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 2013

Chairman 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 reflectd 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%.

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

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

Management Discussion and Analysis

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.

III. Life Business

(I) Business Analysis

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.

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 RMB61.162 billion, up 9.0%.

1. 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 6.160 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 3,795, 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 15.273 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.

2. 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

3. 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.

4. 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.

IV. 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

1. 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

①Car 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.

②Non-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.

③Key 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

2. 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.

V. 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.

1. 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

	31 December 2013	Share (%)	share changes (pt)	Changes (%)
Cash and cash equivalents	19,335	2.9	(1.1)	(22.6)
Group investment assets (Total)				
By investment purpose				
Financial assets at fair value through profit or loss	4,926	0.8	0.5	187.4
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.

2. Investment Income

In 2013, our investment income totalled RMB31.582 billion, up 70.5%. Total investment return 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 return 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
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.

3. Total Investment Return 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

1. Third-party assets under the management of 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.

2. Third-party assets under the management of 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%.

VI. Analysis of specific items

(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

1. 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)

2. 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.

3. 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

1. 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.

2. 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

	Year 2013/31 December 2013	
Market value	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 (慕尼黑再保險公司) and Swiss Reinsurance Company (瑞士再保險公司).

VII. 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.

VIII. Outlook

(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.

Operating Results

The Company announces the audited consolidated annual results of the Company and its subsidiaries for the year ended 31 December 2013 (the "Reporting Period") together with the comparative figures for the previous year:

Consolidated Income Statement
For the year ended 31 December 2013

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

	Notes	2013	2012
Gross written premiums	1(a)	176,923	163,228
Less: Premiums ceded to reinsurers	1(b)	(15,295)	(11,795)
Net written premiums	1	161,628	151,433
Net change in unearned premium reserves		(2,003)	(3,594)
Net premiums earned		159,625	147,839
Investment income	2	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	3	(28,420)	(20,596)
Claims incurred	3	(45,657)	(35,815)
Changes in long-term life insurance contract liabilities	3	(55,056)	(58,501)
Policyholder dividends	3	(4,126)	(3,905)
Finance costs		(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		11,914	6,113
Income tax	4	(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	5	RMB1.02	RMB0.59
Diluted earnings per share	5	RMB1.02	RMB0.59

Consolidated Statement Of Comprehensive Income
For the year ended 31 December 2013

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

	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		(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

Consolidated Balance Sheet
As at 31 December 2013

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

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

Consolidated Balance Sheet (continued)
As at 31 December 2013

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

	Notes	31 December 2013	31 December 2012
EQUITY AND LIABILITIES			
Equity			
Issued capital		9,062	9,062
Reserves	6	64,612	67,519
Retained profits	6	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		188	-
Insurance contract liabilities	7	502,536	438,887
Investment contract liabilities	8	34,443	41,754
Policyholders' deposits		77	79
Subordinated debt		15,500	15,500
Securities sold under agreements to repurchase		25,199	50,143
Deferred income tax liabilities		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		19,852	16,524
Total liabilities		623,147	583,933
Total equity and liabilities		723,533	681,502

Consolidated Statement of Changes in Equity
For the year ended 31 December 2013

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

	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).

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2013

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

	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).

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2013
(All amounts expressed in RMB million unless otherwise specified)

	Note	2013	2012
OPERATING ACTIVITIES			
Cash generated from operating activities		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

Notes (Amounts expressed in RMB million unless otherwise specified)

1. 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

2. 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

2 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

3. 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

4. INCOME TAX

(a) Income tax

	2013	2012
Current income tax	2,504	1,106
Deferred income tax	15	(123)
	2,519	983

(b) Tax recorded in other comprehensive income

	2013	2012
Deferred income tax	(1,105)	3,034

4. INCOME TAX(continued)

(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.

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

5. 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.

6. 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.

6. RESERVES AND RETAINED PROFITS(continued)

(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.

(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.

6. RESERVES AND RETAINED PROFITS (continued)

(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).

7. INSURANCE CONTRACT LIABILITIES

	31 December 2013		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	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

	31 December 2012		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	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

7. INSURANCE CONTRACT LIABILITIES (continued)

(a) Long-term life insurance contract liabilities

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	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

(b) Short-term life insurance contract liabilities

Movements of unearned premiums

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	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

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	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

7. INSURANCE CONTRACT LIABILITIES (continued)

(c) Property and casualty insurance contract liabilities

Movements of unearned premiums

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	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

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	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

8. INVESTMENT CONTRACT LIABILITIES

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

9. CHANGE IN SUBSIDIARIES AND JOINT VENTURES

(a) Business combination not under common control during this period

In May 2013, CPIC Life acquired the entire 100% equity interest of Tianjin Trophy Real Estate Co. Ltd. ("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.

(b) Investment in a joint venture during this period

In November 2012, the joint purchasers which comprised of CPIC Property and a third party won the bid for the land use right to a parcel of land located in Huangpu District, Shanghai. In February 2013, the aforementioned two parties set up a project company named Shanghai Binjiang-Xiangrui Investment and Construction Co, Ltd ("Binjiang-Xiangrui") as the owner of the land use right as well as the developer for this parcel of land. Binjiang-Xiangrui obtained its business license in March 2013.

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.

Embedded Value

1. 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.

2. 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
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 2.9% 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.

Compliance with the 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

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.

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

During the year ended 31 December 2013, neither the Company nor its subsidiaries purchased, sold or redeemed any listed shares of the Company.

Proposed Final Dividend

On 28 March 2014, the Board recommended a final dividend of RMB0.40 per share (including tax) for the year ended 31 December 2013, amounting to approximately RMB3.625 billion in aggregate. The proposed final dividend is subject to the approval of shareholders at the 2013 Annual General Meeting ("AGM"). If approved, it is expected that the payment of the final dividend will be made on or before Friday, 18 July 2014 to the shareholders whose names appear on the H Share Register of Members on Tuesday, 10 June 2014.

Withholding of Dividend Income Tax

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the PRC and its implementation rules enacted in 2008, the Company is required to withhold 10% of corporate income tax when it distributes the final dividend to its non-resident enterprise shareholders whose names appear on the H Share Register of Members on Tuesday, 10 June 2014.

Pursuant to the applicable provisions of the Individual Income Tax Law of the PRC and its implementation rules and confirmed by the relevant tax authorities in the PRC after consulting with them by the Company, the Company will withhold individual income tax at the tax rate of 10% when it distributes the final dividend to individual holders of H Shares appeared on the Company's H Share Register of Members on Tuesday, 10 June 2014. However, if it is otherwise stated in the tax regulations and relevant tax treaty, the Company will withhold individual income tax based on their dividend at the required tax rate and in accordance with the relevant procedures. If the applicable dividend tax rate is less than 10%, the individual H Share shareholders are entitled to apply for refund of the over-deducted amount on their own or appoint an agent to act on their behalf according to the tax treaty entered into between their countries of domicile and the PRC and the regulations of the relevant PRC tax authorities.

The Company will withhold the enterprise income tax as well as the individual income tax as required by law for H Share shareholders whose names appeared on the Company's H Share Register of Members on Tuesday, 10 June 2014. The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H Share shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H Share shareholders or any disputes over the withholding mechanism or arrangements.

All investors are requested to read this announcement carefully. Shareholders are recommended to consult their taxation advisors regarding their holding and disposing of H shares of the Company for the PRC, Hong Kong and other tax effects involved.

Eligibility for Proposed Final Dividend and Closure of H Share Register of Members

The H Share Register of Members of the Company will be closed from Thursday, 5 June 2014 to Tuesday, 10 June 2014 (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, by no later than 4:30 p.m. on Wednesday, 4 June 2014.

The Company will announce details on the payment of the final dividend for the year 2013 to A Share shareholders on the Shanghai Stock Exchange.

Eligibility for Attending the Annual General Meeting and Closure of H Share Register of Members

The 2013 Annual General Meeting will be held on Friday, 29 May 2014. The H Share Register of Members of the Company will be closed for the purpose of determining H Share shareholders' entitlement to attend the AGM, from Monday, 28 April 2014 to Thursday, 29 May 2014 (both days inclusive), during which no transfer of H Shares will be registered. In order to attend the AGM, 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, by no later than 4:30 p.m. on Friday, 25 April 2014.

The Company will announce details on A Share shareholders' eligibility for attending the AGM 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 2013 in the presence of internal and external auditors.

Publication of Results on the Websites of the Hong Kong Stock Exchange and the Company

The annual report of the Company for the year ended 31 December 2013 will be dispatched to shareholders in due course 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" 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 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
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"RMB"	Renminbi
"pt"	Percentage point

By Order of the Board

China Pacific Insurance (Group) Co., Ltd.

GAO Guofu

Chairman

Hong Kong, 31 March 2014

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. WANG Chengran, Ms. SUN Xiaoning, Mr. YANG Xianghai, Mr. WU Jumin, Mr. WU Junhao and Mr. ZHENG Anguo; and the independent non-executive directors of the Company are Mr. BAI Wei, Mr. LAM Chi Kuen, Mr. ZHOU Zhonghui and Mr. FOK Kwong Man.