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 2010

The Board of Directors (the "Board") of PICC Property and Casualty Company Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries for the year ended 31 December 2010, together with comparative figures for last year, as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2010** *RMB million*	2009 *RMB million*
TURNOVER	*4*	**154,307**	119,771
Net premiums earned	*4*	**122,990**	93,296
Net claims incurred	*5*	**(82,908)**	(64,517)
Acquisition cost and other underwriting expenses		**(23,412)**	(19,795)
General and administrative expenses		**(13,943)**	(11,044)
UNDERWRITING PROFIT/(LOSS)		**2,727**	(2,060)
Investment income	*6*	**3,968**	2,866
Net realised and unrealised gains on investments	*7*	**1,078**	1,711
Investment expenses		**(193)**	(137)
Interest expenses credited to policyholders' deposits		**(25)**	(112)
Exchange losses, net		**(370)**	(6)
Sundry income		**325**	351
Sundry expenses		**(309)**	(208)
Finance costs		**(788)**	(264)
Share of profits and losses of associates		**81**	26
PROFIT BEFORE TAX	*8*	**6,494**	2,167
Income tax expense	*9*	**(1,282)**	(384)
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		**5,212**	1,783
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (in RMB)	*10*	**0.468**	0.160
DIVIDEND PER SHARE (in RMB)	*11*	**–**	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2010 *RMB million***	31 December 2009 *RMB million*
ASSETS			
Cash and cash equivalents		**32,209**	32,143
Derivative financial assets		**6**	16
Debt securities		**92,567**	58,458
Equity securities		**19,001**	14,683
Insurance receivables, net	*12*	**10,330**	17,170
Tax recoverable		**–**	89
Reinsurance assets		**15,549**	14,426
Other financial assets and prepayments		**12,346**	10,947
Investments in associates		**1,611**	644
Property, plant and equipment		**11,765**	12,282
Investment properties		**1,577**	706
Prepaid land premiums		**3,360**	3,750
Deferred tax assets		**1,464**	69
TOTAL ASSETS		**201,785**	165,383
LIABILITIES			
Payables to reinsurers	*13*	**10,555**	16,595
Accrued insurance protection fund		**586**	418
Tax payable		**709**	–
Other liabilities and accruals		**25,481**	20,625
Insurance contract liabilities		**122,946**	92,695
Policyholders' deposits		**2,517**	5,287
Subordinated debts		**14,157**	8,000
TOTAL LIABILITIES		**176,951**	143,620
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**11,142**	11,142
Reserves		**13,692**	10,621
TOTAL EQUITY		**24,834**	21,763
TOTAL EQUITY AND LIABILITIES		**201,785**	165,383

Notes:

1. BASIS OF PREPARATION

The consolidated 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 and insurance contract liabilities, which have been measured based on actuarial methods. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1 January 2010

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 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained by the Group and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Non-controlling 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 2010, the net loss attributable to non-controlling interests amounted to RMB848 (2009: RMB18,941). As at 31 December 2010, the net assets attributable to non-controlling interests amounted to RMB21,553 (31 December 2009: RMB22,401).

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following difference, however, is carried forward in certain instances from the previous basis of consolidation:

- losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these losses. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

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

(a) HKFRS 1 (Revised) *First-time Adoption of Hong Kong Financial Reporting Standards*

HKFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substance of accounting by first-time adopters. As the Group is not a first-time adopter of HKFRSs, the amendments are not applicable to the Group.

(b) Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*

The HKFRS 2 Amendments provide guidance on how to account for cash-settled share-based payment transactions in the separate financial statements of an entity receiving the goods and services when the entity has no obligation to settle the share-based payment transactions. The amendments also incorporate guidance that was previously included in HK(IFRIC)-Int 8 *Scope of HKFRS 2* and HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions*. The adoption of the amendments has had no impact on the financial position or results of operations of the Group.

(c) HKFRS 3 (Revised) *Business Combinations*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. As the Group currently has no such transactions, the revised standard has had no impact on the financial position or results of operations of the Group.

(d) HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*. As the Group currently has no such transactions, the revised standard has had no impact on the financial position or results of operations of the Group.

(e) Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*

The HKAS 39 Amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. As the Group has not entered into any such hedges, the amendment has had no impact on the financial position or results of operations of the Group.

(f) HK(IFRIC)-Int 17 *Distributions of Non-cash Assets to Owners*

HK(IFRIC)-Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 *Events after the Reporting Period* and HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation results in changes in certain accounting policies, the interpretation has had no significant financial impact on the Group.

(g) Amendments to a number of HKFRSs issued in May 2009

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. 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.

(h) Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*

The amendments to HKFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale. The changes must be applied prospectively and will affect future sale transactions or plans involving loss of control of a subsidiary. As the Group currently has no such transactions, the amendments have had no impact on the financial position or results of operations of the Group.

(i) **Amendments to HK Interpretation 4** ***Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases***

HK Interpretation 4 was revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40. The adoption of the revised interpretation has had no impact on the financial position or results of operations of the Group.

(j) **HK Interpretation 5** ***Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause***

The interpretation requires a term loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current liabilities in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement. As the Group has not entered into such term loans, the interpretation has had no impact on the financial position or results of operations of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised 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;
(f) the other segment mainly represents insurance products related to marine hull, homeowners, agriculture, aviation and energy; and
(g) the corporate segment includes the management and support of the Group's business through its strategy, risk management, treasury, finance, legal, human resources functions, etc. The corporate segment derives revenue from investing activities.

Management monitors the results of the Group's 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 investment income, net realised and unrealised gains/(losses) on investments, finance costs, etc. are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, 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 Mainland China. No inter-segment transactions occurred in 2010 and 2009.

In 2010 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.

The segment income statements for the years ended 31 December 2010 and 2009 are as follows:

2010	**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	**115,759**	**10,570**	**3,419**	**5,442**	**4,192**	**14,925**	**–**	**154,307**
Net premiums earned	**98,016**	**6,836**	**2,621**	**4,129**	**2,722**	**8,666**	**–**	**122,990**
Net claims incurred	**(66,887)**	**(4,514)**	**(1,280)**	**(2,580)**	**(1,726)**	**(5,921)**	**–**	**(82,908)**
Acquisition cost and other underwriting expenses	**(19,534)**	**(1,574)**	**(519)**	**(905)**	**(468)**	**(412)**	**–**	**(23,412)**
General and administrative expenses	**(9,103)**	**(1,040)**	**(480)**	**(578)**	**(507)**	**(2,235)**	**–**	**(13,943)**
Underwriting profit/(loss)	**2,492**	**(292)**	**342**	**66**	**21**	**98**	**–**	**2,727**
Investment income	**–**	**–**	**–**	**–**	**–**	**28**	**3,940**	**3,968**
Net realised and unrealised gains on investments	**–**	**–**	**–**	**–**	**–**	**9**	**1,069**	**1,078**
Investment expenses	**–**	**–**	**–**	**–**	**–**	**(1)**	**(192)**	**(193)**
Interest expenses credited to policyholders' deposits	**–**	**–**	**–**	**–**	**–**	**(25)**	**–**	**(25)**
Exchange losses, net	**–**	**–**	**–**	**–**	**–**	**–**	**(370)**	**(370)**
Finance costs	**–**	**–**	**–**	**–**	**–**	**–**	**(788)**	**(788)**
Sundry income and expenses	**–**	**–**	**–**	**–**	**–**	**–**	**16**	**16**
Share of profits and losses of associates	**–**	**–**	**–**	**–**	**–**	**–**	**81**	**81**
Profit/(loss) before tax	**2,492**	**(292)**	**342**	**66**	**21**	**109**	**3,756**	**6,494**
Income tax expense	**–**	**–**	**–**	**–**	**–**	**–**	**(1,282)**	**(1,282)**
Profit/(loss) attributable to owners of the parent	**2,492**	**(292)**	**342**	**66**	**21**	**109**	**2,474**	**5,212**

2009

	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)
Investment income	–	–	–	–	–	119	2,747	2,866
Net realised and unrealised gains 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 profits and losses 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

The segment assets and liabilities as at 31 December 2010 and 2009 are as follows:

2010

	Motor Vehicle	**Commercial Property**	**Cargo**	**Liability**	**Accidental Injury and Health**	**Other**	**Corporate**	**Total**
	RMB million	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***
Total assets	**8,437**	**3,766**	**1,116**	**2,063**	**1,755**	**11,302**	**173,346**	**201,785**
Total liabilities	**102,689**	**10,090**	**2,913**	**7,086**	**4,316**	**18,739**	**31,118**	**176,951**

2009

	Motor Vehicle	Commercial Property	Cargo	Liability	Accidental Injury and Health	Other	Corporate	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*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

4. TURNOVER AND NET PREMIUMS EARNED

Turnover represents direct premiums written and reinsurance premiums assumed.

	Group	
	2010	2009
	RMB million	*RMB million*
Turnover		
Direct premiums written	**153,930**	119,464
Reinsurance premiums assumed	**377**	307
	154,307	119,771
Net premiums earned		
Turnover	**154,307**	119,771
Less: Reinsurance premiums ceded	**(17,618)**	(16,422)
Net premiums written	**136,689**	103,349
Less: Change in net unearned premium reserves	**(13,699)**	(10,053)
Net premiums earned	**122,990**	93,296

5. NET CLAIMS INCURRED

	Group	
	2010	2009
	RMB million	*RMB million*
Gross claims paid	**76,389**	71,812
Less: Paid losses recoverable from reinsurers	**(8,910)**	(13,283)
Net claims paid	**67,479**	58,529
Change in net loss and loss adjustment expense reserves	**15,429**	5,988
Net claims incurred	**82,908**	64,517

6. INVESTMENT INCOME

	Group	
	2010	2009
	RMB million	*RMB million*
Rental income from investment properties	**156**	92
Financial assets at fair value through profit or loss		
– Held for trading:		
Interest income	**69**	74
Dividend income	**96**	131
Financial assets at fair value through profit or loss		
– Designated upon initial recognition:		
Interest income	**18**	3
Available for sale financial assets:		
Interest income	**2,299**	1,469
Dividend income	**331**	174
Held to maturity investments:		
Interest income	**142**	1
Loans and receivables:		
Interest income	**857**	922
	3,968	2,866

7. NET REALISED AND UNREALISED GAINS ON INVESTMENTS

	Group	
	2010	2009
	RMB million	*RMB million*
Available for sale financial assets:		
Realised gains	**1,475**	1,276
Impairment losses	**(472)**	–
Financial assets at fair value through profit or loss		
– Held for trading:		
Realised gains	**52**	32
Unrealised gains/(losses)	**(174)**	199
Loans and receivables:		
Reversal of impairment losses	**156**	–
Profit on disposal of associates	**41**	204
	1,078	1,711

8. PROFIT BEFORE TAX

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

	2010	2009
	RMB million	*RMB million*
Auditors' remuneration, including interim review	**18**	18
Depreciation of property, plant and equipment	**950**	860
Depreciation of investment properties	**53**	29
Amortisation of prepaid land premiums	**108**	104
Employee expenses (including directors' and supervisors' remuneration):		
Wages, salaries and staff welfare	**9,568**	6,164
Charge of cash-settled appreciation rights expense	**–**	1
Pension scheme contributions	**766**	682
Impairment loss on property, plant and equipment	**2**	–
Impairment loss on insurance receivables	**200**	668
Minimum lease payments under operating leases in respect of land and buildings	**352**	357
Net gain on disposal of items of property, plant and equipment	**(29)**	(6)

9. INCOME TAX EXPENSE

The provision for PRC income tax is calculated based on the statutory rate of 25% (2009: 25%) in accordance with the relevant PRC income tax rules and regulations.

	2010	2009
	RMB million	*RMB million*
Group:		
Current		
– Charge for the year	**2,063**	36
– Overprovision in prior years	**(49)**	(17)
Deferred	**(732)**	365
Total tax charge for the year	**1,282**	384

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate of the PRC, in which the Group is domiciled, to the tax expense 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	**2010**		2009	
	RMB million	**%**	*RMB million*	%
Profit before tax	**6,494**		2,167	
Tax at the statutory tax rate of 25% (2009: 25%)	**1,623**	**25**	542	25
Income not subject to tax	**(372)**	**(6)**	(209)	(10)
Expenses not deductible for tax	**80**	**1**	68	4
Adjustments in respect of current tax of previous periods	**(49)**	**–**	(17)	(1)
Tax charge at the Group's effective rate	**1,282**	**20**	384	18

In 2010, the National Audit Office of the People's Republic of China ("CNAO") conducted an audit on the assets, liabilities, profit and loss of The People's Insurance Company (Group) of China Limited, and part of its subsidiaries and branches (including the Company) for the year ended 31 December 2009. The Group has made relevant tax provisions based on the results of the CNAO audit report and the Group's current understanding of tax laws. As at 31 December 2010, the provision for corporate income tax made arising from the CNAO audit amounted to RMB62 million and was charged to the consolidated income statement for the year.

10. 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 RMB5,212 million (2009: RMB1,783 million) and 11,142 million (31 December 2009: 11,142 million) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 December 2010 and 2009 have not been disclosed as no diluting events existed during these years.

11. DIVIDEND PER SHARE

The Board of Directors does not propose any interim and final dividend for the year (2009: Nil).

12. INSURANCE RECEIVABLES, NET

	Group and Company	
	31 December 2010	31 December 2009
	RMB million	*RMB million*
Premiums receivable and agents' balances	**5,399**	6,044
Receivables from reinsurers	**7,107**	13,262
	12,506	19,306
Less: Impairment provision on:		
Premiums receivable and agents' balances	**(2,035)**	(2,127)
Receivables from reinsurers	**(141)**	(9)
	10,330	17,170

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 2010	31 December 2009
	RMB million	*RMB million*
On demand	**6,509**	8,641
Within 1 month	**961**	1,126
1 to 3 months	**1,518**	1,549
Over 3 months	**1,342**	5,854
	10,330	17,170

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

	Group and Company	
	2010	2009
	RMB million	*RMB million*
At 1 January	**2,136**	1,499
Impairment losses recognised *(note 8)*	**200**	668
Amount written off as uncollectible	**(160)**	(31)
At 31 December	**2,176**	2,136

Included in the Group's insurance receivables is an amount due from a fellow subsidiary of RMB238 million (31 December 2009: RMB35 million).

The Group only issues insurance policies on credit 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.

13. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	Group and Company	
	31 December 2010	31 December 2009
	RMB million	*RMB million*
Reinsurance payables	**10,555**	16,595

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

Included in the Group's reinsurance payables is an amount due to a fellow subsidiary of RMB483 million (31 December 2009: RMB36 million).

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITIONS

OVERVIEW

In 2010, the Company achieved a rapid business growth, significantly improved profitability and maintained an ample cash flow from operating activities, and continued to maintain its leading position in the non-life insurance market in the PRC. In 2010, the turnover of the Company and its subsidiaries increased by 28.8% over 2009 to RMB154,307 million, and a 38.2% *(Note)* market share was attained in the PRC non-life insurance market. In 2010, the Company and its subsidiaries recorded a net profit of RMB5,212 million, representing a significant year-on-year increase of RMB3,429 million and 2.9 times that of 2009, and a net cash inflow from operating activities of RMB34,152 million, representing a significant year-on-year increase of RMB12,470 million and 1.6 times that of 2009. As at 31 December 2010, the total assets of the Company and its subsidiaries reached RMB201,785 million and shareholders' equity totalled RMB24,834 million.

Note: Calculated according to the PRC insurance industry data for 2010 published on the website of the China Insurance Regulatory Commission (the "CIRC").

I Efforts to improve sales and service capabilities and business grew apace

In 2010, the Company and its subsidiaries seized opportunities for developing business, boosted the development of the sales system, vigorously developed tele-marketing, online sales and other emerging channels, and put forward the "new hassle-free claim settlement project" featuring three key commitments to the society to provide hassle-free, convenient and borderless claim settlement services which enabled the standard of claim settlement services to constantly improve. In 2010, the Company's motor vehicle insurance business continued to maintain strong growth, and due to the dual role of the increased number of policies and raised premium rates for motor vehicle insurance, the premium income from the entire motor vehicle insurance business increased by 35.3% to RMB115,759 million on a year-on-year basis, and the annual premium income from the entire motor vehicle insurance successfully surpassed RMB100 billion. The rapid growth in the motor vehicle insurance segment provided a driving force for the overall business growth of the Company. The annual premium income of each of the branches of Jiangsu, Guangdong and Hebei exceeded the threshold of RMB10 billion, making them the first branches at the provincial level to become elite members of the "RMB10 Billion Army". 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 Ling Ao Nuclear Power Plant during its operating period, the Sino VI/V satellite launch, the construction of the Liwan 3-1 deepwater oil and gas fields, the construction of the COSCO Shipyard deepwater platform, and the Hong Kong-Zhuhai-Macao Bridge.

II Strengthened the construction of specialisation, standardisation, centralisation and differentiation and enhanced profitability

The specialisation level of the Company improved significantly by strengthening the ability to identify risks relating to the product lines, improving the management and control of claim settlement costs, reforming the agricultural insurance, special insurance and claim settlement departments, and establishing the marine insurance operation center and disaster research center. The standardisation of the operating process was promoted to serve as foundation for the centralised management and control mode. The five centralised management and control platforms for underwriting, claim settlement, customer service, financial affairs and information technology were built to support centralised management and control. The business quality and profitability of the Company constantly improved through proactively advancing the category-based management of businesses and carrying out differentiated resource allocation and management polices. In 2010, the Company and its subsidiaries experienced a turnaround from an underwriting loss of RMB2,060 million in 2009 to an underwriting profit of RMB2,727 million in 2010 with an underwriting profit ratio of 2.2%.

III Reinforced the foundation for internal control and compliance, deepened risk prevention and accomplished steady and healthy operations

In 2010, in response to the CIRC's overall requirements for increasing efforts to regulate the market order and strengthening compliant operations, the Company combined the strengthening of supervision and inspection with the perfection of the internal control and compliance system, adhered to the utilisation of both short-term initiatives and long-term mechanisms, and continuously enhanced the Company's legal compliance. The Company strictly implemented all compliance requirements, promoted self-discipline in the industry and contributed to a sound market environment. The Company made active efforts in promoting the development of the intra-industry motor vehicle insurance information platform, advancing the practice of issuing policies only after premiums collection in non-motor vehicle insurance, taking part in preparing amendments to intra-industry pure risk-related loss ratios, strengthening intermediary business regulation and management, and continuously improving the management and control of premiums receivable. Through promoting the systems of centralised payment of capital and "cashless collection and payment", the Company increased efforts to reinforce centralised management and control of capital, promoted efficient capital utilisation and effectively prevented relevant risks. In 2010, the Company carried out an Internal Control Appraisal and Improvement Project, and prepared and released the Internal Control Manual and Internal Control Appraisal Manual, laying a solid foundation for its compliant operations.

IV Contributed to social development, safeguarded people's livelihood, and enhanced corporate image and social influence

In 2010, the Company effectively performed its social responsibility as a corporate citizen. In the course of such major natural disasters as the drought in southwest China, the earthquake in Yushu, the landslides in Zhouqu, the massive floods in Jilin, the large-scale rainstorms in southern China and the typhoons in the coastal areas, as well as such emergencies as the pipeline explosions in Dalian and the air crash in Yichun, the Company carried out disaster relief work expeditiously and settled claims in a timely manner, and these constituted a full reflection of the roles of insurance in honouring commitments, serving the economy and safeguarding people's livelihood. In 2010, in its capacity as the global insurance partner of the World Expo Shanghai and the insurance partner of the Guangzhou Asian Games, the Company provided excellent and efficient insurance support for the World Expo Shanghai and the Guangzhou Asian Games, and was granted, among other honours, the Award for Outstanding Contributions to Financial Services for The Expo 2010 Shanghai China, thereby having its social influence enhanced noticeably. In 2010, Moody's Investors Service, Inc. affirmed the A1 rating for the Company's insurance financial strength, which is the highest financial strength rating for a PRC enterprise, and also affirmed the grading of the outlook of the insurance financial strength rating of the Company at the level of "stable", indicating the Company's strength and credit standing in the non-life insurance market. The Company was named the "2010 • Best Non-life Insurance Company in Asia" in the 2010 "Asian Insurance Competency Ranking" co-organised by *21st Century Business Herald* and the Financial Research Center of the 21st Century Research Institution, and was awarded the "Transformation • 2010 Top Ten Leading Enterprises in the Chinese Economy" prize jointly by nine news media under Xinhua News Agency.

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			
	2010		2009	
	RMB million	**%**	*RMB million*	%
Net premiums earned	**122,990**	**100.0**	93,296	100.0
Net claims incurred	**(82,908)**	**(67.4)**	(64,517)	(69.2)
Acquisition cost and other underwriting expenses	**(23,412)**	**(19.1)**	(19,795)	(21.2)
General and administrative expenses	**(13,943)**	**(11.3)**	(11,044)	(11.8)
Underwriting profit/(loss)	**2,727**	**2.2**	(2,060)	(2.2)

TURNOVER

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
Motor vehicle insurance	**115,759**	85,529
Commercial property insurance	**10,570**	9,491
Liability insurance	**5,442**	4,656
Accidental injury and health insurance	**4,192**	3,886
Cargo insurance	**3,419**	2,754
Other insurance	**14,925**	13,455
Total	**154,307**	119,771

Turnover of the Company and its subsidiaries was RMB154,307 million in 2010, representing an increase of RMB34,536 million (or 28.8%) from RMB119,771 million in 2009. The overall rapid business growth was largely driven by the motor vehicle insurance segment and the comparatively rapid growth in cargo insurance as well as construction insurance and homeowners insurance under the other insurance segment.

Turnover of the motor vehicle insurance segment of the Company and its subsidiaries was RMB115,759 million in 2010, representing an increase of RMB30,230 million (or 35.3%) from RMB85,529 million in 2009. In 2010, there was a remarkable growth in the number of motor vehicle insurance policies driven by the significant year-on-year increase in sales volume of motor vehicles as a result of the implementation of a series of favourable measures including the continuation by the Chinese government of the automobile subsidy program for rural areas and purchase tax-related subsidies, the increase in the amounts of subsidies for trade-in of vehicles, the increase in the number of pilot cities for new energy motor vehicles, and the initiation of the project of benefiting the people with energy-saving products.

Turnover of the liability insurance segment of the Company and its subsidiaries was RMB5,442 million in 2010, representing an increase of RMB786 million (or 16.9%) from RMB4,656 million in 2009. Under this segment, the safety production liability insurance, campus liability insurance and freighter liability insurance experienced considerable growth and a breakthrough was made in the growth of the newly-developed extended electrical appliance warranty liability insurance.

Turnover of the cargo insurance segment of the Company and its subsidiaries was RMB3,419 million in 2010, representing an increase of RMB665 million (or 24.1%) from RMB2,754 million in 2009. In 2010, the global economy began to revive. The implementation of the national policy of expanding domestic demand was noticeably successful, driving the domestic logistics industry into a phase of rapid growth. There was an obvious rebound in both international and domestic cargo volumes and total value of China's import and export, functioning as a stimulus to the rapid development of cargo insurance business.

In 2010, benefiting from the national macroeconomic stimulus policies, large-scale infrastructure construction projects had been launched one after another, and there was a noticeable increase in domestic fixed asset investments. The Company and its subsidiaries leveraged on market opportunities in a timely manner and acted as the sole or chief underwriter for a number of rail traffic and energy development projects. The construction insurance under the other insurance segment presented a rapid growth momentum.

Moreover, the Company and its subsidiaries proactively communicated and worked with government departments across the country to vigorously develop policy-related rural housing insurance business in 2010. Meanwhile, the gradual release of a variety of housing demands in second and third tier cities functioned as the source of a large number of policies for mortgage insurance business, and the rapid development of policy-related rural housing insurance and mortgage insurance business were stimulus to the remarkable growth in homeowners insurance under the other insurance segment.

NET PREMIUMS EARNED

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
Motor vehicle insurance	**98,016**	70,700
Commercial property insurance	**6,836**	6,005
Liability insurance	**4,129**	3,223
Accidental injury and health insurance	**2,722**	2,677
Cargo insurance	**2,621**	2,018
Other insurance	**8,666**	8,673
Total	**122,990**	93,296

Net premiums earned of the Company and its subsidiaries was RMB122,990 million in 2010, representing an increase of RMB29,694 million (or 31.8%) from RMB93,296 million in 2009.

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			
	2010		2009	
	Net claims incurred	**Loss ratio**	Net claims incurred	Loss ratio
	RMB million	**%**	*RMB million*	%
Motor vehicle insurance	**(66,887)**	**(68.2)**	(49,136)	(69.5)
Commercial property insurance	**(4,514)**	**(66.0)**	(3,869)	(64.4)
Liability insurance	**(2,580)**	**(62.5)**	(2,101)	(65.2)
Accidental injury and health insurance	**(1,726)**	**(63.4)**	(2,089)	(78.0)
Cargo insurance	**(1,280)**	**(48.8)**	(1,090)	(54.0)
Other insurance	**(5,921)**	**(68.3)**	(6,232)	(71.9)
Total	**(82,908)**	**(67.4)**	(64,517)	(69.2)

Net claims incurred of the Company and its subsidiaries was RMB82,908 million in 2010, representing an increase of RMB18,391 million (or 28.5%) from RMB64,517 million in 2009. Loss ratio decreased by 1.8 percentage points from 69.2% in 2009 to 67.4% in 2010, primarily due to the decrease in the loss ratios for such insurance segments as the motor vehicle insurance, accidental injury and health insurance and cargo insurance.

Net claims incurred of the motor vehicle insurance segment of the Company and its subsidiaries was RMB66,887 million in 2010, representing an increase of RMB17,751 million (or 36.1%) from RMB49,136 million in 2009. Loss ratio decreased to 68.2% in 2010 from 69.5% in 2009. The decline in the loss ratio benefited from the in-depth advance of the category-based management of motor vehicle insurance business, the continual reinforcement of anti-fraud measures for claims and internal verification of claim cases, injury-related claim follow-ups and medical treatment reviews by the Company and its subsidiaries. In addition, the fact that the shared information platforms for commercial insurance in various locations were put into use one after another, the policy of linking commercial insurance premium rates with claims history was implemented, and the number of small value claims was reduced noticeably, also constituted important reasons for the decline in the loss ratio for the motor vehicle insurance segment.

Net claims incurred of the commercial property insurance segment of the Company and its subsidiaries was RMB4,514 million in 2010, representing an increase of RMB645 million (or 16.7%) from RMB3,869 million in 2009. Several rounds of large-scale rainstorm and flood disasters hit southern China in May and June 2010, giving rise to a noticeable increase in the claim ratio related to commercial property insurance. Loss ratio increased from 64.4% in 2009 to 66.0% in 2010.

Net claims incurred of the accidental injury and health insurance segment of the Company and its subsidiaries was RMB1,726 million in 2010, representing a decrease of RMB363 million (or -17.4%) from RMB2,089 million in 2009. Loss ratio declined to 63.4% in 2010 from 78.0% in 2009. The Business Operation Standards for Accidental Injury Insurance began to be implemented in 2010, and the Company and its subsidiaries took this opportunity to enhance risk identification and centralised the management and control during underwriting. As a result, the business quality improved noticeably and the premium adequacy ratio increased by a certain extent. Meanwhile, the management and control of claim settlement achieved certain success by following strict claims review standards, strengthening moral risks prevention, and beginning to provide self-service claims enquiry service.

Net claims incurred of the cargo insurance segment of the Company and its subsidiaries was RMB1,280 million in 2010, representing an increase of RMB190 million (or 17.4%) from RMB1,090 million in 2009. The Company and its subsidiaries further strengthened underwriting risks management and control, tightened up the underwriting authority for high-risk cargo insurance business, and increased the intensity of subrogation. Loss ratio decreased to 48.8% in 2010 from 54.0% in 2009 consequently.

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			
	2010		2009	
	Acquisition cost and other underwriting expenses	**Underwriting expense ratio**	Acquisition cost and other underwriting expenses	Underwriting expense ratio
	RMB million	**%**	*RMB million*	%
Motor vehicle insurance	**(19,534)**	**(19.9)**	(15,692)	(22.2)
Commercial property insurance	**(1,574)**	**(23.0)**	(2,540)	(42.3)
Liability insurance	**(905)**	**(21.9)**	(651)	(20.2)
Accidental injury and health insurance	**(468)**	**(17.2)**	(289)	(10.8)
Cargo insurance	**(519)**	**(19.8)**	(334)	(16.6)
Other insurance	**(412)**	**(4.8)**	(289)	(3.3)
Total	**(23,412)**	**(19.1)**	(19,795)	(21.2)

In 2010, there was a year-on-year increase of 18.3% in the acquisition cost and other underwriting expenses of the Company and its subsidiaries, lower than the business growth for the same period. The underwriting expense ratio declined from 21.2% in 2009 to 19.1% in 2010, as a result of such management and control measures of the Company and its subsidiaries as the differentiated allocation of expense resources being effected gradually and the premium adequacy ratio being increased progressively.

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			
	2010		2009	
	General and administrative expenses *(Note)*	**Administrative expense ratio**	General and administrative expenses *(Note)*	Administrative expense ratio
	RMB million	**%**	*RMB million*	%
Motor vehicle insurance	**(9,103)**	**(9.3)**	(6,914)	(9.8)
Commercial property insurance	**(1,040)**	**(15.2)**	(1,129)	(18.8)
Liability insurance	**(578)**	**(14.0)**	(544)	(16.9)
Accidental injury and health insurance	**(507)**	**(18.6)**	(523)	(19.5)
Cargo insurance	**(480)**	**(18.3)**	(307)	(15.2)
Other insurance	**(2,235)**	**(25.8)**	(1,627)	(18.8)
Total	**(13,943)**	**(11.3)**	(11,044)	(11.8)

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

In 2010, the Company and its subsidiaries continued to further implement comprehensive budget management, brought administrative expenses under project-based management and zero-based budget management, carried out cost-saving organisational development initiatives, coordinated the centralisation of procurements across the country and effectively reduced the administrative expenses of management bodies at all levels. In 2010, the general and administrative expenses of the Company and its subsidiaries increased by 26.2% on a year-on-year basis, lower than the business growth for the same period. The administrative expense ratio decreased from 11.8% in 2009 to 11.3% in 2010.

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			
	2010		2009	
	Underwriting profit/(loss)	**Underwriting profit/(loss) ratio**	Underwriting profit/(loss)	Underwriting profit/(loss) ratio
	RMB million	**%**	*RMB million*	%
Motor vehicle insurance	**2,492**	**2.5**	(1,042)	(1.5)
Commercial property insurance	**(292)**	**(4.3)**	(1,533)	(25.5)
Liability insurance	**66**	**1.6**	(73)	(2.3)
Accidental injury and health insurance	**21**	**0.8**	(224)	(8.4)
Cargo insurance	**342**	**13.0**	287	14.2
Other insurance	**98**	**1.1**	525	6.1
Total	**2,727**	**2.2**	(2,060)	(2.2)

In 2010, with the further regulation of the order in the domestic non-life insurance market, the Company and its subsidiaries, by taking advantage of this favourable opportunity, continued to reinforce the category-based management of businesses, implement differentiated allocation of resources and proactively adjust the business structure. As a result, there was a remarkable improvement in the quality of underwriting business, a recovery in the premium rates of some insurance segments, and a steady decline in the claim ratio. In contrast to an underwriting loss of RMB2,060 million in 2009, an underwriting profit of RMB2,727 million was achieved in 2010, with the underwriting profit ratio reaching 2.2%.

The motor vehicle insurance segment incurred an underwriting loss of RMB1,042 million in 2009, but made an underwriting profit of RMB2,492 million in 2010. The commercial property insurance segment incurred an underwriting loss of RMB1,533 million in 2009, but the underwriting loss was reduced substantially to RMB292 million in 2010. The liability insurance segment incurred an underwriting loss of RMB73 million in 2009, but made an underwriting profit of RMB66 million in 2010. The accidental injury and health insurance segment incurred an underwriting loss of RMB224 million in 2009, but made an underwriting profit of RMB21 million in 2010. The underwriting results of each of the above insurance segments improved significantly on a year-on-year basis.

The underwriting profit of the other insurance segment reduced from RMB525 million in 2009 to RMB98 million in 2010, primarily due to the effects of large-amount claims related to special insurance and construction insurance businesses.

INVESTMENT RESULTS

Investment income

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
Rental income from investment properties	**156**	92
Interest income	**3,385**	2,469
Dividend income	**427**	305
Total of investment income	**3,968**	2,866

Investment income of the Company and its subsidiaries was RMB3,968 million in 2010, representing an increase of RMB1,102 million from RMB2,866 million in 2009. Particularly, the interest income increased by RMB916 million and the dividend income increased by RMB122 million on a year-on-year basis, primarily due to the enlarged scale of investments made by the Company and its subsidiaries.

Net realised and unrealised gains on investments

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
Realised gains on investments	**1,527**	1,308
Unrealised gains/(losses) on investments	**(174)**	199
Impairment losses	**(316)**	–
Profit on disposal of associates	**41**	204
Total of net realised and unrealised gains on investments	**1,078**	1,711

In 2010, during which the turmoil in capital markets continued, net realised and unrealised gains on investments of the Company and its subsidiaries was RMB1,078 million, representing a decrease of RMB633 million from RMB1,711 million in 2009. This was primarily due to a year-on-year decrease of RMB373 million in unrealised gains on investments in financial assets at fair value through profit or loss, as well as the provisions for impairment losses on available for sale equity financial assets in accordance with changes in their market value.

OVERALL RESULTS

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
Profit before tax	**6,494**	2,167
Income tax expense	**(1,282)**	(384)
Profit attributable to owners of the parent	**5,212**	1,783
Total assets *(Note)*	**201,785**	165,383

Note: Based on the data as of 31 December 2010 and 31 December 2009.

PROFIT BEFORE TAX

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB6,494 million in 2010, representing an increase of RMB4,327 million from RMB2,167 million in 2009.

INCOME TAX EXPENSE

Income tax expense of the Company and its subsidiaries was RMB1,282 million in 2010, representing an increase of RMB898 million from RMB384 million in 2009. 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 2010.

PROFIT 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 2010, and net profit increased by RMB3,429 million from RMB1,783 million in 2009 to RMB5,212 million in 2010. Basic earnings per share attributable to ordinary equity holders of the parent in 2010 was RMB0.468.

CASH FLOW

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
Net cash inflow from operating activities	**34,152**	21,682
Net cash outflow from investing activities	**(43,675)**	(22,900)
Net cash inflow from financing activities	**4,163**	2,620
Net increase/(decrease) in cash and cash equivalents	**(5,360)**	1,402

In 2010, net cash inflow from operating activities of the Company and its subsidiaries was an ample amount of RMB34,152 million in 2010, representing an increase of RMB12,470 million from RMB21,682 million in 2009.

In 2010, 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 RMB43,675 million, representing an increase of RMB20,775 million on a year-on-year basis. Net payment involved in debt securities and equity securities tradings totalled RMB40,191 million in 2010, representing a significant year-on-year increase of RMB16,801 million.

Net cash inflow from financing activities of the Company and its subsidiaries was RMB4,163 million in 2010, representing an increase of RMB1,543 million on a year-on-year basis, primarily due to the issuance of fixed-rate subordinated term debts of RMB6 billion in 2010.

As of 31 December 2010, cash and cash equivalents *(Note)* of the Company and its subsidiaries amounted to RMB17,727 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 June 2010, September 2009 and December 2006, the Company issued fixed-rate subordinated term debts of RMB6 billion, RMB5 billion and RMB3 billion respectively, in each case 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

In 2010, PICC Life Insurance Company Limited ("PICC Life"), an associate of the Company, further increased its capital. 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 14.0% to approximately 8.6% of the enlarged registered capital.

In December 2010, the Company and The People's Insurance Company (Group) of China Limited ("PICC Group") as well as its four subsidiaries entered into the Agreement on the Joint Acquisition of the Interest in Beijing No. 88 West Chang'an Avenue Development Company Limited (the "No. 88 Development Company"). The joint transferees and the transferors entered into the formal equity interest transfer agreement on 30 December 2010. Pursuant to this agreement, the Company paid RMB1 billion to acquire a 30.41% equity interest in the No. 88 Development Company based on the fair value of net assets of the No. 88 Development Company which amounts to RMB3,288 million. The Company completed the registration of changes in respect of the No. 88 Development Company with the relevant administration authority for industry and commerce on 21 January 2011.

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 RMB1,212 million in 2010.

SOLVENCY MARGIN REQUIREMENT

The Company is subject to a number of laws and regulations regarding financial operations of the Company, including the regulatory requirements for maintaining a stipulated solvency margin and providing for certain funds and reserves. In accordance with the insurance laws and regulations of the PRC, the Company was required to maintain a minimum solvency margin of RMB20,619 million on 31 December 2010. The Company's actual solvency margin calculated pursuant to the regulations of the CIRC was RMB23,628 million and the solvency margin adequacy ratio was 115% *(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 Standards for Business Enterprises shall apply to non-insurance contract liabilities.

GEARING RATIO

As of 31 December 2010, the gearing ratio *(Note)* of the Company and its subsidiaries was 80.7%, representing a decrease of 1.3 percentage points from 82.0% as of 31 December 2009.

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 EVENTS

There were certain outstanding litigation matters against the Company and its subsidiaries as at 31 December 2010. The management of the Company believes such litigation matters will not cause significant losses to the Company and its subsidiaries.

Owing to the nature of the insurance business, the Company and its subsidiaries are involved in legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the insurance policies of the Company and its subsidiaries, and some losses arising therefrom will be indemnified by reinsurers or other recoveries including salvages and subrogation. While the outcomes of such contingencies, lawsuits or other 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.

EVENTS AFTER THE BALANCE SHEET DATE

On 24 February 2011, the Board of Directors approved the issue by the Company of a 10-year subordinated term debt with an aggregate principal amount of not exceeding RMB5 billion. The proceeds of the subordinated term debt will be used for raising the solvency margin of the Company. The issue of the above debt is subject to (i) the approval by shareholders of the Company at a general meeting; and (ii) the approval by the CIRC and other relevant authorities.

On 24 March 2011, the Board of Directors proposed that 50% of the net profit of the Company for 2010 of RMB5,211 million be appropriated to the discretionary surplus reserve, after the appropriations to the statutory surplus reserve and the general risk reserve according to the relevant laws and regulations.

In March 2011, the Company has received the new business license from the State Administration for Industry and Commerce, in which the registered address of the Company has been changed from No. 69 Dong He Yan Street, Xuanwu District, Beijing, the People's Republic of China to Tower 2, No. 2 Jianguomenwai Avenue, Chaoyang District, Beijing, the People's Republic of China.

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 primarily subject to credit risk.

The Company and its subsidiaries are committed to credit sales only to corporate customers or individual customers purchasing certain policies through 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 state-owned reinsurance companies, the Company and its subsidiaries purchase reinsurance primarily from reinsurance companies with Standard & Poor's ratings of A- (or equivalent ratings given by other international rating institutions such as A.M. Best, Fitch and Moody's) 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 risk with respect to their holdings in certain assets such as bank deposits and debt securities as well as certain insurance liabilities which are denominated in foreign currencies, primarily US dollars.

Foreign exchange transactions under the capital accounts of the Company and its subsidiaries are subject to foreign exchange control as well as the approval of the administration authority for foreign exchange. Exchange rate fluctuations may arise as a result of the foreign exchange policies of the PRC government.

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 four to five 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. A high proportion of interest-sensitive financial assets are held by the Company and its subsidiaries.

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 2010, the interest rate swap contracts held by the Company had a total notional amount of RMB700 million.

DEVELOPMENT OF NEW PRODUCTS

In 2010, the Company further strengthened the development and management of products, and pursued innovation while ensuring legal compliance to maximize the role of products in promoting the healthy development of the Company's business. In 2010, the Company submitted a total of 4,873 insurance provisions and premium rates to the insurance regulatory authority for approval and filing, which consisted of 2,279 national provisions and premium rates and 2,594 regional provisions and premium rates as well as 882 main-insurance provisions and premium rates and 3,991 rider provisions and premium rates. As of 31 December 2010, the Company had 3,353 national provisions and 1,448 regional provisions in use and operation.

EMPLOYEES

As at the end of 2010, the Company had 60,629 employees. Staff remuneration payment by the Company and its subsidiaries in 2010 was RMB10,334 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.

LOOKING FORWARD

2011 is the starting year of the Twelfth Five-year Plan. Overall, the Company will be facing both opportunities and challenges, and with positive factors beneficial to the Company's development still being dominant, the development of the Company will remain in an important period of strategic opportunities. **With respect to the environment for socioeconomic development,** the national economy will maintain its overall momentum towards better development, the economic structure is undergoing strategic adjustment and optimisation, and the income of urban and rural residents will maintain a relatively rapid growth. Further, there will be steady development of new rural construction and urbanisation, continuous improvement in the development of social well-being and people's livelihood, and further expansion in the scope of services provided by insurance companies. **With respect to the development of the industry,** there will still be a considerable growth in the PRC non-life insurance industry despite the increase in uncertainties in the market and the more intense competition in some regional markets and for high-quality insurance policies. At the same time, the all-around transformation of the business development model, the more mature regulations for the industry, and the further optimised competition order in the insurance market will contribute to the improvement in the operating results of insurance companies. **With respect to the Company's own development,** the Company's professional operation capabilities will continue to improve, the foundation for the Company's centralised operations will be significantly strengthened, and the Company's inherent quality and operational efficiency will continue to improve. In addition, the structure of PICC Group as an insurance and financial group will be further optimised, providing strong support and safeguard for the comprehensive transformation of the Company.

Standing at the new starting line of the Twelfth Five-year Plan, we are prepared to strive forward with determination, innovation, solid work and pragmatism to satisfactorily accomplish all tasks in 2011 with greater enthusiasm and energy, with an emphasis to improve the development quality, enhance our comprehensive competitiveness and profitability, create greater value for shareholders, and make greater contributions to the building of a harmonious society.

PROFIT APPROPRIATION AND FINAL DIVIDEND

The Board proposes that 50% of RMB5,211 million (net profit of the Company for 2010) be appropriated to the discretionary surplus reserve, after the appropriations to the statutory surplus reserve and general risk reserve according to the relevant laws and regulations. The Board does not propose any final dividend for 2010.

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 2010.

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 "Code on Corporate Governance Practices"), the Company has complied with all the code provisions of the Code on Corporate Governance Practices in 2010.

The term of office of the Directors, Mr. Wu Yan, Mr. Wang Yincheng, Mr. Tse Sze-Wing, Edmund, Mr. Lu Zhengfei, Mr. Zhou Shurui, Ms. Liu Zhenghuan and Mr. Li Tao, should have expired respectively during the period from the second half of 2009 to the first half of 2010. In accordance with the provisions of the Company Law of the People's Republic of China, where a company has not yet re-elected a director upon the expiry of his/her term of office or the number of directors is less than the required quorum due to the resignation of a director, the existing director shall continue to serve as a director until the newly elected director has commenced his/her term of office. Accordingly, the Directors as mentioned above (except for Ms. Liu Zhenghuan who resigned on 29 September 2010) have continued to serve as Directors until the assumption of office of the new session of the Board of Directors. The Company elected the third session of its Board of Directors on 17 January 2011. 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 16 January 2011. The Company has complied with such requirement from 17 January 2011.

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 were Independent Non-executive Directors. Ms. Liu Zhenghuan, another member of the Nomination, Remuneration and Review Committee, resigned as an Executive Director of the Company on 29 September 2010, and at the same time, ceased to act as a member of the aforesaid Committee. After the resignation of Ms. Liu, a majority of the members of the Nomination, Remuneration and Review Committee were Independent Non-executive Directors. As a result, 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 28 September 2010. The Company has complied with such requirement from 29 September 2010. The Company elected the members of the Nomination, Remuneration and Review Committee after the assumption of office of the third 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 2010.

By Order of the Board
Wu Yan
Chairman

Beijing, the PRC, 24 March 2011

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), Mr. Guo Shengchen and Mr. Wang He are executive directors, the non-executive directors are Mr. Zhou Shurui, Ms. Yu Xiaoping, Mr. Li Tao and Mr. Tse Sze-Wing, Edmund, the independent non-executive directors are Mr. Luk Kin Yu, Peter, Mr. Ding Ningning, Mr. Ip Shu Kwan, Stephen and Mr. Liao Li.