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 2012

The Board of Directors is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2012, with comparative figures for the corresponding period of last year, as follows:

INTERIM CONSOLIDATED INCOME STATEMENT

	Notes	**Unaudited Six months ended 30 June 2012** *RMB million*	Unaudited Six months ended 30 June 2011 *RMB million*
TURNOVER	*5*	**101,192**	91,444
Net premiums earned	*5*	**73,539**	65,946
Net claims incurred	*6*	**(45,193)**	(42,784)
Acquisition costs and other underwriting expenses		**(14,639)**	(10,292)
General and administrative expenses		**(8,096)**	(7,934)
UNDERWRITING PROFIT		**5,611**	4,936
Investment income	*7*	**4,052**	2,933
Net realised and unrealised losses on investments	*8*	**(400)**	(332)
Investment expenses		**(95)**	(85)
Interest expenses credited to policyholders' deposits		**(5)**	(5)
Exchange gains/(losses), net		**21**	(234)
Sundry income		**37**	48
Sundry expenses		**(45)**	(40)
Finance costs		**(825)**	(514)
Share of profits of associates		**62**	56
PROFIT BEFORE TAX	*9*	**8,413**	6,763
Income tax expense	*10*	**(1,879)**	(1,475)
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		**6,534**	5,288
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (in RMB)	*12*	**0.533**	0.452

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited 30 June 2012** *RMB million*	Audited 31 December 2011 *RMB million*
ASSETS			
Cash and cash equivalents		**67,618**	58,638
Derivative financial assets		**54**	51
Debt securities		**93,808**	98,062
Equity securities		**27,410**	22,512
Insurance receivables, net	*13*	**30,929**	22,093
Tax recoverable		**188**	–
Reinsurance assets		**25,699**	24,275
Other financial assets and prepayments		**20,632**	15,347
Investments in associates		**2,429**	2,131
Property, plant and equipment		**12,737**	12,770
Investment properties		**4,406**	4,443
Prepaid land premiums		**3,519**	3,410
Deferred tax assets		**1,135**	1,912
TOTAL ASSETS		**290,564**	265,644
LIABILITIES			
Payables to reinsurers	*14*	**21,722**	25,746
Accrued insurance protection fund		**532**	536
Tax payable		**–**	526
Other liabilities and accruals		**39,171**	36,332
Insurance contract liabilities		**164,023**	145,717
Policyholders' deposits		**2,033**	2,328
Subordinated debts		**19,362**	19,299
TOTAL LIABILITIES		**246,843**	230,484
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**12,256**	12,256
Reserves		**31,465**	22,904
TOTAL EQUITY		**43,721**	35,160
TOTAL EQUITY AND LIABILITIES		**290,564**	265,644

Notes:

1. CORPORATE INFORMATION

PICC Property and Casualty Company Limited is a limited liability joint stock company incorporated in 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 announcement.

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, which is incorporated in the PRC.

2. 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 Group's annual financial statements for the year ended 31 December 2011.

3. 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 2011, except for the adoption of new and revised standards and interpretations as of 1 January 2012 noted below:

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

HKFRS 1 Amendments	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards-Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

HKFRS 1 Amendments introduce a new deemed cost exemption for entities that have been subject to severe hyperinflation, whereby these entities can elect fair value as the deemed cost for assets and liabilities affected by severe hyperinflation in their first HKFRS financial statements. The amendments also remove the legacy fixed dates in HKFRS 1 relating to derecognition and day one gain or loss transactions. The amendments have had no significant impact on the financial position or performance of the Group.

HKFRS 7 Amendments introduce more extensive quantitative and qualitative disclosure requirements regarding transfer transactions of financial assets (e.g., securitisations), including information for understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments have had no significant impact on the financial position or performance of the Group.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)–Int 21 *Income Taxes-Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group has investment properties measured at fair value. The jurisdictions in which the Group operates do not have a different tax charge for sale or consumption of the assets. The amendments have had no significant impact on the financial position or performance of the Group.

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

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 others 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 2012 and 2011 are as follows:

Six months ended 30 June 2012 (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	**69,956**	**7,882**	**2,273**	**4,040**	**3,578**	**13,463**	**–**	**101,192**
Net premiums earned	**58,440**	**3,871**	**1,396**	**2,606**	**2,028**	**5,198**	**–**	**73,539**
Net claims incurred	**(36,782)**	**(1,943)**	**(477)**	**(1,494)**	**(1,171)**	**(3,326)**	**–**	**(45,193)**
Acquisition costs and other underwriting expenses	**(12,546)**	**(1,074)**	**(301)**	**(555)**	**(305)**	**142**	**–**	**(14,639)**
General and administrative expenses	**(5,637)**	**(191)**	**(286)**	**(343)**	**(313)**	**(1,326)**	**–**	**(8,096)**
Underwriting profit	**3,475**	**663**	**332**	**214**	**239**	**688**	**–**	**5,611**
Investment income	**–**	**–**	**–**	**–**	**–**	**9**	**4,043**	**4,052**
Net realised and unrealised gains/(losses) on investments	**–**	**–**	**–**	**–**	**–**	**12**	**(412)**	**(400)**
Investment expenses	**–**	**–**	**–**	**–**	**–**	**–**	**(95)**	**(95)**
Interest expenses credited to policyholders' deposits	**–**	**–**	**–**	**–**	**–**	**(5)**	**–**	**(5)**
Exchange gains, net	**–**	**–**	**–**	**–**	**–**	**–**	**21**	**21**
Finance costs	**–**	**–**	**–**	**–**	**–**	**–**	**(825)**	**(825)**
Sundry income and expenses	**–**	**–**	**–**	**–**	**–**	**–**	**(8)**	**(8)**
Share of profits of associates	**–**	**–**	**–**	**–**	**–**	**–**	**62**	**62**
Profit before tax	**3,475**	**663**	**332**	**214**	**239**	**704**	**2,786**	**8,413**
Income tax expense	**–**	**–**	**–**	**–**	**–**	**–**	**(1,879)**	**(1,879)**
Profit attributable to owners of the parent	**3,475**	**663**	**332**	**214**	**239**	**704**	**907**	**6,534**

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 profits 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

The segment assets and liabilities as at 30 June 2012 and 31 December 2011 are as follow:

30 June 2012 (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	**23,347**	**7,770**	**1,759**	**3,348**	**2,864**	**20,454**	**231,022**	**290,564**
Total liabilities	**132,280**	**15,081**	**3,723**	**9,625**	**6,231**	**29,440**	**50,463**	**246,843**

31 December 2011 (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*	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

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.

5. TURNOVER AND NET PREMIUMS EARNED

Turnover represents direct premiums written and reinsurance premiums assumed.

	Unaudited Six months ended 30 June 2012 *RMB million*	Unaudited Six months ended 30 June 2011 *RMB million*
Turnover		
Direct premiums written	**100,911**	91,219
Reinsurance premiums assumed	**281**	225
	101,192	91,444
Net premiums earned		
Turnover	**101,192**	91,444
Less: Reinsurance premiums ceded	**(14,676)**	(18,216)
Net premiums written	**86,516**	73,228
Less: Change in net unearned premium reserves	**(12,977)**	(7,282)
Net premiums earned	**73,539**	65,946

6. NET CLAIMS INCURRED

	Unaudited Six months ended 30 June 2012 ***RMB million***	Unaudited Six months ended 30 June 2011 *RMB million*
Gross claims paid	**47,407**	38,341
Less: Paid losses recoverable from reinsurers	**(6,119)**	(3,914)
Net claims paid	**41,288**	34,427
Change in net loss and loss adjustment expense reserves	**3,905**	8,357
Net claims incurred	**45,193**	42,784

7. INVESTMENT INCOME

	Unaudited Six months ended 30 June 2012 ***RMB million***	Unaudited Six months ended 30 June 2011 *RMB million*
Rental income from investment properties	**94**	93
Financial assets at fair value through profit or loss:		
– Held for trading		
Interest income	**25**	24
Dividend income	**75**	17
– Designated upon initial recognition		
Interest income	**2**	8
Available-for-sale financial assets:		
Interest income	**1,210**	1,428
Dividend income	**218**	425
Held-to-maturity investments:		
Interest income	**787**	269
Loans and receivables:		
Interest income	**1,641**	669
	4,052	2,933

8. NET REALISED AND UNREALISED LOSSES ON INVESTMENTS

	Unaudited Six months ended 30 June 2012 ***RMB million***	Unaudited Six months ended 30 June 2011 *RMB million*
Available-for-sale financial assets:		
Realised gains/(losses)	**(197)**	90
Impairment losses	**(392)**	(337)
Financial assets at fair value through profit or loss:		
– Held for trading		
Realised losses	**(40)**	(90)
Unrealised gains/(losses)	**163**	(15)
Fair value gains on investment properties	**66**	20
	(400)	(332)

9. PROFIT BEFORE TAX

Profit before tax is arrived at after charging the following items:

	Unaudited Six months ended 30 June 2012 ***RMB million***	Unaudited Six months ended 30 June 2011 *RMB million*
Depreciation of property, plant and equipment	**687**	534
Amortisation of prepaid land premiums	**58**	49
Charge of impairment loss on insurance receivables	**377**	528

10. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June 2012 *RMB million*	Unaudited Six months ended 30 June 2011 *RMB million*
Current		
– Charge for the period	**1,523**	2,169
– Adjustment for prior years	**176**	7
Deferred	**180**	(701)
	1,879	1,475

The provision for the PRC income tax is calculated based on the statutory rate of 25% (2011: 25%) in accordance with the relevant PRC income tax rules and regulations.

11. DIVIDEND

	Unaudited Six months ended 30 June 2012 *RMB million*	Unaudited Six months ended 30 June 2011 *RMB million*
Interim dividends on ordinary shares approved (not recognised as a liability as at 30 June) for 2012: RMB0.21 per share (2011: RMB0.225 per share)	**2,574**	2,507

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:

	Unaudited Six months ended 30 June 2012	Unaudited Six months ended 30 June 2011
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent (RMB million)	**6,534**	5,288
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	**12,256**	11,699
Basic earnings per share (RMB yuan)	**0.533**	0.452

Basic earnings per share was calculated as the profit for the period 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 six months ended 30 June 2011 was adjusted to reflect the effect of the rights issues in 2011.

Diluted earnings per share amounts for the six months ended 30 June 2012 and 2011 have not been disclosed as no diluting events existed during these periods.

13. INSURANCE RECEIVABLES, NET

	Unaudited 30 June 2012 *RMB million*	Audited 31 December 2011 *RMB million*
Premiums receivable and agents' balances	**14,733**	6,009
Receivables from reinsurers	**18,991**	18,537
	33,724	24,546
Less: Impairment provision on:		
Premiums receivable and agents' balances	**(2,601)**	(2,259)
Receivables from reinsurers	**(194)**	(194)
	30,929	22,093

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 2012 *RMB million*	Audited 31 December 2011 *RMB million*
On demand	**12,094**	12,958
Within 1 month	**4,097**	1,572
1 to 3 months	**7,571**	4,779
Over 3 months	**7,167**	2,784
	30,929	22,093

Included in the insurance receivables is an amount due from a fellow subsidiary of RMB213 million (31 December 2011: RMB304 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 installments are usually granted.

14. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	Unaudited 30 June 2012 ***RMB million***	Audited 31 December 2011 *RMB million*
Reinsurance payables	**21,722**	25,746

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 reinsurance payables is an amount due to a fellow subsidiary of RMB139 million (31 December 2011: RMB182 million).

15. NON-CONTROLLING INTERESTS

	Unaudited 30 June 2012 ***RMB Yuan***	Audited 31 December 2011 *RMB Yuan*
Non-controlling interests	**22,126**	21,748

	Unaudited Six months ended 30 June 2012 ***RMB Yuan***	Unaudited Six months ended 30 June 2011 *RMB Yuan*
Net gains/(losses) attributable to non-controlling interests	**378**	(1,332)

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITIONS

OVERVIEW

During the first half of 2012, by means of deepening the reform of sales system, perfecting the construction of the operation and management platform and overcoming the impact arising from the change of the market environment, the Company achieved a relatively fast growth of underwriting business, continuous increase in profit and steady growth of capital strength.

- **Relatively fast growth of underwriting business**. In the first half of 2012, the turnover of the Company and its subsidiaries amounted to RMB101,192 million, representing an increase of 10.7% compared to the same period of last year. The Company had a 36.0% *(Note)* market share in the non-life insurance market in the PRC. The turnover obtained from the motor vehicle insurance segment amounted to RMB69,956 million, representing an increase of 8.7% compared to the same period of last year. The turnover obtained from non-vehicle insurance segments amounted to RMB31,236 million, representing an increase of 15.2% compared to the same period of last year.

- **Continuous increase in profit**. In the first half of 2012, the Company and its subsidiaries recorded a combined ratio of 92.4%, representing a decline of 0.1 percentage point compared to the same period of last year, and marking the best performance in this regard of the Company since its listing; an underwriting profit of RMB5,611 million, representing an increase of 13.7% compared to the same period of last year; a net profit of RMB6,534 million, representing an increase of 23.6% compared to the same period of last year; and 16.6% of return on equity which was relatively higher in the non-life insurance industry.

- **Steady growth of capital strength**. As at 30 June 2012, the total assets and shareholders' equity of the Company and its subsidiaries reached RMB290,564 million and RMB43,721 million respectively, representing an increase of 9.4% and 24.3% respectively compared to the end of 2011. The investment assets increased steadily, amounting to RMB203,725 million, and the solvency ratio was 184% with the adequate solvency level II maintained.

Note: Calculated according to the PRC insurance industry data for the first half of 2012 published on the website of 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			
	2012		2011	
	RMB million	***%***	*RMB million*	*%*
Net premiums earned	**73,539**	**100.0**	65,946	100.0
Net claims incurred	**(45,193)**	**(61.5)**	(42,784)	(64.9)
Total expenses (including acquisition costs and other underwriting expenses and general and administrative expenses)	**(22,735)**	**(30.9)**	(18,226)	(27.6)
Underwriting profit	**5,611**	**7.6**	4,936	7.5

TURNOVER

	Six months ended 30 June	
	2012	2011
	RMB million	*RMB million*
Motor vehicle insurance	**69,956**	64,329
Commercial property insurance	**7,882**	7,628
Liability insurance	**4,040**	3,536
Accidental injury and health insurance	**3,578**	2,896
Cargo insurance	**2,273**	2,256
Other insurance	**13,463**	10,799
Total	**101,192**	91,444

Turnover of the Company and its subsidiaries was RMB101,192 million in the first half of 2012, representing an increase of RMB9,748 million (or 10.7%) from RMB91,444 million in the first half of 2011. The steady growth in the overall business mainly benefited from the driving effects of the motor vehicle insurance and agriculture insurance as well as the relatively fast growth in the accidental injury and health insurance, liability insurance and credit insurance.

Turnover of the motor vehicle insurance segment of the Company and its subsidiaries was RMB69,956 million in the first half of 2012, representing an increase of RMB5,627 million (or 8.7%) from RMB64,329 million in the first half of 2011. In the first half of 2012, the growth rate of automobile production and sales in the PRC dropped due to the impact of the slow down of macro-economic growth, withdrawal of automobile purchase incentives, fuel price remaining high and the launch of car purchase restrictions to reduce traffic congestion in some cities. In response to the sluggish new car sales in China and the trend of new car sales inclining towards middle and high end cars as well as third and fourth tier cities, the Company promptly adjusted the marketing strategy. The Company strengthened its effort in expanding its own sales channels such as tele-marketing, online sales and cross sales by making use of its own advantages of the broad geographic coverage and numerous sales outlets of its business, effectively managed 4S shops and other third party channels and actively proceeded with the strategic cooperation with automobile manufacturers. As a result, channel construction started to show effect. Meanwhile, as the Company stepped up efforts to utilise its existing business, the policy renewal rate of the motor vehicle insurance segment steadily upturned. The motor vehicle insurance business grew with the joint efforts by all such measures.

Turnover of the liability insurance segment of the Company and its subsidiaries was RMB4,040 million in the first half of 2012, representing an increase of RMB504 million (or 14.3%) from RMB3,536 million in the first half of 2011. In the first half of 2012, the Company stepped up efforts to approach the clients from medical institution, safety regulation, education, tourism, transportation, special equipment and other sectors and a steady growth was recorded in the medical liability insurance, safety production liability insurance, public liability insurance, employer liability insurance and freighter liability insurance businesses.

Turnover of the accidental injury and health insurance segment of the Company and its subsidiaries was RMB3,578 million in the first half of 2012, representing an increase of RMB682 million (or 23.5%) from RMB2,896 million in the first half of 2011. In the first half of 2012, the Company firmly seized the opportunity brought about by the national policies on the reform of medical and health care system to make strides in developing new rural cooperative medical system and supplementary medical insurance businesses for urban and town employees and residents.

Turnover of other insurance segment of the Company and its subsidiaries was RMB13,463 million in the first half of 2012, representing an increase of RMB2,664 million (or 24.7%) from RMB10,799 million in the first half of 2011. In the first half of 2012, the Company basically established the insurance sales and service system for agriculture, farmer and rural areas, and with the on-going increase in the financial support for agriculture insurance business from the central and local governments, expansion of the geographic coverage of subsidisation for agriculture insurance to the whole country and on-going increase in subsidised crops, insurance businesses related to agriculture, farmer and rural areas of the Company continued to grow rapidly. Meanwhile, the Company increased its efforts to promote the credit insurance business, continued to perfect and improve the underwriting process and improved the speed of response to market, thereby achieving a remarkable business growth.

NET PREMIUMS EARNED

	Six months ended 30 June	
	2012	2011
	RMB million	*RMB million*
Motor vehicle insurance	**58,440**	52,670
Commercial property insurance	**3,871**	4,011
Liability insurance	**2,606**	2,270
Accidental injury and health insurance	**2,028**	1,704
Cargo insurance	**1,396**	1,527
Other insurance	**5,198**	3,764
Total	**73,539**	65,946

Net premiums earned of the Company and its subsidiaries was RMB73,539 million in the first half of 2012, representing an increase of RMB7,593 million (or 11.5%) from RMB65,946 million in the first half of 2011.

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			
	2012		2011	
	Net claims incurred	**Loss ratio**	Net claims incurred	Loss ratio
	RMB million	***%***	*RMB million*	*%*
Motor vehicle insurance	**(36,782)**	**(62.9)**	(35,693)	(67.8)
Commercial property insurance	**(1,943)**	**(50.2)**	(2,244)	(55.9)
Liability insurance	**(1,494)**	**(57.3)**	(1,379)	(60.7)
Accidental injury and health insurance	**(1,171)**	**(57.7)**	(1,092)	(64.1)
Cargo insurance	**(477)**	**(34.2)**	(611)	(40.0)
Other insurance	**(3,326)**	**(64.0)**	(1,765)	(46.9)
Total	**(45,193)**	**(61.5)**	(42,784)	(64.9)

Net claims incurred of the Company and its subsidiaries was RMB45,193 million in the first half of 2012, representing an increase of RMB2,409 million (or 5.6%) from RMB42,784 million in the first half of 2011. This increase rate was lower than that of the net premiums earned over the same period, primarily due to the effect of, among other factors, the gradual improvement in the underwriting quality. Loss ratio decreased by 3.4 percentage points from 64.9% in the first half of 2011 to 61.5% in the first half of 2012, primarily due to the decline in the loss ratios for, among others, the motor vehicle insurance, commercial property insurance, accidental injury and health insurance and cargo insurance.

Net claims incurred of the motor vehicle insurance segment of the Company and its subsidiaries was RMB36,782 million in the first half of 2012, representing an increase of RMB1,089 million (or 3.1%) from RMB35,693 million in the first half of 2011. Loss ratio decreased from 67.8% in the first half of 2011 to 62.9% in the first half of 2012. In recent years, with the reform of vertical integration of the Claims Management Unit, the claims cost control ability of the Company has been obviously strengthened; the backend database of, among others, auto parts has been continuously improved and the standardisation of loss adjustment and quotation has been obviously raised; the construction of the personal injury claims settlement team has been constantly strengthened, and the personal injury claims cost has been effectively controlled while the standard for personal injury insurance claims has been rising year by year; on-going efforts have been made to oppose fraudulent claims in the motor vehicle insurance segment, the performance on preventing leakages and losses in claims settlement has been significantly upgraded and the overall risk control ability has been continuously strengthened.

Net claims incurred of the commercial property insurance segment of the Company and its subsidiaries was RMB1,943 million in the first half of 2012, representing a decrease of RMB301 million (or -13.4%) from RMB2,244 million in the first half of 2011. Loss ratio decreased from 55.9% in the first half of 2011 to 50.2% in the first half of 2012. In recent years, as the Company has been implementing the differentiated and flexible authorisation management of commercial property insurance, strict underwriting management and control promoted the continuous improvement of business quality. Moreover, there was a decrease in large claims in commercial property insurance in the first half of 2012 compared to the same period of last year.

Net claims incurred of the liability insurance segment of the Company and its subsidiaries was RMB1,494 million in the first half of 2012, representing an increase of RMB115 million (or 8.3%) from RMB1,379 million in the first half of 2011. Loss ratio decreased from 60.7% in the first half of 2011 to 57.3% in the first half of 2012. During the first half of 2012, the Company formulated and implemented practical guides in particular for major liability insurance businesses, such as freighter liability, campus liability and medical liability, in order to refine and specifically strengthen the claims control for each particular insurance business, and such efforts achieved initial success.

Net claims incurred of the cargo insurance segment of the Company and its subsidiaries was RMB477 million in the first half of 2012, representing a decrease of RMB134 million (or -21.9%) from RMB611 million in the first half of 2011. During the first half of 2012, the Company further strengthened the management of insurance assessment institutions and other third party institutions and paid more attention to the monitoring of loading and unloading of cargos as well as other loss prevention measures. As a result, the loss ratio for the cargo insurance segment decreased from 40.0% in the first half of 2011 to 34.2% in the first half of 2012.

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			
	2012		2011	
	Total expenses *RMB million*	**Expense ratio** *%*	Total expenses *RMB million*	Expense ratio *%*
Motor vehicle insurance	**(18,183)**	**(31.1)**	(13,299)	(25.2)
Commercial property insurance	**(1,265)**	**(32.7)**	(1,622)	(40.4)
Liability insurance	**(898)**	**(34.5)**	(832)	(36.7)
Accidental injury and health insurance	**(618)**	**(30.5)**	(591)	(34.7)
Cargo insurance	**(587)**	**(42.0)**	(557)	(36.5)
Other insurance	**(1,184)**	**(22.8)**	(1,325)	(35.2)
Total	**(22,735)**	**(30.9)**	(18,226)	(27.6)

In the first half of 2012, the Company increased its investment in the construction of the sales and service network in rural areas, establishment of the operation and management platform and reform of the sales and service system and intensified its effort on differentiated allocation of sales expenses. As a result, the total expenses of the Company and its subsidiaries was RMB22,735 million in the first half of 2012, representing an increase of RMB4,509 million (or 24.7%) from RMB18,226 million in the first half of 2011, and the expense ratio increased from 27.6% in the first half of 2011 to 30.9% in the first half of 2012.

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			
	2012		2011	
	Underwriting profit	**Underwriting profit ratio**	Underwriting profit	Underwriting profit ratio
	RMB million	***%***	*RMB million*	*%*
Motor vehicle insurance	**3,475**	**5.9**	3,678	7.0
Commercial property insurance	**663**	**17.1**	145	3.6
Liability insurance	**214**	**8.2**	59	2.6
Accidental injury and health insurance	**239**	**11.8**	21	1.2
Cargo insurance	**332**	**23.8**	359	23.5
Other insurance	**688**	**13.2**	674	17.9
Total	**5,611**	**7.6**	4,936	7.5

In the first half of 2012, while the order in the domestic property insurance market was further regulated, the Company and its subsidiaries strengthened the risk control and enhanced the process management with the support of the centralised operation and management platform. Certain types of insurance had their premium rates increased and the claim ratios decreased. As a result, the underwriting profit reached RMB5,611 million in the first half of 2012, representing an increase of RMB675 million (or 13.7%) from the underwriting profit of RMB4,936 million in the first half of 2011, with the underwriting profit ratio reaching 7.6%.

INVESTMENT RESULTS

Composition of investment assets

	30 June 2012		31 December 2011	
	Balance	**Percentage**	Balance	Percentage
	RMB million	***%***	*RMB million*	*%*
By category:				
Cash and cash equivalents *(Note)*	**15,108**	**7.4**	14,135	7.4
Fixed income investment:	**154,318**	**75.7**	146,765	77.2
Term deposits	**52,510**	**25.8**	44,503	23.4
Debt securities	**93,808**	**46.0**	98,062	51.6
Unlisted debts	**8,000**	**3.9**	4,200	2.2
Equity investment:	**29,839**	**14.7**	24,643	13.0
Mutual funds	**11,995**	**5.9**	6,980	3.7
Listed shares	**14,785**	**7.3**	14,902	7.9
Unlisted shares	**630**	**0.3**	630	0.3
Investment in associates	**2,429**	**1.2**	2,131	1.1
Other investment assets	**4,460**	**2.2**	4,494	2.4
Total of investment assets	**203,725**	**100.0**	190,037	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 the first half of 2012, the relatively rapid growth in the underwriting business and the steady increase in the underwriting profit brought to the Company a relatively stable cash flow which was used as investment assets. As at the end of the reporting period, the balance of the investment assets reached RMB203,725 million, representing an increase of 7.2% compared to the end of last year. In addition, the Company enhanced the scale and efficiency of capital utilisation by continuing an overview management of its businesses and investment capital, continuing to strengthen centralised payment, carrying out a quota management of the working capital of the headquarters and reducing the working capital to the minimum level.

In the first half of 2012, in view of the continued volatile and depressed capital market, the Company continued to increase its allocation of negotiated deposits which increased by RMB6,550 million compared to the end of 2011 and which would continue to bring stable income to the Company in the coming years. Furthermore, the Company continued to actively participate in energy and infrastructure debt investment projects to expand the channels of its use of funds subject to strict credit risk control.

Investment income

	Six months ended 30 June	
	2012	2011
	RMB million	*RMB million*
Rental income from investment properties	**94**	93
Interest income	**3,665**	2,398
Dividend income	**293**	442
Total of investment income	**4,052**	2,933

Investment income of the Company and its subsidiaries was RMB4,052 million in the first half of 2012, representing an increase of RMB1,119 million (or 38.2%) from RMB2,933 million in the first half of 2011. In the first half of 2012, the interest income of the Company and its subsidiaries increased by RMB1,267 million compared to the same period of last year, and the interest income from negotiated deposits increased by RMB1,008 million compared to the same period of last year.

Net realised and unrealised losses on investments

	Six months ended 30 June	
	2012	2011
	RMB million	*RMB million*
Realised losses on investments	**(237)**	–
Unrealised gains/(losses) on investments	**163**	(15)
Impairment losses	**(392)**	(337)
Gains on changes in fair value of investment properties	**66**	20
Total of net realised and unrealised losses on investments	**(400)**	(332)

In the first half of 2012, net realised and unrealised losses on investments of the Company and its subsidiaries were RMB400 million, representing a certain increase compared to the same period of last year. Due to the continued depressed capital market during the first half of 2012, the Company optimised in good time its investment portfolios and asset allocation and disposed of certain investments with poor returns, thereby forming the realised losses on investments. In addition, due to the effects of the rental increase for commercial properties and other factors, the gains on changes in fair value of investment properties increased by RMB46 million compared to the same period of last year.

OVERALL RESULTS

	Six months ended 30 June	
	2012	2011
	RMB million	*RMB million*
Profit before tax	**8,413**	6,763
Income tax expense	**(1,879)**	(1,475)
Profit attributable to owners of the parent	**6,534**	5,288
Total assets *(Note)*	**290,564**	265,644

Note: Based on the data as of 30 June 2012 and 31 December 2011.

PROFIT BEFORE TAX

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB8,413 million in the first half of 2012, representing an increase of RMB1,650 million from RMB6,763 million in the first half of 2011.

INCOME TAX EXPENSE

Income tax expense of the Company and its subsidiaries was RMB1,879 million in the first half of 2012, representing an increase of RMB404 million from RMB1,475 million in the first half of 2011. The increase in the income tax expense of the Company and its subsidiaries was primarily due to an increase in the profit before tax in the first half of 2012.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the foregoing, the net profit of the Company and its subsidiaries increased by RMB1,246 million from RMB5,288 million in the first half of 2011 to RMB6,534 million in the first half of 2012. Basic earnings per share attributable to ordinary equity holders of the parent in the first half of 2012 was RMB0.533.

CASH FLOW

	Six months ended 30 June	
	2012	2011
	RMB million	*RMB million*
Net cash inflow from operating activities	**4,826**	18,633
Net cash outflow from investing activities	**(6,173)**	(36,906)
Net cash inflow from financing activities	**2,320**	19,915
Net increase in cash and cash equivalents	**973**	1,642

In the first half of 2012, the net cash inflow from operating activities of the Company and its subsidiaries was RMB4,826 million, representing a decrease of RMB13,807 million compared to the first half of 2011. Particularly, the Company accelerated claims payments during the first half of 2012, shortened the claim period for claims reported and settled in the same year and claims paid in cash increased by RMB8,655 million compared to the same period of last year. In addition, due to the effect of the increase in ceding ratio during 2011, the cash payments for reinsurance premiums ceded in the first half of 2012 increased by RMB4,709 million compared to the same period of last year. In addition, since the business development and staff increase and other factors promoted the reasonable increase in employees' total remuneration, expenditures related cash outflow increased relatively compared to the same period of last year.

In the first half of 2012, the net cash outflow from investing activities of the Company and its subsidiaries was RMB6,173 million, representing a decrease of RMB30,733 million compared to the first half of 2011. Particularly, debt and equity investments made in cash decreased by RMB17,270 million compared to the same period of last year, and deposits with banks and other financial institutions with original maturity of more than three months decreased by RMB16,115 million compared to the same period of last year.

In the first half of 2012, the net cash inflow from financing activities of the Company and its subsidiaries was RMB2,320 million, representing a decrease of RMB17,595 million compared to the first half of 2011. This was primarily due to the issuance of fixed-rate subordinated term debts of RMB5 billion and the substantial securities sold under agreements to repurchase in the first half of 2011, resulting in a significant net cash inflow from financing activities over the same period of last year.

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 billion, RMB6 billion, RMB5 billion and RMB3 billion, respectively, in each case with a term of 10 years, to institutional investors in the PRC for the primary purpose of increasing the Company's solvency margin.

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

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

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

CAPITAL EXPENDITURE

The capital expenditure of the Company and its subsidiaries has primarily been for operational properties 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 RMB405 million in the first half of 2012.

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 RMB22,579 million on 30 June 2012. The Company's actual solvency margin calculated pursuant to the regulations of the CIRC was RMB41,553 million and the solvency margin adequacy ratio was 184% *(Note)*.

Note: In calculating the solvency margin, the assessment standards for liability 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 2012, the gearing ratio *(Note)* of the Company and its subsidiaries was 78.3%, representing a decrease of 1.2 percentage point from 79.5% as of 31 December 2011.

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 2012. 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 might be indemnified by reinsurers or other recoveries including salvages and subrogation. While the outcome 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.

EVENT AFTER THE BALANCE SHEET DATE

On 20 August 2012, the Board of Directors approved the 2012 interim dividend distribution of RMB0.21 per ordinary share totaling RMB2,574 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 receivables.

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 on 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 value/future cash flows of a financial instrument as a result of the changes in market interest rates. The Company and its subsidiaries' interest rate risk policy requires the Company and its subsidiaries to manage interest rate risk by maintaining an appropriate match of fixed and floating rate instruments. The policy also requires the Company and its subsidiaries 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 floating 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 30 June 2012, the interest rate swap contracts held by the Company had a total notional amount of RMB1,250 million.

DEVELOPMENT OF NEW PRODUCTS

In the first half of 2012, the Company hinged around the hot spots of the market and the needs of the clients, seamlessly combined its products and services, broadened the contents of the products it developed, strived to establish an effective product and service system and made every effort to promote the profitable development of its business. In the first half of 2012, the Company submitted a total of 174 insurance provisions to the insurance regulatory authority for approval and filing, which consisted of 64 national provisions and 110 regional provisions, as well as 94 main insurance provisions and 80 rider provisions.

EMPLOYEES

As of 30 June 2012, the Company had 149,908 formal employees, among which the number of employees with labor contracts of the Company's headquarters version was 62,378. Staff remuneration payment by the Company and its subsidiaries in the first half of 2012 was RMB7,754 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

The key efforts and moves of the Company for the second half of 2012 are to improve business development capabilities by enhancing the renewal rate of traditional businesses and actively exploring new markets; define clearly the respective functional positioning for product lines to manage the product operation and distribution channels to manage the channel productivity, thereby improving the three-dimensional operation and management model of "product lines-regions-distribution channels" to ensure a smooth functioning of the model with respective rights and responsibilities of each dimension being clarified; pay attention to customer resource management, make every effort to enhance customer service capabilities, and comprehensively improve customer service performance; upgrade pricing, underwriting, claims settlement and other key capabilities and enhance risk identification and control capabilities; strengthen internal control and compliance management to lead regulatory-compliant development of the market and safeguard the Company's healthy and steady growth; perfect the operation and management platform and start the fourth generation core business system planning to enhance the Company's operation and management capabilities; and strengthen strategic management and cultural development and enhance the Company's organisational capacities.

Through a series of capacity enhancement, the Company will gradually build a new pattern of development to promote the Company's sustainable, rapid and healthy development and achieve the transition from epitaxial growth relying on resources to endogenous growth relying on capacity enhancement.

INTERIM DIVIDEND

The Board declared the payment of an Interim Dividend of RMB0.21 (inclusive of applicable tax) per share for the six months ended 30 June 2012. The Interim Dividend will be paid to the shareholders whose names appear on the register of members of the Company on 10 September 2012 (Monday). 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=RMB0.818186, 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$0.25667 (inclusive of applicable tax), the payment of which is expected to be made on or about 31 October 2012.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of shareholders who are entitled to receive the Interim Dividend, the register of members of the Company will be closed from 5 September 2012 (Wednesday) to 10 September 2012 (Monday), 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 10 September 2012 (Monday) 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 4 September 2012 (Tuesday) 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 Tax Notice, the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on behalf of 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 these 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 these 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 these 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 these 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 2012.

CORPORATE GOVERNANCE

Save for one of the requirements under the code provision A.4.2 of the Corporate Governance Code (same as code provision A.4.2 of the Code on Corporate Governance Practices), the Company had complied with all the effective code provisions of the Corporate Governance Code and the Code on Corporate Governance Practices in the first half of 2012.

The terms of directorship of Mr. Luk Kin Yu, Peter and Mr. Ding Ningning should have expired on 28 April 2011 and 17 January 2012, respectively. In accordance with the provisions of the Company Law, where a company has not yet re-elected a director upon the expiry of his/her term of office or the number of 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, each of Mr. Luk Kin Yu, Peter and Mr. Ding Ningning 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 Corporate Governance Code (same as 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 2012.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

"Board" or "Board of Directors"	the board of directors of the Company
"CIRC"	China Insurance Regulatory Commission
"Code on Corporate Governance Practices"	the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (which was revised as the Corporate Governance Code effective during 2012)
"Company"	PICC Property and Casualty Company Limited
"Company Law"	the Company Law of the People's Republic of China
"Corporate Governance Code"	the corporate governance code section contained in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules effective during 2012
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Individual H Shareholders"	the individual holders of H shares in the Company who are entitled to receive the Interim Dividend
"Interim Dividend"	the interim dividend for the six months ended 30 June 2012 as declared for payment by the Board of Directors
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Macau"	the Macao Special Administrative Region of the People's Republic of China
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC

"Tax Notice"	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)
"%"	per cent

By Order of the Board
Wu Yan
Chairman

Beijing, the PRC
20 August 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.