中国太平洋保险
China Pacific Insurance

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 2010

Chairman Statement

In 2010, China's economy witnessed a very complex domestic and international economic environment and withstood many severe natural disasters and challenges, yet it still realized a steady and fast growth by transforming the economic development mode, and consolidating and expanding the results achieved from the tackling of the international financial crisis. China's insurance market continued to develop at a good momentum, with total written premiums reaching RMB 1,452.797 billion, a YOY increase of 30.4%. Concentrating on insurance as the core business, CPIC adhered to a value-oriented principle, and promoted and realized a sustained growth in the corporate value and a steady increase in market share by focusing on underwriting profitability, developing protection-type and long-term savings-type insurance businesses, optimizing the business structure and strengthening risk prevention and compliance management.

1. The Group maintained good overall development, achieving steady growth in terms of scale and corporate value

CPIC continued to focus on insurance as its core business to pursue an operational strategy of sustainable value-enhancing growth. As a result, CPIC's gross written premiums grew rapidly. Its market share increased steadily and its total assets continued to grow. The Group's income from the insurance business in 2010 was RMB 139.555 billion, an increase of 44.9% over the previous year. As at year end 2010, the Group's share of China's insurance market was 9.9%[1], having risen 0.8pt since the end of 2009. The total assets reached RMB 475.711 billion, having increased 19.8% since the end of 2009.

CPIC capitalized on the overall strengths of the Group, attached importance to

[1] Calculated based on the statistical data of the insurance industry in 2009 and 2010 published by CIRC

underwriting profitability and developing valuable business. CPIC also adopted a firm approach in dealing with the impact of the decline in the capital market and the downward shift of interest rate evaluation curve for life insurance reserves and realized a steady growth in the overall earning capacity and corporate value. The net profit attributable to equity holders of the parent company was RMB 8.557 billion in 2010, a YOY increase of 16.3% while the embedded value surpassed the RMB 100 billion mark, reaching RMB 110.089 billion, having increased 11.9% since the end of the last year. With its strong capital base, the Group's solvency margin ratio reached 357%.

2. CPIC Life continued to develop protection-type and long-term savings-type insurance businesses and steadily increased new business value

CPIC Life accelerated the transformation of development mode related to life insurance businesses, prioritized the development of protection-type and long-term savings-type life insurance products and focused on regular premium businesses. In doing so, CPIC achieved a rapid growth in gross written premiums, which reached RMB 87.873 billion, a YOY growth of 41.7% and a market share of 8.8%[2], 0.5pt higher than that at the end of the previous year. Gross written premiums as a proportion of total written premiums was 95.5% in 2010. The value of sales in respect of new business and the value of in force business expanded with the value of one-year sales in respect of new business in 2010 reaching RMB 6.1 billion, a YOY growth of 22.0% and the value of in force business reaching RMB 34.778 billion, a YOY growth of 31.5%. With regards to income structure, first-year regular premium income amounted to RMB 16.869 billion, a YOY growth of 32.5%, among which first-year regular premium income from the sales channel increased by 21.9% over the previous year and first-year regular premium income from bancassurance channel increased by 46.5% over the previous year. Income from insurance renewals was RMB 33.69 billion, a YOY increase of 41.3%.

In respect of the sales channel, the Company took great efforts to promote overall sales capacity, implemented a strategy of product segmentation and promoted the sales mode of product bundling. The Company also continued to improve the fundamental management to promote a sustained and sound growth of manpower and accelerated regional business development to enhance the competitiveness in the urban insurance market. In respect of the bancassurance channel, the Company optimized bancassurance business structure, vigorously developed sales of regular premium products and innovative sales modes to effectively increase the sales capacity of its network. The number of sales agents of the Company in 2010 reached 280,000, having increased 10.2% since the end of the previous year while the average monthly first year insurance income per agent was RMB 2,863, a YOY growth of 10.2%.

The Company strengthened performance-oriented and quality-oriented business management, optimized the policy renewal operational mode and improved service quality. As a result, business quality continued to improve. The individual life insurance customer 13-month persistency ratio in 2010 was 92.0%,

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[2] Calculated based on the statistical data of the insurance industry in 2009 and 2010 published by CIRC

4.9pt higher than that of the previous year while the 25-month persistency ratio was 84.0%, 2.0pt higher than that of the previous year.

3. CPIC Property leveraged market development opportunities to realize rapid business growth and to achieve a substantial profit increase

By leveraging market development opportunities and sticking to the development strategy of realizing underwriting profit, CPIC Property's business grew at an accelerated rate. It steadily increased its share in the property insurance market and strengthened its cost control capacity, thereby greatly increasing its contribution to the Company's total profit. Income from property insurance was RMB 51.622 billion for 2010, a YOY growth of 50.5%, which was 16pt higher than the industry average. CPIC Property's share in China's property insurance market was 12.8%[3], 1.4pt higher than that at the end of the previous year while the combined ratio was 93.7%, 3.8pt lower than that of the previous year. The net profit of CPIC Property was RMB 3.511 billion, a YOY increase of 146.9%.

In the respect of auto insurance, CPIC further enhanced refinement management, implemented provincial-level centralized management in the settlement of auto insurance claims and intensified its efforts at building a professional team in relation to the car dealership channel. CPIC launched a "5S" claims settlement services model for auto insurance (ie. Sincere, Specialized, Speedy, Secure and Satisfactory services) to promote insurance renewal of premium customers. Through these efforts, the overall profitability of CPIC's auto insurance improved greatly while the Company could maintain its leading position in this industry segment. In respect of non-auto insurance businesses, the Company expanded its efforts in developing the market, accelerating product and service innovation. The Company also implemented a strategy of focusing on clients at the top 500 companies in China. In doing so, CPIC realized a 35.6% growth in non-auto insurance business over the previous year, a growth rate higher than the industry average. The Company's coverage of clients at the top 500 companies exceeded 50%.

In respect of new business channel expansion, the Company realized an income of RMB 2.25 billion, a YOY increase of 234.4%, by further accelerating the development in cross-selling, telemarketing and internet sales, and by further enhancing its organizational structure as well as its operational systems.

4. CPIC Asset Management continued with prudent and progressive investment strategies in asset management and realized a sustained and stable investment income

In 2010, in face of aggravated volatility in the capital market, the Company continued with its prudent and progressive investment strategies in asset management, strengthened its asset and liability management, improved asset liability matching, continued to optimize asset allocation and took great efforts to achieve sustained and stable investment income exceeding the cost of liabilities. At the end of 2010, investment assets totalled RMB 433.385 billion, having increased 18.4% since the end of the previous year. The cumulative

[3] Calculated based on the statistical data of the insurance industry in 2009 and 2010 published by CIRC

investment yield was RMB 20.902 billion and total investment yield rate was 5.3%. The net investment yield was RMB 16.952 billion and net investment yield rate was 4.3%.

In respect of fixed income investment, the Company increased the allocation for ultra-long term government bonds and negotiated deposits, effectively lengthening asset duration and realizing a YOY growth of 19.6% in fixed interest income. In respect of equity investment, the Company monitored market trends closely, proactively making thematic investments. The Company also increased investments in closed-end funds and convertible bonds from large commercial banks to improve the yield stability in equity investments. Further, the Company consolidated and enhanced its alternative investment business and established and issued various debt investment plans on infrastructure. Through these efforts, CPIC maintained its market leading position in terms of the number of products established and the amount of alternative investment assets as a proportion of total investment assets.

5. Changjiang Pension built a specialized operating platform and steadily grew its entrusted assets and its investment assets portfolio

Changjiang Pension focused on the retention of existing customers and on the development of strategic clients. It improved its sales services, product innovation and professional competence in investment management in respect of entrusted assets. At the end of 2010, the amount of managed annuities entrusted by enterprises to Changjiang Pension was RMB 26.038 billion, RMB 1.350 billion more than that at the end of the previous year. The amount of managed investment assets was RMB 14.022 billion, RMB 1.289 billion more than that at the end of the previous year, placing CPIC among the top players in the market.

In 2010, Changjiang Pension initiated the establishment of its sales service network for pension insurance in key areas nationwide, and completed its preliminary construction of a sales system and a sales support platform adapted to market competition. The Company successfully acquired the trusteeship qualification to manage the annuity plan of such large enterprises as China National Building Materials Group Corporation and Commercial Aircraft Corporation of China, Ltd. The Company was elected as the trustee and investment manager of the National Grid Annuity Plan. CPIC also enhanced its product innovation capabilities and received the "2010 Shanghai Financial Innovation Achievement Award" for its launch of "Changjiang Golden-series (collection type) Enterprise Annuity Plan".

6. Improving the centralized management support platform and bringing the advantages of intensive management into full play

The Company continued its efforts in the construction of a centralized management support platform in 2010 and made significant progress. CPIC officially opened a new-generation data center with advanced technology and promoted the use of comprehensive centralized client service systems, which provided strong support for increasing operational efficiency, strengthening risk management and control, improving service quality and providing one-stop services. The core business system of the Company’s property insurance business became fully operational on-line and the continued smooth operation of the business system enhanced business handling capabilities and improved refinement management levels. The new core business system of the Company's life insurance business also became operational on-line for most branches and the national centralized management of distribution channel data was completed. A professional IT technical platform was constructed and intensive management was continuously improved in line with the concept of "centralized management and extended service".

7. Actively participating in the building of a harmonious society to continue enhancing brand influence

The Company has worked hard to realize the organic integration of corporate social responsibility with its business operations in accordance with its core value of "business integrity, prudence and sustainability, and pursuit of performance excellence". In 2010, the Company further improved its corporate social responsibility system, proactively exploring various means of evaluating corporate social responsibility and effectively implemented the practice of social welfare. The Company donated RMB 6 million to the earthquake-affected Yushu region in Qinghai Province and the Zhouqu mud-rock flow disaster area in Gansu Province to support disaster relief efforts and homeland reconstruction. The Company also provided blanket insurance for the communities, providing property and life insurance for residents to provide practical services for creating a harmonious and civilized community. Furthermore, the Company continued its educational campaign with the slogan of "responsibility illuminating the future" and implemented care action for the children at the Shanghai Children's Welfare Center. CPIC also proactively advocated carbon reduction and environmental protection, pursued green development and promoted, on a pilot basis, environmentally friendly products such as environmental liability insurance. The Company also focused on green environmental protection fields such as new energy, hydropower and wind power which may realize energy savings and emission reduction in formulating its investment plans in infrastructure bonds. In 2010, the Company won many awards for comprehensive strength, corporate governance and business operation, etc., enhancing its brand value significantly.

- CPIC ranked 208th in the UK's "FT Global 500" in 2010;
- CPIC ranked 460th in the United States' "Forbes Global Top 500 Listed Companies";
- CPIC ranked 10th among the "Best Chinese Brands 2010" published by Forbeschina and Interbrand;
- CPIC was named as one of China's 500 Most Valuable Brands by World Brand Lab for the sixth consecutive year;
- CPIC received the "2010 Hong Kong Corporate Governance Excellence Award" jointly issued by the Chamber of Hong Kong Listed Companies and Hong Kong Baptist University;
- CPIC received the "Board of Directors Award in 2010" issued by the SSE;

- CPIC received the "Annual 100 Top Investor Relationship Award" and "IR Innovation Award" in the election activity of the Fifth China Investor Relationship;
- CPIC received the "Golden Bull Award for General 100 Top Listed Companies" selected by China Securities Journal;
- CPIC was included in the "2010 Corporate Social Responsibility Ranking List" by First Financial" and received the "Excellent Enterprise Award";
- CPIC Life was named one of the "Best Life Insurance Companies in Asia in 2010" by "Asia Insurance Review" and became the first life insurance company in China to receive this award; and
- In the "Asian Insurance Industry Competitiveness Ranking" issued by the "21st Century Economic Report", CPIC Property was ranked third and second respectively in comprehensive competitiveness of non-life insurance business in Asia and China, and was named one of the "2010 Best Non-life Insurance Steady Operation Companies".

2011 is the first year of China's twelfth Five-Year Plan and China continues to face a complex situation with its future economic development. As the impact of the international financial crisis remains, China will continue to implement proactive fiscal policies and stable monetary policies, and to intensify efforts to guarantee and improve the people's livelihood and promote steady and fast-paced economic growth. The insurance industry should adapt to the trend of social and economic development, and accelerate the transformation of the development mode to increase comprehensive insurance service capabilities. Insurance regulation will focus on prevention and diffusion of risks and the standardization of market order.

In face of the new trends and characteristics in the critical period of the comprehensive transformation of the insurance industry and the macro-economy, CPIC firmly recognizes that the "drive for innovation, transformation and development and standardized operation" has become the internal requirements for and the driver for development of the Company in its promotion and realization of sustainable value growth. For the next three years, the Company plans to fully promote and implement a transformed "customer demand oriented" strategy, and to accelerate its move from homogeneous competition towards differential competition. The Company will work hard to seek out further development through transformation and also promote further transformation through such development.

In 2011, the Company will employ the theme of scientific development to accelerate the establishment of customer demand oriented strategy as a priority. The Company plans to give impetus to and realize sustained growth of corporate value through effective strategic initiatives, focusing on discovering client value, implementing subdivision strategy, improving the service and brand, constructing basic platforms, emphasizing and reinforcing the ability of independent innovation and cultivating new business for profit growth. CPIC Life will continue to increase new business value and focus on the sales channel and regular premium businesses. CPIC Property will take its efforts to maintain its leading position in this industry segment in terms of combined ratio and to consolidate and increase its market share. CPIC Asset Management will work hard to realize its goal of continuously achieving investment yields exceeding the cost of liabilities and strengthen its asset and liability management. Changjiang Pension will focus on enhancing its sales capabilities and accelerating its national expansion, making full preparations to participate in the tax-deferred pension insurance pilot plan in Shanghai and to pursue first-mover advantage.

CPIC will also welcome its 20th anniversary in 2011. Reviewing its history of development in the past 20 years, the Company will consolidate its experience, firmly take hold of opportunities for further development and work hard to achieve new breakthroughs to create a brilliant future.

Management Discussion and Analysis

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

The following analysis of life insurance and property and casualty insurance only refer to the businesses of CPIC Life and CPIC Property respectively.

I. Key operational indicators

For 12 months ended 31 December (in RMB million)	2010	2009
Gross written premiums		
Life insurance	87,873	61,998
Property and casualty insurance	51,622	34,289
Net profit attributable to equity holders of the parent	8,557	7,356
Life insurance	4,611	5,427
Property and casualty insurance	3,511	1,422
Embedded value of the Group	110,089	98,371
Value of one year's sales of life insurance	6,100	5,000
Combined ratio of property and casualty insurance (%)	93.7	97.5
Number of individual customers (in thousand)		
Life insurance	40,691	33,919
Property and casualty insurance	15,637	13,006
Number of institutional customers (in thousand)		
Life insurance	469	323
Property and casualty insurance	2,872	2,524
Market shares [note]		
Life insurance (%)	8.8	8.3
Property and casualty insurance (%)	12.8	11.4
Pension business		
Entrusted assets under management	26,038	24,688
Investment assets under management	14,022	12,733

Notes: Calculated based on the statistical data of the insurance industry in 2009 and 2010 published by CIRC.

II. Business analysis

1. Life insurance business

In 2010, the Company continued to optimize the business structure, actively developed protection-type and long-term savings-type insurance businesses and accelerated the development of regular premium business through the bancassurance channel, while new policies grew at a more rapid pace. The management of business quality was further strengthened and the persistency ratio was steadily improved.

(1) Analysis by insurance category

For 12 months ended 31 December (in RMB million)	**2010**	**2009**
Gross written premiums	87,873	61,998
Traditional	15,248	15,149
Participating	68,434	43,419
Universal	85	94
Short-term accident and health	4,106	3,336
Gross written premiums	87,873	61,998
New policies	54,186	38,147
Regular premium	16,869	12,731
Single premium	37,317	25,416
Renewed policies	33,687	23,851
Gross written premiums	87,873	61,998
Individual business	85,677	60,646
Group business	2,196	1,352

①Business structure

The Company recorded gross written premiums of RMB 87.873 billion from life insurance business in 2010, representing an increase of 41.7% over the previous year. Among them, traditional insurance policies recorded premiums of RMB 15.248 billion, about the same level of that of the previous year. Participating insurance policies recorded premiums of RMB 68.434 billion, representing an increase of 57.6% over the previous year. Universal insurance policies recorded premiums of RMB 85 million, representing a decrease of 9.6% over the previous year. Short-term accident and health policies recorded premiums of RMB 4.106 billion, representing an increase of 23.1% over the previous year.

② New policies

The Company recorded gross written premiums of RMB 54.186 billion from new life insurance policies in 2010, representing an increase of 42.0% over the previous year. Among them, premiums from regular premium policies amounted to RMB 16.869 billion, representing an increase of 32.5% over the previous year and accounted for 31.1% of the gross written premiums from new policies. Premiums from single premium policies amounted to RMB 37.317 billion, representing an increase of 46.8% over the previous year.

③Persistency ratio of individual life insurance customers

In 2010, the Company recorded increases of 4.9pt and 2.0pt for the 13-month persistency ratio and the 25-month persistency ratio respectively in respect of individual life insurance over the previous year.

For 12 months ended 31 December	2010	2009
Individual life insurance customer 13-month persistency ratio (%)[(1)]	92.0	87.1
Individual life insurance customer 25-month persistency ratio (%)[(2)]	84.0	82.0

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

(2) Analysis by channels

① Sales channel

In 2010, the Company's sales force continued to grow steadily. At year end, the number of agents was 280,000, having increased 10.2% since the end of the previous year. The Company's sales channel focused on team composition and capacity enhancement. The Company mainly emphasized on the development and improvement of sales teams, improved the professional training, and promoted healthy human resource development. The Company continued to promote products portfolio and promoted the transformation of sales model from "products-oriented" to "customers-oriented". The Company launched the innovation of a regional expansion model and focused on the enhancement of overall sales performance.

For 12 months ended 31 December (in RMB million)	2010	2009
Gross written premiums	35,525	29,570
New policies	9,078	7,556
Regular premium	8,389	6,880
Single premium	689	676
Renewed policies	26,447	22,014

In 2010, the Company recorded gross written premiums through sales channel of RMB 35.525 billion, representing an increase of 20.1% over the last year. Among them, premiums from new regular premium policies, which had been the focus of the Company, amounted to RMB 8.389 billion, representing an increase of 21.9% over last year. The premiums from renewed policies amounted to RMB 26.447 billion, representing an increase of 20.1% over the last year. The average monthly first-year gross written premiums per agent amounted to RMB 2,863, representing an increase of 10.2% over the last year.

For 12 months ended 31 December	2010	2009
Insurance sale agents (in thousand)	280	254
Average monthly first-year gross written premiums per agent (RMB)	2,863	2,597
Average number of new life insurance policies per agent per month	1.10	1.36

②Bancassurance

In 2010, the Company continued with the main direction based on team establishment and network operation in respect of the bancassurance channel, emphasizing the development target of regular premium insurance business, while gradually expanding channel cooperation scope and improving the sales capacity of cooperative networks.

The Company recorded gross written premiums from bancassurance of RMB 48.201 billion in 2010, representing an increase of 63.3% over the previous year. Among them, premiums from new regular premium policies amounted to RMB 8.469 billion, representing an increase of 46.5% over the previous year. The premiums from single premium policies amounted to RMB 32.631 billion, representing an increase of 48.1% over the previous year. The premiums from renewed policies amounted to RMB 7.101 billion, representing a significant increase of 319.4% over the previous year.

For 12 months ended 31 December (in RMB million)	2010	2009
Gross written premiums	48,201	29,514
New policies	41,100	27,821
Regular premium	8,469	5,781
Single premium	32,631	22,040
Renewed policies	7,101	1,693

③ Direct sales

In 2010, the Company actively promoted channel innovation in respect of direct sales and employed the electronic issuing method to continue to consolidate its competitive advantage in accident insurance business.

In 2010, the Company recorded gross written premiums from direct sales of RMB 4.147 billion, representing an increase of 42.3% over the previous year.

For 12 months ended 31 December (in RMB million)	2010	2009
Gross written premiums	4,147	2,914
New policies	4,008	2,770
Regular premium	11	70
Single premium	3,997	2,700
Renewed policies	139	144

(3) Analysis by geographical area

In 2010, approximately 64.2% of the Company's gross written premiums of life insurance business was derived from more economically developed or more densely populated areas, such as Jiangsu, Henan, Shandong, Sichuan, Hebei, Guangdong, Beijing, Zhejiang, Hubei, Shanghai, etc.

For 12 months ended 31 December (in RMB million)	2010	2009
Gross written premiums	87,873	61,998
Jiangsu	8,432	6,441
Henan	7,875	5,154
Shandong	7,251	5,547
Sichuan	5,388	4,252
Hebei	5,342	4,097
Guangdong	4,981	2,964
Beijing	4,802	3,102
Zhejiang	4,439	2,837
Hubei	4,270	3,189
Shanghai	3,646	1,558
Sub-total	56,426	39,141
Other areas	31,447	22,857

2. Property and casualty insurance business

In 2010, the Company adhered to the development concept of sustainable value growth. In view of a positive development of the property insurance industry as a whole, the Company adopted a proactive strategy to accelerate business expansion, thereby achieving a steady increase of market share while maintaining an industry-leading combined ratio.

(1) Analysis by insurance category

In 2010, the property and casualty insurance business of the Company grew at a rapid pace and recorded gross written premiums of RMB 51.622 billion, representing an increase of 50.5% over the previous year, higher than the industry average. Such growth was the fastest recorded in the past three years.

For 12 months ended 31 December(in RMB million)	2010	2009
Gross written premiums	51,622	34,289
Automobile insurance	39,636	25,449
Non-automobile insurance	11,986	8,840

①Automobile insurance

The Company sought to enhance sales ability with refinement management of the auto insurance business, strengthen insurance underwriting and claims management and increase efforts to promote sales to target auto insurance customers. Therefore, the profitability of auto insurance was significantly improved. As the market order of the industry continued to improve and insurance supervision further strengthened, the Company maintained a faster pace of development than peers on the basis of achieving insurance underwriting profit.

Gross written premiums from automobile insurance amounted to RMB 39.636 billion in 2010, representing an increase of 55.7% over the previous year.

②Non-automobile insurance

In 2010, the Company accurately took hold of the development opportunities and implemented an aggressive sale strategy of non-automobile insurance, subject to adequate control of the combined ratio. Leveraging on the strengths in customer base and expertise in underwriting and claims adjustment, the Company, through supportive underwriting strategies and sales, accelerated the development of non-automobile insurance, such as short-term accident insurance and liability insurance. Gross written premiums from non-automobile insurance in 2010 amounted to RMB 11.986 billion, representing an increase of 35.6% over the previous year.

For 12 months ended 31 December (in RMB million)	2010	2009
Gross written premiums	11,986	8,840
Commercial property insurance	4,149	3,106
Liability insurance	1,339	883
Accident insurance	1,338	1,110
Engineering insurance	1,326	934
Others	3,834	2,807

(2) Analysis by channels

As at 31 December 2010, the Company's direct sales team had a total of 16,819 sales representatives. In addition, the Company conducted the sales of the property and casualty insurance products through 27,604 insurance agents, 1,361 institutional agents, 12,947 ancillary agents and 1,299 brokerage companies.

For 12 months ended 31 December (in RMB million)	2010	2009
Gross written premiums	51,622	34,289
Direct sales	14,818	11,476
Insurance agents	32,867	21,109
Insurance brokers	3,937	1,704

(3) Analysis by geographical areas

In 2010, approximately 65.8% of the Company's gross written premiums from property and casualty insurance business was derived from more economically developed areas, such as Jiangsu, Guangdong, Zhejiang, Shandong, Shanghai, Beijing, Shenzhen, Hebei, Sichuan and Liaoning, etc. The Company's nation-wide distribution network facilitated the exploration of potential markets in other areas.

For 12 months ended 31 December (in RMB million)	2010	2009
Gross written premiums	51,622	34,289
Jiangsu	5,828	3,842
Guangdong	5,237	3,674
Zhejiang	4,329	3,070
Shandong	4,146	2,788
Shanghai	4,107	2,810
Beijing	3,232	2,212
Shenzhen	2,298	1,914
Hebei	1,633	1,079
Sichuan	1,570	1,050
Liaoning	1,568	1,139
Sub-total	33,948	23,578
Other areas	17,674	10,711

3. Asset management business

The Company has always been conducting its investment business based on Asset-Liability Management (ALM) principles and implemented stable and aggressive investment strategies. The Company strives to pursue sustainable investment returns that consistently exceed the cost of liabilities, while practically managing various investment risks.

The Company carefully studied and analyzed the requirements with regard to the insurance business expansion and liability attributes of insurance funds in 2010. Through active allocation of fixed income assets and extending the duration of fixed income assets, net investment income continued to increase and the stability and sustainability of investment income was enhanced. As to equity investment, the Company focused on value-based investments while taking into account market trends, and actively carried out various theme investments to obtain certain spread gains. In addition, the Company continued to expand alternative investment businesses with the total size of the infrastructure investment plans amounting to RMB 19.925 billion at the end of 2010.

(1) Investment portfolio

As of 31 December 2010, the Company's total investment assets were RMB 433.385 billion, representing an increase of 18.4% over that at the end of the previous year. The increase was mainly attributable to the Company's cash inflow from insurance business and investment assets value appreciation.

At the end of 2010, the Company's fixed income investments accounted for 79.5% of our total investment assets, representing an increase of 5.1pt over that at the end of the previous year. An additional RMB 71.915 billion was invested in 2010, with allocation focused towards ultra long-term treasury bonds and negotiated deposits, of which a total of RMB 13.04 billion was invested in 50-year treasury bonds.

At the end of 2010, the Company's equity investments accounted for 11.9% of the total investment assets, about the same level of that at the end of the previous year.

As at the end of 2010, the Company's investment assets were mainly classified as held-to-maturity financial assets and available-for-sale financial assets. The amount of held-to-maturity financial assets increased by 50.4% compared to that at the end of the previous year. The financial assets at fair value through profit or loss significantly increased, which was mainly due to the growth of investments in convertible bonds.

As of 31 December (in RMB million)	**2010**	**2009**
Investment assets (Total)	433,385	366,018
By investment category		
Fixed income investments	344,384	272,469
– Debt securities	232,533	182,778
– Term deposits	106,772	86,371
– Other fixed income investments[1]	5,079	3,320
Equity investment	51,516	44,915
– Investment Funds	24,857	18,959
– Equity securities	24,979	24,190
– Other equity investments[2]	1,680	1,766
Investments in infrastructure	19,925	18,396
Cash and cash equivalents	17,560	30,238
By investment purpose		
Financial assets at fair value through profit or loss	3,604	333
Available-for-sale financial assets	119,759	118,475
Held-to-maturity financial assets	157,360	104,618
Investment in a jointly-controlled entity	440	464
Loan and other investments[3]	152,222	142,128

Notes:

1. Other fixed income investments include restricted statutory deposits and policy loans.
2. Other equity investments include investment in a jointly-controlled entity, etc.
3. 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 other investments classified as loans and receivables, etc.

(2) Investment income

In 2010, the Company recorded total investment income of RMB 20.902 billion, representing an increase of 7.0% over that of the last year. Total investment yield was 5.3%, representing a decrease of 1.0pt over that of the previous year.

Net investment income amounted to RMB 16.952 billion, representing an increase of 33.1% over that of the previous year. This was mainly due to the significant increase in interest income from fixed interest assets and dividend income from close-end investment funds. Net investment yield was 4.3%, representing an increase of 0.3pt over that of the previous year.

For 12 months ended 31 December (in RMB million)	**2010**	**2009**
Interest income from fixed income securities investments	14,229	11,902
Dividend income from equity securities	2,723	832
Net investment income	16,952	12,734
Realized gains	4,049	6,575
Unrealized gains	193	140
Impairment losses on financial assets	(615)	(128)
Other income [note]	323	215
Total investment income	20,902	19,536
Net investment yield (%)	4.3	4.0
Total investment yield (%)	5.3	6.3

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

(3) Alternative investments

The Company continued to promote the alternative investments business, increasing its efforts to expand project reserves and establishing and issuing various debt investment plans in infrastructure classes. In doing so, the Company maintained its leading position in the insurance industry in terms of the number of alternative investment products established and the amount invested as a proportion of total investment assets. The following were the main investment projects completed for 2010.

- HECIC New Energy Wind Farm Project Debt Investment Plan

In June 2010, the Company established the "HECIC New Energy Wind Farm Project Debt Investment Plan", involving a total investment amount of RMB 1.3 billion for a term of 7 years. The Company invested RMB 780 million in the plan.

- Wuhan Tianxingzhou Rail/Road Bridge over Yangtze River Debt Investment Plan

In November 2010, the Company established the "Wuhan Tianxingzhou Rail/Road Bridge over Yangtze River Debt Investment Plan", involving a total investment amount of RMB 2.0 billion for a term of 10 years. The Company invested RMB 1.2 billion in the plan.

III. Main data of the consolidated financial statements

1. Key consolidated results

(in RMB million)	31 December 2010 /Year 2010	31 December 2009 /Year 2009
Total assets	475,711	397,187
Total liabilities	394,160	321,514
Total equity	81,551	75,673
Net profit attributable to equity holders of the parent	8,557	7,356

2. Cash flow

(in RMB million)	2010	2009
Net cash inflow from operating activities	61,618	38,474
Net cash outflow from investing activities	(70,600)	(46,677)
Net cash (outflow)/inflow from financing activities	(3,383)	20,871

IV. Segment information

1. Life insurance

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

For 12 months ended 31 December (in RMB million)	2010	2009
Net premiums earned	84,665	59,058
Investment income [note]	17,064	16,949
Other operating income	618	597
Total income	**102,347**	**76,604**
Net policyholders' benefits and claims	(80,351)	(55,733)
Finance costs	(343)	(381)
Interest credited to investment contracts	(1,722)	(1,870)
Other operating and administrative expenses	(14,607)	(11,765)
Total benefits, claims and expenses	**(97,023)**	**(69,749)**
Profit before tax	5,324	6,855
Income tax	(713)	(1,428)
Net profit	**4,611**	**5,427**

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

(1) The growth in net premiums earned was mainly driven by the growth in life insurance business of the Company, which amounted to RMB 84.665 billion, representing an increase of 43.4% as compared to the previous year.

(2) Investment income amounted to RMB 17.064 billion, about the same level of that of the last year.

(3) Net policyholders' benefits and claims amounted to RMB 80.351 billion, representing an increase of 44.2% over that of the same period in the previous year. Of these, claims incurred increased 30.0% when compared with the same period in the previous year, which was in line with the short-term business growth. The changes in long-term insurance contract liabilities recorded an increase of 59.9%, compared to the same period in the last year, mainly as a result of the growth in business and a downward shift on the interest curve for the valuation of life insurance reserves. Policyholder dividends recorded an increase of 65.6% compared to the same period in the previous year, mainly attributable to the growth in participating business and an increase in policyholder dividends.

For 12 months ended 31 December (in RMB million)	**2010**	**2009**
Net policyholders' benefits and claims	80,351	55,733
Life insurance death and other benefits paid	17,018	16,089
Claims incurred	693	533
Changes in long-term insurance contract liabilities	59,241	37,058
Policyholder dividends	3,399	2,053

(4) Other operating and administrative expenses for life insurance business amounted to RMB 14.607 billion, representing an increase of 24.2% over that of the previous year, which was in line with the Company's business growth. The increase was mainly attributable to rapid business growth.

(5) As a result of the above reasons, the life insurance business of the Company recorded a net profit of RMB 4.611 billion for 2010.

2. Property and casualty insurance

The Company operates our property and casualty insurance business primarily through our 98.41% owned subsidiary CPIC Property. Detailed analysis of the results is as follows:

For 12 months ended 31 December (in RMB million)	**2010**	**2009**
Net premiums earned	34,894	24,910
Investment income [note]	2,415	1,349
Other operating income	158	112
Total income	**37,467**	**26,371**
Claims incurred	(20,043)	(15,202)
Finance costs	(24)	(10)
Other operating and administrative expenses	(12,775)	(9,295)
Total benefits, claims and expenses	**(32,842)**	**(24,507)**
Profit before tax	4,625	1,864
Income tax	(1,114)	(442)
Net profit	**3,511**	**1,422**

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

(1) Net premiums earned by the Company amounted to RMB 34.894 billion as a result of growth in the business, representing an increase of 40.1% over that of the previous year.
(2) The Company recorded investment income of RMB 2.415 billion, representing an increase of 79.0% over that of the previous year, mainly attributable to the significant increase in interest income and dividend income from closed-end funds.
(3) Claims incurred amounted to RMB 20.043 billion, representing an increase of 31.8% over that of the last year, being lower than the growth of the business. This was mainly attributable to the continued enhancement of the Company's refinement management system and an improvement in the competitive market conditions.
(4) Other operating and administrative expenses amounted to RMB 12.775 billion, representing an increase of 37.4% over that of the last year, mainly attributable to the growth of the business.
(5) As a result of the above reasons, property and casualty insurance business recorded a net profit of RMB 3.511 billion for 2010.

3. CPIC Asset Management

The Company manages and uses its insurance funds through CPIC Asset Management, its 99.66% held subsidiary. As at 31 December 2010, the total assets of CPIC Asset Management amounted to RMB 748 million, the net assets amounted to RMB 588 million and the net profit amounted to RMB 32 million for 2010.

4. CPIC HK

The Company conducts overseas operations primarily through its wholly owned subsidiary CPIC HK. As at 31 December 2010, the total assets of CPIC HK amounted to RMB 569 million, the net assets amounted to RMB 319 million, the gross written premiums amounted to RMB 245 million and the net profit amounted to RMB 25 million for 2010.

5. Changjiang Pension

The Company acquired Changjiang Pension in 2009 and holds 51.00% of its interests. As at 31 December 2010, the total assets of Changjiang Pension amounted to RMB 870 million, the net assets amounted to RMB 818 million, the total entrusted assets under management reached RMB 26.038 billion and the net loss amounted to RMB 57 million for 2010.

V. Analysis of specific items

1. Solvency

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

As at 31 December (in RMB million)	2010	2009	Reasons of change
CPIC Group			
Actual solvency margin	76,673	73,583	Exercise of the over-allotment options of H shares, profit for the period, profit distribution to the shareholders and change of the fair value of investment assets
Minimum solvency margin	21,486	16,523	Business development of property and life insurance
Solvency margin ratio (%)	357	445	
Life insurance			
Actual solvency margin	36,687	25,702	Profit for the period, contribution from shareholders, profit distribution to the shareholders and change of the fair value of investment assets
Minimum solvency margin	15,222	12,361	Growth of insurance business
Solvency margin ratio (%)	241	208	
Property and casualty insurance			
Actual solvency margin	10,266	7,023	Profit for the period, contribution from shareholders, profit distribution to the shareholders and change of the fair value of investment assets
Minimum solvency margin	6,132	4,049	Growth of insurance business
Solvency margin ratio (%)	167	173	

2. Gearing Ratio

As at 31 December	2010	2009
Gearing Ratio (%)	83.1	81.2

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

3. Commercial insurance operation by category in respect of the top five premiums from property insurance

For 12 months ended 31 December (in RMB million)

Rank	Name of commercial insurance	Premiums	Amounts Insured	Claims paid	Reserves	Underwriting profit
1	Automobile insurance	39,636	4,616,151	16,184	25,925	1,957
2	Commercial property insurance	4,132	6,442,317	1,635	3,015	(364)
3	Accident insurance	1,338	5,061,754	474	1,029	35
4	Liability insurance	1,333	4,515,467	455	1,149	(94)
5	Engineering insurance	1,321	703,513	348	1,969	(134)

There was a slight loss in respect of underwriting in the 2010 financial year, as the commercial property insurance, liability insurance and engineering insurance businesses were affected by rapid business growth and disasters such as rainstorms, resulting in accordingly increased reserve provisions.

VI. Prospects

2011 is the first year of the twelfth Five-Year Plan, and is also a key year for China to maintain stable and rapid economic development and accelerate the transformation of the mode of economic development, as well as a crucial year for the comprehensive transformation of insurance industry.

From a macroeconomic perspective, the world economy is expected to continue recovery after the crisis, though the impact of the international financial crisis continues to be felt, and the world economic structure is expected to continue to undergo profound and complex changes. The domestic economy is expected to maintain steady and rapid growth momentum, and active treasury policies and prudent monetary policies are currently being implemented. China's national policies are expected to continue to be proactive, stable as well as prudent and flexible, with a view to preventing and controlling inflation while maintaining economic growth. At the same time, China is vigorously promoting the change of the economy development mode, with a focus on accelerating strategic changes in economic structure, whereby emerging strategic industries such as energy-saving and environmental industries, modern agricultural industries and cultural industries are facing good growth opportunities. The domestic economy is expected to maintain steady and rapid growth momentum.

In respect of the insurance industry, the steady and rapid growth in domestic economy will provide strong support for the insurance industry to achieve rapid growth. The property insurance market is expected to continue to increase at a healthy level despite recent slower growth. The acceleration of urbanization and the change of development mode is likely to result in new insurance needs, and regulatory policies are expected to be geared towards promoting the continuous improvement of property insurance market order. As there is a need for non-auto insurance product innovation and new sales channels including telemarketing are expanding rapidly, automobiles sales are expected to remain growing and auto insurance premiums adequacy ratio are likely to continue to remain high. Therefore, the future overall quality and underwriting profit of property and casualty insurance are likely to remain high. The previous explosive growth in life insurance is ending, however, as a result of such factors as urbanization, increased per capita income, the improved social security system, distribution system reforms and stronger insurance awareness as well as higher insurance service levels, the effective demand for insurance is expected to continue to increase. Driven by a number of positive factors, the life insurance business should continue to maintain rapid growth. Meanwhile, as interest rates rise, the profitability of life insurance companies will be further improved.

While the overall situation is optimistic, the world economy is full of unstable and uncertain factors, the impact of the international financial crisis has been far-reaching, and global competition in markets and over resources has become fiercer. The stability of the domestic macro-economy is facing a complex environment, and the pressures to control inflation and to transform the mode of economic development are still high. Various deep-rooted problems and contradictions accumulated in the course of rapid development of China's insurance industry have also gradually emerged. For example, market demand for similar products is gradually stepping into saturation, while competition means such as price wars and high-cost channels inputs are increasingly difficult to sustain because of the profitability pressure. As such, the battle for customer resources has increasingly become the competition focus among insurance companies in China.

The Company expects its gross written premiums to grow at more than 15% in 2011.

Operating Results

The Company announces the audited consolidated annual results of the Company and its subsidiaries for the year ended 31 December 2010 (the "Reporting Period") together with the comparative figures for the previous year:

Consolidated Income Statement

For the year ended 31 December 2010

(All amounts expressed in RMB million unless otherwise specified)

	Notes	2010	2009
Gross written premiums	1(a)	139,555	96,342
Less: Premiums ceded to reinsurers	1(b)	(13,422)	(9,791)
Net written premiums	1	126,133	86,551
Net change in unearned premium reserves		(6,382)	(2,424)
Net premiums earned		119,751	84,127
Investment income	2	20,657	19,316
Other operating income		919	746
Other income		21,576	20,062
Total income		141,327	104,189
Net policyholders' benefits and claims:			
Life insurance death and other benefits paid	3	(17,018)	(16,089)
Claims incurred	3	(20,829)	(15,827)
Changes in long-term life insurance contract liabilities	3	(59,241)	(37,058)
Policyholder dividends	3	(3,399)	(2,053)
Finance costs		(373)	(396)
Interest credited to investment contracts		(1,722)	(1,870)
Other operating and administrative expenses		(28,063)	(21,475)
Total benefits, claims and expenses		(130,645)	(94,768)
Share of (losses)/profits of:			
A jointly-controlled entity		(12)	82
An associate		-	3
Profit before tax		10,670	9,506
Income tax	4	(2,005)	(2,033)
Net profit for the year		8,665	7,473
Attributable to:			
Equity holders of the parent		8,557	7,356
Minority interests		108	117
		8,665	7,473
Basic earnings per share	5	RMB1.00	RMB0.95
Diluted earnings per share	5	RMB1.00	RMB0.95

Consolidated Statement Of Comprehensive Income

For the year ended 31 December 2010

(Amounts expressed in RMB million unless otherwise specified)

	2010	2009
Net profit for the year	8,665	7,473
Other comprehensive income		
Exchange differences on translation of foreign operations	(11)	(2)
Available-for-sale financial assets	(4,242)	3,115
Income tax relating to available-for-sale financial assets	1,060	(780)
Other comprehensive (loss)/income for the year	(3,193)	2,333
Total comprehensive income for the year	5,472	9,806
Attributable to:		
Equity holders of the parent	5,417	9,645
Minority interests	55	161
	5,472	9,806

Consolidated Balance Sheet

As at 31 December 2010

(Amounts expressed in RMB million unless otherwise specified)

	31 December 2010	31 December 2009
ASSETS		
Property and equipment	6,831	8,145
Investment property	2,366	-
Goodwill	149	149
Other intangible assets	404	376
Prepaid land lease payments	203	208
Investment in a jointly-controlled entity	440	464
Financial assets at fair value through profit or loss	3,604	333
Held-to-maturity financial assets	157,360	104,618
Available-for-sale financial assets	119,759	118,475
Investments classified as loans and receivables	22,811	22,199
Securities purchased under agreements to resell	2,600	115
Term deposits	106,772	86,371
Restricted statutory deposits	2,772	1,968
Policy loans	2,307	1,352
Interest receivable	9,207	6,679
Reinsurance assets	12,347	9,147
Deferred income tax assets	1,586	839
Insurance receivables	5,409	3,864
Other assets	3,824	1,762
Cash and short-term time deposits	14,960	30,123
Total assets	475,711	397,187

Consolidated Balance Sheet (continued)

As at 31 December 2010

(Amounts expressed in RMB million unless otherwise specified)

	Notes	31 December 2010	31 December 2009
EQUITY AND LIABILITIES			
Equity			
Issued capital		8,600	8,483
Reserves	6	58,476	58,616
Retained profits	6	13,221	7,552
Equity attributable to equity holders of the parent		80,297	74,651
Minority interests		1,254	1,022
Total equity		81,551	75,673
Liabilities			
Insurance contract liabilities	7	307,186	236,152
Investment contract liabilities	8	51,272	52,090
Policyholders' deposits		82	89
Subordinated debt		2,338	2,263
Securities sold under agreements to repurchase		8,150	9,800
Deferred income tax liabilities		2	195
Income tax payable		1,165	272
Premium received in advance		3,549	4,269
Policyholder dividend payable		7,110	5,113
Payables to reinsurers		3,510	2,208
Other liabilities		9,796	9,063
Total liabilities		394,160	321,514
Total equity and liabilities		475,711	397,187

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

(Amounts expressed in RMB million unless otherwise specified)

	2010								
	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 2010	8,483	56,216	1,395	(26)	1,031	7,552	74,651	1,022	75,673
Total comprehensive income	-	-	-	(11)	(3,129)	8,557	5,417	55	5,472
Dividends declared	-	-	-	-	-	(2,580)	(2,580)	-	(2,580)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(44)	(44)
Issue of shares	117	2,688	-	-	-	-	2,805	-	2,805
Capital injection into subsidiaries	-	4	-	-	-	-	4	221	225
Appropriations to surplus reserves	-	-	308	-	-	(308)	-	-	-
At 31 December 2010	8,600	58,908	1,703	(37)	(2,098)	13,221	80,297	1,254	81,551

Consolidated Statement of Changes in Equity (continued)
For the year ended 31 December 2010
(Amounts expressed in RMB million unless otherwise specified)

	2009								
	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 2009	7,700	38,318	1,006	(24)	(1,260)	2,898	48,638	482	49,120
Total comprehensive income	-	-	-	(2)	2,291	7,356	9,645	161	9,806
Dividends declared	-	-	-	-	-	(2,310)	(2,310)	-	(2,310)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(58)	(58)
Issue of shares	783	17,870	-	-	-	-	18,653	-	18,653
Capital injection into subsidiaries	-	-	-	-	-	-	-	12	12
Changes due to the step acquisition of a subsidiary	-	28	-	-	-	(3)	25	425	450
Appropriations to surplus reserves	-	-	389	-	-	(389)	-	-	-
At 31 December 2009	8,483	56,216	1,395	(26)	1,031	7,552	74,651	1,022	75,673

Consolidated Cash Flow Statement

For the year ended 31 December 2010

(Amounts expressed in RMB million unless otherwise specified)

	2010	2009
OPERATING ACTIVITIES		
Cash generated from operating activities	62,610	38,516
Income tax paid	(992)	(42)
Net cash inflow from operating activities	61,618	38,474
INVESTING ACTIVITIES		
Purchases of property and equipment, intangible assets and other assets	(2,296)	(2,005)
Proceeds from sale of items of property and equipment, intangible assets and other assets	1,048	33
Purchases of investments, net	(83,502)	(55,623)
Acquisition of a subsidiary	-	97
Interest received	11,463	10,002
Dividends received from investments	2,687	819
Net cash outflow from investing activities	(70,600)	(46,677)
FINANCING ACTIVITIES		
Securities sold under agreements to repurchase, net	(1,650)	2,780
Capital contribution from minority shareholders of subsidiaries	225	12
Proceeds from issuance of shares	2,796	18,806
Interest paid	(162)	(229)
Dividends paid	(2,653)	(2,360)
Others	(1,939)	1,862
Net cash (outflow)/inflow from financing activities	(3,383)	20,871
Effects of exchange rate changes on cash and cash equivalents	(313)	(3)
Net (decrease)/increase in cash and cash equivalents	(12,678)	12,665
Cash and cash equivalents at beginning of year	30,238	17,573
Cash and cash equivalents at end of year	17,560	30,238
Analysis of balances of cash and cash equivalents		
Cash at banks and on hand	5,713	6,330
Time deposits with original maturity of no more than three months	8,358	23,370
Other monetary assets	889	423
Securities purchased under agreements to resell with original maturity of no more than three months	2,600	115
Cash and cash equivalents at end of year	17,560	30,238

Notes (Amounts expressed in RMB million unless otherwise specified)

1. NET WRITTEN PREMIUMS

(a) Gross written premiums

	2010	2009
Long-term life insurance premiums	83,767	58,662
Short-term life insurance premiums	4,106	3,336
Property and casualty insurance premiums	51,682	34,344
	139,555	96,342

(b) Premiums ceded to reinsurers

	2010	2009
Long-term life insurance premiums ceded to reinsurers	(1,985)	(1,875)
Short-term life insurance premiums ceded to reinsurers	(1,051)	(870)
Property and casualty insurance premiums ceded to reinsurers	(10,386)	(7,046)
	(13,422)	(9,791)

(c) Net written premiums

	2010	2009
Net written premiums	126,133	86,551

2. INVESTMENT INCOME

	2010	2009
Interest and dividend income (a)	17,034	12,734
Realized gains (b)	4,049	6,575
Unrealized gains (c)	193	140
Charge of impairment losses on financial assets	(615)	(128)
Others	(4)	(5)
	20,657	19,316

2. INVESTMENT INCOME (continued)

(a) Interest and dividend income

	2010	2009
Financial assets at fair value through profit or loss		
- Fixed maturity investments	20	2
- Investment funds	16	3
	36	5
Held-to-maturity financial assets		
- Fixed maturity investments	6,035	3,731
Loans and receivables		
- Fixed maturity investments	5,248	4,756
Available-for-sale financial assets		
- Fixed maturity investments	3,008	3,413
- Investment funds	2,431	649
- Equity securities	276	180
	5,715	4,242
	17,034	12,734

(b) Realized gains

	2010	2009
Financial assets at fair value through profit or loss		
- Fixed maturity investments	214	23
- Investment funds	40	46
- Equity securities	1	3
	255	72
Available-for-sale financial assets		
- Fixed maturity investments	103	857
- Investment funds	997	1,025
- Equity securities	2,694	4,621
	3,794	6,503
	4,049	6,575

(c) Unrealized gains

	2010	2009
Financial assets at fair value through profit or loss		
- Fixed maturity investments	188	(2)
- Investment funds	5	143
- Equity securities	-	(1)
	193	140

3. NET POLICYHOLDERS' BENEFITS AND CLAIMS

	2010		
	Gross	Ceded	Net
Life insurance death and other benefits paid	17,168	(150)	17,018
Claims incurred			
- Short-term life insurance	1,146	(453)	693
- Property and casualty insurance	25,047	(4,911)	20,136
Changes in long-term life insurance contract liabilities	60,358	(1,117)	59,241
Policyholder dividends	3,399	-	3,399
	107,118	(6,631)	100,487

	2009		
	Gross	Ceded	Net
Life insurance death and other benefits paid	16,176	(87)	16,089
Claims incurred			
- Short-term life insurance	917	(384)	533
- Property and casualty insurance	18,642	(3,348)	15,294
Changes in long-term life insurance contract liabilities	38,369	(1,311)	37,058
Policyholder dividends	2,053	-	2,053
	76,157	(5,130)	71,027

4. INCOME TAX

(a) Income tax

	2010	2009
Current income tax	1,885	814
Deferred income tax	120	1,219
	2,005	2,033

(b) Tax recorded in other comprehensive income

	2010	2009
Deferred income tax	(1,060)	780

(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:

4. INCOME TAX (continued)

(c) Reconciliation of tax expense(continued)

	2010	2009
Profit before tax	10,670	9,506
Tax computed at the statutory tax rate	2,668	2,377
Adjustments to income tax in respect of previous periods	(24)	(127)
Income not subject to tax	(857)	(300)
Expenses not deductible for tax	197	104
Attributable to a jointly-controlled entity and an associate	3	(21)
Others	18	-
Tax expense at the Group's effective rate	2,005	2,033

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

5. EARNINGS PER SHARE

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

	2010	2009
Consolidated net profit for the year attributable to equity holders of the parent	8,557	7,356
Weighted average number of ordinary shares in issue (million)	8,590	7,717
Basic earnings per share	RMB1.00	RMB0.95
Diluted earnings per share	RMB1.00	RMB0.95

The Company's dilutive potential ordinary shares for 2010 and 2009 relate to the H share over-allotment option. The H share over-allotment option was exercised in January 2010. The Company had no dilutive potential ordinary shares as at 31 December 2010.

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.

6. RESERVES AND RETAINED PROFITS (continued)

(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 discretionary surplus reserve.

(i) Statutory surplus reserve (“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 SSR until the balance reaches 50% of the respective registered capital.

Subject to the approval of shareholders, 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, RMB2,493 million as at 31 December 2010 (31 December 2009: RMB1,692 million) represents the Company’s share of its subsidiaries’ surplus reserve fund.

(ii) Discretionary surplus reserve (“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, RMB2,484 million as at 31 December 2010 (31 December 2009: RMB1,686 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 6th term of board of directors held on 25 March 2011, a final dividend of approximately RMB3,010 million (equivalent to RMB0.35 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 2009	37,771	702	244	38,717	4,242
Total comprehensive income for the year	-	-	(248)	(248)	3,812
Issue of shares	17,870	-	-	17,870	-
Dividends declared	-	-	-	-	(2,310)
Appropriations to surplus reserve	-	389	-	389	(389)
At 31 December 2009	55,641	1,091	(4)	56,728	5,355
At 1 January 2010	55,641	1,091	(4)	56,728	5,355
Total comprehensive income for the year	-	-	(157)	(157)	3,095
Issue of shares	2,688	-	-	2,688	-
Dividends declared	-	-	-	-	(2,580)
Appropriations to surplus reserve	-	308	-	308	(308)
At 31 December 2010	58,329	1,399	(161)	59,567	5,562

Dividends from subsidiaries amounting to RMB2,579 million were included in the Company’s net profit for 2010 (2009: RMB3,329 million).

7. INSURANCE CONTRACT LIABILITIES

	As at 31 December 2010		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Long-term life insurance contracts	267,953	(4,821)	263,132
Short-term life insurance contracts			
- Unearned premiums	1,456	(280)	1,176
- Claim reserves	546	(131)	415
	2,002	(411)	1,591
Property and casualty insurance contracts			
- Unearned premiums	21,951	(3,483)	18,468
- Claim reserves	15,280	(3,632)	11,648
	37,231	(7,115)	30,116
	307,186	(12,347)	294,839
IBNR included in claim reserves	2,445	(593)	1,852

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

7. INSURANCE CONTRACT LIABILITIES (continued)

(a) Long-term life insurance contract reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
At 1 January 2009	170,459	(2,393)	168,066
Valuation premiums	58,662	(1,875)	56,787
Liabilities released for payments on benefits and claims	(16,176)	87	(16,089)
Other movements	(4,135)	477	(3,658)
At 31 December 2009	208,810	(3,704)	205,106
Valuation premiums	83,767	(1,985)	81,782
Liabilities released for payments on benefits and claims	(17,168)	150	(17,018)
Other movements	(7,456)	718	(6,738)
At 31 December 2010	267,953	(4,821)	263,132

(b) Short-term life insurance contract liabilities

Movements of unearned premiums

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
At 1 January 2009	1,051	(243)	808
Premiums written	3,336	(870)	2,466
Premiums earned	(3,158)	887	(2,271)
At 31 December 2009	1,229	(226)	1,003
Premiums written	4,106	(1,051)	3,055
Premiums earned	(3,879)	997	(2,882)
At 31 December 2010	1,456	(280)	1,176

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
At 1 January 2009	482	(143)	339
Claims incurred	917	(384)	533
Claims paid	(929)	391	(538)
At 31 December 2009	470	(136)	334
Claims incurred	1,146	(453)	693
Claims paid	(1,070)	458	(612)
At 31 December 2010	546	(131)	415

7. INSURANCE CONTRACT LIABILITIES (continued)

(c) Property and casualty insurance contracts liabilities

Movements of unearned premiums

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
At 1 January 2009	12,105	(2,071)	10,034
Premiums written	34,344	(7,046)	27,298
Premiums earned	(31,815)	6,745	(25,070)
At 31 December 2009	14,634	(2,372)	12,262
Premiums written	51,682	(10,386)	41,296
Premiums earned	(44,365)	9,275	(35,090)
At 31 December 2010	21,951	(3,483)	18,468

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
At 1 January 2009	10,142	(2,930)	7,212
Claims incurred	18,642	(3,348)	15,294
Claims paid	(17,775)	3,569	(14,206)
At 31 December 2009	11,009	(2,709)	8,300
Claims incurred	25,047	(4,911)	20,136
Claims paid	(20,776)	3,988	(16,788)
At 31 December 2010	15,280	(3,632)	11,648

8. INVESTMENT CONTRACT LIABILITIES

At 1 January 2009	50,339
Deposits received	6,328
Deposits withdrawn	(5,440)
Fees deducted	(384)
Interest credited	1,870
Others	(623)
At 31 December 2009	52,090
Deposits received	4,943
Deposits withdrawn	(7,069)
Fees deducted	(300)
Interest credited	1,722
Others	(114)
At 31 December 2010	51,272

Change in Significant Accounting Estimates

When measuring the insurance contract liabilities, the Company 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 2010, the Company used information currently available to determine the above assumptions and the impact of change in assumptions was charged into profit or loss. Such change in accounting estimates resulted in an increase in long-term life insurance contract liabilities as at 31 December 2010 by RMB 3.13 billion and a decrease in consolidated profit before tax of 2010 by RMB 3.13 billion.

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 2010, and the value of one year's sales of CPIC Life in the 12 month to 31 December 2010 at risk discount rate of 11.5%.

Unit: RMB Million

Valuation date	31 December 2010	31 December 2009
Group Adjusted Net Worth	**75,905**	**72,368**
Adjusted Net Worth of CPIC Life	35,836	**24,150**
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written prior to June 1999	(2,974)	(2,505)
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written since June 1999	46,964	36,476
Cost of Solvency Margin Held for CPIC Life	(9,212)	(7,516)
Value of In Force Business of CPIC Life After Cost of Solvency Margin Held	34,778	**26,454**
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	**34,184**	**26,003**
Group Embedded Value	**110,089**	**98,371**
Life Embedded Value	70,613	**50,605**

Value of One Year's Sales of CPIC Life Before Cost of Solvency Margin Held	7,565	6,218
Cost of Solvency Margin	(1,465)	(1,219)
Value of One Year's Sales of CPIC Life After Cost of Solvency Margin Held	**6,100**	**5,000**

Note that figures may not be additive due to rounding.

The Group Adjusted Net Worth represents the shareholder net equity of the Company measured on the statutory basis, inclusive of adjustments of the value of certain assets to market value. It should be noted that the Group Adjusted Net Worth incorporates the shareholder net equity of the Company as a whole (including CPIC Life and other operations of the 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 2009 to 31 December 2010 at risk discount rate of 11.5%.

Unit: RMB Million

No.	Item	Value	Comments
1	**Embedded Value of the life business at 31 December 2009**	**50,605**	
2	Expected Return on Embedded value	6,341	Expected returns on the 2009 embedded value of CPIC Life and the value of one year's sales of CPIC Life in 2010
3	Value of one year's sales	6,100	Value of one year's sale in respect of new business written in the 12 months prior to 31 December 2010
4	Investment Experience Variance	(1,089)	Reflects the difference between actual and assumed investment return in 2010
5	Operating Experience Variance	(354)	Reflects the difference between actual and assumed operating experience
6	Change in methodology, assumptions and models	(591)	Reflects assumption changes, together with model enhancements
7	Change in market value adjustment	(952)	Reflects the change in value of assets not valued on a market value basis
8	Capital injection	12,000	Shareholders' capital injection to CPIC Life
9	Shareholder Dividends	(1,530)	Shareholder dividends distributed to shareholders of CPIC Life
10	Others	83	
11	**Embedded Value of the life business at 31 December 2010**	**70,613**	Increased by 39.5% relative to 31 December 2009

12	**Adjusted net worth of businesses other than CPIC Life as at 31 December 2009**	**49,204**	
13	Change in Adjusted Net Worth before payment of shareholder dividends to shareholders of CPIC Group	(4,854)	Including total amount of RMB3.029 billion from exercise of the over-allotment options of H shares and other minor shareholders capital injection
14	Shareholder dividends	(2,580)	Dividend distributed to shareholders of CPIC Group
15	Change in market value adjustment	(515)	
16	**Adjusted net worth of businesses other than CPIC Life as at 31 December 2010**	**41,255**	
17	Minority interests relating to equity and market value adjustments	(1,779)	Minority interests on Embedded Value as at 31 December 2010
18	**Group Embedded Value as at 31 December 2010**	**110,089**	
19	**Embedded Value as at 31 December 2010 per share(RMB)**	**12.80**	

Note that figures may not be additive due to rounding.

Compliance of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

The Board is in view that the Company has complied with the provisions and most of the recommended best practices of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange during the year ended 31 December 2010.

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

During the year ended 31 December 2010, neither the Company nor its subsidiaries purchased, sold or redeemed any listed shares of the Company.

Proposed Dividend and Closure of H Share Register of Members

On 25 March 2011, the Board recommended a final dividend of RMB 0.35 per share (including tax) for the year ended 31 December 2010, amounting to approximately RMB 3.010 billion in aggregate. The proposed final dividend is subject to the approval of shareholders at the Annual General Meeting. If approved, it is expected that the payment of the final dividend will be made on or before Wednesday, 29 June 2011 to the shareholders whose names appear on the H Share Register of Members on Wednesday, 18 May 2011.

According to the New Income Tax Law and its Implementation Rules enacted in 2008 and relevant regulations, the Company is required to withhold 10% of corporate income tax before payment of the final dividend to non-resident enterprise shareholders whose names appear on the H Share Register of Members on Wednesday, 18 May 2011. The H Share Register of Members of the Company will be closed from Monday, 18 April 2011 to Wednesday, 18 May 2011 (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 Friday, 15 April 2011.

The Company will announce details on the payment of the final dividend for the year 2010 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 2010 Annual General Meeting ("AGM") will be held on Wednesday, 18 May 2011. 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, 18 April 2011 to Wednesday, 18 May 2011 (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, 15 April 2011.

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 2010 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 2010 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 Asset Management"	Pacific Asset Management Co., Ltd., a subsidiary of CPIC Group
"CPIC HK"	China Pacific Insurance Co., (H.K.) Limited, a wholly-owned subsidiary of CPIC Group
"Changjiang Pension"	Changjiang Pension Insurance Co., Ltd., a subsidiary of CPIC Group
"CIRC"	China Insurance Regulatory Commission
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"RMB"	Renminbi

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

Hong Kong, 28 March 2011

As of the date of this announcement, the executive Directors of the Company are Mr. GAO Guofu and Mr. HUO Lianhong; the non-executive Directors of the Company are Mr. YANG Xianghai, Mr. WANG Chengran, Ms. FENG Junyuan, Mr. WU Jumin, Mr. YANG Xiangdong, Mr. ZHOU Ciming , Mr. ZHENG Anguo and Ms. XU Fei; and the independent non-executive Directors of the Company are Mr. XU Shanda, Mr. CHANG Tso Tung Stephen, Mr. LI Ruoshan, Mr. XIAO Wei and Mr. YUEN Tin Fan.