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 2013

The Board of Directors is pleased to announce the audited results of the Company and its subsidiaries for the year ended 31 December 2013, together with comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2013** *RMB million*	2012 *RMB million*
TURNOVER	*5*	**223,525**	193,487
Net premiums earned	*5*	**182,546**	155,304
Net claims incurred	*6*	**(120,902)**	(98,722)
Acquisition costs and other underwriting expenses	*7*	**(34,437)**	(29,505)
General and administrative expenses		**(21,247)**	(19,496)
UNDERWRITING PROFIT		**5,960**	7,581
Investment income	*8*	**9,939**	8,387
Net realised and unrealised losses on investments	*9*	**(342)**	(913)
Investment related expenses		**(208)**	(182)
Interest expenses credited to policyholders' deposits		**(1)**	(5)
Exchange losses, net		**(142)**	(13)
Sundry income		**401**	194
Sundry expenses		**(185)**	(137)
Finance costs		**(2,060)**	(1,629)
Share of profits of associates		**77**	66
PROFIT BEFORE TAX	*10*	**13,439**	13,349
Income tax expense	*11*	**(2,881)**	(2,944)
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		**10,558**	10,405
			(Restated)
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (in RMB)	*12*	**0.794**	0.809

Details of the dividends approved for the Year are disclosed in note 13 to this announcement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2013** *RMB million*	31 December 2012 *RMB million*
ASSETS			
Cash and cash equivalents		**16,272**	12,890
Term deposits		**63,485**	53,130
Derivative financial assets		**–**	28
Debt securities		**105,682**	97,148
Equity securities		**28,964**	35,055
Insurance receivables, net	*14*	**24,870**	22,662
Tax recoverable		**73**	382
Reinsurance assets		**26,431**	22,637
Prepayments and other assets		**26,332**	20,919
Investments in associates		**3,973**	2,584
Investment properties		**4,591**	4,538
Property, plant and equipment		**14,023**	13,981
Prepaid land premiums		**3,531**	3,497
Deferred tax assets		**1,197**	973
TOTAL ASSETS		**319,424**	290,424
LIABILITIES			
Derivative financial liabilities		**2**	–
Payables to reinsurers	*15*	**17,455**	16,667
Accrued insurance protection fund		**698**	575
Other liabilities and accruals		**43,764**	46,793
Insurance contract liabilities	*16*	**178,486**	159,529
Policyholders' deposits		**1,953**	1,983
Subordinated debts		**19,562**	19,427
TOTAL LIABILITIES		**261,920**	244,974
EQUITY			
Issued capital		**13,604**	12,256
Reserves		**43,895**	33,194
Equity attributable to owners of the parent		**57,499**	45,450
Non-controlling interests		**5**	–
TOTAL EQUITY		**57,504**	45,450
TOTAL EQUITY AND LIABILITIES		**319,424**	290,424

Notes:

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability 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 Company and its subsidiaries (collectively referred to as the "Group") are engaged in property and casualty insurance business. The details of the operating segments are set out in note 4.

In the opinion of the directors, the parent and the ultimate holding company of the Company is PICC Group, which is incorporated in the PRC.

2.1 STATEMENTS OF COMPLIANCE

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 ("HKICPA"), the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Companies Ordinance.

2.2 BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties, certain financial instruments, which have been measured at fair value and insurance contract liabilities, which have been measured based on actuarial methods. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 Impairment of Assets.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's shareholders' interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary, which is reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time which became effective for the current year's financial statements.

Amendments to HKFRS 7	Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Transition Guidance
Amendments to HKAS 1 (2011)	Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Amendments to HKFRS 7-Offsetting Financial Assets and Financial Liabilities

HKFRS 7 amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32. The amendment has had no significant financial impact on the Group.

HKFRS 10-Consolidated Financial Statements

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities. HKFRS 10 replaces the parts of previously existing HKAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and HK(SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. The Group has re-assessed its investment in its investees, and concluded that HKFRS 10 has had no significant financial impact on the Group.

HKFRS 11-Joint Arrangements

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK(SIC)-Int 13 Jointly controlled Entities Non-monetary Contributions by Venturers. HKFRS 11 removes the option to account for jointly controlled entities ("JCEs") using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under HKFRS 11 must be accounted for using the equity method. The application of this new standard has had no significant financial impact on the Group.

HKFRS 12-Disclosure of Interests in Other Entities

HKFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard affects the disclosures regarding subsidiaries and associates of the Group.

HKFRS 13-Fair Value Measurement

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. The application of HKFRS 13 has had no significant financial impact on the measurement of the Group's assets and liabilities.

HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 Financial Instruments: Disclosures and HKAS 40 Investment Properties.

Amendments to HKAS 1 (2011)-Presentation of Financial Statements

The amendments to HKAS 1 introduces a grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans). The amendment affects presentation only and has had no significant financial impact on the Group.

The amendments also introduce a new terminology for the statement of comprehensive income and income statement. Under the amendment, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as statement of profit or loss. The Group chose not to rename these statements in accordance with the revised HKAS 1.

An opening statement of financial position (known as the "third balance sheet") must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. The amendment has had no significant financial impact on the Group.

HKAS 19 (2011)-Employee Benefits

HKAS 19 (2011) includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses are now recognised in OCI and permanently excluded from profit and loss; expected returns on plan assets are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The revised standard has had no significant financial impact on the Group.

HKAS 27 (2011)-Separate Financial Statements
HKAS 28 (2011)-Investments in Associates and Joint Ventures

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July 2012 have had no significant financial impact on the Group.

Annual Improvements 2009-2011 Cycle-Amendments to a number of HKFRSs issued in June 2012

The Annual Improvements 2009-2011 Cycle issued in June 2012 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each amendment. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had significant financial impact on the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has seven 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 homeowners, special risks, marine hull, agriculture, construction and credit; and

(g) the corporate segment includes the income and expenses from investment activities, share of results of associates, non-operating income and expenses, unallocated income and expenditures of the Group.

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 result, in which insurance business income and expense (for segments (a) to (f)) is a measure of underwriting profit/(loss) and corporate business income and expense (for segment (g)), primarily investment related income and expense, is a measure of profit for the year. Income tax expenses are not further allocated but assigned to corporate business segment.

Insurance business assets and liabilities directly attributable to operating segments of insurance business will be allocated to each segment. Investment assets and liabilities managed on a group basis will be allocated to the corporate business segment together with tax recoverable, deferred tax assets, property, plant and equipment, investment properties, prepaid land premiums, other assets, subordinated debts and other payables, which are not allocated further but assigned to corporate business segment directly.

Geographical information is not presented as all of the Group's customers, operations and assets and liabilities are located in the PRC based on the operation of the relevant entities. No inter-segment transactions occurred in 2013 and 2012.

In 2013 and 2012, 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 2013 and 2012 are as follows:

	Insurance							
2013	**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*
Segment turnover	**163,276**	**12,581**	**3,664**	**8,446**	**9,934**	**25,624**	**–**	**223,525**
Net premiums earned	**141,810**	**7,818**	**2,474**	**6,189**	**7,520**	**16,735**	**–**	**182,546**
Net claims incurred	**(94,486)**	**(5,734)**	**(1,006)**	**(3,343)**	**(5,441)**	**(10,892)**	**–**	**(120,902)**
Acquisition costs and other underwriting expenses	**(28,598)**	**(2,152)**	**(627)**	**(1,418)**	**(1,443)**	**(199)**	**–**	**(34,437)**
General and administrative expenses	**(15,657)**	**(849)**	**(28)**	**(732)**	**(328)**	**(3,653)**	**–**	**(21,247)**
Underwriting profit/(loss)	**3,069**	**(917)**	**813**	**696**	**308**	**1,991**	**–**	**5,960**
Investment income	**–**	**–**	**–**	**–**	**–**	**–**	**9,939**	**9,939**
Net realised and unrealised losses on investments	**–**	**–**	**–**	**–**	**–**	**–**	**(342)**	**(342)**
Investment related expenses	**–**	**–**	**–**	**–**	**–**	**–**	**(208)**	**(208)**
Interest expenses credited to policyholders' deposits	**–**	**–**	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Exchange losses, net	**–**	**–**	**–**	**–**	**–**	**–**	**(142)**	**(142)**
Finance costs	**–**	**–**	**–**	**–**	**–**	**–**	**(2,060)**	**(2,060)**
Sundry income and expenses	**–**	**–**	**–**	**–**	**–**	**–**	**216**	**216**
Share of profits of associates	**–**	**–**	**–**	**–**	**–**	**–**	**77**	**77**
Profit/(loss) before tax	**3,069**	**(917)**	**813**	**696**	**308**	**1,990**	**7,480**	**13,439**
Income tax expense	**–**	**–**	**–**	**–**	**–**	**–**	**(2,881)**	**(2,881)**
Profit/(loss) attributable to owners of the parent	**3,069**	**(917)**	**813**	**696**	**308**	**1,990**	**4,599**	**10,558**

2012	Insurance							
	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*
Segment turnover	141,755	12,256	3,838	7,364	6,484	21,790	–	193,487
Net premiums earned	121,725	7,544	2,652	5,403	4,367	13,613	–	155,304
Net claims incurred	(78,446)	(4,820)	(972)	(2,995)	(2,729)	(8,760)	–	(98,722)
Acquisition costs and other underwriting expenses	(25,119)	(1,837)	(503)	(1,168)	(729)	(149)	–	(29,505)
General and administrative expenses	(13,644)	(770)	(553)	(806)	(716)	(3,007)	–	(19,496)
Underwriting profit	4,516	117	624	434	193	1,697	–	7,581
Investment income	–	–	–	–	–	16	8,371	8,387
Net realised and unrealised gains/(losses) on investments	–	–	–	–	–	11	(924)	(913)
Investment related expenses	–	–	–	–	–	(1)	(181)	(182)
Interest expenses credited to policyholders' deposits	–	–	–	–	–	(5)	–	(5)
Exchange losses, net	–	–	–	–	–	–	(13)	(13)
Finance costs	–	–	–	–	–	–	(1,629)	(1,629)
Sundry income and expenses	–	–	–	–	–	–	57	57
Share of profits of associates	–	–	–	–	–	–	66	66
Profit before tax	4,516	117	624	434	193	1,718	5,747	13,349
Income tax expense	–	–	–	–	–	–	(2,944)	(2,944)
Profit attributable to owners of the parent	4,516	117	624	434	193	1,718	2,803	10,405

The segment assets, liabilities and other segment information of the Group as at 31 December 2013 and 2012 are as follows:

	Insurance							
31 December 2013	**Motor vehicle**	**Commercial property**	**Cargo**	**Liability**	**Accidental injury and health**	**Others**	**Corporate**	**Total**
	RMB million	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***	***RMB million***
Segment assets	**19,988**	**11,145**	**1,601**	**3,483**	**3,344**	**15,227**	**264,636**	**319,424**
Segment liabilities	**145,475**	**16,229**	**3,142**	**10,452**	**7,349**	**26,757**	**52,516**	**261,920**
Other segment information:								
Depreciation and amortisation	**1,518**	**114**	**34**	**78**	**92**	**237**	**–**	**2,073**
Impairment losses on insurance receivables	**13**	**5**	**(81)**	**41**	**58**	**152**	**–**	**188**
Interest income	**–**	**–**	**–**	**–**	**–**	**–**	**8,755**	**8,755**
Capital expenditures	**–**	**–**	**–**	**–**	**–**	**–**	**1,847**	**1,847**

	Insurance							
31 December 2012	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Others	Corporate	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment assets	19,608	6,967	1,309	3,142	2,391	14,865	242,142	290,424
Segment liabilities	131,440	13,207	3,169	9,594	6,163	24,985	56,416	244,974
Other segment information:								
Depreciation and amortisation	1,215	103	33	63	56	184	–	1,654
Impairment losses on insurance receivables	33	(14)	72	31	8	106	–	236
Interest income	–	–	–	–	–	–	7,547	7,547
Capital expenditures	–	–	–	–	–	–	2,682	2,682

5. TURNOVER AND NET PREMIUMS EARNED

Turnover represents direct premiums written and reinsurance premiums assumed.

	Group 2013 RMB million	2012 RMB million
Turnover		
Direct premiums written	**223,005**	193,018
Reinsurance premiums assumed	**520**	469
	223,525	193,487
Net premiums earned		
Turnover	**223,525**	193,487
Less: Reinsurance premiums ceded	**(31,769)**	(29,356)
Net premiums written	**191,756**	164,131
Less: Change in net unearned premium reserves	**(9,210)**	(8,827)
Net premiums earned	**182,546**	155,304

6. NET CLAIMS INCURRED

	Group 2013 RMB million	2012 RMB million
Gross claims paid	**133,197**	109,169
Less: Paid losses recoverable from reinsurers	**(18,248)**	(17,070)
Net claims paid	**114,949**	92,099
Change in net loss and loss adjustment expense reserves	**5,953**	6,623
Net claims incurred	**120,902**	98,722

7. ACQUISITION COSTS AND OTHER UNDERWRITING EXPENSES

	Group	
	2013	2012
	RMB million	*RMB million*
Commission expenses	**19,139**	17,025
Less: Reinsurance commission income	**(9,366)**	(9,041)
Underwriting personnel expenses	**10,835**	9,129
Business tax and surcharges	**11,066**	9,820
Insurance protection fund	**1,784**	1,544
Others	**979**	1,028
	34,437	29,505

8. INVESTMENT INCOME

	Group	
	2013	2012
	RMB million	*RMB million*
Rental income from investment properties	**205**	194
Financial assets at fair value through profit or loss:		
– Held for trading:		
Interest income	**23**	40
Dividend income	**71**	136
– Designated upon initial recognition:		
Interest income	**18**	7
Available-for-sale financial assets:		
Interest income	**2,586**	2,406
Dividend income	**908**	510
Held-to-maturity investments:		
Interest income	**1,958**	1,606
Loans and receivables:		
Interest income	**4,170**	3,488
	9,939	8,387

9. NET REALISED AND UNREALISED LOSSES ON INVESTMENTS

	Group	
	2013	2012
	RMB million	*RMB million*
Available-for-sale financial assets:		
Realised gains/(losses)	**802**	(247)
Impairment losses	**(1,344)**	(1,350)
Financial assets at fair value through profit or loss:		
Realised gains	**32**	228
Unrealised (losses)/gains	**(19)**	340
Financial assets classified as held for sale:		
Realised gains	**37**	–
Fair value gains on investment properties	**150**	116
	(342)	(913)

10. PROFIT BEFORE TAX

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

	Group	
	2013	2012
	RMB million	*RMB million*
Depreciation of property, plant and equipment	**1,744**	1,428
Amortisation of prepaid land premiums	**130**	125
Employee expenses (including directors' and supervisors' remuneration):		
Wages, salaries and staff welfare	**18,485**	15,765
Pension scheme contributions	**1,718**	1,401
Impairment loss on insurance receivables *(Note 14)*	**188**	236
Minimum lease payments under operating leases in respect of land and buildings	**636**	601
Net gain on disposal of items of property, plant and equipment	**(21)**	(5)
Auditors' remuneration	**15**	16

11. INCOME TAX EXPENSE

The provision for PRC income tax is calculated based on the statutory rate of 25% (2012: 25%) in accordance with the relevant PRC income tax rules and regulations.

	Group	
	2013	2012
	RMB million	*RMB million*
Current		
Charge for the year	**2,822**	2,517
Adjustments in prior years	**1**	181
Deferred	**58**	246
Total tax charge for the year	**2,881**	2,944

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 is as follows:

	Group	
	2013	2012
	RMB million	*RMB million*
Profit before tax	**13,439**	13,349
Tax at the statutory tax rate of 25% (2012: 25%)	**3,360**	3,337
Income not subject to tax	**(610)**	(533)
Expenses not deductible for tax	**130**	138
Adjustments in respect of current tax of previous periods	**1**	2
Tax charge at the Group's effective tax rate	**2,881**	2,944

12. BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

	2013	2012 (Restated)
Earnings:		
Profit attributable to owners of the parent (RMB million)	**10,558**	10,405
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	**13,298**	12,869
Basic earnings per share (RMB)	**0.794**	0.809

Basic earnings per share was calculated as the profit attributable to owners 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 in 2013.

Diluted earnings per share amounts for the years ended 31 December 2013 and 2012 have not been disclosed as there were no potential ordinary shares outstanding during these years.

13. DIVIDEND

	2013 ***RMB million***	2012 *RMB million*
Interim dividends recognised as distribution during the year:		
RMB0.243 per share (2012: RMB0.21)	**3,306**	2,574

On 26 August 2013, the Board of Directors of the Company approved the 2013 interim dividend distribution of RMB0.243 per ordinary share totalling RMB3,306 million.

Subsequent to the end of the reporting period, on 28 March 2014, final dividend in respect of the year ended 31 December 2013 of RMB0.221 per ordinary share (2012: nil) has been proposed by the directors of the Company and is subject to the approval of the company's shareholders at the forthcoming general meeting.

14. INSURANCE RECEIVABLES, NET

	Group and Company	
	31 December 2013	31 December 2012
	RMB million	*RMB million*
Premiums receivable and agents' balances	**6,752**	6,156
Receivables from reinsurers	**20,431**	18,921
	27,183	25,077
Less: Impairment provision on:		
Premiums receivable and agents' balances	**(2,123)**	(2,222)
Receivables from reinsurers	**(190)**	(193)
	24,870	22,662

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

	Group and Company	
	31 December 2013	31 December 2012
	RMB million	*RMB million*
On demand	**18,981**	13,081
Within 1 month	**1,284**	1,354
1 to 3 months	**2,740**	5,256
Over 3 months	**1,865**	2,971
	24,870	22,662

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

	Group and Company	
	31 December 2013	31 December 2012
	RMB million	*RMB million*
At 1 January	**2,415**	2,453
Impairment losses recognised *(Note 10)*	**188**	236
Amount written off as uncollectible	**(290)**	(274)
At 31 December	**2,313**	2,415

Included in the Group's insurance receivables is an amount due from a fellow subsidiary of RMB272 million (31 December 2012: RMB404 million).

15. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	Group and Company	
	31 December 2013	31 December 2012
	RMB million	*RMB million*
Reinsurance payables	**17,455**	16,667

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 RMB262 million (31 December 2012: RMB321 million).

16. INSURANCE CONTRACT LIABILITIES

	Group and Company	
	31 December 2013	31 December 2012
	RMB million	*RMB million*
Unearned premium reserves	**86,595**	75,634
Loss and loss adjustment expense reserves	**91,891**	83,895
	178,486	159,529

The movements in insurance contract liabilities and their corresponding reinsurance assets are set out below:

	Group and Company					
	2013			2012		
	Gross amount	**Reinsurers' share**	**Net amount**	Gross amount	Reinsurers' share	Net amount
	RMB million	***RMB million***	***RMB million***	*RMB million*	*RMB million*	*RMB million*
Unearned premium reserves						
At 1 January	**75,634**	**(9,387)**	**66,247**	69,617	(12,197)	57,420
Increase during the year	**179,019**	**(22,404)**	**156,615**	154,917	(20,319)	134,598
Release during the year	**(168,058)**	**20,653**	**(147,405)**	(148,900)	23,129	(125,771)
At 31 December	**86,595**	**(11,138)**	**75,457**	75,634	(9,387)	66,247
Loss and loss adjustment expense reserves						
At 1 January	**83,895**	**(13,250)**	**70,645**	76,100	(12,078)	64,022
Increase during the year	**141,193**	**(20,291)**	**120,902**	116,964	(18,242)	98,722
Release during the year	**(133,197)**	**18,248**	**(114,949)**	(109,169)	17,070	(92,099)
At 31 December	**91,891**	**(15,293)**	**76,598**	83,895	(13,250)	70,645
Total insurance contract liabilities	**178,486**	**(26,431)**	**152,055**	159,529	(22,637)	136,892

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITIONS

OVERVIEW

In 2013, by taking initiatives to cope with adverse factors such as complex economic situation and market conditions and major natural disasters and through vigorously promoting its customer-oriented transformation, the Company maintained a sustainable growth in its traditional competitive business, achieved a sound and rapid development of its emerging business, and maintained market leading position in terms of the profitability of its underwriting business. The Company also achieved steady growth in its assets scale, gained significant enhancement of its comprehensive strengths, and hit another historical record high in its operating results.

- **Continuous and relatively rapid growth in business scale, overall stable market share and continuous maintaining of market leading position.** In 2013, the turnover of the Company and its subsidiaries reached RMB223,525 million, representing a year-on-year increase of 15.5%. The development of its business kept pace with the market and its growth rate was the highest in the recent three years. In particular, the turnover of the motor vehicle insurance segment amounted to RMB163,276 million, representing a year-on-year increase of 15.2%, and the turnover of the non-motor vehicle insurance business amounted to RMB60,249 million, representing a year-on-year increase of 16.5%. Its market share, which accounted for 34.4% *(Note)* in the PRC property and casualty insurance market, was basically kept at a stable level and the Company continuously maintained its market leading position.

  Note: Calculated based on the PRC insurance industry data for 2013 published on the website of the CIRC.

- **Positive interaction between underwriting and investment and maintaining of relatively strong profitability.** In 2013, the Company and its subsidiaries achieved a combined ratio of 96.7%, continuously outperforming the market. Due to the frequent major catastrophes, such as typhoons and storms, the underwriting profit for the Year was RMB5,960 million, representing a year-on-year decrease of 21.4%, while the total investment income reached RMB9,674 million, representing a year-on-year increase of 28.3%, which formed a profitable development pattern featuring positive interaction between underwriting and investment. The Company and its subsidiaries achieved a net profit of RMB10,558 million, representing a new historical record in its operating results, and a return on equity of 20.5%, thus maintaining its industry leading position.

- **Steady growth in assets scale and significant enhancement in comprehensive strengths.** As at the end of 2013, the total assets of the Company and its subsidiaries reached RMB319,424 million, representing an increase of 10.0% compared to the end of 2012. The Company raised RMB5,754 million through a rights issue, and the shareholders' equity totalled RMB57,504 million, representing an increase of 26.5% compared to the end of 2012. The total amount of investment assets grew steadily, reaching RMB239,490 million. The solvency margin ratio was 180%, representing an increase of 5 percentage points compared to the end of 2012, maintaining the Adequate Solvency II level.

In 2013, with "maintaining a solid growth and emphasising value creation" as its main keynote and guided by its new era development strategy, the Company intensified its efforts on business expansion, refined its sales and marketing network system, enhanced its services quality, improved its operational efficiency and strengthened its risk control capability. The Company continuously made new progresses in its transformation and development, and achieved good momentum with balanced development in terms of scale, quality and profitability.

(I) Keeping abreast of market demands and serving the overall economic development

The Company considered serving overall economic and social development as its own duty and continuously strove towards meeting the increasing demand of insurance market through working diligently, developing its potentials and tapping into new markets. The Company continuously strengthened its leading position in motor vehicle insurance business by improving its process management of renewed and transferred-in auto insurance business and its management model on new auto policies sold through auto dealers, establishing a management system for group and individual motor vehicle insurance business, and proactively promoting the transformation from insurance policy management to customer lifecycle management. By seizing the opportunities arising from government policies, strengthening its cooperation with the government, deepening the exploration of potentials in agriculture insurance, promoting of agriculture-related insurance, setting up a health insurance management center, and implementing specialised operation and management and close-end operation of critical illness insurance, the Company effectively expanded the service coverage of policy-supported business. Further, the Company developed prospective business opportunities, such as actively developing new types of liability insurance, seeking first-mover advantage to develop short-term export credit insurance and domestic trade credit insurance to serve the national "Go global" strategy, and expanding its overseas business to continuously enlarge its service areas. Through a series of differentiated market development initiatives, the Company effectively promoted the steady growth of its business while at the same time consolidated its leading position in the market.

(II) Improving network of channels and refining sales and marketing system

By taking the customers' demand as guidance, improving its network of sales channels, and strengthening its sales channels interaction and synergies, the Company focused on the establishment of a comprehensive and broad coverage sales and marketing system. Such measures included deepening the segmentation of sales channels, implementation of differentiated operations, active development of tele-marketing and online sales, expansion of headquarters to headquarters sales cooperation, improvement of the specialisation of the marketing team construction and strengthening cross-interaction on marketing within the Group. Through such measures, the competitive advantages of the Company's sales channels development were gradually realised and the production capacity of channels was gradually released. By enhancing the strategic synergies between products and channels and developing tailored products specific to different sales channels, the Company had remarkable achievement on integrated sales and marketing and realised steady increases in the penetration rates of the Company's products and customers. Through transforming its outlets in downtown areas and setting up new community outlets, the Company enhanced the building up of its network layout in urban areas. By implementing a vertical structure comprising "townshiplevel outlets – administrative village insurance service stations – part-time insurance workers", the Company further reinforced the foundation of its insurance sales and services to serve "rural areas, agriculture and farmers". The establishment of the improved sales and marketing network will provide an important platform for the Company to upgrade its services and improve customers' experience.

(III) Implementing services innovation and enhancing services quality

The Company deepened its transformation of services and reinforced the building of its customer service system. The levels of customers' experience and satisfaction were continuously increased through measures such as further establishment and enhancement of standardisation and differentiation of services, management of customers by different levels, improvement of the customers club and customers' credit system, and reinforcement of effective interaction between the Company and its customers. Through strengthening of the closed-loop quality management of services, improvement of service quality monitoring system, continuing adoption of service efficiency evaluation and third party customer satisfaction survey, and the launching of anonymous appraisal, the Company achieved effective communication and implementation of its service winning strategy. The Company persistently strengthened its claim settlement services by continuously upgrading its commitment on claim settlement and by building a "fast and economical" service brand on claim settlement services. With vigorous and efficient catastrophe claim settlement work, the Company received positive feedback from the customers and enhancement of its brand reputation.

(IV) Upgrading operational management and reinforcing risk control

By focusing on the key steps in the insurance operational value chain, the Company continuously promoted management upgrading and realised steady enhancement of its operational efficiency, value creation and risk control capabilities. By relying on the bulk data technology, the Company proceeded towards the construction of a marketing management platform based on an integrated view of customers and a customers' master database system to lay a solid foundation for the implementation of precise marketing. The Company further enhanced its underwriting risk identification and pricing capability through innovative system applications, strengthened rigid price control and dynamic and differential authorisation, and promoted the transformation of its underwriting verification system from administrative management model to professional management model. The operational efficiency of the Company's claim settlement experienced overall enhancement through further strengthening of the vertical claim settlement model, the building up of the professional claim settlement team, and improvement of the claim and recovery mechanism and claim auditing system. The Company strengthened its cost management capability by restructuring the overall budget management system, improving the financial resources allocation, and optimising internal accountability mechanism and financial procedures through standardisation, instrumentalisation and systemisation. New charging and payment system was put in place and the capital management system was improved to effectively control the capital risk and increase the capital concentration. Through integrating and streamlining the Company's internal procedures, identification of the key areas of risk control and accountability framework, and the establishment of an interactive mechanism amongst internal audit, external inspection and accountability system, the Company further enhanced its comprehensive risk management system.

In 2013, the Company ranked 39th in the "Top 100 Comprehensive Strengths" in the Top 100 Hong Kong-listed Companies ranking in 2013, 11 places higher than that in 2012. We had been assigned with a rating of A1 by Moody's Investors Service for six consecutive years, which is the highest financial strength rating for non-policy guided financial institutions in mainland China. The Company was also awarded a number of honours including "2013 Financial Institution with Superior Competitiveness and Social Responsibility", "2013 Outstanding Chinese Enterprise in Social Responsibility", "Most Influential Insurance Brand of the Year" and "2013 Best Non-life Insurance Company in Asia".

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			
	2013		2012	
	RMB million	***%***	*RMB million*	*%*
Net premiums earned	**182,546**	**100.0**	155,304	100.0
Net claims incurred	**(120,902)**	**(66.2)**	(98,722)	(63.6)
Total expenses	**(55,684)**	**(30.5)**	(49,001)	(31.5)
Underwriting profit	**5,960**	**3.3**	7,581	4.9

TURNOVER

	Year ended 31 December	
	2013	2012
	RMB million	*RMB million*
Motor vehicle insurance	**163,276**	141,755
Commercial property insurance	**12,581**	12,256
Accidental injury and health insurance	**9,934**	6,484
Liability insurance	**8,446**	7,364
Cargo insurance	**3,664**	3,838
Other insurance	**25,624**	21,790
Total	**223,525**	193,487

The following table sets forth a breakdown of the direct premiums written by the Company and its subsidiaries by distribution channels for the relevant periods:

	Year ended 31 December			
	2013		2012	
	Amount	**Percentage**	Amount	Percentage
	RMB million	***%***	*RMB million*	*%*
Insurance agents	**133,962**	**60.0**	124,389	64.5
Individual insurance agents	**72,835**	**32.6**	69,279	35.9
Ancillary insurance agents	**49,505**	**22.2**	45,729	23.7
Professional insurance agents	**11,622**	**5.2**	9,381	4.9
Direct sales	**76,843**	**34.5**	57,599	29.8
Insurance brokers	**12,200**	**5.5**	11,030	5.7
Total	**223,005**	**100.0**	193,018	100.0

Turnover of the Company and its subsidiaries was RMB223,525 million in 2013, representing an increase of RMB30,038 million (or 15.5%) from RMB193,487 million in 2012. The overall steady business growth was largely driven by the development of motor vehicle insurance, accidental injury and health insurance and agriculture insurance business, and the relatively rapid growth of the credit and surety insurance, liability insurance, construction insurance and homeowners insurance business was also an important factor driving the increase in turnover. Amongst these segments:

Turnover of the motor vehicle insurance segment was RMB163,276 million, representing an increase of RMB21,521 million (or 15.2%) from RMB141,755 million in 2012. With the slight recovery of the domestic motor vehicle market in the PRC, the Company continued to implement progressive marketing strategies. On one hand, the Company seized the market opportunities and made great efforts to increase its shares in the new auto market. On the other hand, the Company pressed ahead with the renewal and bidding back of the existing policies. The comprehensive development of new, transferred-in and renewed auto insurance business effectively drove the growth of the motor vehicle insurance business.

Turnover of the commercial property insurance segment was RMB12,581 million, representing an increase of RMB325 million (or 2.7%) from RMB12,256 million in 2012. The Company proactively coped with the unfavourable external environment. In the situation of dropping premium rates, the Company strove to explore potential markets and achieved a steady growth of the commercial property insurance business by raising the underwriting business volumes.

Turnover of the accidental injury and health insurance segment was RMB9,934 million, representing an increase of RMB3,450 million (or 53.2%) from RMB6,484 million in 2012. On one hand, the Company fully utilised its own channels and client resources and developed synergies between products and channels to pursue a steady development of its accidental insurance business for construction projects, borrowers, motor vehicle drivers and passengers, and school children and young children. On the other hand, to serve the national medical and healthcare system reform, the Company established a health insurance management center and adopted specialised management and operation and close-end operation of critical illness insurance. The Company made full use of its competitive strengths in brand, services and networks to achieve a rapid development of the health insurance business.

Turnover of the liability insurance segment was RMB8,446 million, representing an increase of RMB1,082 million (or 14.7%) from RMB7,364 million in 2012. The Company implemented the differentiated allocation strategy, stepped up inputs into the high-quality, high-end personal liability insurance business and strengthened the development of traditional and emerging markets of employer, medical, personal, extended warranty, natural disaster and environmental pollution liability insurance. These effectively drove a relatively rapid growth of the liability insurance business.

Turnover of the cargo insurance segment was RMB3,664 million, representing a decrease of RMB174 million (or -4.5%) from RMB3,838 million in 2012. The traditional cargo insurance business was reduced as a result of the international economic condition and the structural change in the domestic economy, in particular the fall of the production capacity of large industrial enterprises in the steel and machinery industries. Meanwhile, the premium rates declined significantly as a result of the intensified market competition. In the face of the unfavorable business environment, the Company vigorously developed products such as carry-on baggage insurance to slow down the decline in the turnover of the cargo insurance segment.

Turnover of the other insurance segment was RMB25,624 million, representing an increase of RMB3,834 million (or 17.6%) from RMB21,790 million in 2012. The Company made use of the construction of the insurance service network and the sales and service platform at the basic level for agriculture, rural areas and farmers and introduced scientific and technological innovations to strengthen the delicacy management of the traditional competitive business lines. The Company also launched new types of insurance on a pilot basis such as insurance with premiums subsidised by commodity price adjustment fund, price index insurance and rice paddy production insurance to drive the increase in the turnover of the agriculture insurance business. In respect of the credit and surety insurance business, the Company expanded the business channels, improved the business model of channel differentiation, stepped up efforts to exploit the traditional business with competitive edges, explored the development of emerging business and vigorously upgraded the service quality, resulting in a rapid growth in the turnover of the credit and surety insurance business.

NET PREMIUMS EARNED

	Year ended 31 December	
	2013	2012
	RMB million	*RMB million*
Motor vehicle insurance	**141,810**	121,725
Commercial property insurance	**7,818**	7,544
Accidental injury and health insurance	**7,520**	4,367
Liability insurance	**6,189**	5,403
Cargo insurance	**2,474**	2,652
Other insurance	**16,735**	13,613
Total	**182,546**	155,304

Net premiums earned of the Company and its subsidiaries were RMB182,546 million in 2013, representing an increase of RMB27,242 million (or 17.5%) from RMB155,304 million in 2012.

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			
	2013		2012	
	Net claims incurred	**Loss ratio**	Net claims incurred	Loss ratio
	RMB million	***%***	*RMB million*	*%*
Motor vehicle insurance	**(94,486)**	**(66.6)**	(78,446)	(64.4)
Commercial property insurance	**(5,734)**	**(73.3)**	(4,820)	(63.9)
Accidental injury and health insurance	**(5,441)**	**(72.4)**	(2,729)	(62.5)
Liability insurance	**(3,343)**	**(54.0)**	(2,995)	(55.4)
Cargo insurance	**(1,006)**	**(40.7)**	(972)	(36.7)
Other insurance	**(10,892)**	**(65.1)**	(8,760)	(64.4)
Total	**(120,902)**	**(66.2)**	(98,722)	(63.6)

Net claims incurred of the Company and its subsidiaries in 2013 were RMB120,902 million, representing an increase of RMB22,180 million (or 22.5%) from RMB98,722 million in 2012. The loss ratio was 66.2%, increased by 2.6 percentage points from 63.6% in 2012. Due to the domestic and foreign macroeconomic trends, extraordinary serious natural disasters and its own business structure, and other than liability insurance, construction insurance, marine hull insurance and special risk insurance, the loss ratios of all other insurances increased to different extent. Amongst these segments:

Net claims incurred of the motor vehicle insurance segment were RMB94,486 million, representing an increase of RMB16,040 million (or 20.4%) from RMB78,446 million in 2012. The loss ratio increased by 2.2 percentage points from 64.4% in 2012 to 66.6% in 2013. On one hand, the claim costs increased due to the growing claim ratio of the motor vehicle insurance caused by frequent significant disasters, the regular price adjustment in the after-sale auto fittings market, the sharp increase in the prices of auto spare parts and manpower costs in auto maintenance and repairs, and the raise of the personal injury compensation standards; on the other hand, with the continuous increase in the contribution of premiums written from new channels to the overall premiums of the motor vehicle insurance segment of the Company and the increasing discount rates resulting therefrom, both the premium rates and the premium adequacy ratio decreased. Due to the above mentioned reasons, the loss ratio of the motor vehicle insurance segment increased.

Net claims incurred of the commercial property insurance segment were RMB5,734 million, representing an increase of RMB914 million (or 19.0%) from RMB4,820 million in 2012. The loss ratio increased by 9.4 percentage points from 63.9% in 2012 to 73.3% in 2013. The loss ratio of the commercial property insurance segment in 2013 was significantly affected by frequent natural disasters such as “Typhoon Fitow”, “Typhoon Utor” and “Typhoon Usagi” and the catastrophe rainstorms in some provinces.

Net claims incurred of the accidental injury and health insurance segment were RMB5,441 million, representing an increase of RMB2,712 million (or 99.4%) from RMB2,729 million in 2012. The loss ratio increased by 9.9 percentage points from 62.5% in 2012 to 72.4% in 2013. In 2013, with the rapid expansion of the Company’s critical illness insurance business for rural and urban residents, in addition to the overall growth of the health insurance segment, the overall loss ratio of the health insurance segment increased as the underwriting terms of the critical illness insurance for rural and urban residents had a broader coverage and higher protection than previous similar insurances; and the loss ratio of the accidental injury and health insurance segment was apparently on the rise when the disability compensation standards of the disability insurance were raised and the medical costs of the insured of the supplemental medical insurance also increased rapidly as compared to 2012.

Net claims incurred of the liability insurance segment were RMB3,343 million, representing an increase of RMB348 million (or 11.6%) from RMB2,995 million in 2012. The loss ratio decreased by 1.4 percentage points from 55.4% in 2012 to 54.0% in 2013. The Company further improved the business structure and lowered the loss ratio through enhancing the control on the underwriting of the liability insurance and increasing investments in high-end and good quality individual business.

Net claims incurred of the cargo insurance segment were RMB1,006 million, representing an increase of RMB34 million (or 3.5%) from RMB972 million in 2012. The loss ratio increased by 4.0 percentage points from 36.7% in 2012 to 40.7% in 2013.

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			
	2013		2012	
	Total expenses	**Expense ratio**	Total expenses	Expense ratio
	RMB million	***%***	*RMB million*	*%*
Motor vehicle insurance	**(44,255)**	**(31.2)**	(38,763)	(31.8)
Commercial property insurance	**(3,001)**	**(38.4)**	(2,607)	(34.6)
Accidental injury and health insurance	**(1,771)**	**(23.6)**	(1,445)	(33.1)
Liability insurance	**(2,150)**	**(34.7)**	(1,974)	(36.5)
Cargo insurance	**(655)**	**(26.5)**	(1,056)	(39.8)
Other insurance	**(3,852)**	**(23.0)**	(3,156)	(23.2)
Total	**(55,684)**	**(30.5)**	(49,001)	(31.5)

Total expenses of the Company and its subsidiaries were RMB55,684 million in 2013, increased by RMB6,683 million from RMB49,001 million in 2012, with the expense ratio decreased by 1.0 percentage point from 31.5% in 2012 to 30.5% in 2013. The Company took initiatives to implement the relevant requirements under the "eight-point code" of the central government, thoroughly advocated thrifty among its headquarters and branches, rebuilt a comprehensive budget management system, refined the cost and expense management rules, and exerted its advantages in centralised procurement, thereby significantly improving its cost management and control capability and contributing to a decrease in administrative expense ratio compared to last year. The Company continued implementing its established underwriting strategies, intensified its efforts in the differentiated allocation of sales expenses, vigorously pushed forward the construction of the sales network system, developed new sales channels and gradually released the production capacity of channels, all of which resulted in a decrease in the underwriting-related expense ratio.

UNDERWRITING PROFIT

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			
	2013		2012	
	Underwriting profit/(loss) *RMB million*	**Underwriting profit/(loss) ratio** *%*	Underwriting profit *RMB million*	Underwriting profit ratio *%*
Motor vehicle insurance	**3,069**	**2.2**	4,516	3.8
Commercial property insurance	**(917)**	**(11.7)**	117	1.5
Accidental injury and health insurance	**308**	**4.0**	193	4.4
Liability insurance	**696**	**11.3**	434	8.1
Cargo insurance	**813**	**32.8**	624	23.5
Other insurance	**1,991**	**11.9**	1,697	12.4
Total	**5,960**	**3.3**	7,581	4.9

Mainly due to the increase in the claim costs, the Company and its subsidiaries recorded an underwriting profit of RMB5,960 million in 2013, representing a decrease of RMB1,621 million (or -21.4%) from RMB7,581 million in 2012; and the underwriting profit ratio was 3.3%, decreased by 1.6 percentage points from 4.9% in 2012.

INVESTMENT RESULTS

Composition of Investment Assets

	31 December 2013		31 December 2012	
	Balance	**Percentage**	Balance	Percentage
	RMB million	***%***	*RMB million*	*%*
By category:				
Cash and cash equivalents	**16,272**	**6.8**	12,890	5.9
Term deposits	**63,485**	**26.5**	53,130	24.5
Debt securities	**105,682**	**44.1**	97,148	44.8
Equity securities	**28,964**	**12.1**	35,055	16.1
Subordinated debts, debt investment plans and trust products	**12,910**	**5.4**	8,000	3.7
Investment properties	**4,591**	**1.9**	4,538	2.1
Investment in associates	**3,973**	**1.7**	2,584	1.2
Other investment assets *(Note)*	**3,613**	**1.5**	3,655	1.7
Total investment assets	**239,490**	**100.0**	217,000	100.0

Note: Other investment assets mainly included derivative financial assets and capital security fund.

In 2013, the Company achieved a steady growth in the underwriting business, which provided a stable cash flow support for the development of the investment business of the Company. As at the end of the reporting period, the investment assets of the Company increased by RMB22,490 million (or 10.4%) on a year-on-year basis. While increasing the overall size of the investment assets, the Company timely adjusted the investment product mix based on the operational rules of the money market and the capital market and its own risk preference, improved the quality of the investment portfolio and achieved a balance between profit earning and risk taking.

In 2013, the Company increased its investments in negotiated deposits, financial assets purchased under resale agreements, debt investment plans and trust products which had high credit ratings and were of good quality, reduced investment in equity securities and moderately adjusted the duration of debt securities assets, thereby bringing a stable income to the Company on the basis of risk control.

On 28 January 2013, the Company entered into an agreement to increase the share capital in PICC Life with an amount of approximately RMB485 million. Upon completion of this capital increase, the shareholding of the Company in PICC Life remained unchanged, representing 8.615% of the enlarged issued share capital of PICC Life.

On 28 April 2013, the Company entered into an agreement with Aerospace Investment to acquire 16.835% of the equity interest in Aerospace Investment for a consideration of RMB2,000 million. The Company paid up its entire capital contribution on 10 October 2013. The Company accounted for its interest in Aerospace Investment as an investment in an associate as the Company has representatives on the board of directors and the supervisory committee of Aerospace Investment.

On 9 December 2013, the Company entered into a transfer agreement with PICC Group to sell its 30.41% equity interest in No. 88 Development Company for a consideration of approximately RMB1,115 million. Upon completion of the transfer, the Company no longer held any equity interest in No. 88 Development Company.

Investment Income

	Year ended 31 December	
	2013	2012
	RMB million	*RMB million*
Rental income from investment properties	**205**	194
Interest income	**8,755**	7,547
Dividend income	**979**	646
Total of investment income	**9,939**	8,387

Investment income of the Company and its subsidiaries was RMB9,939 million in 2013, representing an increase of RMB1,552 million (or 18.5%) from RMB8,387 million in 2012. The Company adopted a prudent and sound investment strategy and increased its investments in securities purchased under resale agreements and negotiated deposits which offered a stable return, and its interest income increased by RMB1,208 million (or 16.0%) on a year-on-year basis. As the regulatory authorities continued to improve the dividend distribution mechanism of listed companies, the dividend income increased by RMB333 million (or 51.5%) compared to last year as a result of the increase in the dividends from equity investments by the Company in domestic listed companies.

Net Realised and Unrealised Losses on Investments

	Year ended 31 December	
	2013	2012
	RMB million	*RMB million*
Realised gains/(losses) on investments	**871**	(19)
Unrealised (losses)/gains on investments	**(19)**	340
Impairment losses	**(1,344)**	(1,350)
Fair value gains on investment properties	**150**	116
Total of net realised and unrealised losses on investments	**(342)**	(913)

In 2013, the Company actively seized the operating opportunities in the market, timely reduced investment in equity securities and adjusted equity investment portfolio, and achieved RMB871 million in realised gains on investments, representing an increase of RMB890 million from realised losses on investments in 2012. Meanwhile, the fluctuation of the interest rates in the bonds market led to a decline in the fair value of bonds and bond funds, and the unrealised gains on investments decreased by RMB359 million from a gain of RMB340 million in 2012 to a loss of RMB19 million in 2013. In total, net realised and unrealised losses on investments decreased by RMB571 million (or 62.5%) compared to last year.

OVERALL RESULTS

	Year ended 31 December	
	2013	2012
	RMB million	*RMB million*
Profit before tax	**13,439**	13,349
Income tax expense	**(2,881)**	(2,944)
Profit attributable to owners of the parent	**10,558**	10,405
Total assets *(Note)*	**319,424**	290,424

Note: Based on the data as at 31 December 2013 and 31 December 2012.

PROFIT BEFORE TAX

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB13,439 million in 2013, representing an increase of RMB90 million from RMB13,349 million in 2012.

INCOME TAX EXPENSE

Income tax expense of the Company and its subsidiaries was RMB2,881 million in 2013, representing a decrease of RMB63 million from RMB2,944 million in 2012, basically in line with 2012.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the foregoing, there was a stable increase in the overall profit of the Company and its subsidiaries in 2013, and the net profit increased by RMB153 million from RMB10,405 million in 2012 to RMB10,558 million in 2013. Basic earnings per share attributable to owners of the parent in 2013 was RMB0.794.

CASH FLOW

	Year ended 31 December	
	2013	2012
	RMB million	*RMB million*
Net cash flows from operating activities	**22,297**	9,897
Net cash flows used in investing activities	**(14,405)**	(16,670)
Net cash flows (used in)/from financing activities	**(4,510)**	5,528
Net increase/(decrease) in cash and cash equivalents	**3,382**	(1,245)

In 2013, the net cash flows from operating activities of the Company and its subsidiaries amounted to RMB22,297 million, representing an increase of RMB12,400 million from RMB9,897 million in 2012. Influenced by the decrease in cession ratio and the reinsurance settlement periods, the net cash flows used in outward reinsurance business in 2013 decreased by RMB8,773 million compared to last year, significantly contributing to the increase in the Company's cash flows from operating activities.

In 2013, the net cash flows used in investing activities of the Company and its subsidiaries were RMB14,405 million, decreased by RMB2,265 million compared to 2012. In particular, the net cash flows used in the debt and equity securities decreased by RMB4,521 million, and the net cash flows used in the investments in associates increased by RMB1,360 million.

In 2013, the net cash flows used in financing activities of the Company and its subsidiaries were RMB4,510 million, representing a decrease of RMB10,038 million compared to the net cash inflows in 2012. The decline in net cash flows from financing activities was primarily due to the increase of RMB15,090 million in cash payment for investments in securities sold under agreements to repurchase, which offset the cash inflow of RMB5,754 million raised by the Company through a rights issue.

As at 31 December 2013, the cash and cash equivalents of the Company and its subsidiaries amounted to RMB16,272 million.

LIQUIDITY

The cash flow of the Company and its subsidiaries is primarily derived from cash generated from operating activities, which is principally insurance premiums received. Additional liquidity sources include interest and dividend incomes, 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, each with a term of 10 years, to institutional investors in the PRC for the primary purpose of increasing the Company's solvency margin.

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

The Company and its subsidiaries expect that they can meet 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 primarily includes expenditures for operational properties under construction and acquisition of motor vehicles for operational purposes as well as development of the information system. Capital expenditure of the Company and its subsidiaries was RMB1,972 million in 2013.

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 RMB28,867 million on 31 December 2013. The Company's actual solvency margin calculated pursuant to the regulations of the CIRC was RMB52,026 million and the solvency margin ratio was 180% *(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 at 31 December 2013, the gearing ratio *(Note)* of the Company and its subsidiaries was 75.9%, representing a decrease of 1.8 percentage points from 77.7% as at 31 December 2012.

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 EVENT

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 proceedings. Most of such legal proceedings 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.

There were certain pending legal proceedings for the Company and its subsidiaries in 2013. After considering professional opinions, the management of Company and its subsidiaries are of the view that such legal proceedings will not bring material losses to the Company and its subsidiaries.

EVENTS AFTER THE REPORTING PERIOD

On 20 February 2014, the Board of Directors approved the issue of a ten-year subordinated term debts with an aggregate principal amount of not exceeding RMB11 billion. The terms and conditions of such issue, including the issue date, issue size and interest rates, will be determined by the Board of Directors after taking into account the market conditions and all other relevant factors. The issue of this subordinated term debts is subject to the approval of shareholders' general meeting of the Company, the CIRC and other relevant governing authorities.

On 28 March 2014, the Board of Directors proposed that 55% of the net profit of the Company for 2013 amounting to RMB5,799 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 PRC laws and regulations. Such proposal for the appropriation to the discretionary surplus reserve is subject to the approval of shareholders' general meeting of the Company.

On 28 March 2014, the Board of Directors proposed the payment of a final dividend of RMB0.221 per share (inclusive of applicable tax) for 2013. Such proposal for the payment of the Final Dividend is subject to the approval of shareholders' general meeting of the Company.

CREDIT RISK

Credit risk is the risk of 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 mainly by analysing the creditworthiness of investee companies prior to making investments and by strictly conforming to the regulations issued by the CIRC on the ratings of corporate bonds invested by insurance companies. The majority of the corporate bonds held by the Company and its subsidiaries have credit ratings of AA or above.

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 RMB, 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 business) 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 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 and 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/future cash flows of a financial instrument will fluctuate because 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 interest 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, re-price interest on floating rate instruments at intervals of less than one year, and manage floating interest rate risk through such means as 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 at 31 December 2013, the interest rate swap contracts held by the Company had an aggregate notional amount of RMB1,630 million.

DEVELOPMENT OF NEW PRODUCTS

In 2013, the Company intensively focused on the hot spots of the market and the needs of clients and submitted a total of 1,725 insurance provisions and premium rates to the insurance regulatory authority for approval and filing, which consisted of 918 national provisions and premium rates and 807 regional provisions and premium rates, as well as 707 main insurance provisions and premium rates and 1,018 rider provisions and premium rates. As at 31 December 2013, the Company had 6,394 insurance provisions in use and operation, including 4,406 national provisions and 1,988 regional provisions.

EMPLOYEES

As at the end of 2013, the Company had 160,190 employees (among which 64,539 employees signed labour contracts with the Company's headquarters). Staff remuneration payment by the Company and its subsidiaries in 2013 was RMB20,203 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 providing various career development paths, strengthening personnel training, implementation of performance appraisal and other measures. The Company is of the view that the Company and its subsidiaries maintain a good relationship with their employees.

LOOKING FORWARD

In 2014, with "transformation and upgrading" as its guidance, the Company will strengthen customer-oriented top-tier design, focus on construction at the basic level, energise and increase the capabilities at the basic level, continue to consolidate the foundation for its transformation and upgrading, and maintain the full momentum of the campaign for reform and transformation. Its priorities and initiatives are:

- to implement a product innovation strategy. The Company will fulfil its social responsibility as a state-owned insurance company through making use of the opportunities brought by China's furtherance of the full-scale reform process, fully utilising its own advantages, actively developing relevant products and an ancillary mechanism for the servicing of such products;

- to implement a sales competency improvement strategy. The Company will strengthen delicacy management and the foundation for the profitable development of motor vehicle insurance business, restructure the development mode of non-motor vehicle insurance business, enhance the business development value contributed by people's livelihood enhancement business and emerging business;

- to implement an operating strategy which entails differentiated channels. The Company will strengthen the strategic collaboration among channels, establish a mechanism for the development of products distributed via channels, optimise the management mode for third-party channels, strengthen the coordination between the headquarters and branches in relation to auto dealers, promote the co-development of tele-marketing and online sales, and speed up the development of the urban and rural networks, so as to increase the overall competitiveness of the channels;

- to promote the cost leadership strategy. The Company will enhance the control over key links in the value chain, implement comprehensive multi-faceted management over areas such as business selection in underwriting, leakage and loss control in claim settlement, saving of back office costs and expenses, etc., strengthen the rigid implementation of policies and control over the implementation process, so as to ensure that the Company's combined ratio will outperform the industry;

- to promote a service capability improvement strategy. The Company will persistently focus on customers' needs, continue to optimise the service value chain, strive to change the service mode from one driven by internal management needs to one driven by external customers' needs, so as to ensure that the Company's various indicators relating to customer services will outperform the industry;

- to promote the claim settlement efficiency improvement strategy. The Company will improve the vertical claim management system, establish a mechanism for the coordination of underwriting and claim settlement work, improve the claim assistance system, give full play to the claim assistance function of the sales staff, train up a professional team, provide innovative tools, optimise the service process and increase customer satisfaction.

PROFIT APPROPRIATION AND DIVIDEND

On 28 March 2014, the Board of Directors proposed that 55% of the profit after tax of the Company for the Year of RMB10,545 million, totalling RMB5,799 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. Meanwhile, the Board proposed the distribution of a final dividend of RMB0.221 per share (inclusive of applicable tax). Such proposals for the appropriation to the discretionary surplus reserve and the payment of the Final Dividend are both subject to the approval of the Company's shareholders at the annual general meeting to be held on 27 June 2014 (Friday). If approved, the Final Dividend is expected to be paid on or about 21 August 2014 to the shareholders whose names appear on the register of members of the Company on 9 July 2014 (Wednesday).

The Company paid an interim dividend of RMB0.243 (inclusive of applicable tax) per ordinary share for the Year on 8 November 2013.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of shareholders who are entitled to receive the Final Dividend, the register of members of the Company will be closed from 4 July 2014 (Friday) to 9 July 2014 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. Holders of H shares and domestic shares whose names appear on the register of members of the Company on 9 July 2014 (Wednesday) are entitled to receive the Final Dividend. In order for holders of H shares of the Company to qualify for the Final Dividend payment, all transfer documents accompanied by the relevant H 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 3 July 2014 (Thursday) for registration.

In order to determine the list of shareholders who are entitled to attend and vote at the annual general meeting of the Company to be held on 27 June 2014 (Friday), the register of members of the Company will be closed from 28 May 2014 (Wednesday) to 27 June 2014 (Friday), both days inclusive, during which period no transfer of shares will be registered. Holders of H shares and domestic shares whose names appear on the register of members of the Company on 27 June 2014 (Friday) are entitled to attend and vote at the annual general meeting. In order for holders of H shares of the Company to qualify for attending and voting at the annual general meeting, all transfer documents accompanied by the relevant H share certificates must be lodged with the Company's H share registrar set out above no later than 4:30 p.m. on 27 May 2014 (Tuesday) for registration.

WITHHOLDING AND PAYMENT OF FINAL 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 Final 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 the Final 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 the Final 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 if and when approved, 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 the Final 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 the Final Dividend.

Should the H shareholders of the Company have any doubt as to the aforesaid arrangements, they are recommended to consult their own 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 during the Year.

CORPORATE GOVERNANCE

Save for one of the requirements set out in the code provision A.4.2 of the Corporate Governance Code and Rule 3.10A of the Listing Rules, the Company complied with all the code provisions of the Corporate Governance Code during the Year.

According to the code provision A.4.2 of the Corporate Governance Code, each director shall be subject to retirement by rotation at least once every three years. The terms of directorship of Mr. Luk Kin Yu, Peter and Mr. Ding Ningning, Independent Non-executive Directors of the Company, should have expired on 28 April 2011 and 17 January 2012, respectively, and the terms of all the other Directors should have expired on 16 January 2014. In accordance with the provisions of the PRC Company Law, where a director has not yet been re-elected 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, Mr. Luk Kin Yu, Peter, Mr. Ding Ningning and all the other Directors have currently continued to serve as Directors until the newly elected directors commence their terms of office. As a result, the Company failed to comply with the relevant requirements of the Corporate Governance Code during the period from 29 April 2011 to the date of this announcement.

As at 31 December 2012, the Board comprised four Executive Directors, four Non-executive Directors and three Independent Non-executive Directors. Therefore, the Company had failed to comply with the requirement under Rule 3.10A of the Listing Rules that the number of independent non-executive directors shall represent at least one-third of the members of the board of directors. In order to comply with the requirement under the Listing Rules, the Board nominated Mr. Lin Hanchuan as an Independent Non-executive Director, and the shareholders considered and appointed Mr. Lin Hanchuan as an Independent Non-executive Director at the extraordinary general meeting of the Company held on 25 March 2013. Accordingly, the Company has met the requirement under the Listing Rules since the appointment of Mr. Lin Hanchuan as an Independent Non-executive Director on 25 March 2013.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the audited financial statements of the Company and its subsidiaries for the Year.

DEFINITIONS

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

"Aerospace Investment"	China Aerospace Investment Holdings Limited
"Board" or "Board of Directors"	the board of directors of the Company
"CIRC"	China Insurance Regulatory Commission
"Company"	PICC Property and Casualty Company Limited
"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
"Director(s)"	director(s) of the Company
"Final Dividend"	the final dividend for the Year as proposed for payment by the Board of Directors
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Individual H Shareholders"	the individual holders of H shares of the Company who are entitled to receive the Final Dividend
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Macau"	the Macau Special Administrative Region of the People's Republic of China
"No. 88 Development Company"	Beijing No. 88 West Chang'an Avenue Development Company Limited
"PICC Group"	The People's Insurance Company (Group) of China Limited
"PICC Life"	PICC Life Insurance Company Limited
"PRC" or "China"	the People's Republic of China

"PRC Company Law"	the Company Law of 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)
"the Year"	the year ended 31 December 2013
"%"	per cent

By Order of the Board
Wu Yan
Chairman

Beijing, the PRC
28 March 2014

On the date of this announcement, the Chairman of the Board is Mr. Wu Yan (executive director), the Vice Chairman is Mr. Guo Shengchen (executive director), the non-executive directors are Mr. Wang Yincheng, Mr. Zhou Shurui, Ms. Yu Xiaoping, Mr. Li Tao and Mr. Tse Sze-Wing, Edmund, Mr. Wang He is executive director and the independent non-executive directors are Mr. Luk Kin Yu, Peter, Mr. Ding Ningning, Mr. Liao Li and Mr. Lin Hanchuan.