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中國太平洋保險(集團)股份有限公司

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(Stock Code: 02601)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

CHAIRMAN STATEMENT

Severely affected by the spread of international financial crisis and global economic downturn, 2009 was the most challenging year for the PRC in terms of economic growth since the new century. As the risk of economic downturn became increasingly apparent, the PRC government decisively initiated various measures in response to the crisis, enabling the PRC to be among the first to recover in the world. Encountering such complicated and severe external environment, CPIC reacted proactively with its focus on the promotion and realization of the objective of sustainable value-enhancing growth. It also actively changed its patterns of growth, optimized its business structure and enhanced the level of risk management. CPIC recorded sound operating results by enhancing its underwriting profitability and ability in value growth. Meanwhile, as an important strategic advancement, the Company had its H shares successfully issued and listed, and acquired the controlling shares of Changjiang Pension, laying a solid foundation for the enhancement of its sustainable growth.

I. Coordinated growth of the insurance businesses enhanced operating efficiency

Focusing on the insurance businesses, CPIC strives to realize a coordinated development of our four major business sectors, namely life insurance, property and casualty insurance, asset management and pension business. In 2009, the Group's gross written premiums amounted to RMB96.342 billion, representing a growth of 27.2% year-on-year. Among them, life insurance premiums and property and casualty insurance premiums increased by 29.6% and 23.0% year-on-year respectively. The Group's investment assets amounted to RMB366.018 billion, while pension business custodian assets reached RMB24.688 billion.

Under the impact of the global financial crisis, the Company shifted back its attention to our core risk protection business and proactively initiated adjustment to our product mix. We actively promoted the protection-type and profitable businesses and focused on underwriting profitability, optimization of our investment assets portfolio, significant improvement of operating efficiency and steady growth of our value. Net profit for the year attributable to equity holders of the parent and the Company's embedded value for the year amounted to RMB7.356 billion and RMB98.371 billion, representing increases of 186.3% and 40.6% year-on-year respectively.

II. Along with the continued optimization of our life insurance business mix, the value of new business recorded a faster growth rate than its scale

The Company actively adjusted its life insurance business mix and optimized its business structure in 2009. Substantial efforts were made to develop protection-type and long-term savings-type insurance products, in particular, focusing on traditional and participating regular premium products in individual life insurance, and short-term accident insurance products. The implementation of differentiated regional development strategies strengthened our competitive edges in existing markets and helped us expand into rapidly emerging markets. First year regular gross written premiums for the year amounted to RMB12.731 billion, representing a growth of 98.2% year-on-year. The value of one year's sales for the year reached RMB5 billion, or increased 36.9% year-on-year.

To enhance our ability to drive value growth, we reinforced the basic management and innovation capability of our life insurance business, ramped up the establishment of sales network, enhanced basic management and training support, promoted the sales of customer-oriented product mix, continuously expanded the sales team and its productivity and refined back office support and centralized operational platform in order to further enhance the level of our centralized business operations. At the end of 2009, we had a total of 254 thousand sales agents, representing an increase of 13.4% year-on-year, with average first year gross written premiums per agent of RMB2,597 per month, representing a year-on-year growth of 13.1%.

III. Actively changed growth patterns and maintained the leading position in terms of profitability of property and casualty insurance business

In 2009, the Company aimed at achieving sustainable growth and cost-effective development for our property and casualty insurance business and changing growth patterns in a practical manner. Combined ratio had continuously been declining and our profitability greatly improved while our business maintained a steady growth. Gross written premiums for the year amounted to RMB34.289 billion, representing a growth of 23.0% year-on-year. Combined ratio dropped 4.7 pt to 97.5%. Net profit increased 164.8% year-on-year to reach RMB1.422 billion for the year.

In 2009, seizing the opportunity emerged from the further regulation of the automobile insurance market, we refined the management of our automobile insurance business, improved the business quality, effectively enhanced the premium adequacy ratio, established a standardized management for claims and steadily decreased operating costs which in turn contributed to the significant fall in the combined ratio of our automobile insurance business. On the other hand, we cautiously coped with the fallout of the global financial crisis, differentiated our target market and accelerated the development of profitable non-automobile insurance sectors, such as liability insurance, short-term accident insurance, homeowners insurance, to enhance profit stability.

IV. An active and sound approach in asset management contributed to a steady growth of our investment income

In 2009, embracing the principle of Asset-Liability Management (ALM), the Company continuously optimized its investment asset allocation and strengthened its investment risk management in order to achieve investment returns that exceed its cost of liabilities in a consistent and sustained manner. For fixed-income assets investment, we focused on long-duration assets allocation and achieved an increase of 12.4% in interest income. Adjusting asset allocation strategy based on market judgment, the Company increased equity investments to capture market return. The Company continued to explore opportunities in alternative investment area. The total investment in infrastructure projects rose by 181.3%, with its weight in investment portfolio rising by 2.7 pt. In addition, the Company made an equity investment of RMB1.3 billion in Bank of Hangzhou, its first investment in an unlisted commercial bank. Total investment income amounted to RMB19.536 billion for the year, and total investment yield rose by 3.4 pt over that of last year to 6.3%.

V. Successfully implemented major strategies and strove to enhance our sustainability

The Company successfully conducted a global offering of H shares issuance in 2009 and had the H shares listed on the Main Board of the Hong Kong Stock Exchange since 23 December 2009, raising net proceeds of RMB21.458 billion (including the proceeds from the over-allotment H shares). Through domestic and overseas listings, the Company established a channel for continued capital replenishment, significantly reinforcing its capital base and ability to cope with the risks. The substantial enhancement of our brand value laid a solid foundation for us to pursue and realize our objective of sustainable value-enhancing growth.

In 2009, the Company seized the opportunity emerged from the policy of “transforming Shanghai into an international financial center and an international shipping center” and obtained all qualifications to provide pension insurance and corporate annuity products by acquiring the equity interests in Changjiang Pension. This serves as a foundation for the Company to speed up the development of its corporate annuity insurance business throughout China. Taking into account the valuable opportunity emerged from the transformation of Shanghai into an international shipping center, we took lead in establishing a marine insurance department among peers and implemented unified planning and business management to drive the development of the marine insurance business.

VI. Fulfilled our social responsibility and continuously enhanced our brand value

CPIC is committed to be a responsible insurance company and strives to fulfill the benefits of shareholders, customers, employees and different sectors of the society. We uphold the objective of benefiting the community in the course of our growth, and fulfill the function of insurance in social security and management based on industry characteristics. For example, we have actively developed and launched such insurance products for social benefits as public liability insurance for fire, work safety liability insurance, carrier’s liability insurance and “Xiao E Bao” (“小額寶”) micro credit insurance for rural areas. We have also been caring for and supporting education and been participating in such charity programs as the Hope Project, and have been providing accident insurance to the PRC’s diplomatic and consular officials abroad for years. In addition, we are one of the major insurers of a railway transportation construction project in Beijing, which is currently the largest project of its kind in the PRC.

Drawing on our strength, quality services and reputation, our brand value has been enhancing and we have won various awards as follows:

- the “Golden Bull Award of the top 100 publicly listed companies in the PRC for 2008” awarded by China Securities
- selected as one of the top 100 publicly listed companies in the PRC for 2008 by Securities Times
- ranked No. 326 among the top 500 of the top 2000 listed companies in the world by Forbes
- the “Information Disclosure Award for 2009” of the 8th Corporate Governance Forum of the PRC organized by the Shanghai Stock Exchange
- honored as “The Best Corporate Citizen in China” in an election organized by 21st Century Business Herald and 21st Century Business Review in 2009

- CPIC Property and CPIC Life were ranked the third and the fourth in the integrated strength in Asian non-life insurance companies and in life insurance companies respectively in the Top 100 Asian Insurance Strength Ranking organized by 21st Century Business Herald
- CPIC Property was honored as “The Best Property and Casualty Insurance Company” in the 2009 CFV election sponsored by the CBN Group
- CPIC Life was awarded “The Best Structural Adjustment of the Year” in the 2009 Insurance Companies of the Year in China organized by the China Insurance Marketing Journal
- the call center 95500 of CPIC Life won the “2009 China (Asia-Pacific) Best Contact Center” award in the 5th “China Best Call Center” election organized by the China Call-Center & CRM Association
- CPIC Property won the award of “Advanced Enterprise Offering Quality Counter Service” in the anonymous visits organized by the China Association for Quality Promotion in 2009, ranked the first for eight consecutive years in the Quality Counter Service of the Insurance (Property and Casualty) Industry

In terms of outlook for 2010, the PRC economy in general will get better than the previous year, but will be under a more complicated environment. The PRC government will continue to adopt aggressive fiscal measures and moderately easing monetary policy. This will provide a favourable environment for the development of insurance industry in the PRC. But at the same time, in the aftermath of the financial crisis, the change of growth patterns will be the driving force behind the growth of the industry. In response, CPIC will focus on achieving sustainable value-enhancing growth, continue to optimize our business structure, promote a stable and healthy development for our businesses in general, strengthen the establishment of sales system for life insurance, enhance our sales force, take effective control in combined ratios, continue to improve the profitability of property and casualty insurance, upgrade the level of investment management and strive to achieve sustained investment returns that steadily exceed the cost of liabilities. In addition, to capture the opportunity of the pension insurance market, we will speed up resources integration and market penetration by taking advantage of the expertise provided by Changjiang Pension to expand our pension insurance business. With these, we will strive to further enhance our ability of pursuing sustainability and reward our shareholders and the society with outstanding results.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company provides a broad range of life insurance and property and casualty insurance products and services through our subsidiaries, namely CPIC Life and CPIC Property, and manages and deploys our insurance funds through our subsidiary, CPIC Asset Management. Meanwhile, the Company engages in property and casualty insurance business in Hong Kong through CPIC HK and engages in pension business through our subsidiary, Changjiang Pension.

The following analysis of life insurance and property and casualty insurance only refer to the businesses of CPIC Life and CPIC Property respectively, as the businesses of CPIC HK and Changjiang Pension accounted for a relatively small portion of the results of the Company.

In the analysis below, the comparative figures of 2008 were restated with the retrospective application of the changes in accounting policies.

(I) Key operational indicators

	For 12 months ended 31 December (in RMB million)	
	2009	2008
Gross written premiums		
Life insurance	61,998	47,828
Property and casualty insurance	34,289	27,875
Net profit attributable to equity holders of the parent	7,356	2,569
Life insurance	5,427	4,030
Property and casualty insurance	1,422	537
Embedded value of the Group	98,371	69,978
Value of one year's sales of life insurance	5,000	3,651
Combined ratio of property and casualty insurance (%)	97.5	102.2
Number of individual customers (in thousand)		
Life insurance	33,919	31,365
Property and casualty insurance	13,006	10,596
Number of institutional customers (in thousand)		
Life insurance	323	312
Property and casualty insurance	2,524	2,146
Market shares ^{note}		
Life insurance	8.3%	9.0%
Property and casualty insurance	11.4%	11.4%

Note: Calculated based on the statistical data of the insurance industry in 2008 and 2009 published by the CIRC.

(II) BUSINESS ANALYSIS

1. Life insurance business

The Company made further adjustment to refine our business structure in 2009, and continued to promote our protection-type and long-term savings-type insurance business, accelerated the development of our traditional and participating regular premium products and short-term accident insurance products to ensure a rapid expansion of our business and ongoing optimization of our business structure.

(1) Analysis by insurance category

	For 12 months ended 31 December (in RMB million)	
	2009	2008
Gross written premiums	61,998	47,828
Traditional	15,149	15,286
Participating	43,419	29,613
Universal	94	91
Short-term accident and health	3,336	2,838
Gross written premiums	61,998	47,828
New policies	38,147	28,715
Regular premium	12,731	6,422
Attributable to: Traditional and participating	12,731	6,422
Single premium	25,416	22,293
Renewed policies	23,851	19,113
Gross written premiums	61,998	47,828
Individual business	60,646	46,604
Group business	1,352	1,224

1. Business structure

The Company recorded gross written premiums of RMB61.998 billion from life insurance business in 2009, representing an increase of 29.6% over last year. Among them, traditional insurance policies recorded a premium of RMB15.149 billion, about the same level of that of last year. Participating insurance policies recorded a premium of RMB43.419 billion, representing an increase of 46.6% over last year. Universal insurance policies recorded a premium of RMB94 million, representing an increase of 3.3% over last year. Short-term accident and health policies recorded a premium of RMB3.336 billion, representing an increase of 17.5% over last year.

The Company recorded a premium of RMB36.582 billion in respect of life insurance regular premium policies in 2009, accounted for 59.0% of the gross written premiums and an increase of 5.6 pt over last year.

2. New policies

The Company recorded gross written premiums of RMB38.147 billion from new life insurance policies in 2009, representing an increase of 32.8% over last year. Among them, a premium of regular premium policies, all of which were either traditional or participating, amounted to RMB12.731 billion, representing an increase of 98.2% over last year and accounted for 33.4% of the gross written premiums from new policies, representing an increase of 11.0 pt over last year. Premiums from single premium policies amounted to RMB25.416 billion, representing an increase of 14.0% over last year. In sales channel, the gross written premium of new regular policies with paying period of 10 years or above accounted for 70.0% of gross written premiums of new business premium, 3.5 pt higher than that of the previous year.

3. Persistency ratio of individual life insurance customer

In 2009, by reinforcing the management on renewal premiums and enhancing the standards of our customer services, the Company recorded increases of 1.1 pt and 0.4 pt for 13-month persistency ratio and 25-month persistency ratio respectively in respect of individual life insurance over last year.

	For 12 months ended 31 December	
	2009	2008
Individual life insurance customer 13-month persistency ratio (%) ⁽¹⁾	87.1	86.0
Individual life insurance customer 25-month persistency ratio (%) ⁽²⁾	82.0	81.6

Notes:

1. 13-month persistency ratio: Premiums under in-force life insurance policies 13 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the same period of issuance.
2. 25-month persistency ratio: Premiums under in-force life insurance policies 25 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the same period of issuance.

(2) Analysis by channels

1. Sales channel

In 2009, the Company's sales force continued to grow steadily. At the year end, the number of agents was 254 thousand, increased by 13.4% year-on-year. Meanwhile, through refining the sales force system and the performance appraisal system, the Company further enhanced the management on the fundamental level, strengthened the professional support team to the sales channels, reinforced planning and marketing of the products mix, established and improved our professional training system and promoted the application of the sales information management system. All these have contributed to the continued all-round improvement on the sales channels.

	For 12 months ended 31 December (in RMB million)	
	2009	2008
Gross written premiums	29,570	24,266
New policies	7,556	5,538
Regular premium	6,880	4,913
Attributable to: Traditional and participating	6,880	4,913
Single premium	676	625
Renewed policies	22,014	18,728

In 2009, the Company recorded gross written premiums through sales channel of RMB29.570 billion, representing an increase of 21.9% over last year. Among them, premiums from new traditional and participating regular premium policies, which had been the focus of the Company, amounted to RMB6.880 billion, representing a growth of 40.0% over last year.

	For 12 months ended 31 December	
	2009	2008
Insurance sale agents (in thousand)	254	224
Average monthly first-year gross written premiums per agent (RMB)	2,597	2,296
Average number of new life insurance policies per agent per month	1.36	1.26

2. Bancassurance

In 2009, the Company made further adjustment to refine the structure of our bancassurance business, in particular, emphasizing on the promotion of the participating regular premium insurance business, while maintaining the stable growth of the single premium insurance business.

The Company recorded gross written premiums from bancassurance of RMB29.514 billion in 2009, representing an increase of 39.4% over last year. Among them, premiums from new regular premium policies amounted to RMB5.781 billion, all of which were traditional and participating policies, representing an increase of 289.3% over last year. Premiums from single premium amounted to RMB22.040 billion, representing an increase of 13.6% over last year.

	For 12 months ended 31 December (in RMB million)	
	2009	2008
Gross written premiums	29,514	21,165
New policies	27,821	20,893
Regular premium	5,781	1,485
Attributable to: Traditional and participating	5,781	1,485
Single premium	22,040	19,408
Renewed policies	1,693	272

3. Direct sales

In 2009, the Company's direct sales channel consolidated the competitive edges of the short-term accident insurance products, actively promoted the all around electronic policy issuance system for accident insurance products, and thus maintained the rapid growth of our business and facilitated the relatively fast growth of short-term accident insurance products. In 2009, the Company recorded gross written premiums from direct sales of RMB2.914 billion, representing an increase of 21.6% over last year. Premiums from short-term accident insurance business rose 25.4% over last year.

	For 12 months ended 31 December (in RMB million)	
	2009	2008
Income from insurance business	2,914	2,397
New policies	2,770	2,284
Regular premium	70	24
Attributable to: Traditional and participating	70	24
Single premium	2,700	2,260
Renewed policies	144	113

(3) Analysis by geographical area

In 2009, approximately 65.5% of the Company's gross written premiums of life insurance business was derived from more economically developed or more densely populated areas, such as Jiangsu, Shandong, Henan, Sichuan, Hebei, Hubei, Beijing, Shanxi, Guangdong, Zhejiang, etc.

	For 12 months ended 31 December (in RMB million)	
	2009	2008
Gross written premiums	61,998	47,828
Jiangsu	6,441	4,764
Shandong	5,547	4,409
Henan	5,154	3,508
Sichuan	4,252	3,382
Hebei	4,097	2,546
Hubei	3,189	2,213
Beijing	3,102	2,438
Shanxi	3,025	2,750
Guangdong	2,964	1,798
Zhejiang	2,837	1,887
Sub-total	40,608	29,695
Other areas	21,390	18,133

2. Property and casualty insurance business

In 2009, regarding profitability as top priority, the Company stressed on the coordinated development between the scale of business and profitability. As the Company was on the view that the operating environment and market competition of the automobile insurance would improve and become more regulated, we proactively developed our automobile insurance business. On the other hand, we also accelerated the development of such non-automobile property and casualty insurance products as short-term accident insurance, liability insurance, homeowners insurance in order to achieve sustainable and healthy growth.

(1) Analysis by insurance category

The property and casualty insurance business of the Company grew in line with the growth of the industry, which recorded a fast growth in 2009. The Company recorded gross written premiums of RMB34.289 billion from property and casualty insurance business in 2009, representing an increase of 23.0% over last year.

	For 12 months ended 31 December (in RMB million)	
	2009	2008
Gross written premiums	34,289	27,875
Automobile insurance	25,449	19,681
Non-automobile insurance	8,840	8,194

1. Automobile insurance

Automobile insurance is one of the major categories of the Company's property and casualty insurance, comprising compulsory auto liability insurance and commercial automobile insurance. The profitability of commercial automobile insurance improved significantly as the Company further refined our management, reinforced the management of underwriting and claim settlement and implemented stringent cost control. In view of the stricter regulation on insurance, improving competitive landscape and robust demand, the Company timely adjusted our market strategy to pursue rapid business growth without compromising the quality of our business. Gross written premiums from automobile insurance amounted to RMB25.449 billion in 2009, representing an increase of 29.3% over last year.

2. Non-automobile insurance

Leveraging on our advantages in customer base and expertise in underwriting and claims adjustment, the Company, through our supporting underwriting strategy and sales, accelerated the development of non-automobile insurance, such as short-term accident insurance and liability insurance. Gross written premiums from non-automobile insurance in 2009 amounted to RMB8.840 billion, representing an increase of 7.9% over last year. The growth rates of short-term accident and health insurance and liability insurance were remarkably higher than that of non-automobile insurance.

	For 12 months ended 31 December (in RMB million)	
	2009	2008
Gross written premiums	8,840	8,194
Commercial property and engineering insurance ^{note}	4,512	4,365
Short-term accident and health insurance	1,591	1,338
Cargo insurance	883	966
Liability insurance	883	677
Others	971	848

Note: "Commercial property and engineering insurance" consists of commercial property insurance, special risk insurance and engineering insurance.

(2) Analysis by channels

At the end of 31 December 2009, the Company's direct sales team had a total of approximately 15,337 sales representatives. In addition, the Company conducted the sales of our property and casualty insurance products through approximately 23,391 insurance agents, 1,126 institutional agents, 9,269 ancillary agents and 1,002 brokerage companies.

	For 12 months ended 31 December (in RMB million)	
	2009	2008
Gross written premiums	34,289	27,875
Direct sales	11,476	10,986
Insurance agents	21,109	15,874
Insurance brokers	<u>1,704</u>	<u>1,015</u>

(3) Analysis by geographical areas

In 2009, approximately 71.8% of the Company's gross written premiums from property and casualty insurance business was derived from more economically developed areas, such as Guangdong, Jiangsu, Zhejiang, Shanghai, Shandong, Beijing, Liaoning, Hebei, Sichuan and Fujian, etc. The Company's nation-wide distribution network facilitated the exploration of potential market in other areas.

	For 12 months ended 31 December (in RMB million)	
	2009	2008
Gross written premiums	34,289	27,875
Guangdong	5,588	5,014
Jiangsu	3,842	2,891
Zhejiang	3,070	2,409
Shanghai	2,810	2,376
Shandong	2,788	2,191
Beijing	2,212	1,802
Liaoning	1,139	1,030
Hebei	1,079	846
Sichuan	1,050	774
Fujian	1,026	840
Sub-total	<u>24,604</u>	<u>20,173</u>
Other areas	<u>9,685</u>	<u>7,702</u>

3. Asset management business

The Company conducts its investment business based on Asset-Liability Management (ALM) principles. We strive to pursue sustainable investment returns that consistently exceed the cost of liabilities, while vigorously managing our investment risk.

In 2009, the Company actively managed its fixed-income investment, with focus on assets with medium-to-long duration, particularly long-term, high yield corporate bonds and infrastructure debt investment plans. By taking market opportunity to increase equity assets allocation, we achieved satisfactory returns from the broad market uptrend and specific industries' outperformance. IPO and private share placement remained a stable source of investment return. We maintained our market-leading position in respect of alternative investment.

(1) Investment portfolio

As of 31 December 2009, the Company's total investment assets were RMB366.018 billion, representing an increase of 27.1% over that at the end of last year. The increase was mainly attributable to the Company's operational cash inflow, investment assets value appreciation and proceeds from H shares offering.

At the end of 2009, the Company's equity investments accounted for 12.3% of total investment assets, representing an increase of 7.5 pt over that at the end of last year. This was mainly attributable to our timely adjustment to assets allocation strategy based on market judgment to increase equity investments. Other equity investment increased substantially as a result of the Company's investment in Bank of Hangzhou.

The allocation of fixed-income assets in our portfolio remained stable, increasing by RMB22.279 billion in 2009 with focus on medium-to-long term assets. When the Chinese Government issued its first 50-year treasury bond, the Company seized the opportunity to invest RMB5.628 billion, representing 28% of the total issue. This bond holds the longest duration in current market. The Company also invested RMB1.997 billion in 30-year treasury bonds and RMB7.065 billion in finance bonds with maturity of 20 or over-20 years.

Cash and cash equivalents grew by 72.1% over that at the end of last year. The increase was mainly due to the proceeds from our H share offering by the end of year 2009.

As at the end of 2009, the Company's investment assets were mainly classified as held-to-maturity financial assets and available-for-sale financial assets. The amount of held-to-maturity financial assets increased by 47.4% over that at the end of last year.

	As of 31 December (in RMB million)	
	2009	2008
Investment assets (Total)	366,018	288,074
By investment category		
Fixed income investments	272,469	250,190
– Debt securities	182,778	164,898
– Term deposits	86,371	82,756
– Other fixed income investments ⁽¹⁾	3,320	2,536
Equity investment	44,915	13,772
– Investment Funds	18,959	7,981
– Equity securities	24,190	5,324
– Other equity investments ⁽²⁾	1,766	467
Investments in infrastructure	18,396	6,539
Cash and cash equivalents	30,238	17,573
By investment purpose		
Financial assets at fair value through profit or loss	333	1,166
Available-for-sale financial assets	118,475	96,142
Held-to-maturity financial assets	104,618	70,980
Investment in a jointly-controlled entity	464	389
Other investments ⁽³⁾	142,128	119,397

Notes:

1. Other fixed income investments include restricted statutory deposits and policy loans.
2. Other equity investments include investment in a jointly-controlled entity.
3. Other investments include term deposits, cash and short-term time deposits, securities purchased under agreements to resell, policy loans, restricted statutory deposits and other investments classified as loans and receivables, etc.

(2) Investment income

In 2009, the Company recorded total investment income of RMB19.536 billion, representing an increase of 132.6% over that of last year. Total investment yield was 6.3%, representing an increase of 3.4 pt over that of last year.

Net investment income amounted to RMB12.734 billion, representing a decrease of 28.1% over that of last year. This was mainly due to the significant decrease in dividend income from close-end investment funds. Net investment yield was 4.0%, representing a decrease of 2.2 pt over that of last year.

	For 12 months ended 31 December (in RMB million)	
	2009	2008
Interest income from fixed income securities investments	11,902	10,590
Dividend income from equity securities	832	7,132
Net investment income	12,734	17,722
Realized gains/(losses)	6,575	(3,756)
Unrealized gains/(losses)	140	(742)
Change of impairment losses on financial assets	(128)	(5,147)
Other income ^{note}	215	323
Total investment income	19,536	8,400
Net investment yield (%)	4.0	6.2
Total investment yield (%)	6.3	2.9

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

(3) Alternative investments

Investments in infrastructure projects with longer duration can more closely match the long-term nature of insurance funds. Meanwhile, investment in real-economy entities and projects can reduce the Company's reliance on fluctuating equity market, facilitating the sustainability and stability of investment income. Maintaining its insurance industry leading position in alternative investments, the Company invested a total of RMB13.16 billion in this area. Particularly, the Company made an equity investment of RMB1.3 billion in Bank of Hangzhou, its first investment in an unlisted commercial bank.

Major investment projects during the year were as follows:

- Phase II of Shanghai World Expo Debt Investment Plan

On 19 January 2009, CIRC approved the Company to establish "Phase II of the Pacific-Shanghai World Expo Debt Investment Plan", involving a total investment amount of RMB4 billion and a 10-year duration. The Company invested RMB3.6 billion in the Plan. The Plan's funds are used for the construction of Shanghai World Expo Park.

- Yangtze River Tunnel-Bridge for Shanghai-Chongming Cross-River Expressway Project Debt Investment Plan

On 30 April 2009, CIRC approved the Company to establish "Yangtze River Tunnel-Bridge for Shanghai-Chongming Cross-River Expressway Project Debt Investment Plan", involving a total investment amount of RMB 2 billion and a 10-year duration. The Company invested RMB 1.2 billion in the Plan. The Plan's funds are used for construction and operation of Shanghai-Chongming Tunnel –Bridge Project.

- Bank of Hangzhou Equity Investment

In November 2009, upon the approvals of both CIRC and CBRC, the Company participated in the share capital placement of Bank of Hangzhou. The Company invested RMB1.3 billion for 100 million shares of the bank, representing 5.98% of its total share capital after the offering. This investment makes the Company the fifth largest shareholder of the bank.

- Other Debt Investment Plans

The Company also invested a total amount of RMB 2.2 billion in PICC Tianjin Binhai New Area Transportation Project Debt Investment Plan and a total amount of RMB 150 million in PINGAN Huaneng Debt Investment Plan.

(III) MAIN DATA OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Key consolidated results

	31 December 2009/ Year 2009	31 December 2008/ Year 2008
	(in RMB million)	
Total assets	397,187	317,897
Total liabilities	321,514	268,777
Total equity	75,673	49,120
Net profit attributable to equity holders of the parent	<u>7,356</u>	<u>2,569</u>

2. Cash flow

	For 12 months ended 31 December (in RMB million)	
	2009	2008
Net cash inflow from operating activities	38,474	25,056
Net cash outflow from investing activities	(46,677)	(29,374)
Net cash inflow/(outflow) from financing activities	<u>20,871</u>	<u>(7,131)</u>

(IV) SEGMENT INFORMATION

1. Life insurance

The Company operates our life insurance business primarily through our 98.29% owned subsidiary of CPIC Life. Detailed analysis of the results is as follows:

	For 12 months ended 31 December (in RMB million)	
	2009	2008
Net premiums earned	59,058	45,761
Investment income ^{note}	16,949	9,587
Other operating income	597	1,510
Total income	76,604	56,858
Net policyholders' benefits and claims	(55,733)	(41,095)
Finance costs	(381)	(317)
Interest credited to investment contracts	(1,870)	(2,064)
Other operating and administrative expenses	(11,765)	(9,824)
Total benefits, claims and expenses	(69,749)	(53,300)
Profit before tax	6,855	3,558
Income tax	(1,428)	472
Net profit	5,427	4,030

Note: Investment income includes investment income and shares of profits of a jointly-controlled entity/an associate.

- (1) The growth in net premiums earned was driven by the growth in life insurance business of the Company, which amounted to RMB59.058 billion in 2009, representing an increase of 29.1% as compared to the previous year.
- (2) Benefiting from the rebound in the market, investment income amounted to RMB16.949 billion in 2009, representing an increase of 76.8% as compared to the previous year.
- (3) Net policyholders' benefits and claims for life insurance business amounted to RMB55.733 billion in 2009, representing an increase of 35.6% as compared to the previous year, among which, life insurance death and other benefits paid recorded a year-on-year decrease of 12.6%, mainly as a result of a fall in policy maturities of participating products; while changes in long-term insurance contract liabilities recorded a year-on-year increase of 90.9% as a result of the growth in business.

	For 12 months ended 31 December (in RMB million)	
	2009	2008
Net policyholders' benefits and claims	55,733	41,095
Life insurance death and other benefits paid	16,089	18,413
Claims incurred	533	696
Changes in long-term insurance contract liabilities	37,058	19,417
Policyholder dividends	2,053	2,569

(4) Other operating and administrative expenses for life insurance business amounted to RMB11.765 billion in 2009, representing an increase of 19.8% as compared to the previous year, which was in line with the business growth of the Company. The increase was mainly attributable to the increase in relevant expenses as a result of the growth in participating regular premium business and the Company's ongoing enhancement of cost control.

(5) As a result of the above reasons, life insurance business of the Company recorded net profits of RMB5.427 billion in 2009.

2. Property and Casualty Insurance

The Company operates our property and casualty insurance business primarily through our 98.30% owned subsidiary of CPIC Property. Detailed analysis of the results is as follows:

	For 12 months ended 31 December (in RMB million)	
	2009	2008
Net premium earned	24,910	20,355
Investment income	1,349	1,179
Other operating income	112	83
Total income	26,371	21,617
Claims incurred	(15,202)	(13,202)
Finance costs	(10)	(178)
Other operating and administrative expenses	(9,295)	(7,735)
Total benefits, claims and expenses	(24,507)	(21,115)
Profit before tax	1,864	502
Income tax	(442)	35
Net profit	1,422	537

- (1) Net premium earned of the Company amounted to RMB24.910 billion in 2009 as a result of the growth in business, representing an increase of 22.4% as compared to the previous year.
- (2) Claims incurred for property and casualty insurance amounted to RMB15.202 billion in 2009, representing an increase of 15.1% as compared to the previous year; Other operating and administrative expenses amounted to RMB9.295 billion, representing an increase of 20.2% as compared to the previous year. The combined ratio for property and casualty insurance was 97.5% in 2009, representing a decrease of 4.7 pt as compared to the previous year. Benefiting from the enhancement in business quality and the implementation of cost control, the comprehensive loss ratios and comprehensive expense ratio dropped 3.9 pt and 0.8 pt respectively.
- (3) As a result of the above reasons, property and casualty insurance business recorded a net profit of RMB1.422 billion in 2009.

3. CPIC Asset Management

The Company manages and uses our insurance funds through CPIC Asset Management, our 99.66% (directly and indirectly) held subsidiary. At 31 December 2009, the total assets of CPIC Asset Management amounted to RMB709 million, net assets amounted to RMB562 million and net profit amounted to RMB30 million in 2009.

4. CPIC HK

The Company conducts overseas operations primarily through wholly owned subsidiary of CPIC HK. At 31 December 2009, the total assets of CPIC HK amounted to RMB484 million, net assets amounted to RMB296 million, gross written premiums amounted to RMB196 million and net profit amounted to RMB31 million in 2009.

5. Changjiang Pension

The Company acquired Changjiang Pension in 2009 and held 51.75% of its interests. At 31 December 2009, the total assets of Changjiang Pension amounted to RMB911 million, net assets amounted to RMB880 million, total entrusted assets under management reached RMB24.688 billion and net loss amounted to RMB6 million in 2009.

(V) ANALYSIS ON SPECIFIC ITEMS

1. Solvency

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

As at 31 December (in RMB million)	2009	2008	Reasons of change
Life insurance			
Actual solvency margin	25,702	23,626	An increase in net profit and the fair value of investment assets resulted in an increase in actual solvency margin; profit distribution resulted in a decrease in actual solvency margin
Minimum solvency margin	12,361	10,402	Growth in business
Solvency margin ratio (%)	208	227	
Property and casualty insurance			
Actual solvency margin	7,023	5,959	An increase in net profit and the fair value of investment assets resulted in an increase in actual solvency margin; profit distribution resulted in a decrease in actual solvency margin.
Minimum solvency margin	4,049	3,200	Growth in business
Solvency margin ratio (%)	173	186	

2. Gearing Ratio

	As at 31 December	
	2009	2008
Gearing Ratio	<u>81.2%</u>	<u>84.7%</u>

Note: Gearing Ratio = (total liabilities + minority interests) / total assets.

(VI) PROSPECTS

The year of 2010 will be a critical year for the PRC as it will have to continue to cope with international financial crisis, maintain stable but rapid economic growth and accelerate the change of its growth modes. It will also be an important year for the PRC to implement its “eleventh five-year” plan to lay the foundation for the “twelfth five-year” development and a year that poses both challenges and opportunities concurrently for the insurance industry.

From a macroeconomic perspective, the global economy is expected to recover and the international financial market is getting more stabilized while the trend of further economic globalization remains unchanged. The tremendous change and correction of global economies brought along new opportunity of growth. The PRC’s economy is still at the period of significant strategic opportunity and the recovery of its economy is further strengthened. Market confidence was enhanced by the favourable results of the policies aiming at increasing domestic demand and improving the people’s livelihood. The recovery of the macro-economy provides a significant foundation for the growth of the insurance industry. With regards to the policies related to the insurance industry, the regulations are becoming more standardized and effective and it is expected that the industry will develop along the directions towards standardization and rationalization. The newly amended Insurance Law further expands the room for the development of the industry. New accounting policies enable the focus of life insurance business to shift towards protection-type and long-term savings-type life insurance products. The further reform in social security system and the implementation of related preferential tax treatment will be key drivers for the rapid growth of the life insurance business. The PRC insurance industry will focus on “change of development mode, adjustment of business structure, prevention of risk, and promotion of growth” in 2010. It is expected that the life insurance business will increase rapidly again and the trend is the shift of focus back onto risk protection-type and long-term saving-type life insurance products. The order of the property and casualty insurance market is expected to be further regulated and the competition among the market participants will be more rationalized. Underwriting profitability is expected to be improved. Commercial pension and health insurance markets have great potential. The scopes of investment for insurance funds are likely to be expanded, and the investment businesses of insurance companies are expected to be enhanced. The industry has stronger awareness on the compliant operation and malicious competitions will be reduced.

Although it is likely that the economic environment in 2010 may get better than that of 2009, the prospect is extraordinarily complicated. The foundation for the global recovery remains fragile and the risks in financial field are yet to be completely eliminated. There still exist obvious conflicts and problems in the domestic economic and social development. The unstable and uncertain factors from external environment will place the development of the insurance industry and the operation of insurance companies in various challenges.

The growth rate of the Company’s gross written premium is expected to reach approximately 15% in 2010.

OPERATING RESULTS

The Company announces the audited consolidated annual results of the Company and its subsidiaries for the year ended 31 December 2009 together with the comparative figures for the previous year:

Consolidated Income Statement

For the year ended 31 December 2009

(Amounts expressed in RMB million unless otherwise specified)

	Notes	2009	2008 (Restated)
Gross written premiums	1(a)	96,342	75,752
Less: Premiums ceded to reinsurers	1(b)	(9,791)	(8,435)
Net written premiums	1	86,551	67,317
Net change in unearned premium reserves		(2,424)	(1,064)
Net Premium earned		84,127	66,253
Investment income	2	19,316	8,110
Other operating income		746	1,904
Other income		20,062	10,014
Total income		104,189	76,267
Net policyholders' benefits and claims:			
Life insurance death and other benefits paid	3	(16,089)	(18,413)
Claims incurred	3	(15,827)	(14,004)
Changes in long-term insurance contract liabilities	3	(37,058)	(19,417)
Policyholder dividends	3	(2,053)	(2,569)
Finance costs		(396)	(532)
Interest credited to investment contracts		(1,870)	(2,064)
Other operating and administrative expenses		(21,475)	(17,951)
Total benefits, claims and expenses		(94,768)	(74,950)
Share of profits of:			
A jointly-controlled entity		82	–
Associates		3	–
Gross profit		9,506	1,317
Income tax	4	(2,033)	1,350
Net profit		7,473	2,667
Attributable to:			
Equity holders of the parent		7,356	2,569
Minority interests		117	98
		7,473	2,667
Basic earnings per share (RMB)		0.95	0.33
Diluted earnings per share (RMB)		0.95	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

(Amounts expressed in RMB million unless otherwise specified)

	<u>Notes</u>	<u>2009</u>	<u>2008</u> (Restated)
Net profit		<u>7,473</u>	<u>2,667</u>
Other comprehensive income			
Exchange differences on translation of foreign operations		(2)	(6)
Available-for-sale financial assets		3,115	(17,802)
Income tax relating to components of other comprehensive income/(loss)		(780)	4,443
Other comprehensive income/(loss) for the year		<u>2,333</u>	<u>(13,365)</u>
Total comprehensive income/(loss) for the year		<u><u>9,806</u></u>	<u><u>(10,698)</u></u>
Attributable to:			
Equity holders of the parent		9,645	(10,508)
Minority interests		161	(190)
		<u><u>9,806</u></u>	<u><u>(10,698)</u></u>

Consolidated Balance Sheet

As at 31 December 2009

(Amounts expressed in RMB million unless otherwise specified)

	Notes	31 December 2009	31 December 2008 (Restated)	1 January 2008 (Restated)
ASSETS				
Property and equipment		8,145	6,596	4,546
Goodwill		149	–	–
Other Intangible assets		376	365	249
Prepaid land lease payments		208	213	217
Investment in a jointly-controlled entity		464	389	362
Financial assets at fair value through profit or loss		333	1,166	2,463
Held-to-maturity investment		104,618	70,980	58,120
Available-for-sale financial assets		118,475	96,142	121,867
Investments classified as loans and receivables		22,199	16,532	13,923
Securities purchased under agreements to resell		115	60	5,500
Term deposits		86,371	82,756	59,262
Restricted statutory deposits		1,968	1,838	998
Policy loans		1,352	698	442
Interest receivables		6,679	4,979	3,393
Reinsurance assets		9,147	7,780	6,737
Deferred income tax assets		839	2,672	5
Income tax prepayment		–	508	408
Insurance receivables		3,864	4,303	3,711
Other assets		1,762	2,407	1,384
Cash and short-term time deposits		30,123	17,513	23,622
Total assets		397,187	317,897	307,209

	Notes	31 December 2009	31 December 2008 (Restated)	1 January 2008 (Restated)
EQUITY AND LIABILITIES				
Equity				
Issued capital		8,483	7,700	7,700
Reserves		58,616	38,040	51,056
Retained profits		7,552	2,898	2,729
Equity attributable to equity holders of the parent		74,651	48,638	61,485
Minority interests		1,022	482	478
Total shareholders' equity		75,673	49,120	61,963
Liabilities				
Insurance contract liabilities	5	236,152	194,239	173,591
Investment contract liabilities	6	52,090	50,339	36,087
Policyholders' deposits		89	576	6,913
Subordinated debt		2,263	2,188	2,113
Securities sold under agreements to repurchase		9,800	7,020	11,788
Deferred income tax liabilities		195	29	3,155
Income tax payable		272	8	64
Premium received in advance		4,269	2,788	2,149
Policyholder dividend payable		5,113	4,121	2,779
Payables to reinsurers		2,208	2,213	1,607
Other liabilities		9,063	5,256	5,000
Total liabilities		321,514	268,777	245,246
Total equity and liabilities		397,187	317,897	307,209

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

(Amounts expressed in RMB million unless otherwise specified)

	2009								
	Attributable to equity holders of the parent								
	Reserves								
	Share capital	Capital reserve	Surplus reserve	Foreign exchange difference	Available-for-sale financial assets revaluation reserve	Unallocated profits	Sub-total	Minority interests	Total shareholders' equity
As at 1 January 2009									
As previously reported	7,700	38,541	985	(24)	(1,238)	13,391	59,355	671	60,026
Change in accounting policy	–	(223)	21	–	(22)	(10,493)	(10,717)	(189)	(10,906)
As Restated	7,700	38,318	1,006	(24)	(1,260)	2,898	48,638	482	49,120
Total comprehensive (loss)/income	–	–	–	(2)	2,291	7,356	9,645	161	9,806
Dividends declared	–	–	–	–	–	(2,310)	(2,310)	–	(2,310)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	(58)	(58)
Issue of shares	783	17,870	–	–	–	–	18,653	–	18,653
Capital injection into subsidiaries	–	–	–	–	–	–	–	12	12
Changes due to the step acquisition of a subsidiary	–	28	–	–	–	(3)	25	425	450
Appropriations to surplus reserves	–	–	389	–	–	(389)	–	–	–
31 December 2009	<u>8,483</u>	<u>56,216</u>	<u>1,395</u>	<u>(26)</u>	<u>1,031</u>	<u>7,552</u>	<u>74,651</u>	<u>1,022</u>	<u>75,673</u>

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2009

(Amounts expressed in RMB million unless otherwise specified)

	2008 (Restated)								
	Attributable to equity holders of the parent								
	Reserves						Unallocated profits	Minority interests	Total share-holders' equity
Share capital	Capital reserve	Surplus reserve	Foreign exchange difference	Available-for-sale financial assets revaluation reserve	Sub-total				
As at 1 January 2008									
As previously reported	7,700	38,519	894	(18)	12,143	12,706	71,944	712	72,656
Change in accounting policy	–	(184)	22	–	(320)	(9,977)	(10,459)	(234)	(10,693)
Restated	7,700	38,335	916	(18)	11,823	2,729	61,485	478	61,963
Total comprehensive (loss)/income	–	–	–	(6)	(13,071)	2,569	(10,508)	(190)	(10,698)
Dividends declared	–	–	–	–	–	(2,310)	(2,310)	–	(2,310)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	(60)	(60)
Capital injection into subsidiaries	–	(29)	–	–	–	–	(29)	254	225
Reattribution of available-for-sale investment revaluation reserve due to the acquisition of additional interest in subsidiaries	–	12	–	–	(12)	–	–	–	–
Appropriations to surplus reserves	–	–	90	–	–	(90)	–	–	–
31 December 2008	<u>7,700</u>	<u>38,318</u>	<u>1,006</u>	<u>(24)</u>	<u>(1,260)</u>	<u>2,898</u>	<u>48,638</u>	<u>482</u>	<u>49,120</u>

Consolidated Cash Flow Statement

For the year ended 31 December 2009

(Amounts expressed in RMB million unless otherwise specified)

	Notes	2009	2008
OPERATING ACTIVITIES			
Cash generated from operating activities		38,516	25,218
Income tax paid		(42)	(162)
Net cash inflow from operating activities		38,474	25,056
INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(2,005)	(2,945)
Proceeds from sale of items of property and equipment, intangible assets and other assets		33	252
Purchases of investments, net		(55,623)	(42,214)
Acquisition of subsidiaries		97	–
Increase of investments in a jointly-controlled entity		–	(50)
Interest received		10,002	8,412
Dividends received from investments		819	7,171
Net cash outflow from investing activities		(46,677)	(29,374)
FINANCING ACTIVITIES			
Securities sold under agreements to repurchase, net		2,780	(4,768)
Capital contribution from minority shareholders of subsidiaries		12	225
Proceeds from issuance of shares		18,806	–
Interest paid		(229)	(229)
Dividends paid		(2,360)	(2,359)
Other		1,862	–
Net cash (inflow)/outflow from financing activities		20,871	(7,131)
Effects of exchange rate changes on cash and cash equivalents		(3)	(100)
Net increase/(decrease) in cash and cash equivalents		12,665	(11,549)
Cash and cash equivalents at beginning of year		17,573	29,122
Cash and cash equivalents at end of year		30,238	17,573
Analysis of balances of cash and cash equivalents			
Cash at banks and on hand		6,330	5,991
Time deposits with original maturity of no more than three months		23,370	10,997
Other monetary assets		423	525
Financial assets purchased under agreements to resell with original maturity of no more than three months		115	60
Cash and cash equivalents at end of year		30,238	17,573

Notes (Amounts expressed in RMB million unless otherwise specified)

1. Net written premiums

(a) Income from insurance business

	<u>2009</u>	<u>2008</u> (Restated)
Long-term life insurance premiums	58,662	44,990
Short-term life insurance premiums	3,336	2,838
Property and casualty insurance premiums	34,344	27,924
	<u>96,342</u>	<u>75,752</u>

(b) Premiums ceded to reinsurers

	<u>2009</u>	<u>2008</u>
Long-term life insurance premiums ceded to reinsurers	(1,875)	(1,158)
Short-term life insurance premiums ceded to reinsurers	(870)	(866)
Property and casualty insurance premiums ceded to reinsurers	(7,046)	(6,411)
	<u>(9,791)</u>	<u>(8,435)</u>

(c) Net written premiums

	<u>2009</u>	<u>2008</u> (Restated)
Net written premiums	<u>86,551</u>	<u>67,317</u>

2. Investment income

	<u>2009</u>	<u>2008</u>
Interest and dividend income (a)	12,734	17,755
Realized gains/(losses) (b)	6,575	(3,756)
Unrealized gains/(losses) (c)	140	(742)
Charge of impairment losses on financial assets	(128)	(5,147)
Others	(5)	—
	<u>19,316</u>	<u>8,110</u>

2. Investment income (continued)

(a) Interest and dividend income

	<u>2009</u>	<u>2008</u>
Financial assets at fair value through profit or loss		
– Fixed maturity investments	2	2
– Investment funds	3	169
– Equity securities	–	1
	<u>5</u>	<u>172</u>
Held-to-maturity investments		
– Fixed maturity investments	<u>3,731</u>	<u>2,898</u>
Loans and receivables		
– Fixed maturity investments	<u>4,756</u>	<u>4,499</u>
Available-for-sale financial assets		
– Fixed maturity investments	3,413	3,224
– Investment funds	649	6,800
– Equity securities	180	162
	<u>4,242</u>	<u>10,186</u>
	<u><u>12,734</u></u>	<u><u>17,755</u></u>

(b) Realized gains/(losses)

	<u>2009</u>	<u>2008</u>
Derivative financial instruments	–	5
Other financial assets at fair value through profit or loss		
– Fixed maturity investments	23	–
– Investment funds	46	258
– Equity securities	3	(11)
	<u>72</u>	<u>247</u>
Available-for-sale financial assets		
– Fixed maturity investments	857	114
– Investment funds	1,025	(3,681)
– Equity securities	4,621	(441)
	<u>6,503</u>	<u>(4,008)</u>
	<u><u>6,575</u></u>	<u><u>(3,756)</u></u>

(c) Unrealized gains/(losses)

	<u>2009</u>	<u>2008</u>
Financial assets at fair value through profit or loss		
– Fixed maturity investments	(2)	6
– Investment funds	143	(668)
– Equity securities	(1)	(80)
	<u>140</u>	<u>(742)</u>

3. Net policyholders' benefit and claims

	2009		
	Gross	Ceded	Net
Life insurance death and other benefits paid	16,176	(87)	16,089
Claims incurred			
– Short-term life insurance	917	(384)	533
– Property and casualty insurance	18,642	(3,348)	15,294
Changes in long-term insurance contract liabilities	38,369	(1,311)	37,058
Policyholder dividends	2,053	–	2,053
	<u>76,157</u>	<u>(5,130)</u>	<u>71,027</u>
	2008 (Restated)		
	Gross	Ceded	Net
Life insurance death and other benefits paid	18,478	(65)	18,413
Claims incurred			
– Short-term life insurance	1,013	(317)	696
– Property and casualty insurance	17,411	(4,103)	13,308
Changes in long-term insurance contract liabilities	20,041	(624)	19,417
Policyholder dividends	2,569	–	2,569
	<u>59,512</u>	<u>(5,109)</u>	<u>54,403</u>

4. Income tax

(a) Income tax

	2009	2008 (Restated)
Current income tax	814	–
Deferred income tax	1,219	(1,350)
	<u>2,033</u>	<u>(1,350)</u>

(b) Tax recorded in other comprehensive income

	2009	2008 (Restated)
Deferred income tax	<u>780</u>	<u>(4,443)</u>

4. Income tax (continued)

(c) Reconciliation of tax expense

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

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

	<u>2009</u>	<u>2008</u> (Restated)
Profit before tax	<u>9,506</u>	<u>1,317</u>
Tax computed at the statutory tax rate	2,377	329
Adjustments to income tax in respect of previous periods	(127)	(20)
Income not subject to tax	(300)	(1,880)
Expenses not deductible for tax	104	221
Attributable to a jointly-controlled entity and an associate	<u>(21)</u>	<u>–</u>
Tax expense at the Group's effective rate	<u>2,033</u>	<u>(1,350)</u>

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

5. Insurance contract liabilities

	<u>As at 31 December 2009</u>		
	<u>Insurance contract liabilities</u>	<u>Reinsurers' share of insurance contract liabilities</u>	<u>Net</u>
Long-term life insurance contracts	<u>208,810</u>	<u>(3,704)</u>	<u>205,106</u>
Short-term life insurance contracts			
– Unearned premiums	1,229	(226)	1,003
– Claim reserves	470	(136)	334
	<u>1,699</u>	<u>(362)</u>	<u>1,337</u>
Property and casualty insurance contracts			
– Unearned premiums	14,634	(2,372)	12,262
– Claim reserves	11,009	(2,709)	8,300
	<u>25,643</u>	<u>(5,081)</u>	<u>20,562</u>
	<u>236,152</u>	<u>(9,147)</u>	<u>227,005</u>
IBNR included in claim reserves	<u>1,821</u>	<u>(474)</u>	<u>1,347</u>

5. Insurance contract liabilities (continued)

As at 31 December 2008 (Restated)			
Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net	
Long-term life insurance contracts	170,459	(2,393)	168,066
Short-term life insurance contracts			
– Unearned premiums	1,051	(243)	808
– Claim reserves	482	(143)	339
	<u>1,533</u>	<u>(386)</u>	<u>1,147</u>
Property and casualty insurance contracts			
– Unearned premiums	12,105	(2,071)	10,034
– Claim reserves	10,142	(2,930)	7,212
	<u>22,247</u>	<u>(5,001)</u>	<u>17,246</u>
	<u>194,239</u>	<u>(7,780)</u>	<u>186,459</u>
IBNR included in claim reserves	<u>1,685</u>	<u>(495)</u>	<u>1,190</u>

As at 1 January 2008 (Restated)			
Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net	
Long-term life insurance contracts	152,729	(1,770)	150,959
Short-term life insurance contracts			
– Unearned premiums	996	(232)	764
– Claim reserves	415	(160)	255
	<u>1,411</u>	<u>(392)</u>	<u>1,019</u>
Property and casualty insurance contracts			
– Unearned premiums	10,757	(1,740)	9,017
– Claim reserves	8,694	(2,835)	5,859
	<u>19,451</u>	<u>(4,575)</u>	<u>14,876</u>
	<u>173,591</u>	<u>(6,737)</u>	<u>166,854</u>
IBNR included in claim reserves	<u>1,455</u>	<u>(509)</u>	<u>946</u>

5. Insurance contract liabilities (continued)

(a) Long-term life insurance contract reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
	<u> </u>	<u> </u>	<u> </u>
As at 1 January 2008	152,729	(1,770)	150,959
Valuation premiums	44,990	(1,158)	43,832
Liabilities released for payments on benefits and claims	(18,478)	65	(18,413)
Other movements	(8,782)	470	(8,312)
	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2008	170,459	(2,393)	168,066
Valuation premiums	58,662	(1,875)	56,787
Liabilities released for payments on benefits and claims	(16,176)	87	(16,089)
Other movements	(4,135)	477	(3,658)
	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2009	<u>208,810</u>	<u>(3,704)</u>	<u>205,106</u>

(b) Short-term life insurance contract liabilities

Movements of unearned premiums

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
	<u> </u>	<u> </u>	<u> </u>
As at 1 January 2008	996	(232)	764
Premiums written	2,838	(866)	1,972
Premiums earned	(2,783)	855	(1,928)
	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2008	1,051	(243)	808
Premiums written	3,336	(870)	2,466
Premiums earned	(3,158)	887	(2,271)
	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2009	<u>1,229</u>	<u>(226)</u>	<u>1,003</u>

5. Insurance contract liabilities (continued)

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

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
	<u> </u>	<u> </u>	<u> </u>
As at 1 January 2008	415	(160)	255
Claims incurred	1,013	(317)	696
Claims paid	(946)	334	(612)
	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2008	482	(143)	339
Claims incurred	917	(384)	533
Claims paid	(929)	391	(538)
	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2009	<u>470</u>	<u>(136)</u>	<u>334</u>

(c) Property and casualty insurance contracts liabilities

Movements of unearned premiums

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
	<u> </u>	<u> </u>	<u> </u>
As at 1 January 2008	10,757	(1,740)	9,017
Premiums written	27,924	(6,411)	21,513
Premiums earned	(26,576)	6,080	(20,496)
	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2008	12,105	(2,071)	10,034
Premiums written	34,344	(7,046)	27,298
Premiums earned	(31,815)	6,745	(25,070)
	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2009	<u>14,634</u>	<u>(2,372)</u>	<u>12,262</u>

5. Insurance contract liabilities (continued)

(c) Property and casualty insurance contracts liabilities (continued)

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
	<u> </u>	<u> </u>	<u> </u>
As at 1 January 2008	8,694	(2,835)	5,859
Claims incurred	17,411	(4,103)	13,308
Claims paid	(15,963)	4,008	(11,955)
	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2008	10,142	(2,930)	7,212
Claims incurred	18,642	(3,348)	15,294
Claims paid	(17,775)	3,569	(14,206)
	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2009	<u>11,009</u>	<u>(2,709)</u>	<u>8,300</u>

6. Investment contract liabilities

As at 1 January 2008	36,087
Deposits received	18,876
Deposits withdrawn	(5,173)
Fees deducted	(1,077)
Interest credited	2,064
Others	(438)
	<u> </u>
As at 31 December 2008	50,339
Deposits received	6,328
Deposits withdrawn	(5,440)
Fees deducted	(384)
Interest credited	1,870
Others	(623)
	<u> </u>
As at 31 December 2009	<u>52,090</u>

7. Change in scope of consolidation

Pursuant to the resolution of 2nd extraordinary meeting of 3rd board of directors of CPIC Life in April 2009 and the approval of CIRC (Bao Jian Fa Gai No. [2009]1102 and No. [2009]1344), CPIC Life purchased 113,500,000 shares of Changjiang Pension from Shanghai International Group Co., Ltd. for a total consideration in cash of RMB170,250,000 and subscribed for 218,609,889 new shares issued by Changjiang Pension for a total consideration in cash of RMB327,914,834.

Up to 31 December 2009, the above transactions have been completed and the Company, through CPIC Life and Assets Management Company, indirectly held over 51% equity interests in Changjiang Pension. The acquisition date for this business combination is 22 December 2009.

Changjiang Pension was established pursuant to the approval of CIRC and obtained an insurance corporate licence. Changjiang Pension was also granted the qualifications as trustee, account manager and investment manager of enterprise annuities by Ministry of Human Resources and Social Security of the PRC.

The business combination was achieved in stages. The fair values of the identifiable assets and liabilities acquired as at the transaction dates were set out as below:

	May 2007	November 2009	December 2009	Total
Cash and short-term time deposits	500	280	495	
Restricted statutory deposits	–	130	130	
Securities purchased under agreements to resell	–	–	100	
Available-for-sale financial assets	–	79	88	
Others	–	37	67	
	<u>500</u>	<u>526</u>	<u>880</u>	
Fair value of net identifiable assets	500	526	880	
Equity interest acquired (%)	<u>15.10</u>	<u>19.95</u>	<u>27.76</u>	
Fair value of acquired net identifiable assets attributed to the Group	76	105	244	425
Goodwill arising from acquisition	–	65	84	149
	<u>76</u>	<u>170</u>	<u>328</u>	<u>574</u>
Total consideration	<u><u>76</u></u>	<u><u>170</u></u>	<u><u>328</u></u>	<u><u>574</u></u>

The fair values of the identifiable assets and liabilities of Changjiang Pension as at the transaction dates approximated their carrying amounts. All considerations were paid in cash.

The net inflow of cash and cash equivalents in respect of the acquisition of subsidiary is as follows:

Cash and bank balances acquired	595
Cash consideration	<u>(574)</u>
Net inflow of cash and cash equivalents	21
Cash consideration paid in 2007	<u>76</u>
Net inflow of cash and cash equivalents in 2009	<u><u>97</u></u>

The operating results and cash flows of Changjiang Pension from the date of acquisition to 31 December 2009 were not significant. The carrying amounts of Changjiang Pension's net assets as at 31 December 2009 approximated their carrying amounts as at the acquisition date.

From the date of acquisition to 31 December 2009, the Group did not dispose of and did not intend to dispose of any assets or liabilities of Changjiang Pension.

EMBEDDED VALUE

I. 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 2009, and the value of one year's sales of CPIC Life in the 12 month to 31 December 2009 at risk discount rate of 11.5%.

Valuation date	Unit: RMB Million	
	31 December 2009	31 December 2008
Group Adjusted Net Worth	72,368	51,876
Adjusted Net Worth of CPIC Life	24,150	24,352
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written prior to June 1999	(2,505)	(2,251)
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written since June 1999	36,476	27,109
Cost of Solvency Margin Held for CPIC Life	(7,516)	(6,441)
Value of In Force Business of CPIC Life After Cost of Solvency Margin Held	26,454	18,417
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	26,003	18,103
Group Embedded Value	98,371	69,978
Life Embedded Value	50,605	42,769
Value of One Year's Sales of CPIC Life Before Cost of Solvency Margin Held	6,218	4,740
Cost of Solvency Margin	(1,219)	(1,089)
Value of One Year's Sales of CPIC Life After Cost of Solvency Margin Held	<u>5,000</u>	<u>3,651</u>

Note that figures may not be additive due to rounding

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

II. Analysis of Change in Embedded Value

The following table shows the change in the Group Embedded Value from 31 December 2008 to 31 December 2009, assuming the risk discount rate of the Company is 11.5%.

Unit: RMB Million

No.	Item	Value	Comments
1	Embedded Value of the life business at 31 December 2008	42,769	
2	Expected Return on Embedded value	4,286	Expected returns on the 2008 embedded value of CPIC Life and the value of one year's sales of CPIC Life in 2009
3	Value of one year's sales	5,000	Value of one year's sale in respect of new business written in the 12 months prior to 31 December 2009
4	Investment Experience Variance	3,038	Reflects the difference between actual and assumed investment return in 2009
5	Operating Experience Variance	4	Reflects the difference between actual and assumed operating experience in 2009
6	Change in methodology, assumptions and models	458	Reflects assumption changes in 2009, together with model enhancements.
7	Change of risk discount rate	965	Reflects the impact of the change of risk discount rate from 12% to 11.5%
8	Change in market value adjustment	(3,264)	Reflects the change in value of assets in 2009 not valued on a market value basis
9	Others	409	Change from other variances
10	Shareholder Dividends	(3,060)	Shareholder dividends distributed to shareholders of CPIC Life
11	Embedded Value of the life business at 31 December 2009	50,605	Increased by 18.3% relative to 31 December 2008
12	Adjusted net worth of businesses other than CPIC Life as at 31 December 2008	28,064	
13	Change in Adjusted Net Worth before payment of shareholder dividends to shareholders of CPIC Group	23,845	Including proceeds of RMB18,653 million from H-share listing in Hong Kong in December 2009

No.	Item	Value	Comments
14	Shareholder dividends	(2,310)	Dividend distributed to shareholders of the Group
15	Change in market value adjustment	(395)	
16	Adjusted net worth of businesses other than CPIC Life as at 31 December 2009	49,204	
17	Minority interests relating to equity and market value adjustments	(1,438)	Minority interests on Embedded Value as at 31 December 2009
18	Group Embedded Value as at 31 December 2009	98,371	
19	Embedded Value as at 31 December 2009 per share (RMB)	11.60	

Note that figures may not be additive due to rounding.

CHANGES IN ACCOUNTING POLICIES

In December 2009, the Ministry of Finance (“MOF”) issued “Standards for accounting treatment for insurance contracts” (Cai Kuai [2009] No. 15) which specifies the requirements for policy unbundling, testing the significance of insurance risk and the measures of insurance contract liabilities. It requires the insurance companies to apply the standards for the preparation of the 2009 annual reports and it requires full retrospective application for those accounting treatments which are not consistent with such standards of relevant transactions and issues in previous year if possible. It applies to all insurance companies which prepare their 2009 annual reports in accordance with the generally accepted accounting principles in the PRC (“PRC GAAP”) if it is not practicable to make retrospective application. In January 2010, CIRC issued “Notice on the Matters Relevant to the Insurance Industry’s Implementation of the Interpretation No. 2 of the Accounting Standards for Business Enterprises” (Bao Jian Fa [2010] No. 6) which provides additional implementation guidance to Cai Kuai [2009] No. 15.

As allowable under HKFRS, the Company changed the principal accounting policies for policy unbundling, testing the significance of insurance risk, and the measures of acquisition costs and insurance contract liabilities for the year of 2009 by referring to the principles of Cai Kuai [2009] No. 15, Bao Jian Fa [2010] No. 6 and the industry practice. The Company also applied retrospection where possible. Such changes would make the HKFRS financial statements no less reliable and more relevant to the needs of their users when making economic decisions.

The impact of the aforesaid changes in accounting policies on net assets attributable to equity holders of the parent company as at the beginning of 2009 and 2008 included in the consolidated financial statement of the Company is -10,717 million and -10,459 million, respectively. The impact of the aforesaid changes in accounting policies on the net profit attributable to equity holders of the parent company for 2009 and 2008 included in the consolidated financial statement is 112 million and -517 million, respectively. There is no impact on the net assets of the parent as at the beginning 2009 and 2008.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES AS SET OUT IN APPENDIX 14 OF THE LISTING RULES

The Board is in view that the Company has basically complied with the provisions and most of the recommended best practices of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (“the Listing Rules”) on The Stock Exchange of Hong Kong Limited throughout the period from the Listing Date (i.e. 23 December 2009) up to 31 December 2009.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY’S LISTED SECURITIES

During the year ended 31 December 2009, neither the Company nor its subsidiaries purchased, sold or redeemed any listed shares of the Company.

PROPOSED DIVIDEND AND CLOSURE OF H SHARE REGISTER OF MEMBERS

On 16 April 2010, the Board recommended a final dividend of RMB 0.30 per share for the year ended 31 December 2009, amounting to approximately RMB 2.580 billion in aggregate. The proposed final dividend is subject to the approval of shareholders at the Annual General Meeting. If approved, it is expected that the payment of the final dividend will be made on or before Thursday, 8 July 2010 to the shareholders whose names appear on the H Share Register of Members on Thursday, 3 June 2010.

According to the New Income Tax Law and its Implementation Rules enacted in 2008 and relevant regulations, the Company is required to withhold 10% of corporate income tax before payment of final dividend to non-resident enterprise shareholders whose names appear on the H Share Register of Members on 3 June 2010. The H Share Register of Members of the Company will be closed from Tuesday, 4 May 2010 to Thursday, 3 June 2010 (both days inclusive), during which period no transfer of H shares will be registered. In order to be eligible for the final dividend, H Share shareholders should ensure that all transfer documents, accompanied with the relevant share certificates, are lodged with the Company’s H Share registrar, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 3 May 2010.

For the details on payment of final dividend for the year 2009 to A share shareholders, the Company will make an announcement on the Shanghai Stock Exchange.

ELIGIBILITY FOR ATTENDING THE ANNUAL GENERAL MEETING AND CLOSURE OF H SHARE REGISTER OF MEMBERS

The 2009 Annual General Meeting (“AGM”) will be held on Thursday, 3 June 2010. The H Share register of members of the Company will be closed for the purpose of determining H Share shareholders’ entitlement to attend the Annual General Meeting, from Tuesday, 4 May 2010 to Thursday, 3 June 2010 (both days inclusive), during which period no transfer of H Share will be registered. In order to attend the Annual General Meeting, H Share shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company’s H share registrar, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 3 May 2010.

For the details on A share shareholders’ eligibility for attending the AGM, the Company will make an announcement on the Shanghai Stock Exchange.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the principal accounting policies of the Group and the audited financial statements for the year ended 31 December 2009 in the presence of internal and external auditors.

PUBLICATION OF RESULTS ON THE WEBSITE OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY

The annual report of H Shares the Company for the year ended 31 December 2009 will be dispatched to holders H Shares of the Company on or about 30 April 2010 and will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cpic.com.cn).

DEFINITIONS

“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 Asset Management”	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 subsidiary of CPIC Group
“CIRC”	China Insurance Regulatory Commission
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi

By Order of the Board
China Pacific Insurance (Group) Co., Ltd.
Gao Guofu
Chairman

Shanghai, the PRC, 19 April 2010

As of the date of this announcement, the executive Directors of the Company are Mr. GAO Guofu and Mr. HUO Lianhong; the non-executive Directors of the Company are Mr. YANG Xianghai, Mr. ZHOU Ciming, Mr. HUANG Kongwei, Mr. XU Hulin, Mr. YANG Xiangdong and Ms. FENG Junyuan, Janine; and the independent non-executive Directors of the Company are Mr. XU Shanda, Mr. CHANG Tso Tung Stephen, Mr. LI Ruoshan, Mr. YUEN Tin Fan and Mr. XIAO Wei.