legal entities	78,412,727	0.87	-	-	-	-	-	78,412,727	0.87
natural persons	-	-	-	-	-	-	-	-	-
(4) Foreign shares		-	-	-	-	-	-	-	-
held by									
legal entities	-	-	-	-	-	-	-	-	-
natural persons	-	-	-	-	-	-	-	-	-
Total	78,412,727	0.87	-	-	-	-	-	78,412,727	0.87
2. Shares without selling restrictions									
(1) Ordinary shares denominated in RMB	6,208,287,273	68.51	-	-	-	-	-	6,208,287,273	68.51
(2) Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
(3) Overseas listed foreign shares (H share)	2,775,300,000	30.62	-	-	-	-	-	2,775,300,000	30.62
(4) Others									
Total	8,983,587,273	99.13	-	-	-	-	-	8,983,587,273	99.13
3. Total number of shares	9,062,000,000	100.00	-	-	-	-	-	9,062,000,000	100.00

Note: The lock-up period for the 78,412,727 shares held by the Account No. 1 of the NSSF expired during the reporting period and the share inquestion began to float on 24 March 2013.

(II) Issue and listing of securities

1. Previous issuance of securities

Unit: share

Type	Dateof issue	Issue prices	Number of shares issued	Date of listing	Number of shares permitted to be listed	Date of termination of dealings
H Share	14 November 2012	HK$ 22.50	462,000,000	14 November 2012	462,000,000	-

The Company issued 462,000,000 H shares under the placing in November 2012.

2. Shares held by employees

As at 31 December 2013, no shares issued by the Company have been placed to its employees.

II. Shareholders

(I) Number of shareholders and their shareholdings

Unit: share

A total number of 155,236 shareholders (including 148,464 A shareholders and 6,772 H shareholders) at the end of the reporting period.
Total number of shareholders as at the end of 24 March 2014: 174,487 (including 167,766 A shareholders and 6,721 H shareholders)

Shares held by top ten shareholders at the end of the reporting period

Names of the shareholders	Percentage of the shareholding (%)	Total number of shares held	Increase or decrease of shareholding during the reporting period (+,-)	Number of shares held with selling restrictions	Number of shares subject to pledge or lock-up period	Types of shares
HKSCC Nominees Limited	30.58	2,770,707,056	+204,191,057	-	-	H Share
Fortune Investment Co., Ltd.	14.17	1,284,277,846	-	-	189,717,800	A Share
Shenergy Group Co., Ltd.	13.69	1,240,963,027	+5,671,246	-	-	A Share
Shanghai Haiyan Investment Management Company Limited	5.17	468,828,104	-	-	-	A Share
Shanghai State-Owned Assets Operation Co., Ltd.	4.68	424,099,214	-	-	-	A Share
Shanghai Jiushi Corporation	2.77	250,949,460	-	-	-	A Share
Yunnan Hongta Group Co., Ltd.	1.92	174,339,390	-	-	-	A Share
Shanghai Aijian Trust Co. Ltd. – Single Fund Trust	0.96	87,303,007	+87,303,007	-	-	A Share
Account No. 1 of the NSSF	0.87	78,412,727	-	78,412,727	-	A Share
Baosteel Group Corporation	0.76	68,818,407	-	-	-	A Share

Shares held by top ten shareholders without selling restrictions at the end of the reporting period

Names of shareholders	Number of shares held without selling restrictions	Types of shares
HKSCC Nominees Limited	2,770,707,056	H 股
Fortune Investment Co., Ltd.	1,284,277,846	A 股
Shenergy Group Co., Ltd.	1,240,963,027	A 股
Shanghai Haiyan Investment Management Company Limited	468,828,104	A 股
Shanghai State-Owned Assets Operation Co., Ltd.	424,099,214	A 股
Shanghai Jiushi Corporation	250,949,460	A 股
Yunnan Hongta Group Co., Ltd.	174,339,390	A 股

Shares held by top ten shareholders without selling restrictions at the end of the reporting period		
Names of shareholders	Number of shares held without selling restrictions	Types of shares
Shanghai Aijian Trust Co. Ltd. – Single Fund Trust	87,303,007	A Share
Baosteel Group Corporation	68,818,407	A Share
National Social Security Fund 103 Portfolio	46,225,582	A Share
Description of connected relations or concerted action among the aforesaid shareholders	Fortune Investment Co., Ltd. and Baosteel Group Corporation are connected, as the former is a wholly-owned subsidiary of the latter. Shanghai Aijian Trust Co. Ltd. – Single Fund Trust is a single fund trust set up by Fortune Investment Co., Ltd. through Shagnhai Aijan Trust Co. Ltd. Both parties are persons acting in concert.	

Notes:
1. The shareholding of the top ten shareholders is based on the lists of registered shareholders provided by China Securities Depository and Clearing Corporation Limited Shanghai Branch (A share) and Computershare Limited (H share) respectively.
2. The shares held by HKSCC Nominees Limited are held on behalf of a number of its clients. As Hong Kong Stock Exchange does not require such shareholders to disclose to HKSCC Nominees Limited whether the shares held by them are subject to pledge or lock-up period, HKSCC Nominees Limited is unable to calculate, or make available such data. Pursuant to Part XV of the SFO, a Substantial Shareholder is required to give notice to the Stock Exchange and the Company on the occurrence of certain events including a change in the nature of its interest in shares such as the pledging of its shares. As at 31 December 2013, the Company is not aware of any such notices from Substantial Shareholders under Part XV of the SFO.

(II) Particulars of substantial shareholders

The ownership structure of the Company is diversified and there is no controlling shareholder or de facto controllers.

As at 31 December 2013, our substantial shareholders were:

1. Fortune Investment Co., Ltd.

Fortune Investment Co., Ltd. (organisation code: 132228816) was established on 21 November 1994 and has a registered capital of RMB6.869 billion, with ZHENG Anguo as its legal representative. Its main businesses include investment and investment management in the metallurgy industry and relevant industries, investment consulting, business consulting service (excluding brokerage) and property title brokerage. Fortune Investment Co., Ltd. is a wholly owned subsidiary of Baosteel Group Corporation.

2. Shenergy Group Co., Ltd.

Shenergy Group Co., Ltd. (organisation code: 13227181-4) was established on 18 November 1996 with a registered capital of RMB10 billion. Its legal representative is YANG Xianghai. Its main businesses include the generation, production and supply of power and gas, investment, construction and management of energy infrastructure, and investment and asset management (in energy and related service industries and equity in financial companies).

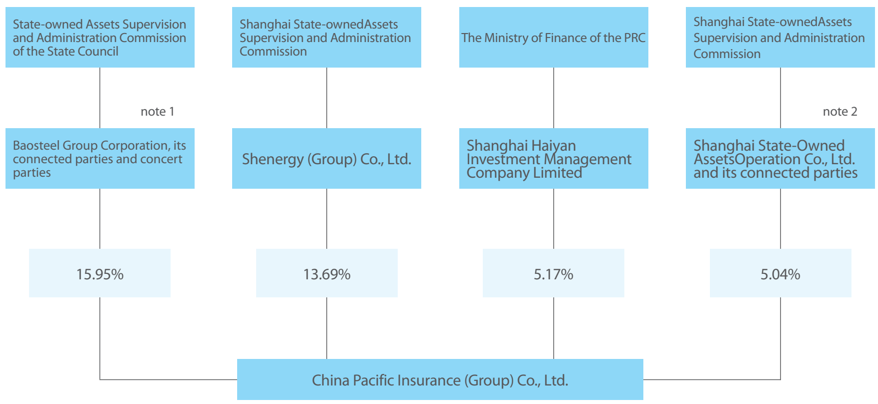
3.Shanghai State-Owned Assets Operation Co., Ltd.

Shanghai State-Owned Assets Operation Co., Ltd. (organisation code: 63160459-9) was established on 24 September 1999 with a registered capital of RMB5 billion. Its legal representative is ZHU Zhongqun. Its main businesses include entrepreneurial investments, capital operations, acquisition, enhancement and transfer of assets, enterprise and asset custody, debt restructuring, property title brokerage, real estate agency, financial consultancy, investment consultancy, and consulting services related to its scope of businesses, as well as the provision of guarantee related to its asset management and capital operation businesses.

4.Shanghai Haiyan Investment Management Company Limited

Shanghai Haiyan Investment Management Company Limited (organisation code: 695793528) was established on 15 October 2009 with a registered capital of RMB3.3 billion. Its legal representative is Jiang Ligong. Its main businesses include entrepreneurial investments, investment management, project management, asset management, enterprise management advisory and domestic trading.

The following chart sets forth the connection of the Company and the ultimate controllers of our substantial shareholders as of 31 December 2013:



Notes:

1. Baosteel Group Corporation and its subsidiaries Fortune Investment Co., Ltd., Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. and Shanghai Aijian Trust Co. Ltd. – Single Fund Trust, as a concert party of Fortune Investment Company Co., Ltd., hold in aggregate 1,445,191,341 A Shares in the Company, representing 15.95% of the entire share capital of the Company.
2. Shanghai State-Owned Assets Operation Co., Ltd. and its subsidiary Shanghai Guoxin Investment and Development Co., Ltd. hold in aggregate 457,123,365 A Shares in the Company, representing 5.04% of the entire share capital of the Company.

Directors, Supervisors, Senior Management and Employees

I. Directors, Supervisors and Senior Management

Unit: RMB thousand

Name	Position	Gender	Date of birth	Term of office	Total Remuneration from the Company (Post-tax)	Aggregate Income Tax
GAO Guofu	Chairman and Executive Director	Male	June 1956	Since July 2013	1,902	968
HUO Lianhong	Executive Director and President	Male	April 1957	Since July 2013	1,801	898
YANG Xianghai	Vice Chairman and Non-Executive Director	Male	February 1952	Since July 2013	See note 5	
WANG Chengran	Non-Executive Director	Male	April 1959	Since July 2013	210	40
SUN Xiaoning	Non-Executive Director	Female	March 1969	Since July 2013	See note 5	
WU Junhao	Non-Executive Director	Male	June 1965	Since July 2013	See note 5	
WU Jumin	Non-Executive Director	Male	April 1956	Since July 2013	210	40
ZHENG Anguo	Non-Executive Director	Male	November 1964	Since July 2013	210	40
BAI Wei	Independent Non-Executive Director	Male	November 1964	Since July 2013	105	20
LAM Chi Kuen	Independent Non-Executive Director	Male	April 1953	Since July 2013	126	24
ZHOU Zhonghui	Independent Non-Executive Director	Male	August 1947	Since July 2013	126	24
FOK Kwong Man	Independent Non-Executive Director	Male	August 1949	Since July 2013	126	24
DAI Zhihao	Chairman of the Board of Supervisors, Shareholder Representative Supervisor	Male	June 1963	Since July 2013	105	20
ZHANG Jianwei	Shareholder Representative Supervisor	Male	September 1954	Since July 2013	See note 5	
LIN Lichun	Shareholder Representative Supervisor	Female	August 1970	Since July 2013	210	40
SONG Junxiang	Employee Representative Supervisor	Male	October 1955	Since July 2013	2,886	1,823
YUAN Songwen	Employee Representative Supervisor	Male	October 1967	Since July 2013	869	232
GU Yue	Executive Vice President	Male	June 1965	Since October 2013	3,100	2,003
SUN Peijian	Vice President	Male	September 1963	Since October 2013	2,988	1,909
CAO Zenghe	Vice President	Male	September 1954	Since October 2013	1,980	1,171
PAN Yanhong	Vice President	Female	August 1969	Since December 2013	See note 11	
HUANG Xueying	Chief Information Technology Officer	Female	November 1967	Since October 2013	2,695	975
CHEN Wei	Chief Internal Auditor	Male	April 1967	Since October 2013	1,907	1,024
YU Bin	Assistant President	Male	August 1969	Since October 2013	1,826	991

Name	Position	Gender	Date of birth	Term of office	Total Remuneration from the Company (Post-tax)	Aggregate Income Tax
FANG Lin	Board Secretary Joint Company Secretary	Male	October 1970	Since October 2013 Since August 2012	2,097	1,186
LI Jieqing	Chief Risk & Compliance Officer	Male	November 1968	Since October 2013	1,800	945
ZHANG Yuanhan	Chief Actuary	Male	November 1967	Since October 2013	2,660	1,320
Total					**29,945**	**15,711**

Notes:
1. The above table lists the directors, supervisors and senior management as at 31 December 2013.
2. According to Provisional Guidelines on Compensation Management of Insurance Companies issued by CIRC and relevant policies and rules of the Company, part of the performance-related remuneration of the Company's senior management takes the form of deferred payment. The total remuneration payable to a member of senior management includes any deferred and unpaid remuneration.
3. Each director and supervisor of the Company is appointed for a term of 3 years and is eligible for re-election and re-appointment. Each independent non-executive director is not allowed to serve a consecutive term of more than 6 years.
4. According to relevant policies, the final amounts of remunerations of the Chairman and the President are yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.
5. Mr. YANG Xianghai, Ms. SUN Xiaoning, Mr. WU Junhao and Mr. ZHANG Jianwei did not take any allowances.
6. Mr. BAI Wei, Mr. LAM Chi Kuen, Mr. ZHOU Zhonghui, Mr. FOK Kwong Man and Mr. DAI Zhihao began to take allowances in July 2013.
7. The remuneration Mr. YANG Xianghai and Mr. ZHANG Jianwei received in 2013 from the shareholders they represented was approved by Shanghai State-owned Assets Supervision and Administration Commission. The remuneration Mr. WU Junhao received from the shareholder he represented in 2013 was approved by Shenergy (Group) Co., Ltd. The remuneration Mr. DAI Zhihao received in 2013 from the shareholder he represented was approved by the supervisory body which oversees this shareholder. The remuneration Mr. WANG Chengran and Mr. ZHENG Anguo received from the shareholders they represented in 2013 was approved by the shareholders. Ms. SUN Xiaoning, Mr. WU Jumin and Ms. LIN Lichun did not receive any remuneration from the shareholders they represented respectively.
8. RMB0.464 million of Mr. SONG Junxiang's annual total pre-tax remuneration for 2013 is cash realized from the long-term incentive schemes in 2006.
9. RMB0.464 million of Mr. GU Yue's annual total pre-tax remuneration for 2013 is cash realized from the long-term incentive schemes in 2006.
10. RMB0.464 million of Mr. SUN Peijian's annual total pre-tax remuneration for 2013 is cash realized from the long-term incentive schemes in 2006.
11. Ms. PAN Yanhong started to receive compensation in January 2014.
12. RMB0.195 million of Mr. FANG Lin's annual total pre-tax remuneration for 2013 is cash realized from the long-term incentive schemes in 2006.
13. Remuneration of directors, supervisors and senior management who departed during the reporting period:

Name	Position	Remuneration
FENG Junyuan, Janine	Non-Executive Director of the 6th Board	Ms. FENG did not take any allowances from the Company and did not receive direct compensation from the shareholder she represented on the board.
YANG Xiangdong	Non-Executive Director of the 6th Board	Mr. YANG did not take any allowances from the Company and did not receive direct compensation from the shareholder he represented.
XU Fei	Non-Executive Director of the 6th Board	Ms. XU Fei received a total post-tax remuneration of RMB0.105 million from the Company during the reporting period. The aggregate income tax of the total remuneration payable was RMB0.02million. The compensation she received in 2013 from the shareholder she represented on the board was approved and paid by Shanghai International Group.
XU Shanda	Independent Non-Executive Director of the 6th Board	Mr. XU Shanda did not take any allowances from the Company.
CHANG Tso Tung, Stephen	Independent Non-Executive Director of the 6th Board	Mr. CHANG Tso Tung, Stephen received a total post-tax remuneration of RMB0.126 million from the Company during the reporting period. The aggregate income tax of the total remuneration payable was RMB0.024million.
LI Ruoshan	Independent Non-Executive Director of the 6th Board	Mr. LI Ruoshan received a total post-tax remuneration of RMB0.126 million from the Company during the reporting period. The aggregate income tax of the total remuneration payable was RMB0.024million.
XIAO Wei	Independent Non-Executive Director of the 6th Board	Mr.XIAO Wei received a total post-tax remuneration of RMB0.105 million from the Company during the reporting period. The aggregate income tax of the total remuneration payable was RMB0.02million.
YUEN Tin Fan	Independent Non-Executive Director of the 6th Board	Mr.YUEN Tin Fan received a total post-tax remuneration of RMB0.126 million from the Company during the reporting period. The aggregate income tax of the total remuneration payable was RMB0.024million.
CHENG Feng	Non-Executive Director of the 7th Board	Mr. CHENG Feng received a total post-tax remuneration of RMB0.0875 million from the Company during the reporting period. The aggregate income tax of the total remuneration payable was RMB0.0167million. The compensation he received in 2013 from the shareholder he represented on the board was approved and paid by Shanghai International Group.

Name	Position	Remuneration
ZHANG Yanshang	Independent Non-Executive Director of the 7th Board	Mr. ZHANG Yansheng received a total post-tax remuneration of RMB0.0875 million from the Company during the reporting period. The aggregate income tax of the total remuneration payable was RMB0.0167million.
ZHOU Zhuping	Chairman and Shareholder Representative Supervisor of the 6th Board of Supervisors	Mr.ZHOU Zhuping received a total post-tax remuneration of RMB0.105 million from the Company during the reporting period. The aggregate income tax of the total remuneration payable was RMB0.02million. The compensation he received from the shareholder he represented was approved by the supervisory body which oversees this shareholder.
HE Jihai	Shareholder Representative Supervisor of the 6th Board of Supervisors	Mr. HE Jihai received a total post-tax remuneration of RMB0.785 million from the Company during the reporting period. The aggregate income tax of the total remuneration payable was RMB0.191million.
XU Jinghui	Executive Vice President	Mr. XU Jinghui received a total post-tax remuneration of RMB3.141 million from the Company during the reporting period. The aggregate income tax of the total remuneration payable was RMB2.041million. Out of the total remuneration payable by the Company, RMR0.464 million is cash realized from the 2006 long-term incentive scheme for the year 2013.

II. Biographies of Directors, Supervisors and Senior Management Directors

(I) Biographies of Directors

Mr. GAO Guofu currently serves as the Chairman and an executive Director of the Company, a member of the National Committee of Chinese People's Political Consultative Conference (CPPCC), a member of the Advisory Council for China of the City of London and member of the Advisory Committee of China Europe International Business School. Mr. GAO previously served as the general manager of Shanghai Waigaoqiao Free Trade Zone Development (Holding) Company, the deputy director of the Administration Committee of Shanghai Waigaoqiao Free Trade Zone, the acting president of Shanghai Wanguo Securities Company, the deputy general manager and the general manager of Shanghai Jiushi Corporation, and the general manager of Shanghai Urban Construction Investment and Development Corporation. Mr. GAO has postgraduate qualifications and a doctorate degree, and has received the title of senior economist.

Mr. HUO Lianhong currently serves as an executive Director and the President of the Company, and is also the Chairman of CPIC AMC, a Director of CPIC Life, a Director of CPIC Property, vice chairman of China Insurance Institute and a member of the Geneva Association. Mr. HUO previously served as the Chairman of CPIC Property, the deputy general manager and the general manager of the Hainan Branch and the Beijing Branch of China Pacific Insurance Company. Prior to that, Mr. HUO was a deputy office supervisor of the Chongqing Branch, and the head and the deputy manager of the Insurance Department of the Hainan Branch of Bank of Communications. Mr. HUO is a university graduate with a bachelor's degree, and has received the title of senior economist.

Mr. YANG Xianghai currently serves as the chairman of Shenergy (Group) Co., Ltd., and the Vice Chairman and a Non-executive Director of the Company. Mr. YANG was the deputy director and the director of the Economic Regulation Office and the General Office of Shanghai Planning Commission, the assistant to the chief commissioner and the deputy chief commissioner of Shanghai Planning Commission, the director of Shanghai Securities Administration Office, the general manager of the SSE, the vice chairman and the general manager of Shenergy (Group) Co., Ltd., the chairman of Shanghai Gas (Group) Co., Ltd, and the chairman of Shengergy Company Limited. Mr. YANG holds a master's degree in economics, and has received the title of senior economist.

Mr. WANG Chengran currently serves as assistant to the general manager of Baosteel Group Corporation, a non-executive Director of the Company, a director of CPIC Life and a director of CPIC Property. Mr. WANG held various positions such as the director of the Asset Operation Office of the Planning and Finance Department and the head of the Asset Operation Department of Shanghai Baosteel Group Corporation, the business director and the head of the Asset Operation Department of Baosteel Group Corporation, and, the chairman of Fortune Investment Co., Ltd, and the president assistant and the head of the Audit Department of Baosteel Group Corporation. Currently, Mr. WANG also serves various directorships, including a director of Hua Tai Insurance

Group Co., Ltd., Xinhua Asset Management Co., Ltd., China Bohai Bank Co., Ltd., Sailing Capital International (Shanghai) Co. Ltd., New China Life Insurance Co., Ltd., a company listed on the SSE and the Hong Kong Stock Exchange, China State Shipbuilding Co., Ltd. and Shanghai Baosight Software Co., Ltd. Mr. WANG is a university graduate with a bachelor's degree and has received the title of economist.

Ms. SUN Xiaoning currently serves as the senior vice president and also is in charge of the PRC direct investment business of the Government of Singapore Investment Consulting (Beijing) Co., Ltd. Ms. SUN was a senior investment officer of the International Finance Corporation and also worked at McKinsey & Company. Prior to that, she served as a project executive at the People's Bank of China. Ms. SUN was previously a non-executive director of Far East Horizon Limited, a company listed on the Hong Kong Stock Exchange. Ms. SUN holds a master's degree in business administration.

Mr. WU Junhao currently serves as the manager of the Financial Management Department of Shenergy Group Co., Ltd., a non-executive Director of the Company, a director of CPIC Life and a director of CPIC Property. Mr. WU formerly worked as the head of the Teaching & Research Center of the Business Management Department of Changzhou University, the executive deputy general manager of Shanghai New Resources Investment Consulting Company, the deputy general manager of Shanghai Bailitong Investment Company, deputy chief of Shanghai Shenergy Assets Management Co., Ltd., the deputy chief, chief and senior chief of the Assets Management Department, and the deputy manager of the Financial Management Department, of Shenergy Group Co., Ltd. Mr. WU was also the supervisor of Shanghai Pharmaceuticals Holding Co., Ltd., a company listed on the SSE and on the Hong Kong Stock Exchange. Currently, Mr. WU also serves as a director of Shanghai Chenyi New Energy Venture Capital Co., Ltd., a director of Orient Securities Company Limited, a director of Chengdu Xinshen Venture Company, a director of Shanghai Jiulian Group Co., Ltd., a supervisor of Shanghai ICY Capital Limited and a supervisor of China Everbright Bank Co., Ltd., a company listed on the SSE. Mr. WU is a postgraduate with a master's degree, and has received the title of economist.

Mr. WU Jumin currently serves as a counsel, director, and the deputy general manager of Shanghai Tobacco (Group) Corporation, and a non-executive Director of the Company. Mr. WU previously served as the deputy factory manager and factory manager of Shanghai Tobacco Factory, deputy general manager of Shanghai Gao Yang International Tobacco Co., Ltd. When Mr. WU worked with Shanghai Tobacco Factory, he also served as the deputy head of the Organization Section, the head of the Education Section and the principal of the Factory-affiliated School, the head of the Cadre Section, and the deputy officer and officer of the Personnel and Educational Department. Mr. WU is a postgraduate and has received the title of senior economist.

Mr. ZHENG Anguo currently serves as the general manager of Fortune Investment Co., Ltd., the chairman of Fortune Trust Co., Ltd., the chairman of Fortune SGAM Fund Management Co., Ltd., a member of the Shanghai Committee of the National Committee of the CPPCC and a non-executive Director of the Company. Mr. ZHENG held various positions, manager of the Issuance Department and the Investment Department of the Shenzhen Branch of Nanfang Securities Co., Ltd, the assistant to the general manager of the Investment Banking Department of Nanfang Securities Co., Ltd., the deputy general manager of the Shanghai Branch and the Deputy Head of the Research Office of Nanfang Securities Co., Ltd., and the vice president and president of Fortune Trust Co., Ltd. Mr. ZHENG is a postgraduate with a doctorate degree, and has received the title of senior economist.

Mr. BAI Wei currently serves as a partner and lawyer at Jingtian & Gongcheng and an independent non-executive Director of the Company. Mr. BAI previously worked as a lawyer at China Global Law Office and as an associate at Sullivan & Cromwell LLP. Mr. BAI is also an independent non-executive director of Huatai Securities Co., Ltd., a company listed on the SSE, and of Ningxia Orient Tantalum Industry Co., Ltd., a company listed on the Shenzhen Stock Exchange. Mr. BAI holds a master degree and is admitted to practice law in the PRC and New York, USA.

Mr. LAM Chi Kuen currently serves as an independent non-executive Director of the Company. Mr. LAM was formerly a senior adviser and a partner of Ernst & Young. Mr. LAM was awarded the Higher Diploma in Accounting and is also a member of Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

Mr. ZHOU Zhonghui currently serves as an independent non-executive Director of the Company, a member of the International Advisory Committee of the CSRC, a member of the Audit Regulation Committee of Chinese Institution of Certified

Public Accountant, a council member of the China Association of Chief Financial Officers, and a member of the Advisory Committee of the China Appraisal Society (中国评估师协会). Mr. ZHOU was formerly a lecturer, associate professor and professor of Shanghai University of Finance and Economics, the chief financial officer of Xinlong Hong Kong Co., Ltd., the general manager and the chief accountant of PricewaterhouseCoopers Zhong Tian CPAs Limited Company, senior partner of the PricewaterhouseCoopers, and the chief accountant of the CSRC. Mr. ZHOU is currently an independent non-executive director of Juneyao Airlines Co., Ltd., an independent non-executive director of BesTV New Media Co., Ltd., a company listed on the SSE, and an independent non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd., a company listed on the Hong Kong Stock Exchange. Mr. ZHOU holds a master qualifications and a doctorate degree, and is a certified accountant.

Mr. FOK Kwong Man currently serves as an independent non-executive Director of the Company. Mr. FOK formerly worked as the chief executive, and executive director of Listing Division, of the Hong Kong Stock Exchange, and the Deputy Chief Operating Officer and Chief Marketing Officer of the Hong Kong Stock Exchange. Prior to that, he also worked at the Office of the Commissioner of Securities and Futures in Hong Kong (香港政府证券及期货事务专员办事处), Hambro Pacific Limited and the Securities and Futures Commission of Hong Kong. Mr. FOK currently holds various positions, including an independent non-executive director of Bank of Shanghai Co., Ltd., an independent non-executive director of Luk Fook Holdings (International) Limited (a company listed on the Hong Kong Stock Exchange) and an independent non-executive director of Nine Dragons Paper (Holdings) Limited (a company listed on the Hong Kong Stock Exchange), and a member of the Tracker Fund Supervisory Committee. Mr. FOK holds master qualifications.

(II) Supervisors

Mr. DAI Zhihao currently serves as the general manager of Baosteel Co. Ltd., the chairman of Baosteel Resources Co., Ltd., the chairman of Bao-Island Enterprise Limited, the Chairman of the Board of Supervisors of the Company and the Chief Supervisor of Shanghai Association of Listed Companies. Mr. DAI was formerly the deputy general manager of Baosteel Group Corporation, the chairman of Fortune Investment Co., Ltd., the assistant to the general manager and the head of Marketing Department of Baosteel Group Corporation, as well as the assistant to the general manager and deputy general manager of Baoshan Iron & Steel Co., Ltd. and the president of Shanghai Baosteel International Economic & Trading Co., Ltd. Mr. DAI holds a master's degree and has received the title of a senior engineer.

Mr. ZHANG Jianwei currently serves as the deputy general manager of Shanghai Jiushi Corporation and a supervisor of the Company and a supervisor of CPIC Life. Mr. ZHANG previously worked as the deputy factory director of Shanghai Xinhu Glass Factory and the deputy general manager of Shanghai Optic Communications Equipment Co., Ltd. He also worked for Shanghai Jiushi Corporation, serving as the deputy manager and manager of the Operation Department, the general manager of the Operation Management Department, the manager of Development Planning Department and the Asset Operation Department, and assistant to the general manager. Mr. ZHANG was also previously a Director of the Company, a supervisor of CPIC Property, a director of Shenyin & Wanguo Securities Co., Ltd., and served as a director of Shanghai Highly (Group) Co., Ltd., a company listed on the SSE. Mr. ZHANG currently serves as a director of Shanghai International Trust Co., Ltd., a director of Haitong Securities Company Limited, a company listed on the SSE, and a director of Shenergy Company Limited, a company listed on the SSE. Mr. ZHANG holds a master's degree in business administration, and has received the title of senior economist.

Ms. LIN Lichun currently serves as the head of Shanghai Office of Hongta Tobacco Co., Ltd., a director and the general manager of Shanghai Hongta Hotel Co., Ltd., a supervisor of the Company and a supervisor of CPIC Property. Ms. LIN previously served as the chief financial officer and the executive deputy general manager of Shanghai Hongta Hotel Co., Ltd., and a supervisor of CPIC Life. Ms. LIN holds a master's degree and is a Certified Public Accountant in the PRC.

Mr. SONG Junxiang currently serves as the chairman of the union and employee representative supervisor of the Company, the Chairman of the Board of Supervisors of CPIC Life and the Chairman of the Board of Supervisors of CPIC Property. Prior to joining the Company, Mr. SONG worked in the Organization Department of the Committee of the Communist Party of China of Shanghai Municipality.

Mr. YUAN Songwen currently serves as the employee representative supervisor of the Company and the General Manager for the north China region of the audit department of the Company. Previously, Mr. YUAN had worked as the deputy general manager of internal audit department, the deputy general manager of the audit department of the Company, the deputy general manager of the First Division of the Audit Department and the commissioner of the Tianjin commissioner office of the audit center. He once worked with the Audit Bureau of Putuo District of Shanghai. Mr. YUAN has a master's degree.

(III) Senior management

Mr. GAO Guofu currently serves as the Chairman of the Company. Please refer to the section headed "(I) Directors" above for the details of his biography.

Mr. HUO Lianhong currently serves as the President of the Company. Please refer to the section headed "(I) Directors" above for the details of his biography.

Mr. GU Yue currently serves as the Executive Vice President of the Company. He is also a director of CPIC Property, CPIC Life and CPIC AMC. Mr. GU served as the general manager of the Company's Suzhou Branch and Nanjing Branch, the Chairman of the Board of Supervisors of CPIC Life, the Chairman of the Board of Supervisors of CPIC AMC, a director of CPIC HK, the Board Secretary, and the general manager of the Human Resources Department of the Company. Mr. GU also served as the Chief Auditor and the Vice President of the Company. Prior to joining the Company, Mr. GU worked for the Shanghai Statistics Bureau. Mr. GU holds an EMBA degree.

Mr. SUN Peijian currently serves as the Vice President, of the Company. He is also a director of CPIC Property, CPIC Life and CPIC AMC. Mr. SUN served as the general manager of the Reinsurance Department of the Company, the Assistant to the President of the Company, the Vice President of the Company and the Chief Compliance Officer of the Company. Prior to joining the Company, Mr. SUN worked for the insurance business department of the Bank of Communications' Shanghai Branch. Mr. SUN holds a master's degree and an EMBA degree and is an economist.

Mr. CAO Zenghe currently serves as the Vice President of the Company. Prior to joining the Company, he was the secretary (department director and division deputy chief grade) of the general office in the Provinical Government of Liaoning, the deputy general manager of Liaoning Branch (Shenyang), the deputy director (or vice president) of Policy Research Department of the head office and the deputy general manager for overseas operation of PICC, and the deputy secretary-general of the Insurance Institute of China. Mr. CAO also served as the chief deputy officer of Shenyang Foreign Economic and Trade Commission, the deputy secretary-general of Shenyang municipal government (bureau level), the chief representive in North American Representative Office, the president of North American International Limited, a Chinese-owned entperise in the U.S. and the executive president of Hamilton Pacific Financial Holdings Inc. Mr. CAO holds a bachelor's degree in economics and is a senior economist.

Ms. PAN Yanhong currently serves as the Vice President of the Company, and a director of Changjiang Pension. Ms. PAN previously served in CPIC Life as deputy general manager and general manager of the Finance Department, deputy CFO, member of the Mangement Committee, CFO and senior Vice President. She also sat on the board of CPIC AMC. Ms. PAN has a master's degree and is a Chinese Certified Public Accountant.

Ms. HUANG Xueying currently serves as the Chief Information Technology Officer of the Company. Prior to joining the Company, she was the vice president of the Greater China region of Accenture Limited, in which she was responsible for consulting service practice for the insurance industry in the Greater China region. She also worked at KPMG Consulting Inc. (which was subsequently renamed to BearingPoint, Inc.) for a long period of time during which she was responsible for development and implementation of core business systems for insurance companies, and team building, business expansion and project management in the insurance industry. Ms. HUANG holds a master's degree and is a master in business administration.

Mr. CHEN Wei currently serves as the Chief Internal Auditor of the Company. Mr. CHEN served as the chief representative of the Company's London Representative Office, the Director and general manager of CPIC HK, the Board Secretary of CPIC Life, the Board Secretary of the Company and the Chairman of the Board of Supervisors of CPIC AMC. Mr. CHEN holds a master's degree and is an Associate of the Chartered Insurance Institute (ACII). He is also an engineer and an economist.

Mr. YU Bin currently serves as the assistant president of the Company and the general manager of CPIC Online. Mr. YU served as various positions in CPIC Property, including the deputy general manager of the non-marine insurance department, the deputy general manager of the claim settlement department, the general manager of marketing research center, the general manager of the marketing department, the Chief Marketing

Officer and the deputy general manager. Mr. YU holds a master's degree in business administration and obtained a bachelor's degree in Engineering from Shanghai Jiaotong University. He is an economist.

Mr. FANG Lin currently serves as the Board Secretary of the Company. Mr. FANG previously served as the deputy general manager of Shenzhen Branch of the Company. He also served as various positions in CPIC Life, including the general manager of health insurance department, the general manager of group insurance department, the general manager of Hebei Branch, an executive member of the operation committee, the Chief Marketing Officer, and deputy general manager and the Chief Sales Officer (channel cooperation). Mr. FANG holds a master's degree in business administration.

Mr. LI Jieqing currently serves as the Chief Risk & Compliance Officer, the general manager of the Risk Management Department of the Company and a director of CPIC AMC. Mr. LI previously served as the deputy general manager of Shanghai Branch of CPIC Property, the general manager of the reinsurance department of the Company, the general manager of the risk management department of the Company, and the general manager of business administration center and the Chief Underwriting Officer of CPIC Property. Mr. LI holds a bachelor's degree and is an economist.

Mr. ZHANG Yuanhan currently serves as the Chief Actuary of the Company. Prior to joining the Company, Mr. ZHANG served as the deputy general manager, CFO and the Chief Actuary of Sun Life Everbright Life Insurance Co., Ltd., a director of Sun Life Everbright Asset Management Co., Ltd., the Chief Actuary of Sino Life Insurance Co., Ltd., the Chief Actuary, the deputy general manager and the vice president of MetLife Insurance Company Limited and the Chief Actuary of the head office of CITI Insurance of Citigroup Travelers Insurance. Mr. ZHANG holds a master's degree and is a director of China Association of Actuaries and a member of The Society of Actuaries and American Academy of Actuaries.

III. Positions of Directors, Supervisors and Senior Management in Corporate Shareholders and Other Entities

(I) Positions in corporate shareholders

Name	Name of corporate shareholders	Position held	Term
YANG Xianghai	Shenergy Group Co., Ltd	Chairman	Since 2008
WANG Chengran	Baosteel Group Corporation	Assistant to General Manager	Since 2009
WU Junhao	Shenergy Group Co., Ltd.	Manager of the Financial Management Department	Since 2009
ZHENG Anguo	Fortune Investment Co., Ltd.	General Manager	Since 2009
DAI Zhihao	Fortune Investment Co., Ltd.	Chairman	2011-2013
	Baosteel Group Corporation	Deputy General Manager	2007-2013
ZHANG Jianwei	Shanghai Jiushi Corporation	Deputy General Manager	Since 2002

(II) Positions in other entities

Name	Name of other entities	Position held	Term
WANG Chengran	Hua Tai Insurance Group Co., Ltd.	Director	Since 2008
	China State Shipbuilding Corporation	Director	Since 2009
	New China Life Insurance Co., Ltd.	Director	Since 2009
	New China Asset Management Co., Ltd.	Director	Since 2010
	China Bohai Bank	Director	Since 2010
	Sailing Capital International (Shanghai) Co. Ltd.	Director	Since 2013
	Shanghai Baosight Software co., Ltd.	Director	Since 2013

Name	Name of other entities	Position held	Term
SUN Xiaoning	The Government of Singapore Investment Consulting (Beijing) Co., Ltd	Senior Vice President	Since 2010
WU Junhao	China Everbright Bank Co., Ltd.	Supervisor	Since 2009
	Shanghai Pharmaceuticals Holding Co., Ltd.	Supervisor	2010-2013
	Shanghai ICY Capital Co., Ltd.	Supervisor	Since 2010
	Shanghai Chenyi New Energy Venture Capital Co., Ltd.	Director	Since 2011
	Orient Securities Company Limited	Director	Since 2011
	Chengdu Xinshen Venture Company	Director	Since 2011
	Shanghai Jiulian Group Co., Ltd.	Director	Since 2012
WU Jumin	Shanghai Tobacco (Group) Co., Ltd.	Deputy General Manager	Since 2003
ZHENG Anguo	Fortune SGAM Fund Management Co., Ltd	Chairman	Since 2003
	Fortune Trust Co. Ltd.	Chairman	Since 2009
BAI Wei	Ning Xia Orient Tantalum Co. Ltd.	Independent Director	Since 2011
	Hua Tai Securities Co. Ltd.	Independent Director	Since 2010
ZHOU Zhonghui	BesTV New Media Co. Ltd.	Independent Director	Since 2012
	Juneyao Airlines Co. Ltd.	Independent Director	Since 2011
	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd	Independent Director	Since 2013
FOK Kwong Man	Bank of Shanghai	Independent Director	Since 2013
	Lukfook Group (International) Co.Ltd.	Independent Director	Since 2013
	Nine Dragons Paper (Holdings) Limited	Independent Director	Since 2013
DAI Zhihao	Baosteel Co. Ltd.	General Manager	Since 2013
	Baosteel Resources Co., Ltd.	Chairman	Since 2008
	Bao-Island Enterprise Limited	Chairman	Since 2008
ZHANG Jianwei	Shanghai International Trust Co., Ltd.	Director	Since 2005
	Haitong Securities Co., Ltd.	Director	Since 2002
	Shenergy Co., Ltd	Director	Since 2005
LIN Lichun	Hongta Tobacco (Group) Co., Ltd.	Head of Shanghai Office	Since 2007
	Shanghai Hongta Hotel Co., Ltd.	General Manager	Since 2009

IV. Remuneration of Directors, Supervisors and Senior Management

(I) Determination of the remuneration of Directors, Supervisors and senior management:

The remuneration of directors and supervisors is determined by the general meetings, while the remuneration of the senior management is determined by the Nomination and Remuneration Committee of the Board and submitted to the Board for approval.

(II) Basis of determination of the remuneration of Directors, Supervisors and senior management:

The remuneration of directors, supervisors and senior management is determined by the Company based on factors such as the Company's operation, the positions being considered and performance appraisals with reference to the market remuneration level.

V. Changes in Directors, Supervisors and Senior Management

(I) Changes in Directors

1. At the 2012 Annual General Meeting of the Company held on 31 May 2013, the members of the 7th Board of Directors were elected. Please refer to the 2013 interim report of the Company for details.

2. Changes in Directors

Name	Position held	Change
CHENG Feng	Director of the 7th Board of Directors	Mr. CHENG Feng resigned on November 2013 due to other business commitments.
ZHANG Yansheng	Director of the 7th Board of Directors	Mr. ZHANG Yansheng resigned on November 2013 due to other business commitments.

(II) Changes in Supervisors

At the staff representatives meeting of the Company held on 8 May 2013, the employee representative supervisors of the 7th Board of Supervisors were elected. At the 2012 Annual General Meeting of the Company held on 31 May 2013, the shareholder representative supervisors of the 7th Board of Supervisors were elected. Please refer to the 2013 interim report of the Company for details.

(III) Changes in Senior Management

Name	Appointment	Change
PAN Yanhong	Vice President	Ms. PAN Yanhong was appointed as the Vice President of the Company in December 2013.

Name	Termination of office	Change
XU Jinghui	Executive Vice President	Mr. XU Jinghui no longer serves as the Company's Executive Vice President with effect from October 2013 due to the change in work arrangement.

VI. Shareholdings of the Company's Directors, Supervisors and Senior Management

Unit: share

Name	Position	Type of shares	Shareholding at the beginning of the year	Increase in shareholding during the year	Decrease in shareholding during the year	Shareholding at the end of the year	Reason for the change
GAO Guofu	Chairman and Executive Director	A share	67,700	22,600	-	90,300	Secondary market purchase
HUO Lianhong	Executive Director and President	A share	73,100	30,000	-	103,100	Secondary market purchase
SONG Junxiang	Employee Representative Supervisor	A share	44,000	36,000	-	80,000	Secondary market purchase
GU Yue	Executive Vice President	A share	56,000	33,000	-	89,000	Secondary market purchase
XU Jinghui[note]	Executive Vice President	A share	60,000	30,000	-	90,000	Secondary market purchase
SUN Peijian	Vice President	A share	58,925	27,200	-	86,125	Secondary market purchase
PAN Yanhong	Vice President	A share	50,000	30,000	-	80,000	Secondary market purchase
CHEN Wei	Chief Internal Auditor	A share	20,000	20,000	-	40,000	Secondary market purchase
YU Bin	Assistant President	A share	3,800	-	-	3,800	-

FANG Lin	Board Secretary and Joint Company Secretary	A share	0	88,100	-	88,100	Secondary market purchase
LI Jieqing	Chief Risk & Compliance Officer	A share	0	10,000	-	10,000	Secondary market purchase

Note: Mr. XU Jinghui no longer serves as the Company's executive vice president with effect from October 2013.

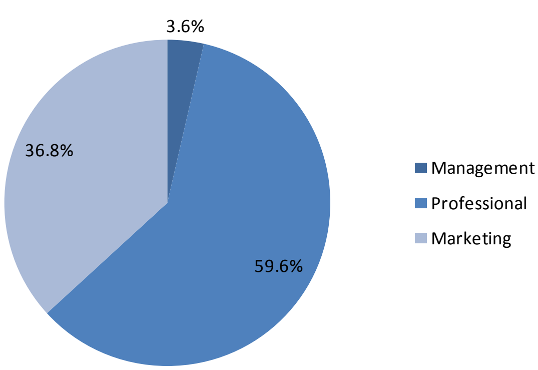
VII. The Company's Employees

As of 31 December 2013, a total of 86,893 employees, including those from CPIC Group, CPIC Life, CPIC Property, CPIC AMC and CPIC Online, have signed employment contracts with the Company. Their expertise and educational background are set out below:

(I) Expertise

Expertise	Number	Percentage
Management	3,132	3.6%
Professional	51,762	59.6%
Marketing	31,999	36.8%
Total	86,893	100.0%

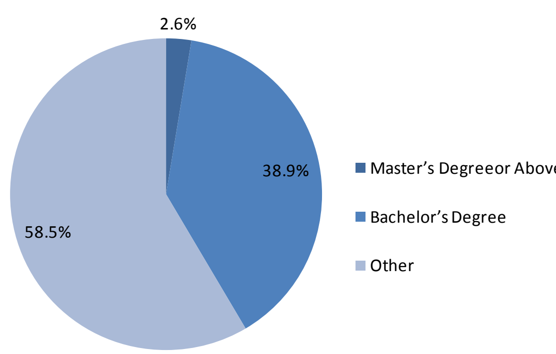
The chart below sets out the composition of employees of the Company by expertise:



(II) Education Background

Education Background	Number	Percentage
Master's Degreeor Above	2,203	2.6%
Bachelor's Degree	33,831	38.9%
Other	50,859	58.5%
Total	86,893	100%

The chart below sets out the composition of the employees of the Company by educational background:



(III) The Remuneration Policies and Training Programs for Employees

The Company has established a management system for our market-oriented remuneration mechanism, based on specific positions and performance of the employees with reference to the market conditions. The basic remuneration of our employees is determined based on their positions, duty performances and working experience. The performance-related remuneration of our employees is linked to the results performance of the Company and is determined and paid according to the results of operation of the Company and their individual performance. The Company also provides its employees with benefits and allowance according to applicable regulations of China and industry standards.

The Company organized training programs for its employees based on its development strategies and the working experience of the employees. The Company also set up a training program system and an internet training platform as well as a team of lecturers covering all expertise.

Corporate Governance Report

I. Corporate Governance

In 2013, in strict compliance with the Company Law, the Insurance Law, the Securities Law and other applicable laws of the PRC, relevant government ordinances and regulations, and drawing on international best practices, we made continuous efforts to improve the centralised management structure based on realignment of resources and enhanced interaction with the capital market, putting in place a sound corporate governance with coordination and checks and balances.

The Board of Directors is committed to continuous improvement of the Company's corporate governance through enhanced mechanisms and systems. It also vigorously promoted and contributed to the governance of our subsidiaries within the management framework of the Group, so that the function of governance can be performed at the group level, which suits the fact that we are listed as a group company. We also put in place mechanisms to ensure smooth communication between the board and the management, creating an enabling environment for the board and the supervisory board to perform their duties and keep abreast of the Company's situation.

In 2013, we amended the terms of reference of the Nomination and Remuneration Committee.

The annual general meeting, Board of Directors, Board of Supervisors and the senior fulfilled their functions independently, exercised their rights and performed their duites respectively in accordance with the Articles of Association without breach of laws and regulations.

During the reporting period, the Company was in compliance with all code provisions and substantially all of the recommended best practices of the Corporate Governance Code, except for a deviation from the code provision A.6.7 with the reasons below:

All non-executive Directors (including independent non-executive Directors) attended the annual general meeting of the Company held on 31 May 2013 other than 2 non-executive Directors who were not able to attend the annual general meeting as they were not in Shenzhen.

The Company adopted and implemented the Model Code for Securities Transactions to govern the Directors and Supervisors' securities transactions. After specific inquiry by the Company, all of the Directors and Supervisors confirmed that they have complied with the Code of Conduct set out under the Model Code for Securities Transactions throughout the reporting period. During the reporting period, the Company was not aware of any activities of the Directors or Supervisors that were not in full compliance with the Model Code for Securities Transactions.

(I) Shareholders and the Shareholders' General Meeting (SGM)

Under the Articles of Association, general meetings' main responsibilities are, among others, to formulate the strategic directions and investment plans, elect and replace Directors and Supervisors who are not Employee Representatives and decide their remuneration, consider and approve the annual budgets and accounts, profit distribution plans and loss compensation plans of the Company, adopt proposals regarding any increase or reduction of the registered capital of the Company and any merger, separation, dissolution or liquidation or change of corporate form of the Company, consider and approve the listing of all or any part of the shares on any stock exchange as well as any proposed issuance of bonds or other securities of the Company, adopt proposals regarding the appointment, dismissal or termination of appointment of the accountant of the Company, and amend the Articles of Association.

The Articles of Association and the Procedural Rules for Shareholders' General Meetings also contain detailed rules for convening extraordinary sessions and specific procedures for putting forward temporary proposals at the general meetings. Under Article 70 (3) of the Articles of Association and Article 6 (3) of the Procedural Rules for Shareholders' General Meetings, shareholders holding 10% or above of total voting shares issued by the Company individually or jointly may sign and submit a request in writing to the Board of Directors for an extraordinary general meeting or a classified shareholders' meeting. Upon receipt of such a request, the Board of Directors shall decide whether to convene a general meeting or classified shareholders' general meeting based on the actual situation according to the laws, administrative regulations and the Articles of Association. Pursuant to Article 67(12) of the Articles of Association and Articles 12 and 13 of the Procedural Rules for Shareholders' General Meetings, shareholders holding 3% or above (including 3%) of the total voting shares issued by the Company individually or jointly may put forward temporary proposals, but they must submit the proposal to the convener in writing ten days prior to the holding of general meeting. If the shareholder entitled to submit proposals has any objection towards the decision of the Board for not including his/her proposal in the agenda of the general meeting, he/she may request a separate extraordinary general meeting according to the procedures as set out in the Procedural Rules for Shareholders' General Meetings. The contact information for shareholders' enquiry regarding the affairs of Company is set out in the section "Corporate Information and Definitions" of this annual report.

During 2013, the Company held the 2012 annual general meeting. The notifice of this meeting and the procedures followed for convening, holding and voting at such a meeting were in compliance with the Company Law, the Articles of Association and applicable regulations. The general meetings set up an effective communication channel with the shareholders allowing their views to be readily listened to and their advice to be put forward, ensuring shareholders' rights to information, participation and voting in respect of any significant issues of the Company. This created a positive atmosphere for the shareholders to take part in the decision-making process of the Company and exercise their rights equally.

The Company held the 2012 annual general meeting in Shenzhen on 31 May 2012, and various resolutions were considered and approved during the meeting, including the Resolution regarding the Report of Board of Directors of China Pacific Insurance (Group) Co., Ltd. for the year 2012. Details of the resolutions were set out in the announcements published on the websites of Hong Kong Stock Exchange and the Company. Mr. GAO Guofu, Chairman of the Board of Directors, presided at the meeting. Mr. YANG Xianghai, vice chairman, Mr. HUO Lianhong, director and president, Mr. WANG Chengran, Ms. FENG Junyuan, Janine, Mr. YANG Xiangdong, Mr. WU Junhao, and Ms. XU Fei, directors, and Mr. XU Shanda, Mr. LI Ruoshan, Mr. XIAO Wei, Mr. YUEN Tin Fan, MR. CHANG Tso Tung, Stephen, independent directors, and Mr. ZHOU Zhuping, the chairman of the Board of Supervisors, Mr. ZHANG Jianwei, Mr. LIN Lichun, Mr. SONG Junxiang and Mr. HE Jihai, the supervisors, attended the meeting. (Note: Attending directors were members of the 6th Board of Directors)

(II) Directors, Board of Directors and Committees of the Board of Directors

The Company's Board of Directors consists of 12 directors (for their biographies please see section "Directors, Supervisors, Senior Management and Employees" of this annual report). The number and composition of the Board of Directors were in compliance with the applicable regulatory requirements.

Under the Articles of Association, the Board of Directors shall be accountable to the shareholders' general meeting and exercise, among others, the following powers: to convene the general meetings, implement their resolutions, determine the business and operation plans and investment plans of the Company, formulate annual financial budget and final accounting plans, formulate profit distribution and loss compensation plans, formulate the proposals for increases or reductions of the registered share capital and issue of corporate bonds and issue and listing of other securities of the Company, appoint or remove the president and secretary of the Board of Directors and, based on the recommendations of the president, to appoint or remove such senior officers as vice presidents or Chief Financial Officers and to decide on their remuneration. So far as the Company is aware, no financial, business, family or other material/relevant relationship exists among the board members. In particular, there are none between the Chairman and the President. The roles of the Chairman and the President are separated and assumed by Mr. GAO Guofu and Mr. HUO Lianhong respectively. The Chairman is responsible for presiding over the shareholders' general meetings and board meetings and other functions and powers as conferred by the Board of Directors, while the President of the Company is responsible to the Board of Directors and directs the operation and management of the Company. The division of responsibilities between the Chairman and the President has been clearly established and set out in writing in its Articles of Association. For the terms of office of all non-executive directors, please refer to the section "Directors, Supervisors, Senior Management and Employees" of this report.

1. Attendance of Board Meetings

During 2013, the Board of Directors held 6 meetings. All directors duly performed their duties and attended the meetings in person or by electronic communication means in order to make informed decisions to safeguard the interests of the Company and their shareholders as a whole. The attendance of directors is as follows:

Names of directors	Board Meetings	Attendance in person	Attendance by proxy	Absence	Remarks
Executive Directors					
GAO Guofu	6	6	0	0	
HUO Lianhong	6	6	0	0	
Non-executive Directors					
YANG Xianghai	6	6	0	0	
WANG Chengran	6	5	1	0	Unable to attend the 12th session of the 6th Board of Directors in person for work reasons and ZHENG Anguo, a director, was appointed to attend and vote at the meeting on his behalf.
WU Jumin	6	2	4	0	Unable to attend the 1st extraordinary meeting of the 6th Board of Directors for work reasons and GAO Guofu, the chairman of the Board, was appointed to attend and vote at the meeting on his behalf. Unable to attend the 12th session of the 6th Board of Directors for work reasons and GAO Guofu, the chairman of the Board, was appointed to attend and vote at the meeting on his behalf. Unable to attend the 13rd session of the 6th Board of Directors for work reasons and GAO Guofu, the chairman of the Board, was appointed to attend and vote at the meeting on his behalf. Unable to attend the 3rd session of the 7th Board of Directors for work reasons and GAO Guofu, the chairman of the Board, was appointed to attend and vote at the meeting on his behalf.
WU Junhao	6	6	0	0	
ZHENG Anguo	6	5	1	0	Unable to attend the 1st extraordinary meeting of the 6th Board of Directors in 2013 for work reasons and WANG Chengran, a director, was appointed to attend and vote at the meeting on his behalf.
SUN Xiaoning	3	3	0	0	
CHENG Feng	3	2	1	0	Unable to attend the 3rd session of the 7th Board of Directors for work reasons and GAO Guofu, the chairman of the Board, was appointed to attend and vote at the meeting on his behalf.
FENG Junyuan, Janine	3	1	2	0	Unable to attend the 1st extraordinary meeting of the 6th Board of Directors in 2013 for work reasons and YANG Xiangdong, a director, was appointed to attend and vote at the meeting on her behalf. Unable to attend the 13th meeting of the 6th Board of Directors in for work reasons and YANG Xiangdong, a director, was appointed to attend and vote at the meeting on her behalf.
YANG Xiangdong	3	2	1	0	Unable to attend the 12th meeting of the 6th Board of Directors in for work reasons and FENG Junyuan, Janine, a director, was appointed to attend and vote at the meeting on his behalf.
XU Fei	3	3	0	0	
Independent Non-executive Directors					
ZHOU Zhonghui	3	3	0	0	
FOK Kwong Man	3	3	0	0	
LAM Chi Kuen	3	3	0	0	
BAI Wei	3	3	0	0	

Names of directors	Board Meetings	Attendance in person	Attendance by proxy	Absence	Remarks
ZHANG Yansheng	3	3	0	0	
XU Shanda	3	3	0	0	
CHANG Tso Tung, Stephen	3	3	0	0	
LI Ruoshan	3	3	0	0	
XIAO Wei	3	2	1	0	Unable to attend the 1st extraordinary meeting of the 6th Board of Directors in 2013 for work reasons and XU Shanda, an independent director, was appointed to attend and vote at the meeting on his behalf.
YUEN Tin Fan	3	3	0	0	

Note: On May 31, 2013, the 2012 Annual Shareholders' Meeting elected SUN Xiaoning, CHENG Feng, ZHOU Zhonghui, FOK Kwong Man, LAM Chi Kuen, BAI Wei and ZHANG Yansheng as the new directors for the 7th Board of Directors (of whom, CHENG Feng and ZHANG Yansheng resigned as directors on 15 November, 2013). As such, FENG Junyuan, Janine, YANG Xiangdong, XU Fei, XU Shanda, CHANG Tso Tung, Stephe, LI Ruoshan, XIAO Wei and YUEN Tin Fan are no longer directors of the Company.

2. Board Meetings and Resolutions

The Board of Directors held 6 meetings in 2013 (please see the announcements published on the website of Hong Kong Stock Exchange and the Company's website for more details).

(1) On 21 January 2013, the Company held the 1st extraordinary meeting of the 6th Board of Directors in Shanghai, at which the Resolution regarding the Establishment of the Pacific Allianz Health Insurance Co., Ltd. was considered and approved.

(2) On 22 March 2013, the Company held the 12th session of the 6th Board of Directors in Shanghai, at which resolutions including the Resolution in Relation to the Report the Board of Directors of China Pacific Insurance (Group) Co., Ltd. for 2012 were considered and approved.

(3) On 24 April 2013, the Company held the 13th session of the 6th Board of Directors in Lijiang, at which resolutions including the Resolution in Relation to the First Quarter Results of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(4) On 3rd July 2013, the Company held the 1st session of the 7th Board of Directors in Shanghai, at which resolutions including Resolution on the Chairman of the 7th Board of Directors of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(5) On 23rd August 2013, the Company held the 2nd session of the 7th Board of Directors in Shanghai, at which resolutions including Resolutions in Relation to A Share Interim Report 2013 and the Abstrac of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(6) On 30th October 2013, the Company held the 3rd session of the 7th Board of Directors in Shanghai, at which resolutions including the Resolution on the Third Quarter Report for 2013 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

3. Implementation of the Resolutions of Shareholders' General Meetings by the Board of Directors

During 2013, all the Company's board members conscientiously implemented the resolutions of the shareholders' general meetings including those on profit distribution for 2012, appointment of auditors for 2013, and re-election of the Board of Directors, accomplishing all the tasks assigned by the shareholders' general meeting with due diligence in compliance with the relevant laws and regulations and the provisions under the Articles of Association.

The Company distributed a cash dividend of RMB0.35 per share (including tax) in accordance with the Resolution on Profit Distribution Plan for the year 2012 approved at the 2012 Annual General Meeting. The implementation of this distribution plan was completed in July 2013.

4. Corporate Governance Functions

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(1) To develop and review the Company's policies and practices on corporate governance and make recommendations;

(2) To review and monitor the training and continuous professional development of directors and senior management;

(3) To review and monitor the Company's policies and practices on compliance with all legal and regulatory requirements;

(4) To develop, review and monitor the code of conduct applicable to the employees and directors of the Company; and

(5) To review the Company's compliance with the code of corporate governance and disclosure requirements in the Corporate Governance Report.

The Board has approved the revised terms of reference of the Audit Committee, the Nomination and Remuneration Committee, the shareholder communication policy, shareholder enquiry procedures etc., and reviewed and monitored the training and continuous professional development of directors and senior management.

5. Performance of Duties by the Special Committees under the Board of Directors

The Board of Directors established four special committees, namely, the Strategic and Investment Decision-Making Committee, the Audit Committee, the Nomination and Remuneration Committee and the Risk Management Committee, which conduct in-depth studies on specific issues and submit their recommendations to the Board of Directors for consideration.

(1) Performance of Duties by the Strategic and Investment Decision-Making Committee of the Board of Directors

The primary duties of the Strategic and Investment Decision-Making Committee are, among others, to study and provide advice and suggestions on the long term development strategies of the Company; review the investment decision-making procedures and delegation mechanism as well as the management of insurance funds; and study and provide advice and suggestions on material investments decisions or proposals, material capital operations and asset management.

In 2013, the Strategic and Investment Decision-Making Committee held 4 meetings and provided comments and suggestions on such matters as profit distribution and the Company's 3-year development plan. The attendance of its members is as follows:

Name of members	Position	Committee meetings to be attended	Attendance in person	Attendance by proxy	Absence
GAO Guofu (Committee Chairman)	Chairman and Executive Director	4	4	0	0
YANG Xianghai	Vice-Chairman and Non-Executive Director	4	4	0	0
WANG Chengran	Non-Executive Director	4	3	1	0
SUN Xiaoning	Non-Executive Director	2	2	0	0
ZHANG Yansheng	Independent Non-Executive Director	2	2	0	0
YANG Xiangdong	Non-Executive Director	4	1	3	0
XU Shanda	Independent Non-Executive Director	4	1	3	0

Note: On July 3rd, 2013, the 1st session of the 7th Board of Directors reviewed and passed the Resolution on the Composition of the Special Committees of the 7th Board of Directors, under which, SUN Xiaoning and ZHANG Yansheng were appointed as members of the Strategic and Investment Decision-Making Committee (ZHANG Yansheng resigned as director on November 15th, 2013), with YANG Xiangdong and XU Shanda no longer its members.

(2) Performance of Duties by the Audit Committee of the Board of Directors

The primary duties of the Audit Committee are, among other things, to nominate external auditors; review the Company's basic internal audit systems and to make recommendations to the Board; approve the Company's annual audit plan and audit budget; supervise the independence of the Company's internal audit department; review the financial information of the Company and its disclosure; evaluate the completeness and effectiveness of the Company's internal control system on a regular basis; review the report and assess the performance of the Auditing Officer regularly and provide advice to the Board of Directors; and review the financial and accounting policies and practices of the Company and its subsidiaries.

In 2013, the Audit Committee held 8 meetings to review the Company's 2012 annual report, the interim report and quarterly reports for 2013, and the internal control evaluation report and the internal audit plan. The attendance of its members is as follows:

Name of members	Position	Committee meetings to be attended	Attendance in person	Attendance by proxy	Absence
ZHOU Zhonghui (Chairman)	Independent Non-Executive Director	3	3	0	0
LAM Chi Kuen	Independent Non-Executive Director	3	3	0	0
WU Junhao	Non-Executive Director	8	7	1	0
LI Ruoshan	Independent Non-Executive Director	5	5	0	0
CHANG Tso Tung, Stephen	Independent Non-Executive Director	5	5	0	0

Note: On July 3rd, 2013, the 1st session of the 7th Board of Directors reviewed and passed the Resolution on the Composition of the Special Committees of the 7th Board of Directors, under which, ZHOU Zhonghui and LAM Chi Kuen were appointed as new members of the Audit Committee, with LI Ruoshan and CHANG Tso Tung, Stephen no longer its members.

The Audit Committee discussed with the external auditors and agreed on the schedule for the audit of the Company's financial statements for 2013 based on the requirement for the preparation of the Company's annual report. It held a meeting to review the financial statements prepared by the Company and issued a written opinion prior to the commencement of the audit by the external auditors, and maintained adequate and timely communication with the auditor during the audit process. The Audit Committee held a meeting to review again the financial statements of the Company after the external auditor issued its preliminary opinions on the audit, and issued their written opinion. At the 2nd meeting of the Audit Committee in 2013, a resolution on the submission of the Company's annual report to the Board of Directors for approval was passed.

In 2013, the Audit Committee submitted an overview of the audit carried out by the external auditor for the year 2012 to the Board of Directors. In this report, it expressed satisfaction with the overall performance of Ernst & Young and put forward new work requirements. The Audit Committee also formed a resolution at its 2nd meeting in 2013 agreeing to submit a resolution on the appointment of external auditors to the Board of Directors for consideration.

In 2013, under the Provisional Regulations on the Appointment of External Auditors of Financial Services Firms through Tendering, the Company initiated the selection and appointment of its external auditor through an invitation to tender. It set up an evaluation panel, with the chairman of the Audit Committee acting as chairman, and conducted an objective review of the independence of candidates, and in the end decided on Pricewaterhouse Coopers Zhongtian as the candidate first in line. This decision has been reviewed and approved by the Board of Directors, pending approval of the shareholders' general meeting.

The Audit Committee monitored the internal control of the Company closely and received periodical and interim updates on audit issues, including audit work reports from relevant departments in order to be informed in a timely manner of any significant issues encountered in the internal control and risk management of the Company. The Audit Committee also strengthened its guidance in relation to the Company's internal audit and took part in the appraisal and evaluation of the annual performance of the internal audit department.

(3) Report of the Performance of Duties by the Nomination and Remuneration Committee of the Board of Directors

The primary duties of the Nomination and Remuneration committee are, among others, to provide recommendations to the Board with respect to the remuneration and performance management policy and structures for directors and senior management; conduct examination and evaluation of the performance of duties and annual performance of the directors and the senior management; review the selection and appointment system for the directors and senior management and provide recommendations to the Board; and evaluate candidates of senior management positions nominated by the President.

In 2013, the Nomination and Remuneration Committee held 5 meetings to review the performance evaluation results of the

Company in 2012 and performance appraisal plan of the senior management for the year 2013, the nomination and appointment of certain members of the senior management, and the nomination of candidates for the independent directors for the 7th Board of Directors. The attendance of the members of the Nomination and Remuneration Committee is as follows:

Name of members	Position	Committee meetings to be attended	Attendance in person	Attendance by proxy	Absence
FOK Kwong Man (Chairman)	Independent Non-Executive Director	2	2	0	0
ZHENG Anguo	Non-Executive Director	5	5	0	0
SUN Xiaoning	Non-Executive Director	2	2	0	0
BAI Wei	Independent Non-Executive Director	2	2	0	0
ZHANG Yansheng	Independent Non-Executive Director	2	2	0	0
YUEN Tin Fan	Independent Non-Executive Director	3	3	0	0
FENG Junyuan, Janine	Non-Executive Director	3	2	1	0
XU Shanda	Independent Non-Executive Director	3	3	0	0
XIAO Wei	Independent Non-Executive Director	3	3	0	0

Note: On July 3rd, 2013, the 1st session of the 7th Board of Directors reviewed and passed the Resolution on the Composition of the Special Committees of the 7th Board of Directors, under which, FOK Kwong Man, SUN Xiaoning, BAI Wei and ZHANG Yansheng were appointed as new members of the Nomination and Remuneration Committee (with ZHANG Yansheng resigning as director on November 15th, 2013), with YUEN Tin Fan, FENG Junyuan, Janine, XU Shanda and XIAO Wei no longer its members.

(4) Report for Performance of Duties by the Risk Management Committee of the Board of Directors

The primary duties of the Risk Management Committee are, among others, to provide advice and recommendations with respect to the overall objective, basic policies and work rules of risk management; provide advice and recommendations with respect to the risk evaluation for important decisions and solutions for significant risks; review material related party transactions; review the management system for insurance funds; provide advice and recommendations with respect to strategic asset allocation plan, annual investment plan and investment guidelines and their adjustments; and provide advice and recommendations with respect to the coordination mechanism of product design, sales and investment and their performance.

In 2013, the Risk Management Committee held 4 meetings to review the Company's risk assessment report, compliance report, solvency report, the execution of regular related party transactions in bond trading and other related party transactions, and the Implementation Plan on Internal Control Standards. The attendance of its members is as follows:

Name of members	Position	Committee meetings to be attended	Attendance in person	Attendance by proxy	Absence
LAM Chi Kuen (chairman)	Independent Non-Executive Director	2	2	0	0
HUO Lianhong	Executive Director and President	4	4	0	0
WU Jumin	Non-Executive Director	4	3	1	0
CHENG Feng	Non-Executive Director	2	2	0	0
CHANG Tso Tung, Stephen	Independent Non-Executive Director	2	2	0	0
FENG Junyuan, Janine	Non-Executive Director	2	1	1	0
XU Fei	Non-Executive Director	2	2	0	0

Note: On July 3rd, 2013, the 1st session of the 7th Board of Directors reviewed and passed the Resolution on the Composition of the Special Committees of the 7th Board of Directors, under which, LAM Chi Kuen and CHENG Feng were appointed as new members of the Risk Management Committee (with CHENG Feng resigning as director on November 15th, 2013), with CHANG Tso Tung, Stephen, FENG Junyuan, Janine, XU Shanda and XU Fei no longer its members.

(III) Supervisors and the Board of Supervisors

Currently, the Company has 5 supervisors, including 3 shareholder representative supervisors and 2 staff representative supervisors (their biographies are set out in the section "Directors, Supervisors, Senior Management and Employees" of this annual report). The number and composition of the members of the Board of Supervisors are in compliance with the applicable regulations and the Articles of Association.

Under the Articles of Association, the Board of Supervisors is authorized to examine the finances of the Company; monitor the behaviors of directors, the President, vice presidents and other senior management during the performance of their duties; review the financial information including financial reports, operation reports and profit distribution plans to be submitted to the shareholders' general meetings; propose to convene extraordinary session of shareholders' general meetings and propose resolutions to the shareholders' general meetings; and conduct investigation when there is any major abnormality with the Company's operation.

1. Attendance of Supervisors

In 2013, the Board of Supervisors held 5 meetings to examine and monitor the operation, financial activities, internal control management and risk control of the Company by reviewing meeting minutes and reports, hearing updates, conducting on-site inspection and visiting branch offices. In addition, the Board of Supervisors enhanced its guidance for internal audit and participated in the annual appraisal and evaluation of the performance of internal audit department. All supervisors duly performed their duties conscientiously and effectively safeguarded the rights and interests of the shareholders, the Company and its staff. Their attendance is as follows:

Name of Supervisor	Supervisory meetings to be attended	Attendance in person	Attendance by proxy	Absence	Remarks
DAI Zhihao	2	2	0	0	
ZHANG Jianwei	5	5	0	0	
LIN Lichun	5	5	0	0	
SONG Junxiang	5	5	0	0	
YUAN Songwen	2	2	0	0	
ZHOU Zhuping	2	2	0	0	
HE Jihai	2	2	0	0	

Note: On May 31st, 2013, the 2012 Annual Shareholders' Meeting elected DAI Zhihao as the chairman of the 7th Board of Supervisors, replacing ZHOU Zhuping. The Company's Employees Assembly was held between 7th and 8th May, 2013, during which SONG Junxiang and YUAN Songwen were elected employee representative supervisors, replacing HE Jihai.

2. Meetings of the Board of Supervisors and Resolutions

The Board of Supervisors held 5 meetings in 2013 (please see announcements published on the website of SSE and the Company's website for more details).

(1) On 22 March 2013, the Company held the 12th session of the 6th Board of Supervisors in Shanghai, at which resolutions including the Resolution in Relation to the Report of the Board of Supervisors for 2012 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(2) On 24 April 2013, the Company held the 13th session of the 6th Board of Supervisors in Lijiang, at which the Resolution in Relation to the First Quarter Report for 2013 of China Pacific Insurance (Group) Co., Ltd. was considered and approved.

(3) On 3 July 2013, the Company held the 1st session of the 7th Board of Supervisors in Shanghai, at which the Resolution on the Chairman of the 7th Board of Supervisors of China Pacific Insurance (Group) Co., Ltd. was considered and approved.

(4) On 23 August 2013, the Company held the 2nd session of the 7th Board of Supervisors in Shanghai, at which resolutions including the Resolution on the A Share Interim Report and the Abstract for 2013 of China Pacific Insurance (Group) Co., Ltd. were

considered and approved.

(5) On 30 October 2013, the Company held the 3rd meeting of the 7th Board of Supervisors, at which the resolution regarding the 3rd Quarter Results for 2013 of China Pacific Insurance (Group) Co., Ltd. was considered and approved.

Furthermore, the supervisors attended the meetings held by the Board of Directors in 2013 and supervised the duty performance of the directors and senior management of the Company to safeguard the sustainable, stable and healthy growth of the Company. The Board of Supervisors has no objection to matter under its supervision during the reporting period.

(IV) Inspections and Studies by the Directors and Supervisors

In 2013, the Company held a seminar for its directors and supervisors in Shenzhen. Topics included drivers for life insurances's NBV growth, measures for faster development of non-motor business on the property and casualty insurance side, and progress of the transformation initiatives. The seminar helped the Company better define its business strategies.

(V) Training for Directors and Supervisors

In 2013, directors ZHENG Anguo, SUN Xiaoning, LAM Chi Kuen, ZHOU Zhonghui, FOK Kwong Man and HUO Lianhong, and supervisors SONG Junxiang, LIN Lichun and YUAN Songwen attended training courses for newly elected directors and supervisors in 2013 sponsored by CIRC and a training programme for directors and supervisors of listed companies in Shanghai sponsored by CSRC's Shanghai branch. The training offered useful insights into norms of governance for public companies and the trends and development patterns of China's insurance industry.

In addition, all the Company's directors and supervisors carefully studied the latest laws, regulations and regulatory rules issued from time to time by CSRC, CIRC and the stock exchanges of both Shanghai and Hong Kong which were forwarded to them by the Company, enabling them to better perform their duties. The Company also encouraged all its directors to attend training, with the fees paid by the Company. Since 2012, all the Directors have been required to provide their records of training to the Company.

(VI) Auditors' Remuneration

Information on auditors' remuneration is set out in the "Report of the Board of Directors".

(VII) Directors' Responsibility for the Financial Statements

The Directors confirmed that it is their responsibility to prepare the financial statements which present a true and fair view of the state of affairs at the Company. A statement on reporting responsibility with respect to the accounts made by the Company's auditor is set out in the "Financial Reports" section of this annual report. After appropriate enquiries, the directors are of the opinion that the Company has sufficient resources to continue its operations as a going concern in the foreseeable future, and it is appropriate to prepare the financial statements on a continuous basis.

(VIII) Investor Relations

The Company further enhanced the communication with investors by providing routine investor relations services and committed to establishing various communication channels with the capital market, so as to transmit the information of the Company to investors fully and effectively. In 2013, the Company organized one annual results presentation, one interim results presentation, three open-day campaigns and 58 seminars in relation to capital markets. The Company attended 17 meetings regarding the strategic planning held by the securities institutions such as Deutsche Bank, UBS and Morgan Stanley. The Company also utilized innovative communication means such as SMS, Weibo, WeChat, Capital Market Communications magazine and Investor Communications magazine to provide disclosed information, which includes the Company's financial and business data over the years, to the public for downloading. These communication means were well-received by the capital market. Moreover, the Company engaged certain third parties to research and keep track of the feedback on its investor relations management. The Company also adopted follow-up measures based on such feedback.

(IX) Information Disclosure

The Company has strictly complied with the relevant regulatory rules of all the stock exchanges. During the reporting period, a total of four regular reports and 75 provisional announcements of the Company were disclosed. Subject to the laws and regulations and with reference to the standards of the international leading counterparts, the Company explored diversified disclosure methods and improved the quality of disclosure, disclosing additional information which helped to indicate the Company's valuation. The Company took initiatives to update the method of the disclosure of regular reports to ensure the investors' thorough understanding of the operation strategy and financial results of the Company. In 2013, the Company received the "Gold Award for the Annual Report of the Insurance Industry" (保險業年報金獎) issued by the League of American Communications Professionals LLC ("LACP") in an annual report competition among listing companies worldwide.

(X) Joint Company Secretaries

Mr. Maurice Ngai (director and chief executive officer of SW Corporate Services Group Limited) and Mr. FANG Lin were appointed as the joint company secretaries of the Company. Mr. FANG Lin, the secretary of the Board of Directors and joint company secretary, serves as the primary contact person between Mr. Ngai and the Company. As at 31 December 2013, Mr. Ngai has attended relevant professional trainings for not less than 15 hours. Mr. FANG Lin proactively participated in relevant professional training programs organized by the Hong Kong Institute of Chartered Secretaries and the Company during the reporting period, and has satisfied the training requirements for company secretaries under the Hong Kong Listing Rules.

II. Performance of Duties by the Independent Non-executive Directors

The Company's 7th Board of Directors consists of 4 independent non-executive directors comprising professionals in the financial, auditing and legal fields, and the number of independent non-executive directors is one-third of the total number of the Board of Directors, in compliance with the applicable regulatory requirements and the provisions of the Articles of Association.

The Company's independent non-executive directors have the required expertise and experience and are able to perform their duties strictly in accordance with the requirements of the applicable laws and regulations, regulatory documents and the Articles of Association. They have provided comments and suggestions on, among other things, corporate governance, business operation, risk management and internal control. Independent non-executive directors have played a meaningful role in the Company's decision making process, offering an independent and impartial perspective and safeguarding the interests of the Company and in in doing so, the interests of minority shareholders as well.

In 2013, all the independent non-executive directors attended meetings of the Board of Directors as scheduled for an understanding of the operating situation of the Company. They proactively made investigations, if necessary, and obtained necessary materials and information for decision-making, and provided independent and unqualified opinions on the changes of significant accounting estimates of the Company, appointment and remuneration policy and appraisal of senior management of the Company.

(I) Attendance of Independent Non-executive Directors at Board Meetings

In 2013, the Company's independent non-executive directors actively attended the meetings of the Board of Directors, details of which are as follows:

Names of independent non-executive directors	Board meetings to be attended	Attendance in person	Attendance by proxy	Absence	Remarks
ZHOU Zhonghui	3	3	0	0	
FOK Kwong Man	3	3	0	0	
LAM Chi Kuen	3	3	0	0	
BAI Wei	3	3	0	0	
ZHANG Yansheng	3	3	0	0	
XU Shanda	3	3	0	0	
CHANG Tso Tung, Stephen	3	3	0	0	
LI Ruoshan	3	3	0	0	

Names of independent non-executive directors	Board meetings to be attended	Attendance in person	Attendance by proxy	Absence	Remarks
XIAO Wei	3	2	1	0	Unable to attend the 1st extraordinary session of the 6th Board of Directors for work reason, and Xu Shanda, a director, was appointed as his proxy to attend and vote at the meeting.
YUEN Tin Fan	3	3	0	0	

Note: On May 31st, 2013, the 2012 Annual Shareholders' Meeting elected ZHOU Zhonghui, FOK Kwong Man, LAM Chi Kuen, BAI Wei and ZHANG Yansheng as independent non-executive directors of the 7th Board of Supervisors (ZHANG Yansheng resigned as director on 15 November,2013),with XU Shanda, CHANG Tso Tung, Stephen, LI Ruoshan, XIAO Wei and YUEN Tin Fan no longer sitting on the board as independent non-executive directors .

(II) Attendance by Independent Non-executive Directors of the Shareholders' General Meetings

In 2013, independent non-executive directors proactively attended the shareholders' general meetings and the attendance of each of the independent non-executive directors is as follows:

Names of independent non-executive directors	Number of shareholders' general meetings to be attended	Attendance in person	Attendance by proxy	Absence
XU Shanda	1	1	0	0
CHANG Tso Tung, Stephen	1	1	0	0
LI Ruoshan	1	1	0	0
XIAO Wei	1	1	0	0
YUEN Tin Fan	1	1	0	0

Note: They were independent non-executive directors of the 6th Board of Directors.

(III) Objections by the Independent Non-executive Directors on Relevant Matters of the Company

No objections were raised by independent non-executive directors on relevant matters of the Company and there were no such cases where proposals by the independent non-executive directors were not adopted.

(IV) The Independence of the Independent Non-executive Directors

The Company received from each independent non-executive director a written confirmation of his independence to the Company pursuant to the Hong Kong Listing Rules. The Company considers all of the independent non-executive directors to be independent of the Company.

III. Independence of the Company to its Controlling Shareholders in Asset, Personnel, Finance, Organization and Business

The ownership structure of the Company is diversified and there is no controlling shareholder or de facto controller.

As a wholly-listed comprehensive insurance group company, the Company is fully independent in the following five aspects: assets, personnel, finance, organization and business.

IV. The Appraisal and Incentive Programs for the Senior Management

The performance management of the Company's senior management primarily comprises formulation of performance appraisal plan, tracking the performance, appraisal of performance and application of the appraisal results. The annual performance appraisal plan will be determined by the Board based on the long-term and medium-term development strategies and the operation plan for the year. The Company will take follow-up actions on the fulfillment of various appraisal indicators regularly.

At the end of the year, the Board will assess the performance based on the fulfillment of the operational objectives for the entire year. The results of appraisal are linked to the compensation for the senior management.

The Company has in place a remuneration policy with reference to the positions and performance of the employee and market conditions. It also adopts deferred bonus plan for the senior management as an incentive to create long-term value for the Company.

V. Risk Management of the Company

Risk management is one of the core elements of the Company's operation and management. The Company has an integrated risk management framework covering the Group as a whole to identify, assess and control the risks in its operation and management to ensure better business decision making and prudent operation.

The Risk Management Committee under the Board of Directors is responsible for the risk management of the Company. The Risk Management Committee monitors the effectiveness of the risk management system based on the investigation of the significant risks faced by the Company and the relevant management measures.

The Company has set up a Compliance and Risk Management Working Committee under the Operation and Management Committee, which comprises the senior management and the heads of key operational departments of the Company and its subsidiaries. The Compliance and Risk Management Working Committee is responsible for the formulation, coordination and implementation of risk management policies and supervising the implementation of these policies.

Both the Company and its major subsidiaries have their risk management divisions or departments responsible for the implementation of risk management. Other functional departments and branches also have officers to take charge of risk management and have corresponding concurrent posts in charge of the risk management within their respective scope of duties and the communication with the risk management departments. Meanwhile, the Company has a risk management framework linking the CPIC Group and each of the Company's subsidiaries to facilitate the establishment of the risk management systems in its subsidiaries.

The Company's fundamental process for risk management includes risk information collection, risk identification and assessment, risk management and control, and risk reporting and rectification.

In 2013, the Company further enhanced the establishment of its risk management system and mechanisms, with the focus on ensuring smooth transformation and stable operation. Tools and methodologies for risk assessment were improved to enhance overall risk evaluation and the identification of key risk areas. The Risk Management Committee of the Board of Directors were updated regularly on the results of overall risk evaluation. The Company also evaluated in a timely manner the impact of macroeconomic changes, regulatpry requirements, market conditions and unexpected events on its business operation, focusing on risks relating to surrenders, investment, IT security and operation and solvency. The Company also enhanced the infrastructure of risk management by establishing an IT system to promote service and management standards. Apartment from team-building and capability-enhancement, efforts were also made to foster the culture of risk management, through the means of specific discussions and lectures.

In 2013, the Company was exposed to various risks, including insurance risk, market risk, credit risk, operational risk, risks of mismatching assets and liabilities and compliance risk of solvency adequacy.

(For details of the analysis on various risks, please refer to notes to the financial statements in the section "Financial Report" of this annual report.)

Report of the Board of Directors

I. Principal Businesses

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

II. Major Customers

Our top five major customers accounted for approximately 0.4% of the gross written premiums during the reporting period.

III. Results and Distributions

The net profits for the year 2013 included in the audited financial statements of the parent company, prepared in accordance with the PRC GAAP and HKFRS, were both RMB 3.917 billion. According to the Articles of Association and other applicable regulations, the Company is required to set aside 10% of the net profit in the financial statements under the PRC GAAP as the statutory surplus reserves. Taking into account the retained profits brought forward from the previous year, the retained profits of the Company at the end of 2013 included in the financial statements, prepared in accordance with the PRC GAAP and HKFRS, were both RMB8.897 billion.

Therefore, the profit distribution for 2013 is made based on the audited financial statements of the parent company. The Company intends to declare a cash dividend of RMB 0.40per share (including tax) for the year. Based on the total share capital of 9,062,000,000 shares, the amount of dividend in aggregate will be RMB3.625 billion. The remaining retained profits will be carried forward to 2014. No capital reserve was transferred to the share capital during the year.

No capital reserve was transferred to the share capital during any of the last three years.

The above profit distribution proposal is subject to shareholders' approval at the general meeting.

Dividend distributions for the past three years are as follows:

Unit: RMB million

Year of dividend distribution	Cash Dividend (including tax)(1)	Net profit attributable to the dividend distribution year[note](2)	Payout ratio (%) (3) = (1)/(2)
2013	3,625	9,261	39.1
2012	3,172	5,077	62.5
2011	3,010	8,313	36.2

Note: Attributable to equity holders of the parent.

According to the Articles of Association, the Company may adjust its profit distribution policies, which shall be resolved by the Board after thorough consideration and submitted to the shareholders' general meeting together with the opinions of the Independent Directors for approval by way of special resolution. The Board and shareholders' general meeting shall properly consider the opinions from the Independent Directors and public investors and communicate with public investors through various channels. The implementation of the profit distribution policies shall be supervised by the Independent Directors and public investors.

The profit distribution policies of the Company are in compliance with the Articles of Association. The policies provide sufficient protection for the interests of minor shareholders with specified distribution standards and ratio of dividends, and regulated and transparent conditions and procedures for the adjustment and amendments to the profit distribution policies.

IV. Reserves

Details for reserves (including distributable reserves) are shown in note 37 to the financial statements.

V. Property and Equipment and Investment Properties

Details for property and equipment and investment properties are shown in notes 17 and 18 to the financial statements.

VI. Financial Summary

Summary of financial information is shown in the Section "Highlights of Accounting and Operation Data" of this annual report.

VII. Use of Proceeds Raised from Listing

The use of proceeds raised by the Company is consistent with the usages as set out in the resolutions approved in the shareholders' general meeting and the meeting of the Board of Directors and have been fully used to strengthen our capital base for the purpose of continuing business expansion.

VIII. Share Capital and Sufficient Public Float

The changes in our share capital are shown in the Section "Changes in the Share Capital and Shareholders' Profile" of this annual report.

Shareholders' Profile" of this annual report.

Based on the information that is publicly available and within the knowledge of the directors as at the latest practicable date prior to the printing of this annual report, since 12 January 2011, not less than 25% of the total issued share capital of the Company was held in public hands and not less than 15% of the H share capital of the Company was held in public hands, which is consistent with the requirements under the Hong Kong Listing Rules to maintain a minimum public float.

IX. Post Balance Sheet Event

Post balance sheet event is shown in note 52 to the financial statements.

X. Connected Transactions

During the reporting period, the Company did not enter into any connected transactions or continuing connected transactions which require the compliance with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A 'Connected Transactions' of the Hong Kong Listing Rules.

XI. Bank Borrowings

Apart from the subordinated bonds issued by CPIC Life and securities sold under agreement to repurchase, our subsidiaries had bank borrowings. For their details please refer to note 38 to the financial report. Details of the subordinated bonds issued by CPIC Life are set out in note 41 to the financial report.

XII. Charitable and Other Donations

During the reporting period, the Company made charitable and other donations totaling approximately RMB15.9658 million.

XIII. Management Contract

The Company did not enter into any management contract in relation to all the Company's business or its principal business.

XIV. Directors, Supervisors and Senior Management

Biographies of the Company's current directors, supervisors and senior management are shown in the Section "Directors, Supervisors, Senior Management and Employees" of this annual report.

XV. Directors' and Supervisors' Interests in Competing Businesses

None of our directors or supervisors has any interests in businesses which, directly or indirectly, compete with the Company's businesses.

XVI. Directors' and Supervisors' Service Contracts and Remunerations

None of our directors or supervisors has entered into any service contract with the Company or its subsidiaries which is not terminable within one year, or terminable only when receiving compensation other than the statutory compensation.

Details for our directors' and supervisors' remunerations are shown in the Section "Directors, Supervisors, Senior Management and Employees" of this annual report.

XVII. Special Committees of the Board of Directors

The Board of Directors of the Company established four special committees, namely the Strategic and Investment Decision-Making Committee, the Audit Committee, the Nomination and Remuneration Committee and the Risk Management Committee. See the Section "Corporate Governance Report" of this annual report for details of the special committees of the Board of Directors.

XVIII. Directors' and Supervisors' Interests in Material Contracts

During the reporting period, none of our directors or supervisors had any personal interests in any of the material contracts involving the Company or any of its subsidiaries as a party.

XIX. Directors' and Supervisors' Rights to Subscribe for Shares

The Company did not grant to any directors, supervisors or their respective spouses or children under 18 years of age any rights to subscribe for or to acquire shares or bonds of the Company or its subsidiaries.

XX. Directors' and Supervisors' Interest and Short Positions in Shares

As at 31 December 2013, none of the directors, supervisors or senior management of the Company had any interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions.

The directors' and the supervisors' shareholdings in A Shares are set out in the Section "Directors, Supervisors, Senior Management and Employees".

XXI. Interests and Short Positions of Substantial Shareholders and Other Persons in the Shares and Underlying Shares

Shares and Underlying Shares

So far as the directors of the Company are aware, as at 31 December 2013, the following persons (excluding the directors, supervisors or senior management of the Company) had an interest or short position in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which, pursuant to Section 336 of the SFO, shall be entered in the register maintained by the Company:

Names of substantial shareholders	Capacity	Types of shares	Number of shares	Percentage of shareholdings in the class of shares issued (%)	Percentage of the total shares issued (%)
JPMorgan Chase & Co.[note1]	Beneficial owner, investment manager and custodian – corporation/approved lending agent	H shares	360,708,138(L) 1,615,869(S) 342,313,882 (P)	12.99(L) 0.06(S) 12.33(P)	3.98 (L) 0.02 (S) 3.78 (P)
Government of Singapore Investment Corporation Pte Ltd.	Investment manager	H shares	293,830,400(L)	10.59(L)	3.24 (L)
Allianz SE[note 2]	Interest of corporation controlled by Allianz SE	H shares	243,223,600(L)	8.76(L)	2.68 (L)
Norges Bank (Central Bank of Norway)	Beneficial owner	H shares	231,734,200(L)	8.35(L)	2.56 (L)
Blackrock, Inc.[note 3]	Interest of corporation controlled by Blackrock, Inc.	H shares	196,965,929(L) 1,179,600 (S)	7.09(L) 0.04(S)	2.17 (L) 0.01 (S)
Schroders Plc[note4]	Investment manager	H shares	193,404,018 (L)	6.96 (L)	2.13 (L)
The Capital Group Companies, Inc.[note5]	Interest of corporation controlled by The Capital Group Companies, Inc.	H shares	167,373,800(L)	6.03(L)	1.85 (L)
Temasek Holdings (Private) Limited[note6]	Interest of corporation controlled by Temasek Holdings (Private) Limited	H shares	139,129,600(L)	5.01(L)	1.54 (L)

(L) denotes a long position; (S) denotes a short position; (P) denotes interest in a lending pool

Notes:
1. Pursuant to Part XV of the SFO, JPMorgan Chase & Co. is deemed or taken to be interested in a total of 360,708,138 H shares (long position) and 1,615,869 H shares (short position) of the Company. Included in the 360,708,138 H shares are 342,313,882 H shares which are held in the "lending pool", as defined under Section 5(4) of the Securities and Futures (Disclosure of Interests - Securities Borrowing and Lending) Rules.
The details of the shareholding interests of the subsidiaries directly or indirectly controlled by JPMorgan Chase & Co. are set out below:

Name of controlled subsidiary	Number of shares
JPMorgan Chase Bank, N.A.	342,313,882 (L)
J.P. Morgan Whitefriars Inc.	7,153,933 (L) 1,195,421 (S)
J.P. Morgan Overseas Capital Corporation	7,153,933 (L) 1,582,869 (S)
J.P. Morgan International Finance Limited	8,140,644 (L) 1,615,869 (S)
Bank One International Holdings Corporation	8,140,644 (L) 1,615,869 (S)
J.P. Morgan International Inc.	8,140,644 (L) 1,615,869 (S)
JPMorgan Chase Bank, N.A.	8,140,644 (L) 1,615,869 (S)
JF Asset Management Limited	9,382,400 (L)

Name of controlled subsidiary	Number of shares
JPMorgan Asset Management (Asia) Inc.	10,253,600 (L)
JPMorgan Asset Management Holdings Inc.	10,253,600 (L)
J.P. Morgan Securities plc	986,711 (L) 33,000 (S)
J.P. Morgan Chase International Holdings +	986,711 (L) 33,000 (S)
J.P. Morgan Chase (UK) Holdings Limited	986,711 (L) 33,000 (S)
J.P. Morgan Capital Holdings Limited	986,711 (L) 33,000 (S)
JPMorgan Asset Management (Taiwan) Limited	713,000 (L)
JF International Management Inc.	158,200 (L)
J.P. Morgan Clearing Corp	12 (L)
J.P. Morgan Securities LLC	12 (L)
J.P. Morgan Broker-Dealer Holdings Inc	12 (L)
J.P. Morgan Whitefriars (UK)	387,448 (S)
J.P. Morgan Whitefriars Inc.	387,448 (S)

(L) denotes a long position; (S) denotes a short position

2. Pursuant to Part XV of the SFO, Allianz SE is deemed or taken to be interested in a total of 243,223,600 H shares of the Company. The details of the shareholding interests of the subsidiaries directly or indirectly controlled by Allianz SE are set out below:

Name of controlled subsidiary	Number of shares
Allianz Deutschland AG	233,458,103 (L)
Allianz Lebensversicherungs-AG	233,458,103 (L)
AZ Euro Investments S.a.r.l.	191,940,303 (L)
Allianz Finance II Luxembourg S.A.	41,517,800 (L)
YAO Investment S.a.r.l.	6,541,897 (L)
Allianz Asset Management AG	3,058,800 (L)
Allianz Global Investors Holding GmbH	3,058,800 (L)
Allianz Global Investors Taiwan Ltd.	220,000 (L)
RCM Asia Pacific Ltd.	2,821,600 (L)
Allianz Global Investors Europe GmbH	17,200 (L)
Allianz Holding eins GmbH	6,706,697 (L)
Allianz Elementar Versicherungs-AG	6,706,697 (L)
Allianz Investmentbank AG	164,800 (L)
Allianz Invest Kapitalanlagegesellschaft mbH	164,800 (L)

(L) denotes a long position

3. Pursuant to Part XV of the SFO, Blackrock, Inc. is deemed or taken to be interested in a total of 196,965,929 H shares (long position) and 1,179,600 H shares (short position) of the Company.
The details of the shareholding interests of the subsidiaries directly or indirectly controlled by Blackrock, Inc. are set out below:

Name of controlled subsidiary	Number of shares
Trident Merger, LLC	1,704,361 (L)
BlackRock Investment Management, LLC.	1,704,361 (L)
BlackRock Holdco 2 Inc.	195,261,568 (L)
	1,179,600 (S)
BlackRock Financial Management, Inc.	195,261,568 (L)
	1,179,600 (S)
BlackRock Holdco 4 LLC	131,395,200 (L)
	1,179,600 (S)
BlackRock Holdco 6 LLC	131,395,200 (L)

Name of controlled subsidiary	Number of shares
	1,179,600 (S)
BlackRock Delaware Holdings, Inc.	131,395,200 (L)
	1,179,600 (S)
BlackRock Institutional Trust Company, N.A.	37,164,600 (L)
	1,179,600 (S)
BlackRock Fund Advisors	94,230,600 (L)
BlackRock Advisors Holdings Inc.	63,465,853 (L)
BlackRock Capital Holdings, Inc.	55,000 (L)
BlackRock Advisors, LLC	55,000 (L)
BlackRock International Holdings Inc.	63,410,853 (L)
BR Jersey International LP	63,410,853 (L)
BlackRock Cayco Ltd.	47,200 (L)
BlackRock Trident Holding Company Limited	47,200 (L)
BlackRock Japan Holdings GK	47,200 (L)
BlackRock Japan Co Ltd	47,200 (L)
BlackRock (Institutional) Canada Ltd	346,600 (L)
BlackRock Holdings Canada Limited	346,600 (L)
BlackRock Asset Management Canada Limited	346,600 (L)
BlackRock Australia Holdco Pty Ltd	195,000 (L)
BlackRock Investment Management (Australia) Limited	195,000 (L)
BlackRock HK Holdco Limited	4,018,066 (L)
BlackRock Asset Management North Asia Limited	4,018,066 (L)
BlackRock Group Limited	58,803,987 (L)
BlackRock (Netherlands) B.V.	344,400 (L)
Blackrock Advisors (UK) Limited	23,706,907 (L)
BlackRock International Limited	1,981,300 (L)
BlackRock Luxembourg Holdco S.a.r.l.	27,925,980 (L)
BlackRock Investment Management Ireland Holdings Ltd	22,319,180 (L)
BlackRock Asset Management Ireland Limited	22,245,400 (L)
BlackRock Fund Management Ireland Limited	73,780 (L)
BlackRock (Luxembourg) S.A.	5,606,800 (L)
BlackRock Investment Management (UK) Ltd	4,845,400 (L)
BlackRock Holdings Deutschland GmbH	271,200 (L)
BlackRock Asset Management Deutschland AG	271,200 (L)
BlackRock Fund Managers Ltd	975,600 (L)
BlackRock Life Limited	15,800 (L)

(L) denotes a long position; (S) denotes a short position

4. Pursuant to Part XV of the SFO, Schroders Plc is deemed or taken to be interested in a total of 193,404,018 H shares (long position) of the Company as of 31 December 2013. The details of the shareholding interests of the subsidiaries directly or indirectly controlled by Schroders Plc are set out below:

Name of controlled subsidiary	Number of shares
Schroder Administration Limited	193,404,018 (L)
Schroder International Holdings Limited	76,213,018 (L)
Schroder Holdings (Bermuda) Limited	76,213,018 (L)
Schroder International Holdings (Bermuda) Limited	76,213,018 (L)
Schroder Investment Management Limited	95,155,400 (L)
Schroder Investment Management Limited	22,035,600 (L)
Schroder Investment Management North America Limited	22,035,600 (L)

Name of controlled subsidiary	Number of shares
Schroder Investment Management (Singapore) Limited	3,384,400 (L)
Schroder Investment Management (Hong Kong) Limited	72,828,618 (L)

(L) denotes a long position

5. Pursuant to Part XV of the SFO, The Capital Group Companies, Inc. is deemed or taken to be interested in a total of 167,373,800 H shares (long position) of the Company as of 31 December 2013.
The details of the shareholding interests of the subsidiaries directly or indirectly controlled by The Capital Group Companies, Inc. are set out below:

Name of controlled subsidiary	Number of shares
Capital Group International, Inc.	82,543,000 (L)
Capital Guardian Trust Company	29,952,400 (L)
Capital International, Inc.	38,368,400 (L)
Capital International Limited	679,800 (L)
Capital International Sarl	13,542,400 (L)
Capital Research and Management Company	84,830,800 (L)

(L) denotes a long position

6. Pursuant to Part XV of the SFO, Temasek Holdings (Private) Limited is deemed or taken to be interested in a total of 139,129,600 H shares (long position) of the Company.
The details of the shareholding interests of the subsidiaries directly or indirectly controlled by Temasek Holdings (Private) Limited are set out below:

Name of controlled subsidiary	Number of shares
Fullerton (Private) Limited	15,028,800 (L)
Temasek Fullerton Alpha Pte. Ltd.	11,000,800 (L)
FFMC Holdings Pte. Ltd.	14,768,800 (L)
Fullerton Fund Management Company Ltd, as investment manager	14,768,800 (L)
Temasek Capital (Private) Limited	124,100,800 (L)
Seletar Investments Pte Ltd	124,100,800 (L)
Dunearn Investments (Mauritius) Pte Ltd.	124,100,800 (L)
Baytree Investments (Mauritius) Pte Ltd.	124,100,800 (L)
Singapore Technologies Capital Services Pte Ltd	260,000 (L)
ST Asset Management Ltd as Investment Manager	260,000 (L)

(L) denotes a long position

Save as disclosed above, as at 31 December 2013, the Company was not aware that there was any other person (other than the directors, supervisors or senior management of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered in the register maintained by the Company.

Specifics on the shareholdings by the Company's top ten shareholders are set out in the Section "Changes in the Share Capital and Shareholders' Profile" of this annual report.

XXII. Purchase, Redemption or Sale of the Company's Listed Securities

During the reporting period, neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed shares.

XXIII. Pre-emptive Rights

According to the relevant PRC laws and under the Articles of Association, none of our shareholders have any pre-emptive rights, and the Company does not have any arrangement in respect of share options.

XXIV. Appointment of the Auditors

During the reporting period, the Company re-appointed Ernst & Young Hua Ming LLP as the auditors of the Company for financial statements prepared in accordance with PRC GAAP and Ernst & Young as the auditors of the Company for financial statements prepared in accordance with HKFRSs (hereinafter collectively referred to as "Ernst & Young"), and re-appointed Ernst & Young Hua Ming LLP as the auditors of the Company for internal control. As of the end of the reporting period, Ernst & Young has been providing audit services to the Company for eight consecutive years.

The signing Certified Public Accountants for the Company's financial statements prepared in accordance with PRC GAAP were Mr. GUO Hangxiang and Mr. ZHU Baoqin. By the end of the reporting period, Mr. GUO and Mr. ZHU have served as the signing accountants for the Company for 2 and 4 years, respectively.

In 2013, the remuneration paid/payable to the auditors for provision of annual financial statements audit service and internal control audit service is RMB14.6790 million and RMB1.6410 million, respectively.

Pursuant to the relevant requirements of the "the notice on Administrative Measures for Financial Enterprises to Appoint Accounting Firms by Way of Public Tender (for Trial Implementation) " issued by the Ministry of Finance of the PRC in relation to the service term of auditors continuously engaged by a financial institution, the service term of Ernst & Young will exceed the prescribed time limit soon. In this connection, the Company conducted a bidding process for the selection of auditors for the year 2014 in accordance with the above-mentioned regulation. Pursuant to the resolution of the 3rd meeting of the Company's 7th term of board of directors held on 30 October 2013, the board of directors announced that PricewaterhouseCoopers Zhong Tian LLP was proposed to be appointed as the auditor of financial statements under PRC GAAP and internal control and PricewaterhouseCoopers was proposed to be appointed as the auditor of financial statements under HKFRSs of the Company for the year 2014. The solution is subject to the approval of the shareholders' meeting.

XXV. Change in Accounting Estimates

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

As at 31 December 2013, the Group used information currently available to determine the above assumptions and the impact of change in assumptions was charged to profit or loss. Such change in accounting estimates resulted in an increase in net insurance contract liabilities and other policy-related liabilities as at 31 December 2013 by approximately RMB3.761 billion and a decrease in profit before tax for 2013 by approximately RMB3.761 billion.

XXVI. Performance of Duties by the Board of Directors

Details of the performance of duties by the Board of Directors and its special committees are set out in the Section "Corporate Governance Report" in this annual report.

Internal Control

I. The Board's Statement in Respect of Internal Control Responsibilities

The Board of Directors of the Company will be responsible for establishing and maintaining an internal control system for ensuring the completeness of financial reports.

The objectives of an internal control system regarding the financial report are to ensure that the information in the financial report is true, complete and reliable, and to prevent the risks of making material misstatements. Given the inherent limitations of an internal control system, reasonable guarantee can only be given in relation to the aforementioned objectives.

The board of directors of the Company has evaluated the self-control system in relation to financial reports in accordance with the "Basic Norms of Internal Control", and is of the opinion that such rules were effective on 31 December 2013.

In its self-evaluation regarding internal control, the Company did not find any significant and important defects regarding matters that did not relate to the financial report. General defects that may lead to risks were within a manageable risk and did not constitute a substantial impact on the overall operations of the Company. Corrective measures to such risks have been and continue to be implemented.

II. Establishment and Improvement of the Company's Internal Control System

The Company is committed to establishing a sound internal control system in order to provide reasonable assurance of the achievement of internal control objectives, including the legal compliance of our operation and management, assets security and reliability, truthfulness and completeness of financial reports and related information, improvement of operation efficiency and implementation of development strategies for the sustainable development of the Company.

The Board of Directors of the Company is responsible for the sound establishment and effective implementation of its internal control. It is also responsible for reviewing the internal control structure, major internal control policy and the solution for significant risks, and studying and evaluating the comprehensiveness, rationality and effectiveness of internal control regularly. The Operation and Management Committee of the Company is responsible for establishing a sound internal control structure, improving the internal control system and providing guidelines for the the daily operation of internal control system. The Board of Supervisors of the Company is responsible for overseeing the establishment and implementation of sound internal control by the Board of Directors and the management.

In order to improve the internal control system, the Company established the "Provisional Measures of Internal Control for China Pacific Insurance (Group) Co, Ltd."The model of internal control with three levels was further strengthened and the responsibilities of management at each level of internal control were clarified, facilitating the effective operation of internal control. In 2013, we further enhanced the long-term effectiveness of our internal control system, focusing on process management and the prevention of contingent risks in new offices, new businesses and new processes. We also focused on risk respone and rectification, beginning with self-assessment which was reinforced by the issue of an updated internal control manual. To this end, we improved our identification, evaluation, mitigation of risks, thereby continually strengthening the internal control of the Company.

We conducted a self-assess of internal control as of 31 December 2013, with the key findings set out below:

Based on the conclusions relating to the major deficiencies of the Company's internal control for financial reporting, on the baseline date there were no such deficiencies. The Board of Directors believes that the Company maintained effective internal control for financial reporting in all major aspects.

Based on the conclusions relating to the major deficiencies of the Company's internal control for areas other than financial reporting, on the baseline date there was no such deficiencies.

There were no factors which may affect these conclusions regarding the internal control effectiveness between the baseline date and the date of the issuance of the internal control assessment report.

The Company's auditors also issued an audit report on the Company's internal control, which is of the opinion that as of 31 December 2013 the Company has maintained effective internal control in all major aspects for financial reporting in compliance with the Basic Standards For Enterprise Internal Control and the supplementary guidelines as well as other applicable rules and regulations.

III. Progress of the Implementation of Internal Control

In 2013, in light of the the Basic Standards For Enterprise Internal Control and the supplementary guidelines (caikuai 2008, No. 7 and caikuai 2010, No. 11) jointly promulgated by the Ministry of Finance, CSRC, the Auditing Administration of the PRC, CBRC and CIRC, the Company continued to push ahead with the cultivation of its internal control system and with success. First, continuous efforts were made to enhance internal control by focusing on the contingent risks of new offices and new business, as well as creating long-term effctiveness by way of preventative and mitigating meaures. Secondly, we successfully carried out self-evaluation of internal control according to the working schedule and assessment standards were improved. Thirdly, the Company conducted audit work on internal control and achieved good progress.

IV. Establishment and Implementation of Accountability System for Material Errors in Annual Report

The Company is committed to improving the development of its information disclosure system. It has set up and continuously improved the "Information Disclosure Management Measures" and "Working Procedures of Regular Reports", which provided detailed rules for the report, circulation, review and disclosure procedures of information relevant to regular reports and established a standardized system for the collection, reporting and public disclosure of information and an accountability system for discrepancy.

Corporate Social Responsibility

For details of the corporate social responsibility of the Company, please refer to the Corporate Social Responsibility Report 2013 disclosed in the website of SSE (www.sse.com.cn).

Significant Events

I. The Establishment of the Tibetan Office of CPIC Property

As per the approval of CIRC, the Tibetan Office of CPIC Property was set up on 30 August 2013.

II. Material Litigations, Arbitrations and Media Allegations

During the reporting period, the Company did not engage in any material litigation, arbitration or media allegations which were required to be disclosed.

III. Acquisition or Disposal of Material Assets and Corporate Merger

During the reporting period, the Company did not carry out any acquisition or disposal of material assets or corporate mergers which required disclosure.

IV. Share Option Scheme

During the reporting period, the Company did not have any share option scheme which required disclosure.

V. Material Contracts

During the reporting period, the Company did not have any material contracts which required disclosure.

VI. Fulfillment of the Undertakings Made by the Company and the Shareholders Holding More than 5% of Shares during the Reporting Period

During the reporting period, the Company and the shareholders holding more than 5% of shares did not enter into any undertaking which required disclosure.

VII. Penalty on and Rectification on the Listed Companies, Its Directors, Supervisors and Senior Management and the Shareholders Holding More than 5% of Shares

During the reporting period, neither the Company nor its directors, supervisors, senior management or the shareholders holding more than 5% of shares were subject to any investigation, administrative penalty or official censure by CSRC, or publically reprimanded by any stock exchange.

VIII. Shareholding of the Company in Other Listed Companies and Financial Institutions

(I) Investment in securities (included in financial assets at fair value through profit or loss)

Unit: RMB million

No.	Stock type	Stock code	Abbreviated stock name	Initial cost	Number of shares (million pieces/ million shares)	Carrying amount at the end of the period	Percentage to total investment at the end of the period (%)	Profit or loss in the reporting period
1	CB	113001	Convertable bond of BOC	1,869.40	18.67	1,795.14	42.09	(17.68)
2	CB	113005	Convetiable bond of Ping'an	1,025.13	10.25	1,099.42	25.78	74.28
3	CB	113002	Convertible bond of ICBC	234.65	2.21	223.76	5.25	(10.89)
4	Share	601006	Daqin Railway	65.41	8.99	66.40	1.56	4.00
5	Share	601288	Agricultural Bank of China	59.74	22.62	56.09	1.31	(1.18)
6	Share	000002	Wanke A	56.22	6.57	52.80	1.24	(3.24)
7	CB	110023	Minsheng convertible bond	59.37	0.55	52.77	1.24	(6.60)
8	Share	600600	Tsingtao Beer	31.08	0.70	34.51	0.81	3.35
9	Share	600085	Tong Ren Tang	29.32	1.43	30.68	0.72	1.43
10	Share	600521	Hua Hai Pharmacutical	29.13	2.20	29.81	0.70	0.68
Other security investment held at the end of the period				819.88	86.04	823.36	19.30	8.49
Profit or loss from investment securities sold during the reporting period				N/A	N/A	N/A	N/A	100.38
Total				4,279.33	160.23	4,264.74	100.00	153.02

Note:
1. The table above reflects the shares, warrants and convertible bonds ("CB") (top ten) included in the financial assets at fair value through profit or loss of the Company.
2. Other security investment refers to the investment in securities other than the top ten securities mentioned in the above table.
3. Profit or loss for the reporting period includes dividend income and gain or loss from the change in fair value of the investment during the reporting period.

(II) Investment in securities (included in available-for-sale financial assets)

Unit: RMB million

No.	Stock code	Abbreviated stock name	Initial investment	Percentage of shareholding of the company (%)	Carrying amount at the end of the period	Profit or loss in the reporting period	Changes in shareholders' equity in the reporting period	Source of shares
1	601006	Daqin Railway	4,523	4.04	4,439	206	382	Market purchase
2	600036	China Merchant's Bank	2,054	0.68	1,827	112	(380)	
	HK03968		69		63	2	(1)	
3	601398	Industrial and Commercial Bank of China	2,025	0.14	1,697	81	(231)	
	HK01398		60		50	(2)	3	
4	601288	Agricultural Bank of China	1,864	0.22	1,733	102	(186)	
	HK01288		-		-	1	-	
5	601939	China Construction Bank	1,746	0.15	1,484	96	15	
	HK00939		57		48	2	(4)	
6	601668	China Construction	1,453	1.38	1,296	40	(268)	

No.	Stock code	Abbreviated stock name	Initial investment	Percentage of shareholding of the company (%)	Carrying amount at the end of the period	Profit or loss in the reporting period	Changes in shareholders' equity in the reporting period	Source of shares
7	600000	Pudong Development Bank	952	0.56	993	538	(347)	Market purchase
8	600900	Changjiang Power	1,168	0.95	989	49	(78)	
9	000002	Wanke A	1,088	1.03	910	(2)	(178)	
10	600519	Guizhou Maotai	1,033	0.61	808	11	(224)	

Note:
1. The above table reflects the shareholding of the Company in other listed companies (top ten), which is included in available-for-sale financial assets.
2. Profit or loss in the reporting period represents the dividend payment and bid-ask spread income of the investment during the reporting period.
3. Percentage of shareholding is calculated based on the investment of total number of shares denominated in different currencies being invested.

(III) Shareholdings in non-listed financial institutions

Unit: RMB million

Name of institution	Initial investment	Number of shares held at the beginning of the period (Million shares)	Percentage of shareholding at the beginning of the period (%)	Number of shares held at the end of the period (Million shares)	Percentage of shareholding at the end of the period (%)	Carrying amount at the end of the period	Profit or loss in the reporting period	Changes in shareholders' equity in the reporting period	Accounting item	Source of shares
Bank of Hangzhou	1,300	100	5.98	100	5.98	1,054	20	(170)	Available-for-sale financial assets	Private placement
Shanghai Rural Commercial Bank	2,117	350	7.00	350	7.00	1,470	46	(445)	Available-for-sale financial assets	Private placement and share transfer

Note: Investment of insurance funds (excluding associates, joint ventures and subsidiaries).

(IV) Trading of the Shares in Other Listed Companies

Unit: RMB million

Purchase/ sell	Stock names	Number of shares held at the beginning of the reporting period (million shares)	Number of shares purchased/sold during the reporting period (million shares)	Number of shares held at the end of the reporting period (million shares)	Amount paid	Investment returns
Purchase	N/A	N/A	3,234	N/A	27,491	N/A
Sell	N/A	N/A	2,346	N/A	N/A	725

Note: Due to the business nature, the trading volume of securities of the Company is relatively large. A summary is presented in the above table.

Other Information

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Other Information

Documents Available for Inspection

I. Original copy of the annual report with the seal of the Company affixed and signed by the Chairman

II. Original copy of the signed audit report and the audited financial report from the account's firm

III. Original copies of all publicly disclosed announcements and documents of the Company during the reporting period

Corporate Information and Definitions

Legal Name in Chinese:

中國太平洋保險 (集團) 股份有限公司 ("中國太保")

Legal Name in English:

CHINA PACIFIC INSURANCE (GROUP) CO., LTD. ("CPIC")

Legal Representative: GAO Guofu

Board Secretary and Joint Company Secretary: FANG Lin

Securities Representative: YANG Jihong

Contact for Shareholder Inquiries: Investor Relations Dept. of the Company

Tel: +86-21-58767282

Fax: +86-21-68870791

Email: ir@cpic.com.cn

Address: South Tower, Bank of Communications Financial Building, 190 Central Yincheng Road, Pudong New District, Shanghai, PRC

Joint Company Secretary: Maurice Ngai

Tel: +852-39120800

Fax: +852-39120801

Email: maurice.ngai@swcsgroup.com

Address: 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

Registered Office: South Tower, Bank of Communications

Financial Building, 190 Central Yincheng Road,

Pudong New District, Shanghai, PRC

Office Address: South Tower, Bank of Communications

Financial Building, 190 Central Yincheng Road,

Pudong New District, Shanghai, PRC

Postal Code: 200120

Place of Business in Hong Kong:

Suite 4301, 43/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong

Website: http://www.cpic.com.cn

Email: ir@cpic.com.cn

Selected Newspapers for Disclosure (A Share):

China Securities, Shanghai Securities and Securities Times

Announcements for A Share Published at: http://www.sse.com.cn

Announcements for H Share Published at: http://www.hkexnews.hk

Annual Report Available at: Investor Relations Dept. of the Company

Stock Exchange for A Share Listing: The Shanghai Stock Exchange

Stock Name for A Share: 中國太保

Stock Code for A Share: 601601

Stock Exchange for H Share Listing: The Stock Exchange of Hong Kong Limited

Stock Name for H Share: CPIC

Stock Code for H Share: 02601

H Share Registrar:

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre,

183 Queen's Road East, Wanchai, Hong Kong

Date of Initial Registration: 13 May 1991

Place of Initial Registration: The State Administration for Industry & Commerce of the PRC

Registration No. of Business Licence: 100000000011107

Tax Registration No.:

Guo Shui Hu Zi 310043132211707

Di Shui Hu Zi 310043132211707

Organisation Code: 13221170-7

Domestic Accountant: Ernst & Young Hua Ming LLP

Office of Domestic Accountant:Level 16, Ernst & Young Tower,Oriental Plaza, No. 1 East Chang An Avenue,Dongcheng District, Beijing, PRC

Signing Certified Public Accountants: GUO Hangxiang, ZHU Baoqin

International Accountant: Ernst & Young

Office of International Accountant: 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

"The Company", "the Group", "CPIC" or "CPIC Group"	China Pacific Insurance (Group) Co., Ltd.
"CPIC Life"	China Pacific Life Insurance Co., Ltd., a subsidiary of CPIC Group
"CPIC Property"	China Pacific Property Insurance Co., Ltd., a subsidiary of CPIC Group
"CPIC AMC"	Pacific Asset Management Co., Ltd., a subsidiary of CPIC Group
"CPIC HK"	China Pacific Insurance Co., (H.K.) Limited, a wholly-owned subsidiary of CPIC Group
"Changjiang Pension"	Changjiang Pension Insurance Co., Ltd., a holding subsidiary of CPIC Group
"CPIC Online"	Pacific Insurance Online Services Technology Co., Ltd., a wholly-owned subsidiary of CPIC Group
"CIRC"	China Insurance Regulatory Commission
"CSRC"	China Securities Regulatory Commission
"NSSF"	National Council for Social Security Fund of the PRC
"SSE"	Shanghai Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"RMB"	Renminbi
"Company Law"	The Company Law of the PRC
"Insurance Law"	The Insurance Law of the PRC
"Securities Law"	The Securities Law of the PRC
"PRC GAAP"	China Accounting Standards for Business Enterprises issued by Ministry of Finance of the People's Republic of China, and the application guide, interpretation and other related regulations issued afterwards
"Articles of Association"	The articles of association of China Pacific Insurance (Group) Co., Ltd.
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code for Securities Transactions"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Corporate Governance Code"	Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"pt"	Percentage point

Audited Financial Statements

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CONTENTS

INDEPENDENT AUDITORS' REPORT

To the shareholders of China Pacific Insurance (Group) Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Pacific Insurance (Group) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 2 to 83, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

28 March 2014

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2013

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

Group	Notes	2013	2012
Gross written premiums	6(a)	176,923	163,228
Less: Premiums ceded to reinsurers	6(b)	(15,295)	(11,795)
Net written premiums	6	161,628	151,433
Net change in unearned premium reserves		(2,003)	(3,594)
Net premiums earned		159,625	147,839
Investment income	7	30,972	18,060
Other operating income		1,620	1,258
Other income		32,592	19,318
Total income		192,217	167,157
Net policyholders' benefits and claims:			
Life insurance death and other benefits paid	8	(28,420)	(20,596)
Claims incurred	8	(45,657)	(35,815)
Changes in long-term life insurance contract liabilities	8	(55,056)	(58,501)
Policyholder dividends	8	(4,126)	(3,905)
Finance costs	9	(2,755)	(2,288)
Interest credited to investment contracts		(1,924)	(1,715)
Other operating and administrative expenses		(42,365)	(38,224)
Total benefits, claims and expenses		(180,303)	(161,044)
Profit before tax	10	11,914	6,113
Income tax	14	(2,519)	(983)
Net profit for the year		9,395	5,130
Attributable to:			
Equity holders of the parent		9,261	5,077
Minority interests		134	53
		9,395	5,130
Basic earnings per share	15	RMB1.02	RMB0.59
Diluted earnings per share	15	RMB1.02	RMB0.59

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2013

(All amounts expressed in RMB million unless otherwise specified)

Group	Note	2013	2012
Net profit for the year		9,395	5,130
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(9)	-
Available-for-sale financial assets		(4,444)	12,202
Income tax relating to available-for-sale financial assets		1,105	(3,034)
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		(3,348)	9,168
Other comprehensive (loss)/income for the year	16	(3,348)	9,168
Total comprehensive income for the year		6,047	14,298
Attributable to:			
Equity holders of the parent		5,963	14,094
Minority interests		84	204
		6,047	14,298

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

31 December 2013

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	31 December 2013	31 December 2012
ASSETS			
Property and equipment	17	10,542	9,364
Investment properties	18	6,795	6,349
Goodwill		962	962
Other intangible assets	19	907	738
Prepaid land lease payments	20	59	60
Investment in a joint venture	22	11	-
Financial assets at fair value through profit or loss	23	4,926	1,714
Held-to-maturity financial assets	24	262,942	248,766
Available-for-sale financial assets	25	175,489	135,815
Investments classified as loans and receivables	26	41,320	36,097
Securities purchased under agreements to resell	27	2,394	1,115
Term deposits	28	144,317	164,297
Restricted statutory deposits	29	3,600	3,600
Policy loans		8,444	5,700
Interest receivables	30	12,003	13,659
Reinsurance assets	31	17,388	14,121
Deferred income tax assets	32	3,178	2,067
Insurance receivables	33	7,763	8,177
Other assets	34	3,932	5,026
Cash and short-term time deposits	35	16,561	23,875
Total assets		723,533	681,502

The accompanying notes form an integral part of these financial statements.

Group	Notes	31 December 2013	31 December 2012
EQUITY AND LIABILITIES			
Equity			
Issued capital	36	9,062	9,062
Reserves	37	64,612	67,519
Retained profits	37	25,294	19,596
Equity attributable to equity holders of the parent		98,968	96,177
Minority interests		1,418	1,392
Total equity		100,386	97,569
Liabilities			
Long-term borrowings	38	188	-
Insurance contract liabilities	39	502,536	438,887
Investment contract liabilities	40	34,443	41,754
Policyholders' deposits		77	79
Subordinated debt	41	15,500	15,500
Securities sold under agreements to repurchase	42	25,199	50,143
Deferred income tax liabilities	32	1,021	958
Income tax payable		867	487
Premium received in advance		4,886	4,376
Policyholder dividend payable		13,875	11,711
Payables to reinsurers		4,703	3,514
Other liabilities	43	19,852	16,524
Total liabilities		623,147	583,933
Total equity and liabilities		723,533	681,502

GAO Guofu — Director

HUO Lianhong — Director

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

(All amounts expressed in RMB million unless otherwise specified)

Group										2013
	Attributable to equity holders of the parent									
		Reserves								
	Issued capital	Capital reserve	Surplus reserves	Foreign currency translation reserve	Available-for-sale investment revaluation reserve	Retained profits	Total	Minority interests	Total equity
At 1 January 2013	9,062	66,742	2,698	(55)	(1,866)	19,596	96,177	1,392	97,569
Total comprehensive income	-	-	-	(9)	(3,289)	9,261	5,963	84	6,047
Dividend declared [1]	-	-	-	-	-	(3,172)	(3,172)	-	(3,172)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(58)	(58)
Appropriations to surplus reserves	-	-	391	-	-	(391)	-	-	-
At 31 December 2013	9,062	66,742	3,089	(64)	(5,155)	25,294	98,968	1,418	100,386

1 *Dividend declared represents the final dividend on ordinary shares declared for 2012, amounting to RMB3,172 million (RMB0.35 per share).*

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

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

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2013

(All amounts expressed in RMB million unless otherwise specified)

Group	Note	2013	2012
OPERATING ACTIVITIES			
Cash generated from operating activities	48	47,237	53,368
Income tax paid		(2,123)	(1,244)
Net cash inflow from operating activities		45,114	52,124
INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(3,676)	(3,057)
Proceeds from sale of items of property and equipment, intangible assets and other assets		70	56
Purchases of investments, net		(48,108)	(91,693)
Acquisition of a subsidiary and interest in a joint venture		(389)	-
Interest received		29,540	21,848
Dividends received from investments		2,553	1,854
Net cash outflow from investing activities		(20,010)	(70,992)
FINANCING ACTIVITIES			
Securities sold under agreements to repurchase, net		(24,908)	17,943
Proceeds from issuance of shares		-	8,314
Repayment of borrowings		(2)	-
Proceeds from issuance of subordinated debt		-	7,500
Interest paid		(2,440)	(1,768)
Dividends paid		(3,231)	(3,081)
Others		-	(12)
Net cash (outflow)/inflow from financing activities		(30,581)	28,896
Effects of exchange rate changes on cash and cash equivalents		(178)	(4)
Net (decrease)/increase in cash and cash equivalents		(5,655)	10,024
Cash and cash equivalents at beginning of year		24,990	14,966
Cash and cash equivalents at end of year		19,335	24,990
Analysis of balances of cash and cash equivalents			
Cash at banks and on hand		8,432	6,817
Time deposits with original maturity of no more than three months		7,697	16,794
Other monetary assets		432	264
Investments with original maturity of no more than three months		2,774	1,115
Cash and cash equivalents at end of year		19,335	24,990

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET

31 December 2013

(All amounts expressed in RMB million unless otherwise specified)

Company	Notes	31 December 2013	31 December 2012
ASSETS			
Property and equipment	17	1,035	576
Investment properties	18	2,345	2,377
Intangible assets		34	30
Prepaid land lease payments	20	36	37
Investments in subsidiaries	21	54,813	54,663
Financial assets at fair value through profit or loss	23	41	37
Held-to-maturity financial assets	24	1,945	2,275
Available-for-sale financial assets	25	16,527	7,617
Investments classified as loans and receivables	26	-	1,200
Securities purchased under agreements to resell	27	100	-
Term deposits	28	6,407	7,672
Interest receivables		493	333
Deferred income tax assets		284	150
Other assets	34	339	186
Cash and short-term time deposits	35	2,762	9,550
Total assets		87,161	86,703
EQUITY AND LIABILITIES			
Equity			
Issued capital	36	9,062	9,062
Reserves	37	68,404	68,423
Retained profits	37	8,897	8,543
Total equity		86,363	86,028
Liabilities			
Income tax payable		39	27
Due to subsidiaries		353	183
Other liabilities	43	406	465
Total liabilities		798	675
Total equity and liabilities		87,161	86,703

The accompanying notes form an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

1. CORPORATE INFORMATION

China Pacific Insurance (Group) Co., Ltd. (the "Company") was established in Shanghai, the People's Republic of China (the "PRC") in May 1991, under the original name of China Pacific Insurance Co., Ltd. Pursuant to the approval of the State Council of the PRC and Circular [2001] No. 239 issued by the China Insurance Regulatory Commission (the "CIRC"), the Company was restructured as a joint stock limited company in October 2001 with an issued capital of RMB2,006.39 million. The Company increased its issued capital to RMB6,700 million through issuing new shares to its then existing shareholders and new shareholders in 2002 and 2007.

In December 2007, the Company conducted a public offering of 1,000 million A shares in the PRC. Upon the completion of the A share offering, the issued capital was increased to RMB7,700 million. The Company's A shares are listed on the Shanghai Stock Exchange and trading of its A shares commenced on 25 December 2007.

In December 2009, the Company conducted a global offering of overseas listed foreign shares ("H shares"). Upon the completion of the H share offering, the issued capital was increased to RMB8,600 million. The Company's H shares are listed on the Hong Kong Stock Exchange and trading of its H shares commenced on 23 December 2009.

In November 2012, the Company conducted a non-public offering of 462 million H shares. Upon completion of the H share offering, the issued capital was increased to RMB9,062 million, which was approved by the CIRC in December 2012.

The authorized business scope of the Company includes investing in insurance enterprises, supervising and managing domestic and overseas reinsurance businesses of subsidiaries and utilizing funds, participating in global insurance activities upon approval. The principal activities of the Company and its subsidiaries (the "Group") are property and casualty businesses, life insurance businesses, pension and annuity businesses, as well as asset management, etc.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention other than financial instruments that have been measured at fair values and insurance contract liabilities that have been measured primarily based on actuarial methods. These financial statements are presented in RMB and all values are rounded to the nearest million except when otherwise indicated.

All HKFRSs that remain in effect which are relevant to the Group have been applied. The Group has not applied the following key new and revised HKFRSs that have been issued but are not yet effective, in these financial statements:

HKAS 19 Amendments	Defined Benefit Plans: Employee Contributions[2]
HKAS 32 Amendments	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 Amendments	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 Amendments	Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRS 9	Financial Instruments[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Amendments to HKAS 32 were issued in December 2011. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. Currently, it is expected that the amendments would have no significant impact on the Group's financial statements.

HKFRS 9 was issued in November 2009. The new standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in HKAS 39. The approach in HKFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions"). The changes resulting from the Additions only affect the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other requirements in HKAS 39 in respect of liabilities are carried forward into HKFRS 9. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of these Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group has not decided to early adopt HKFRS 9. The Group is in the process of making an assessment of the impact of the new standard.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. Currently, the Group expects that these amendments will not have significant impact on the Group's financial statements.

2.2 Changes in accounting policy and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements. Though in certain cases, giving rise to new or revised accounting policies, the adoption of these revised HKFRSs currently has had no significant impact on these financial statements.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policy and disclosures (continued)

HKAS 1 Amendments	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 1 Amendments	Government Loans
HKFRS 7 Amendments	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Transition Guidance
HKFRS 13	Fair Value Measurement
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

2.3 Summary of principal accounting policies

A summary of the significant accounting policies adopted and consistently applied by the Group in the preparation of these financial statements is set out below.

(1) Basis of consolidation

These consolidated financial statements comprise the financial statements of the Group for the year ended 31 December 2013. The financial statements of the subsidiaries for the purpose of preparing the consolidated financial statements are prepared for the same reporting period, using consistent accounting policies. All income, expenses and unrealized gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the parent shareholders' equity. Losses within a subsidiary are attributed to the minority interests even if this results in a deficit balance.

The acquisition of subsidiaries not under common control is accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. The changes in the Company's ownership interest in a subsidiary that do not result in the change of control are accounted for as equity transactions (i.e., transactions between owners acting in their capacity as owners), whereby the carrying amounts of the minority interests shall be adjusted to reflect the changes in their interests in the subsidiary. Any difference between the amount by which the minority interest is adjusted and the fair value of the consideration paid or received shall be recognized directly in equity (as capital reserve). If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any minority interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Summary of principal accounting policies (continued)

(2) Foreign currency translation

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the income statement or other comprehensive income.

The functional currencies of certain overseas operations are currencies other than RMB. As at the balance sheet date, the assets and liabilities of these overseas operations are translated into RMB at the exchange rates ruling at the balance sheet date and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences arising on the retranslation are recognized in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the cumulative amount of the exchange differences recognized in equity relating to that particular foreign operation is recognized in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas operations are translated into RMB at the weighted average exchange rates for the period.

(3) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

(4) Investments in associates and joint ventures

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Summary of principal accounting policies (continued)

(4) Investments in associates and joint ventures (continued)

The Group's investments in associates and joint ventures are stated in the consolidated balanced sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

(5) Business combinations and goodwill

Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it reassesses all assets and liabilities acquired to determine their classification or designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. However, no reclassification of leases and insurance contracts is required for business combination unless the contractual terms are modified at the acquisition date.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss. Any related amount that was previously recognised in other comprehensive income shall be reclassified to profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability will be recognised as measurement period adjustments. If the contingent consideration is classified as equity, it will not be remeasured and its subsequent settlement will be accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for minority interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Summary of principal accounting policies (continued)

(5) Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the income statement.

(6) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of the key management personnel of the Group or its parent.

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
(iii) the entity and the Group are joint ventures of the same third party;
(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entityrelated to the Group;
(vi) the entity is controlled or jointly controlled by a person identified in (a);
(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Summary of principal accounting policies (continued)

(7) Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	1.39% to 3.23%
Motor vehicles	12.13% to 32.33%
Office furniture and equipment	10% to 33.33%
Leasehold improvements	Over the shorter of the lease terms and 20%

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each year end.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents costs of construction of buildings and other items of property as well as costs of equipment under installation. Construction in progress is stated at cost less any impairment losses, and is not depreciated, and is reclassified to the appropriate category of property and equipment when completed and ready for use.

(8) Investment properties

The Group's investment properties are buildings held to earn rental income, rather than for the supply of services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment loss.

Depreciation is computed on the straight-line basis over the estimated useful life. The estimated useful life of the investment properties is 30 to 70 years.

The useful life and the depreciation method are reviewed at least at each year end to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the investment properties.

An investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal. A transfer to, or from, an investment property is made when, and only when, there is evidence of a change in use.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Summary of principal accounting policies (continued)

(9) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each year end.

(10) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortized on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property and equipment.

(11) Investments and other financial assets

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognized in the income statement. The net fair value gain or loss recognized in the income statement does not include any dividends on these financial assets, which are recognized in accordance with the policy set out for "Revenue recognition" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Summary of principal accounting policies (continued)

(11) Investments and other financial assets (continued)

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortized cost less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investment revaluation reserve until the investments are derecognized or until the investments are determined to be impaired, at which time the cumulative gain or loss is recognized in the income statement and removed from the available-for-sale investment revaluation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognized in the income statement as “Other income” in accordance with the policies set out for “Revenue recognition” below. Losses arising from the impairment of such investments are recognized in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

(12) Derivative financial instruments

Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Embedded derivatives are treated as separate derivatives and are recorded at fair value if their economic characteristics and risks are not closely related to those of the related host contract and the host contract is not itself recorded at fair value through profit or loss.

(13) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Summary of principal accounting policies (continued)

(13) Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

(14) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Summary of principal accounting policies (continued)

(14) Impairment of financial assets (continued)

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is removed from other comprehensive income and recognized in the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. The Group collectively considers the magnitude of the decline in fair value relative to the cost, volatility, and the duration of the decline in evaluating whether a decline in fair value is significant. The Group considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. The Group usually considers a significant decline to be one in which the fair value is below the weighted average cost by more than 50% or a prolonged decline to be one in which fair value is below the weighted average cost for a continuous period of more than twelve months.

The Group also considers qualitative evidence that includes, but is not necessarily limited to the following:

- Significant financial difficulty of the investee, including failure to comply with contractual obligations, financial restructuring, deterioration of going concern expectations;
- Adverse changes relative to the investee's technology, market, customer base, macroeconomic indicators relative to the business, and significant legal or regulatory matters.

Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement. Increases in their fair value after impairment are recognized directly in other comprehensive income. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the income statement.

(15) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from a financial asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Summary of principal accounting policies (continued)

(16) Securities purchased under agreements to resell

The Group enters into purchases of securities under agreements to resell substantially identical securities. These agreements are classified as loans and receivables. The amounts advanced under these agreements are reflected as assets in the balance sheet. The Group does not take physical possession of securities purchased under agreements to resell. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying securities.

(17) Impairment of non-financial assets other than deferred tax assets and goodwill

Where an indication of impairment exists, or when impairment testing for an asset is required at least at each year end (other than deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at the end of each period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset (other than goodwill) is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization), had no impairment loss been recognized for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

(18) Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance agreements that transfer significant insurance risk are treated as reinsurance contracts; reinsurance agreements that do not transfer significant insurance risk are not treated as reinsurance contracts. Reinsurance assets primarily represent balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured risks and in accordance with the terms of the reinsurance contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the income statement.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts payable to reinsurers are estimated in a manner consistent with that of the associated reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance unless a legal right and the intention of offset exist.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Summary of principal accounting policies (continued)

(19) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(20) Insurance contracts

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as determined by the Group is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Contracts that only transfer insurance risk are treated as insurance contracts. If the Group signs contracts with policyholders which transfer insurance risk as well as other risks, the treatments would depend on:

(a) If the insurance risk portion and other risk portion are distinct and separately measurable, the insurance risk portion and other risk portion should be unbundled. The portion with insurance risk should be treated as an insurance contract, while the portion with other risks should not be treated as an insurance contract.

(b) If the insurance risk portion and other risk portion cannot be distinct, or if they are distinct but cannot be separately measurable, the whole contract should be treated as an insurance contract if the insurance risk is significant; the whole contract should not be treated as an insurance contract if the insurance risk is insignificant.

(21) Testing the significance of insurance risk

For contracts issued by the Group which require testing the significance of insurance risk, it should be performed at the initial recognition of such contracts, and based on a group of contracts with a similar nature.

When testing the significance of insurance risk, the Group makes judgements in this sequence: (i) whether the contract transfers insurance risk; (ii) whether the contract has commercial substance; (iii) whether the insurance risk transferred is significant.

When determining whether the contracts (or policies) transfer significant insurance risk, the Group considers: (i) annuity contracts that transfer longevity risk are treated as insurance contracts; (ii) for non-annuity contracts, if the insurance risk ratio is greater than or equal to 5% at certain points of time during the duration of the contracts, they are treated as insurance contracts; the insurance risk ratio is derived by comparing the benefits paid with the benefits payable if the insured event did not occur. For property and casualty and short-term life policies that obviously transfer significant risk, the Group recognizes them as insurance contracts directly.

When determining whether reinsurance policies transfer significant insurance risk, the Group considers thoroughly the commercial substance and other relevant contracts and agreements, and if the insurance risk ratio of reinsurance policies is greater than 1%, they are treated as reinsurance contracts. The insurance risk ratio of reinsurance policies is derived by comparing the present value of probability-weighted expected loss with the present value of expected reinsurance premiums. If the reinsurance policies obviously transfer significant insurance risk, the Group directly recognizes them as reinsurance contracts.

For the purpose of testing the significance of insurance risk, contracts of a similar nature are grouped together. Through considering the risk distribution and characteristics, the Group selects sufficient representative samples to test the significance of insurance risk. If most samples transfer significant insurance risk, all contracts in the group are treated as insurance contracts.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Summary of principal accounting policies (continued)

(21) Testing the significance of insurance risk (continued)

The assumptions used for testing the significance of insurance risk mainly include loss ratio, mortality and morbidity, loss distribution, etc. The Group determines such assumptions based on historical experiences and the estimation on future development trends so as to reflect the Group's product characters and actual claim payments.

(22) Insurance contract liabilities

The Group's insurance contract liabilities include unearned premium reserves, claim reserves and long-term life insurance contract reserves.

When measuring long-term life insurance contract reserves, the Group classifies insurance contracts whose insurance risks are of a similar nature as a measurement unit. The Group mainly considers product characteristics, effective year and risk profile of contracts in this regard.

When measuring property and casualty and short-term life insurance contract liabilities, the Group uses a group of insurance contracts whose insurance risks are of a similar nature as a measurement unit. The Group's property and casualty and short-term life insurance contracts are classified into certain measurement units by type of insurance.

Insurance contract liabilities are measured based on a reasonable estimate of the amount of payments when the Group fulfils relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts.

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfil relevant obligations under the insurance contracts, and mainly include: (a) guaranteed benefits or claims under the insurance contracts, including mortality benefits, disability benefits, morbidity benefits, survival benefits, maturity benefits and claims payments, etc; (b) non-guaranteed benefits under the insurance contracts in respect of constructive obligations, including policyholder dividends, etc; (c) reasonable expenses necessary for maintaining and serving the insurance contracts, claims handling, including policy maintenance expenses, claim expenses, etc.
- Expected future cash inflows represent cash inflows from assuming insurance contractual obligations, including premiums and other charges.

Reasonable estimate of expected net future cash flows is determined based on information currently available at the balance sheet date.

Margin factor is considered and separately measured when determining insurance contract reserves as at the balance sheet date. Margins are released to profit or loss over the coverage period using systematic and reasonable approach. Initial recognition of an insurance contract issued should not result in the recognition of an accounting profit. However, a loss should be recorded in profit or loss at inception when it occurs.

Margins for long-term life insurance contract reserves include a risk adjustment and a residual margin. The risk adjustment represents provision for the uncertainty associated with the future cash flows. The residual margin is provided to eliminate any gain at inception of the contract and is amortized over the life of the contract in a systematic manner. Upon initial recognition, the residual margin is separately measured from expected future cash outflows and the risk adjustment, and will not be adjusted for future changes in assumptions.

The risk adjustment for property and casualty and short-term life insurance contract liabilities is determined by reference to the industry ratio and the Group's experience.

When measuring insurance contract liabilities as at the balance sheet date, time value of money is considered. The related future cash flows should be discounted when the impact of time value of money is significant. The discount rate used in the measurement of time value of money should be determined with reference to information currently available at the balance sheet date.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Summary of principal accounting policies (continued)

(22) Insurance contract liabilities (continued)

The Group uses information currently available as at the balance sheet date to derive the following assumptions used for measuring related reserves:

- For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on the market interest rate which is in line with the period and risk of liability cash outflows. For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the portfolios backing the liabilities.
- The Group reasonably estimates the insurance incident occurrence rate, surrender rate and expense rate based on actual experience and future development trends.
- Policy dividend assumption is determined based on expected investment return rates of participating accounts, the Group's participating dividend policy, reasonable expectations of policyholders, etc.

When measuring related reserves, expected future net cash flows should cover the entire insurance period.

Unearned premium reserves for property and casualty and short-term life insurance contracts are also measured by using the unearned premium approach. At inception of the contract, unearned premium reserves are measured based on premiums received minus relevant acquisition costs. After initial recognition, the reserve is released over the term of the contract using a 365-day basis, risk distribution method, etc. When evaluating unearned premium reserves for property and casualty and short-term life insurance contracts, expected future claims cost is also considered.

Claim reserves include incurred and reported claim reserves, incurred but not reported ("IBNR") claim reserves and claim expense reserves.

Incurred and reported claim reserves represent insurance contract provisions for the claims incurred and reported to the Group. The Group uses case-by-case estimate method, average claim per case method, etc, to measure incurred and reported claim reserves based on a reasonable estimate of the ultimate claim amount and the margin factor.

IBNR claim reserves represent insurance contract provisions for the claims incurred but not reported to the Group. The Group uses chain ladder method, average claim per case method, development of reserves method, Bornhuetter-Ferguson method, etc, to measure IBNR claim reserves based on a reasonable estimate of the ultimate claim amount and the margin factor, and after considering the nature and distribution of insurance risk, claims developments, experience data, etc.

Claim expense reserves represent insurance contract provisions for related claims handling costs. The Group measures claim expense reserves based on a reasonable estimate of necessary claim expenses in the future. The Group uses case-by-case estimate method and ratio allocation method to measure claim expense reserves.

When evaluating insurance contract liabilities, the Group performs liability adequacy tests based on information currently available as at the balance sheet date. Additional insurance contract liabilities should be made if any deficiency exists.

Acquisition costs in relation to the sale of new contracts such as commissions are recorded as expenses in profit or loss, but the residual margin is calibrated to offset the impacts of the relevant acquisition costs incurred.

(23) Investment contract liabilities

Investment contract liabilities mainly represent liabilities with regard to the non-insurance portion of related contracts, and those contracts which do not pass the testing of significant insurance risk.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Summary of principal accounting policies (continued)

(24) Financial liabilities

Financial liabilities at amortized cost (including interest-bearing borrowings)

Financial liabilities at amortized cost are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognized in the income statement.

Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the income statement. The net fair value gain or loss recognized in the income statement does not include any interest charged on these financial liabilities.

(25) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the income statement.

(26) Securities sold under agreements to repurchase

Securities sold under agreements to repurchase are financial liabilities and are recorded at amortized cost. The Group may be required to provide additional collateral based on the fair value of the underlying securities and such collateral assets continue to be carried on the balance sheet.

(27) Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Other than insurance contracts for which potential future losses are already considered in establishing the insurance contract liabilities, a provision is recognized for onerous contracts in which the unavoidable costs of meeting the resulting obligation exceed the expected future economic benefits.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Summary of principal accounting policies (continued)

(28) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Summary of principal accounting policies (continued)

(29) Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Gross premiums

Premium income and reinsurance premium income is recognized when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that the related economic benefits will flow to the Group and the related income can be reliably measured.

Premiums from direct life insurance contracts with instalment or single payments are recognized as revenue when due. Premiums from direct non-life insurance contracts are recognized as revenue based on the amount of total premium stated in the contracts.

Reinsurance premiums are recognized as revenue in accordance with the terms stated in the reinsurance contracts.

(b) Income from investment contracts

Investment contracts issued by the Group are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholders' balance. The fees are recognized as revenue in the period in which they are collected unless they relate to services to be provided in future periods which would be deferred and recognized as the service is provided. Initiation and other front-end fees are charged for certain investment contracts recorded at amortized cost and are mainly recognized through an adjustment to the effective yield.

Income from investment contracts is included in other operating income.

(c) Investment income

Investment income includes interest from term deposits, fixed maturity securities, securities purchased under agreements to resell, policy loans and other loans, dividends from investment funds and securities, etc.

Interest income is 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 asset. Dividends are recognized when the shareholders' right to receive payment is established.

(30) Employee benefits

(a) Pension schemes

The employees of the Group participate in various defined contribution pension plans principally organized by municipal and provincial governments. The Group makes and accrues contributions to the pension plans based on certain percentages of the salaries of the employees on a monthly basis. Certain employees also participate in enterprise annuity plans. The Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred.

The Group pays early retirement benefits to those employees who accept early retirement arrangements approved by management. Early retirement benefits are paid to those employees who voluntarily retire before the normal retirement date. The related benefit payments are made from the date of early retirement through the normal retirement date. The Group records a liability for the present value of its early retirement obligation when employees retire early.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Summary of principal accounting policies (continued)

(30) Employee benefits (continued)

(b) Housing benefits

The employees of the Company and its subsidiaries which operate in the PRC are entitled to participate in various government-sponsored housing funds. The Company and these subsidiaries contribute on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Medical benefits

The Group makes contributions for medical benefits to the local authorities in accordance with the relevant local regulations.

(d) Long-term incentive plans

The Group also operates long-term incentive plans for senior management and some of the key employees. The employee benefits under the long-term incentive plans are accrued during the periods when employees provide services and are paid gradually.

(31) Borrowing costs

Borrowing costs are recognized as expenses in the income statement in the period in which they are incurred.

(32) Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires directors to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

3.1 Significant judgements

In the process of applying the Group's accounting policies, the directors have made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

(1) Classification of financial assets

The Group classifies its financial assets as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. These classifications require judgements of the directors. In making these judgements, the Group considers the intention of holding these financial assets, the requirements of HKAS 39 and their implications to the presentation in the financial statements.

(2) Unbundling and classification of hybrid contracts

The Group makes significant judgements on whether a written policy contains both an insurance component and a deposit component and whether the insurance component and deposit component are distinct and separately measurable. The result of such judgement affects the unbundling of insurance contracts.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.1 Significant judgements (continued)

(2) Unbundling and classification of hybrid contracts (continued)

In addition, the Group makes significant judgements on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing significant insurance risk tests. The result of such judgement affects the classification of insurance contracts. Whether to unbundle a contract and different contract classifications would affect the accounting treatment and the Group's financial position and operating results.

(3) Measurement unit for insurance contracts

The Group shall make judgments on whether a group of insurance contracts' insurance risks are of the same nature. Different measurement units would affect the measurement results of insurance contract liabilities.

(4) Impairment of available-for-sale equity financial instruments

The Group determines that available-for-sale equity financial instruments are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires judgement of directors. When making such judgement, the Group considers the normal volatility of the security price, the length of the period over which the fair value is lower than cost, the magnitude of the decline in fair value and the financial position of the investee, etc.

3.2 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(1) Valuation of insurance contract liabilities

When measuring the insurance contract liabilities, the Group needs to make a reasonable estimate of the amounts that the Group is required to pay in fulfilling the obligations under the insurance contracts. Such estimates are determined by calculating various possible outcomes and relevant probabilities based on information currently available as at the balance sheet date.

At the balance sheet date, the Group makes estimates of the assumptions used in the measurement of insurance contract liabilities. The Group determines such assumptions based on information currently available as at the balance sheet date and a risk adjustment is considered.

Unearned premium and related reserves

The main assumptions used in measuring unearned premium reserves include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), loss ratios, surrender rates, expense assumptions and policy dividend assumptions, etc.

(a) Discount rates

For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined by reference to the 750-day moving average bond yield curve, published on the "China Bond" website. A premium is added by considering the liquidity, taxation impacts and other relevant factors. The ranges of discount rates used as at 31 December 2012 and 2013 were from 3.12% to 6.29% and from 3.57% to 6.42%, respectively.

For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates. The ranges of discount rates used as at 31 December 2012 and 2013 were from 4.97% to 5.20% and from 4.90% to 5.20%, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Estimation uncertainty (continued)

(1) Valuation of insurance contract liabilities (continued)

Unearned premium and related reserves (continued)

(a) Discount rates (continued)

The discount rate assumption is affected by certain factors, such as future macro-economy, capital market, availability of investment channel of insurance funds, investment strategy and other factors. The Group determines discount rate assumption based on the information available as at the balance sheet date and a risk adjustment is considered.

(b) Mortality and morbidity

Mortality assumption is determined based on the Group's historical mortality experience and future development trends, etc. The Group bases its mortality assumptions on the China Life Insurance Mortality Table (2000-2003), adjusted where appropriate to reflect the Group's recent historical mortality experience.

Morbidity assumption is determined based on the Group's products pricing assumptions, analysis of historical morbidity experience and expectations of future developments, etc.

Mortality and morbidity assumptions are affected by certain factors, such as wide-ranging lifestyle changes in future, future development of medical technologies, continuing advancements in social conditions and other factors. A risk adjustment is considered in the Group's mortality and morbidity assumptions.

(c) Loss ratios

The Group bases its loss ratio assumption on analysis of its historical claims payments experience and future development trends.

(d) Surrender rates

Surrender rates are determined based on product type, the Group's historical experience and future expectation, and vary by interest rate, product type and sale channel.

The surrender rate assumption is affected by certain factors, such as future macro-economy, market competition and other factors. The Group determines surrender rate assumption based on the information available as at the balance sheet date and a risk adjustment is considered.

(e) Expenses

The Group bases its expense assumption on its expense analysis and future expectation for policy acquisition costs and maintenance expenses.

The Group's expense assumption is affected by certain factors, such as inflation, market competition and other factors. The Group uses information currently available as at the balance sheet date to determine expense assumption and a risk adjustment is considered.

(f) Policy dividend

Policy dividend assumption is determined based on expected investment return rates of participating accounts, the Group's participating dividend policy, reasonable expectations of policyholders, etc.

The Group's policy dividend assumption is affected by the above factors and is determined based on the information available as at the balance sheet date and a risk adjustment is considered.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Estimation uncertainty (continued)

(1) Valuation of insurance contract liabilities (continued)

Claim reserves

The main assumption in measuring claim reserves is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident year, but can also be further analysed by geographical area, as well as by significant business line and claim type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the probability-weighted ultimate cost of claims.

(2) Fair values of financial assets and derivative financial instruments determined using valuation techniques

Fair value, in the absence of an active market, is estimated by using valuation techniques, such as reference to prices used in most recent market transactions between knowledgeable and willing parties, reference to the current fair value of another instrument which is substantially the same, a discounted cash flow analysis and/or option pricing models. For reference to other financial instruments, instruments must have similar credit ratings.

For a discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions, concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk-free interest rates and credit risk.

(3) Deferred income tax assets

Deferred income tax assets are recognized for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Significant judgement is required to estimate the amount and timing of future taxable profit so as to determine, together with the tax planning strategies, the amount of deferred income tax assets to be recognized.

3.3 Change in accounting estimates

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

As at 31 December 2013, the Group used information currently available to determine the above assumptions and the impact of change in assumptions was charged to profit or loss. Such change in accounting estimates resulted in an increase in net insurance contract liabilities and other policy-related liabilities as at 31 December 2013 by approximately RMB3,761 million and a decrease in profit before tax for 2013 by approximately RMB3,761 million.

The above change in accounting estimates has been approved by the board of directors of the Company on 28 March 2014.

4. SEGMENT INFORMATION

The Group presents segment information based on its major operating segments.

For management purpose, the Group is organized into business units based on their products and services. Different operating segments provide products and services with different risks and rewards.

4. SEGMENT INFORMATION (continued)

The Group's operating segments are listed as follows:

- The life insurance segment offers a wide range of RMB life insurance;
- The property and casualty insurance segment provides a wide range of RMB and foreign-currency property and casualty insurance;
- Other businesses segment provides management services and usage of fund services.

Intersegment sales and transfers are measured based on the actual transaction price.

More than 99% of the Group's revenue is derived from its operations in the PRC. More than 99% of the Group's assets are located in the PRC.

In 2013, gross written premiums from transactions with the top five external customers amounted to 0.4% (2012: 2%) of the Group's total gross written premiums.

Segment income statement for the year ended 31 December 2013

		Property and casualty insurance						
	Life insurance	Mainland China	Hong Kong	Elimina-tions	Sub-total	Corporate and others	Elimina-tions	Total
Gross written premiums	95,101	81,744	413	(335)	81,822	-	-	176,923
Less: Premiums ceded to reinsurers	(1,605)	(13,984)	(41)	335	(13,690)	-	-	(15,295)
Net written premiums	93,496	67,760	372	-	68,132	-	-	161,628
Net change in unearned premium reserves	(228)	(1,759)	(16)	-	(1,775)	-	-	(2,003)
Net premiums earned	93,268	66,001	356	-	66,357	-	-	159,625
Investment income	26,588	3,342	27	-	3,369	1,026	(11)	30,972
Other operating income	768	320	-	-	320	2,095	(1,563)	1,620
Other income	27,356	3,662	27	-	3,689	3,121	(1,574)	32,592
Segment income	120,624	69,663	383	-	70,046	3,121	(1,574)	192,217
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(28,420)	-	-	-	-	-	-	(28,420)
Claims incurred	(1,849)	(43,584)	(224)	-	(43,808)	-	-	(45,657)
Changes in long-term life insurance contract liabilities	(55,056)	-	-	-	-	-	-	(55,056)
Policyholder dividends	(4,126)	-	-	-	-	-	-	(4,126)
Finance costs	(2,626)	(109)	-	-	(109)	(20)	-	(2,755)
Interest credited to investment contracts	(1,924)	-	-	-	-	-	-	(1,924)
Other operating and administrative expenses	(19,046)	(22,382)	(132)	-	(22,514)	(2,382)	1,577	(42,365)
Segment benefits, claims and expenses	(113,047)	(66,075)	(356)	-	(66,431)	(2,402)	1,577	(180,303)
Segment results	7,577	3,588	27	-	3,615	719	3	11,914
Share of losses of associates	(12)	(1)	-	-	(1)	-	13	-
Profit before tax	7,565	3,587	27	-	3,614	719	16	11,914
Income tax	(1,346)	(965)	(5)	-	(970)	(177)	(26)	(2,519)
Net profit for the year	6,219	2,622	22	-	2,644	542	(10)	9,395

4. SEGMENT INFORMATION (continued)

Segment balance sheet at 31 December 2013

	Life insurance	Property and casualty insurance: Mainland China	Hong Kong	Elimina-tions	Sub-total	Corporate and others	Elimina-tions	Total
Investment in a joint venture	-	11	-	-	11	-	-	11
Financial assets *	413,007	51,186	399	-	51,585	20,088	(3)	484,677
Term deposits	119,696	18,045	-	-	18,045	6,576	-	144,317
Others	52,181	30,725	313	(323)	30,715	14,089	(2,457)	94,528
Segment assets	584,884	99,967	712	(323)	100,356	40,753	(2,460)	723,533
Insurance contract liabilities	444,761	57,703	276	(204)	57,775	-	-	502,536
Investment contract liabilities	34,443	-	-	-	-	-	-	34,443
Policyholders' deposits	11	66	-	-	66	-	-	77
Subordinated debt	15,500	-	-	-	-	-	-	15,500
Securities sold under agreements to repurchase	21,278	3,866	-	-	3,866	55	-	25,199
Others	29,954	13,530	183	(119)	13,594	4,219	(2,375)	45,392
Segment liabilities	545,947	75,165	459	(323)	75,301	4,274	(2,375)	623,147

* *Financial assets comprise financial assets at fair value through profit or loss, held-to-maturity financial assets, available-for-sale financial assets and investments classified as loans and receivables.*

Other segment information for the year ended 31 December 2013

	Life insurance	Property and casualty insurance: Mainland China	Hong Kong	Elimina-tions	Sub-total	Corporate and others	Elimina-tions	Total
Depreciation and amortization	572	615	-	-	615	373	-	1,560
Capital expenditure	1,101	972	3	-	975	677	-	2,753
Impairment loss charges	1,227	(31)	1	-	(30)	66	-	1,263
Interest income	24,298	3,133	24	-	3,157	1,049	(12)	28,492
Unrealized gains from financial assets at fair value through profit or loss	20	3	-	-	3	(7)	-	16

4. SEGMENT INFORMATION (continued)

Segment income statement for the year ended 31 December 2012

	Life insurance	Property and casualty insurance: Mainland China	Hong Kong	Elimina-tions	Sub-total	Corporate and others	Elimina-tions	Total
Gross written premiums	93,461	69,697	375	(305)	69,767	-	-	163,228
Less: Premiums ceded to reinsurers	(1,688)	(10,372)	(40)	305	(10,107)	-	-	(11,795)
Net written premiums	91,773	59,325	335	-	59,660	-	-	151,433
Net change in unearned premium reserves	(260)	(3,315)	(19)	-	(3,334)	-	-	(3,594)
Net premiums earned	91,513	56,010	316	-	56,326	-	-	147,839
Investment income	16,216	1,426	(3)	-	1,423	484	(63)	18,060
Other operating income	714	260	1	-	261	1,426	(1,143)	1,258
Other income	16,930	1,686	(2)	-	1,684	1,910	(1,206)	19,318
Segment income	108,443	57,696	314	-	58,010	1,910	(1,206)	167,157
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(20,596)	-	-	-	-	-	-	(20,596)
Claims incurred	(1,370)	(34,276)	(169)	-	(34,445)	-	-	(35,815)
Changes in long-term life insurance contract liabilities	(58,501)	-	-	-	-	-	-	(58,501)
Policyholder dividends	(3,905)	-	-	-	-	-	-	(3,905)
Finance costs	(2,088)	(185)	-	-	(185)	(15)	-	(2,288)
Interest credited to investment contracts	(1,715)	-	-	-	-	-	-	(1,715)
Other operating and administrative expenses	(17,830)	(19,566)	(124)	-	(19,690)	(1,847)	1,143	(38,224)
Segment benefits, claims and expenses	(106,005)	(54,027)	(293)	-	(54,320)	(1,862)	1,143	(161,044)
Segment results	2,438	3,669	21	-	3,690	48	(63)	6,113
Share of losses of associates	(26)	(1)	-	-	(1)	-	27	-
Profit before tax	2,412	3,668	21	-	3,689	48	(36)	6,113
Income tax	83	(1,009)	(4)	-	(1,013)	(63)	10	(983)
Net profit/(loss) for the year	2,495	2,659	17	-	2,676	(15)	(26)	5,130

4. SEGMENT INFORMATION (continued)

Segment balance sheet at 31 December 2012

		Property and casualty insurance						
	Life insurance	Mainland China	Hong Kong	Elimina-tions	Sub-total	Corporate and others	Elimina-tions	Total
Financial assets *	364,743	44,778	446	-	45,224	12,428	(3)	422,392
Term deposits	139,335	17,105	-	-	17,105	7,857	-	164,297
Others	50,904	27,009	265	(275)	26,999	19,106	(2,196)	94,813
Segment assets	554,982	88,892	711	(275)	89,328	39,391	(2,199)	681,502
Insurance contract liabilities	387,674	51,125	259	(171)	51,213	-	-	438,887
Investment contract liabilities	41,754	-	-	-	-	-	-	41,754
Policyholders' deposits	11	68	-	-	68	-	-	79
Subordinated debt	15,500	-	-	-	-	-	-	15,500
Securities sold under agreements to repurchase	48,517	1,530	-	-	1,530	96	-	50,143
Others	23,800	12,096	195	(104)	12,187	3,726	(2,143)	37,570
Segment liabilities	517,256	64,819	454	(275)	64,998	3,822	(2,143)	583,933

* *Financial assets comprise financial assets at fair value through profit or loss, held-to-maturity financial assets, available-for-sale financial assets and investments classified as loans and receivables.*

Other segment information for the year ended 31 December 2012

		Property and casualty insurance						
	Life insurance	Mainland China	Hong Kong	Elimina-tions	Sub-total	Corporate and others	Elimina-tions	Total
Depreciation and amortization	505	481	1	-	482	359	-	1,346
Capital expenditure	1,130	1,589	1	-	1,590	176	-	2,896
Impairment loss charges	3,227	966	25	-	991	260	-	4,478
Interest income	20,818	3,004	21	-	3,025	939	(16)	24,766
Unrealized losses from financial assets at fair value through profit or loss	68	31	-	-	31	-	-	99

5. SCOPE OF CONSOLIDATION

Particulars of the Company's incorporated subsidiaries as at 31 December 2013 are as follows:

Name	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Organization code	Registered capital(RMB thousand, unless otherwise stated)	Paid-up capital(RMB thousand, unless otherwise stated)	Percentage of equity attributable to the Company		Percentage of voting rights attributable to the Company	Note
							Direct	Indirect		
China Pacific Property Insurance Co., Ltd. ("CPIC Property")	Property and casualty insurance	Shanghai	The PRC	73337320-X	18,000,000	18,000,000	98.50	-	98.50	
China Pacific Life Insurance Co., Ltd. ("CPIC Life")	Life insurance	Shanghai	The PRC	73337090-6	7,600,000	7,600,000	98.29	-	98.29	
Pacific Asset Management Co., Ltd. ("CPIC Asset Management")	Investment management	Shanghai	Shanghai	78954956-9	500,000	500,000	80.00	19.67	100.00	
China Pacific Insurance Co., (H.K.) Ltd.	Property and casualty insurance	Hong Kong	Hong Kong	Not applicable	HK$250,000 thousand	HK$250,000 thousand	100.00	-	100.00	
Shanghai Pacific Real Estate Co., Ltd.	Management of properties	Shanghai	Shanghai	13370078-0	115,000	115,000	100.00	-	100.00	
Fenghua Xikou Garden Hotel	Hotel operations	Zhejiang	Zhejiang	72639899-4	8,000	8,000	-	98.39	100.00	
Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension")	Pension fund management business	Shanghai	Shanghai	66246731-2	787,610	787,610	-	51.00	51.75	
CPIC Investment Management (H.K.) Company Limited ("CPIC Investment (H.K.)")	Investment management	Hong Kong	Hong Kong	Not applicable	HK$50,000 thousand	HK$50,000 thousand	49.00	50.83	100.00	(1)
City Island Developments Limited ("City Island")	Investment holding	The British Virgin Islands	The British Virgin Islands	Not applicable	US$50,000	US$1,000	-	98.29	100.00	
Great Winwick Limited *	Investment holding	The British Virgin Islands	The British Virgin Islands	Not applicable	US$50,000	US$100	-	98.29	100.00	
Great Winwick (Hong Kong) Limited *	Investment holding	Hong Kong	Hong Kong	Not applicable	HK$10,000	HK$1	-	98.29	100.00	
Newscott Investments Limited *	Investment holding	The British Virgin Islands	The British Virgin Islands	Not applicable	US$50,000	US$100	-	98.29	100.00	
Newscott (Hong Kong) Investments Limited *	Investment holding	Hong Kong	Hong Kong	Not applicable	HK$10,000	HK$1	-	98.29	100.00	
Shanghai Xinhui Real Estate Development Co., Ltd. *	Real estate	Shanghai	Shanghai	60720379-5	US$15,600 thousand	US$15,600 thousand	-	98.29	100.00	
Shanghai Hehui Real Estate Development Co., Ltd. *	Real estate	Shanghai	Shanghai	60732576-8	US$46,330 thousand	US$46,330 thousand	-	98.29	100.00	
Pacific Insurance Online Services Technology Co., Ltd.	Consulting services, etc	Shandong	The PRC	58877325-7	200,000	200,000	100.00	-	100.00	
Tianjin Trophy Real Estate Co., Ltd. ("Tianjin Trophy")	Real estate	Tianjin	Tianjin	66306432-0	353,690	353,690	-	98.29	100.00	(2)

* *Subsidiaries of City Island*

5. SCOPE OF CONSOLIDATION (continued)

(1) On 28 August 2013, CPIC Investment (H.K.) submitted to the Securities and Futures Commission (the "SFC") a request for cessation of business. As at the date of approval of these financial statements, the request was being processed by the SFC.

(2) Acquisition of Tianjin Trophy

In May 2013, CPIC Life acquired the entire 100% equity interest of Tianjin Trophy with a total consideration of approximately RMB414 million in cash. The Group gained control of Tianjin Trophy on 31 May 2013, which was regarded as the acquisition date.

The fair value of the identifiable assets and liabilities acquired as at the acquisition date is set out below:

Assets:	
Investment properties	623
Cash and cash equivalents	27
Other assets	20
	670
Liabilities:	
Long-term borrowings	(188)
Deferred income tax liabilities	(42)
Other liabilities	(16)
	(246)
Total identifiable net assets at fair value	424
Gain on bargain purchase recognised in other operating income in the consolidated income statement	(10)
Total consideration in cash	414

An analysis of the net cash flows in respect of the acquisition is as follows:

Cash and bank balances acquired	10
Cash equivalents acquired	17
Consideration to be paid	9
Total consideration in cash	(414)
Net cash outflow	(378)

From the date of acquisition, Tianjin Trophy has contributed approximately total income of RMB21 million, net profit of RMB2 million and net cash outflow of RMB14 million to the Group's consolidated financial statement for the year ended 31 December 2013.

From the date of acquisition to 31 December 2013, the Group did not dispose of nor has it any intention to dispose of any significant assets or liabilities of Tianjin Trophy.

6. NET WRITTEN PREMIUMS

(a) Gross written premiums

	2013	2012
Long-term life insurance premiums	89,454	88,511
Short-term life insurance premiums	5,647	4,950
Property and casualty insurance premiums	81,822	69,767
	176,923	163,228

(b) Premiums ceded to reinsurers

	2013	2012
Long-term life insurance premiums ceded to reinsurers	(1,418)	(1,446)
Short-term life insurance premiums ceded to reinsurers	(187)	(242)
Property and casualty insurance premiums ceded to reinsurers	(13,690)	(10,107)
	(15,295)	(11,795)

(c) Net written premiums

	2013	2012
Net written premiums	161,628	151,433

7. INVESTMENT INCOME

	2013	2012
Interest and dividend income (a)	31,046	26,618
Realized gains/(losses) (b)	1,231	(4,244)
Unrealized gains (c)	16	99
Charge of impairment losses on financial assets	(1,321)	(4,413)
	30,972	18,060

7. INVESTMENT INCOME (continued)

(a) Interest and dividend income

	2013	2012
Financial assets at fair value through profit or loss		
- Fixed maturity investments	16	17
- Investment funds	19	7
- Equity securities	23	1
	58	25
Held-to-maturity financial assets		
- Fixed maturity investments	12,542	10,298
Loans and receivables		
- Fixed maturity investments	11,231	11,197
Available-for-sale financial assets		
- Fixed maturity investments	4,703	3,254
- Investment funds	1,171	915
- Equity securities	1,180	885
- Other equity investments	161	44
	7,215	5,098
	31,046	26,618

(b) Realized gains/(losses)

	2013	2012
Financial assets at fair value through profit or loss		
- Fixed maturity investments	51	(30)
- Investment funds	1	28
- Equity securities	50	7
	102	5
Available-for-sale financial assets		
- Fixed maturity investments	(101)	(138)
- Investment funds	556	(1,528)
- Equity securities	674	(2,583)
	1,129	(4,249)
	1,231	(4,244)

(c) Unrealized gains

	2013	2012
Financial assets at fair value through profit or loss		
- Fixed maturity investments	37	100
- Investment funds	(12)	(13)
- Equity securities	(9)	12
	16	99

8. NET POLICYHOLDERS' BENEFITS AND CLAIMS

			2013
	Gross	Ceded	Net
Life insurance death and other benefits paid	28,917	(497)	28,420
Claims incurred			
- Short-term life insurance	1,852	(3)	1,849
- Property and casualty insurance	50,796	(6,988)	43,808
Changes in long-term life insurance contract liabilities	55,697	(641)	55,056
Policyholder dividends	4,126	-	4,126
	141,388	(8,129)	133,259

			2012
	Gross	Ceded	Net
Life insurance death and other benefits paid	21,154	(558)	20,596
Claims incurred			
- Short-term life insurance	1,562	(192)	1,370
- Property and casualty insurance	40,377	(5,932)	34,445
Changes in long-term life insurance contract liabilities	59,027	(526)	58,501
Policyholder dividends	3,905	-	3,905
	126,025	(7,208)	118,817

9. FINANCE COSTS

	2013	2012
Current liabilities		
- Interest expense on securities sold under agreements to repurchase	1,539	1,391
- Interest expense on policyholder dividends	420	328
- Others	4	4
	1,963	1,723
Non-current liabilities		
- Interest expense on subordinated debt	784	565
- Long-term borrowings	8	-
	792	565
	2,755	2,288

10. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2013	2012
Employee benefit expense (including directors' and supervisors' emoluments) (note 11)	10,792	10,707
Auditors' remuneration	17	17
Operating lease payments in respect of land and buildings	808	752
Depreciation of property and equipment (note 17)	1,046	903
Depreciation of investment properties (note 18)	215	203
Amortization of other intangible assets (note 19)	273	212
Amortization of prepaid land lease payments (note 20)	1	2
Amortization of other assets	25	26
Gain on disposal of items of property and equipment, intangible assets and other long-term assets	(3)	(22)
(Reversal)/charge of impairment loss on insurance receivables	(49)	49
Charge of impairment loss on financial assets (note 7)	1,321	4,413
Foreign exchange loss, net	280	11

11. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' AND SUPERVISORS' EMOLUMENTS)

	2013	2012
Salaries, allowances and other short-term benefits	8,707	8,890
Contributions to defined contribution plans (1)	1,943	1,681
Early retirement benefit obligation	58	33
Long-term incentive (2)	84	103
	10,792	10,707

(1) Contributions to defined contribution plans mainly include contributions made to the state pension schemes.
(2) In order to motivate senior management and certain key employees, the Group operates long-term incentive plans.

12. DIRECTORS' AND SUPERVISORS' REMUNERATION

(in RMB thousand)	2013	2012
Fees	1,379	1,400
Other remuneration		
- Salaries, allowances and other short-term benefits	10,853	8,584
- Contributions to defined contribution plans	1,090	951
- Long-term incentive paid (1)	2,891	2,384
	14,834	11,919
	16,213	13,319

(1) This represents the amount paid under the Group's long-term incentive plans mentioned in note 11(2). Amounts accrued for all eligible participants under the plans as a whole but not yet allocated to individual personnel are not included above because such amounts are not yet fully vested.

12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(a) Independent non-executive directors

Included in the fees is an amount of RMB1,379 thousand paid to independent non-executive directors for the year ended 31 December 2013 (2012: RMB1,400 thousand). There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2013.

(in RMB thousand)					2013
	Fees	Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
LI Ruoshan[1]	150	-	-	-	150
XIAO Wei[1]	125	-	-	-	125
YUEN Tin Fan[1]	150	-	-	-	150
CHANG Tso Tung, Stephen[1]	150	-	-	-	150
XU Shanda[1]	125	-	-	-	125
LIN Zhiquan[2]	150	-	-	-	150
ZHOU Zhonghui[2]	150	-	-	-	150
BAI Wei[2]	125	-	-	-	125
HUO Guangwen[2]	150	-	-	-	150
ZHANG Yansheng[2,3]	104	-	-	-	104
	1,379	-	-	-	1,379

1 Retired with effect from June 2013
2 Independent non-executive director since July 2013
3 Resigned with effect from November 2013

(in RMB thousand)					2012
	Fees	Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
LI Ruoshan	300	-	-	-	300
XIAO Wei	250	-	-	-	250
YUEN Tin Fan	300	-	-	-	300
CHANG Tso Tung, Stephen	300	-	-	-	300
XU Shanda	250	-	-	-	250
	1,400	-	-	-	1,400

12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

(in RMB thousand)				2013
	Long-term incentive	Salaries,allowances and other short-term benefits	Contributions to defined contribution plans	Total
Executive directors:				
GAO Guofu [1]	664	1,915	291	2,870
HUO Lianhong [1]	686	1,735	278	2,699
Non-executive directors:				
YANG Xianghai	-	250	-	250
WANG Chengran	-	250	-	250
Cheng Feng[2,4]	-	104	-	104
Sun Xiaoning[2]	-	-	-	-
ZHENG Anguo	-	250	-	250
WU Jumin	-	250	-	250
WU Junhao	-	250	-	250
XU Fei[3]	-	125	-	125
YANG Xiangdong[3]	-	125	-	125
FENG Junyuan, Janine[3]	-	125	-	125
	1,350	5,379	569	7,298

1 According to the policies of the relevant authorities in China, the final amounts of remuneration for the executive directors are currently subject to review and approval. The remaining portion of the remuneration will be disclosed when it is confirmed.
2 Non-executive director since July 2013
3 Retired with effect from June 2013
4 Resigned with effect from November 2013

(in RMB thousand)				2012
	Long-term incentive	Salaries,allowances and other short-term benefits	Contributions to defined contribution plans	Total
Executive directors:				
GAO Guofu *	289	1,608	293	2,190
HUO Lianhong *	314	1,458	277	2,049
Non-executive directors:				
YANG Xianghai	-	250	-	250
ZHOU Ciming	-	104	-	104
WANG Chengran	-	250	-	250
ZHENG Anguo	-	250	-	250
WU Jumin	-	250	-	250
XU Fei	-	250	-	250
YANG Xiangdong	-	250	-	250
FENG Junyuan, Janine	-	250	-	250
WU Junhao	-	104	-	104
	603	5,024	570	6,197

** As at 31 December 2012, part of the two executive directors' remuneration was subject to review and approval and thus not included in the above amount. With the relevant approval obtained in 2013, the total remuneration for Mr. Gao Guofu and Mr. Huo Lianhong for 2012 amounted to RMB2,871 thousand and RMB2,700 thousand, respectively.*

12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors (continued)

Pursuant to the resolution of the 2009 annual general meeting, the allowance for each of the existing directors (excluding executive directors) is RMB250,000 (before tax) per year. In May 2011, the 2010 annual general meeting resolved to grant an additional allowance of RMB50,000 (before tax) per year to each of those directors who take the role of chairman in special committees established under the board of directors. Except for SUN Xiaoning, the non-executive director, there was no other arrangement under which a director waived or agreed to waive any remuneration during 2013.

(c) Supervisors

(in RMB thousand)				2013
	Long-term Incentive	Salaries,allowances and other short-term benefits	Contributions to defined contribution plans	Total
ZHOU Zhuping[1]	-	125	-	125
Dai Zhihao[2]	-	125	-	125
ZHANG Jianwei	-	250	-	250
LIN Lichun	-	250	-	250
SONG Junxiang	1,262	3,197	250	4,709
HE Jihai[1]	202	642	132	976
Yuan Songwen[2]	77	885	139	1,101
	1,541	5,474	521	7,536

1 Retired with effect from June 2013
2 Supervisor since July 2013

(in RMB thousand)				2012
	Long-term Incentive	Salaries,allowances and other short-term benefits	Contributions to defined contribution plans	Total
ZHOU Zhuping	-	250	-	250
ZHANG Jianwei	-	250	-	250
LIN Lichun	-	250	-	250
SONG Junxiang	1,575	2,152	248	3,975
HE Jihai	206	658	133	997
	1,781	3,560	381	5,722

Pursuant to the resolution of the 2009 annual general meeting, the allowance for each of the existing supervisors (excluding employees' representative supervisors) is RMB250,000 (before tax) per year. There was no arrangement under which a supervisor waived or agreed to waive any remuneration during 2013.

13. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose remuneration was the highest in the Group include no director for the years ended 31 December 2013 and 2012.

The number of non-director, highest paid individuals whose remuneration fell within the following bands is set out below:

	2013	2012
Nil to RMB1,000,000	-	-
RMB1,000,001 to RMB2,000,000	-	-
RMB2,000,001 to RMB3,000,000	-	-
RMB3,000,001 to RMB4,000,000	-	-
RMB4,000,001 to RMB5,000,000	2	4
RMB5,000,001 to RMB6,000,000	2	1
RMB6,000,001 to RMB7,000,000	1	-
RMB7,000,001 to RMB8,000,000	-	-
Total	5	5

Details of the remuneration of the highest paid non-director individuals are as follows:

(in RMB thousand)	2013	2012
Salaries, allowances and other short-term benefits	20,180	15,143
Contributions to defined contribution plans	1,280	1,262
Long-term incentive paid (1)	5,187	6,297
	26,647	22,702
The number of non-director individuals for the above remuneration	5	5

(1) This represents the amount paid under the Group's long-term incentive plans mentioned in note 11(2). Amounts accrued for all eligible participants under the plans as a whole but not yet allocated to individual personnel are not included above because such amounts are not yet fully vested.

In 2013 and 2012, no emoluments were paid by the Group to any of these non-director individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

14. INCOME TAX

(a) Income tax

	2013	2012
Current income tax	2,504	1,106
Deferred income tax (note 32)	15	(123)
	2,519	983

(b) Tax recorded in other comprehensive income

	2013	2012
Deferred income tax (note 32)	(1,105)	3,034

(c) Reconciliation of tax expense

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

14. INCOME TAX (continued)

(c) Reconciliation of tax expense (continued)

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

	2013	2012
Profit before tax	11,914	6,113
Tax computed at the statutory tax rate	2,979	1,528
Adjustments to income tax in respect of previous periods	(60)	(27)
Income not subject to tax	(1,082)	(877)
Expenses not deductible for tax	637	421
Others	45	(62)
Tax expense at the Group's effective rate	2,519	983

15. EARNINGS PER SHARE

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

	2013	2012
Consolidated net profit for the year attributable to equity holders of the parent	9,261	5,077
Weighted average number of ordinary shares in issue (million)	9,062	8,639
Basic earnings per share	RMB1.02	RMB0.59
Diluted earnings per share	RMB1.02	RMB0.59

The Company had no dilutive potential ordinary shares as at 31 December 2013 and 2012.

16. OTHER COMPREHENSIVE (LOSS)/INCOME

	2013	2012
Exchange differences on translation of foreign operations	(9)	-
Available-for-sale financial assets		
(Losses)/gains arising during the year	(4,702)	3,554
Reclassification adjustments for (gains)/ losses included in profit or loss	(1,129)	4,249
Fair value change on available-for-sale financial assets attributable to policyholders	66	(14)
Impairment charges reclassified to the income statement	1,321	4,413
	(4,444)	12,202
Income tax relating to available-for-sale financial assets	1,105	(3,034)
	(3,339)	9,168
Other comprehensive (loss)/income	(3,348)	9,168

17. PROPERTY AND EQUIPMENT

Group	Land and buildings	Construction in progress	Motor vehicles	Office furniture and equipment	Leasehold improvements	Total
Cost						
At 1 January 2012	5,588	1,573	772	3,386	1,101	12,420
Additions	118	1,479	135	505	181	2,418
Transfers	944	(944)	-	-	-	-
Transfer from investment properties, net (note 18)	20	-	-	-	-	20
Disposals	-	-	(59)	(122)	-	(181)
At 31 December 2012	6,670	2,108	848	3,769	1,282	14,677
Additions	145	1,453	106	407	166	2,277
Transfers	1,616	(1,616)	-	-	-	-
Transfer to investment properties, net (note 18)	(40)	-	-	-	-	(40)
Acquisition of a subsidiary	1	-	-	4	-	5
Disposals	(17)	-	(66)	(159)	-	(242)
At 31 December 2013	8,375	1,945	888	4,021	1,448	16,677
Accumulated depreciation and impairment						
At 1 January 2012	(1,358)	-	(382)	(2,252)	(595)	(4,587)
Depreciation charge	(196)	-	(99)	(427)	(181)	(903)
Transfer to investment properties, net (note 18)	1	-	-	-	-	1
Disposals	-	-	56	120	-	176
At 31 December 2012	(1,553)	-	(425)	(2,559)	(776)	(5,313)
Depreciation charge	(243)	-	(109)	(499)	(195)	(1,046)
Transfer to investment properties, net (note 18)	2	-	-	-	-	2
Acquisition of a subsidiary	-	-	-	(3)	-	(3)
Disposals	6	-	65	154	-	225
At 31 December 2013	(1,788)	-	(469)	(2,907)	(971)	(6,135)
Net book value						
At 31 December 2012	5,117	2,108	423	1,210	506	9,364
At 31 December 2013	6,587	1,945	419	1,114	477	10,542

17. PROPERTY AND EQUIPMENT (continued)

Company	Land and buildings	Construction in progress	Motor vehicles	Office furniture and equipment	Leasehold Improvements	Total
Cost						
At 1 January 2012	396	1	11	440	237	1,085
Additions	-	75	-	62	(49)	88
Disposals	-	-	(1)	(9)	-	(10)
Transfer from investment properties, net (note 18)	26	-	-	-	-	26
At 31 December 2012	422	76	10	493	188	1,189
Additions	-	597	1	30	(8)	620
Disposals	-	-	-	(13)	-	(13)
Transfer to investment properties, net (note 18)	(57)	-	-	-	-	(57)
At 31 December 2013	365	673	11	510	180	1,739
Accumulated depreciation and impairment						
At 1 January 2012	(97)	-	(6)	(329)	(85)	(517)
Depreciation charge	(13)	-	(2)	(58)	(31)	(104)
Disposals	-	-	1	8	-	9
Transfer from investment properties, net (note 18)	(1)	-	-	-	-	(1)
At 31 December 2012	(111)	-	(7)	(379)	(116)	(613)
Depreciation charge	(11)	-	(1)	(63)	(27)	(102)
Disposals	-	-	-	9	-	9
Transfer to investment properties, net(note 18)	2	-	-	-	-	2
At 31 December 2013	(120)	-	(8)	(433)	(143)	(704)
Net book value						
At 31 December 2012	311	76	3	114	72	576
At 31 December 2013	245	673	3	77	37	1,035

18. INVESTMENT PROPERTIES

	Group	Company
Cost		
At 1 January 2012	6,745	2,649
Transfer to property and equipment, net	(20)	(26)
At 31 December 2012	6,725	2,623
Acquisition of subsidiaries	623	-
Transfer from property and equipment, net	40	57
At 31 December 2013	7,388	2,680
Accumulated depreciation		
At 1 January 2012	(172)	(163)
Depreciation charge	(203)	(84)
Transfer (from)/to property and equipment, net	(1)	1
At 31 December 2012	(376)	(246)
Depreciation charge	(215)	(87)
Transfer from property and equipment, net	(2)	(2)
At 31 December 2013	(593)	(335)
Carrying amount		
At 31 December 2012	6,349	2,377
At 31 December 2013	6,795	2,345

The fair values of investment properties of the Group and the Company as at 31 December 2013 amounted to RMB8,356 million and RMB3,721 million (31 December 2012: RMB7,567 million and RMB3,645 million), respectively, which were estimated by the Company having regard to valuations performed by independent valuers. The Company leases part of its investment properties to CPIC Property, CPIC Life, CPIC Asset Management, CPIC Online and Changjiang Pension charges rentals based on the areas occupied by the respective entities. These properties are categorized as property and equipment of the Group in the consolidated balance sheet.

As at 31 December 2013, the investment property of the Group amounted to RMB614 million was pledged as security for the Group's long-term borrowings with carrying value of RMB188 million.

19. OTHER INTANGIBLE ASSETS

Group	Software
Cost	
At 1 January 2012	1,255
Additions	418
Disposal	(4)
At 31 December 2012	1,669
Additions	442
At 31 December 2013	2,111
Accumulated amortization	
At 1 January 2012	(722)
Amortization	(212)
Disposal	3
At 31 December 2012	(931)
Amortization	(273)
At 31 December 2013	(1,204)
Carrying amount	
At 31 December 2012	738
At 31 December 2013	907

20. PREPAID LAND LEASE PAYMENTS

	Group	Company
Cost		
At 1 January 2012	27	-
Additions	38	38
At 31 December 2012 and 31 December 2013	65	38
Accumulated amortization		
At 1 January 2012	(3)	-
Amortization	(2)	(1)
At 31 December 2012	(5)	(1)
Amortization	(1)	(1)
At 31 December 2013	(6)	(2)
Carrying amount		
At 31 December 2012	60	37
At 31 December 2013	59	36

Land use rights are acquired under the PRC laws for fixed periods, and the related costs are amortized on the straight-line basis. All of the Group's land use rights are related to pieces of land located in the PRC. The costs of the land use rights are amortized over the lease terms ranging from 30 to 50 years.

21. INVESTMENTS IN SUBSIDIARIES

Company	31 December 2013	31 December 2012
Unlisted shares, at cost	54,813	54,663

Particulars of the Company's subsidiaries as at 31 December 2013 are set out in note 5.

The amounts due from and to subsidiaries are disclosed in note 34 or on the face of the Company's balance sheet. The amounts are unsecured, interest-free and are repayable on demand or within one year. The carrying amounts of the amounts due from and to subsidiaries approximate their fair values.

22. INVESTMENT IN A JOINT VENTURE

Group	31 December 2013	31 December 2012
Share of net assets	11	-

In 2013, CPIC Property and a third party set up a project company named Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd ("Binjiang-Xiangrui") to develop a parcel of land located in Huangpu District, Shanghai as the owner of the land use right to this parcel of land.

Particulars of the joint venture as at 31 December 2013 are as follow:

Name	Place of incorporation	Percentage of ownership interest		Percentage of voting power	Registered capital (RMB thousand)	Paid-up capital (RMB thousand)	Principal activity
		Direct	Indirect				
Binjiang-Xiangrui	Shanghai	-	35.16%	35.70%	150,000	30,000	Real estate

The main financial information of the Group's joint venture:

	2013(RMB thousand)	2012(RMB thousand)
Share of the joint venture's net loss:	(7)	-
Share of the joint venture's other comprehensive income:	-	-

As at 31 December 2013, the Group's investment in a joint venture .had no impairment. The Group received no cash dividend from Binjiang-Xiangrui.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

All the Group's financial assets at fair value through profit or loss are held for trading and were as follows:

Group	31 December 2013	31 December 2012
Listed		
Equity investments		
- Equity securities	1,071	194
- Investment funds	148	97
Debt investments		
- Government bonds	7	32
- Finance bonds	3,171	1,098
- Corporate bonds	29	44
	4,426	1,465
Unlisted		
Equity investments		
- Investment funds	500	249
	4,926	1,714

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Company	31 December 2013	31 December 2012
Listed		
Equity investments		
- Investment funds	6	5
Debt investments		
- Government bonds	7	32
- Finance bonds	22	-
- Corporate bonds	6	-
	41	37

24. HELD-TO-MATURITY FINANCIAL ASSETS

Held-to-maturity financial assets are stated at amortized cost and comprise the following:

Group	31 December 2013	31 December 2012
Listed		
Debt investments		
- Government bonds	1,354	2,187
- Finance bonds	5,575	60
- Corporate bonds	9,665	9,234
	16,594	11,481
Unlisted		
Debt investments		
- Government bonds	50,222	50,220
- Finance bonds	110,275	112,053
- Corporate bonds	85,851	75,012
	246,348	237,285
	262,942	248,766

Company	31 December 2013	31 December 2012
Listed		
Debt investments		
- Corporate bonds	1,012	1,021
Unlisted		
Debt investments		
- Finance bonds	833	1,053
- Corporate bonds	100	201
	933	1,254
	1,945	2,275

25. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are stated at fair value and comprise the following:

Group	31 December 2013	31 December 2012
Listed		
Equity investments		
- Equity securities	30,130	26,864
- Investment funds	8,508	9,073
Debt investments		
- Government bonds	10	46
- Finance bonds	1,063	992
- Corporate bonds	18,892	20,804
- Wealth management products	540	-
	59,143	57,779
Unlisted		
Equity investments		
- Investment funds	24,370	19,097
- Wealth management products	1,815	-
- Other equity investments	8,576	7,141
Debt investments		
- Government bonds	108	2
- Finance bonds	12,423	19,160
- Corporate bonds	68,970	32,636
- Wealth management products	84	-
	116,346	78,036
	175,489	135,815

Company	31 December 2013	31 December 2012
Listed		
Equity investments		
- Equity securities	637	934
- Investment funds	853	670
Debt investments		
- Finance bonds	826	748
- Corporate bonds	1,270	1,250
	3,586	3,602
Unlisted		
Equity investments		
- Investment funds	1,787	-
Debt investments		
- Finance bonds	484	500
- Corporate bonds	10,670	3,515
	12,941	4,015
	16,527	7,617

26. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

Group	31 December 2013	31 December 2012
Debt investments		
- Finance bonds	5,639	7,426
- Debt investment scheme	34,545	28,341
- Wealth management products	1,136	330
	41,320	36,097

Company	31 December 2013	31 December 2012
Debt investments		
- Finance bonds	-	1,200

As at 31 December 2013, CPIC Asset Management, a subsidiary of the Group, issued 28 debt investment schemes with a total value of RMB637 billion. The carrying amounts recognized in the Group's consolidated financial statements is approximately RMB30,866 million. Meanwhile, the Group also had investments in debt schemes launched by other insurance asset management companies with a value of approximately RMB3,679 million. The majority of the debt schemes invested by the Group were guaranteed by third parties or pledge. For debt schemes launched by CPIC Asset Management and invested by the Group, the Group did not provide any guarantees or financial support. The Group's maximum exposure to loss in the debt schemes is limited to its carrying amounts.

27. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

Group	31 December 2013	31 December 2012
Securities - bonds		
Inter-bank market	1,494	1,109
Stock exchange	900	6
	2,394	1,115

Company	31 December 2013	31 December 2012
Securities - bonds		
Inter-bank market	100	-

The Group does not sell or re-pledge the collateral underlying the securities purchased under agreements to resell.

28. TERM DEPOSITS

Group	31 December 2013	31 December 2012
1 month to 3 months (including 3 months)	1,330	1,564
3 months to 1 year (including 1 year)	3,007	41,923
1 to 2 years (including 2 years)	25,910	1,030
2 to 3 years (including 3 years)	47,980	25,910
3 to 4 years (including 4 years)	45,000	47,980
4 to 5 years (including 5 years)	20,950	45,000
More than 5 years	140	890
	144,317	164,297

28. TERM DEPOSITS (continued)

Company	31 December 2013	31 December 2012
1 month to 3 months (including 3 months)	9	508
3 months to 1 year (including 1 year)	2,898	3,664
1 to 2 years (including 2 years)	2,000	-
2 to 3 years (including 3 years)	1,500	2,000
3 to 4 years (including 4 years)	-	1,500
	6,407	7,672

29. RESTRICTED STATUTORY DEPOSITS

	31 December2013	31 December 2012
At 31 December 2012	3,600	3,580
Movement	-	20
At 31 December 2013	3,600	3,600

In accordance with relevant provision of Insurance Law of the PRC, CPIC Property, CPIC Life and Changjiang Pension should place 20% of its issued capital as restricted statutory deposits, respectively.

			As at 31 December 2013
	Amount	Storage	Period
CPIC Property			
Bank of Communications	818	Term deposit	5 years
Commercial Bank of China	100	Term deposit	5 years
China Construction Bank	100	Term deposit	5 years
China Minsheng Bank	240	Term deposit	5 years
China Merchants Bank	642	Term deposit	5 years
Subtotal	1,900		
CPIC Life			
Bank of Communications	680	Term deposit	5 years
China Minsheng Bank	340	Term deposit	5 years
Bank of China	500	Term deposit	5 years and 6 months
Subtotal	1,520		
Changjiang Pension			
Bank of Communications	30	Term deposit	5 years
China Minsheng Bank	150	Term deposit	5 years and 1 month
Subtotal	180		
Total	3,600		

29. RESTRICTED STATUTORY DEPOSITS(continued)

			As at 31 December 2012
	Amount	Storage	Period
CPIC Property			
Bank of Communications	288	Term Deposit	3 years
Bank of Communications	530	Term Deposit	5 years
Commercial Bank of China	100	Term Deposit	5 years
China Construction Bank	100	Term Deposit	5 years
China Minsheng Bank	240	Term Deposit	5 years
China Merchants Bank	368	Term Deposit	5 years
China Merchants Bank	274	Term Deposit	3 years
Subtotal	1,900		
CPIC Life			
Bank of Communications	680	Term Deposit	5 years
China Minsheng Bank	340	Term Deposit	5 years
Bank of China	500	Term Deposit	5 years and 6 months
Subtotal	1,520		
Changjiang Pension			
Bank of Communications	30	Term Deposit	5 years
China Minsheng Bank	150	Term Deposit	5 years and 1 month
Subtotal	180		
Total	3,600		

30. INTEREST RECEIVABLES

Group	31 December 2013	31 December 2012
Interest receivables from deposits	5,067	7,990
Interest receivables from debt investments	6,680	5,495
Interest receivables from loans	255	175
Interest receivables from securities purchased under agreements to resell	2	-
	12,004	13,660
Less: Bad debt provision	(1)	(1)
	12,003	13,659

31. REINSURANCE ASSETS

Group	31 December 2013	31 December 2012
Reinsurers' share of insurance contracts (note 39)	17,388	14,121

32. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes, if any, to be levied by the same tax authority and the same taxable entity.

Group	2013	2012
Net deferred income tax assets, at beginning of year	1,109	4,020
Acquisition of a subsidiary	(42)	-
Recognized in profit or loss (note 14(a))	(15)	123
Recognized in other comprehensive income (note 14(b))	1,105	(3,034)
Net deferred income tax assets, at end of year	2,157	1,109

Group	31 December 2013	31 December 2012
Insurance contract liabilities	133	84
Impairment of assets	494	610
Commissions and handling fees	209	194
Net fair value adjustment on available-for-sale financial assets and financial assets carried at fair value through profit or loss	1,733	628
Fair value adjustments arising from acquisition of a subsidiary	(877)	(862)
Tax losses carried forward	-	32
Others	465	423
Net deferred income tax assets	2,157	1,109
Represented by:		
Deferred tax assets	3,178	2,067
Deferred tax liabilities	(1,021)	(958)

33. INSURANCE RECEIVABLES

Group	31 December 2013	31 December 2012
Insurance receivables	7,982	8,449
Provision for impairment of insurance receivables	(219)	(272)
	7,763	8,177

An aged analysis of the insurance receivables is as follows:

Group	31 December 2013	31 December 2012
Within 3 months (including 3 months)	6,027	6,509
Over 3 months and within 1 year (including 1 year)	1,155	1,162
Over 1 year	581	506
	7,763	8,177

Insurance receivables include premium receivables from policyholders or agents and receivables from reinsurers.

The credit terms for premium receivables from life insurance policyholders are 60 days. CPIC Property normally collects premium receivables from agents on a monthly or quarterly basis, and certain premiums are collected by CPIC Property in installments. According to the Group's credit policy, the credit terms for premium receivables cannot be longer than the insurance coverage period. The Group and reinsurers normally settle receivables and payables on a quarterly basis.

The Group's insurance receivables relate to a large number of counterparties, and there is no significant concentration of credit risk. Insurance receivables are non-interest-bearing.

33. INSURANCE RECEIVABLES (continued)

The following insurance receivables are individually determined to be impaired mainly because they are past due and were not collected before the end of the insurance coverage period. The Group does not hold any collateral or other enhancements over these balances.

Group	31 December 2013	31 December 2012
Insurance receivables that are individually determined to be impaired	193	190
Related provision for impairment	(193)	(190)
	-	-

34. OTHER ASSETS

Group	31 December 2013	31 December 2012
Due from a related-party (1)	1,034	-
Tax receivable other than income tax	1,008	2,830
Receivable from securities clearance	205	767
Due from agents	166	136
Co-insurance receivable	107	69
Others	1,412	1,224
	3,932	5,026

Company	31 December 2013	31 December 2012
Due from subsidiaries	204	149
Construction pre-payments	61	-
Others	74	37
	339	186

(1) As at 31 December 2013, the payments made by the Group on behalf of Binjiang-Xiangrui for the purchase of land and related taxes and expenses amounted to approximately RMB1,034 million.

35. CASH AND SHORT-TERM TIME DEPOSITS

Group	31 December 2013	31 December 2012
Cash at banks and on hand	8,432	6,817
Time deposits with original maturity of no more than three months	7,697	16,794
Other monetary assets	432	264
	16,561	23,875

Company	31 December 2013	31 December 2012
Cash at banks and on hand	367	262
Time deposits with original maturity of no more than three months	2,091	9,119
Other monetary assets	304	169
	2,762	9,550

The Group's bank balances denominated in RMB amounted to RMB12,523 million as at 31 December 2013 (31 December 2012: RMB16,349 million). Under PRC's foreign exchange regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business after obtaining approval from foreign exchange regulatory authorities.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and short-term time deposits approximate their fair values.

36. ISSUED CAPITAL

Group and Company	31 December 2013	31 December 2012
Number of shares issued and fully paid at RMB1 each (million)	9,062	9,062

37. RESERVES AND RETAINED PROFITS

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

(a) Capital reserve

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

(b) Surplus reserves

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

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

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

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

Of the Group's retained profits, RMB4,605 million as at 31 December 2013 (31 December 2012: RMB3,707 million) represents the Company's share of its subsidiaries' surplus reserve fund.

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

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

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

(c) General reserve

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

Of the Group's retained profits, RMB4,544 million as at 31 December 2013 (31 December 2012: RMB3,675 million) represents the Company's share of its subsidiaries' general reserve.

37. RESERVES AND RETAINED PROFITS (continued)

(d) Other reserves

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

(e) Distributable profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the lower of the amount determined under PRC GAAP and the amount determined under HKFRSs. Pursuant to the resolution of the 4th meeting of the Company's 7th term of board of directors held on 28 March 2014, a final dividend of approximately RMB3,625 million (equivalent to RMB0.4 per share (including tax)) was proposed after the appropriation of statutory surplus reserve and is subject to the approval of the forthcoming annual general meeting.

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

Company	Capital reserve	Surplus Reserves	Available-for-sale investment revaluation reserve	Total	Retained Profits
At 1 January 2012	58,329	1,930	(563)	59,696	7,380
Total comprehensive income for the year	-	-	428	428	4,637
Issue of shares	7,835	-	-	7,835	-
Dividend declared	-	-	-	-	(3,010)
Appropriations to surplus reserves	-	464	-	464	(464)
At 31 December 2012	66,164	2,394	(135)	68,423	8,543
At 1 January 2013	66,164	2,394	(135)	68,423	8,543
Total comprehensive income for the year	-	-	(410)	(410)	3,917
Dividend declared	-	-	-	-	(3,172)
Appropriations to surplus reserves	-	391	-	391	(391)
At 31 December 2013	66,164	2,785	(545)	68,404	8,897

Dividends from subsidiaries amounting to RMB3,533 million were included in the Company's net profit for 2013 (2012: RMB4,693 million).

38. LONG-TERM BORROWINGS

	31 December 2013	31 December 2012
Bank loans - secured	188	-

The particulars of long-term borrowings are listed as below:

Lending Bank	Starting date	Maturity	Currency	Interest rate model	Interest rate(%)	31 December 2013
DBS Bank (China) Co., Ltd.	2012	2015	RMB	Fixed	6.77%	188

Details of the security of the afore-mentioned long-term borrowing are included in note 18.

39. INSURANCE CONTRACT LIABILITIES

Group			31 December 2013
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 31)	Net
Long-term life insurance contracts	441,924	(6,347)	435,577
Short-term life insurance contracts			
- Unearned premiums	1,879	(55)	1,824
- Claim reserves	958	(32)	926
	2,837	(87)	2,750
Property and casualty insurance contracts			
- Unearned premiums	33,418	(5,673)	27,745
- Claim reserves	24,357	(5,281)	19,076
	57,775	(10,954)	46,821
	502,536	(17,388)	485,148
Incurred but not reported claim reserves	4,020	(771)	3,249

Group			31 December 2012
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 31)	Net
Long-term life insurance contracts	385,283	(5,706)	379,577
Short-term life insurance contracts			
- Unearned premiums	1,654	(57)	1,597
- Claim reserves	737	(96)	641
	2,391	(153)	2,238
Property and casualty insurance contracts			
- Unearned premiums	29,610	(3,637)	25,973
- Claim reserves	21,603	(4,625)	16,978
	51,213	(8,262)	42,951
	438,887	(14,121)	424,766
Incurred but not reported claim reserves	3,479	(736)	2,743

(a) Long-term life insurance contract liabilities

Group	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 31)	Net
At 1 January 2012	325,558	(5,180)	320,378
Valuation premiums	88,511	(1,446)	87,065
Liabilities released for payments on benefits and claims	(21,154)	558	(20,596)
Other movements	(7,632)	362	(7,270)
At 31 December 2012	385,283	(5,706)	379,577
Valuation premiums	89,454	(1,418)	88,036
Liabilities released for payments on benefits and claims	(28,917)	497	(28,420)
Other movements	(3,896)	280	(3,616)
At 31 December 2013	441,924	(6,347)	435,577

39. INSURANCE CONTRACT LIABILITIES (continued)

(b) Short-term life insurance contract liabilities

Movements of unearned premiums

Group	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 31)	Net
At 1 January 2012	1,621	(285)	1,336
Premiums written	4,950	(242)	4,708
Premiums earned	(4,917)	470	(4,447)
At 31 December 2012	1,654	(57)	1,597
Premiums written	5,647	(187)	5,460
Premiums earned	(5,422)	189	(5,233)
At 31 December 2013	1,879	(55)	1,824

Group	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 31)	Net
At 1 January 2012	631	(144)	487
Claims incurred	1,562	(192)	1,370
Claims paid	(1,456)	240	(1,216)
At 31 December 2012	737	(96)	641
Claims incurred	1,852	(3)	1,849
Claims paid	(1,631)	67	(1,564)
At 31 December 2013	958	(32)	926

(c) Property and casualty insurance contract liabilities

Movements of unearned premiums

Group	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 31)	Net
At 1 January 2012	26,556	(3,916)	22,640
Premiums written	69,767	(10,107)	59,660
Premiums earned	(66,713)	10,386	(56,327)
At 31 December 2012	29,610	(3,637)	25,973
Premiums written	81,822	(13,690)	68,132
Premiums earned	(78,014)	11,654	(66,360)
At 31 December 2013	33,418	(5,673)	27,745

Movements of claim reserves

Group	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 31)	Net
At 1 January 2012	20,565	(4,593)	15,972
Claims incurred	40,377	(5,932)	34,445
Claims paid	(39,339)	5,900	(33,439)
At 31 December 2012	21,603	(4,625)	16,978
Claims incurred	50,796	(6,988)	43,808
Claims paid	(48,042)	6,332	(41,710)
At 31 December 2013	24,357	(5,281)	19,076

40. INVESTMENT CONTRACT LIABILITIES

Group	
At 1 January 2012	47,182
Deposits received	3,259
Deposits withdrawn	(10,288)
Fees deducted	(186)
Interest credited	1,715
Others	72
At 31 December 2012	41,754
Deposits received	3,355
Deposits withdrawn	(12,595)
Fees deducted	(187)
Interest credited	1,924
Others	192
At 31 December 2013	34,443

41. SUBORDINATED DEBT

On 21 December 2011, CPIC Life issued a 10-year subordinated debt with a total face value of RMB8,000 million. CPIC Life has the option to redeem the debt at the end of the fifth year. The coupon rate of the debt is 5.5% per annum, payable annually in arrears. If CPIC Life does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 7.5% and would remain unchanged for the remaining term.

On 20 August 2012, CPIC Life issued a 10-year subordinated debt with a total face value of RMB7,500 million. CPIC Life has the option to redeem the debt at the end of the fifth year. The coupon rate of the debt is 4.58% per annum, payable annually in arrears. If CPIC Life does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 6.58% and would remain unchanged for the remaining term.

42. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Group	31 December 2013	31 December 2012
Bonds		
Stock exchange	1,138	1,763
Inter-bank market	24,061	48,380
	25,199	50,143

As at 31 December 2013, bond investments of approximately RMB27,743 million (31 December 2012: RMB52,563 million) were pledged as securities sold under agreements to repurchase. Securities sold under agreements to repurchase are generally repurchased within 12 months from the date the securities are sold.

43. OTHER LIABILITIES

Group	31 December 2013	31 December 2012
Annuity and other insurance payables	10,883	7,821
Salary and staff welfare payable	1,962	1,777
Commission and brokerage payable	1,857	1,596
Tax payable other than income tax	1,009	1,672
Co-insurance payable	625	197
Accrued expenses	490	417
Insurance guarantee fund	284	233
Payables for construction and purchase of office buildings	213	345
Others	2,529	2,466
	19,852	16,524

43. OTHER LIABILITIES (continued)

Company	31 December 2013	31 December 2012
Salary and staff welfare payable	152	145
Payables for purchase of office buildings	55	61
Others	199	259
	406	465

44. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES

(a) Long-term life insurance contracts

Key assumptions

Judgements are required in the process of determining the liabilities and making the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

Life insurance contract estimates are based on current assumptions. Assumptions are made in relation to future deaths, voluntary terminations, investment returns and administration expenses. If the liabilities are not adequate, the assumptions are altered to reflect the current estimates.

The key assumptions to which the estimation of liabilities is particularly sensitive include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), surrender rates, expense assumptions and policy dividend assumptions.

Sensitivities

The analysis below is performed to show the reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross long-term life insurance contract liabilities. The correlation of assumptions will have a significant effect in determining the ultimate liabilities; however, for the purpose of demonstrating the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

			As at 31 December 2013
	Change in assumptions	Impact on gross long-term life insurance contract liabilities	Impact of assumption change as a percentage of relevant gross long-term life insurance contract liabilities
Discount rates	+25 basis points	(6,568)	-1.49%
	-25 basis points	7,102	1.61%
Mortality rates	+10%	168	0.04%
	-10%	(121)	-0.03%
Morbidity rates	+10%	1,461	0.33%
	-10%	(1,486)	-0.34%
Surrender rates	+10%	84	0.02%
	-10%	(25)	-0.01%
Expenses	+10%	2,362	0.53%
	-10%	(2,362)	-0.53%
Policy dividend	+5%	6,074	1.37%

44. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(a) Long-term life insurance contracts (continued)

Sensitivities (continued)

			As at 31 December 2012
	Change in assumptions	Impact on gross long-term life insurance contract liabilities	Impact of assumption change as a percentage of relevant gross long-term life insurance contract liabilities
Discount rates	+25 basis points	(6,231)	-1.62%
	-25 basis points	6,755	1.75%
Mortality rates	+10%	56	0.01%
	-10%	9	0.00%
Morbidity rates	+10%	1,175	0.30%
	-10%	(1,193)	-0.31%
Surrender rates	+10%	397	0.10%
	-10%	(346)	-0.09%
Expenses	+10%	2,083	0.54%
	-10%	(2,083)	-0.54%
Policy dividend	+5%	4,854	1.26%

The sensitivity analysis also does not take into account the fact that the assets and liabilities are actively managed and may vary at the time that any actual market movement occurs.

Other limitations in the above analysis include the use of hypothetical market movements to demonstrate potential risk and the assumption that interest rates move in an identical fashion.

(b) Property and casualty and short-term life insurance contracts

Key assumptions

The principal assumption underlying the estimates is the Group's past claim development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as changes in internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include explicit margin, delays in settlement, etc.

Sensitivities

The property and casualty and short-term life insurance claim reserves are sensitive to the above key assumptions. The sensitivity of certain variables like legislative changes, uncertainty in the estimation process, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim reserves are not known with certainty at the balance sheet date.

To illustrate the sensitivities of ultimate claim costs, for example, a respective percentage change in average claim costs or the number of claims alone results in a similar percentage change in claim reserves. In other words, while other assumptions remain unchanged, a 5% increase in average claim costs would increase net claim reserves for property and casualty insurance and short-term life insurance as at 31 December 2013 by RMB954 million and RMB46 million (31 December 2012: RMB849 million and RMB32 million), respectively.

44. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(b) Property and casualty and short-term life insurance contracts (continued)

Claim development tables

The following tables reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date.

Gross property and casualty insurance claim reserves:

	Property and casualty insurance (Accident year)					
Estimate of ultimate claim cost as of:	2009	2010	2011	2012	2013	Total
End of current year	19,144	24,635	33,232	39,674	49,007	
One year later	19,317	24,251	32,574	41,169		
Two years later	19,591	24,222	31,753			
Three years later	19,526	23,846				
Four years later	19,435					
Current estimate of cumulative claims	19,435	23,846	31,753	41,169	49,007	165,210
Cumulative payments to date	(19,396)	(23,632)	(30,957)	(37,131)	(30,294)	(141,410)
Liability in respect of prior years, unallocated loss adjustment expenses, discount and risk adjustment margin						557
Total gross claim reserves included in the consolidated balance sheet						24,357

Net property and casualty insurance claim reserves:

	Property and casualty insurance (Accident year)					
Estimate of ultimate claim cost as of:	2009	2010	2011	2012	2013	Total
End of current year	15,280	19,768	27,311	33,427	41,726	
One year later	15,440	19,565	26,960	34,653		
Two years later	15,596	19,632	26,400			
Three years later	15,566	19,406				
Four years later	15,511					
Current estimate of cumulative claims	15,511	19,406	26,400	34,653	41,726	137,696
Cumulative payments to date	(15,492)	(19,281)	(25,950)	(31,978)	(26,478)	(119,179)
Liability in respect of prior years, unallocated loss adjustment expenses, discount and risk adjustment margin						560
Total net claim reserves included in the consolidated balance sheet						19,077

Gross short-term life insurance claim reserves:

	Short-term life insurance (Accident year)					
Estimate of ultimate claim cost as of:	2009	2010	2011	2012	2013	Total
End of current year	1,002	1,197	1,423	1,500	1,612	
One year later	985	1,177	1,419	1,549		
Two years later	965	1,175	1,413			
Three years later	963	1,174				
Four years later	963					
Current estimate of cumulative claims	963	1,174	1,413	1,549	1,612	6,711
Cumulative payments to date	(963)	(1,161)	(1,373)	(1,444)	(980)	(5,921)
Liability in respect of prior years and risk adjustment margin						168
Total gross claim reserves included in the consolidated balance sheet						958

44. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(b) Property and casualty and short-term life insurance contracts (continued)

Claim development tables (continued)

Net short-term life insurance claim reserves:

	Short-term life insurance (Accident year)					
Estimate of ultimate claim cost as of:	2009	2010	2011	2012	2013	Total
End of current year	725	901	1,091	1,288	1,553	
One year later	717	885	1,073	1,348		
Two years later	701	859	1,087			
Three years later	674	880				
Four years later	698					
Current estimate of cumulative claims	698	880	1,087	1,348	1,553	5,566
Cumulative payments to date	(698)	(871)	(1,050)	(1,250)	(939)	(4,808)
Liability in respect of prior years and risk adjustment margin						167
Total net claim reserves included in the consolidated balance sheet						925

45. RISK MANAGEMENT

(a) Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Insurance risk could occur due to any of the following factors:

Occurrence risk – the possibility that the number of insured events will differ from that expected.

Severity risk – the possibility that the cost of the events will differ from that expected.

Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The above risk exposure is mitigated by the diversification across a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines, as well as the use of reinsurance arrangements.

The businesses of the Group mainly comprise long-term life insurance contracts, short-term life insurance contracts and property and casualty insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

45. RISK MANAGEMENT (continued)

(a) Insurance risk (continued)

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. Insurance risk is also affected by the policyholders' rights to terminate the contract, to pay reduced premiums, to refuse to pay premiums or to avail the guaranteed annuity option. Thus, the resultant insurance risk is subject to the policyholders' behaviour and decisions.

The Group manages insurance risks through reinsurance to reduce the effect of potential losses to the Group. Two major types of reinsurance agreements, ceding on a quota share basis or a surplus basis, are usually used to cover insurance liability risk, with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claim provisions and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that neither it is dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

Currently, the Group's insurance risk does not vary significantly in relation to the locations of the risks insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Group's concentration of insurance risk is reflected by its major lines of business as analyzed by premium income in note 6.

(b) Financial risk

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, which arise from foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The following policies and procedures are in place to mitigate the Group's exposure to market risk:

- A group market risk policy setting out the assessment and determination of what constitutes market risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's risk management committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Asset allocation and portfolio limit structure, which ensures that assets back specific policyholder liabilities and that assets are held to deliver income and gains for policyholders which are in line with expectations of the policyholders.
- Strict control over hedging activities.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates principally in the PRC with only limited exposure to foreign exchange rate risk arising primarily from certain foreign currency insurance policies, bank deposits and securities denominated in United States dollar ("USD") or Hong Kong dollar ("HKD").

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(i) Currency risk (continued)

The following tables summarize the Group's exposure to foreign currency exchange rate risk at the balance sheet date by categorizing financial assets, financial liabilities, reinsurance assets and insurance contract liabilities by major currency.

	As at 31 December 2013			
	RMB	USD	HKD	Total
Financial assets at fair value through profit or loss	4,926	-	-	4,926
Held-to-maturity financial assets	262,767	167	8	262,942
Available-for-sale financial assets	174,333	216	940	175,489
Investments classified as loans and receivables	41,320	-	-	41,320
Term deposits	141,494	-	2,823	144,317
Reinsurance assets	17,347	-	41	17,388
Cash and short-term time deposits	12,523	790	3,248	16,561
Others	36,669	1,080	40	37,789
	691,379	2,253	7,100	700,732
Long-term borrowings	188	-	-	188
Insurance contract liabilities	502,464	-	72	502,536
Investment contract liabilities	34,443	-	-	34,443
Policyholders' deposits	77	-	-	77
Subordinated debt	15,500	-	-	15,500
Securities sold under agreements to repurchase	25,199	-	-	25,199
Others	35,820	638	36	36,494
	613,691	638	108	614,437

	As at 31 December 2012			
	RMB	USD	HKD	Total
Financial assets at fair value through profit or loss	1,714	-	-	1,714
Held-to-maturity financial assets	248,576	181	9	248,766
Available-for-sale financial assets	133,828	239	1,748	135,815
Investments classified as loans and receivables	36,097	-	-	36,097
Term deposits	162,649	-	1,648	164,297
Reinsurance assets	14,068	-	53	14,121
Cash and short-term time deposits	16,349	382	7,144	23,875
Others	36,285	661	28	36,974
	649,566	1,463	10,630	661,659
Insurance contract liabilities	438,799	-	88	438,887
Investment contract liabilities	41,754	-	-	41,754
Policyholders' deposits	79	-	-	79
Subordinated debt	15,500	-	-	15,500
Securities sold under agreements to repurchase	50,143	-	-	50,143
Others	29,025	222	44	29,291
	575,300	222	132	575,654

The Group has no significant concentration of currency risk.

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivities

The analysis below is performed to show the reasonably possible movements in foreign currency exchange rates with all other assumptions held constant, showing the pre-tax impact on profit before tax of the Group (due to changes in fair value of currency sensitive monetary assets and liabilities) and equity of the Group when the foreign exchange rates of USD and HKD vary. The correlation of variables will have a significant effect in determining the ultimate impact on currency risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

			31 December 2013
Currency	Changes in exchange rate	Impact on profit before tax	Impact on equity
USD and HKD	+ 5%	399	399
USD and HKD	- 5%	(399)	(399)

			31 December 2012
Currency	Changes in exchange rate	Impact on profit before tax	Impact on equity
USD and HKD	+ 5%	501	501
USD and HKD	- 5%	(501)	(501)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate match of fixed and variable rate instruments. The policy also requires it to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities. Interest on floating rate instruments is repriced when benchmark interest rates change. Interest on other instruments is either fixed during its term or repriced at intervals of less than one year if the benchmark interest rates change.

The Group has no significant concentration of interest rate risk.

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

The tables below summarize the contractual or estimated repricing/maturity date of the Group's financial instruments. Other financial instruments not included in the following tables are interest-free and not exposed to interest rate risk.

As at 31 December 2013

	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Total
Financial assets:						
Financial assets at fair value through profit or loss	1	2,022	14	1,170	-	3,207
Held-to-maturity financial assets	4,697	8,153	24,671	225,421	-	262,942
Available-for-sale financial assets	29,509	15,551	29,623	27,407	-	102,090
Investments classified as loans and receivables	16,524	5,870	2,348	8,440	8,138	41,320
Securities purchased under agreements to resell	2,394	-	-	-	-	2,394
Term deposits	4,337	70,810	65,450	-	3,720	144,317
Restricted statutory deposits	-	1,358	2,112	-	130	3,600
Policy loans	8,444	-	-	-	-	8,444
Deposits with original maturity of no more than three months	7,697	-	-	-	8,864	16,561
Financial liabilities:						
Long-term borrowings	1	187	-	-	-	188
Investment contract liabilities	34,443	-	-	-	-	34,443
Policyholders' deposits	77	-	-	-	-	77
Subordinated debt	-	8,000	7,500	-	-	15,500
Securities sold under agreements to repurchase	25,199	-	-	-	-	25,199

As at 31 December 2012

	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Total
Financial assets:						
Financial assets at fair value through profit or loss	43	5	1,124	2	-	1,174
Held-to-maturity financial assets	12,048	6,962	21,980	207,776	-	248,766
Available-for-sale financial assets	15,136	18,479	15,105	24,920	-	73,640
Investments classified as loans and receivables	16,780	3,220	2,979	4,650	8,468	36,097
Securities purchased under agreements to resell	1,115	-	-	-	-	1,115
Term deposits	16,747	22,860	80,730	200	43,760	164,297
Restricted statutory deposits	1,122	50	2,298	-	130	3,600
Policy loans	5,700	-	-	-	-	5,700
Deposits with original maturity of no more than three months	16,794	-	-	-	7,080	23,874
Financial liabilities:						
Investment contract liabilities	41,754	-	-	-	-	41,754
Policyholders' deposits	79	-	-	-	-	79
Subordinated debt	-	-	15,500	-	-	15,500
Securities sold under agreements to repurchase	50,143	-	-	-	-	50,143

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Interest rates on floating rate bonds/liabilities are re-priced when the benchmark interest rates are adjusted.

Sensitivities

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit and equity. Since almost all financial instruments of the Group that bear interest rate risks are financial instruments denominated in RMB, the sensitivity analysis below only shows the pre-tax impact of RMB financial instruments on the Group's profit before tax and equity when RMB interest rate changes.

Sensitivities on fixed-rate financial instruments

As at the balance sheet dates, the Group's fixed-rate financial instruments exposed to interest rate risk mainly include financial assets at fair value through profit or loss and available-for-sale financial assets. The following tables show the pre-tax impact on profit (fair value change on held-for-trading bonds) and equity (fair value change on held-for-trading bonds combined with fair value change on available-for-sale bonds).

		31 December 2013
Change in RMB interest rate	Impact on profit before tax	Impact on equity
+50 basis points	(37)	(930)
-50 basis points	38	960

		31 December 2012
Change in RMB interest rate	Impact on profit before tax	Impact on equity
+50 basis points	-	(758)
-50 basis points	-	783

The above impact on equity represents adjustments to profit before tax and changes in fair value of available-for-sale financial assets.

Sensitivities on floating-rate financial instruments

The following tables show the pre-tax impact of change in interest rate on profit and equity due to change in interest income or expense arising from floating-rate financial instruments as at the balance sheet dates.

		31 December 2013
Change in RMB interest rate	Impact on profit before tax	Impact on equity
+50 basis points	100	100
-50 basis points	(100)	(100)

		31 December 2012
Change in RMB interest rate	Impact on profit before tax	Impact on equity
+50 basis points	295	295
-50 basis points	(295)	(295)

The above impact on equity represents adjustments to profit before tax.

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(iii) Price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's price risk policy requires it to manage such risk by setting and monitoring objectives and constraints on investments, diversification plans, and limits on investment type.

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment funds and equity securities. The Group uses the 5-day market price value-at-risk ("VAR") technique to estimate its risk exposure for listed equity securities and equity investment funds. The Group adopts 5 days as the holding period on the assumption that not all the investments can be sold in one day. Moreover, the VAR calculation is made based on the normal market condition and a 95% confidence level impact on equity for listed equity securities and equity investments funds with 5-day reasonable market fluctuation and with a 95% confidence level.

As at 31 December 2013, the estimated impact on equity for listed equity securities and equity investment funds, using the VAR technique and the assumptions above in the normal market was RMB1,853 million (31 December 2012: RMB1,545 million).

Credit risk

Credit risk is the risk that one party to a financial instrument (debt instrument) or reinsurance asset will cause a financial loss to the other party by failing to discharge an obligation.

The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, investments in bonds, reinsurance arrangements with reinsurers, premium receivables, securities purchased under agreements to resell and policy loans.

Majority of the Group's financial assets are bond investments which include government bonds, finance bonds and corporate bonds. The finance bonds have high domestic credit rating and the corporate bonds are guaranteed mainly by financial institutions with high domestic credit rating. Hence, the related credit risk should be regarded as relatively low.

For securities purchased under agreements to resell and policy loans, there is a security pledge and the maturity period is less than one year. Hence, the related credit risk should not have significant impact on the Group's financial statements.

The Group mitigates credit risk by utilizing credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counterparty exposure limits.

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Credit risk (continued)

The table below shows the maximum exposure to credit risk for the assets subject to credit risk. The maximum exposure is shown gross, before the effect of mitigation through any collateral held or other credit enhancements.

	31 December 2013	31 December 2012
Financial assets at fair value through profit or loss	3,207	1,174
Held-to-maturity financial assets	262,942	248,766
Available-for-sale financial assets	102,090	73,640
Investments classified as loans and receivables	41,320	36,097
Term deposits	144,317	164,297
Reinsurance assets	17,388	14,121
Insurance receivables	7,763	8,177
Cash and short-term time deposits	16,561	23,874
Others	30,026	28,797
Total credit risk exposure	625,614	598,943

The above asset account balances did not include cash on hand and equity investment balances.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or a counterparty failing to repay a contractual obligation; or an insurance liability falling due for payment earlier than expected; or the inability to generate cash inflows as anticipated.

The Group is exposed to liquidity risk on insurance policies that permit surrenders, withdrawals or other forms of early termination. The Group seeks to manage its liquidity risk by matching, to the extent possible, the duration of its investment assets with the duration of its insurance policies and ensuring that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis.

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

- Implementing group liquidity risk policy by setting out the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's risk management committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Setting out guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure that sufficient funding is available to meet insurance and investment contract obligations.
- Setting up contingency funding plans which specify the minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Liquidity risk(continued)

The tables below summarize the maturity profiles of the financial assets and financial liabilities of the Group based on remaining undiscounted cash flows, and insurance contract liabilities of the Group based on the estimated timing of the net cash outflows.

						As at 31 December 2013
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Financial assets at fair value through profit or loss	-	39	2,249	1,125	1,719	5,132
Held-to-maturity financial assets	-	17,492	82,899	379,228	-	479,619
Available-for-sale financial assets	-	35,093	64,796	33,296	69,534	202,719
Investments classified as loans and receivables	-	3,971	26,863	22,017	-	52,851
Securities purchased under agreements to resell	-	2,408	-	-	-	2,408
Term deposits	-	12,604	158,942	163	-	171,709
Restricted statutory deposits	-	43	4,381	-	-	4,424
Insurance receivables	1,136	6,343	474	29	-	7,982
Cash and short-term time deposits	8,864	7,697	-	-	-	16,561
Others	668	10,773	1,055	2	-	12,498
Total	10,668	96,463	341,659	435,860	71,253	955,903
Liabilities:						
Insurance contract liabilities	-	53,778	80,208	368,550	-	502,536
Investment contract liabilities	-	2,381	2,489	29,573	-	34,443
Policyholders' deposits	66	11	-	-	-	77
Subordinated debt	-	784	17,410	-	-	18,194
Securities sold under agreements to repurchase	-	25,237	-	-	-	25,237
Long-term borrowings	-	14	200	-	-	214
Others	25,010	10,741	550	33	-	36,334
Total	25,076	92,946	100,857	398,156	-	617,035

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Liquidity risk(continued)

	As at 31 December 2012					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Financial assets at fair value through profit or loss	-	58	1,230	2	540	1,830
Held-to-maturity financial assets	-	23,150	74,816	354,141	-	452,107
Available-for-sale financial assets	-	17,110	44,399	30,095	62,175	153,779
Investments classified as loans and receivables	-	4,655	18,465	24,009	-	47,129
Securities purchased under agreements to resell	-	1,115	-	-	-	1,115
Term deposits	-	55,269	141,134	947	-	197,350
Restricted statutory deposits	-	1,263	3,068	-	-	4,331
Insurance receivables	853	7,107	470	19	-	8,449
Cash and short-term time deposits	7,081	16,794	-	-	-	23,875
Others	641	10,165	21	-	-	10,827
Total	8,575	136,686	283,603	409,213	62,715	900,792
Liabilities:						
Insurance contract liabilities	-	45,404	57,133	336,350	-	438,887
Investment contract liabilities	-	2,372	2,910	36,472	-	41,754
Policyholders’ deposits	69	10	-	-	-	79
Subordinated debt	-	784	18,194	-	-	18,978
Securities sold under agreements to repurchase	-	50,400	-	-	-	50,400
Others	19,742	8,660	597	26	-	29,025
Total	19,811	107,630	78,834	372,848	-	579,123

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Liquidity risk(continued)

The table below summarizes the expected utilisation or settlement of assets and liabilities.

	As at 31 December 2013		
	Current	Non-current	Total
Assets:			
Financial assets at fair value through profit or loss	4,926	-	4,926
Held-to-maturity financial assets	4,597	258,345	262,942
Available-for-sale financial assets	92,917	82,572	175,489
Investments classified as loans and receivables	1,736	39,584	41,320
Term deposits	4,338	139,979	144,317
Cash and short-term time deposits	16,561	-	16,561
Others	47,842	30,136	77,978
Total assets	172,917	550,616	723,533
Liabilities:			
Long-term borrowings	1	187	188
Insurance contract liabilities	53,778	448,758	502,536
Investment contract liabilities	2,381	32,062	34,443
Policyholders' deposits	77	-	77
Subordinated debt	-	15,500	15,500
Securities sold under agreements to repurchase	25,199	-	25,199
Others	43,721	1,483	45,204
Total liabilities	125,157	497,990	623,147

	As at 31 December 2012		
	Current	Non-current	Total
Assets:			
Financial assets at fair value through profit or loss	1,714	-	1,714
Held-to-maturity financial assets	11,208	237,558	248,766
Available-for-sale financial assets	68,779	67,036	135,815
Investments classified as loans and receivables	2,717	33,380	36,097
Term deposits	41,487	122,810	164,297
Cash and short-term time deposits	23,875	-	23,875
Others	44,462	26,476	70,938
Total assets	194,242	487,260	681,502
Liabilities:			
Insurance contract liabilities	45,404	393,483	438,887
Investment contract liabilities	2,372	39,382	41,754
Policyholders' deposits	79	-	79
Subordinated debt	-	15,500	15,500
Securities sold under agreements to repurchase	50,143	-	50,143
Others	36,093	1,477	37,570
Total liabilities	134,091	449,842	583,933

45. RISK MANAGEMENT (continued)

(c) Operational risk

Operational risk is the risk of loss arising from inadequacy or failure on business processes, human error, information system failure, etc. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Group is exposed to many types of operational risks in the conduct of its business, from inadequate or failure to obtain proper authorizations or supporting documentation to comply with operational and informational security procedures that prevent frauds or errors by employees.

The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education and assessment processes, including the use of compliance check and internal audit.

(d) Mismatching risk of assets and liabilities

Assets and liabilities mismatching risk is the risk due to the Group's inability to match its assets with its liabilities on the basis of duration, cash flow and investment return. Under the current regulatory and market environment, the Group is unable to invest in assets with a duration of sufficient length to match the duration of its medium and long term life insurance liabilities. When the current regulatory and market environment permits, the Group will lengthen the duration of its assets and increase the profile of securities with fixed investment returns to narrow the gap of duration and investment returns of the existing liabilities.

In order to further enhance the management of matching of assets and liabilities, the Group has the Asset-Liability Management Committee to make significant decisions on asset-liability management. The committee has an asset-liability working group which analyzes the extent of assets and liabilities matching.

(e) Capital management risks

The CIRC monitors capital management risks mainly through a set of solvency regulatory rules to ensure insurance companies can maintain sufficient solvency margins. Further objectives are set by the Group to maintain a strong credit rating and healthy solvency margin capital ratios in order to support its business objectives and maximize shareholders' value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. The Group has stepped up efforts to maintain a platform for sustained financing in order to meet solvency margin needs arising from future expansion in business activities. The Group continuously and proactively adjusts the business mix, optimizes the asset allocation, improves the asset quality and enhances the operating efficiency so as to underscore the role of profitability in relation to solvency margin.

In practice, the Group manages its capital requirements mainly through monitoring the solvency margins of the Group and its major insurance subsidiaries. The solvency margins are computed based on the relevant regulations issued by the CIRC; actual solvency margins are the excess of admitted assets over admitted liabilities as determined under the regulations.

The table below summarizes the minimum and actual solvency margins of the Group and its major insurance subsidiaries determined according to the CIRC's solvency rules.

Group	31 December 2013	31 December 2012
Actual solvency margin	90,081	92,254
Minimum solvency margin	31,849	29,600
Surplus	58,232	62,654
Solvency margin ratio	283%	312%

45. RISK MANAGEMENT (continued)

(e) Capital management risks (continued)

CPIC Property	31 December 2013	31 December 2012
Actual solvency margin	16,441	16,739
Minimum solvency margin	10,136	8,891
Surplus	6,305	7,848
Solvency margin ratio	162%	188%

CPIC Life	31 December 2013	31 December 2012
Actual solvency margin	41,436	43,478
Minimum solvency margin	21,651	20,654
Surplus	19,785	22,824
Solvency margin ratio	191%	211%

According to the relevant regulations, if the actual solvency margin of an insurance company falls below the minimum solvency margin, the CIRC may take additional necessary measures depending on the circumstances, until the minimum solvency margin requirement is satisfied.

46. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques (note 3.2(2)).

The Group's financial assets mainly include cash and short-term time deposits, financial assets at fair value through profit or loss, securities purchased under agreements to resell, policy loans, term deposits, available-for-sale financial assets, held-to-maturity financial assets, investments classified as loans and receivables, statutory deposits, etc.

The Group's financial liabilities mainly include securities sold under agreements to repurchase, policyholders' deposits, investment contract liabilities, subordinated debt, long-term borrowings, etc.

Fair value of financial assets and liabilities not carried at fair value

The following table summarizes the carrying values and estimated fair values of held-to-maturity debt securities, investments classified as loans and receivables, and subordinated debt whose fair values are not presented in the consolidated balance sheet.

		As at 31 December 2013
	Carrying amounts	Fair values
Financial assets:		
Held-to-maturity financial assets	262,942	236,976
Investments classified as loans and receivables	41,320	40,614
Financial liabilities:		
Subordinated debt	15,500	15,103

		As at 31 December 2012
	Carrying amounts	Fair values
Financial assets:		
Held-to-maturity financial assets	248,766	246,178
Investments classified as loans and receivables	36,097	35,737
Financial liabilities:		
Subordinated debt	15,500	15,714

46. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

As permitted by HKFRS 7, the Group has not disclosed fair values for certain investment contract liabilities with discretionary participation features ("DPF") because fair values or fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business.

The carrying amounts of other financial assets and financial liabilities approximate their fair values.

47. FAIR VALUE MEASUREMENT

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");

(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and

(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

				As at 31 December 2013
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Equity securities	1,071	-	-	1,071
- Investment funds	648	-	-	648
- Debt securities	3,207	-	-	3,207
	4,926	-	-	4,926
Available-for-sale financial assets				
- Equity securities	30,130	-	-	30,130
- Investment funds	32,878	-	-	32,878
- Debt securities	17,209	84,257	-	101,466
- Others	-	4,489	6,526	11,015
	80,217	88,746	6,526	175,489
Assets for which fair values are disclosed				
Investments classified as loans and receivables (Note 46)	-	6,069	34,545	40,614
Held-to-maturity financial assets (Note 46)	9,353	227,623	-	236,976
Investment properties(Note 18)	-	-	8,356	8,356
Liabilities for which fair values are disclosed (Note 46)				
Subordinated debt	-	-	15,103	15,103

47. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

				As at 31 December 2012
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Equity securities	194	-	-	194
- Investment funds	346	-	-	346
- Debt securities	1,174	-	-	1,174
	1,714	-	-	1,714
Available-for-sale financial assets				
- Equity securities	26,864	-	-	26,864
- Investment funds	28,170	-	-	28,170
- Debt securities	20,164	53,476	-	73,640
- Others	-	-	7,141	7,141
	75,198	53,476	7,141	135,815
Assets for which fair values are disclosed				
Investments classified as loans and receivables (Note 44)	-	7,396	28,341	35,737
Held-to-maturity financial assets (Note 44)	11,059	235,119	-	246,178
Investment properties(Note 18)	-	-	7,567	7,567
Liabilities for which fair values are disclosed (Note 44)				
Subordinated debt	-	-	15,714	15,714

In 2013, due to changes in availability of market observable inputs, the Group transferred certain debt securities between Level 1 and Level 2. As at 31 December 2013, the Group transferred the debt securities with a carrying amount of RMB8,334 million from Level 1 to Level 2 and RMB200 million from Level 2 to Level 1. In 2012, the Group also transferred certain debt securities from Level 1 to Level 2 with a carrying amount of approximately RMB771 million as at 31 December 2013.

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

				As at 31 December 2013
	Beginning of year	Purchases	Net unrealised loss recognized in other comprehensive income	End of year
Available-for-sale financial assets				
- Other equity investments	7,141	-	(615)	6,526

				As at 31 December 2012
	Beginning of year	Purchases	Net unrealised gain recognized in other comprehensive income	End of year
Available-for-sale financial assets				
- Other equity investments	6,164	821	156	7,141

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the unquoted equity investments has been determined using valuation techniques such as comparable company valuation multiples, recent transaction prices of the same or similar instruments, with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to make certain assumptions about unobservable inputs to the model, which mainly include historical volatility and estimated time period prior to the listing of the unquoted equity instruments, etc. The fair value of the unquoted equity investments is not significantly sensitive to a reasonable change in these unobservable inputs.

47. FAIR VALUE MEASUREMENT (continued)

Valuation techniques (continued)

The fair value of investment properties is determined using discounted cash flow method with unobservable inputs including estimated rental value per square meters per month and discount rate, etc. This method involves the projection of a series of cash flows from valuation date to economic life maturity date. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

48. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation from profit before tax to cash generated from operating activities:

	2013	2012
Profit before tax	11,914	6,113
Investment income	(30,972)	(18,060)
Foreign currency losses, net	280	11
Finance costs	2,335	1,960
(Reversal)/charge of impairment losses on insurance receivables and other assets, net	(58)	65
Depreciation of property and equipment	1,046	903
Depreciation of investment properties	215	203
Amortization of other intangible assets	273	212
Amortization of prepaid land lease payments	1	2
Amortization of other assets	25	26
Gain on disposal of items of property and equipment, intangible assets and other long-term assets, net	(3)	(22)
Reversal of provision for lawsuits	(4)	(9)
	(14,948)	(8,596)
Increase in reinsurance assets	(3,267)	(3)
Decrease/(increase) in insurance receivables	467	(1,974)
Decrease/(increase) in other assets	1,405	(1,996)
Change in insurance contract liabilities	62,705	63,258
Increase in other operating liabilities	875	2,679
Cash generated from operating activities	47,237	53,368

49. RELATED PARTY TRANSACTIONS

The Group had the following major transactions with related parties:

(a) Sale of insurance contracts

	2013	2012
Equity holders who individually own more than 5% of equity interests of the Company and the equity holders' parent company	54	28

The Group's above related party transactions were entered into based on normal commercial terms during the normal course of insurance business.

(b) Claims paid

	2013	2012
Equity holders who individually own more than 5% of equity interests of the Company and the equity holders' parent company	4	-

49. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel

	2013	2012
Salaries, allowances and other short-term benefits	45	31
Long-term incentive paid (1)	9	9
Total compensation of key management personnel	54	40

(1) This represents the amount paid under the Group's long-term incentive plans mentioned in note 11(2). Amounts accrued for all eligible participants under the plans as a whole but not yet allocated to individual personnel are not included above because such amounts are not yet fully vested.

Further details of directors' emoluments are included in note 12.

(d) The Company had the following major transactions with the joint venture:

	2013	2012
Payments made on behalf of Binjiang-Xiangrui for the purchase of land and related taxes and expenses	1,034	-

The receivable due from Binjiang-Xiangrui is interest free with no determined maturity date.

(e) Transactions with other government-related entities in the PRC

The Group mainly operates in an economic environment predominated by enterprises that are controlled, jointly controlled or significantly influenced by the PRC government through its authorities, affiliates or other organizations (collectively "government-related entities"). The Company is also a government-related entity.

In 2012 and 2013, the Group had certain transactions with some government-related entities primarily related to insurance, investment and other activities (including, but not limited to, issuing insurance policies, provision of asset management or other services, and the sale, purchase, issuance and redemption of bonds or equity instruments).

Management considers that those transactions with other government-related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those government-related entities are controlled, jointly controlled or significantly influenced by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government-related entities.

50. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the balance sheet date:

		31 December 2013	31 December 2012
Contracted, but not provided for	(1)(2)	2,440	3,139
Authorized, but not contracted for	(1)	798	1,425
		3,238	4,564

(1) The Company resolved to establish IT Backup Center and Customer Support Center in Chengdu High-tech Zone and the expected total capital expenditure is approximately RMB2,000 million. As at 31 December 2013, the cumulative amount incurred by the Company amounted to RMB372 million. Of the balance, RMB830 million was disclosed as a capital commitment contracted but not provided for and RMB798 million was disclosed as a capital commitment authorized but not contracted for.

(2) In December 2013, the Company purchased a commercial property under construction located at Xuhui District, Shanghai, with a total investment of approximately RMB1,130 million. As at 31 December 2013, the cumulative amount incurred by the Company amounted to RMB400 million. The balance of RMB730 million will be paid as the construction progresses and was disclosed as a capital commitment contracted but not provided for.

50. COMMITMENTS (continued)

(b) Operating lease commitments

The Group leases office premises and staff quarters under various operating lease agreements as the leasee. Future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2013	31 December 2012
Within 1 year (including 1 year)	600	536
1 to 2 years (including 2 years)	434	376
2 to 3 years (including 3 years)	272	274
3 to 5 years (including 5 years)	277	297
More than 5 years	387	369
	1,970	1,852

(c) Operating lease rental receivables

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

	31 December 2013	31 December 2012
Within 1 year (including 1 year)	404	411
1 to 2 years (including 2 years)	255	287
2 to 3 years (including 3 years)	133	145
3 to 5 years (including 5 years)	40	40
More than 5 years	6	1
	838	884

51. CONTINGENT LIABILITIES

Owing to the nature of the insurance business, the Group is involved in the making of estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies. Provision has been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account the related legal advice, if any. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is so low.

In addition to the above legal proceedings, as at 31 December 2013, the Group was the defendant in certain pending litigation and disputes. Provisions have been made for the possible loss based on best estimate by the directors and the Group would only be contingently liable for any claim that is in excess of what had been provided.

52. POST BALANCE SHEET EVENTS

Pursuant to the resolution made in the 2013 1st extraordinary meeting of the 6th term of board of directors in January 2013, the Company entered into the Shareholder Agreement Between China Pacific Insurance (Group) Co., Ltd. and Allianz SE, whereby the two parties agreed to set up CPIC Allianz Health Insurance Co., Ltd. (the "Health Insurance Company"). The setting up of the Health Insurance Company was approved by the CIRC in February 2014.

Pursuant to the approval of the CIRC (Baojianxuke [2014] No. 121), on 5 March 2014, CPIC Property issued a 10-year subordinated debt with a total face value of RMB4,000 million. CPIC Property has the option to redeem the debt at the end of the fifth year. The coupon rate of the debt is 5.9% per annum, payable annually in arrears. If CPIC property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 7.9% and would remain unchanged for the remaining term.

Other than as mentioned in other notes, the Group does not have other significant post balance sheet events.

53. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved and authorized for issue by the Company's directors on 28 March 2014.

中国太平洋保险
China Pacific Insurance

中國上海市銀城中路190號交銀金融大廈南樓
190 Central Yincheng Road, Shanghai, China
郵編(Zip): 200120
電話(Tel): +8621-58767282
傳真(Fax): +8621-68870791

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