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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The Board of Directors (the "Board") of PICC Property and Casualty Company Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2011, with comparative figures for the corresponding period of last year, as follows:

INTERIM CONSOLIDATED INCOME STATEMENT

	Notes	**Unaudited Six months ended 30 June 2011** *RMB million*	Unaudited Six months ended 30 June 2010 *RMB million* (Restated)
TURNOVER	*4*	**91,444**	81,628
Net premiums earned	*4*	**65,946**	57,679
Net claims incurred	*5*	**(42,784)**	(38,110)
Acquisition costs and other underwriting expenses		**(10,292)**	(12,035)
General and administrative expenses		**(7,934)**	(5,616)
UNDERWRITING PROFIT		**4,936**	1,918
Investment income	*6*	**2,933**	1,796
Net realised and unrealised gains/(losses) on investments	*7*	**(332)**	65
Investment expenses		**(85)**	(73)
Interest expenses credited to policyholders' deposits		**(5)**	(18)
Exchange losses, net		**(234)**	(112)
Sundry income		**48**	112
Sundry expenses		**(40)**	(48)
Finance costs		**(514)**	(205)
Share of profit of associates		**56**	20
PROFIT BEFORE TAX	*8*	**6,763**	3,455
Income tax expense	*9*	**(1,475)**	(769)
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		**5,288**	2,686
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (in RMB)	*11*	**0.475**	0.241

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 June 2011 *RMB million*	Audited 31 December 2010 *RMB million* (Restated)
ASSETS			
Cash and cash equivalents		**54,159**	32,209
Derivative financial assets		**20**	6
Debt securities		**100,837**	92,567
Equity securities		**25,763**	19,001
Insurance receivables, net	*12*	**18,789**	10,330
Reinsurance assets		**21,991**	15,549
Other financial assets and prepayments		**16,055**	12,346
Investments in associates		**2,057**	1,611
Property, plant and equipment		**11,589**	11,765
Investment properties	*13*	**4,304**	3,940
Prepaid land premiums		**3,263**	3,360
Deferred tax assets		**1,957**	873
TOTAL ASSETS		**260,784**	203,557
LIABILITIES			
Payables to reinsurers	*14*	**19,315**	10,555
Accrued insurance protection fund		**493**	586
Tax payable		**586**	709
Other liabilities and accruals		**43,088**	25,481
Insurance contract liabilities		**145,027**	122,946
Policyholders' deposits		**2,472**	2,517
Subordinated debts		**19,210**	14,157
TOTAL LIABILITIES		**230,191**	176,951
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**11,142**	11,142
Reserves		**19,451**	15,464
TOTAL EQUITY		**30,593**	26,606
TOTAL EQUITY AND LIABILITIES		**260,784**	203,557

Notes:

1. BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of new and revised standards and interpretations as of 1 January 2011 and a voluntary change in accounting policies noted below:

New standards, interpretations and amendments thereof, adopted by the Group

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC) – Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*

Apart from the above, *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. The Group has adopted all the amendments from 1 January 2011. 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.

HKFRS 1 Amendment relieves first-time adopters of HKFRSs from providing the additional disclosures introduced in March 2009 by Improving Disclosures about Financial Instruments (Amendments to HKFRS 7). It thereby ensures that first-time adopters benefit from the same transition provisions that Amendments to HKFRS 7 provide to current HKFRS preparers. The amendment has had no significant impact on the Group's financial statements.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The revised standard has had no significant impact on the Group's related party disclosures.

HKAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of an entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendment has had no significant impact on the Group.

The HK(IFRIC)-Int 14 Amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment for future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. The adoption of the amendments has had no significant financial impact on the Group.

HK(IFRIC)-Int 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are a consideration paid in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. The interpretation has had no significant financial impact on the Group.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. While the adoption of some of the amendments result in changes in accounting policies, none of these amendments has had a significant financial impact on the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Voluntary change in accounting policies

During the period, the Group has changed its accounting policies with respect to the subsequent measurement of investment properties from the cost model to the fair value model, with changes in fair value recognised in profit or loss. The Group believes that subsequent measurement using the fair value model provides more relevant information about the financial performance of these assets.

The change was made retrospectively, restating the comparative balances and recognising accumulated fair value gains in asset revaluation reserve and retained profits. The fair values were determined based on the valuation carried out by an external independent valuer.

The effects of the above changes in respect of the accounting policies in relation to the subsequent measurement of investment properties are summarised below.

	Investment properties
	RMB million
Balance previously reported at 31 December 2010	1,577
Restatement effect on opening balances at 1 January 2010	1,255
Effect on total assets at 31 December 2010:	
Increase in fair value of investment properties in 2010	1,055
Add-back of depreciation and amortisation on investment properties in 2010	53
Restated balance at 31 December 2010	3,940

	Retained profits/ profit or loss	**Asset revaluation reserve**
	RMB million	*RMB million*
Balances previously reported at 31 December 2010	8,612	–
Restatement effect on opening balances at 1 January 2010	240	651
Effect on total comprehensive income for the year:		
Increase in fair value of investment properties in 2010 (net of tax and appropriations to surplus reserve and general risk reserve)	29	754
Add-back of depreciation and amortisation on investment properties in 2010 (net of tax and appropriations to surplus reserve and general risk reserve)	31	–
Restated balances at 31 December 2010	8,912	1,405

This change in accounting policies was applied retrospectively and the restated basic earnings per share is RMB0.241 Yuan for the six months ended 30 June 2010. The impact on net profit for the six months ended 30 June 2010 due to the restatement is as follows:

	RMB million
Net profit for the period ended 30 June 2010 (before restatement)	2,645
Fair value gain on investment properties recognised directly in profit or loss (net of tax)	28
Depreciation and amortisation written back (net of tax)	13
Net profit for the period ended 30 June 2010 (after restatement)	2,686

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services from which reportable segments derive revenue 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.

The segment income statements for the six months ended 30 June 2011 and 2010 are as follows:

Six months ended 30 June 2011 (Unaudited) **Income statement**	**Motor Vehicle** *RMB million*	**Commercial Property** *RMB million*	**Cargo** *RMB million*	**Liability** *RMB million*	**Accidental Injury and Health** *RMB million*	**Others** *RMB million*	**Corporate** *RMB million*	**Total** *RMB million*
Turnover	**64,329**	**7,628**	**2,256**	**3,536**	**2,896**	**10,799**	**–**	**91,444**
Net premiums earned	**52,670**	**4,011**	**1,527**	**2,270**	**1,704**	**3,764**	**–**	**65,946**
Net claims incurred	**(35,693)**	**(2,244)**	**(611)**	**(1,379)**	**(1,092)**	**(1,765)**	**–**	**(42,784)**
Acquisition costs and other underwriting expenses	**(8,041)**	**(1,029)**	**(318)**	**(506)**	**(292)**	**(106)**	**–**	**(10,292)**
General and administrative expenses	**(5,258)**	**(593)**	**(239)**	**(326)**	**(299)**	**(1,219)**	**–**	**(7,934)**
Underwriting profit	**3,678**	**145**	**359**	**59**	**21**	**674**	**–**	**4,936**
Investment income	**–**	**–**	**–**	**–**	**–**	**8**	**2,925**	**2,933**
Net realised and unrealised gains/(losses) on investments	**–**	**–**	**–**	**–**	**–**	**1**	**(333)**	**(332)**
Investment expenses	**–**	**–**	**–**	**–**	**–**	**–**	**(85)**	**(85)**
Interest expenses credited to policyholders' deposits	**–**	**–**	**–**	**–**	**–**	**(5)**	**–**	**(5)**
Exchange losses, net	**–**	**–**	**–**	**–**	**–**	**–**	**(234)**	**(234)**
Finance costs	**–**	**–**	**–**	**–**	**–**	**–**	**(514)**	**(514)**
Sundry income and expenses	**–**	**–**	**–**	**–**	**–**	**–**	**8**	**8**
Share of profit of associates	**–**	**–**	**–**	**–**	**–**	**–**	**56**	**56**
Profit before tax	**3,678**	**145**	**359**	**59**	**21**	**678**	**1,823**	**6,763**
Income tax expense	**–**	**–**	**–**	**–**	**–**	**–**	**(1,475)**	**(1,475)**
Profit attributable to owners of the parent	**3,678**	**145**	**359**	**59**	**21**	**678**	**348**	**5,288**

Six months ended 30 June 2010 (Unaudited) 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)	Others *RMB million* (Restated)	Corporate *RMB million* (Restated)	Total *RMB million* (Restated)
Turnover	58,846	6,937	1,992	3,080	2,129	8,644	–	81,628
Net premiums earned	46,358	3,295	1,343	1,972	1,226	3,485	–	57,679
Net claims incurred	(31,226)	(1,722)	(678)	(1,270)	(825)	(2,389)	–	(38,110)
Acquisition costs and other underwriting expenses	(10,315)	(762)	(198)	(399)	(188)	(173)	–	(12,035)
General and administrative expenses	(3,728)	(337)	(324)	(270)	(212)	(745)	–	(5,616)
Underwriting profit	1,089	474	143	33	1	178	–	1,918
Investment income	–	–	–	–	–	20	1,776	1,796
Net realised and unrealised gains on investments	–	–	–	–	–	5	60	65
Investment expenses	–	–	–	–	–	(1)	(72)	(73)
Interest expenses credited to policyholders' deposits	–	–	–	–	–	(18)	–	(18)
Exchange losses, net	–	–	–	–	–	–	(112)	(112)
Finance costs	–	–	–	–	–	–	(205)	(205)
Sundry income and expenses	–	–	–	–	–	–	64	64
Share of profit of an associate	–	–	–	–	–	–	20	20
Profit before tax	1,089	474	143	33	1	184	1,531	3,455
Income tax expense	–	–	–	–	–	–	(769)	(769)
Profit attributable to owners of the parent	1,089	474	143	33	1	184	762	2,686

The segment assets and liabilities as at 30 June 2011 and 31 December 2010 are as follow:

30 June 2011 (Unaudited)	**Motor Vehicle** *RMB million*	**Commercial Property** *RMB million*	**Cargo** *RMB million*	**Liability** *RMB million*	**Accidental Injury and Health** *RMB million*	**Others** *RMB million*	**Corporate** *RMB million*	**Total** *RMB million*
Total assets	**15,822**	**5,518**	**1,480**	**2,431**	**2,399**	**15,759**	**217,375**	**260,784**
Total liabilities	**120,175**	**13,271**	**3,559**	**8,127**	**5,587**	**24,084**	**55,388**	**230,191**

31 December 2010 (Audited)	Motor Vehicle *RMB million*	Commercial Property *RMB million*	Cargo *RMB million*	Liability *RMB million*	Accidental Injury and Health *RMB million*	Others *RMB million*	Corporate *RMB million* (Restated)	Total *RMB million* (Restated)
Total assets	8,437	3,766	1,116	2,063	1,755	11,302	175,118	203,557
Total liabilities	102,689	10,090	2,913	7,086	4,316	18,739	31,118	176,951

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, which is a measure of underwriting profit.

4. TURNOVER AND NET PREMIUMS EARNED

Turnover represents direct premiums written and reinsurance premiums assumed.

	Unaudited Six months ended 30 June 2011 *RMB million*	Unaudited Six months ended 30 June 2010 *RMB million*
Turnover		
Direct premiums written	**91,219**	81,406
Reinsurance premiums assumed	**225**	222
	91,444	81,628
Net premiums earned		
Turnover	**91,444**	81,628
Less: Reinsurance premiums ceded	**(18,216)**	(6,630)
Net premiums written	**73,228**	74,998
Less: Change in net unearned premium reserves	**(7,282)**	(17,319)
Net premiums earned	**65,946**	57,679

5. NET CLAIMS INCURRED

	Unaudited Six months ended 30 June 2011 *RMB million*	Unaudited Six months ended 30 June 2010 *RMB million*
Gross claims paid	**38,341**	33,794
Less: Paid losses recoverable from reinsurers	**(3,914)**	(3,728)
Net claims paid	**34,427**	30,066
Change in net loss and loss adjustment expense reserves	**8,357**	8,044
Net claims incurred	**42,784**	38,110

6. INVESTMENT INCOME

	Unaudited Six months ended 30 June 2011 *RMB million*	Unaudited Six months ended 30 June 2010 *RMB million*
Rental income from investment properties	**93**	42
Financial assets at fair value through profit or loss		
– Held for trading:		
Interest income	**24**	32
Dividend income	**17**	60
– Designated upon initial recognition:		
Interest income	**8**	8
Available for sale financial assets:		
Interest income	**1,428**	987
Dividend income	**425**	231
Held to maturity investments:		
Interest income	**269**	35
Loans and receivables:		
Interest income	**669**	401
	2,933	1,796

7. NET REALISED AND UNREALISED GAINS/(LOSSES) ON INVESTMENTS

	Unaudited Six months ended 30 June 2011 ***RMB million***	Unaudited Six months ended 30 June 2010 *RMB million* (Restated)
Available for sale financial assets:		
Realised gains	**90**	261
Impairment losses	**(337)**	–
Financial assets at fair value through profit or loss		
– Held for trading:		
Realised gains/(losses)	**(90)**	11
Unrealised losses	**(15)**	(285)
Fair value gains on investment properties	**20**	37
Profit on deemed disposal of an associate	**–**	41
	(332)	65

8. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting) the following items:

	Unaudited Six months ended 30 June 2011 ***RMB million***	Unaudited Six months ended 30 June 2010 *RMB million* (Restated)
Depreciation of property, plant and equipment	**534**	463
Changes in fair value of investment properties	**(20)**	(37)
Amortisation of prepaid land premiums	**49**	51
Charge of impairment loss on insurance receivables	**528**	273

9. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June 2011 *RMB million*	Unaudited Six months ended 30 June 2010 *RMB million* (Restated)
Current		
– Charge for the period	**2,169**	860
– Under-provision in prior years	**7**	11
Deferred	**(701)**	(102)
	1,475	769

The provision for the PRC income tax is calculated based on the statutory rate of 25% (2010: 25%) in accordance with the relevant PRC income tax rules and regulations.

10. DIVIDEND

	Unaudited Six months ended 30 June 2011 *RMB million*	Unaudited Six months ended 30 June 2010 *RMB million*
Interim dividends on ordinary shares approved (not recognised as a liability as at 30 June) for 2011: RMB0.225 per share (2010: Nil)	**2,507**	–

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 attributable to ordinary equity holders of the parent of RMB5,288 million for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB2,686 million (restated)) and the 11,142 million (six months ended 30 June 2010: 11,142 million) ordinary shares in issue during the period.

Diluted earnings per share amounts for the six months ended 30 June 2011 and 2010 have not been disclosed as no diluting events existed during these periods.

12. INSURANCE RECEIVABLES, NET

	Unaudited 30 June 2011 *RMB million*	Audited 31 December 2010 *RMB million*
Premiums receivable and agents' balances	**10,637**	5,399
Receivables from reinsurers	**10,854**	7,107
	21,491	12,506
Less: Impairment provision on:		
Premiums receivable and agents' balances	**(2,502)**	(2,035)
Receivables from reinsurers	**(200)**	(141)
	18,789	10,330

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

	Unaudited 30 June 2011 *RMB million*	Audited 31 December 2010 *RMB million*
On demand	**10,985**	6,509
Within 1 month	**2,807**	961
1 to 3 months	**2,508**	1,518
Over 3 months	**2,489**	1,342
	18,789	10,330

Included in the insurance receivables is an amount due from a fellow subsidiary of RMB243 million (31 December 2010: RMB238 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. For large corporate customers and certain multi-year policies, payments by instalments are usually arranged.

13. INVESTMENT PROPERTIES

	RMB million
At 1 January 2011	3,940
Transfer from property, plant and equipment and prepaid land premiums	135
Fair value gain on revaluation of investment properties transferred from property, plant and equipment and prepaid land premiums	209
Increase in fair value of investment properties during the period	20
At 30 June 2011	4,304

As per note 2, the Group changed its accounting policies for subsequent measurement of investment properties from the cost model to the fair value model retrospectively, restating the comparative balances. The fair values were determined based on the valuation carried out by an external independent valuer.

The Group's investment properties were revalued as at 31 December 2009, 30 June 2010, 31 December 2010 and 30 June 2011 by an independent professional valuer, DTZ DEBENHAM TIE LEUNG Limited. Valuations were based on either: (i) on direct comparison approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market; or (ii) capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group's investment properties are all situated in Mainland China and are held under medium term leases.

Rental income generated from these investment properties amounting to RMB93 million (six month ended 30 June 2010: RMB42 million) was recognised in the income statement for the period.

At 30 June 2011 and 31 December 2010, none of the Group's investment properties was pledged to secure general banking facilities granted to the Group.

14. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	Unaudited	Audited
	30 June 2011	31 December 2010
	RMB million	*RMB million*
Reinsurance payables	**19,315**	10,555

Reinsurance payables are non-interest-bearing and are due within three months from the settlement dates or are repayable on demand.

Included in the reinsurance payables is an amount due to a fellow subsidiary of RMB334 million (31 December 2010: RMB483 million).

15. NON-CONTROLLING INTERESTS

	Unaudited	Audited
	30 June 2011	31 December 2010
	RMB Yuan	*RMB Yuan*
Non-controlling interests	**20,221**	21,553

	Unaudited	Unaudited
	Six months ended	Six months ended
	30 June 2011	30 June 2010
	RMB Yuan	*RMB Yuan*
Net loss attributable to Non-controlling interests	**(1,332)**	(1)

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITIONS

Overview

In the first half of 2011, the Company achieved a steady business growth, significantly improved profitability and maintained an ample cash flow, and continued to maintain its leading position in the non-life insurance market in the PRC. In the first half of 2011, the turnover of the Company and its subsidiaries increased by 12.0% to RMB91,444 million compared to the first half of 2010. The Company had a 37.3% *(Note)* market share in the non-life insurance market in the PRC. In the first half of 2011, the Company and its subsidiaries recorded an underwriting profit of RMB4,936 million, representing a significant increase of RMB3,018 million compared to, and 2.57 times that of, the same period of last year, a combined ratio of 92.5%, representing a decline of 4.2 percentage points compared to the same period of last year, and a net profit of RMB5,288 million, representing a significant increase of RMB2,602 million compared to, and 1.97 times that of, the same period of last year. As at 30 June 2011, the total assets and shareholders' equity of the Company and its subsidiaries reached RMB260,784 million and RMB30,593 million respectively, representing an increase of 28.1% and 15.0% respectively compared to the end of last year.

Note: Calculated according to the PRC insurance industry data for the first half of 2011 published on the website of the China Insurance Regulatory Commission (the "CIRC").

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.

	Six months ended 30 June			
	2011		2010 (Restated)	
	RMB million	**%**	*RMB million*	%
Net premiums earned	**65,946**	**100.0**	57,679	100.0
Net claims incurred	**(42,784)**	**(64.9)**	(38,110)	(66.1)
Total expenses (including acquisition costs and other underwriting expenses and general and administrative expenses)	**(18,226)**	**(27.6)**	(17,651)	(30.6)
Underwriting profit	**4,936**	**7.5**	1,918	3.3

Turnover

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
Motor vehicle insurance	**64,329**	58,846
Commercial property insurance	**7,628**	6,937
Liability insurance	**3,536**	3,080
Accidental injury and health insurance	**2,896**	2,129
Cargo insurance	**2,256**	1,992
Other insurance	**10,799**	8,644
Total	**91,444**	81,628

Turnover of the Company and its subsidiaries was RMB91,444 million in the first half of 2011, representing an increase of RMB9,816 million (or 12.0%) from RMB81,628 million in the first half of 2010. Apart from the driving effects of the motor vehicle insurance segment, the steady growth in the overall business also benefited from the rapid growth in the liability insurance, accidental injury and health insurance and cargo insurance segments as well as agricultural insurance under the other insurance segment.

In response to the changes in the production and sales volumes of automobiles in the domestic market, the Company strengthened the effort in market development and actively explored emerging channels in the first half of 2011. Turnover of the motor vehicle insurance segment of the Company and its subsidiaries was RMB64,329 million in the first half of 2011, representing an increase of RMB5,483 million (or 9.3%) from RMB58,846 million in the first half of 2010.

Turnover of the liability insurance segment of the Company and its subsidiaries was RMB3,536 million in the first half of 2011, representing an increase of RMB456 million (or 14.8%) from RMB3,080 million in the first half of 2010. The key promoted products of the Company, such as the safety production liability insurance and travel liability insurance, experienced significant progress in their development.

Turnover of the accidental injury and health insurance segment of the Company and its subsidiaries was RMB2,896 million in the first half of 2011, representing an increase of RMB767 million (or 36.0%) from RMB2,129 million in the first half of 2010. In the first half of 2011, the Company fully utilised its motor vehicle insurance customer resources to promote the rapid development of the business of accident insurance for motor vehicle drivers, and actively developed the supplementary medical insurance for urban and town employees and residents to promote the growth of health insurance business.

Turnover of the cargo insurance segment of the Company and its subsidiaries was RMB2,256 million in the first half of 2011, representing an increase of RMB264 million (or 13.3%) from RMB1,992 million in the first half of 2010. During the first half of 2011, the rise in both the trading volume and price in the domestic railway freight market and the substantial increase in the total value of imported goods had been driving the rapid development of railway cargo insurance and import cargo insurance.

During the first half of 2011, the scope of subsidised crops and regions covered by state financial supported agricultural insurance continued to expand, and local governments had constantly increased their support for state financial supported forest insurance. As a result, the turnover of agricultural insurance under the other insurance segment of the Company and its subsidiaries regained the momentum of rapid growth.

Net Premiums Earned

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
Motor vehicle insurance	**52,670**	46,358
Commercial property insurance	**4,011**	3,295
Liability insurance	**2,270**	1,972
Accidental injury and health insurance	**1,704**	1,226
Cargo insurance	**1,527**	1,343
Other insurance	**3,764**	3,485
Total	**65,946**	57,679

Net premiums earned of the Company and its subsidiaries was RMB65,946 million in the first half of 2011, representing an increase of RMB8,267 million (or 14.3%) from RMB57,679 million in the first half of 2010.

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.

	Six months ended 30 June			
	2011		2010	
	Net claims incurred *RMB million*	**Loss ratio** %	Net claims incurred *RMB million*	Loss ratio %
Motor vehicle insurance	**(35,693)**	**(67.8)**	(31,226)	(67.4)
Commercial property insurance	**(2,244)**	**(55.9)**	(1,722)	(52.3)
Liability insurance	**(1,379)**	**(60.7)**	(1,270)	(64.4)
Accidental injury and health insurance	**(1,092)**	**(64.1)**	(825)	(67.3)
Cargo insurance	**(611)**	**(40.0)**	(678)	(50.5)
Other insurance	**(1,765)**	**(46.9)**	(2,389)	(68.6)
Total	**(42,784)**	**(64.9)**	(38,110)	(66.1)

Net claims incurred of the Company and its subsidiaries was RMB42,784 million in the first half of 2011, representing an increase of RMB4,674 million (or 12.3%) from RMB38,110 million in the first half of 2010. Loss ratio decreased by 1.2 percentage points from 66.1% in the first half of 2010 to 64.9% in the first half of 2011, primarily due to the decline in the loss ratios for the liability insurance, accidental injury and health insurance, cargo insurance segments and agricultural insurance under the other insurance segment.

Net claims incurred of the motor vehicle insurance segment of the Company and its subsidiaries was RMB35,693 million in the first half of 2011, representing an increase of RMB4,467 million (or 14.3%) from RMB31,226 million in the first half of 2010. Loss ratio basically remained at the same level compared to the same period of last year.

Net claims incurred of the commercial property insurance segment of the Company and its subsidiaries was RMB2,244 million in the first half of 2011, representing an increase of RMB522 million (or 30.3%) from RMB1,722 million in the first half of 2010. Loss ratio increased from 52.3% in the first half of 2010 to 55.9% in the first half of 2011 due to the effects of a few large-value claims incurred in the first half of 2011.

Net claims incurred of the liability insurance segment of the Company and its subsidiaries was RMB1,379 million in the first half of 2011, representing an increase of RMB109 million (or 8.6%) from RMB1,270 million in the first half of 2010. Loss ratio decreased from 64.4% in the first half of 2010 to 60.7% in the first half of 2011, primarily due to the continually improved underwriting conditions and enhanced underwriting quality of liability insurance provided by the Company and its subsidiaries.

Net claims incurred of the accidental injury and health insurance segment of the Company and its subsidiaries was RMB1,092 million in the first half of 2011, representing an increase of RMB267 million (or 32.4%) from RMB825 million in the first half of 2010. Loss ratio decreased from 67.3% in the first half of 2010 to 64.1% in the first half of 2011. The Business Operation Standards for Accidental Injury Insurance began to be implemented last year, and the Company and its subsidiaries enhanced the risk identification and centralised management and control in the underwriting process and at the same time strengthened moral risk prevention. As a result, there was a decline in the loss ratio for the accident insurance for motor vehicle drivers and construction accident insurance provided by the Company and its subsidiaries.

Net claims incurred of the cargo insurance segment of the Company and its subsidiaries was RMB611 million in the first half of 2011, representing a decrease of RMB67 million (or -9.9%) from RMB678 million in the first half of 2010. Loss ratio for the cargo insurance segment of the Company and its subsidiaries decreased by 10.5 percentage points in the first half of 2011 compared to the same period of last year, primarily due to the effects of a few large-value claims incurred in the first half of 2010.

There was a decline in the loss ratio for agricultural insurance under the other insurance segment of the Company and its subsidiaries in the first half of 2011, primarily due to the efforts of the Company in recent years to strengthen risk management and control, enlarge the underwriting coverage and further improve the quality of business.

Total Expenses

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

	Six months ended 30 June			
	2011		2010 (Restated)	
	Total expenses *RMB million*	**Expense ratio** **%**	Total expenses *RMB million*	Expense ratio %
Motor vehicle insurance	**(13,299)**	**(25.2)**	(14,043)	(30.3)
Commercial property insurance	**(1,622)**	**(40.4)**	(1,099)	(33.4)
Liability insurance	**(832)**	**(36.7)**	(669)	(33.9)
Accidental injury and health insurance	**(591)**	**(34.7)**	(400)	(32.6)
Cargo insurance	**(557)**	**(36.5)**	(522)	(38.9)
Other insurance	**(1,325)**	**(35.2)**	(918)	(26.3)
Total	**(18,226)**	**(27.6)**	(17,651)	(30.6)

In the first half of 2011, the total expenses of the Company and its subsidiaries was RMB18,226 million, representing an increase of RMB575 million (or 3.3%) from RMB17,651 million in the first half of 2010. The total expenses increased at a rate slower than the pace of business growth for the same period. The first half of 2011 witnessed the further regulation of the order in the domestic property insurance market and the effective control of the promotional and management costs of market players. The Company and its subsidiaries continued to strengthen the category-based management of businesses and make steady progress in differentiated allocation of expenses and resources. As a result, the expense ratio decreased from 30.6% in the first half of 2010 to 27.6% in the first half of 2011.

Underwriting Profit

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

	Six months ended 30 June			
	2011		2010 (Restated)	
	Underwriting profit	**Underwriting profit ratio**	Underwriting profit	Underwriting profit ratio
	RMB million	**%**	*RMB million*	%
Motor vehicle insurance	**3,678**	**7.0**	1,089	2.3
Commercial property insurance	**145**	**3.6**	474	14.4
Liability insurance	**59**	**2.6**	33	1.7
Accidental injury and health insurance	**21**	**1.2**	1	0.1
Cargo insurance	**359**	**23.5**	143	10.6
Other insurance	**674**	**17.9**	178	5.1
Total	**4,936**	**7.5**	1,918	3.3

In the first half of 2011, the external market environment continued to improve, and the Company continued to deepen its reforms and transformations, achieved a high quality and steady growth of business and has entered a high-speed track of healthy development. The underwriting profit of the Company and its subsidiaries was RMB4,936 million in the first half of 2011, 2.57 times that of the same period of last year, with the underwriting profit ratio reaching 7.5%.

Investment Results

Investment income

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
Rental income from investment properties	**93**	42
Interest income	**2,398**	1,463
Dividend income	**442**	291
Total of investment income	**2,933**	1,796

Investment income of the Company and its subsidiaries was RMB2,933 million in the first half of 2011, representing an increase of RMB1,137 million from RMB1,796 million in the first half of 2010. Particularly, the interest income increased by RMB935 million and the dividend income increased by RMB151 million compared to the same period of last year, primarily due to the enlarged amount of investment assets of the Company and its subsidiaries.

Net realised and unrealised gains/(losses) on investments

	Six months ended 30 June	
	2011	2010
		(Restated)
	RMB million	*RMB million*
Realised gains on investments	–	272
Unrealised losses on investments	**(15)**	(285)
Impairment losses	**(337)**	–
Fair value gains on investment properties	**20**	37
Profit on deemed disposal of an associate	–	41
Total of net realised and unrealised gains/(losses) on investments	**(332)**	65

In the first half of 2011, a period when the capital market remained volatile, net realised and unrealised losses on investments of the Company and its subsidiaries amounted to RMB332 million, representing a decrease of RMB397 million from net gains of RMB65 million in the first half of 2010. This was primarily due to a decrease of RMB171 million in realised gains on investments in available for sale financial assets compared to the same period of last year, and the provision for impairment losses on investments in available for sale equity securities according to the changes in their market values.

Overall Results

	Six months ended 30 June	
	2011	2010
		(Restated)
	RMB million	*RMB million*
Profit before tax	**6,763**	3,455
Income tax expense	**(1,475)**	(769)
Profit attributable to owners of the parent	**5,288**	2,686
Total assets *(Note)*	**260,784**	203,557

Note: Based on the data as of 30 June 2011 and 31 December 2010.

Profit Before Tax

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB6,763 million in the first half of 2011, representing an increase of RMB3,308 million from RMB3,455 million in the first half of 2010.

Income Tax Expense

Income tax expense of the Company and its subsidiaries was RMB1,475 million in the first half of 2011, representing an increase of RMB706 million from RMB769 million in the first half of 2010. 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 the first half of 2011.

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 the first half of 2011, and net profit increased by RMB2,602 million from RMB2,686 million (restated) in the first half of 2010 to RMB5,288 million in the first half of 2011. Basic earnings per share attributable to ordinary equity holders of the parent in the first half of 2011 was RMB0.475.

Cash Flow

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
Net cash inflow from operating activities	**18,633**	19,406
Net cash outflow from investing activities	**(36,906)**	(19,297)
Net cash inflow from financing activities	**19,915**	5,120
Net increase in cash and cash equivalents	**1,642**	5,229

Net cash inflow from operating activities of the Company and its subsidiaries was RMB18,633 million in the first half of 2011, representing a decrease of RMB773 million from RMB19,406 million in the first half of 2010.

In the first half of 2011, 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 RMB36,906 million in the first half of 2011, representing an increase of RMB17,609 million compared to the first half of 2010. Particularly, deposits with banks and other financial institutions with original maturity of more than three months resulted in a cash outflow of RMB26,000 million, representing an increase of RMB18,166 million compared to the same period of last year.

Net cash inflow from financing activities of the Company and its subsidiaries was RMB19,915 million in the first half of 2011, representing an increase of RMB14,795 million compared to the first half of 2010. Particularly, cash inflow from investments in securities sold under agreements to repurchase was RMB15,442 million, representing an increase of RMB13,670 million compared to the same period of last year.

As of 30 June 2011, cash and cash equivalents *(Note)* of the Company and its subsidiaries amounted to RMB19,369 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, 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 2011, June 2010, September 2009 and December 2006, the Company issued fixed-rate subordinated term debts of RMB5,000 million, RMB6,000 million, RMB5,000 million and RMB3,000 million, 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.

Investment in an Associate

On 15 June 2011, the Company entered into an agreement agreeing to make an additional capital contribution of approximately RMB545 million to PICC Life Insurance Company Limited ("PICC Life"). Upon completion of the capital increase of PICC Life, the Company's shareholding in PICC Life remains unchanged, accounting for 8.615% of the enlarged issued share capital of PICC Life.

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 RMB621 million in the first half of 2011.

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 of the PRC, the Company was required to maintain a minimum solvency margin of RMB20,266 million on 30 June 2011. The Company's actual solvency margin calculated pursuant to the regulations of the CIRC was RMB32,211 million and the solvency margin adequacy ratio was 159% *(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 30 June 2011, the gearing ratio *(Note)* of the Company and its subsidiaries was 80.9%, representing an increase of 0.9 percentage point from 80.0% as of 31 December 2010.

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

There were certain outstanding litigation matters against the Company and its subsidiaries as at 30 June 2011. 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 may 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 12 August 2011, the Board approved the 2011 interim dividend distribution of RMB0.225 per ordinary share totaling RMB2,507 million.

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 certain policies via insurance intermediaries. The ability to collect premiums on a timely manner remains one of the key performance indicators 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 Standard & Poor's ratings of A- or ratings of equal level given by other international rating agencies (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 investee 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 banks 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 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 from the foreign exchange policies of the PRC government.

Interest Rate Risk

Interest rate risk means the risks of changes in the values or future cash flows of financial instruments as a result of changes in market interest rates. The Company and its subsidiaries primarily invest in financial assets with a term ranging from four to five years based on the assessment of the future trend in interest rate and risk tolerance of 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 30 June 2011, the interest rate swap contracts held by the Company had a total notional amount of RMB2,230 million.

Development of New Products

In the first half of 2011, the Company further strengthened the development and management of products, and pursued innovation while ensuring legal compliance to maximise the role of products in promoting the healthy development of the Company's business. In the first half of 2011, the Company developed and improved a total of 87 insurance products including 24 national products and 63 regional products. In the first half of 2011, the Company submitted a total of 195 insurance provisions and premium rates to the insurance regulatory authority for approval and filing, which consisted of 68 national provisions and premium rates and 127 regional provisions and premium rates as well as 75 main-insurance provisions and premium rates and 120 rider provisions and premium rates. As of 30 June 2011, the Company had 3,381 national provisions and 1,510 regional provisions in use and operation.

Employees

As of 30 June 2011, the Company had 135,158 employees, among which the number of employees with labor contracts of the Company's headquarters version was 60,952. Staff remuneration payment by the Company and its subsidiaries in the first half of 2011 was RMB6,906 million, which mainly included basic salaries, performance-related bonus, and various insurances 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 the 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

In the second half of 2011, the Company will, in the process of carrying out its overall strategic blueprint and promoting its reforms and transformations, manage appropriately the relationships between external strategic planning and internal growth mechanism building, between the implementation of phased competitive strategies and overall strategies, between the quality of growth and the market share, between national and provincial centralised platforms, and between the platform structure and the process mechanism.

In the second half of 2011, the Company will strictly comply with time requirements, place emphasis on the effectiveness of work, and further deepen its reforms and transformations to ensure the full accomplishment of all the annual operating objectives and tasks: unswervingly carry out high-priority projects to lay a solid foundation for the Company's reforms and transformations; continue to promote profitable development and fully consolidate and enhance the Company's market leadership; apply a multi-pronged approach to strengthen cost management and control and successfully achieve the full-year profit targets; always adhere to staying people-oriented and continue to enhance the effectiveness of the human resource management of the Company; and unremittingly strengthen compliance management to ensure the sound operations of the Company.

INTERIM DIVIDEND

The Board of Directors declared the payment of an interim dividend of RMB0.225 (inclusive of applicable tax) (“Interim Dividend”) per share for the six months ended 30 June 2011. The Interim Dividend will be paid to the shareholders whose names appear on the register of members of the Company on 7 September 2011 (Wednesday). Interim Dividend on H shares will be paid in Hong Kong dollars. The applicable exchange rate for calculating the amount of Interim Dividend on H shares is HK$1=RMB0.82304, being the average middle exchange rate of Hong Kong dollars to Renminbi on the interbank foreign exchange market as announced by the China Foreign Exchange Trade System under the authorisation of the People’s Bank of China for the calendar week prior to the date of declaration of the Interim Dividend. Accordingly, the amount of the Interim Dividend per H share is HK$0.27338 (inclusive of applicable tax), the payment of which is expected to be made on or about 31 October 2011.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of shareholders who will be entitled to receive the Interim Dividend, the register of members of the Company will be closed from 2 September 2011 (Friday) to 7 September 2011 (Wednesday), both days inclusive, during which period no transfer of shares will be effected. Holders of H shares and domestic shares whose names appear on the register of members of the Company on 7 September 2011 (Wednesday) will be entitled to receive the Interim Dividend. In order for holders of H shares to qualify for the Interim Dividend payment, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 1 September 2011 (Thursday) for registration.

WITHHOLDING AND PAYMENT OF INTERIM DIVIDEND INCOME TAX

Withholding and Payment of Enterprise Income Tax on behalf of Overseas Non-Resident Enterprises

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) and its implementing rules, the Company will withhold and pay enterprise income tax at the rate of 10% when it distributes Interim Dividend to non-resident enterprise holders of H shares (including any H shares registered in the name of HKSCC Nominees Limited).

Withholding and Payment of Individual Income Tax on behalf of Overseas Individual Shareholders

Pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementing rules as well as the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No.124) (《國家稅務總局關於印發＜非居民享受稅收協定待遇管理辦法（試行）＞的通知》(國稅發[2009]124號)) (the "Tax Notice"), the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on behalf of individual holders of H shares who are entitled to receive the Interim Dividend ("Individual H Shareholders"):

- For Individual H Shareholders who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholders in the distribution of Interim Dividend;

- For Individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholders in the distribution of Interim Dividend. If relevant Individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Company will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Notice. Qualified shareholders please submit in time a letter of entrustment and all application materials as required under the Tax Notice to the Company's H share registrar, Computershare Hong Kong Investor Services Limited. The Company will then submit the above documents to competent tax authorities and, after their examination and approval, the Company will assist in refunding the excess amount of tax withheld and paid;

- For Individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of the Individual H Shareholders in the distribution of Interim Dividend; and

- For Individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the Individual H Shareholders in the distribution of Interim Dividend.

Should the H shareholders of the Company have any doubt as to the aforesaid arrangements, they are recommended to consult their tax advisors on the relevant tax impact in Mainland China, Hong Kong and other countries (regions) on the possession and disposal of H shares of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities in the first half of 2011.

CORPORATE GOVERNANCE

Save for one of the requirements under the code provision A.4.2 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 had complied with all the code provisions of the Code on Corporate Governance Practices in the first half of 2011.

The term of directorship of Mr. Wu Yan, Mr. Wang Yincheng, Mr. Tse Sze-Wing, Edmund, Mr. Lu Zhengfei, Mr. Zhou Shurui 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 (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 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 commences his/her term of office. Accordingly, the Directors mentioned above continued to serve as Directors until the assumption of office of the third session of the Board. The Company elected the third session of the Board 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 complied with such requirement from 17 January 2011 until 28 April 2011. The term of directorship of Mr. Luk Kin Yu, Peter should have expired on 28 April 2011. Pursuant to the above provisions of the Company Law, Mr. Luk Kin Yu, Peter has continued to serve as a Director until the newly elected director commences his/her term of office. 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 29 April 2011 to the date of this announcement.

REVIEW OF INTERIM RESULTS

Ernst & Young, the Company's auditors, and the Audit Committee of the Company have reviewed the interim condensed consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2011.

By Order of the Board
Wu Yan
Chairman

Beijing, the PRC
12 August 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.