PICC 中国人民财产保险股份有限公司
PICC Property and Casualty Company Limited

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

(Stock Code: 2328)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

The Board of Directors (the "Board") of PICC Property and Casualty Company Limited (the "Company") announces the audited results of the Company and its subsidiaries for the year ended 31 December 2009, together with comparative figures for prior years, as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2009** **RMB million**	2008 *RMB million* (Restated)
TURNOVER	5	**119,771**	101,878
Net premiums earned	5	**93,296**	80,019
Net claims incurred	6	**(64,517)**	(60,710)
Acquisition cost and other underwriting expenses		**(19,795)**	(11,597)
General and administrative expenses		**(11,044)**	(10,317)
UNDERWRITING LOSS		**(2,060)**	(2,605)
Net investment income	7	**2,866**	3,716
Net realised and unrealised gains on investments	8	**1,711**	319
Investment expenses		**(137)**	(260)
Interest expenses credited to policyholders' deposits		**(112)**	(215)
Exchange losses, net		**(6)**	(815)
Sundry income		**351**	357
Sundry expenses		**(208)**	(295)
Finance costs		**(264)**	(227)
Share of profit and loss of associates		**26**	(345)
PROFIT/(LOSS) BEFORE TAX	9	**2,167**	(370)
Income tax expense	10	**(384)**	479
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		**1,783**	109
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (in RMB)	11	**0.160**	0.010
DIVIDEND PER SHARE (in RMB)	12	**–**	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2009** *RMB million*	31 December 2008 *RMB million* (Restated)	1 January 2008 *RMB million* (Restated)
ASSETS				
Cash and cash equivalents		**32,143**	29,056	30,789
Derivative financial assets		**16**	6	–
Debt securities		**58,458**	41,291	28,465
Equity securities		**14,683**	6,438	16,978
Insurance receivables, net	*13*	**17,170**	20,758	13,770
Tax recoverable		**89**	–	–
Reinsurance assets		**14,426**	17,461	9,653
Other financial assets and prepayments		**10,947**	11,415	9,880
Investments in associates		**644**	750	1,025
Property, plant and equipment		**12,282**	12,136	11,721
Investment properties		**706**	605	532
Prepaid land premiums		**3,750**	3,769	3,866
Deferred tax assets		**69**	565	–
TOTAL ASSETS		**165,383**	144,250	126,679
LIABILITIES				
Derivative financial liabilities		–	–	35
Payables to reinsurers	*14*	**16,595**	18,258	9,813
Accrued insurance protection fund		**418**	252	296
Tax payable		–	926	1,314
Other liabilities and accruals		**20,625**	14,998	9,636
Deferred tax liabilities		–	–	2,056
Insurance contract liabilities		**92,695**	79,689	68,663
Policyholders' deposits		**5,287**	7,383	7,953
Subordinated debts		**8,000**	3,000	3,000
TOTAL LIABILITIES		**143,620**	124,506	102,766
EQUITY				
Equity attributable to owners of the parent				
Issued capital		**11,142**	11,142	11,142
Reserves		**10,621**	8,602	12,771
TOTAL EQUITY		**21,763**	19,744	23,913
TOTAL EQUITY AND LIABILITIES		**165,383**	144,250	126,679

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain debt securities, equity securities, derivatives and structured deposits, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. For the year ended 31 December 2009, the net loss attributable to minority interests amounted to RMB18,941 (2008: RMB28,840). As at 31 December 2009, the net assets attributable to minority interests amounted to RMB22,401 (2008: RMB41,342).

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised HKFRSs has had no significant effect on these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-Based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*

HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurements – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreement for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidation and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investments in subsidiaries, associates or jointly-controlled entities using a deemed cost. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group. The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the parent's separate financial statements. The distinction between the pre and post acquisition profit is no longer required. However the payment of such dividends required the Group to consider whether there is an indicator of impairment. The adoption of this amendment did not have any impact on the financial position or results of operations of the Group.

(b) Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. As the Group has not entered into share-based payment schemes with non-vesting conditions attached, the amendments have had no impact on the financial position or results of operations of the Group.

(c) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balances is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

(d) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

(e) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two linked statements.

(f) Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*

Guidance has been added to the appendix (which accompanies the standard) to determine whether the Group is acting as a principal or as an agent. The features to consider are whether the Group (i) has the primary responsibility for providing the goods or services, (ii) has inventory risk, (iii) has the discretion to establish prices and (iv) bears credit risk. The amendment has had no impact on the financial position or results of operations of the Group.

(g) HKAS 23 (Revised) *Borrowing Costs*

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard has had no impact on the financial position or results of operations of the Group.

(h) Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. The HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments have had no impact on the financial position or results of operations of the Group.

(i) Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*

The amendment to HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. HKAS 39 has been revised to state that if an embedded derivative cannot be separately measured, the entire hybrid instrument must remain classified as fair value through profit or loss in its entirety. The adoption of the amendments has had no impact on the financial position or results of operations of the Group.

(j) HK(IFRIC)-Int 13 *Customer Loyalty Programmes*

HK(IFRIC)-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award scheme, the interpretation has had no impact on the financial position or results of operations of the Group.

(k) HK(IFRIC)-Int 15 *Agreements for the Construction of Real Estate*

HK(IFRIC)-Int 15 replaces HK Interpretation 3 *Revenue – Pre-completion Contracts for the Sale of Development Properties*. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with HKAS 18 *Revenue*. The interpretation has had no impact on the accounting for the Group's construction activities. As the Group currently is not involved in any construction of real estate, the interpretation has had no impact on the financial position or results of operations of the Group.

(l) HK(IFRIC)-Int 16 *Hedges of a Net Investment in a Foreign Operation*

HK(IFRIC)-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation has had no impact on the financial position or results of operations of the Group.

(m) HK(IFRIC)-Int 18 *Transfers of Assets from Customers* (adopted from 1 July 2009)

HK(IFRIC)-Int 18 provides guidance on accounting by recipients that receive from customers items of property, plant and equipment or cash for the acquisition or construction of such items, provided that these assets must then be used to connect customers to networks or to provide ongoing access to a supply of goods or services, or both. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(n) In October 2008, the HKICPA issued its first *Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary* which is effective for annual periods beginning on or after 1 July 2009, the Group adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group.

On 22 December 2009, the PRC Ministry of Finance (the "MOF"), the accounting standard setting body in the PRC, issued the "Standard on Accounting for Insurance Contracts" which is applicable to all PRC insurance companies' financial statements prepared under China Accounting Standard for Business Enterprises (the "CASBE") for the year ended 31 December 2009. Subsequently, on 25 January 2010, the China Insurance Regulatory Commission (the "CIRC") issued the "Circular on Implementation of Interpretation No. 2 of Accounting Standard for Business Enterprises in the Insurance Industry" which provides additional implementation guidance to the MOF standard.

Pursuant to the approval of the Board of Directors of the Company, the Group decided to voluntarily change the following principal accounting policies in relation to insurance contracts in these financial statements, in order to align the accounting policies in these financial statements with those in the Group's financial statements prepared under CASBE. The directors believe that these changes would enable these financial statements to be more relevant to the economic decision making needs of users. The changes have been adopted retrospectively.

(a) Acquisition costs

In prior years, policy acquisition costs which vary with and are primarily related to the production of new and renewal business (consisting principally of commission expenses, underwriting personnel expenses, government levies and surcharges) are amortised over the terms of the related insurance policies. Commissions receivable on outward reinsurance contracts are also deferred and amortised over the term of the related reinsurance contracts.

Acquisition costs being deferred are recognised as an asset item in the statement of financial position, while the reinsurers' share of deferred acquisition costs is separately presented as a liability item.

In the current year, all acquisition costs and commissions receivable on outward reinsurance contracts are recorded as expenses and income in profit or loss. The definitions of acquisition costs in relation to direct insurance contracts are also revised to include supervisory fees and insurance protection expenses, both are directly attributable to the issue of insurance contracts. The provision for unearned premium reserves and the reinsurers' share of unearned premiums reserves are calibrated to take into account these acquisition costs and commissions receivable on outward reinsurance contracts, as described below.

(b) Provision for unearned premium reserves

In prior years, at inception, unearned premium reserves represented premiums receivable for risks that have not yet expired, while the reinsurers' share of unearned premium reserves represented the outward reinsurance premiums. Subsequently, these balances were earned or expensed over the terms of the related contracts on a 365-day basis.

In the current year, at inception, unearned premium reserves represent premiums receivable minus acquisition costs defined above, while the reinsurers' share of unearned premium reserves represent outward reinsurance premiums minus commission receivable on these reinsurance contracts. Subsequently, these balances are earned or expensed over the terms of the related contracts on a 365-day basis.

(c) Loss and loss adjustment expense reserves

In prior years, loss and loss adjustment expense reserves were not discounted and there was no risk adjustment applied to the reserves.

In the current year, loss and loss adjustment expense reserves are discounted when the impact is material. A risk adjustment is applied to the reserves.

In measuring insurance contract assets and liabilities and performing liability adequacy tests, management needs to make best estimates of future cash flows. In the prior years, these best estimates are measured under the most likely scenario. In the current year, they represent the probability-weighted average of all possible scenarios.

As a result of these changes, the measurement of the reinsurers' share of loss and loss adjustment expense reserves is also changed to align with the measurement of gross liabilities.

(d) Liability adequacy test

In the past, at the end of each reporting period, liability adequacy tests were performed to ensure the adequacy of the contract liabilities net of related deferred acquisition cost assets. In performing these tests, current best estimates of future contractual cash flows, loss adjustments and policy administration expenses, are used. However, no risk adjustment was applied when determining whether there was any deficiency. Any deficiency was immediately charged to the income statement initially by writing off deferred acquisition cost assets and subsequently by establishing a provision for losses arising from the liability adequacy tests. The liability adequacy tests were applied at the level of a portfolio of contracts that were subject to broadly similar risks and managed together as a single portfolio.

In the current year, liability adequacy tests are performed at the end of each reporting period to ensure the adequacy of the insurance contract liabilities. If, after applying a risk adjustment, the expected present value of cash outflows exceeds the expected present value of cash inflows, the entire deficiency is recognised in profit or loss of the period in which the deficiency arises. The cash flows are discounted by a risk-free discount rate plus an appropriate premium. The liability adequacy test is applied to 12 units of account, i.e. motor vehicle, commercial property, cargo, liability, accidental injury, health, homeowners, special risks, marine hull, agriculture, construction and credit.

(e) Other changes

PICC Life Insurance Company Limited (the "PICC Life"), an associate of the Company, also adopted the recently released MOF standard and CIRC guidance on the accounting for insurance contracts during the year, which resulted in a series of accounting policy changes to its financial statements. As a result, the balances of investments in associates, the share of profit or loss of associates and certain relevant disclosures in these consolidated financial statements were adjusted to reflect these changes.

The effects of the above changes in respect of the accounting for insurance contracts are summarised in note 3 to the financial statements.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

The following tables summarise the impact of the changes in accounting policy in respect to the insurance contracts as further explained in note 2 to the financial statements.

Effects on the statements of financial position of the Group as at 31 December 2008 and 1 January 2008

The Group	**Before changes**	**31 December 2008 Effect of changes in accounting policies**	**After changes**
	RMB million	*RMB million*	*RMB million*
Assets:			
Insurance receivables, net	20,736	22	20,758
Reinsurance assets	20,782	(3,321)	17,461
Other financial assets and prepayments	9,352	2,063	11,415
Deferred acquisition costs	8,160	(8,160)	–
Investments in associates	521	229	750
Deferred tax assets	–	565	565
Liabilities:			
Other liabilities and accruals	11,956	3,042	14,998
Deferred tax liabilities	138	(138)	–
Insurance contract liabilities	85,586	(5,897)	79,689
Deferred acquisition costs – reinsurers' share	3,544	(3,544)	–
Equity:			
Reserves	10,667	(2,065)	8,602

The Group	**Before changes**	**1 January 2008 Effect of changes in accounting policies**	**After changes**
	RMB million	*RMB million*	*RMB million*
Assets:			
Insurance receivables, net	13,898	(128)	13,770
Reinsurance assets	11,136	(1,483)	9,653
Other financial assets and prepayments	8,365	1,515	9,880
Deferred acquisition costs	7,490	(7,490)	–
Liabilities:			
Other liabilities and accruals	8,109	1,527	9,636
Deferred tax liabilities	2,777	(721)	2,056
Insurance contract liabilities	73,115	(4,452)	68,663
Deferred acquisition costs – reinsurers' share	1,775	(1,775)	–
Equity:			
Reserves	14,936	(2,165)	12,771

Effect on the income statement of the Group for the year ended 31 December 2008

		2008	
	Before changes	**Effect of changes in accounting policies**	**After changes**
	RMB million	*RMB million*	*RMB million*
Net premiums earned	81,122	(1,103)	80,019
Net claims incurred	(60,604)	(106)	(60,710)
Amortisation of deferred acquisition costs, net	(11,764)	11,764	–
Insurance protection expenses	(774)	774	–
Acquisition cost and other underwriting expenses	–	(11,597)	(11,597)
General and administrative expenses	(10,474)	157	(10,317)
Share of profit and loss of associates	(533)	188	(345)
Income tax expense	497	(18)	479
Net profit for the year	50	59	109
Basic earnings per share attributable to ordinary equity holders of the parent (in RMB)	0.005	0.005	0.010
Other comprehensive loss for the year, net of tax	(4,319)	41	(4,278)
Total comprehensive loss for the year attributable to owners of the parent, net of tax	(4,269)	100	(4,169)

In respect of the changes in accounting policies on measurement of loss and loss adjustment expense reserves, the overall impact of using probability-weighted estimate instead of the most likely scenario estimate to the current period's financial statements cannot be reasonably quantified.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is recognised into business units based on their products and services and has six reportable operating segments as follows:

(a) the motor vehicle segment provides insurance products covering motor vehicles;
(b) the commercial property segment provides insurance products covering commercial properties;
(c) the cargo segment provides insurance products covering vessels, crafts or conveyances;
(d) the liability segment provides insurance products covering policyholders' liabilities;
(e) the accidental injury and health segment provides insurance products covering accidental injuries and medical expenses; and
(f) the "other" segment mainly represents insurance products related to marine hull, homeowners, agriculture, aviation and energy.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of underwriting profit/(loss).

The underwriting profit/(loss) is measured consistently with the Group's main business operations except that unallocated net investment income, net realised and unrealised gains/(losses) on investments, finance costs etc. are excluded from such measurement.

Segment assets exclude deferred tax assets, cash and cash equivalents, debt and equity securities, derivative financial assets, property, plant and equipment, investment properties, prepaid land premiums, and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax payable, subordinated debts and other unallocated payables as these liabilities are managed on a group basis.

No further geographical segment information is presented as all of the Group's customers and operations are located in the PRC.

In 2008 and 2009, no direct premiums written from transactions with a single external customer amounted to 10% or more of the Group's total direct premiums written.

Information on the Group's reportable business segments is as follows:

2009 Income statement	**Motor Vehicle** *RMB million*	**Commercial Property** *RMB million*	**Cargo** *RMB million*	**Liability** *RMB million*	**Accidental Injury and Health** *RMB million*	**Other** *RMB million*	**Corporate** *RMB million*	**Total** *RMB million*
Turnover	**85,529**	**9,491**	**2,754**	**4,656**	**3,886**	**13,455**	**–**	**119,771**
Net premiums earned	**70,700**	**6,005**	**2,018**	**3,223**	**2,677**	**8,673**	**–**	**93,296**
Net claims incurred	**(49,136)**	**(3,869)**	**(1,090)**	**(2,101)**	**(2,089)**	**(6,232)**	**–**	**(64,517)**
Acquisition cost and other underwriting expenses	**(15,692)**	**(2,540)**	**(334)**	**(651)**	**(289)**	**(289)**	**–**	**(19,795)**
General and administrative expenses	**(6,914)**	**(1,129)**	**(307)**	**(544)**	**(523)**	**(1,627)**	**–**	**(11,044)**
Underwriting profit/(loss)	**(1,042)**	**(1,533)**	**287**	**(73)**	**(224)**	**525**	**–**	**(2,060)**
Net investment income	**–**	**–**	**–**	**–**	**–**	**119**	**2,747**	**2,866**
Net realised and unrealised gains/(losses) on investments	**–**	**–**	**–**	**–**	**–**	**9**	**1,702**	**1,711**
Investment expenses	**–**	**–**	**–**	**–**	**–**	**(5)**	**(132)**	**(137)**
Interest expenses credited to policyholders' deposits	**–**	**–**	**–**	**–**	**–**	**(112)**	**–**	**(112)**
Exchange losses, net	**–**	**–**	**–**	**–**	**–**	**–**	**(6)**	**(6)**
Finance costs	**–**	**–**	**–**	**–**	**–**	**–**	**(264)**	**(264)**
Sundry income and expenses	**–**	**–**	**–**	**–**	**–**	**–**	**143**	**143**
Share of profit and loss of associates	**–**	**–**	**–**	**–**	**–**	**–**	**26**	**26**
Profit/(loss) before tax	**(1,042)**	**(1,533)**	**287**	**(73)**	**(224)**	**536**	**4,216**	**2,167**
Income tax expense	**–**	**–**	**–**	**–**	**–**	**–**	**(384)**	**(384)**
Profit/(loss) attributable to owners of the parent	**(1,042)**	**(1,533)**	**287**	**(73)**	**(224)**	**536**	**3,832**	**1,783**

2008 Income statement	Motor Vehicle *RMB* *million* (Restated)	Commercial Property *RMB* *million* (Restated)	Cargo *RMB* *million* (Restated)	Liability *RMB* *million* (Restated)	Accidental Injury and Health *RMB* *million* (Restated)	Other *RMB* *million* (Restated)	Corporate *RMB* *million* (Restated)	Total *RMB* *million* (Restated)
Turnover	69,258	9,397	3,248	4,264	3,729	11,982	–	101,878
Net premiums earned	59,000	6,016	2,437	2,932	2,317	7,317	–	80,019
Net claims incurred	(44,866)	(5,596)	(1,287)	(2,126)	(1,958)	(4,877)	–	(60,710)
Acquisition cost and other underwriting expenses	(9,471)	(815)	(346)	(350)	(295)	(320)	–	(11,597)
General and administrative expenses	(6,752)	(1,073)	(370)	(469)	(438)	(1,215)	–	(10,317)
Underwriting profit/(loss)	(2,089)	(1,468)	434	(13)	(374)	905	–	(2,605)
Net investment income	–	–	–	–	–	210	3,506	3,716
Net realised and unrealised gains/(losses) on investments	–	–	–	–	–	(60)	379	319
Investment expenses	–	–	–	–	–	(7)	(253)	(260)
Interest expenses credited to policyholders' deposits	–	–	–	–	–	(215)	–	(215)
Exchange losses, net	–	–	–	–	–	–	(815)	(815)
Finance costs	–	–	–	–	–	–	(227)	(227)
Sundry income and expenses	–	–	–	–	–	–	62	62
Share of profit and loss of associates	–	–	–	–	–	–	(345)	(345)
Profit/(loss) before tax	(2,089)	(1,468)	434	(13)	(374)	833	2,307	(370)
Income tax expense	–	–	–	–	–	–	479	479
Profit/(loss) attributable to owners of the parent	(2,089)	(1,468)	434	(13)	(374)	833	2,786	109

The segment assets and liabilities for the years ended 31 December 2009 and 2008 are as follows:

2009 Statement of financial position	**Motor Vehicle** *RMB million*	**Commercial Property** *RMB million*	**Cargo** *RMB million*	**Liability** *RMB million*	**Accidental Injury and Health** *RMB million*	**Other** *RMB million*	**Corporate** *RMB million*	**Total** *RMB million*
Total assets	**6,644**	**4,769**	**1,263**	**1,843**	**1,690**	**17,814**	**131,360**	**165,383**
Total liabilities	**76,218**	**9,902**	**2,677**	**5,728**	**3,900**	**24,252**	**20,943**	**143,620**

2008 (Restated) Statement of financial position	Motor Vehicle *RMB million*	Commercial Property *RMB million*	Cargo *RMB million*	Liability *RMB million*	Accidental Injury and Health *RMB million*	Other *RMB million*	Corporate *RMB million*	Total *RMB million*
Total assets	12,245	8,487	1,235	1,699	1,607	15,240	103,737	144,250
Total liabilities	67,765	10,851	2,216	5,614	5,611	21,733	10,716	124,506

5. TURNOVER AND NET PREMIUMS EARNED

Turnover represents direct premiums written and reinsurance premiums assumed.

	Group	
	2009 *RMB million*	2008 *RMB million* (Restated)
Turnover		
Direct premiums written	**119,464**	101,655
Reinsurance premiums assumed	**307**	223
	119,771	101,878
Net premiums earned		
Turnover	**119,771**	101,878
Less: Reinsurance premiums ceded	**(16,422)**	(24,504)
Net premiums written	**103,349**	77,374
Less: Change in net unearned premium reserves	**(10,053)**	2,645
Net premiums earned	**93,296**	80,019

6. NET CLAIMS INCURRED

	Group	
	2009	2008
	RMB million	*RMB million*
		(Restated)
Gross claims paid	**71,812**	66,757
Less: Paid losses recoverable from reinsurers	**(13,283)**	(11,910)
Net claims paid	**58,529**	54,847
Change in net loss and loss adjustment expense reserves	**5,988**	5,863
Net claims incurred	**64,517**	60,710

7. NET INVESTMENT INCOME

	Group	
	2009	2008
	RMB million	*RMB million*
Rental income from investment properties	**92**	80
Financial assets at fair value through profit or loss		
– Held for trading purpose:		
– Interest income	**74**	99
– Dividend income	**131**	935
Financial assets at fair value through profit or loss		
– Designated upon initial recognition:		
– Interest income	**3**	23
Available-for-sale financial assets:		
– Interest income	**1,469**	1,227
– Dividend income	**174**	161
Held-to-maturity investments:		
– Interest income	**1**	–
Loans and receivables:		
– Interest income	**922**	1,191
	2,866	3,716

8. NET REALISED AND UNREALISED GAINS ON INVESTMENTS

	Group 2009	2008
	RMB million	*RMB million*
Available-for-sale financial assets:		
– Realised gains	**1,276**	2,928
– Impairment loss	**–**	(872)
Financial assets at fair value through profit or loss		
– Held for trading:		
– Realised gains	**32**	398
– Unrealised gains/(losses)	**199**	(2,189)
Financial assets at fair value through profit or loss		
– Designated upon initial recognition:		
– Unrealised gains	**–**	29
Loans and receivables:		
– Impairment loss	**–**	25
Profit on disposal of associates	**204**	–
	1,711	319

9. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2009	2008
	RMB million	*RMB million*
Auditors' remuneration, including interim review	**18**	18
Depreciation of property, plant and equipment	**860**	866
Depreciation of investment properties	**29**	23
Amortisation of prepaid land premiums	**104**	104
Employee expenses (including directors' remuneration):		
Wages salaries and staff welfare	**6,164**	5,885
Charge/(credit) of cash-settled appreciation rights expense	**1**	(445)
Pension scheme contributions	**682**	600
Impairment loss on insurance receivables	**668**	477
Minimum lease payments under operating leases in respect of land and buildings	**357**	370
Net (profit)/loss on disposal of items of property, plant and equipment	**(6)**	13

10. INCOME TAX EXPENSE

The provision for PRC income tax is calculated based on the statutory rate of 25% (2008: 25%) in accordance with the relevant PRC income tax rules and regulations.

	2009	2008
	RMB million	*RMB million*
		(Restated)
Group:		
Current		
– Charge for the year	**36**	1,036
– Overprovision in prior years	**(17)**	(349)
Deferred	**365**	(1,166)
Total tax charge/(credit) for the year	**384**	(479)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory tax rate for the PRC, in which the Group is domiciled to the tax expense/(credit) at the effective tax rate, and a reconciliation of the applicable rate, i.e., the statutory tax rate, to the effective tax rate, are as follows:

Group	**2009**		2008	
	RMB million	***%***	*RMB million*	*%*
			(Restated)	(Restated)
Profit/(loss) before tax	**2,167**		(370)	
Tax at the statutory tax rate of 25% (2008: 25%)	**542**	**25**	(93)	25
Income not subject to tax	**(209)**	**(10)**	(382)	103
Expenses not deductible for tax	**68**	**4**	345	(93)
Adjustments in respect of current tax of previous periods	**(17)**	**(1)**	(349)	94
Tax charge/(credit) at the Group's effective rate	**384**	**18**	(479)	129

11. BASIC EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent of RMB1,783 million (2008: RMB109 million) and 11,142 million (2008: 11,142 million) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 December 2009 and 2008 have not been disclosed as no diluting events existed during these years.

12. DIVIDEND PER SHARE

The Board of Directors does not propose any interim and final dividend for the year (2008: Nil).

13. INSURANCE RECEIVABLES, NET

	Group and Company		
	31 December 2009	31 December 2008	1 January 2008
	RMB million	*RMB million*	*RMB million*
		(Restated)	(Restated)
Premiums receivable and agents' balances	**6,044**	8,309	7,229
Receivables from reinsurers	**13,262**	13,948	7,563
	19,306	22,257	14,792
Less: Impairment provision on:			
– Premiums receivable and agents' balances	**(2,127)**	(1,494)	(1,017)
– Receivables from reinsurers	**(9)**	(5)	(5)
	17,170	20,758	13,770

An aged analysis of insurance receivables as at the end of the reporting period, based on the payment due date and net of provision, is as follows:

	Group and Company		
	31 December 2009	31 December 2008	1 January 2008
	RMB million	*RMB million*	*RMB million*
		(Restated)	(Restated)
On demand	**8,641**	12,591	6,338
Within 1 month	**1,126**	1,743	1,944
1 to 3 months	**1,549**	2,775	2,290
Over 3 months	**5,854**	3,649	3,198
	17,170	20,758	13,770

The movements in the provision for impairment of insurance receivables are as follows:

	Group and Company	
	2009	2008
	RMB million	*RMB million*
At 1 January	**1,499**	1,022
Impairment losses recognised	**668**	477
Amount written off as uncollectible	**(31)**	–
At 31 December	**2,136**	1,499

The Group issues insurance policies on credit only to corporate customers or to individuals who purchase certain policies through insurance intermediaries. A policyholder usually has a maximum credit period of three months but a longer period can be granted on a discretionary basis.

The carrying amounts disclosed above reasonably approximate to their fair values at the end of the reporting period.

14. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	Group and Company		
	31 December 2009	31 December 2008	1 January 2008
	RMB million	*RMB million*	*RMB million*
Reinsurance payables	**16,595**	18,258	9,813

The reinsurance payables are non-interest-bearing and are due within three months from the end of reporting period or are repayable on demand.

The carrying amounts disclosed above reasonably approximate to their fair values at the end of each reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITIONS

OVERVIEW

The Company is a leading non-life insurance company in the PRC providing a broad range of property and casualty insurance products together with accidental injury insurance and short-term health insurance products for customers. In 2009, the turnover of the Company and its subsidiaries maintained a rapid growth momentum and increased by 17.6% over 2008 to RMB119,771 million in 2009. The Company had a 40% *(Note)* market share in the non-life insurance market in the PRC. In 2009, the Company and its subsidiaries recorded a net profit of RMB1,783 million, representing a year-on-year increase of RMB1,674 million, and a net cash inflow from operating activities of RMB21,682 million, representing a significant year-on-year increase of RMB17,406 million. As at 31 December 2009, the total assets of the Company and its subsidiaries reached RMB165,383 million and the shareholders' equity totalled RMB21,763 million.

Note: Calculated according to the PRC insurance industry data for 2009 published on the website of the China Insurance Regulatory Commission (the "CIRC").

I. Increased marketing efforts to promote continuous and rapid growth of business

In 2009, the rapid growth in the Company's motor vehicle insurance segment provided a driving force for the overall business growth of the Company. As a result of the increase in the number of motor vehicle insurance policies and the rise in the premium rates for commercial motor vehicle insurance, premiums income from the entire motor vehicle insurance business increased by 23.5% on a year-on-year basis, and, in particular, premiums income from the commercial motor vehicle insurance segment increased by 26.5% on a year-on-year basis. Through promoting interaction and cooperation with the government at all levels, the agriculture insurance business developed rapidly with premiums income increased by RMB1,026 million on a year-on-year basis. While ensuring a steady growth in major insurance products and leveraging on advantageous insurance products to expand the Company's market influence, the Company continued to strengthen its underwriting of large-scale projects. The Company acted as the sole or chief underwriter for a number of milestone insurance projects such as the new railway construction projects in Beijing, the south-to-north water diversion project and projects of SDIC Huajing Power Holdings Co., Ltd.. With a 40% market share in the non-life insurance market in the PRC, the Company has maintained its leading position in the market.

II. Strengthened claims settlement services and management to control claim costs at reasonable level

In 2009, the Company made and fulfilled various performance pledges concerning claims settlement services such as reduction of the time required for claims payment and availability of online enquiry services for information on motor vehicle claims settlement, so as to further shorten the average time required for processing claims payment. In face of the windstorm and hailstorm in Xinjiang, flooding in southern Jiangxi, Typhoon Morakot, droughts in Northeast China and Inner Mongolia and other severe natural disasters, the Company performed its social responsibilities earnestly and carried out disaster relief and claims settlement promptly, thereby receiving wide applause from its policyholders and the society. While improving its claims settlement services, the Company controlled its claim costs at a reasonable level and achieved a year-on-year decline of average payment per claim by, among others, carrying out special anti-fraud activities together with relevant authorities, implementing specialised management of injury-related claims, and launching a new claims settlement system for motor vehicle insurance and the uniform inter-provincial settlement system.

III. Reinforced cost control to promote differentiated allocation of financial resources

The Company further perfected the overall budget management process and the expense management system of the headquarters and branches at all levels, so as to promote the efficient utilisation and effective allocation of resources. The Company also actively studied and established the strategic financial resources management system, introduced the differentiated allocation of financial resources and provided guidance on the implementation of the strategies of the Company by its branches and product lines.

IV. Deepened risk prevention and achieved sound operations

In 2009, according to the CIRC's general requirements of increasing efforts to regulate market order and strengthening compliant operation, the Company strictly implemented all compliance requirements and promoted self-discipline in the industry and the building of a sound competitive environment. The Company fully implemented the practice of issuing motor vehicle insurance policies only after premiums collection, so as to continuously strengthen the management and control of premiums receivable. Through promoting the systems of centralised collection and payment of capital and "non-cash collection and payment", the Company made efforts to reinforce centralised management and control of capital and promote efficient capital utilisation in order to effectively reduce relevant risks.

V. Enhanced corporate influence and brand image of the Company

With the competitive edge in its brand reputation, talents, technology and services and its successful experience in providing services for the Beijing Olympic Games, the Company became the global insurance partner for the 2010 World Expo in Shanghai and the insurance partner for the 2010 Asian Games in Guangzhou, thereby boosting its social influence significantly. In 2009, the Company cooperated closely with policyholders in conducting various preliminary work and implementing various insurance plans, so as to provide excellent and efficient insurance support to the Shanghai World Expo and the Guangzhou Asian Games by leveraging on its professional competitiveness. In 2009, Moody's Investors Service affirmed the A1 insurance financial strength rating for the Company and graded the outlook of the insurance financial strength rating of the Company at the level of "stable", showing the Company's strength and credit standing in the property and casualty insurance market. The Company was named the "Most Competitive Non-life Insurance Company in Asia" in the 2009 Asian Insurance Competency Ranking Report organised by, among others, *21st Century Business Herald*, and was selected as the "2009 Netizens' Most Satisfied Insurance Company" by SINA and the "2009 Insurance Company with the Best Services" by SOHU, respectively.

UNDERWRITING RESULTS

The following table sets forth the selected financial indicators of the insurance business of the Company and its subsidiaries and their percentages to net premiums earned for the relevant periods.

	Year ended 31 December			
	2009		2008	
	RMB million	***%***	*RMB million*	*%*
			(Restated)	(Restated)
Net premiums earned	**93,296**	**100.0**	80,019	100.0
Net claims incurred	**(64,517)**	**(69.2)**	(60,710)	(75.9)
Acquisition cost and other underwriting expenses	**(19,795)**	**(21.2)**	(11,597)	(14.5)
General and administrative expenses	**(11,044)**	**(11.8)**	(10,317)	(12.9)
Underwriting loss	**(2,060)**	**(2.2)**	(2,605)	(3.3)

TURNOVER

	Year ended 31 December	
	2009	2008
	RMB million	*RMB million*
Motor vehicle insurance	**85,529**	69,258
Commercial property insurance	**9,491**	9,397
Cargo insurance	**2,754**	3,248
Liability insurance	**4,656**	4,264
Accidental injury and health insurance	**3,886**	3,729
Other insurance	**13,455**	11,982
Total	**119,771**	101,878

Turnover of the Company and its subsidiaries was RMB119,771 million in 2009, representing an increase of RMB17,893 million (or 17.6%) from RMB101,878 million in 2008. The overall business growth continued at a steady pace, largely driven by the motor vehicle insurance segment. Moreover, liability insurance as well as agriculture insurance and construction insurance under the other insurance segment also developed relatively rapidly.

Turnover of the motor vehicle insurance segment of the Company and its subsidiaries was RMB85,529 million in 2009, representing an increase of RMB16,271 million (or 23.5%) from RMB69,258 million in 2008. In 2009, the sales volume of motor vehicles soared as a result of the implementation of a series of automobile industry revitalisation plans including the automobile subsidy program for rural areas, purchase tax-related subsidies, and subsidies for the trade-in of vehicles. The Company and its subsidiaries seized this opportunity for developing business and achieved a remarkable growth in the number of motor vehicle insurance policies.

Turnover of the liability insurance segment of the Company and its subsidiaries was RMB4,656 million in 2009, representing an increase of RMB392 million (or 9.2%) from RMB4,264 million in 2008. Under this segment, the safety production liability insurance, freighter liability insurance, medical liability insurance and campus liability insurance experienced considerable growth and the newly-developed extended home appliance warranty liability insurance also developed rapidly.

In 2009, driven by the State policy of subsidies for policy-oriented crop production insurance and the RMB4,000 billion infrastructure investment program, the agriculture insurance and construction insurance under the other insurance segment of the Company and its subsidiaries also continued to grow at a fast pace.

Meanwhile, due to the financial crisis and the general macro-economic conditions in 2009, the total transport volume of the cargo market fell sharply, import and export business declined and the bulk cargo price in the international and domestic markets remained at low levels, thereby adversely affecting the source and insured amount of the cargo insurance business. Turnover of the cargo insurance of the Company and its subsidiaries was RMB2,754 million in 2009, representing a notable decline of RMB494 million (or -15.2%) from RMB3,248 million in 2008.

NET PREMIUMS EARNED

	Year ended 31 December	
	2009	2008
	RMB million	*RMB million*
		(Restated)
Motor vehicle insurance	**70,700**	59,000
Commercial property insurance	**6,005**	6,016
Cargo insurance	**2,018**	2,437
Liability insurance	**3,223**	2,932
Accidental injury and health insurance	**2,677**	2,317
Other insurance	**8,673**	7,317
Total	**93,296**	80,019

Net premiums earned of the Company and its subsidiaries was RMB93,296 million in 2009, representing an increase of RMB13,277 million (or 16.6%) from RMB80,019 million in 2008, basically in line with the growth in turnover.

NET CLAIMS INCURRED

The following table sets forth the net claims incurred of the Company and its subsidiaries and their percentages to the net premiums earned of the corresponding insurance segments (the "loss ratio") for the relevant periods.

	Year ended 31 December			
	2009		2008	
	Net claims incurred	**Loss ratio**	Net claims incurred	Loss ratio
	RMB million	***%***	*RMB million*	*%*
			(Restated)	(Restated)
Motor vehicle insurance	**(49,136)**	**(69.5)**	(44,866)	(76.0)
Commercial property insurance	**(3,869)**	**(64.4)**	(5,596)	(93.0)
Cargo insurance	**(1,090)**	**(54.0)**	(1,287)	(52.8)
Liability insurance	**(2,101)**	**(65.2)**	(2,126)	(72.5)
Accidental injury and health insurance	**(2,089)**	**(78.0)**	(1,958)	(84.5)
Other insurance	**(6,232)**	**(71.9)**	(4,877)	(66.7)
Total	**(64,517)**	**(69.2)**	(60,710)	(75.9)

Net claims incurred of the Company and its subsidiaries was RMB64,517 million in 2009, representing an increase of RMB3,807 million (or 6.3%) from RMB60,710 million in 2008. Loss ratio decreased by 6.7 percentage points from 75.9% in 2008 to 69.2% in 2009, primarily driven by the significant decrease in the loss ratio for major insurance segments including the motor vehicle insurance and the commercial property insurance segments.

Net claims incurred of the motor vehicle insurance segment of the Company and its subsidiaries was RMB49,136 million in 2009, representing an increase of RMB4,270 million (or 9.5%) from RMB44,866 million in 2008. Loss ratio decreased to 69.5% in 2009 from 76.0% in 2008. The increase in net claims incurred was slower than the increase in net premiums earned for the same period, primarily due to the reinforced follow-up management of injury-related claims, the enhanced management and control of settlement of motor vehicle insurance claims and the effective control of the average payment per claim, following the launch of the maintenance platform for quotation information on parts and accessories and the implementation of the remote system of cross-adjustment of loss at different places for motor vehicle insurance. In addition, the rise in premium rates also contributed positively to the enhancement of business quality.

Net claims incurred of the commercial property insurance segment of the Company and its subsidiaries was RMB3,869 million in 2009, representing a decline of RMB1,727 million (or -30.9%) from RMB5,596 million in 2008. Loss ratio decreased to 64.4% in 2009 from 93.0% in 2008, primarily due to the fact that the catastrophic snow storms in southern China in 2008 had resulted in a sharp rise in claim costs of the commercial property insurance segment for that year. In 2009, the Company strictly controlled the underwriting risks and reduced the portion of the underwriting of certain high-risk businesses.

Net claims incurred of the liability insurance segment of the Company and its subsidiaries was RMB2,101 million in 2009, representing a decrease of RMB25 million (or -1.2%) from RMB2,126 million in 2008. Loss ratio declined to 65.2% in 2009 from 72.5% in 2008, primarily due to a year-on-year decline in the loss frequency as a result of the increased efforts of the Company in strengthening the risk control relating to the underwriting of liability insurance, thereby further optimising the business structure.

Net claims incurred of the accidental injury and health insurance segment of the Company and its subsidiaries was RMB2,089 million in 2009, representing an increase of RMB131 million (or 6.7%) from RMB1,958 million in 2008. Loss ratio declined to 78.0% in 2009 from 84.5% in 2008, primarily due to the increased efforts of the Company in enhancing the risk screening relating to underwriting, refraining from underwriting certain high-risk businesses, strictly implementing the claims review standard and better preventing moral risks.

ACQUISITION COST AND OTHER UNDERWRITING EXPENSES

The following table sets forth the acquisition cost and other underwriting expenses of the Company and its subsidiaries and their percentages to the net premiums earned of the corresponding insurance segments (the "underwriting expense ratio") for the relevant periods.

	Year ended 31 December			
	2009		2008	
	Acquisition cost and other underwriting expenses	**Underwriting expense ratio**	Acquisition cost and other underwriting expenses	Underwriting expense ratio
	RMB million	***%***	*RMB million*	*%*
			(Restated)	(Restated)
Motor vehicle insurance	**(15,692)**	**(22.2)**	(9,471)	(16.1)
Commercial property insurance	**(2,540)**	**(42.3)**	(815)	(13.5)
Cargo insurance	**(334)**	**(16.6)**	(346)	(14.2)
Liability insurance	**(651)**	**(20.2)**	(350)	(11.9)
Accidental injury and health insurance	**(289)**	**(10.8)**	(295)	(12.7)
Other insurance	**(289)**	**(3.3)**	(320)	(4.4)
Total	**(19,795)**	**(21.2)**	(11,597)	(14.5)

In 2009, there was a rise in the commission rate for the Company and its subsidiaries. In addition, the reinsurance expenses recovered decreased as a result of the decline in the ceding ratio. The combined effect of these two factors had resulted in a significant year-on-year increase in the acquisition cost and other underwriting expenses of the Company and its subsidiaries. The underwriting expense ratio rose from 14.5% in 2008 to 21.2% in 2009, and such rise formed an apparent trend in the motor vehicle insurance, commercial property insurance and liability insurance segments.

GENERAL AND ADMINISTRATIVE EXPENSES

The following table sets forth the general and administrative expenses of the Company and its subsidiaries and their percentages to the net premiums earned of the corresponding insurance segments (the "administrative expense ratio") for the relevant periods.

	Year ended 31 December			
	2009		2008	
	General and administrative expenses *(Note)*	**Administrative expense ratio**	General and administrative expenses *(Note)*	Administrative expense ratio
	RMB million	***%***	*RMB million*	*%*
			(Restated)	(Restated)
Motor vehicle insurance	**(6,914)**	**(9.8)**	(6,752)	(11.4)
Commercial property insurance	**(1,129)**	**(18.8)**	(1,073)	(17.8)
Cargo insurance	**(307)**	**(15.2)**	(370)	(15.2)
Liability insurance	**(544)**	**(16.9)**	(469)	(16.0)
Accidental injury and health insurance	**(523)**	**(19.5)**	(438)	(18.9)
Other insurance	**(1,627)**	**(18.8)**	(1,215)	(16.6)
Total	**(11,044)**	**(11.8)**	(10,317)	(12.9)

Note: The general and administrative expenses are allocated based on insurance segments.

In 2009, the Company and its subsidiaries effectively reduced administrative expenses through perfecting the expense management system of the headquarters and the branches at all levels, coordinating the centralisation of procurement functions across the country and the implementation of differentiated allocation of expense resources. In 2009, the general and administrative expenses of the Company and its subsidiaries increased by 7.0% year-on-year, which was slower than the business growth for the same period. The administrative expense ratio decreased from 12.9% in 2008 to 11.8% in 2009.

UNDERWRITING PROFIT/(LOSS)

The following table sets forth the underwriting profit/(loss) of the Company and its subsidiaries and their percentages to the net premiums earned of the corresponding insurance segments (the "underwriting profit/(loss) ratio") for the relevant periods.

	Year ended 31 December			
	2009		2008	
	Underwriting profit/(loss)	**Underwriting profit/(loss) ratio**	Underwriting profit/(loss)	Underwriting profit/(loss) ratio
	RMB million	**%**	*RMB million*	%
			(Restated)	(Restated)
Motor vehicle insurance	**(1,042)**	**(1.5)**	(2,089)	(3.5)
Commercial property insurance	**(1,533)**	**(25.5)**	(1,468)	(24.4)
Cargo insurance	**287**	**14.2**	434	17.8
Liability insurance	**(73)**	**(2.3)**	(13)	(0.4)
Accidental injury and health insurance	**(224)**	**(8.4)**	(374)	(16.1)
Other insurance	**525**	**6.1**	905	12.4
Total	**(2,060)**	**(2.2)**	(2,605)	(3.3)

In 2009, the Company and its subsidiaries continued to reinforce the category-based management of businesses, implement differentiated allocation of resources and adjust business structure. As a result, the underwriting loss decreased by 20.9% from RMB2,605 million in 2008 to RMB2,060 million in 2009, and the underwriting loss ratio was lowered by 1.1 percentage points year-on-year.

In particular, the underwriting loss of the motor vehicle insurance segment decreased significantly from RMB2,089 million in 2008 to RMB1,042 million in 2009. In 2009, the Company and its subsidiaries continued to reinforce the category-based management of the motor vehicle insurance business, closely monitor the business quality in respect of each policy through the use of information technology and strictly control the proportion of loss-making businesses. The Company and its subsidiaries vigorously promoted centralised management of underwriting and claims settlement in order to strictly control claim costs, adopted the practice of differentiated allocation of underwriting expenses and strived to optimise the business structure, and these measures have resulted in improved underwriting performance.

The underwriting loss of the accidental injury and health insurance segment decreased from RMB374 million in 2008 to RMB224 million in 2009. Underwriting loss ratio was lowered by 7.7 percentage points year-on-year. The decrease in underwriting loss of the accidental injury and health insurance segment was primarily due to the efforts made by the Company and its subsidiaries to further optimise the business structure, earnestly develop profitable businesses such as borrower accidental insurance, travel accidental insurance and construction work accidental insurance, strictly manage underwriting authorisation procedures and refrain from underwriting certain high-risk businesses.

INVESTMENT RESULTS

NET INVESTMENT INCOME

	Year ended 31 December	
	2009	2008
	RMB million	*RMB million*
Rental income from investment properties	**92**	80
Interest income	**2,469**	2,540
Dividend income	**305**	1,096
Total of net investment income	**2,866**	3,716

Net investment income of the Company and its subsidiaries was RMB2,866 million in 2009, representing a decrease of RMB850 million from RMB3,716 million in 2008. This was due to a decrease of RMB804 million in dividend income from financial assets at fair value through profit or loss compared to the same period of last year. However, this effect was partly offset by an increase of RMB242 million in the interest income from available-for-sale financial assets compared to the same period of last year.

The debt securities investment of the Company and its subsidiaries increased in 2009, but the interest rate cut in 2009 resulted in a small change in the interest income year-on-year.

The capital market experienced downturn in 2008, and the poor performance and insufficient cumulative earnings of fund management companies and listed companies resulted in the low-level dividend distributions in 2009, thereby leading to a year-on-year decline in dividend income.

NET REALISED AND UNREALISED GAINS ON INVESTMENTS

	Year ended 31 December	
	2009	2008
	RMB million	*RMB million*
Realised gains on investments	**1,308**	3,326
Unrealised gains/(losses) on investments	**199**	(2,160)
Impairment loss	**–**	(847)
Profit on disposal of associates	**204**	–
Total of net realised and unrealised gains on investments	**1,711**	319

Net realised and unrealised gains on investments of the Company and its subsidiaries was RMB1,711 million in 2009, representing an increase of RMB1,392 million from RMB319 million in 2008. This was primarily due to an increase of RMB2,359 million in unrealised gains on investments in financial assets at fair value through profit or loss. However, this effect was partly offset by a decrease of RMB1,652 million in realised gains on investments in available-for-sale financial assets.

By reason of the downturn of the capital market in 2008, the Company and its subsidiaries made provisions for impairment losses on equity instruments classified as available-for-sale. The fair value of impaired assets has increased in 2009.

OVERALL RESULTS

	Year ended 31 December	
	2009	2008
	RMB million	*RMB million*
		(Restated)
Profit/(loss) before tax	**2,167**	(370)
Income tax expense	**(384)**	479
Profit attributable to owners of the parent	**1,783**	109
Total assets *(Note)*	**165,383**	144,250

Note: Based on the data as of 31 December 2009 and 31 December 2008.

PROFIT/(LOSS) BEFORE TAX

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB2,167 million in 2009, representing an increase of RMB2,537 million compared to the loss of RMB370 million in 2008.

TAX

Income tax expense of the Company and its subsidiaries was RMB384 million in 2009, representing an increase of RMB863 million from RMB-479 million in 2008. The increase in the income tax expense of the Company and its subsidiaries was primarily due to a substantial increase in the profit before tax in 2009.

PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the foregoing, there was a significant increase in the overall profit of the Company and its subsidiaries in 2009, and net profit increased by RMB1,674 million from RMB109 million in 2008 to RMB1,783 million in 2009. Basic earnings per share attributable to ordinary equity holders of the parent in 2009 was RMB0.160.

CASH FLOW

	Year ended 31 December	
	2009	2008
	RMB million	*RMB million*
Net cash inflow from operating activities	**21,682**	4,276
Net cash outflow from investing activities	**(22,900)**	(8,616)
Net cash inflow from financing activities	**2,620**	711
Net increase/(decrease) in cash and cash equivalents	**1,402**	(3,629)

In 2009, the cash inflow from operating activities of the Company and its subsidiaries increased remarkably and the collection of premiums became more efficient. Net cash inflow from operating activities of the Company and its subsidiaries was RMB21,682 million in 2009, representing a significant increase of RMB17,406 million from RMB4,276 million in 2008, which marked the best record ever since the Company went listed.

In 2009, the amount of entrusted investment assets of the Company and its subsidiaries increased significantly. Net cash outflow from investing activities of the Company and its subsidiaries was RMB22,900 million in 2009, representing an increase of RMB14,284 million over 2008. Net payment involved in debt securities and equity securities tradings totalled RMB23,390 million in 2009, representing a year-on-year increase of RMB15,510 million.

Net cash inflow from financing activities of the Company and its subsidiaries was RMB2,620 million in 2009, representing an increase of RMB1,909 million over 2008, primarily due to the issuance of fixed-rate subordinated term debts of RMB5,000 million in 2009. However, this effect was partly offset by a decrease of RMB1,687 million in the cash inflow from the sale of repurchased securities, and an increase of RMB1,423 million in the cash outflow attributable to the reduction in policyholders' deposits.

As of 31 December 2009, the cash and cash equivalents *(Note)* of the Company and its subsidiaries amounted to RMB23,087 million.

Note: Cash and cash equivalents are primarily denominated in RMB and do not include deposits with banks and other financial institutions with original maturity of more than three months and structured deposits with banks and other financial institutions.

LIQUIDITY

The cash flow of the Company and its subsidiaries is primarily derived from cash generated from operating activities, and, in particular, cash from insurance premiums received. Additional liquidity sources include interest and dividend income, proceeds from matured investments, disposal of assets and financing activities. The liquidity requirements of the Company and its subsidiaries consist principally of the payment of claims and performance of other obligations under outstanding insurance policies, capital expenditures, operating expenses, tax payments, dividend payments and investment needs.

In September 2009 and December 2006, the Company issued fixed-rate subordinated term debts of RMB5,000 million and RMB3,000 million respectively, with a term of 10 years, to institutional investors in the PRC for the primary purpose of increasing the Company's solvency margin.

In August 2003, the Company obtained a 10-year revolving credit facility from China Development Bank for up to RMB10 billion. Each drawdown made under this facility is repayable within one year. As of the date of this announcement, no amount has been drawn down under that facility.

Save for the subordinated term debts and the credit facility mentioned above, the Company and its subsidiaries did not obtain working capital by borrowing.

The Company and its subsidiaries expect that they can fund their working capital needs in the future from cash generated from operating activities. The Company and its subsidiaries have sufficient working capital.

INVESTMENTS IN ASSOCIATES

On 31 March 2009, the Company transferred its 20% stake in PICC Asset Management Company Limited ("PICC AMC") to The People's Insurance Company (Group) of China Limited ("PICC Group"). After completion of such transfer transaction, the Company has ceased to hold any equity interest in PICC AMC.

PICC Life Insurance Company Limited ("PICC Life"), an associate of the Company, increased its capital in 2009 and the Company did not participate in such capital increase of PICC Life. After completion of the capital increase of PICC Life, the Company's shareholding in PICC Life has been diluted from 28% to approximately 14%.

CAPITAL EXPENDITURE

The capital expenditure of the Company and its subsidiaries has primarily been for operational property under construction and acquisition of motor vehicles for business needs as well as development of information system. Capital expenditure of the Company and its subsidiaries was RMB1,126 million in 2009.

SOLVENCY MARGIN REQUIREMENT

The Company is subject to a number of laws and regulations regarding financial operations of the Company, including maintaining a stipulated solvency margin and providing for certain funds and reserves. In accordance with the insurance laws and regulations in the PRC, the Company was required to maintain a minimum solvency margin of RMB15,690 million on 31 December 2009. The Company's actual solvency margin calculated pursuant to the regulations of the CIRC was RMB17,469 million and the solvency margin adequacy ratio was 111% *(Note)*.

Note: In calculating the solvency margin, the assessment standards for premium reserves as promulgated by the CIRC shall continue to apply to insurance contract liabilities while China Accounting Standard for Business Enterprises shall apply to non-insurance contract liabilities.

GEARING RATIO

As of 31 December 2009, the gearing ratio *(Note)* of the Company and its subsidiaries was 82.0%, representing a decrease of 2.2 percentage points from 84.2% as of 31 December 2008.

Note: Gearing ratio is represented by total liabilities (excluding subordinated term debts) divided by total assets under accounting principles generally accepted in Hong Kong.

CONTINGENT LIABILITIES

Owing to the nature of the insurance business, the Company and its subsidiaries are involved in legal proceedings related to their ordinary course of business, as plaintiff or defendant. Such legal proceedings mostly involve claims on the insurance policies of the Company and its subsidiaries. While the outcomes of such contingencies or legal proceedings cannot be determined at present, the Company and its subsidiaries believe that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Company and its subsidiaries.

CREDIT RISK

Credit risk is the risk of an economic loss incurred by the Company and its subsidiaries resulting from the inability of debtors of the Company and its subsidiaries to make any principal or interest payment when due. The accounts receivable for insurance assets, reinsurance assets, debt securities and deposits with commercial banks of the Company and its subsidiaries are subject to credit risk.

The Company and its subsidiaries are committed to credit sales only to corporate customers or individual customers purchasing insurance via insurance intermediaries. The ability of collecting premiums on a timely manner remains one of the key performance indictors of the Company. The Company's premiums receivable involves a large number of diversified customers, therefore there are no major credit concentration risks in relation to insurance business accounts receivable.

Except when dealing with national reinsurers, the Company and its subsidiaries purchase reinsurance primarily from reinsurance companies with A.M. Best ratings of A- or above. The management of the Company and its subsidiaries review the creditworthiness of the reinsurance companies in order to update the reinsurance strategies of, and determine reasonable impairment provision for reinsurance assets of, the Company and its subsidiaries, on a regular basis.

The Company and its subsidiaries diligently manage credit risk in debt securities by analysing the creditworthiness of companies prior to making investments and by strictly conforming to the regulations laid down by the CIRC which permits investments in corporate bonds with rating higher than AA only.

The Company and its subsidiaries manage and lower credit risk affecting their bank deposits mainly by depositing most of their deposits with state-owned or state-controlled commercial banks.

EXCHANGE RATE RISK

The Company and its subsidiaries conduct their business primarily in Renminbi, which is also their functional and financial reporting currency. A portion of their business (including a portion of commercial property insurance, international cargo insurance and aviation insurance) is conducted in foreign currencies, primarily US dollars. The Company and its subsidiaries are also exposed to exchange rate risks with respect to their holdings in certain assets such as bank deposits, debt securities and certain insurance liabilities which are denominated in foreign currencies, primarily US dollars.

INTEREST RATE RISK

Interest rate risk means the risks of changes in the value or future cash flows of financial instruments as a result of changes in market interest rates. In view of the relatively short terms of insurance debts, the Company and its subsidiaries primarily invest in financial assets with a term ranging from one to seven years. The Company and its subsidiaries intend to procure the term of their investment portfolios to remain shorter than the market level of similar financial assets. The Company and its subsidiaries also hold a high percentage of interest rate-sensitive financial assets so as to reduce interest rate risks.

INTEREST RATE SWAPS

The Company's financial assets which bear interests at different rates would generate uncertain cash flow. As such, interest rate swap contracts are used by the Company to hedge against such interest rate risk whereby fixed interests are received from, and floating interests are paid to, the counterparties. As of 31 December 2009, the interest rate swap contracts held by the Company had a total notional amount of RMB850 million.

DEVELOPMENT OF NEW PRODUCTS

In 2009, the Company streamlined, and revised from the perspective of legal compliance, the national provisions and rates of its range of products which have been in use since the resumption of domestic insurance business in the 1980s. At present, the national provisions of the Company's products amount to 1,595, consisting of 387 main-insurance provisions and 1,208 rider provisions. In addition, the Company developed and revised a total of 931 regional provisions, comprising 419 main-insurance provisions and 512 rider provisions.

EMPLOYEES

As of 31 December 2009, the Company had 60,202 employees. Staff remuneration payment by the Company and its subsidiaries in 2009 was RMB6,847 million, which mainly included basic salaries, performance-related bonus, and various insurance and benefits contributed in accordance with the relevant PRC regulations. The Company and its subsidiaries enhanced the performance and work efficiency of employees by, among others, providing various career development paths, strengthening personnel training and implementation of performance appraisal. The Company is of the view that the Company and its subsidiaries maintain a good relationship with their employees.

EVENTS AFTER THE REPORTING PERIOD

(a) On 15 January 2010, the Company entered into a debenture acquisition agreement and a credit investment scheme transfer agreement with the PICC Group. Pursuant to the above agreements, the Company agreed to acquire commercial bank subordinated debentures with a nominal value of RMB350 million and the share of interests in a credit investment scheme with a nominal value of RMB600 million from the PICC Group. On the same agreement date, the Company paid the aggregate consideration of RMB975 million to the PICC Group in cash and the PICC Group completed the transfer of the debentures and the share of interests in the credit investment scheme to the Company.

(b) On 15 January 2010, the Company and PICC AMC entered into an asset management agreement to extend the original asset management arrangement. Pursuant to the new agreement, PICC AMC provides investment and management services to the Company in respect of certain financial assets (including cash, securities, innovative alternative investments, etc.) of the Company. The new agreement commenced from 1 January 2010 and expires on 31 December 2012 with a term of three years.

(c) In December 2009, PICC Life declared that it would increase its share capital again. The proceeds raised from the share capital increase will be used for its business development and satisfying regulatory requirements. The Company has decided not to participate in the aforesaid capital increase. Upon completion of the aforesaid capital increase, the Company's equity interests in PICC Life will be diluted from 14% to approximately 9%. The impact of this dilution of interests on the financial statements cannot be ascertained at this stage.

LOOKING FORWARD

2010 is an important year for the Company to complete its own plan satisfactorily in line with the "11th Five-Year Plan" of China and lay a solid foundation for the development of the Company in line with the "12th Five-Year Plan" of China. Overall speaking, the environment for the development of the Company will further improve this year and the Company is moving into a new and important strategic and opportune stage. **In respect of the economic and social development in China**, China's economy is the first to have recovered from the impact of the global financial crisis and its upturn momentum is remarkable. Meanwhile, the economic and social development in China is changing profoundly. Both urbanisation and industrialisation are accelerating and the automobile and housing consumption remains vigorous. Moreover, emerging strategic industries will become a new source of economic growth and the investment in social construction will further increase, which will in turn provide a solid economic foundation for the development of the Company. **In terms of the development of the insurance industry in China**, the industry is in the process of transformation from external growth to contents growth in terms of development, from homogenisation to differentiation in terms of competition, and from extensive exploitation to harmonious utilisation in terms of resources utilisation. The competition in the industry is getting more regulated. Besides, the business philosophy of the industry is changing gradually by which, operation with focus on profitability, in particular underwriting profitability, becomes the consensus among the market players. All of these will create a favourable environment for the development of the Company. **In terms of the Company itself**, the direction for its development becomes more certain, the foundation for its development becomes stronger and all of its staff show a refreshed spirit. Meanwhile, the successful completion of the restructuring of the PICC Group, the promotion of cross-selling and the establishment of the standardised information platform will provide greater support and safeguard for the Company to achieve rapid, high-quality and substantial development.

We have been pursuing the goal of succeeding in the 60 years' glorious tradition and building the Company into a global leading non-life insurance company. From this new starting point, we will seize the development opportunities, transform our mode of growth, solidify our growth foundation, and keep enthusiasm and high morale in an effort to bring the maximum value to our shareholders and make greater contributions towards building a harmonious society.

FINAL DIVIDEND

The Board does not propose any final dividend for 2009.

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

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during 2009.

CORPORATE GOVERNANCE

Save for one of the requirements set out in each of the code provisions A.4.2 and B.1.1 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Company had complied with all the code provisions of the Code on Corporate Governance Practices in 2009.

The term of directorship of Mr. Wang Yincheng, Mr. Tse Sze-Wing, Edmund, Mr. Cheng Wai Chee, Christopher, Mr. Zhou Shurui, Ms. Liu Zhenghuan and Mr. Li Tao should have expired respectively during 2009. In accordance with the provisions of the Company Law, where a company has not yet re-elected a Director upon the expiry of his/her term of office or the number of the Directors is less than the required quorum as a result of the resignation of a Director, the existing Director shall continue to serve as a director until the newly elected director commences his/her term of office. Accordingly, the Directors as mentioned above (except for Mr. Cheng Wai Chee, Christopher, who resigned on 23 October 2009) have continued to serve as Directors until the formation of the new session of the Board of Directors. As a result, the Company failed to comply with the requirement that each director shall be subject to retirement by rotation at least once every three years as set out in the code provision A.4.2 of the Code on Corporate Governance Practices during the period from 6 July 2009 to the date of this announcement.

Mr. Cheng Wai Chee, Christopher resigned as an Independent Non-executive Director of the Company on 23 October 2009, and at the same time, ceased to act as the Chairman of the Nomination, Remuneration and Review Committee. After the resignation of Mr. Cheng, only half of the members of the Nomination, Remuneration and Review Committee are Independent Non-Executive Directors. Accordingly, the Company failed to comply with the requirement that the majority of the members of the remuneration committee shall be independent non-executive directors as set out in the code provision B.1.1 of the Code on Corporate Governance Practices during the period from 23 October 2009 to the date of this announcement. The Company has still complied with the requirement that there shall be at least three independent non-executive directors. The Company proposes to re-elect the members of the Nomination, Remuneration and Review Committee after the election of the new session of the Board of Directors.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2009.

By Order of the Board
Wu Yan
Chairman

Beijing, the PRC, 14 April 2010

On the date of this announcement, the Chairman of the Board is Mr. Wu Yan (executive director), the Vice Chairman is Mr. Wang Yincheng (executive director), Md. Liu Zhenghuan is an executive director, the non-executive directors are Mr. Tse Sze-Wing, Edmund, Mr. Zhou Shurui and Mr. Li Tao, the independent non-executive directors are Mr. Lu Zhengfei, Mr. Luk Kin Yu, Peter and Mr. Ding Ningning.