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 2011

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 2011, together with comparative figures for prior years, as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2011** **RMB million**	2010 *RMB million* (Restated)
TURNOVER	*5*	**173,962**	154,307
Net premiums earned	*5*	**133,134**	122,990
Net claims incurred	*6*	**(87,546)**	(82,908)
Acquisition cost and other underwriting expenses	*7*	**(20,290)**	(23,412)
General and administrative expenses		**(17,282)**	(13,890)
UNDERWRITING PROFIT		**8,016**	2,780
Investment income	*8*	**6,529**	3,968
Net realised and unrealised gains/(losses) on investments	*9*	**(2,600)**	1,127
Investment expenses		**(159)**	(193)
Interest expenses credited to policyholders' deposits		**(17)**	(25)
Exchange losses, net		**(328)**	(370)
Sundry income		**220**	325
Sundry expenses		**(167)**	(309)
Finance costs		**(1,316)**	(788)
Share of profits and losses of associates		**108**	81
PROFIT BEFORE TAX	*10*	**10,286**	6,596
Income tax expense	*11*	**(2,259)**	(1,308)
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		**8,027**	5,288
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (in RMB)	*12*	**0.683**	0.452

Details of the dividends approved for the year are disclosed in note 13 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2011 RMB million**	31 December 2010 RMB million (Restated)	1 January 2010 RMB million (Restated)
ASSETS				
Cash and cash equivalents		**58,638**	32,209	32,143
Derivative financial assets		**51**	6	16
Debt securities		**98,062**	92,567	58,458
Equity securities		**22,512**	19,001	14,683
Insurance receivables, net	*14*	**22,093**	10,330	17,170
Tax recoverable		**–**	–	89
Reinsurance assets		**24,275**	15,549	14,426
Other financial assets and prepayments		**15,347**	12,346	10,947
Investments in associates		**2,131**	1,611	644
Property, plant and equipment		**12,770**	11,765	12,282
Investment properties	*15*	**4,443**	3,940	2,147
Prepaid land premiums		**3,410**	3,360	3,565
Deferred tax assets		**1,912**	873	–
TOTAL ASSETS		**265,644**	203,557	166,570
LIABILITIES				
Payables to reinsurers	*16*	**25,746**	10,555	16,595
Accrued insurance protection fund		**536**	586	418
Tax payable		**526**	709	–
Other liabilities and accruals		**36,332**	25,481	20,625
Insurance contract liabilities		**145,717**	122,946	92,695
Policyholders' deposits		**2,328**	2,517	5,287
Subordinated debts		**19,299**	14,157	8,000
Deferred tax liabilities		**–**	–	245
TOTAL LIABILITIES		**230,484**	176,951	143,865
EQUITY				
Equity attributable to owners of the parent				
Issued capital		**12,256**	11,142	11,142
Reserves		**22,904**	15,464	11,563
TOTAL EQUITY		**35,160**	26,606	22,705
TOTAL EQUITY AND LIABILITIES		**265,644**	203,557	166,570

Notes:

1. CORPORATE INFORMATION

PICC Property and Casualty Company Limited (the "Company") is a limited liability joint stock company incorporated in the People's Republic of China (the "PRC").

The registered office of the Company is located at Tower 2, No.2 Jianguomenwai Avenue, Chaoyang District, Beijing 100022, the PRC.

The principal activity of the Company and its subsidiaries (collectively referred to as the "Group") is the provision of property and casualty insurance services. The details of the operating segments are set out in note 4 to the financial statements.

In the opinion of the directors, the parent and the ultimate holding company of the Company is The People's Insurance Company (Group) of China Limited (the "PICC Group"), which is incorporated in the PRC.

2. 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 investment properties, certain debt securities, certain equity securities, derivatives and certain 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

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. 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.

Total comprehensive income within a subsidiary is 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 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 2011, the net profit attributable to non-controlling interests amounted to RMB195 (2010: a net loss of RMB848). As at 31 December 2011, the net assets attributable to non-controlling interests amounted to RMB21,748 (31 December 2010: RMB21,553).

3. 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.

New standard, 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*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

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

(a) HKFRS 1 Amendment *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*

The amendment allows a first-time adopter of HKFRSs with the same relief currently available to existing HKFRS adopters from providing comparative information for periods ended before 31 December 2009 for the disclosures required by the Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments* issued in March 2009. The amendment has had no impact on the financial position or performance of the Group.

(b) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard has had no impact on the financial position or performance of the Group.

(c) HKAS 32 Amendment *Financial Instruments: Presentation – Classification of Rights Issues*

The amendment revises the definition of a financial liability in HKAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no significant impact on the financial position or performance of the Group.

(d) HK(IFRIC)-Int 14 Amendments to *Prepayments of a Minimum Funding Requirement*

The amendments remove an unintended consequence arising from the treatment of prepayments of future contributions when an entity is subject to minimum funding requirement and makes an early payment of contributions to cover such requirements. The amendments permit a prepayment of future service cost by the entity to be recognised as a pension asset. As the Group has not entered into such defined benefit schemes, the adoption of the amendments has had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 19 *Extinguishing Financial Liabilities with Equity Instruments*

The interpretation 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. As the Group has no such renegotiation on the terms of its financial liabilities, the adoption of the interpretation has had no impact on the financial position or performance of the Group.

(f) Amendments to a number of HKFRSs issued in May 2010

Improvements to HKFRSs 2010 issued in May 2010 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 financial position or performance of the Group.

Change in accounting policies

During the year, 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 the 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 in the following tables.

Effects on the statements of financial position of the Group as at 31 December 2010:

	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 *RMB million*	Asset revaluation reserve *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

Effects on the statements of financial position of the Group as at 1 January 2010:

	Investment properties *RMB million*
Balance previously reported at 1 January 2010	706
Restatement effect on opening balances at 1 January 2009	1,024
Effect on total assets at 1 January 2010:	
Increase in fair value of investment properties in 2009	382
Add-back of depreciation and amortisation on investment properties in 2009	35
Restated balance at 1 January 2010	2,147

	Retained profits *RMB million*	Asset revaluation reserve *RMB million*
Balances previously reported at 1 January 2010	4,442	–
Restatement effect on opening balances at 1 January 2009	115	495
Effect on total comprehensive income for the year:		
Increase in fair value of investment properties in 2009 (net of tax and appropriations to surplus reserve and general risk reserve)	104	156
Add-back of depreciation and amortisation on investment properties in 2009 (net of tax and appropriations to surplus reserve and general risk reserve)	21	–
Restated balances at 1 January 2010	4,682	651

This change in accounting policies was applied retrospectively and the restated basic earnings per share is RMB0.475 for the year ended 31 December 2010, which is calculated based on the weighted average number of ordinary shares in issue before the adjustment made to reflect the effect of the rights issue in 2011. The impact on net profit for the year ended 31 December 2010 due to the restatement is as follows:

Effects on the income statement of the Group for the year ended 31 December 2010:

	RMB million
Net profit for the year ended 31 December 2010 (before restatement)	5,212
Fair value gain on investment properties recognised directly in profit or loss (net of tax)	36
Depreciation and amortisation written back (net of tax)	40
Net profit for the year ended 31 December 2010 (after restatement)	5,288

4. 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 2011 and 2010.

In 2011 and 2010, 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 2011 and 2010 are as follows:

2011

	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	**128,032**	**11,828**	**4,044**	**6,440**	**5,343**	**18,275**	**–**	**173,962**
Net premiums earned	**104,926**	**7,448**	**2,809**	**4,661**	**3,689**	**9,601**	**–**	**133,134**
Net claims incurred	**(72,066)**	**(4,116)**	**(1,105)**	**(2,774)**	**(2,330)**	**(5,155)**	**–**	**(87,546)**
Acquisition cost and other underwriting expenses	**(16,194)**	**(1,738)**	**(503)**	**(961)**	**(645)**	**(249)**	**–**	**(20,290)**
General and administrative expenses	**(11,991)**	**(1,281)**	**(453)**	**(605)**	**(599)**	**(2,353)**	**–**	**(17,282)**
Underwriting profit	**4,675**	**313**	**748**	**321**	**115**	**1,844**	**–**	**8,016**
Investment income	**–**	**–**	**–**	**–**	**–**	**15**	**6,514**	**6,529**
Net realised and unrealised losses on investments	**–**	**–**	**–**	**–**	**–**	**(8)**	**(2,592)**	**(2,600)**
Investment expenses	**–**	**–**	**–**	**–**	**–**	**(1)**	**(158)**	**(159)**
Interest expenses credited to policyholders' deposits	**–**	**–**	**–**	**–**	**–**	**(17)**	**–**	**(17)**
Exchange losses, net	**–**	**–**	**–**	**–**	**–**	**–**	**(328)**	**(328)**
Finance costs	**–**	**–**	**–**	**–**	**–**	**–**	**(1,316)**	**(1,316)**
Sundry income and expenses	**–**	**–**	**–**	**–**	**–**	**–**	**53**	**53**
Share of profits and losses of associates	**–**	**–**	**–**	**–**	**–**	**–**	**108**	**108**
Profit before tax	**4,675**	**313**	**748**	**321**	**115**	**1,833**	**2,281**	**10,286**
Income tax expense	**–**	**–**	**–**	**–**	**–**	**–**	**(2,259)**	**(2,259)**
Profit attributable to owners of the parent	**4,675**	**313**	**748**	**321**	**115**	**1,833**	**22**	**8,027**

2010

	Motor vehicle *RMB million* (Restated)	Commercial property *RMB million* (Restated)	Cargo *RMB million* (Restated)	Liability *RMB million* (Restated)	Accidental injury and health *RMB million* (Restated)	Other *RMB million* (Restated)	Corporate *RMB million* (Restated)	Total *RMB million* (Restated)
Turnover	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	(9,063)	(1,037)	(478)	(576)	(506)	(2,230)	–	(13,890)
Underwriting profit/(loss)	2,532	(289)	344	68	22	103	–	2,780
Investment income	–	–	–	–	–	28	3,940	3,968
Net realised and unrealised gains on investments	–	–	–	–	–	9	1,118	1,127
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	2,532	(289)	344	68	22	114	3,805	6,596
Income tax expense	–	–	–	–	–	–	(1,308)	(1,308)
Profit/(loss) attributable to owners of the parent	2,532	(289)	344	68	22	114	2,497	5,288

The segment assets, liabilities and other segment information as at 31 December 2011 and 2010 are as follows:

2011

	Motor vehicle *RMB million*	**Commercial property** *RMB million*	**Cargo** *RMB million*	**Liability** *RMB million*	**Accidental injury and health** *RMB million*	**Other** *RMB million*	**Corporate** *RMB million*	**Total** *RMB million*
Total assets	**24,659**	**5,203**	**1,383**	**2,503**	**2,039**	**13,377**	**216,480**	**265,644**
Total liabilities	**133,529**	**11,610**	**3,227**	**8,396**	**5,286**	**22,334**	**46,102**	**230,484**
Other segment information:								
Depreciation and amortisation	**970**	**88**	**31**	**49**	**40**	**137**	**–**	**1,315**

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* (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
Other segment information:								
Depreciation and amortisation	834	76	25	39	30	108	–	1,112

5. TURNOVER AND NET PREMIUMS EARNED

Turnover represents direct premiums written and reinsurance premiums assumed.

	Group	
	2011	2010
	RMB million	*RMB million*
Turnover		
Direct premiums written	**173,553**	153,930
Reinsurance premiums assumed	**409**	377
	173,962	154,307
Net premiums earned		
Turnover	**173,962**	154,307
Less: Reinsurance premiums ceded	**(37,343)**	(17,618)
Net premiums written	**136,619**	136,689
Less: Change in net unearned premium reserves	**(3,485)**	(13,699)
Net premiums earned	**133,134**	122,990

6. NET CLAIMS INCURRED

	Group	
	2011	2010
	RMB million	*RMB million*
Gross claims paid	**88,583**	76,389
Less: Paid losses recoverable from reinsurers	**(11,597)**	(8,910)
Net claims paid	**76,986**	67,479
Change in net loss and loss adjustment expense reserves	**10,560**	15,429
Net claims incurred	**87,546**	82,908

7. ACQUISITION COST AND OTHER UNDERWRITING EXPENSES

	Group	
	2011	2010
	RMB million	*RMB million*
Commission expenses	**14,661**	13,940
Less: Reinsurance commission income	**(12,470)**	(5,566)
Underwriting personnel expenses	**6,826**	4,906
Business tax and surcharges	**8,948**	8,015
Insurance protection fund	**1,388**	1,231
Others	**937**	886
	20,290	23,412

8. INVESTMENT INCOME

	Group	
	2011	2010
	RMB million	*RMB million*
Rental income from investment properties	**199**	156
Financial assets at fair value through profit or loss		
– Held for trading:		
Interest income	**48**	69
Dividend income	**21**	96
– Designated upon initial recognition:		
Interest income	**25**	18
Available-for-sale financial assets:		
Interest income	**2,780**	2,299
Dividend income	**582**	331
Held-to-maturity investments:		
Interest income	**882**	142
Loans and receivables:		
Interest income	**1,992**	857
	6,529	3,968

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

	Group	
	2011	2010
	RMB million	*RMB million*
		(Restated)
Available-for-sale financial assets:		
Realised gains/(losses)	**(331)**	1,475
Impairment losses	**(2,029)**	(472)
Financial assets at fair value through profit or loss		
– Held for trading:		
Realised gains/(losses)	**(179)**	52
Unrealised losses	**(253)**	(174)
Loans and receivables:		
Reversal of impairment losses	**–**	156
Fair value gains on investment properties	**192**	49
Profit on deemed disposal of an associate	**–**	41
	(2,600)	1,127

10. PROFIT BEFORE TAX

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

	2011	2010
	RMB million	*RMB million*
		(Restated)
Auditors' remuneration, including interim review	**17**	18
Depreciation of property, plant and equipment	**1,118**	950
Amortisation of prepaid land premiums	**133**	108
Employee expenses (including directors' and supervisors' remuneration):		
Wages, salaries and staff welfare	**13,488**	9,568
Pension scheme contributions	**1,039**	766
Impairment loss on property, plant and equipment	**–**	2
Impairment loss on insurance receivables	**307**	200
Minimum lease payments under operating leases in respect of land and buildings	**468**	352
Net gain on disposal of items of property, plant and equipment	**(7)**	(29)

11. INCOME TAX EXPENSE

The provision for 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.

	2011	2010
	RMB million	*RMB million*
		(Restated)
Group:		
Current		
– Charge for the year	**2,806**	2,063
– Underprovision/(overprovision) in prior years	**35**	(49)
Deferred	**(582)**	(706)
Total tax charge for the year	**2,259**	1,308

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

	2011	2010
	RMB million	*RMB million*
		(Restated)
Profit before tax	**10,286**	6,596
Tax at the statutory tax rate of 25% (2010: 25%)	**2,572**	1,649
Income not subject to tax	**(458)**	(372)
Expenses not deductible for tax	**110**	80
Adjustments in respect of current tax of previous periods	**35**	(49)
Tax charge at the Group's effective rate	**2,259**	1,308

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

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

	2011	2010
		(Restated)
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent (RMB million)	**8,027**	5,288
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	**11,745**	11,699
Basic earnings per share (RMB yuan)	**0.683**	0.452

Basic earnings per share was calculated as the profit for the year attributable to ordinary equity holders of the parent divided by the weighted average number of ordinary shares in issue.

The weighted average number of ordinary shares in issue during the year and the comparative period were adjusted to reflect the effect of the rights issues.

Diluted earnings per share amounts for the years ended 31 December 2011 and 2010 have not been disclosed as no diluting events existed during these years.

13. DIVIDEND PER SHARE

	2011	2010
	RMB million	*RMB million*
Interim dividends on ordinary shares approved for 2011: RMB0.225 per share (2010: Nil)	**2,507**	–

On 12 August 2011, the Board of Directors of the Company approved the 2011 interim dividend distribution of RMB0.225 per ordinary share totalling RMB2,507 million.

The Board of Directors does not propose any final dividend for the year (2010: Nil).

14. INSURANCE RECEIVABLES, NET

		Group	
	31 December 2011	31 December 2010	1 January 2010
	RMB million	*RMB million*	*RMB million*
Premiums receivable and agents' balances	**6,009**	5,399	6,044
Receivables from reinsurers	**18,537**	7,107	13,262
	24,546	12,506	19,306
Less: Impairment provision on:			
Premiums receivable and agents' balances	**(2,259)**	(2,035)	(2,127)
Receivables from reinsurers	**(194)**	(141)	(9)
	22,093	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		
	31 December 2011	31 December 2010	1 January 2010
	RMB million	*RMB million*	*RMB million*
On demand	**12,958**	6,509	8,641
Within 1 month	**1,572**	961	1,126
1 to 3 months	**4,779**	1,518	1,549
Over 3 months	**2,784**	1,342	5,854
	22,093	10,330	17,170

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

	Group	
	2011	2010
	RMB million	*RMB million*
At 1 January	**2,176**	2,136
Impairment losses recognised *(note 10)*	**307**	200
Amount written off as uncollectible	**(30)**	(160)
At 31 December	**2,453**	2,176

Included in the Group's insurance receivables is an amount due from a fellow subsidiary of RMB304 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.

15. INVESTMENT PROPERTIES

Group

	2011	2010
	RMB million	*RMB million* (Restated)
At 1 January	**3,940**	2,147
Transfers from property, plant and equipment and prepaid land premiums	**298**	739
Fair value gain on revaluation of investment properties transferred from property, plant and equipment and prepaid land premiums	**560**	1,005
Increase in fair value of investment properties during the year	**192**	49
Transfers to property, plant and equipment and prepaid land premiums	**(547)**	–
At 31 December	**4,443**	3,940

As per note 3, the Group changed its accounting policies during the year for the 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 1 January 2010, 31 December 2010 and 31 December 2011 by an independent professional valuer, DTZ DEBENHAM TIE LEUNG Limited. Valuations were based on either: (i) the direct comparison approach assuming the 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 RMB199 million (2010: RMB156 million) was recognised in the income statement for the year.

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

16. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

		Group	
	31 December 2011	31 December 2010	1 January 2010
	RMB million	*RMB million*	*RMB million*
Reinsurance payables	**25,746**	10,555	16,595

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

Included in the Group's reinsurance payables is an amount due to a fellow subsidiary of RMB182 million (31 December 2010: RMB483 million).

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITIONS

OVERVIEW

In 2011, pursuant to the operating policies of "Transforming growth patterns to promote development and strengthening management and control to increase operating profitability", the Company further enhanced its development capacity and inherent qualities, achieved the best operating results since listing and continued its leading position in the non-life insurance market in the PRC.

- **The Company's business scale hit a record high**. In 2011, the turnover of the Company and its subsidiaries increased by 12.7% on a year-on-year basis to RMB173,962 million, and the Company attained a 36.3% *(Note)* market share in the non-life insurance market in the PRC. In particular, the turnover of the motor vehicle insurance business reached RMB128,032 million, representing a year-on-year increase of 10.6%, and the turnover of the non-motor vehicle insurance businesses reached RMB45,930 million, representing a year-on-year increase of 19.2%.

- **The Company's profitability level increased significantly**. In 2011, the Company and its subsidiaries recorded a combined ratio of 94.0%, representing a significant year-on-year decline of 3.7 percentage points, an underwriting profit of RMB8,016 million, representing a year-on-year increase of RMB5,236 million or 188.3%, and a net profit of RMB8,027 million, representing a year-on-year increase of RMB2,739 million or 51.8%.

- **The Company's capital strength increased steadily**. In 2011, the Company raised approximately RMB5 billion in capital through completing its rights issue. As at 31 December 2011, the total assets of the Company and its subsidiaries reached RMB265,644 million, representing a year-on-year increase of 30.5%. The shareholders' equity totalled RMB35,160 million, representing a year-on-year increase of 32.2%. The solvency adequacy ratio was 184.0%, representing a year-on-year increase of 69.4 percentage points, achieving the class II adequacy level.

- **The Company's inherent qualities continued to improve**. In 2011, all product lines and 38 provincial branches of the Company and its subsidiaries recorded profits. The Company had ample cash flow, with net cash inflow from operating activities amounting to RMB25,642 million. The size of investment assets gained steady growth and amounted to RMB190,037 million. The rate of return on equity reached 26.0%, remaining at a relatively high level in the non-life insurance industry.

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

Looking back, in 2011, the Company strived to carry out reform and transformation, focused on being market and customer oriented, continued its profitable development and promoted sales channels reform and resources integration. The Company endeavoured to improve the quality of service, enhanced its overall competitiveness through centralised operation as well as management and control, and achieved remarkable results in various aspects of its operations.

I Closely monitored the market, integrated sales channels and optimised services to promote a steady growth of business

In 2011, the Company implemented market-oriented benchmarking management, formulated its development strategies by closely monitoring the market, rationally allocating resources to align with the market, conducted performance appraisal based on market performance, and continued to maintain its market leading position. The Company launched human resources reform for its sales team and integrated its sales channels. The Company accelerated the development of new sales channels such as tele-marketing and online sales, steadily promoted the establishment of an insurance service system at the basic level for the agriculture industry, rural areas and farmers, launched the pilot community insurance service stations, and continued to improve the insurance service network covering both urban and rural areas. The Company also strengthened customer service performance appraisal and service quality monitoring, improved the service quality management system and developed a value-added service system, and continued to enhance customer satisfaction, effectively promoting a steady growth of its business.

II Set up an operation as well as management and control platform, achieved centralised management and control, improved operational efficiency and significantly strengthened profitability

In 2011, the Company achieved centralisation of data, operations and management through the building of a nationwide centralised operation as well as management and control platform. The Company launched the third generation core business systems online, consolidated the management and control rules of different systems and improved the operational efficiency. As a result, the capabilities for identifying underwriting risks as well as business management and control were enhanced. The Company established the Claim Management Business Department, implemented vertical management of claim service teams to achieve the standardisation of claim services and the centralisation of claim costs, therefore strengthened the effectiveness of management and control of claim services. The Company also established financial services sharing centers, improved the efficiency of financial management and capital utilisation, and strengthened the control of financial risks and cost management. With effective business selections, claim management and control as well as financial management, the Company was able to enjoy a significant increase in profitability.

III Continued to strengthen compliance to achieve steady operations

In 2011, based on the Internal Control Manual and Internal Control Appraisal Manual, the Company achieved organic integration of its internal control system and management model by regularly streamlining its internal control process for the centralised management and control model, new sales channels and new functional areas. The Company also advanced the development of the system of risk alert indicators to lay foundations for the dynamic monitoring of overall risks, and advocated a compliance culture through educational activities focusing on the theme of compliance culture.

IV Contributed to key national strategies, supported national economic development, fulfilled social responsibilities and enhanced corporate image

In 2011, while strengthening its traditional businesses, the Company vigorously explored insurance opportunities in areas including agriculture, science and technology, culture and credit, devoted significant efforts to developing insurance business relating to industries including public security, safe production, tourism, environment, special equipment, culture, education and medical treatment, introduced various types of innovative insurance products, contributed to key national strategies, supported national economic development and fulfilled its social responsibilities. The Company acted as the exclusive or leading underwriter for a variety of milestone insurance projects such as the West-East natural gas transmission project (Term II) and the Chengdu-Chongqing high-speed railway.

In 2011, Moody's Investors Service affirmed the A1 rating for the Company's insurance financial strength, which is the highest financial strength rating for PRC non-policy guided financial institutions, indicating the Company's strength and credit standing in the non-life insurance market. In the contest for the "Golden Dragon Awards • the Golden Medal List for PRC Financial Institutions" co-hosted by the Institute of Finance of Chinese Academy of Social Sciences and *Financial News*, the Company was awarded the "Best Property Insurance Company of the Year" grand prize. In the contest for the "2011 Awards for Financial Institutions with Excellent Competitiveness" co-hosted by the Chinese Academy of Social Sciences and *China Business Journal*, the Company was awarded the "2011 Insurance Company with Excellent Competitive Brand".

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			
	2011		2010	
	RMB million	*%*	*RMB million* (restated)	*%*
Net premiums earned	**133,134**	**100.0**	122,990	100.0
Net claims incurred	**(87,546)**	**(65.8)**	(82,908)	(67.4)
Total expenses (including acquisition cost and other underwriting expenses, and general and administration expenses)	**(37,572)**	**(28.2)**	(37,302)	(30.3)
Underwriting profit	**8,016**	**6.0**	2,780	2.3

TURNOVER

	Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
Motor vehicle insurance	**128,032**	115,759
Commercial property insurance	**11,828**	10,570
Liability insurance	**6,440**	5,442
Accidental injury and health insurance	**5,343**	4,192
Cargo insurance	**4,044**	3,419
Other insurance	**18,275**	14,925
Total	**173,962**	154,307

Turnover of the Company and its subsidiaries was RMB173,962 million in 2011, representing an increase of RMB19,655 million (or 12.7%) from RMB154,307 million in 2010. The overall steady business growth was largely driven by the motor vehicle insurance and agriculture insurance segments, and the relatively rapid growth in the accidental injury and health insurance, cargo insurance, homeowners insurance as well as liability insurance segments.

In 2011, growth in the domestic sales of new motor vehicles in the PRC declined significantly due to factors such as cancellation of tax concessions for purchases, rising fuel prices, and purchase limitation policy in certain cities targeting traffic congestion alleviation. In response to the change in domestic production and sales volumes of motor vehicles, the Company proactively expanded tele-marketing and online sales channels, consolidated its own sales channel resources, promoted strategic cooperation with motor vehicle manufacturers, strengthened the management of policy renewals and facilitated the overall business growth by stepping up efforts to leverage on existing businesses. Turnover of the motor vehicle insurance segment of the Company and its subsidiaries was RMB128,032 million in 2011, representing an increase of RMB12,273 million (or 10.6%) from RMB115,759 million in 2010.

In 2011, the Company and its subsidiaries achieved a turnover of the commercial property insurance segment of RMB11,828 million, representing an increase of RMB1,258 million (or 11.9%) from RMB10,570 million in 2010. The increasing renewal rate of quality existing policies and the increasing rate of successful transformation of construction insurance to commercial property insurance were important factors contributing to the growth of commercial property insurance business. Meanwhile, the rationalisation of market competition and continued growth of fixed asset investment also laid solid foundation for the development of commercial property insurance business.

Turnover of the liability insurance segment of the Company and its subsidiaries was RMB6,440 million in 2011, representing an increase of RMB998 million (or 18.3%) from RMB5,442 million in 2010. Such increase was mainly attributable to the Company exploring new clients in industries such as safety regulation, education, transportation, tourism and special equipment.

Turnover of the accidental injury and health insurance segment of the Company and its subsidiaries was RMB5,343 million in 2011, representing an increase of RMB1,151 million (or 27.5%) from RMB4,192 million in 2010. The Company's accident insurance for motor vehicle drivers and passengers experienced a rapid growth as a result of the Company consolidating its sales channel resources and client resources. At the same time, the Company's social security supplemental health insurance business grew rapidly as it had been strongly promoted under the State's new policy of health care reform.

Turnover of the cargo insurance segment of the Company and its subsidiaries was RMB4,044 million in 2011, representing an increase of RMB625 million (or 18.3%) from RMB3,419 million in 2010. During 2011, both the volume and price of domestic railway freight transportation increased and the total value of China's foreign trade import for the whole year had a relatively rapid growth, thus stimulating the growth of cargo insurance segment for railway freight transportation and imports.

Turnover of the other insurance segment of the Company and its subsidiaries was RMB18,275 million in 2011, representing an increase of RMB3,350 million (or 22.4%) from RMB14,925 million in 2010. During 2011, the product line of homeowners insurance of the Company was further improved, forming a product library in which the main insurance was highlighted, together with a wide range of types of riders and a higher flexibility of separating and combining the main insurance and riders. As a result, product sales was further expanded. The Central and the local governments stepped up their efforts to financially support the agriculture insurance business by further expanding the areas and types of agricultural products subsidised, as well as the proportions of subsidies. The above factors drove the rapid growth of the other insurance segment.

NET PREMIUMS EARNED

	Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
Motor vehicle insurance	**104,926**	98,016
Commercial property insurance	**7,448**	6,836
Liability insurance	**4,661**	4,129
Accidental injury and health insurance	**3,689**	2,722
Cargo insurance	**2,809**	2,621
Other insurance	**9,601**	8,666
Total	**133,134**	122,990

Net premiums earned of the Company and its subsidiaries was RMB133,134 million in 2011, representing an increase of RMB10,144 million (or 8.2%) from RMB122,990 million in 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.

	Year ended 31 December			
	2011		2010	
	Net claims incurred	**Loss ratio**	Net claims incurred	Loss ratio
	RMB million	***%***	*RMB million*	*%*
Motor vehicle insurance	**(72,066)**	**(68.7)**	(66,887)	(68.2)
Commercial property insurance	**(4,116)**	**(55.3)**	(4,514)	(66.0)
Liability insurance	**(2,774)**	**(59.5)**	(2,580)	(62.5)
Accidental injury and health insurance	**(2,330)**	**(63.2)**	(1,726)	(63.4)
Cargo insurance	**(1,105)**	**(39.3)**	(1,280)	(48.8)
Other insurance	**(5,155)**	**(53.7)**	(5,921)	(68.3)
Total	**(87,546)**	**(65.8)**	(82,908)	(67.4)

Net claims incurred of the Company and its subsidiaries was RMB87,546 million in 2011, representing an increase of RMB4,638 million (or 5.6%) from RMB82,908 million in 2010. Loss ratio decreased by 1.6 percentage points from 67.4% in 2010 to 65.8% in 2011, primarily due to the decrease in the loss ratios of insurance segments such as commercial property insurance and cargo insurance.

Net claims incurred of the motor vehicle insurance segment of the Company and its subsidiaries was RMB72,066 million in 2011, representing an increase of RMB5,179 million (or 7.7%) from RMB66,887 million in 2010. Loss ratio remained stable. As the Company gradually strengthened its rigid control over violations in the course of claim settlement through the new claim settlement system for motor vehicle insurance, and further carried out the systematic optimisation of the injury-related medical treatment follow-up module, its risk control capability was continuously enhanced. However, risk factors such as the decrease in the premium adequacy ratio of compulsory motor vehicle liability insurance and the increase in the cost of injury-related claims increased the overall cost of the motor vehicle insurance segment to a certain extent.

Net claims incurred of the commercial property insurance segment of the Company and its subsidiaries was RMB4,116 million in 2011, representing a decrease of RMB398 million (or -8.8%) from RMB4,514 million in 2010. In recent years, the Company, while focusing on the risk pricing and risk control of the commercial property insurance segment, has carried out differentiated and flexible authorisation management with respect to various risks, products and branches, and such strict underwriting management and control has continued to improve the business quality. In 2011, there was a remarkable decline in the claim ratio of commercial property insurance segment, with a decrease in loss ratio from 66.0% in 2010 to 55.3% in 2011.

Net claims incurred of the liability insurance segment of the Company and its subsidiaries was RMB2,774 million in 2011, representing an increase of RMB194 million (or 7.5%) from RMB2,580 million in 2010. Loss ratio decreased from 62.5% in 2010 to 59.5% in 2011. In 2011, there was an increasing sufficiency level of premiums for businesses with high loss ratios, such as medical liability insurance and employer liability insurance, as well as an improvement in the overall business quality.

Net claims incurred of the accidental injury and health insurance segment of the Company and its subsidiaries was RMB2,330 million in 2011, representing an increase of RMB604 million (or 35.0%) from RMB1,726 million in 2010. Loss ratio basically remained at the same level compared to 2010.

Net claims incurred of the cargo insurance segment of the Company and its subsidiaries was RMB1,105 million in 2011, representing a decrease of RMB175 million (or -13.7%) from RMB1,280 million in 2010. In 2011, the Company effectively diversified its cargo risks through reasonable reinsurance arrangements. At the same time, as the Company conducted loading and discharging inspections and took other measures for preventing losses, there was a steady decline in the claim ratio of cargo insurance segment, and the loss ratio decreased from 48.8% in 2010 to 39.3% in 2011.

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.

	Year ended 31 December			
	2011		2010	
	Total expenses *RMB million*	**Expense ratio** *%*	Total expenses *RMB million* (restated)	Expense ratio *%*
Motor vehicle insurance	**(28,185)**	**(26.9)**	(28,597)	(29.2)
Commercial property insurance	**(3,019)**	**(40.5)**	(2,611)	(38.2)
Liability insurance	**(1,566)**	**(33.6)**	(1,481)	(35.9)
Accidental injury and health insurance	**(1,244)**	**(33.7)**	(974)	(35.8)
Cargo insurance	**(956)**	**(34.0)**	(997)	(38.0)
Other insurance	**(2,602)**	**(27.1)**	(2,642)	(30.5)
Total	**(37,572)**	**(28.2)**	(37,302)	(30.3)

In 2011, the total expenses of the Company and its subsidiaries were RMB37,572 million, representing an increase of RMB270 million (or 0.7%) from RMB37,302 million in 2010, which was lower than the business growth over the same period. In 2011, with the market order being further regulated, the cost incurred from underwriting was effectively controlled. The Company continued to strengthen the classified management of its businesses and steadily pushed forward the differentiated allocation of expense resources. The expense ratio declined to 28.2% in 2011 from 30.3% 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			
	2011		2010	
	Underwriting profit *RMB million*	**Underwriting profit ratio** *%*	Underwriting profit/(loss) *RMB million* (restated)	Underwriting profit/(loss) ratio *%*
Motor vehicle insurance	**4,675**	**4.4**	2,532	2.6
Commercial property insurance	**313**	**4.2**	(289)	(4.2)
Liability insurance	**321**	**6.9**	68	1.6
Accidental injury and health insurance	**115**	**3.1**	22	0.8
Cargo insurance	**748**	**26.7**	344	13.2
Other insurance	**1,844**	**19.2**	103	1.2
Total	**8,016**	**6.0**	2,780	2.3

In 2011, with order of the domestic property insurance market being further regulated, the Company and its subsidiaries reinforced their risk management. As a result, there was a remarkable improvement in the underwriting quality, an increase in the premium rates and a steady decline in the claim ratios of some insurance segments. An underwriting profit of RMB8,016 million was achieved in 2011, representing a significant increase of RMB5,236 million (or 188.3%) from RMB2,780 million in 2010. The underwriting profit ratio reached 6.0%.

INVESTMENT RESULTS

Composition of Investment Assets

	31 December 2011		31 December 2010	
	Balance	**Percentage**	Balance	Percentage
	RMB million	***%***	*RMB million*	*%*
By category:				
Cash and cash equivalents *(Note)*	**14,135**	**7.4**	17,727	11.7
Fixed Income Investment:	**146,765**	**77.2**	109,249	72.1
Term deposits	**44,503**	**23.4**	14,482	9.6
Debt securities	**98,062**	**51.6**	92,567	61.1
Unlisted debts	**4,200**	**2.2**	2,200	1.4
Equity Investment:	**24,643**	**13.0**	20,612	13.6
Mutual funds	**6,980**	**3.7**	6,562	4.3
Shares	**14,902**	**7.9**	11,809	7.8
Unlisted shares	**630**	**0.3**	630	0.4
Investment in associates	**2,131**	**1.1**	1,611	1.1
Other investment assets	**4,494**	**2.4**	3,946	2.6
Total of Investment Assets	**190,037**	**100.0**	151,534	100.0

Note: Cash and cash equivalents are mainly in Renminbi and exclude deposits with banks and other financial institutions with original maturity of more than three months and structured deposits with banks and other financial institutions.

In 2011, the steady growth in the underwriting business and the increase in the underwriting profit brought to the Company a relatively stable cash flow which was then used as investment assets. As at the end of the reporting period, the investment assets of the Company increased by RMB38,503 million (or 25.4%) compared to the end of the previous year. On the other hand, the Company significantly reduced its working capital through an overview management of its businesses and investment capital. As at the end of the reporting period, the cash and cash equivalents of the Company decreased by RMB3,592 million (or -20.3%) compared to the end of the previous year. As a result, the structure of investment assets of the Company continuously improved.

In 2011, in view of the continued volatile and depressed capital market, the Company increased its allocation to negotiated deposits and enhanced the yield rate of debt securities held, thus the Company's fixed income investment assets increased by 5.1% and would continue to bring stable income to the Company in the coming years. The Company avoided systematic risk in the market through direct investment and active management of working capital, and effectively improved the efficiency of the use of funds while optimising its investment asset allocation structure. The Company also actively participated in infrastructure debt investment programs to expand the channels of its use of funds subject to strict credit risk control.

On 15 June 2011 and 15 December 2011, the Company entered into agreements to participate in the capital increase of PICC Life Insurance Company Limited ("PICC Life") by the amounts of RMB545 million and RMB431 million respectively. Upon completion of the above two capital increases in PICC Life, the shareholding of the Company remained unchanged, representing 8.615% of the enlarged issued share capital of PICC Life.

Investment Income

	Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
Rental income from investment properties	**199**	156
Interest income	**5,727**	3,385
Dividend income	**603**	427
Total of investment income	**6,529**	3,968

Investment income of the Company and its subsidiaries was RMB6,529 million in 2011, representing an increase of RMB2,561 million from RMB3,968 million in 2010. In 2011, the Company continued to enlarge the size of investment assets and increased the investment in term deposits, which offered a stable rate of return, thereby increasing the interest income by RMB2,342 million on a year-on-year basis.

Net Realised and Unrealised Gains/(Losses) on Investments

	Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
		(Restated)
Realised gains/(losses) on investments	**(510)**	1,527
Unrealised losses on investments	**(253)**	(174)
Impairment losses	**(2,029)**	(316)
Profit on deemed disposal of an associate	**–**	41
Gains on changes in fair value of investment properties	**192**	49
Total of net realised and unrealised gains/(losses) on investments	**(2,600)**	1,127

In 2011, net realised and unrealised losses on investments of the Company and its subsidiaries were RMB2,600 million. Due to the continued capital market downturn, the Company made provisions on the available-for-sale investment assets and disposed part of its equity securities, therefore losses on investments were incurred in 2011 compared to the previous year.

OVERALL RESULTS

	Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
		(Restated)
Profit before tax	**10,286**	6,596
Income tax expense	**(2,259)**	(1,308)
Profit attributable to owners of the parent	**8,027**	5,288
Total assets *(Note)*	**265,644**	203,557

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

PROFIT BEFORE TAX

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB10,286 million in 2011, representing an increase of RMB3,690 million from RMB6,596 million in 2010.

INCOME TAX EXPENSE

Income tax expense of the Company and its subsidiaries was RMB2,259 million in 2011, representing an increase of RMB951 million from RMB1,308 million in 2010. The increase in the income tax expense of the Company and its subsidiaries was primarily due to a significant increase in the profit before tax in 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 2011, and net profit increased by RMB2,739 million from RMB5,288 million in 2010 to RMB8,027 million in 2011. Basic earnings per share attributable to ordinary equity holders of the parent in 2011 was RMB0.683.

CASH FLOW

	Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
Net cash inflow from operating activities	**25,642**	34,152
Net cash outflow from investing activities	**(44,681)**	(43,675)
Net cash inflow from financing activities	**15,447**	4,163
Net decrease in cash and cash equivalents *(Note)*	**(3,592)**	(5,360)

In 2011, the net cash inflow from operating activities of the Company and its subsidiaries amounted to RMB25,642 million, and the cash flow remained ample.

In 2011, the amount of entrusted investment assets of the Company and its subsidiaries increased steadily. Net cash outflow from investing activities of the Company and its subsidiaries was RMB44,681 million. In particular, the cash outflow from deposits with banks and other financial institutions with original maturity of more than three months amounted to RMB40,247 million.

Net cash inflow from financing activities of the Company and its subsidiaries was RMB15,447 million in 2011, representing an increase of RMB11,284 million on a year-on-year basis. The cash inflow was due to the issuance of fixed-rate subordinated term debts of RMB5 billion and the raising of approximately RMB5 billion through the Company's rights issue in 2011.

As of 31 December 2011, the cash and cash equivalents *(Note)* of the Company and its subsidiaries amounted to RMB14,135 million.

Note: Cash and cash equivalents are mainly in Renminbi and exclude 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 2011, June 2010, September 2009 and December 2006, the Company issued fixed-rate subordinated term debts of RMB5 billion, RMB6 billion, RMB5 billion and RMB3 billion respectively, in each issuance 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.

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 its information system. Capital expenditure of the Company and its subsidiaries was RMB2,629 million in 2011.

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 RMB20,523 million on 31 December 2011. The Company's actual solvency margin calculated pursuant to the regulations of CIRC was RMB37,768 million and the solvency margin adequacy ratio was 184.0% *(Note)*.

Note: In calculating the solvency margin, the assessment standards for premium reserves as promulgated by 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 2011, the gearing ratio *(Note)* of the Company and its subsidiaries was 79.5%, representing a decrease of 0.5 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 EVENTS

There were certain outstanding litigation matters against the Company and its subsidiaries as at 31 December 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 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 positions or operating results of the Company and its subsidiaries.

EVENTS AFTER THE BALANCE SHEET DATE

On 5 March 2012, the Company was notified by PICC Asset Management Company Limited ("PICC AMC") that on 1 March 2012, PICC AMC entered into a share subscription agreement with Industrial Bank Co., Ltd. ("IBC"), where PICC AMC agreed to subscribe for approximately 1.38 billion subscription shares at a total consideration of approximately RMB17.6 billion, of which PICC AMC plans to use the entrusted assets of the Company to subscribe for approximately 0.63 billion subscription shares (representing approximately 4.9% of the enlarged issued share capital of IBC) at a consideration of approximately RMB8,021 million. The subscription shares shall be subject to a lock-up period of 36 months from the date of completion. The Company has been informed by PICC AMC that completion of the share subscription agreement shall be subject to certain conditions including, but not limited to, the obtaining of the approval of the IBC share issue at the shareholders' general meeting of IBC, and the necessary approval of the IBC share issue by the relevant regulatory authorities.

On 28 March 2012, the Board of Directors of the Company proposed that 80% of the profit attributable to owners of the parent for 2011 of RMB8,027 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.

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 part of the policies through insurance intermediaries. The ability to collect premiums in 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 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 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 companies prior to making investments and by strictly conforming to the regulations laid down by 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 in US dollars. The Company and its subsidiaries are also exposed to exchange rate risks with respect to their holdings in certain assets such as bank deposits, debt securities and certain insurance liabilities which are denominated in foreign currencies, primarily in 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 is the risk that the value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Company and its subsidiaries' interest risk policy requires the Company to manage interest rate risk by maintaining an appropriate match of fixed and variable rate instruments. The policy also requires the Company to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities, reprice interest on floating rate instruments at intervals of less than one year, and manage variable interest rate risk through interest rate swap instruments. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

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 2011, the interest rate swap contracts held by the Company had an aggregate notional amount of RMB1,250 million.

DEVELOPMENT OF NEW PRODUCTS

In 2011, the Company intensively focused on the hot spots of the market and the needs of the clients, seamlessly combined its products and services, broadened the contents of each product it developed, strived to establish an effective product and service system and made every effort to promote the profitable development of its business. In 2011, the Company submitted a total of 465 insurance provisions and premium rates to the insurance regulatory authority for approval and filing, which consisted of 148 national provisions and premium rates and 317 regional provisions and premium rates, as well as 159 main insurance provisions and premium rates and 306 rider provisions and premium rates. As of 31 December 2011, the Company had 5,068 insurance provisions in use and operation, including 3,407 national provisions and 1,661 regional provisions.

EMPLOYEES

As at the end of 2011, the Company had 140,942 employees (among which 61,440 employees signed labour contracts with the Company's head office). Staff remuneration payment by the Company and its subsidiaries in 2011 was RMB14,527 million, which mainly included basic salaries, performance-related bonus, and various insurance and benefits contributed in accordance with the relevant PRC laws and 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

2012 is a critical year for the Company to fully implement the Twelfth Five-year Plan and construct a new development phase. In view of the overall environment for economic and social development and the development of the non-life insurance industry, while we are faced with difficulties and challenges, the Company remains in a strategically important period in its development. **With respect to the socioeconomic development**, the national economy will continue to develop steadily in a complex and dynamic environment and the growth in the economy in aggregate will further boost the insurance industry's confidence in development. In particular, the macro trend in the transformation of the national economy and the society has provided greater space for the insurance industry to promote a healthy development of the economy, to serve the general public and improve their livelihood, and to participate in administration of the society. **With respect to the development of the industry**, despite intensified market competition and uncertainties brought about by the liberalisation of motor vehicle insurance premium rates, new trends and changes in the development of the economy, society and the insurance sector have provided the Company with a valuable opportunity. A comprehensive transformation of the industry's development mode, more mature regulation of the insurance sector, a recurred increase in sales volume of new motor vehicles, a steady growth in motor vehicle insurance business and a further refined market competition order are all conducive to improving the business performance of insurance companies. **With respect to the Company's own development**, the continuous optimisation of the Company's business structure facilitates the change to its growth pattern, the establishment of its centralised operation platform enhances its ability to create value, and the enhancement of its operation model ensures the continuous improvement of the quality of its development. The Company's business growth capability has significantly strengthened, the underwriting profitability has experienced a considerable growth, and the efficiency of capital utilisation has remarkably increased during recent years. At the same time, the further improvement of the insurance financial structure of PICC Group, the further promotion of the interaction among PICC Group, and the establishment of an integrated information platform will all provide strong support and guarantee to the comprehensive transformation and continuous development of the Company.

Standing at the new starting line, we will confidently and continuously seize and take advantage of opportunities. We will enhance our competitiveness and profitability with greater enthusiasm and effort, create a new phase for the Company's development and reform, reward our shareholders with better results, and contribute to the society with the sense of responsibility of a people's enterprise.

PROFIT APPROPRIATION AND FINAL DIVIDEND

The Company paid an interim dividend of RMB0.225 (inclusive of applicable tax) per share on 31 October 2011.

The Board of Director proposes that 80% of RMB8,027 million (profit attributable to owners of the parent for 2011) 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. The Board of Directors does not propose any final dividend for 2011.

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 2011.

CORPORATE GOVERNANCE

Save for one of the requirements set out in 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 during 2011.

The terms of office of the Directors, 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 the 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 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. The terms of office of Mr. Luk Kin Yu, Peter and Mr. Ding Ningning should have expired on 28 April 2011 and 17 January 2012 respectively, and according to the foregoing provisions of the Company Law, each of Mr. Luk and Mr. Ding has currently continued to serve as a Director until the newly elected director has commenced 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 6 July 2009 to 16 January 2011 and the period from 29 April 2011 to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2011.

By Order of the Board
Wu Yan
Chairman

Beijing, the PRC, 28 March 2012

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 and Mr. Liao Li.