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中國太平洋保險（集團）股份有限公司

**CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**

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

**(Stock Code : 02601)**

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

**Chairman's Statement**

I'm glad to report that, in the first half of 2013, CPIC delivered sustained value growth, as measured by a host of key value metrics. Group embedded value reached RMB139.723 billion, representing an increase of 3.3% as compared to that as at the end of the previous year. Value of in-force business (VIF)<sup>1</sup> amounted to RMB55.467 billion, up 13.1% from the end of last year. Group net assets<sup>2</sup> stood at RMB96.306 billion, representing an increase of 0.1% as compared to that as at the end of last year. Group net profit<sup>2</sup> hit RMB5.464 billion, representing a YoY increase of 107.1%. The new business value of life insurance increased 4.8% YoY to RMB4.254 billion. The combined ratio of property and casualty insurance rose to 97.7%. The annualized growth rate of investments' net asset value<sup>3</sup> of the Group was 4.3%.

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<sup>1</sup> Based on the value of in-force business of the life insurance business attributable to the Group.

<sup>2</sup> Based on the amount attributable to the shareholders of the Company.

<sup>3</sup> Annualized growth rate of investments' net asset value = (Annualized total investment returns + net fair value changes of available-for-sale financial assets included in other comprehensive income of the period)/((investment assets at the beginning of the period + investment assets at the end of the period – balance of securities sold under repurchase agreement at the beginning of the period - balance of securities sold under repurchase agreement at the end of the period)/2)

To deliver sustainable growth in life new business value, we continued to focus on the agency channel and regular premium business. In the first half of 2013, premiums from new policies through the agency channel amounted to RMB8.042 billion, representing a YoY increase of 10.3%. New business value reached RMB3.417 billion, up 7.1% YoY. Premiums from new regular premium business amounted to RMB9.643 billion, representing an increase of 1.8% as compared to the same period of last year and regular premiums from new policies as a percentage of total new policies increased from 38.0% in the same period of last year to 43.9%. At the same time, we continued to improve the product mix and sales model of bancassurance, which recorded a 3.1% growth in new business value despite the decline in premiums from new policies.

On the property and casualty insurance (P&C) side, our strategy was to pursue growth with underwriting profits. As market competition intensified and claims costs increased, the P&C sector's underwriting profitability, in particular that of auto insurance, decreased significantly. For the Company, though the P&C combined ratio increased to 97.7%, the business remained profitable. By lines of business, the combined ratio of auto insurance was 99.8% and that of non-auto 87.9%. GWP from our property and casualty insurance amounted to RMB42.354 billion, representing an increase of 20.2% from the same period last year, among which, premiums from auto insurance and non-auto insurance were RMB31.834 billion and RMB10.520 billion respectively, representing a YoY increase of 21.4% and 16.6% respectively.

As for asset management business, the Group continued to adhere to asset and liability management, recording an annualized growth rate of investment's net asset value of 4.3%. In the first half of this year, we continued to increase our allocation towards fixed income assets. As a result, fixed income investments (including new investments and re-investments upon maturity) amounted to RMB57.301 billion and the investment yield was 5.5%. We also prudently improved our equity portfolios and focused on shares with high dividend yields. In the first half of this year, dividend income from listed equity investments amounted to RMB1.175 billion, representing an increase of 34.7% as compared to the same period of last year. Debt investment plans were another area of our efforts. We launched 11 infrastructure and real estate debt investment plans with a total value of RMB17.4 billion, with an investment yield of up to 5.9%. In addition to managing the Group's in-house assets, we also actively expanded our third-party asset management business<sup>1</sup>. Third-party assets under management by CPIC AMC amounted to RMB40.629 billion. Assets under custody by Changjiang Pension amounted to RMB33.612 billion.

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<sup>1</sup> Third-party asset management business includes third-party assets under management by CPIC AMC and assets under custody by Changjiang Pension. Third-party assets under management by CPIC AMC refers to the sale of asset management products designed by CPIC to external investors or the entrustment of external investors' assets to CPIC for management.

In 2013, we continued to push forward our “customer demand-oriented” initiative. The 12 projects which we launched last year were making good progress, with some in trial operation and others having their overall plan finalised. The promotion of “*Shenxing Taibao*” (神行太保), a smart mobile insurance platform for our life insurance business, allowed more customers to enjoy the convenience of new technology and enhanced operating efficiencies. Now, all policies from the agency channel are issued from this smart platform. For P&C business, the “3G Claims Management System” helped to improve claims management, so that a higher proportion of claims could be processed and settled within 24 hours. And the average auto claims turnaround was reduced by 26.5% as compared to the same period of last year. Premiums from telemarketing and internet sales amounted to RMB6.620 billion, representing a rapid YoY growth of 47.4%.

The term of office of the 6<sup>th</sup> Board of Directors ended in the first half of 2013. In the past three years, the 6<sup>th</sup> Board of Directors performed its duties with full dedication and diligence. Under its stewardship, the Company has been able to increase its overall strength steadily, ranking securely among the “Fortune Global 500”. Furthermore, the board of directors contributed greatly to CPIC’s key strategic moves, such as the “customer demand-oriented” initiative, the successful private placement of H shares and the decision to establish a health insurance subsidiary. The achievements of the Company could not have been possible without the dedication of all our directors and employees, and I would like to take this opportunity to thank all of them for their dedicated service and contribution.

## Management Discussion and Analysis

The Company provides a comprehensive range of life insurance and property and casualty insurance products through its subsidiaries, namely CPIC Life<sup>1</sup> and CPIC Property<sup>1</sup>, and manages and deploys insurance funds and carries out third-party entrusted assets management business through its subsidiary, CPIC AMC<sup>1</sup>. At the same time, the Company carries on pension business through its subsidiary, Changjiang Pension and carries on property and casualty insurance business and asset management business in Hong Kong through CPIC HK and CPIC Investment (H.K.), respectively. It also sells its life insurance products and property and casualty insurance products via the telemarketing and e-commerce platform of CPIC Online (www.ecpic.com.cn).

### I. Summary of operating results

CPIC has adhered to its objective of sustainable value-enhancing growth, further promoted the “customer demand-oriented” transformation and continued to strengthen its capabilities in value creation.

**Stable growth of value.** As at the end of the first half of 2013, the Group’s embedded value amounted to RMB139.723 billion, representing an increase of 3.3% as compared to that as at the end of the previous year. The value of in-force business<sup>2</sup> amounted to RMB55.467 billion, representing an increase of 13.1% as compared to that as at the end of the previous year.

**Continuous increase of income.** In the first half of 2013, the Company realized gross written premiums of RMB98.662 billion, representing an increase of 9.0% as compared to the same period of the previous year, among which, life insurance premiums amounted to RMB56.270 billion, representing an increase of 1.9% as compared to the same period of the previous year, and property and casualty insurance premiums amounted to RMB42.354 billion, representing an increase of 20.2% as compared to the same period of the previous year. In the first half of 2013, the Company realized net profit<sup>3</sup> of RMB5.464 billion, representing an increase of 107.1% as compared to the same period of the previous year.

**Increased amount of managed assets.** As at the end of the first half of 2013, assets under management of the Group amounted to RMB736.180 billion, representing an increase of 7.1% as compared to the end of the previous year. Among which, Group investment assets and third-party assets under management amounted to RMB661.939 billion and RMB74.241 billion, representing an increase of 5.5% and 24.0% as compared to that as at the end of the previous year, respectively.

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<sup>1</sup> The following analysis of life insurance business, property and casualty insurance business and asset management business only refers to the businesses of CPIC Life, CPIC Property and CPIC AMC, respectively.

<sup>2</sup> Based on the value of in-force business of the life insurance business attributable to the Group.

<sup>3</sup> Based on the amount attributable to the shareholders of the Company.

**Well capitalized.** Net assets of the Group<sup>1</sup> amounted to RMB96.306 billion, representing an increase of 0.1% as compared to that as at the end of the previous year. The solvency margin ratio of the Group maintained at a satisfactory level of 282%.

**CPIC Life realized sustainable growth in the value of new business.**

- The new business value of life insurance amounted to RMB4.254 billion, representing an increase of 4.8% as compared to the same period of the previous year;
- The new business margin<sup>2</sup> reached 18.0%, representing an increase of 2.6pt as compared to the same period of the previous year;
- The value of new business from the agency channels amounted to RMB3.417 billion and accounted for 80.3% of the total value of new business, representing an increase of 1.8pt as compared to the same period of the previous year;
- Premiums from new policies through the agency channels amounted to RMB8.042 billion, representing an increase of 10.3% as compared to the same period of the previous year;
- Monthly average first-year gross written premiums per agent amounted to RMB4,754, representing an increase of 7.4% as compared to the same period of the previous year;
- Regular premiums from new policies as a percentage of total new policies increased from 38.0% in the first half of 2012 to 43.9%;
- Business with a term of 5 years or above as a proportion to total regular premiums from new policies increased to 93.0%, representing an increase of 2.2pt as compared to the same period of the previous year;
- Premiums from new high value regular premium products through bancassurance channel amounted to RMB948 million, representing an increase of 44.7%<sup>3</sup> as compared to the same period of the previous year, which boosted the growth in the value of new business from bancassurance channel by 3.1%.

**CPIC Property realized rapid growth in underwriting profitability.**

- Premiums derived from property and casualty insurance amounted to RMB42.354 billion, representing an increase of 20.2% as compared to the same period of the previous year;
- The combined ratio of property and casualty insurance was 97.7%, representing an increase of 3.5pt as compared to the same period of the previous year;
- Premiums from auto insurance amounted to RMB31.834 billion, representing an increase of 21.4% as compared to the same period of the previous year. The combined ratio of auto insurance was 99.8%, representing an increase of 4.2pt as compared to the same period of the previous year.

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<sup>1</sup> Based on the amount attributable to the shareholders of the Company.

<sup>2</sup> New business margin = new business value / annualized premium of new business in the first year.

<sup>3</sup> Data of the same period of the previous year was restated.

- Premiums from non-auto insurance amounted to RMB10.520 billion, representing an increase of 16.6% as compared to the same period of the previous year. The combined ratio of non-auto insurance was 87.9%, remained at the same level as that at the same period of the previous year;
- The sales from telemarketing, internet sales and cross-selling amounted to RMB8.181 billion, representing an increase of 42.1% as compared to the same period of the previous year, which accounted for 19.3% of the total sales from property and casualty insurance business, representing an increase of 3.0pt as compared to the same period of the previous year;
- Renewal rate of commercial auto insurance amounted to 63.1%, representing an increase of 1.7pt<sup>1</sup> as compared to the same period of the previous year;
- Premiums from major customers amounted to RMB3.911 billion, representing an increase of 60.9% as compared to the same period of the previous year.

#### **CPIC AMC achieved steady growth in investment yield.**

- Annualized growth rate of investments' net asset value reached 4.3%, representing a decrease of 1.0pt as compared to the same period of the previous year;
- Total annualized investment yield reached 4.8%, representing an increase of 0.9pt as compared to the same period of the previous year;
- Net annualized investment yield reached 5.0%, representing an increase of 0.1pt as compared to the same period of the previous year;
- A total of 11 infrastructure and real estate debt investment plans with a total amount of RMB17.4 billion were launched;
- Income from third-party asset management business amounted to RMB46.7413 million, representing an increase of 155.2% as compared to the same period of the previous year.

## **II. Key operational indicators**

Indicators	Unit: RMB million		
	As at 30 June 2013/for the period between January and June in 2013	As at 31 December 2012/for the period between January and June in 2012	Changes (%)
<b>Key value indicators</b>			
Embedded value of the Group	139,723	135,280	3.3
Value of in-force business <sup>note 1</sup>	55,467	49,043	13.1
Net assets of the Group <sup>note 2</sup>	96,306	96,177	0.1
New business value of life insurance in the first half of the year	4,254	4,061	4.8
New business margin of life insurance (%)	18.0	15.4	2.6pt

<sup>1</sup> Data of the same period of the previous year was restated.

<b>Combined ratio of property and casualty insurance (%)</b>	97.7	94.2	3.5pt
<b>Growth rate of investments' net asset value (annualized) (%)</b>	4.3	5.3	(1.0pt)
<b>Key operating indicators</b>			
<b>Gross written premiums</b>	98,662	90,511	9.0
Life insurance	56,270	55,229	1.9
Property and casualty insurance	42,354	35,246	20.2
<b>Market share</b>			
Life insurance (%)	9.0	9.6	(0.6pt)
Property and casualty insurance (%)	12.9	12.5	0.4pt
<b>Number of group customers (in thousand)</b> <sup>note 3</sup>	81,668	76,207	7.2
<b>Average number of insurance policies per customer (in number)</b>	1.48	1.46	1.4
<b>Monthly average agent number (in thousand)</b>	282	274	2.9
<b>Monthly average first-year gross written premiums per agent (RMB)</b>	4,754	4,427	7.4
<b>Total investment yield (annualized) (%)</b>	4.8	3.9	0.9pt
<b>Net investment yield (annualized) (%)</b>	5.0	4.9	0.1pt
<b>Pension business</b>			
Assets under custody	33,612	31,522	6.6
Assets under investment management	27,563	23,741	16.1
<b>Key financial indicators</b>			
<b>Net Profit attributable to equity holders of the parent</b>	5,464	2,638	107.1
Life insurance	3,462	1,059	226.9
Property and casualty insurance	1,740	1,568	11.0
<b>Solvency margin ratio (%)</b>			
CPIC Group	282	312	(30pt)
Life insurance	193	211	(18pt)
Property and casualty insurance	157	188	(31pt)

Notes:

1. Based on the value of in-force business of the life insurance business attributable to the Group.

2. Based on the amount attributable to the shareholders of the Company.

3. Number of group customers refers to the number of insurers and policyholders 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 insurer and policyholder is the same person, the person shall be deemed as one customer.

### III. Life insurance business

#### (I) Business analysis

In the first half of 2013, the growth of the life insurance industry remained at a slow pace as a result of the ongoing transformation of this industry. In response to the new trends and changes during the industrial transformation, CPIC Life adhered to the development strategy of focusing on the agency channel and regular premium business and realized continuous growth in new business value. In the first half of this year, the Company recorded gross written premiums of RMB56.270 billion from life insurance business, representing an increase of 1.9% as compared to the same period of the previous year. Premiums from new policies amounted to RMB21.946 billion, representing a decrease of 12.0% over the same period of the previous year and premiums from renewed policies amounted to RMB34.324 billion, representing an increase of 13.3% over the same period of the previous year.

## 1. Analysis by channels

	Unit: RMB million		
For six months ended 30 June	2013	2012	Changes (%)
<b>Agency channel</b>			
Gross written premiums	32,852	28,210	16.5
New policies	8,042	7,288	10.3
Regular premium	7,613	6,880	10.7
Single premium	429	408	5.1
Renewed policies	24,810	20,922	18.6
<b>Bancassurance</b>			
Gross written premiums	20,043	21,709	(7.7)
New policies	10,954	12,582	(12.9)
Regular premium	1,777	2,325	(23.6)
Single premium	9,177	10,257	(10.5)
Renewed policies	9,089	9,127	(0.4)
<b>Direct Sales<sup>note</sup></b>			
Gross written premiums	3,375	5,310	(36.4)
New policies	2,950	5,072	(41.8)
Regular premium	253	264	(4.2)
Single premium	2,697	4,808	(43.9)
Renewed policies	425	238	78.6
<b>Total</b>	<b>56,270</b>	<b>55,229</b>	<b>1.9</b>

Note: Direct sales include telemarketing and internet sales.

For six months ended 30 June	2013	2012	Changes (%)
Monthly average agent number (in thousand)	282	274	2.9
Monthly average first-year gross written premiums per agent (RMB)	4,754	4,427	7.4
Average number of new life insurance policies per agent per month (in number)	1.35	1.20	12.5

### (1) Agency channel

In the first half of this year, the Company recorded premiums from new policies through the agency channel of RMB8.042 billion, representing an increase of 10.3% as compared to the same period of the previous year. Premiums from renewed policies amounted to RMB24.810 billion, representing an increase of 18.6% as compared to the same period of the previous year. The new business value under the agency channel amounted to RMB3.417 billion, representing an increase of 7.1% as compared to the same period of the previous year. The proportion of the new business value was 80.3%, representing an increase of 1.8pt as compared to the same period of the previous year. The profit margin of the new business was 40.0%, representing a decrease of 2.8pt as compared to the same period of the previous year.

The Company put a great emphasis on the healthy development of the agency channel manpower and the continuous improvement of their contributions. We strived to enhance the sales capabilities of the agent team and ensure development in healthy manpower through various measures, including optimizing the agent assessment and taking the initiative to boost the recruitment of agent. We continued to promote the Company's productivity by promotion of products, promotion of well-performed staff as well as providing customer-oriented service. Management initiatives such as continuous training, attendance management and activity management were optimized and implemented. In the first half of 2013, the portion of outstanding staff continued to increase. The monthly average premiums per agent amounted



to RMB4,754, representing an increase of 7.4% as compared to the same period of the previous year.

In the first half of this year, the Company further expanded the regional business by refining specialized market operation management and exploring innovative sales model for the customer relationship management. “Shenxing Taobao”, a smart mobile insurance platform, was further implemented. Now, all policies from the agency channel are issued from this smart platform, which improved customer experience and the efficiency of customer resources development.

## (2) Bancassurance

In the first half of this year, the overall bancassurance of the industry continued to experience adjustment. The Company recorded gross written premiums from bancassurance of RMB20.043 billion, representing a decrease of 7.7% as compared to the same period of the previous year. Premiums from new policies amounted to RMB10.954 billion, representing a decrease of 12.9% as compared to the same period of the previous year. Premiums from renewed policies amounted to RMB9.089 billion which remained at a similar level as compared to the same period of the previous year. Premiums from new policies amounted to RMB570 million, representing an increase of 3.1% as compared to the same period of the previous year. Premiums from new policies accounted for 13.4% of the total premiums, representing a decrease of 0.2pt as compared to the same period of the previous year. Profit margin from the new business reached 5.2%, representing an increase of 0.8pt as compared to the same period of the previous year.

In pursuit of higher values, the Company further carried out the transformation of bancassurance with a focus on regular premium business. In the first half of this year, regular premiums from new policies amounted to RMB1.777 billion, among which premiums from regular premiums with a term of five years or above amounted to RMB1.547 billion, with its proportion to the regular premiums from new policies increasing by 8.0pt. Premiums from new high value regular premium business amounted to RMB948 million, representing an increase of 44.7% as compared to the same period of the previous year. Business structure of bancassurance was further optimized and premiums from new business recorded positive growth as compared to the same period of the previous year.

## (3) Direct sales

The Company adhered to the balance between long-term value and current profit in respect of direct sales. We actively developed and expanded to new business as well as maintaining the traditional advantages of our accident insurance business. Premiums from accident insurance business under direct sales amounted to RMB2.049 billion, representing an increase of 10.0% as compared to the same period of the previous year. Moreover, the Company took the

initiative to participate in the major diseases medical insurance projects. As of the first half of this year, the Company undertook major disease medical insurance projects in eight regions of five provinces or municipalities with the coverage of 3 million customers. In the first half of this year, gross written premiums from direct sales amounted to RMB3.375 billion, representing a decrease of 36.4% as compared to the same period of the previous year. Premiums from new business under direct sales amounted to RMB267 million, representing a decrease of 16.3% as compared to the same period of the previous year. Premiums from new policies accounted for 6.3% of the total premiums, representing a decrease of 1.6pt as compared to the same period of the previous year. Profit margin from the new business reached 6.5%, representing an increase of 1.5pt as compared to the same period of the previous year.

## 2. Analysis by insurance category

		Unit: RMB million	
For six months ended 30 June	2013	2012	Changes (%)
<b>Gross written premiums</b>	<b>56,270</b>	<b>55,229</b>	<b>1.9</b>
Traditional	8,408	8,305	1.2
Participating	44,872	44,180	1.6
Universal	29	30	(3.3)
Short-term accident and health	2,961	2,714	9.1
<b>Gross written premiums</b>	<b>56,270</b>	<b>55,229</b>	<b>1.9</b>
Individual business	54,910	51,589	6.4
Group business	1,360	3,640	(62.6)

The Company continued to develop risk prevention and long-term savings insurance businesses. In the first half of this year, premiums from traditional insurance policies amounted to RMB8.408 billion, representing an increase of 1.2% as compared to the same period of the previous year. Premiums from participating insurance policies amounted to RMB44.872 billion, representing an increase of 1.6% as compared to the same period of the previous year. The short-term accident and health insurance policies recorded premiums of RMB2.961 billion, representing an increase of 9.1% as compared to the same period of the previous year. From the perspective of customer types, premiums from individual business accounted for 97.6% of the total premiums, representing an increase of 4.2pt as compared to the same period of the previous year.

## 3. Persistency ratio of policies

For six months ended 30 June	2013	2012	Changes (%)
Individual life insurance customer 13-month persistency ratio (%) <sup>note 1</sup>	90.4	91.6	(1.2pt)
Individual life insurance customer 25-month persistency ratio (%) <sup>note 2</sup>	88.3	90.6	(2.3pt)

Notes:

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

Despite the adjustment of the banking insurance business and the increase in surrender rates, the individual life insurance customers' 13-month persistency ratio and 25-month persistency ratio maintained at favourable levels.

#### 4. Gross written premiums from top ten geographical areas

In the first half of the year, the Company's gross written premiums from life insurance business were mainly derived from economically developed or more densely populated provinces or cities. The Company will continue to optimize resources allocation and investment portfolios in line with the urban development to consolidate its competitive advantages in county areas. The Company will also seek to expand the business coverage and proportion in urban areas.

		Unit: RMB million	
For six months ended 30 June	2013	2012	Changes (%)
<b>Gross written premiums</b>	<b>56,270</b>	<b>55,229</b>	<b>1.9</b>
Jiangsu	6,169	5,488	12.4
Henan	5,090	4,803	6.0
Shandong	4,220	4,217	0.1
Zhejiang	4,039	3,347	20.7
Guangdong	3,964	3,887	2.0
Hebei	3,533	3,460	2.1
Sichuan	2,701	2,594	4.1
Shanxi	2,641	2,350	12.4
Hubei	2,513	2,380	5.6
Beijing	2,256	2,635	(14.4)
Sub-total	37,126	35,161	5.6
Others	19,144	20,068	(4.6)

#### (II) Financial Analysis

		Unit: RMB million	
For six months ended 30 June	2013	2012	Changes (%)
Net premiums earned	55,121	53,959	2.2
Investment income <sup>note</sup>	13,149	7,575	73.6
Other operating income	417	358	16.5
<b>Total income</b>	<b>68,687</b>	<b>61,892</b>	<b>11.0</b>
Net policyholders' benefits and claims	(52,200)	(49,063)	6.4
Finance costs	(1,234)	(978)	26.2
Interest credited to investment contracts	(895)	(969)	(7.6)
Other operating and administrative expenses	(10,289)	(9,697)	6.1
<b>Total benefits, claims and expenses</b>	<b>(64,618)</b>	<b>(60,707)</b>	<b>6.4</b>
Profit before tax	4,069	1,185	243.4
Income tax	(607)	(126)	381.7
<b>Net profit</b>	<b>3,462</b>	<b>1,059</b>	<b>226.9</b>

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

**Investment income.** Investment income amounted to RMB13.149 billion in the first half of this year, representing an increase of 73.6% over the same period of the previous year. The increase was mainly attributable to the increase in interest income of fixed income investment, gains in securities trading spread and decrease in provision for the impairment loss of financial assets.

**Net policyholders' benefits and claims.** Net policyholders' benefits and claims amounted to RMB52.200 billion in the first half of this year, representing an increase of 6.4% as compared to the same period of the previous year. The increase was mainly attributable to the increase in life insurance death and other benefits paid.

Unit: RMB million

For six months ended 30 June	2013	2012	Changes (%)
Net policyholders' benefits and claims	52,200	49,063	6.4
Life insurance death and other benefits paid	14,214	10,485	35.6
Claims incurred	776	401	93.5
Changes in long-term insurance contract liabilities	35,398	36,394	(2.7)
Policyholder dividends	1,812	1,783	1.6

**Other operating and administrative expenses.** Other operating and administrative expenses amounted to RMB10.289 billion, representing an increase of 6.1% over the same period of the previous year. The increase was mainly attributable to the increase in commission expenses of traditional products through agency channels and relevant expenses of investment contracts. As a result of the above reasons, the life insurance business of the Company recorded a net profit of RMB3.462 billion for the first half of this year.

#### IV. Property and Casualty Insurance Business

##### (I) Business Analysis

In the first half of 2013, affected by various factors such as market competition and the increase in claim costs, the underwriting profit showed a tendency of decreasing. Adhering to the growth strategy of underwriting profit, CPIC Property strengthened the professional channel management and optimized the resource allocation and consequently achieved a rapid growth of the underwriting profit. In the first half of this year, the gross written premiums from the property and casualty insurance business amounted to RMB42.354 billion, representing an increase of 20.2% as compared to the same period of the previous year. The market share of the property and casualty insurance business also grew steadily. The combined ratio of the property and casualty insurance business was 97.7%, representing an increase of 3.5pt as compared to the same period of the previous year. The underwriting profit amounted to RMB761 million. In the second half of this year, the Company will further enhance claims quality management and optimize cost management to maintain the combined ratio at a healthy level over the year.

##### 1. Analysis by insurance category

For six months ended 30 June	2013	2012	Unit: RMB million Changes (%)
Gross written premiums from insurance business	42,354	35,246	20.2
Auto insurance	31,834	26,226	21.4
Compulsory motor insurance	7,456	6,371	17.0
Commercial auto insurance	24,378	19,855	22.8
Non-auto insurance	10,520	9,020	16.6
Commercial property insurance	3,486	3,051	14.3
Liability insurance	1,610	1,328	21.2
Accident insurance	1,325	970	36.6
Cargo insurance	993	951	4.4
Others	3,106	2,720	14.2

##### (1) Auto insurance

In the first half of this year, the Company strengthened the market analysis of auto insurance industry and adhered to the development strategy of increasing insurance renewal, stabilizing new insurance business and encouraging insurance transformation. We strived to expand the

new insurance business and optimize insurance renewal management, which result in remarkable outcome and ensured continuous rapid growth of the auto insurance. Gross written premiums from auto insurance in the first half of this year amounted to RMB31.834 billion, representing an increase of 21.4% compared to the same period of the previous year. The Company continued to streamline the management of automobile insurance. The implementation of “3G Claim Management System” improved the management of policy claims, as such, higher proportion of claims was processed and settled within 24 hours. Consequently, the average time for settling auto insurance claims decreased by 26.5% as compared to the same period of the previous year. As such, the customer adherence was enhanced. The renewal rate of commercial auto insurance reached to 63.1%, representing an increase of 1.7pt as compared to the same period of the previous year.

In the face of the impacts brought by factors such as the competitive and ever-changing environment and the increase in the claim costs, the combined ratio of auto insurance reached to 99.8% for the first half of this year, representing an increase of 4.2pt as compared to the same period of the previous year.

## (2) Non-auto insurance

In the first half of this year, the Company strengthened the resource integration and further enhanced the speciality of its channels. In the first half of this year, the Company recorded gross written premiums from non-auto insurance of RMB10.520 billion, representing an increase of 16.6% over the same period of the previous year. In the first half of this year, the Company continued to exert efforts in developing traditional insurance. The commercial property insurance, liability insurance and accident insurance recorded a rapid growth. In addition, the Company also take the initiative to develop new businesses such as agricultural insurance and credit insurance to boost business growth. In the first half of this year, premiums from the major customers amounted to RMB3.911 billion, representing an increase of 60.9% over the same period of the previous year. The Company launched a series of non-auto insurance pilot packages tailored for MSE customers of different industries, the premiums of which accounted for over 40% of the total premiums of the non-auto insurance. The combined ratio of non-auto insurance maintained at a satisfactory level of 87.9%, which was similar to that as at the same period of previous year. As such, the underwriting profit of the Company’s insurance business remained stable.

## (3) Information of major insurance businesses

Unit: RMB million

For six months ended 30 June 2013						
Name of insurance	Premiums	Amounts Insured	Claims paid	Reserves	Underwriting profit	Combined ratio
Automobile insurance	31,834	4,350,125	18,506	37,360	51	99.8
Commercial property insurance	3,473	5,765,445	1,111	2,754	203	87.7

Liability insurance	1,607	2,851,879	627	1,705	60	93.9
Accident insurance	1,325	8,158,454	435	1,614	(81)	107.3
Cargo insurance	986	2,440,298	423	442	114	82.5

## 2. Analysis by channels

For six months ended 30 June	2013	2012	Unit: RMB million Changes (%)
<b>Gross written premiums</b>	<b>42,354</b>	<b>35,246</b>	<b>20.2</b>
Direct sales	7,271	6,849	6.2
Insurance agents	23,075	19,540	18.1
Insurance brokers	3,827	3,101	23.4
Telemarketing, internet sales and cross-selling	8,181	5,756	42.1

In the first half of the year, the Company developed its business through multiple channels and aimed to enhance the specialty of all channels.

The Company continued to enhance the development of telemarketing and internet sales by improving its production capacity and value contribution, as such, we recorded premiums from telemarketing and internet sales of RMB6.620 billion, representing an increase of 47.4% over the same period of the previous year. By optimizing cross-selling system and promoting sharing of resources, premiums from cross-selling amounted to RMB1.561 billion, representing an increase of 23.5% as compared to the same period of the previous year. Premiums from telemarketing, internet sales and cross-selling accounted for 19.3% of the gross premiums from the property and casualty insurance business, representing an increase of 3.0pt over the same period of the previous year.

## 3. Gross written premiums from top ten geographical areas

In the first half of this year, the Company's gross written premiums from property and casualty insurance business were mainly derived from coastal areas in eastern China and more economically developed areas in inland provinces. The Company will leverage on its nationwide distribution network and implement differentiated regional development strategies by taking into account the relevant factors including market potential and operational efficiency.

For 6 months ended 30 June	2013	2012	Unit: RMB million Changes (%)
Gross written premiums	42,354	35,246	20.2
Guangdong	5,765	4,780	20.6
Jiangsu	4,957	4,050	22.4
Zhejiang	3,654	3,124	17.0
Shanghai	3,445	2,889	19.2
Shandong	3,154	2,630	19.9
Beijing	2,265	1,888	20.0
Sichuan	1,404	1,088	29.0
Fujian	1,279	1,064	20.2
Hebei	1,252	1,092	14.7
Guangxi	1,212	964	25.7
Sub-total	28,387	23,569	20.4
Others	13,967	11,677	19.6

## (II) Financial analysis

For 6 months ended 30 June	2013	2012	Unit: RMB million Changes (%)
Net premiums earned	32,453	26,792	21.1
Investment income	1,648	684	140.9

Other operating income	117	96	21.9
<b>Total income</b>	<b>34,218</b>	<b>27,572</b>	<b>24.1</b>
Claims incurred	(20,193)	(16,000)	26.2
Finance costs	(27)	(83)	(67.5)
Other operating and administrative expenses	(11,604)	(9,294)	24.9
<b>Total claims and expenses</b>	<b>(31,824)</b>	<b>(25,377)</b>	<b>25.4</b>
Profit before tax	2,394	2,195	9.1
Income tax	(654)	(627)	4.3
<b>Net profit</b>	<b>1,740</b>	<b>1,568</b>	<b>11.0</b>

**Investment income.** Investment income amounted to RMB1.648 billion in the first half of the year, representing an increase of 140.9% as compared to the same period of the previous year. The increase was mainly attributable to the increase in dividend income, gains in trading of securities and the decrease in provision for the impairment loss of financial assets.

**Claims incurred.** Claims incurred amounted to RMB20.193 billion in the first half of this year, representing an increase of 26.2% as compared to the same period of the previous year. The increase was mainly attributable to the increase in claim costs.

**Other operating and administrative expenses.** Other operating and administrative expenses amounted to RMB11.604 billion in the first half of this year, representing an increase of 24.9% as compared to the same period of previous year. The increase was mainly attributable to the increase in investment in new technologies and online channels, and the increase in the cost of social security for staff.

As a result of the above reasons, property and casualty insurance business recorded a net profit of RMB1.740 billion for the first half of this year.

## V. Asset Management Business

In terms of asset management business, the Company focused on the growth of investments' net asset value and strived to ensure its development in line with the Company's main insurance businesses by strengthening market-oriented investment management capabilities. As at the end of the first half of 2013, assets under management of the Group amounted to RMB736.180 billion, representing an increase of 7.1% compared to that as at the end of the previous year. Group investment assets and assets managed for third parties amounted to RMB661.939 billion and RMB74.241 billion, representing increases of 5.5% and 24.0% as compared to that as at the end of the previous year, respectively.

	30 June 2013	31 December 2012	Unit: RMB million Changes (%)
<b>Assets under management of the Group</b>	<b>736,180</b>	<b>687,205</b>	<b>7.1</b>
Group investment assets	661,939	627,328	5.5
Third-party assets under management	74,241	59,877	24.0
Third-party assets under management by CPIC AMC	40,629	28,355	43.3
Assets under custody by Changjiang Pension	33,612	31,522	6.6

### (I) Group investment assets

In the first half of 2013, yields of debt securities assets and monetary capital fluctuated widely and the stock market experienced a certain amount of decrease in June. Based on the study and analysis into the market trends, the Company increased investment in debt securities with better credit and higher yield at favourable timing and managed to stabilize the proportion and yield level of assets with fixed interest rate. The Company also closely monitored the fluctuations in the equity market and restructured its equity investment flexibly with an emphasis on stocks with high dividend yields. In the first half of this year, the Company further enhanced the launch of debt investment plans and achieved remarkable outcome.

## 1. Investment portfolio

	30 June 2013	31 December 2012	Unit: RMB million Changes (%)
<b>Group investment assets (Total)</b>	661,939	627,328	5.5
<b>By investment category</b>			
Fixed income investments	557,985	533,274	4.6
– Debt securities	360,655	331,006	9.0
– Term deposits	153,992	164,297	(6.3)
– Debt investment plans	32,315	28,341	14.0
– Other fixed income investments <sup>note 1</sup>	11,023	9,630	14.5
Equity investment	68,467	62,715	9.2
– Investment Funds <sup>note 2</sup>	29,394	28,516	3.1
– Equity securities	28,474	27,058	5.2
– Wealth management products	2,100	-	/
– Other equity investments <sup>note 3</sup>	8,499	7,141	19.0
Investment properties	6,888	6,349	8.5
Cash and cash equivalents	28,599	24,990	14.4
<b>By investment purpose</b>			
Financial assets at fair value through profit or loss of the period	1,954	1,714	14.0
Available-for-sale financial assets	161,520	135,815	18.9
Held-to-maturity financial assets	260,057	248,766	4.5
Investment in a joint venture	11	-	/
Loan and other investments <sup>note 4</sup>	238,397	241,033	(1.1)

Notes:

1. Other fixed income investments include restricted statutory deposits, policy loans and wealth management products, etc.
2. The aggregate amount of bond funds and market money funds as at 30 June 2013 and 31 December 2012 were RMB14.942 billion and RMB11.822 billion, respectively.
3. Other equity investments include unlisted equities, etc.
4. 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 the first half of this year, the Company's total investment assets were RMB661.939 billion, representing an increase of 5.5% as compared to that as at the end of the previous year. The Company's fixed income investments accounted for 84.3% of the total investment assets, representing a decrease of 0.7pt as compared to the end of the previous year. The Company's equity investments, investment properties, and cash and cash equivalents accounted for 10.3%, 1.1% and 4.3% of the total investment assets, representing increases of 0.3pt, 0.1pt and 0.3pt as compared to that as at the end of the previous year, respectively.



Additional fixed income assets of the Company amounted to RMB24.711 billion. The Company mainly invested in high-grade debt securities investments with high yields. The total debt securities investment increased by 9.0% as compared to that as at the end of the previous year. Equity investment assets of the Company accounted for 10.3% of the total investment assets, representing an increase of 0.3pt as compared to the end of the previous year. The increase was mainly attributable to the additional investment of over RMB3.0 billion in bond funds and the share investment in PetroChina West Pipeline Projects (中石油西部管道) of RMB1.5 billion made by the Company according to its judgement on the debt securities market trend. In the first half of 2013, the Company continued to restructure its equity investments by focusing on stocks with high dividend yields.

The Company actively seized opportunities arising from policy and market by investing in new areas such as infrastructure and real estate. The total amount of debt investment plans increased by 14.0% as compared to that as at the end of the previous year. The Company also strengthened its investment into debt investment plans. We launched debt investment plans of a total value of RMB17.4 billion in 11 infrastructure and real estate projects during the first half of 2013.

The Company's investment assets were mainly allocated to 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 18.9% compared to that as at the end of the previous year, primarily due to the increase in debt investment and equity investment.

## **2. Investment income**

In the first half of this year, the Company recorded a total investment income of RMB15.641 billion, representing an increase of 80.8% as compared to the same period of the previous year. The annualized total investment yield was 4.8%, representing an increase of 0.9% as compared to the same period of the previous year. The increase was mainly attributable to the increase in net investment income, gains in trading of equity investment as well as the decrease in the provision for impairment loss on investment assets.

Net investment income amounted to RMB15.864 billion, representing an increase of 20.7% as compared to the same period of the previous year. This was mainly due to the increases in interest income from fixed income investments and dividend income from equity asset investment. Interest income from fixed income investments recorded an increase of 14.7% as compared to the same period of the previous year. Dividend income from equity asset investment was over RMB2 billion, representing an increase of 87.3% as compared to the same period of the previous year. The annualized net investment yield was 5.0%, representing an increase of 0.1pt compared to the same period of the previous year.

The annualized growth rate of investments' net asset value was 4.3%, representing a decrease of 1.0pt as compared with the same period of the previous year. This was mainly due to the significant increase in available-for-sale financial asset caused by the downturn of the stock market.

		Unit: RMB million	
For six months ended 30 June	2013	2012	Changes (%)
Interest income from fixed income investments	13,631	11,887	14.7
Dividend income from equity securities	2,015	1,076	87.3
Rental income from investment properties	218	183	19.1
<b>Net investment income</b>	<b>15,864</b>	<b>13,146</b>	<b>20.7</b>
Realized gains/(losses)	207	(2,239)	(109.2)
Unrealized (losses)/gains	(72)	77	(193.5)
Charge of impairment losses on investment assets	(488)	(2,432)	(79.9)
Other income <sup>note</sup>	130	100	30.0
<b>Total investment income</b>	<b>15,641</b>	<b>8,652</b>	<b>80.8</b>
Net investment yield (annualized) (%)	5.0	4.9	0.1pt
Total investment yield (annualized) (%)	4.8	3.9	0.9pt
Growth rate of investments' net asset value (annualized) (%)	4.3	5.3	(1.0pt)

Note: Other income includes interest income from cash and short-term time deposits, securities purchased under agreements to resell and share of profits of a joint venture.

### 3. Total investment yield (annualized)

		Unit: %	
For six months ended 30 June	2013	2012	Changes
<b>Total investment yield (annualized)</b>	<b>4.8</b>	<b>3.9</b>	<b>0.9pt</b>
Fixed income investments <sup>note</sup>	5.0	5.1	(0.1pt)
Equity investment <sup>note</sup>	2.4	(6.1)	8.5pt
Investment properties <sup>note</sup>	6.7	5.6	1.1pt
Cash and cash equivalents <sup>note</sup>	0.5	0.5	-

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

## (II) Third-party assets under management

### 1. Third-party assets under management by CPIC AMC

The Company actively developed the third-party asset management business by nurturing and enhancing the market-oriented investment management capabilities. In the first half of this year, the Company realized income from the third-party asset management of RMB46.7413 million, representing an increase of 155.2% compared to the same period of the previous year.

### 2. Assets under custody by Changjiang Pension

Changjiang Pension further enhanced its capability of business expansion by consolidating regional leading positions and strengthening the development of customers in key industries in China. As at the end of the first half of this year, entrusted assets managed by Changjiang Pension amounted to RMB33.612 billion, representing an increase of 6.6% as compared to that as at the end of the previous year. Assets under its investment management amounted to RMB27.563 billion, representing an increase of 16.1% as compared to that as at the end of the previous year.

## Operating Results

The Company announces the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2013 (the “Reporting Period”) together with the comparative figures for the previous period/year:

### INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

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

	Notes	Six months ended 30 June	
		2013 (unaudited)	2012 (unaudited)
Gross written premiums	1(a)	98,662	90,511
Less: Premiums ceded to reinsurers	1(b)	(6,864)	(6,625)
Net written premiums	1	91,798	83,886
Net change in unearned premium reserves		(4,053)	(2,983)
<b>Net premiums earned</b>		<b>87,745</b>	<b>80,903</b>
Investment income	2	15,348	8,419
Other operating income		737	590
<b>Other income</b>		<b>16,085</b>	<b>9,009</b>
<b>Total income</b>		<b>103,830</b>	<b>89,912</b>
Net policyholders’ benefits and claims:			
Life insurance death and other benefits paid	3	(14,214)	(10,485)
Claims incurred	3	(21,073)	(16,480)
Changes in long-term life insurance contract liabilities	3	(35,398)	(36,394)
Policyholder dividends	3	(1,812)	(1,783)
Finance costs		(1,271)	(1,072)
Interest credited to investment contracts		(895)	(969)
Other operating and administrative expenses		(22,239)	(19,248)
<b>Total benefits, claims and expenses</b>		<b>(96,902)</b>	<b>(86,431)</b>
<b>Profit before tax</b>		<b>6,928</b>	<b>3,481</b>
Income tax	4	(1,382)	(813)
<b>Net profit for the period</b>		<b>5,546</b>	<b>2,668</b>
Attributable to:			
Equity holders of the parent		5,464	2,638
Minority interests		82	30
		<b>5,546</b>	<b>2,668</b>
Basic earnings per share	5	<b>RMB0.60</b>	<b>RMB0.31</b>
Diluted earnings per share	5	<b>RMB0.60</b>	<b>RMB0.31</b>

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
For the six months ended 30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

	Note	Six months ended 30 June	
		2013 (unaudited)	2012 (unaudited)
<b>Net profit for the period</b>		<u>5,546</u>	<u>2,668</u>
<b>Other comprehensive income</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(5)	2
Available-for-sale financial assets		(2,917)	7,202
Income tax relating to available-for-sale financial assets		<u>724</u>	<u>(1,789)</u>
<b>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods</b>		<u>(2,198)</u>	<u>5,415</u>
<b>Other comprehensive (loss)/income for the period</b>		<u>(2,198)</u>	<u>5,415</u>
<b>Total comprehensive income for the period</b>		<u>3,348</u>	<u>8,083</u>
Attributable to:			
Equity holders of the parent		3,301	7,962
Minority interests		<u>47</u>	<u>121</u>
		<u>3,348</u>	<u>8,083</u>

INTERIM CONSOLIDATED BALANCE SHEET  
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

	<u>Notes</u>	<u>30 June 2013</u> (unaudited)	<u>31 December 2012</u> (audited)
<b>ASSETS</b>			
Property and equipment		9,410	9,364
Investment properties		6,888	6,349
Goodwill		962	962
Other intangible assets		710	738
Prepaid land lease payments		60	60
Investment in a joint venture		11	-
Financial assets at fair value through profit or loss		1,954	1,714
Held-to-maturity financial assets		260,057	248,766
Available-for-sale financial assets		161,520	135,815
Investments classified as loans and receivables		38,532	36,097
Securities purchased under agreements to resell		1,574	1,115
Term deposits		153,992	164,297
Restricted statutory deposits		3,600	3,600
Policy loans		6,873	5,700
Interest receivables		15,478	13,659
Reinsurance assets		14,868	14,121
Deferred income tax assets		2,723	2,067
Insurance receivables		9,067	8,177
Other assets		5,990	5,026
Cash and short-term time deposits		26,938	23,875
<b>Total assets</b>		<u>721,207</u>	<u>681,502</u>

INTERIM CONSOLIDATED BALANCE SHEET (continued)  
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

	<u>Notes</u>	<u>30 June 2013</u> (unaudited)	<u>31 December 2012</u> (audited)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital		9,062	9,062
Reserves	6	65,356	67,519
Retained profits	6	21,888	19,596
Equity attributable to equity holders of the parent		96,306	96,177
Minority interests		1,382	1,392
<b>Total equity</b>		<b>97,688</b>	<b>97,569</b>
<b>Liabilities</b>			
Long-term borrowings		188	-
Insurance contract liabilities	7	480,626	438,887
Investment contract liabilities	8	36,116	41,754
Policyholders' deposits		79	79
Subordinated debt		15,500	15,500
Securities sold under agreements to repurchase		47,298	50,143
Deferred income tax liabilities		1,006	958
Income tax payable		853	487
Premium received in advance		3,219	4,376
Policyholder dividend payable		12,529	11,711
Payables to reinsurers		3,376	3,514
Other liabilities		22,729	16,524
<b>Total liabilities</b>		<b>623,519</b>	<b>583,933</b>
<b>Total equity and liabilities</b>		<b>721,207</b>	<b>681,502</b>

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the six months ended 30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

For the six months ended 30 June 2013 (unaudited)									
Attributable to equity holders of the parent									
	Reserves					Retained profits	Total	Minority interests	Total equity
	Issued capital	Capital reserve	Surplus reserves	Foreign currency translation reserve	Available-for-sale investment revaluation reserve				
At 1 January 2013	9,062	66,742	2,698	(55)	(1,866)	19,596	96,177	1,392	97,569
Total comprehensive income	-	-	-	(5)	(2,158)	5,464	3,301	47	3,348
Dividends declared <sup>1</sup>	-	-	-	-	-	(3,172)	(3,172)	-	(3,172)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(57)	(57)
At 30 June 2013	9,062	66,742	2,698	(60)	(4,024)	21,888	96,306	1,382	97,688

<sup>1</sup> Dividends declared represent final dividend on ordinary shares declared for the year ended 31 December 2012, amounting to RMB3,172 million (RMB0.35 per share).

For the six months ended 30 June 2012 (unaudited)									
Attributable to equity holders of the parent									
	Reserves					Retained profits	Total	Minority interests	Total equity
	Issued capital	Capital reserve	Surplus reserves	Foreign currency translation reserve	Available-for-sale investment revaluation reserve				
At 1 January 2012	8,600	58,907	2,234	(55)	(10,883)	17,993	76,796	1,259	78,055
Total comprehensive income	-	-	-	2	5,322	2,638	7,962	121	8,083
Dividends declared <sup>1</sup>	-	-	-	-	-	(3,010)	(3,010)	-	(3,010)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(71)	(71)
At 30 June 2012	8,600	58,907	2,234	(53)	(5,561)	17,621	81,748	1,309	83,057

<sup>1</sup> Dividends declared represent final dividend on ordinary shares declared for the year ended 31 December 2011, amounting to RMB3,010 million (RMB0.35 per share).

**INTERIM CONSOLIDATED CASH FLOW STATEMENT**  
For the six months ended 30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

	<b>Note</b>	<b>Six months ended 30 June</b>	
		<b>2013</b>	<b>2012</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>OPERATING ACTIVITIES</b>			
Cash generated from operating activities		29,586	34,704
Income tax paid		(941)	(808)
<b>Net cash inflow from operating activities</b>		<b>28,645</b>	<b>33,896</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property and equipment, intangible assets and other assets		(1,832)	(986)
Proceeds from sale of items of property and equipment, intangible assets and other assets		4	39
Purchases of investments, net		(33,267)	(47,682)
Acquisition of a subsidiary and interest in a joint venture		(382)	-
Interest received		11,730	9,882
Dividends received from investments		1,297	534
<b>Net cash outflow from investing activities</b>		<b>(22,450)</b>	<b>(38,213)</b>
<b>FINANCING ACTIVITIES</b>			
Securities sold under agreements to repurchase, net		(1,689)	20,955
Repayment of borrowings		(1)	-
Interest paid		(747)	(691)
Dividends paid		(24)	(3,013)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(2,461)</b>	<b>17,251</b>
Effects of exchange rate changes on cash and cash equivalents		(125)	4
Net increase in cash and cash equivalents		3,609	12,938
Cash and cash equivalents at beginning of period		24,990	14,966
<b>Cash and cash equivalents at end of period</b>		<b>28,599</b>	<b>27,904</b>
<b>Analysis of balances of cash and cash equivalents</b>			
Cash at banks and on hand		9,035	9,755
Time deposits with original maturity of no more than three months		16,463	10,446
Other monetary assets		1,440	802
Investments with original maturity of no more than three months		1,661	6,901
<b>Cash and cash equivalents at end of period</b>		<b>28,599</b>	<b>27,904</b>



**Notes** (Amounts expressed in RMB million unless otherwise specified)

1. NET WRITTEN PREMIUMS

(a) Gross written premiums

	Six months ended 30 June	
	2013	2012
Long-term life insurance premiums	53,309	52,515
Short-term life insurance premiums	2,961	2,714
Property and casualty insurance premiums	42,392	35,282
	<u>98,662</u>	<u>90,511</u>

(b) Premiums ceded to reinsurers

	Six months ended 30 June	
	2013	2012
Long-term life insurance premiums ceded to reinsurers	(713)	(734)
Short-term life insurance premiums ceded to reinsurers	(99)	(147)
Property and casualty insurance premiums ceded to reinsurers	(6,052)	(5,744)
	<u>(6,864)</u>	<u>(6,625)</u>

(c) Net written premiums

	Six months ended 30 June	
	2013	2012
Net written premiums	<u>91,798</u>	<u>83,886</u>

2. INVESTMENT INCOME

	Six months ended 30 June	
	2013	2012
Interest and dividend income (a)	15,701	13,013
Realized gains/(losses) (b)	207	(2,239)
Unrealized (losses)/gains (c)	(72)	77
Charge of impairment losses on financial assets	(488)	(2,432)
	<u>15,348</u>	<u>8,419</u>

## 2. INVESTMENT INCOME (continued)

### (a) Interest and dividend income

	Six months ended 30 June	
	2013	2012
Financial assets at fair value through profit or loss		
- Fixed maturity investments	6	9
- Investment funds	13	3
- Equity securities	22	1
	41	13
Held-to-maturity financial assets		
- Fixed maturity investments	6,048	4,882
Loans and receivables		
- Fixed maturity investments	5,606	5,483
Available-for-sale financial assets		
- Fixed maturity investments	2,026	1,563
- Investment funds	761	157
- Equity securities	1,219	915
	4,006	2,635
	15,701	13,013

### (b) Realized gains/ (losses)

	Six months ended 30 June	
	2013	2012
Financial assets at fair value through profit or loss		
- Fixed maturity investments	31	(15)
- Investment funds	2	28
- Equity securities	18	-
	51	13
Available-for-sale financial assets		
- Fixed maturity investments	5	(55)
- Investment funds	388	(813)
- Equity securities	(237)	(1,384)
	156	(2,252)
	207	(2,239)

### (c) Unrealized (losses)/gains

	Six months ended 30 June	
	2013	2012
Financial assets at fair value through profit or loss		
- Fixed maturity investments	46	92
- Investment funds	(4)	(17)
- Equity securities	(114)	2
	(72)	77

### 3. NET POLICYHOLDERS' BENEFITS AND CLAIMS

<b>Six months ended 30 June 2013</b>			
	<b>Gross</b>	<b>Ceded</b>	<b>Net</b>
Life insurance death and other benefits paid	14,439	(225)	14,214
Claims incurred			
- Short-term life insurance	775	1	776
- Property and casualty insurance	22,977	(2,680)	20,297
Changes in long-term life insurance contract liabilities	35,771	(373)	35,398
Policyholder dividends	1,812	-	1,812
	<b>75,774</b>	<b>(3,277)</b>	<b>72,497</b>

  

<b>Six months ended 30 June 2012</b>			
	<b>Gross</b>	<b>Ceded</b>	<b>Net</b>
Life insurance death and other benefits paid	10,597	(112)	10,485
Claims incurred			
- Short-term life insurance	744	(343)	401
- Property and casualty insurance	18,676	(2,597)	16,079
Changes in long-term life insurance contract liabilities	36,678	(284)	36,394
Policyholder dividends	1,783	-	1,783
	<b>68,478</b>	<b>(3,336)</b>	<b>65,142</b>

### 4. INCOME TAX

#### (a) Income tax

<b>Six months ended 30 June</b>		
	<b>2013</b>	<b>2012</b>
Current income tax	1,308	946
Deferred income tax	74	(133)
	<b>1,382</b>	<b>813</b>

#### (b) Tax recorded in other comprehensive income

<b>Six months ended 30 June</b>		
	<b>2013</b>	<b>2012</b>
Deferred income tax	724	(1,789)

#### 4. INCOME TAX (CONTINUED)

##### (c) Reconciliation of income tax

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

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

	Six months ended 30 June	
	2013	2012
Profit before tax	6,928	3,481
Tax computed at the statutory tax rate	1,732	870
Adjustments to income tax in respect of previous periods	(38)	12
Income not subject to tax	(640)	(291)
Expenses not deductible for tax	302	172
Others	26	50
Income tax at the Group's effective rate	1,382	813

#### 5. EARNINGS PER SHARE

The calculation of earnings per share is based on the following:

	Six months ended 30 June	
	2013	2012
Consolidated net profit for the period attributable to equity holders of the parent	5,464	2,638
Weighted average number of ordinary shares in issue (million)	9,062	8,600
Basic earnings per share	RMB0.60	RMB0.31
Diluted earnings per share	RMB0.60	RMB0.31

The Company had no dilutive potential ordinary shares for the six months ended 30 June 2013 and 30 June 2012.

## 6. RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein during the period 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, the Company's life insurance subsidiary, 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 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 generally accepted accounting principles in the PRC ("PRC GAAP"), to 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, RMB3,707 million as at 30 June 2013 (31 December 2012: RMB3,707 million) represents the Company's share of its subsidiaries' surplus reserve fund.

#### (ii) Discretionary surplus reserve (the "DSR")

After making necessary appropriations to the SSR, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings.

Subject to the approval of the shareholders, the DSR may be used to offset accumulated losses, if any, and may be converted into capital.

### (c) General reserve

In accordance with the relevant regulations, general reserve should be set aside to cover catastrophic losses as incurred by companies operating in the insurance business. The Company's insurance subsidiaries in the PRC would need to make appropriations for such reserve based on their respective year end net profit determined in accordance with PRC GAAP, and based on the applicable PRC financial regulations, in the annual financial statements. Such reserve is not available for profit distribution or transfer to capital.

Of the Group's retained profits, RMB3,675 million as at 30 June 2013 (31 December 2012: RMB3,675 million) represents the Company's share of its subsidiaries' general reserve.

6. RESERVES AND RETAINED PROFITS (continued)

(d) Other reserves

The investment revaluation reserve records the fair value changes of available-for-sale financial assets. The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries incorporated outside the PRC.

(e) Distributable profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the lower of the amount determined under PRC GAAP and the amount determined under HKFRSs. Pursuant to the resolution of the 12th meeting of the Company's 6th term of board of directors held on 22 March 2013, a final dividend of approximately RMB3,172 million (equivalent to RMB0.35 per share (including tax)) was proposed after the appropriation of statutory surplus reserve. The dividend distribution was approved by the annual general meeting held on 31 May 2013.

7. INSURANCE CONTRACT LIABILITIES

	30 June 2013		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Long-term life insurance contracts	421,525	(6,079)	415,446
Short-term life insurance contracts			
- Unearned premiums	1,988	(54)	1,934
- Claim reserves	798	(54)	744
	2,786	(108)	2,678
Property and casualty insurance contracts			
- Unearned premiums	33,906	(4,220)	29,686
- Claim reserves	22,409	(4,461)	17,948
	56,315	(8,681)	47,634
	480,626	(14,868)	465,758
Incurred but not reported claim reserves	3,647	(673)	2,974

7. INSURANCE CONTRACT LIABILITIES (continued)

	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

8. INVESTMENT CONTRACT LIABILITIES

	30 June 2013	31 December 2012
At beginning of period/year	41,754	47,182
Deposits received	2,316	3,259
Deposits withdrawn	(8,840)	(10,288)
Fees deducted	(115)	(186)
Interest credited	895	1,715
Others	106	72
At end of period/year	36,116	41,754

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 30 June 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 30 June 2013 by approximately RMB1,934 million and a decrease in profit before tax for the six months ended 30 June 2013 by approximately RMB1,934 million.

The above change in accounting estimates has been approved by the board of directors of the Company on 23 August 2013.

## **EMBEDDED VALUE**

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared CPIC Group Embedded Value as at 30 June 2013 in accordance with the disclosure rules set by the China Securities Regulatory Commission (“CSRC”) for publicly listed insurer and the embedded value guidelines issued by China Insurance Regulatory Commission (“CIRC”) and have disclosed information relating to our group embedded value in this section. We have engaged Towers Watson, an independent firm of consultants, to review the reasonableness of the valuation methodology, the valuation assumptions as well as the valuation results, and to issue their independent embedded value review report, which is contained in our 2013 Interim report.

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

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

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

### **Summary of Embedded Value and Value of Half Year’s Sales**



The table below shows the Group Embedded Value of CPIC Group as at 30 June 2013, and the value of half year's sales of CPIC Life in the 6 month to 30 June 2013 at risk discount rate of 11.5%.

Unit: RMB Million

Valuation Date	30 June 2013	31 December 2012
<b>Group Adjusted Net Worth</b>	<b>84,257</b>	<b>86,237</b>
<b>Adjusted Net Worth of CPIC Life</b>	35,090	35,371
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written prior to June 1999	(4,083)	(3,080)
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written since June 1999	73,314	65,129
Cost of Solvency Margin Held for CPIC Life	(12,801)	(12,153)
Value of In Force Business of CPIC Life After Cost of Solvency Margin Held	56,430	49,895
CPIC Group's Equity Interest in CPIC Life	98.29%	98.29%
<b>Value of In Force Business of CPIC Life After Cost of Solvency Margin Held attributable to the shareholders of CPIC Group</b>	<b>55,467</b>	<b>49,043</b>
<b>Group Embedded Value</b>	<b>139,723</b>	<b>135,280</b>
<b>Life Embedded Value</b>	91,520	85,266
Valuation Date	30 June 2013	30 June 2012
Value of Half Year's Sales of CPIC Life Before Cost of Solvency Margin Held	4,993	4,933
Cost of Solvency Margin	(739)	(872)
Value of Half Year's Sales of CPIC Life After Cost of Solvency Margin Held	<b>4,254</b>	<b>4,061</b>

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.

## IMPLEMENTATION OF PROFIT DISTRIBUTION PLAN DURING THE REPORTING PERIOD

The Company distributed a cash dividend of RMB0.35 per share in accordance with the “Resolution on Profit Distribution Plan for the year 2012” approved at the 2012 Annual General Meeting. The implementation of this distribution plan was completed recently.

## **PROFIT DISTRIBUTION**

The company did not propose to distribute any profit, nor did it transfer any capital reserves to share capital for the first half of 2013.

## **COMPLIANCE OF THE CORPORATE GOVERNANCE CODE AS SET OUT IN APPENDIX 14 OF THE LISTING RULES**

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 as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”) throughout the six months ended 30 June 2013, except a deviation with the code provision A.6.7 with the reasons below:

All Directors (including independent non-executive Directors) attended the annual general meeting of the Company held on 31 May 2013 except 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 six months ended 30 June 2013, neither the Company nor its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## **REVIEW OF ACCOUNTS**

The audit committee of the Company has reviewed the principal accounting policies of the Company and the unaudited financial statements for the six months ended 30 June 2013 in the presence of internal and external auditors.

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

The interim report of the Company for the period ended 30 June 2013 will be dispatched to the shareholders of the Company in due course and will be published on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s website ([www.cpic.com.cn](http://www.cpic.com.cn)).

## **DEFINITIONS**

“The Company”, “the Group”, “CPIC” or “CPIC Group”	China Pacific Insurance (Group) Co., Ltd.
“CPIC Life”	China Pacific Life Insurance Co., Ltd., a subsidiary of CPIC Group
“CPIC Property”	China Pacific Property Insurance Co., Ltd., a subsidiary of CPIC Group
“CPIC 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

“CPIC Investment (H.K.)”	CPIC Investment Management (H.K.) Company Limited, a holding 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, 26 August 2013

*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, Mr. ZHENG Anguo and Mr. CHENG Feng; and the independent non-executive directors of the Company are Mr. BAI Wei, Mr. ZHANG Yansheng, Mr. LAM Chi Kuen, Mr. ZHOU Zhonghui and Mr. FOK Kwong Man.*