中国人民财产保险股份有限公司
PICC PROPERTY AND CASUALTY COMPANY LIMITED

Annual Report 2008

Stock Code: 2328

Company Profile

PICC Property and Casualty Company Limited (the "Company"), the largest non-life insurance company in mainland China, was established in July 2003 with The People's Insurance Company (Group) of China ("PICC Group") as its sole promoter. The Company became the first domestic financial enterprise to list overseas when the Company successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 6 November 2003 through the issuance of 3,455,980,000 H shares. The Company currently has a total share capital of 11,141,800,000 shares, of which 69% are held by PICC Group and 9.9% are held by American International Group, Inc. ("AIG"), a strategic investor of the Company.

Principal Activities

Motor vehicle insurance, commercial property insurance, homeowners insurance, cargo insurance, liability insurance, accidental injury insurance, short-term health insurance, hull insurance, agriculture insurance, surety insurance, which are denominated in RMB and foreign currencies, together with the reinsurance of the above insurance products, and investment and fund application business permitted under the relevant laws and regulations of the PRC.

Competitive Advantages

- Brand Excellence: The "PICC" brand name has grown up with the People's Republic of China, and has wide influence and outstanding reputation domestically and abroad. The Company was named as the "Most Reliable Insurance Company in China" by Euromoney magazine. In the 2008 Asian Insurance Competency Ranking organised by 21st Century Business Herald, the Company was awarded the "Most Competitive Non-life Insurance Company in Asia".

- Talent Excellence: The Company has long been maintaining its talent-based strategy of "managed by experts and winning by competence". The Company attaches great importance to expert team building and talents training, and has trained up a large number of managerial experts with substantial experience and technical experts in every link of the non-life insurance business chain.

- Product Excellence: The Company has a comprehensive product research and development system, strong research and development capabilities and a full-range of on-shelf products, covering the whole non-life insurance business scope. Many products are innovative and pioneering in the industry. Especially for the Beijing 2008 Olympic Games and the World Expo 2010 Shanghai China, the Company has developed a series of proprietary insurance products with Chinese features.

- Professional Excellence: The Company is in a leading position in the core technical areas of domestic non-life insurance business such as underwriting, claim settlement and reinsurance, and has accumulated substantial experience in risk management by long-term business practice.

- Service Excellence: The Company's business network covers urban and rural areas across the country, including more than 10,000 business offices and over 320 underwriting, claim settlement/customer service and finance centers at regional (city) level. The Company is the first to launch a round-the-clock service hotline "95518" across China, providing customers with multi-functional and personalised services with regard to enquiries, insurance card registration, insurance application appointment, claim reporting and vehicle rescue at anytime anywhere.

Contents

Summaries of the results and the assets and liabilities of the Company and its subsidiaries for each of the past five financial years are set out as follows:

RESULTS

	Year ended 31 December				
	2004 *RMB million*	2005 *RMB million*	2006 *RMB million*	2007 *RMB million*	**2008** ***RMB million***
Turnover	62,003	65,914	71,348	88,668	**101,878**
Underwriting profit/(loss)	436	1,508	604	(1,427)	**(2,494)**
Net investment income	1,326	1,478	1,689	3,229	**3,716**
Net realised and unrealised gains/(losses) on investments	(988)	(336)	2,372	4,442	**319**
Profit/(loss) before tax	395	1,945	3,800	4,456	**(447)**
Tax	(261)	(1,005)	(1,718)	(1,465)	**497**
Profit attributable to equity holders of the parent	134	940	2,082	2,991	**50**

Only certain material items of the income statement are extracted and presented in the table above.

ASSETS AND LIABILITIES

	31 December				
	2004 *RMB million*	2005 *RMB million*	2006 *RMB million*	2007 *RMB million*	**2008** ***RMB million***
Total assets	90,757	95,112	106,974	134,265	**152,852**
Total liabilities	74,604	77,314	86,247	108,187	**131,043**
Thereinto: subordinated loan/debts	2,000	2,000	3,000	3,000	**3,000**
Net assets	16,153	17,798	20,727	26,078	**21,809**

Mr Wu Yan
Chairman of the Company

Dear Shareholders,

2008 was an extraordinary year during the reform and development path of the Company. In face of the negative impacts of the heavy snow storms, the severe earthquake in Wenchuan, Sichuan and the global financial crisis, the Company took a positive attitude and carried out a series of effective measures. In 2008, the Company's premiums income exceeded RMB100 billion, positioning itself among the global non-life insurance giants, which was a historical milestone in the development of the non-life insurance industry in the PRC. In 2008, the Company thoroughly assessed the situation and set up the keynote of "development, profitability and risk control". The Company reformed its operation and management mechanism, carried out cost and expense control, worked hard to increase investment return, and achieved its overall profitability goal in 2008. The Company's achievements in 2008 are hard-won. We withstood the austere challenges, demonstrating the soundness of the Company's operations. The Company's strength was further consolidated and its market position further enhanced.

In 2008, premiums income of the entire insurance industry of mainland China reached RMB978.41 billion, representing an increase of 39.1% year on year, of which premiums income of the property and casualty insurance companies reached RMB244.63 billion, representing an increase of 17.2% year on year. Competition for resources in the insurance industry of mainland China is increasingly intensified, the industry competition patterns are becoming more diversified and the market is further regulated.

In 2008, turnover of the Company and its subsidiaries amounted to RMB101,878 million, representing an increase of 14.9% year on year. Net premiums earned reached RMB81,122 million, representing an increase of 18.0% year on year. Due to the impact of the two severe catastrophes, the underwriting loss was RMB2,494 million. Loss ratio was 74.7%, representing an increase of 6.4 percentage points year on year. Expense ratio was 28.4%, representing a decrease of 5.4 percentage points year on year. Investment gains was RMB4,035 million, representing a decrease of 47.4% year on year. Net profit was RMB50 million, representing a decrease of 98.3% year on year. Return on net assets was 0.2%, representing a decrease of 12.6 percentage points year on year. At the end of 2008, the total assets of the Company and its subsidiaries was RMB152,852 million, representing an increase of 13.8% over that at the end of 2007. Net assets of the Company and its subsidiaries was RMB21,809 million, representing a decrease of 16.4% as compared to that at the end of 2007. The solvency margin adequacy ratio of the Company was 145%. With a market share of 41.6%, the Company remains a market leader in the non-life insurance market in mainland China. The Company was the first non-life insurance company in the insurance industry of mainland China which annual premiums income surpassed RMB100 billion. Moody's Investors Service, an international credit ratings agency, granted the Company an A1 credit rating, the highest credit rating available to a PRC enterprise.

The Company's leaders were celebrating the Company's premiums income for 2008 surpassing RMB100 billion in a celebration activity.

In 2008, following the keynote of "development, profitability and risk control", the Company enhanced its sustainable development capability and increased its social influence by focusing on rapid development, refined management, risk control, and earnestly fulfilling its social responsibilities.

Giving top priority to development and achieving sound and rapid growth: The Company placed emphasis on the strengthening of sales capability, continued the expansion of both urban and rural sales networks, vigorously promoted cross-selling, built up the sales force at the basic level, redirected resources to the front line and the basic business units, and continuously improved its market expansion capabilities. The Company also attached importance to the reinforcement of its professional sales teams, actively responded to the adjustment in the policy relating to compulsory third party motor insurance, enhanced underwriting for large projects, endeavoured to improve its professional service capabilities and to develop differentiated competitive advantages. The Company deepened its interaction and cooperation with the government at all levels to promote the study and practice in relation to policy-based agriculture insurance and to expand the rural insurance market, and consolidated its leading market position in the rural market.

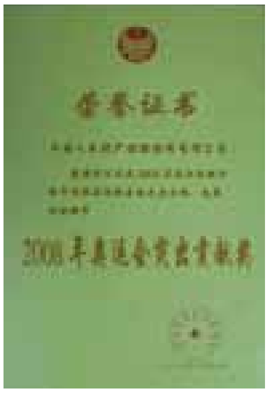
Chairman Wu Yan (third from the left), President Wang Yincheng (first from the left) and Vice President Guo Shengchen (second from the right) were presenting tickets for the 2008 Olympic Games to the winning representatives at the Company's 2008 Excellent Sales Representatives Summit.

Strengthening refined management and improving profitability: The Company strengthened the control of key underwriting and claims settlement check points, tightened underwriting conditions, and set clear claims cost control targets. In regard to the losses arising from the two catastrophes, the Company unified coordination, organisation and standards and attached importance to credibility by honouring contracts, ensuring the accuracy of loss adjustment and claims payment and strictly controlling the claims cost. The Company reformed the operation and management model, initiated the campaign to improve motor vehicle insurance business profitability and promoted the remote motor vehicle loss adjustment system so as to reduce claims cost by giving full play to the role of professionalisation and information technology development. The campaign of "broadening sources of income and reducing expenditure" was further carried out to strengthen expenses management, thereby resulting in a remarkable decrease in expenses and an improvement in profitability.

Persisting in the value investing strategy and prudent and positive investing: Adjustments were made to the investment portfolio in a timely manner. The matching of asset and liability was optimised. Innovation of investment channels was actively promoted. The Company cashed out the profits on equity investments in time to reduce the impact of the persistent decline in the capital markets, and achieved a basically stable investment return.

Strengthening risk control to ensure sound operation: The Company cooperated with the insurance regulator in regulating market order. Beginning with straightening out the motor vehicle insurance business, the Company proactively refined its operation and management, took the lead in improving the market order, earnestly promoted self-discipline in the industry so as to build a healthy external operating environment. The Company constantly strengthened the management and control of premiums receivable, made concentrated efforts to tackle problems regarding premiums receivable and adopted the practice of issuing motor vehicle insurance policies only after premiums collection, thereby lowering the balance of premiums receivable and bringing operating risks under better control. The Company gave full play to the role of the Monitoring and Auditing Center, and increased its efforts in conducting responsibility auditing concerning the term of office of members of the leadership and in conducting profitability auditing and special-purpose inspections.

Fulfilling social responsibilities and significantly enhancing corporate image: In the face of two severe natural disasters, the Company leveraged on overall coordination and showed the courage to assume responsibilities by going all out to provide disaster reliefs, thereby wining itself extensive praises from the customers and the society. The Company made proactive contributions to safeguard people's livelihood and serve the agriculture, farmers and rural areas by placing emphasis on leveraging the unique advantages of the insurance mechanism and increasing its efforts in boosting the development of rural insurance. As a result of elaborate planning and implementation, the Company successfully served and supported the 2008 Beijing Olympic Games and thus effectively enhanced the brand influence of PICC. The Company was committed to charitable causes, and made donations in cash and in kind to those affected by the earthquake, exhibiting the image of an excellent corporate citizen.



Chairman Wu Yan (left in the front row) and Vice President Wang He (middle in the second row) went on the snow storms scene in Wangcheng County, Changsha City, Hunan Province to inspect the damaged high voltage grid on 4 February 2008.

On the day of the Spring Lantern Festival of 2008, Chairman Wu Yan (right) went to the snow storms affected areas in Jiangxi to direct the disaster relief and claim settlement work.


Chairman Wu Yan (left) was presenting an award to a winning athlete at an award ceremony of the 2008 Paralympic Games.


Chairman Wu Yan (left) visited a retired old cadre in Fujian Province.

The impact of global financial crisis continues to deepen and the negative impact on the real economy has further aggravated. As a result, the economic growth of the PRC is adversely affected, causing downward pressure on the overall economy and employment, increasing difficulties for enterprises' operation and potential risk exposure in the financial and insurance businesses. The Company will face challenges in such areas as promotion of business development and enhancement of operating profits. Nevertheless, we still have full confidence in our future development. **On external front**, the fundamental factors favouring the economic growth of the PRC remain unchanged and China's economy is at its strategic and opportune stage with rapid progress in industrialisation and urbanisation. The intensive stimulus plans for the economic and social development successively taken by the central government to sustain economic growth and safeguard people's livelihood and the various industrial boosting policies will ensure a favourable environment for the development of insurance business. **In terms of industrial development**, the insurance industry in the PRC is still in its early development stage and the insurance coverage and penetration rate in the PRC is generally lower than the international average standards, thus having more room for further growth and development. There is driving force for the insurance market in the PRC to sustain a long-term rapid growth. **In respect of market competition**, with the strengthened regulation over the insurance market, the competitive environment of the insurance industry will further improve, which is beneficial to the development of the Company. **In terms of the Company itself**, the competitive edge in its products, services, network, employees and brand reputation is further enhanced after the recent years of development, and the comprehensive strength, inherent qualities and development foundation are further consolidated. In addition, with the continuous enhancement of the comprehensive strength of PICC Group and its new breakthroughs in internal restructuring and external expansion, the development of the Company will therefore receive greater support and safeguard.

In 2009, the Company, by adhering to its keynote of "development, profitability and risk control", will further strengthen its sales, profitability and risk control capabilities, and continue to promote the sound and healthy growth of the Company. The Company will commit itself to the following key tasks in 2009. **Firstly, the Company will persist unwaveringly in pursuit of sound and rapid growth and increase its efforts in promoting development.** As it consolidates its position in the urban insurance market, the Company will deeply penetrate into the rural insurance market, expand the coverage of agriculture insurance, and enhance the innovation and promotion of rural insurance, thereby consolidating and reinforcing its leading position in the rural insurance market. The Company will further strengthen the establishment of its product lines, implement strategies for product innovation and reinforce its capability to access business opportunities. The Company will strengthen the expertise of its sales teams, develop differentiated competitive advantages and reinforce its market development capabilities. The Company will attach importance to the promotion of cross-selling and business interaction and will utilise PICC Group's existing insurance and financial business platform to the fullest extent, with a view to achieving the sharing of advantageous resources and the expansion of business at minimum cost. **Secondly, the Company will refine its operation model and appraisal system and adjust its business structure in order to implement the keynote of "profitability" to the greatest extent.** The Company will continuously refine its performance appraisal system and adhere to the appropriate guiding principles for performance appraisal. The Company will firmly establish a sense of responsibility and profitability with its employees in order to arouse their proactiveness. In addition, the Company will further refine its operation model and procedures for claims settlement to reduce claims cost. The Company will also adjust its business structure and develop new products which suit the market needs according to the changing market conditions, and increase the proportion of profitable insurance products in the Company's premiums income. **Thirdly, the Company will enhance its investment capability to boost investment return.** The Company will strengthen its research into the macro-economic climate and strive to have an accurate assessment of the trends of the capital markets. The Company will also strengthen its research into the unique risk features of insurance capital, requirements on liquidity and asset allocation so as to enhance its capability to manage its asset and liability matching. The Company will also conduct a thorough study on debt and equity investments with a view to striving for a breakthrough in investments in debt and equity. **Fourthly, the Company will strengthen its internal control to achieve effective risk management.** The Company will reinforce its management in budgeting, internal control and compliance. Efforts will be made to strengthen execution capabilities and to establish an accountability mechanism. The Company will reinforce the control over premiums receivable, continue to promote the practice of issuing insurance policies only after premiums collection and implement the accountability mechanism regarding settlement of premiums receivable. The Company will also enhance its analysis of investment risks and reaction mechanisms, in order to guard against investment risks. **Fifthly, the Company will persist in its human-based value and promote harmonious and striving corporate culture.** The Company will further enhance unity and cohesion within the Company to enable it to pursue a stable and healthy growth.

Brilliant history conveys profound value, pre-eminent glory promises bright future. Growing up with the People's Republic of China, PICC will celebrate its 60th anniversary this year. We will succeed in the glorious tradition, deepen the reform, forge ahead and welcome a magnificent tomorrow. We will bring the maximum value to our shareholders and make greatest contributions to the social and economic development.

Wu Yan
Chairman

Beijing, the PRC
15 April 2009

DIRECTORS

Wu Yan, age 48, Chairman of the Board of Directors, President of PICC Group, Chairman of the Board of Directors of PICC Life Insurance Company Limited and PICC Asset Management Company Limited, and a member of the 11th National Committee of the Chinese People's Political Consultative Conference. From 1985 to 1998, Mr Wu was the Deputy Secretary of the Communist Youth League of Xinjiang Autonomous Region, the Party Secretary of the Communist Party Committee of the city of Bole, a member of the Standing Committee of Beortalar Autonomous County Communist Party Committee, the Party Secretary of the Communist Youth League of Xinjiang Autonomous Region, and the Vice Minister of the Organisation Department of the Central Communist Youth League. Mr Wu was the Vice Minister of the United Front and Mass Work Department of the Central Finance League, the Party Secretary of the Central Finance League of the Communist Youth League and the President of the National Finance Youth Union from 1998 to 2003. Mr Wu was the Vice President of China Life Insurance (Group) Company from 2003 to January 2007, a Director and the President of China Life Insurance Asset Management Company Limited and a Non-executive Director of China Life Insurance Company Limited from 2003 to 2005. Mr Wu was an Executive Director and the President of China Life Insurance Company Limited from January 2006 to January 2007. Mr Wu graduated from Xinjiang College of Finance and Economics and the Graduate School of Chinese Academy of Social Sciences, respectively majoring in finance, international finance and applied economics, with a doctorate degree in economics.

Wang Yincheng, age 48, a senior accountant, Vice Chairman of the Board of Directors, Executive Director and President of the Company, and Vice President of PICC Group. Mr Wang joined The People's Insurance Company of China ("PICC") in 1982 and was previously the Executive Deputy General Manager of the Planning and Finance Department of PICC Property Insurance Company, General Manager of PICC Shenzhen Branch, Assistant General Manager of PICC and Vice President of the Company. Mr Wang graduated from Zhongnan University of Economics and Law with a doctorate degree in economics. He has 27 years of experience in economic and financial management in the PRC insurance industry.

Tse Sze-Wing, Edmund, GBS, age 71, Non-executive Director of the Company. Mr Tse is the Senior Vice Chairman of Life Insurance of American International Group, Inc. (AIG) as well as the Chairman and Chief Executive Officer of American International Assurance Company, Limited (AIA). He also holds various senior positions and directorships in other AIG companies around the world. In 2003, he was elected to the Insurance Hall of Fame, the most prestigious award in the global insurance industry. Mr Tse graduated with a bachelor's degree in Mathematics from The University of Hong Kong, which later conferred on him an Honorary Fellowship and an Honorary Doctorate Degree in Social Sciences. Mr Tse also holds diplomas from the College of Insurance, USA and the Graduate School of Business of Stanford University. He has 48 years of extensive management experience in the insurance market, both in Asia and globally.

Cheng Wai Chee, Christopher, GBS, OBE, JP, age 60, Independent Non-executive Director of the Company. Mr Cheng is the Chairman and an Executive Director of USI Holdings Limited* and the Chairman and a Non-executive Director of Winsor Properties Holdings Limited*. He is also an Independent Non-executive Director of several listed and unlisted companies, including NWS Holdings Limited* (appointed in 2003), New World China Land Limited* (appointed in 1999), DBS Group Holdings Limited** (appointed in 2007), Kingboard Chemical Holdings Limited* (appointed in 2007), Temasek Foundation CLG Limited, and a Non-executive Director of Eagle Asset Management (CP) Limited (appointed in 2006), which is the manager of Champion Real Estate Investment Trust*. Mr Cheng is currently the Chairman of the Standing Committee on Judicial Salaries and Conditions of Service of the Government of the Hong Kong Special Administrative Region, a member of the Exchange Fund Advisory Committee, a Non-executive Director of the Securities and Futures Commission, and a Steward of the Hong Kong Jockey Club. Mr Cheng also has a keen interest in the public service, he serves on the Court of The Hong Kong University of Science and Technology and on the Council of The University of Hong Kong, as a charter member of the President's Council on International Activities of the Yale University, on the International Council of the University of Notre Dame and on the East Asia Council of INSEAD. Mr Cheng was a council member of the Board of Hong Kong Trade Development Council and the former Chairman of the Hong Kong General Chamber of Commerce. Mr Cheng holds a bachelor's degree in business administration from the University of Notre Dame, Indiana, USA, and a master's degree in business administration from Columbia University, New York.

* This company/REIT is listed on the Hong Kong Stock Exchange.
** This company is listed on the Singapore Exchange Limited.

Lu Zhengfei, age 46, a professor and a supervisor of doctoral students, Independent Non-executive Director of the Company. Mr Lu is the Associate Dean of Guanghua School of Management, Peking University, a consultant to the China Accounting Standards Committee of the Ministry of Finance, a committee member and a member of the Academic Committee of the Chinese Accounting Association, a member of the Standing Committee of the Chinese Audit Association, and a member of the Chinese Tax Association and the Chinese Costing Research Institute. He is also a member of the Editorial Committee of Accounting Research and the Editorial Committee of Auditing Research, and has been an Independent Non-executive Director of Sinotrans Limited* and Sino Biopharmaceutical Limited* since 2007. Mr Lu was elected into the "100 Outstanding Persons' Research Program" as a man of talent in social science theories in Beijing in 2001, and into the "New Century Excellent Scholarship Program" of the Ministry of Education of the PRC in 2005. Mr Lu graduated from Nanjing University with a doctorate degree in economics, and completed the post-doctoral research on economics (accounting) at Renmin University of China.

* This company is listed on the Hong Kong Stock Exchange.

Luk Kin Yu, Peter, age 68, Independent Non-executive Director of the Company. Mr Luk is a fellow member of the Institute of Actuaries in England, Institute of Actuaries of Australia, and Society of Actuaries in the United States of America respectively. Mr Luk was the Chief Actuary of American International Assurance Company, Limited, the Chief Financial Officer of the Pacific-Asia Division of Manufacturers Life Insurance Co. Ltd., the Appointed Actuary of Australian Casualty and Life Insurance Co. Ltd., the Principal Actuary of Mercer, Campbell, Cook & Knight, and an Executive Director and the Chief Financial Officer of Pacific Century Insurance Holdings Limited. Mr Luk is the founding president of the Actuarial Society of Hong Kong and was the President of that society for several sessions, a member of the Advisory Committee of Insurance, Financial and Actuarial Analysis of The Chinese University of Hong Kong, and the Chairman of the Advisory Committee of the Department of Mathematics of City University of Hong Kong. He is the Chief Executive Officer of Plan-B Consulting Limited. Mr Luk has substantial experience in the insurance industry.

Ding Ningning, age 61, Independent Non-executive Director of the Company. Mr Ding is a researcher of the Social Development Research Department of the Development Research Centre ("DRC") of the State Council of the PRC, a member of the Academic Committee of the DRC, and a Director of the China Energy Research Society and the China Association for Labor Studies. Mr Ding has been conducting research at the DRC for 27 years since 1982, and was the Director of the Enterprise Economic Research Department of the DRC from 1993 to 1998 and the Director of the Social Development Research Department of the DRC from 1998 to August 2008. He was a member of the Listed Company Supervisory Committee of China Securities Regulatory Commission for four sessions from 1993 to 2000. Mr Ding graduated from Tsinghua University with a bachelor's degree in electric engineering. Mr Ding enrolled in the Chinese Communist Party School and graduated from its first doctorate course in economics. Mr Ding studied and conducted research on British economic history at The Centre of Chinese Study of Oxford University, England, and has substantial experience in the area of economic research.

Zhou Shurui, age 55, a senior administrative engineer, Non-executive Director of the Company and Vice President of PICC Group. Mr Zhou previously worked in the Hebei Provincial People's Government. Mr Zhou joined PICC in 1992 and was previously the Deputy Manager of the Monitoring Office, and Manager, Assistant General Manager, Deputy General Manager and General Manager of the Human Resources Department of PICC. Mr Zhou graduated from Hebei Normal University with a college diploma and a bachelor's degree, and completed the postgraduate program in banking at the Central University of Finance and Economics. He has 27 years of experience in management.

Liu Zhenghuan, age 58, a senior economist, Executive Director, Executive Vice President and Secretary of the Board of Directors of the Company. Ms Liu joined PICC in 1984 and was previously the Deputy Manager and Manager of the Operations Division of PICC Anhui Branch, Deputy General Manager and General Manager of PICC Anhui Branch, and General Manager of PICC Jiangsu Branch. Ms Liu graduated from Fudan University with a master's degree in economics. She has 25 years of operation and management experience in the PRC insurance industry.

Li Tao, age 42, Ph.D, a senior economist, Non-executive Director of the Company, and Senior Specialist of PICC Group. Mr Li lectured at Beijing University of Aeronautics and Astronautics. Mr Li joined PICC in 1998 and was previously the Manager of the Policy Research Division of the Research and Development Center of PICC, Deputy General Manager of the Research and Development Center and the Planning and Statistics Department of PICC, and Deputy General Manager and General Manager of the Secretariat of the Board of Directors of the Company. Mr Li graduated from Renmin University of China with a master's degree in philosophy in 1993, and from the Chinese Communist Party School with a doctorate degree in economics in 1998. He has 16 years of research and management experience.

SUPERVISORS

Ding Yunzhou, age 55, a senior economist, became the Chairman of the Supervisory Committee of the Company in October 2006. Mr Ding is a Vice President of PICC Group. Mr Ding joined PICC in 1977 and was previously the Deputy General Manager of the International Insurance Department of PICC, Chairman and General Manager of China Insurance (UK) Company Limited, Assistant General Manager and Deputy General Manager of PICC, and a Non-executive Director of the Company from 2003 to 2006. Mr Ding graduated from Dalian University of Foreign Languages and has over 30 years of operation and management experience in the domestic and overseas insurance industries.

Li Dianjun, age 66, a university graduate, a researcher, became an Independent Supervisor of the Company in May 2006. Mr Li was previously a deputy county mayor of the regional government of the PRC, the Director-general of the Personnel Department of the Head Office of the People's Bank of China, and Vice President of Agricultural Bank of China. Mr Li was appointed by the State Council of the PRC as the Chairman of the Supervisory Committees of China Life Insurance Company, PICC Holding Company and China Reinsurance (Group) Company. Mr Li graduated from Northeast Normal University with a bachelor's degree in arts and has 26 years of operation and supervision experience in central bank, commercial banks and insurance companies.

Sheng Hetai, age 39, a senior economist, became a Supervisor of the Company in October 2006. Mr Sheng is a Senior Specialist of PICC Group and the General Manager of the Strategic Planning Department of PICC Group. Mr Sheng joined PICC in 1998 and was previously the Manager of the Research Division of the Marketing Department of PICC, Deputy General Manager of the Products Development Center of PICC, Deputy General Manager of the Research and Development Department, and General Manager of the Equity Capital Management Department and the Risk Management Department of PICC Holding Company. Mr Sheng graduated from Peking University with a doctorate degree in economics and has 12 years of management experience in the PRC insurance industry.

He Bangshun, age 58, a senior economist, became a Supervisor of the Company in October 2006. Mr He is the General Manager of the Monitoring Department/Auditing Department of the Company. Mr He joined PICC in 1975 and was previously the Deputy Manager of the Fourth Division of the International Business Department of PICC, Manager of the Marketing Development Division and Manager of the Import and Export Cargo Transportation Insurance Division of that department. Mr He was also the Deputy General Manager of The Ming An Insurance Company (Hong Kong) Limited, Deputy General Manager of China Reinsurance Company (Hong Kong) Limited, Deputy General Manager and General Manager of the Reinsurance Department of PICC, General Manager of the Auditing Department and General Manager of the Beijing Monitoring and Auditing Center of the Company. Mr He graduated from Beijing International Studies University and has over 30 years of operation and management experience in the domestic and foreign insurance industries.

OTHER SENIOR MANAGEMENT

Guo Shengchen, age 54, a university graduate and a senior economist, Executive Vice President of the Company. Mr Guo joined PICC in 1984 and was previously the Assistant General Manager, Deputy General Manager and General Manager of PICC Beijing Branch. He has 35 years of operation and management experience in the PRC financial and insurance industries.

Zhao Shuxian, age 56, a senior economist, Executive Vice President of the Company. Ms Zhao joined PICC in 1978 and was previously the Deputy General Manager of the Operations Department and General Manager of the Special Risk Insurance Department of PICC Property Insurance Company, and Chief Representative of the European Representative Office of PICC. Ms Zhao graduated from Shanghai Jiao Tong University with an Executive MBA degree, and has 31 years of operation and management experience in the PRC insurance industry.

Jia Haimao, age 55, a senior economist, Executive Vice President of the Company. Mr Jia joined PICC in 1984 and was the Deputy General Manager and General Manager of the Motor Vehicle Insurance Department of PICC and General Manager of the Jiangsu Branch of the Company. He has 25 years of operation and management experience in the PRC insurance industry.

Wang He, age 52, Ph.D, a senior economist, Executive Vice President of the Company. Mr Wang joined PICC in 1988 and was the Manager of the Operations Department of PICC Fujian Branch, Deputy General Manager of PICC Xiamen Branch and Executive Deputy General Manager of the Products Development Center of PICC. He has 21 years of operation and management experience in the PRC insurance industry.

Wang Yueshu, age 53, a postgraduate and a senior economist, Chief Compliance Officer of the Company. Mr Wang joined PICC in 1979 and was previously the Manager of the Operations Division of PICC Hebei Branch, General Manager of PICC Handan Branch in Hebei Province, Chief Economist and Deputy General Manager of PICC Hebei Branch, General Manager of the Company's Hebei Branch and Vice President of PICC Health Insurance Company Limited. Mr Wang has 30 years of operation and management experience in the PRC insurance industry.

Wang Dedi, age 51, a senior economist, Executive Vice President of the Company. Mr Wang joined PICC in 1992 and was previously the Deputy General Manager and General Manager of PICC Anshan Branch in Liaoning Province, Assistant General Manager, Deputy General Manager and General Manager of PICC Liaoning Branch and General Manager of the Company's Beijing Branch. Mr Wang has 17 years of operation and management experience in the PRC insurance industry.

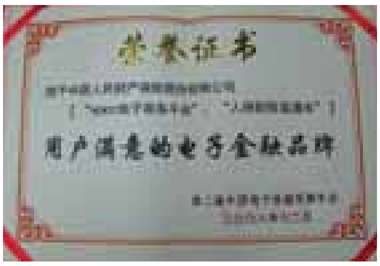
Jiang Caishi, age 44, a university graduate and a master's degree holder, Executive Vice President of the Company. Mr Jiang joined PICC in 1988 and was seconded to New York, USA for 2 years. Mr Jiang was previously the General Manager of the International Insurance Department of PICC Tianjin Branch, Deputy General Manager of PICC Tianjin Branch, General Manager of the Property Insurance Department of PICC, General Manager of the Group Insurance Marketing and Management Department and the Large-Scale Commercial Risk Insurance Department of the Company, General Manager of the Company's Shenzhen Branch, General Manager of the Agriculture Insurance Department of the Company, Senior Specialist and General Manager of the Business Development Department of PICC Group. Mr Jiang has 21 years of operation and management experience in the PRC insurance industry.

OVERVIEW

The Company is a leading non-life insurance company in the PRC providing a broad range of property and casualty insurance products together with accidental injury insurance and short-term health insurance products for customers. In 2008, with the catastrophic snow storms in southern China and the 5.12 severe earthquake in Wenchuan taking place in succession, and the spread of global financial crisis resulting in a drastic downturn in capital markets, the Company encountered unprecedented difficulties and challenges. During this extraordinary year, people across the Company spared no effort to struggle against the difficulties in a pragmatic manner, enabling the Company's business to realise a comparatively rapid growth while maintaining stable financial conditions. In 2008, the Company achieved a turnover of RMB101,878 million, representing an increase of 14.9% over 2007, and a net profit of RMB50 million, representing a year-on-year decline of 98.3%. The total assets reached RMB152,852 million, representing a year-on-year growth of 13.8% and the shareholders' equity totalled RMB21,809 million. The Company's non-life insurance market share in the PRC was 41.6%, a basically stable level compared to last year.

I Increased marketing efforts and premiums income surpassed RMB100 billion

In 2008, the rapid growth in the Company's motor vehicle insurance segment provided a driving force for the overall business growth of the Company. Premiums income from commercial motor vehicle insurance soared by 18.7% on a year-on-year basis. The compulsory third party motor insurance business developed steadily as a result of the Company's proactive response to policy adjustment and decline in premium rates. Through promoting interaction and cooperation with the government at all levels, the agriculture insurance business developed rapidly with premiums income increased by RMB3,327 million or 125.7% on a year-on-year basis, a major contribution to the overall business growth. While ensuring a steady growth in major insurance products and leveraging on advantageous insurance products to expand the Company's market influence, the Company continued to strengthen its underwriting for large-scale projects. The Company acted as the sole or chief underwriter for a number of milestone insurance projects such as the gas field in northeast Sichuan, the Sichuan-Shanghai DC power transmission line of the State Grid Corporation, the Harbin-Dalian railway, the Chinasat-9 satellite, and the Fuqing Nuclear Power Plant. The Company's annual premiums income surpassed RMB100 billion, achieving a historical milestone, and the Company's insurance coverage and penetration underwent an apparent expansion.



OVERVIEW *(continued)*

II Strengthened claim settlement services and its management and control to reduce loss from catastrophes

Shortly after the catastrophic snow storms in southern China and the 5.12 severe earthquake in Wenchuan in 2008, the Company promptly initiated its emergency plans, opened up an express claim settlement channel and made meticulous arrangements to provide fast, refined and priority claim settlement services. At the same time, the Company controlled its settlement costs at a reasonable level by, among others, strengthening its management and control of claim settlement in circumstances of catastrophes, arranging for the "ensuring profitability of motor vehicle insurance" programme and actively promoting the long-distance loss adjustment system for motor vehicle insurance.

III Reinforced cost control to deal with adverse circumstances of catastrophes

In order to deal with the adverse circumstances of catastrophes, the Company launched a campaign of "broadening sources of income and reducing expenditure" which was intended to cut budgets and minimise administrative expenses by reinforcing cost control at all levels and promote the efficient utilisation of assets. The Company's expense ratio was lowered by 5.4 percentage points compared to that in 2007, and the reinforced cost control measures abated the adverse effects of catastrophes.

President Wang Yincheng (middle) went to the front line of the strucken areas to direct the disaster relief and claim settlement work immediately after the earthquake in Wenchuan on 12 May.

The Company's 95518 Call Center consecutively won the award of "China Best Contact Center".

OVERVIEW *(continued)*

IV Deepened risk prevention and maintained the Company's sound operations

The Company consistently and diligently adheres to the market order regulatory guidance provided by CIRC. Above is a photo of the Company's leaders discussing work allocations at a video conference.

The Company actively and fully observed the requirements of China Insurance Regulatory Commission ("CIRC") regarding the regulation of the property and casualty insurance market, and promoted self-discipline in the industry and the building of a healthy and orderly competitive environment. The Company earnestly promoted the practice of issuing motor vehicle insurance policies only after payment of premiums and continued to reinforce the management and control of premiums receivable. Efforts were made to reinforce centralised management and control of capital and promote efficient capital utilisation in order to effectively reduce relevant risks. To ensure that the Company maintains adequate solvency, the Company's solvency indicators were monitored on a regular basis in accordance with the requirements of CIRC in relation to solvency pressure tests. In 2008, Moody's Investors Service granted the Company an A1 credit rating, the highest credit rating available to a PRC enterprise, showing the Company's strength and credit standing in the property and casualty insurance market.

V Enhanced corporate influence and brand image of the Company

In 2008, the Company provided strong insurance support for the Beijing Olympic Games, focus of the world, as the official insurance partner of the Games. The Company had been closely working with the Beijing Organizing Committee for the Olympic Games in developing the Olympic VIK insurance products and in providing special claim settlement services, thereby ensuring that the Beijing Olympic Games and Paralympic Games were held smoothly. The Company's social influence was thereby enhanced. The Company managed to significantly boost its social influence and brand recognition by providing special claim settlement services relating to the snow storms and earthquake. In 2008, the Company was named the "Most Competitive Non-life Insurance Company in Asia" in the 2008 Asian Insurance Competency Ranking organised by 21st Century Business Herald, and was selected as the "Best Insurance Company of the Year" and the "Property and Casualty Insurance Company with the Best Services" by SINA and SOHU websites, respectively.


The Company was named the "Most Competitive Non-Life Insurance Company in Asia" in the 2008 Asian Insurance Competency Ranking organised by 21st Century Business Herald.

The Company was consecutively named the "Property and Casualty Insurance Company with the Best Services" in the "2008 SOHU Finance Management Network Survey Report".

The following table sets forth the net premiums earned, underwriting loss, profit attributable to equity holders of the parent and total assets of the Company and its subsidiaries for the relevant periods.

	Year ended 31 December	
	2008	2007
	RMB million	*RMB million*
Net premiums earned	81,122	68,728
Underwriting loss	(2,494)	(1,427)
Profit attributable to equity holders of the parent	50	2,991
Total assets	152,852	134,265

RESULTS OF OPERATIONS

In 2008, the turnover of the Company and its subsidiaries increased significantly, underwriting loss increased and investment gains decreased. The following table sets forth selected financial ratios shown as percentages of net premiums earned of the Company and its subsidiaries for the relevant periods.

	Year ended 31 December	
	2008	2007
	%	*%*
Net premiums earned	100.0	100.0
Net claims incurred	(74.7)	(68.3)
Amortisation of deferred acquisition costs, net	(14.5)	(16.2)
Insurance protection expenses	(1.0)	(1.1)
General and administrative expenses	(12.9)	(16.5)
Underwriting loss	(3.1)	(2.1)
Net investment income	4.6	4.7
Net realised and unrealised gains on investments	0.4	6.5
Finance costs	(0.3)	(0.5)
Interest expenses credited to policyholders' deposits	(0.3)	(0.4)
Profit/(Loss) before tax	(0.6)	6.5
Tax	0.6	(2.1)
Profit attributable to equity holders of the parent	0.1	4.4
Loss ratio	74.7	68.3
Expense ratio	28.4	33.8
Combined ratio	103.1	102.1

RESULTS OF OPERATIONS *(continued)*

The following table sets forth the net premiums earned, net claims incurred and net amortisation of deferred acquisition costs by segment, analysed as a percentage of the respective aggregate amount, of the Company and its subsidiaries for the relevant periods.

	Year ended 31 December	
	2008	2007
	%	%
Net premiums earned		
Motor vehicle insurance	74.6	77.5
Commercial property insurance	7.2	8.3
Cargo insurance	3.0	3.3
Liability insurance	3.6	3.7
Accidental injury and health insurance	3.0	3.0
Other insurance	8.6	4.2
Total	100	100
Net claims incurred		
Motor vehicle insurance	74.0	77.3
Commercial property insurance	8.9	9.3
Cargo insurance	2.1	2.2
Liability insurance	3.7	3.4
Accidental injury and health insurance	3.3	2.8
Other insurance	8.0	5.0
Total	100	100
Amortisation of deferred acquisition costs, net		
Motor vehicle insurance	82.5	80.3
Commercial property insurance	7.2	7.5
Cargo insurance	2.8	3.0
Liability insurance	3.6	3.5
Accidental injury and health insurance	2.3	2.6
Other insurance	1.6	3.1
Total	100	100

TURNOVER

Turnover of the Company and its subsidiaries was RMB101,878 million in 2008, representing an increase of RMB13,210 million or 14.9% from RMB88,668 million in 2007. The increase was primarily due to the relatively rapid growth of the motor vehicle insurance segment, which achieved an increase in turnover of RMB7,270 million or 11.7% from RMB61,988 million in 2007 to RMB69,258 million in 2008. The turnover of the accidental injury and health insurance, liability insurance, cargo insurance and other insurance segments also experienced growth at different extent. The agriculture insurance business under the other insurance segment grew rapidly which in turn promoted the rapid growth of the Company's overall premiums income.

NET PREMIUMS EARNED

Net premiums earned of the Company and its subsidiaries was RMB81,122 million in 2008, representing an increase of RMB12,394 million or 18.0% from RMB68,728 million in 2007. This increase was primarily due to the rapid growth in the premiums income both in 2007 and 2008. As a result of the rapid growth in premiums income, the net premiums earned from the motor vehicle insurance segment and the agriculture insurance business under the other insurance segment increased by RMB7,280 million and RMB3,170 million, respectively, over 2007.

NET INVESTMENT INCOME

Net investment income of the Company and its subsidiaries was RMB3,716 million in 2008, representing an increase of RMB487 million from RMB3,229 million in 2007. This increase was primarily due to the increase of RMB361 million in the interest income from debt securities investments.

NET REALISED AND UNREALISED GAINS ON INVESTMENTS

Net realised and unrealised gains on investments of the Company and its subsidiaries was RMB319 million in 2008, representing a decline of RMB4,123 million from RMB4,442 million in 2007. This decline was primarily due to the persistent A-share market decline in the PRC which led to an impairment loss of RMB872 million on available-for-sale financial assets and the decrease of RMB3,059 million in unrealised gains on investments in financial assets at fair value through profit or loss in 2008.

NET CLAIMS INCURRED

Net claims incurred of the Company and its subsidiaries was RMB60,604 million in 2008, representing an increase of RMB13,660 million or 29.1% from RMB46,944 million in 2007. Loss ratio of the Company and its subsidiaries rose to 74.7% in 2008 from 68.3% in 2007. The increase in net claims incurred was primarily due to an increase of RMB12,927 million in the net payment of claims which was in turn attributable from, on the one hand, the expansion of the Company's business, and on the other hand, the sharp rise in claims incurred resulting from the catastrophic snow storms in southern China and the severe 5.12 earthquake in Wenchuan in 2008. The net loss and loss adjustment expense reserves as of 31 December 2008 increased by RMB6,574 million over that of 31 December 2007.

AMORTISATION OF DEFERRED ACQUISITION COSTS, NET

Net amortisation of deferred acquisition costs of the Company and its subsidiaries was RMB11,764 million in 2008, representing an increase of 5.5% from RMB11,151 million in 2007. This increase was slower than the business growth primarily by reason of the slow increase in the direct insurance policies' acquisition costs in 2008.

INSURANCE PROTECTION EXPENSES

According to the relevant PRC insurance laws and regulations, the Company and its subsidiaries are required to accrue an insurance protection fund based on 1% of their retained premiums. Insurance protection expenses of the Company and its subsidiaries was RMB774 million in 2008, representing an increase of 3.3% from RMB749 million in 2007. The increase was due to the increase in retained premiums.

INTEREST EXPENSES CREDITED TO POLICYHOLDERS' DEPOSITS

Interest expenses of the Company and its subsidiaries credited to policyholders' deposits decreased from RMB248 million in 2007 to RMB215 million in 2008. This was primarily due to the fact that the income payable to policyholders in respect of the Golden Bull investment-type homeowners insurance products (third generation) and the Golden Baby investment-type accidental injury insurance products of the Company was calculated using floating interest rates. In 2008, with the lowered deposit rates, the interest expenses incurred by the Company reduced.

FINANCE COSTS

Finance costs of the Company and its subsidiaries was RMB227 million in 2008, representing a decrease of RMB88 million from RMB315 million in 2007. This decrease was primarily due to the reduction in the interest on securities sold under agreements to repurchase compared to 2007.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses of the Company and its subsidiaries were RMB10,474 million in 2008, representing a decrease of RMB837 million from RMB11,311 million in 2007. This decrease was primarily due to the Company's efforts to broaden sources of income and reduce expenditure and minimise administrative expenses, as well as the cut in the remuneration of the management, travelling expenses and conference expenses.

PROFIT/(LOSS) BEFORE TAX

As a result of the foregoing, loss before tax of the Company and its subsidiaries was RMB447 million in 2008, representing a decrease of RMB4,903 million from the profit of RMB4,456 million in 2007.

TAX

Income tax expenses of the Company and its subsidiaries was credited with RMB497 million in 2008, representing a decrease of RMB1,962 million from RMB1,465 million in 2007. The major reason for such decrease was the drastic decline in the profit before tax in 2008, and the Company's relatively high income earned from the interests on treasury bonds and the dividends paid by investment funds were tax-free.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

As a result of the foregoing, net profit of the Company and its subsidiaries decreased by RMB2,941 million from RMB2,991 million in 2007 to RMB50 million in 2008. Basic earnings per share attributable to ordinary equity holders of the parent in 2008 was RMB0.004.

COMBINED RATIO

The combined ratio of the Company and its subsidiaries increased from 102.1% in 2007 to 103.1% in 2008. Affected by the catastrophic snow storms in southern China and the serious 5.12 earthquake in Wenchuan in 2008, the loss ratio of the Company and its subsidiaries rose from 68.3% in 2007 to 74.7% in 2008, partly offsetting the favourable effect of the reduced expense ratio on the combined ratio.

RESULTS OF SEGMENT OPERATIONS

Motor Vehicle Insurance

	Year ended 31 December	
	2008	2007
	RMB million	*RMB million*
Turnover	**69,258**	61,988
Net premiums earned	**60,553**	53,273
Net claims incurred	**(44,839)**	(36,283)
Amortisation of deferred acquisition costs, net	**(9,710)**	(8,954)
Insurance protection expenses	**(570)**	(576)
Segment profit before general and administrative expenses	**5,434**	7,460
Loss ratio	**74.0%**	68.1%
Expense ratio	**17.0%**	17.9%
Combined ratio	**91.0%**	86.0%

Turnover of the motor vehicle insurance segment of the Company and its subsidiaries was RMB69,258 million in 2008, representing an increase of RMB7,270 million (or 11.7%) from RMB61,988 million in 2007. This increase was primarily due to the growth in the commercial motor vehicle insurance business.

Net premiums earned from the motor vehicle insurance segment of the Company and its subsidiaries was RMB60,553 million in 2008, representing an increase of RMB7,280 million (or 13.7%) from RMB53,273 million in 2007, basically compatible with the growth in turnover.

RESULTS OF SEGMENT OPERATIONS *(continued)*

Motor Vehicle Insurance *(continued)*

Net claims incurred of the motor vehicle insurance segment of the Company and its subsidiaries was RMB44,839 million in 2008, representing an increase of RMB8,556 million (or 23.6%) from RMB36,283 million in 2007. Loss ratio increased from 68.1% in 2007 to 74.0% in 2008. Major natural disasters had led to the rise in the loss ratio of the motor vehicle insurance segment, while the raising of the liability limit of compulsory third party motor insurance also attributed to the increase in the loss ratio.

Net amortisation of deferred acquisition costs of the motor vehicle insurance segment of the Company and its subsidiaries was RMB9,710 million in 2008, representing an increase of 8.4% from RMB8,954 million in 2007. This increase was primarily due to the growth in the income from motor vehicle insurance business and the corresponding increase in underwriting-related costs such as commission expenses, underwriting expenses, and government levies and surcharges. The increase in commission expenses recovered partly offset the foregoing effect.

Insurance protection expenses charged to the motor vehicle insurance segment of the Company and its subsidiaries was RMB570 million in 2008, representing a decrease of 1.0% from RMB576 million in 2007, due to a slight reduction in the segment's retained premiums.

The expense ratio of the motor vehicle insurance segment of the Company and its subsidiaries reduced from 17.9% in 2007 to 17.0% in 2008, primarily due to the slow growth in net amortisation of deferred acquisition costs.

As a result of the foregoing, profit before general and administrative expenses of the motor vehicle insurance segment of the Company and its subsidiaries was RMB5,434 million in 2008, representing a decrease of 27.2% compared to RMB7,460 million in 2007.

Commercial Property Insurance

	Year ended 31 December	
	2008	2007
	RMB million	*RMB million*
Turnover	**9,397**	8,941
Net premiums earned	**5,859**	5,689
Net claims incurred	**(5,404)**	(4,347)
Amortisation of deferred acquisition costs, net	**(849)**	(836)
Insurance protection expenses	**(55)**	(59)
Segment profit/(loss) before general and administrative expenses	**(449)**	447
Loss ratio	**92.2%**	76.4%
Expense ratio	**15.4%**	15.7%
Combined ratio	**107.6%**	92.1%

Turnover of the commercial property insurance segment of the Company and its subsidiaries was RMB9,397 million in 2008, representing an increase of RMB456 million (or 5.1%) from RMB8,941 million in 2007.

RESULTS OF SEGMENT OPERATIONS *(continued)*

Commercial Property Insurance *(continued)*

Net premiums earned from the commercial property insurance segment of the Company and its subsidiaries was RMB5,859 million in 2008, representing an increase of RMB170 million (or 3.0%) from RMB5,689 million in 2007, basically compatible with the growth in turnover.

Net claims incurred of the commercial property insurance segment of the Company and its subsidiaries was RMB5,404 million in 2008, representing an increase of RMB1,057 million from RMB4,347 million in 2007. The claim expenses and the claim expenses recovered increased by RMB3,584 million and RMB2,969 million, respectively, and the change in net loss and loss adjustment expense reserves increased by RMB442 million. The increase in net claims incurred was primarily due to the effect of natural disasters such as the catastrophic snow storms.

Net amortisation of deferred acquisition costs of the commercial property insurance segment of the Company and its subsidiaries was RMB849 million in 2008, a slight increase from RMB836 million in 2007.

Insurance protection expenses charged to the commercial property insurance segment of the Company and its subsidiaries decreased from RMB59 million in 2007 to RMB55 million in 2008, due to a reduction in retained premiums.

The expense ratio of the commercial property insurance segment of the Company and its subsidiaries decreased from 15.7% in 2007 to 15.4% in 2008, primarily due to the increase in net amortisation of deferred acquisition costs being slower than the increase in net premiums earned.

As a result of the foregoing, due to the effect of, among others, major natural disasters, loss before general and administrative expenses of the commercial property insurance segment of the Company and its subsidiaries was RMB449 million in 2008, representing a decrease of 200.4% from the profit of RMB447 million in 2007.

Cargo Insurance

	Year ended 31 December	
	2008	2007
	RMB million	*RMB million*
Turnover	**3,248**	2,990
Net premiums earned	**2,455**	2,271
Net claims incurred	**(1,267)**	(1,016)
Amortisation of deferred acquisition costs, net	**(330)**	(334)
Insurance protection expenses	**(24)**	(23)
Segment profit before general and administrative expenses	**834**	898
Loss ratio	**51.6%**	44.7%
Expense ratio	**14.4%**	15.7%
Combined ratio	**66.0%**	60.4%

Turnover of the cargo insurance segment of the Company and its subsidiaries was RMB3,248 million in 2008, representing an increase of RMB258 million (or 8.6%) from RMB2,990 million in 2007.

RESULTS OF SEGMENT OPERATIONS *(continued)*

Cargo Insurance *(continued)*

Net premiums earned from the cargo insurance segment of the Company and its subsidiaries was RMB2,455 million in 2008, representing an increase of RMB184 million (or 8.1%) from RMB2,271 million in 2007, primarily due to the increased income from insurance business.

Net claims incurred of the cargo insurance segment of the Company and its subsidiaries was RMB1,267 million in 2008, representing an increase of 24.7% from RMB1,016 million in 2007, primarily due to competition leading to a decline in premium rates. The loss ratio of the cargo insurance segment increased from 44.7% in 2007 to 51.6% in 2008.

Net amortisation of deferred acquisition costs of the cargo insurance segment of the Company and its subsidiaries was RMB330 million in 2008, a slight decrease from RMB334 million in 2007.

Insurance protection expenses charged to the cargo insurance segment of the Company and its subsidiaries was RMB24 million in 2008, basically levelled with that in 2007, primarily due to the slight changes in the retained premiums of the cargo insurance segment in 2008 as compared to that in 2007.

The expense ratio of the cargo insurance segment of the Company and its subsidiaries decreased from 15.7% in 2007 to 14.4% in 2008, primarily due to a year-on-year decrease in net amortisation of deferred acquisition costs and a year-on-year increase in net premiums earned.

As a result of the foregoing, profit before general and administrative expenses of the cargo insurance segment of the Company and its subsidiaries was RMB834 million in 2008, representing a decrease of 7.1% compared to RMB898 million in 2007.

Liability Insurance

	Year ended 31 December	
	2008	2007
	RMB million	*RMB million*
Turnover	4,264	3,640
Net premiums earned	2,958	2,534
Net claims incurred	(2,259)	(1,603)
Amortisation of deferred acquisition costs, net	(425)	(387)
Insurance protection expenses	(27)	(27)
Segment profit before general and administrative expenses	247	517
Loss ratio	76.4%	63.3%
Expense ratio	15.3%	16.3%
Combined ratio	91.7%	79.6%

Turnover of the liability insurance segment of the Company and its subsidiaries was RMB4,264 million in 2008, representing an increase of RMB624 million (or 17.1%) from RMB3,640 million in 2007.

RESULTS OF SEGMENT OPERATIONS *(continued)*

Liability Insurance *(continued)*

Net premiums earned from the liability insurance segment of the Company and its subsidiaries was RMB2,958 million in 2008, representing an increase of RMB424 million (or 16.7%) from RMB2,534 million in 2007, primarily due to the increase in premiums income.

Net claims incurred of the liability insurance segment of the Company and its subsidiaries was RMB2,259 million in 2008, representing an increase of RMB656 million (or 40.9%) from RMB1,603 million in 2007, primarily because the claim expenses and the change in net loss and loss adjustment expense reserves increased by RMB433 million and RMB306 million, respectively, resulting from the high claim ratio for liability insurance and the rapid increase in liability limit. The loss ratio of the liability insurance segment increased from 63.3% in 2007 to 76.4% in 2008.

Net amortisation of deferred acquisition costs of the liability insurance segment of the Company and its subsidiaries was RMB425 million in 2008, representing an increase of RMB38 million from RMB387 million in 2007.

Insurance protection expenses charged to the liability insurance segment of the Company and its subsidiaries was RMB27 million in 2008, same as that in 2007.

The expense ratio of the liability insurance segment of the Company and its subsidiaries reduced from 16.3% in 2007 to 15.3% in 2008, as a result of the increase in net amortisation of deferred acquisition costs being slower than the increase in net premiums earned.

As a result of the foregoing, profit before general and administrative expenses of the liability insurance segment of the Company and its subsidiaries was RMB247 million in 2008, representing a decrease of 52.2% from RMB517 million in 2007.

Accidental Injury and Health Insurance

	Year ended 31 December	
	2008	2007
	RMB million	*RMB million*
Turnover	**3,729**	3,115
Net premiums earned	**2,431**	2,084
Net claims incurred	**(1,990)**	(1,315)
Amortisation of deferred acquisition costs, net	**(269)**	(290)
Insurance protection expenses	**(25)**	(20)
Segment profit before general and administrative expenses	**147**	459
Loss ratio	**81.9%**	63.1%
Expense ratio	**12.1%**	14.9%
Combined ratio	**94.0%**	78.0%

Turnover of the accidental injury and health insurance segment of the Company and its subsidiaries was RMB3,729 million in 2008, representing an increase of RMB614 million (or 19.7%) from RMB3,115 million in 2007.

RESULTS OF SEGMENT OPERATIONS *(continued)*

Accidental Injury and Health Insurance *(continued)*

Net premiums earned from the accidental injury and health insurance segment of the Company and its subsidiaries was RMB2,431 million in 2008, representing an increase of RMB347 million (or 16.7%) from RMB2,084 million in 2007, primarily due to the increase in turnover.

Net claims incurred of the accidental injury and health insurance segment of the Company and its subsidiaries was RMB1,990 million in 2008, representing an increase of RMB675 million (or 51.3%) from RMB1,315 million in 2007. The claim expenses and the change in net loss and loss adjustment expense reserves increased by RMB569 million and RMB303 million, respectively. The decline in the premium rates and the high claim ratio for certain supplemental medical insurance products were the main reasons for the rise in claim expenses. The loss ratio of the accidental injury and health insurance segment increased from 63.1% in 2007 to 81.9% in 2008.

Net amortisation of deferred acquisition costs of the accidental injury and health insurance segment of the Company and its subsidiaries was RMB269 million in 2008, representing a decrease of RMB21 million from RMB290 million in 2007.

Insurance protection expenses charged to the accidental injury and health insurance segment of the Company and its subsidiaries was RMB25 million in 2008, representing a slight increase from RMB20 million in 2007, primarily due to the slight increase in the retained premiums of the accidental injury and health insurance segment in 2008.

The expense ratio of the accidental injury and health insurance segment of the Company and its subsidiaries was 12.1% in 2008, a decrease of 2.8 percentage points from 14.9% in 2007, primarily due to a year-on-year decrease in net amortisation of deferred acquisition costs and a year-on-year increase in net premiums earned.

As a result of the foregoing, profit before general and administrative expenses of the accidental injury and health insurance segment of the Company and its subsidiaries was RMB147 million in 2008, representing a decrease of 68.0% from RMB459 million in 2007.

DEVELOPMENT OF NEW PRODUCTS

In 2008, the Company submitted a total of 620 insurance provisions, consisting of 238 national provisions and 382 regional provisions, or 296 main-insurance provisions and 324 rider provisions, to the insurance regulatory authority for approval and filing. The insurance provisions and products developed by the Company in 2008 covered 15 insurance categories, thereby further diversifying and perfecting the Company’s product lines.

CASH FLOW

	Year ended 31 December	
	2008	2007
	RMB million	*RMB million*
Net cash inflow from operating activities	**4,276**	11,259
Net cash outflow from investing activities	**(8,616)**	(4,833)
Net cash inflow/(outflow) from financing activities	**711**	(2,718)
Net increase/(decrease) in cash and cash equivalents	**(3,629)**	3,708

Net cash inflow generated from the operating activities of the Company and its subsidiaries was RMB4,276 million in 2008, representing a decrease of RMB6,983 million from 2007. This was primarily due to the fact that claim expenses paid in cash increased by RMB16,756 million, and commission expenses and government levies and surcharges paid in cash increased by RMB2,535 million, while cash received from premiums, which increased by RMB16,585 million over 2007, was unable to fully offset the effect of the said increase in cash payments in 2008.

Net cash outflow from the investing activities of the Company and its subsidiaries was RMB8,616 million in 2008, representing an increase of RMB3,783 million over 2007. This was primarily due to the fact that the net payment involved in debt securities and equity securities dealings totalled RMB7,880 million in 2008, a year-on-year increase of RMB2,121 million, and the deposits with banks or other financial institutions with a maturity of three months or longer and the net amount collected upon the maturity of these types of deposits decreased by RMB3,071 million when compared to 2007. The amount of investments in infrastructure construction reduced by RMB870 million compared to that in 2007, thereby partly offsetting the foregoing effect.

Net cash inflow from the financing activities of the Company and its subsidiaries was RMB711 million in 2008, representing an increase of RMB3,429 million over 2007. This was primarily due to an increase in cash inflow of RMB1,923 million generated from the sale of repurchased securities in 2008. In addition, there was no interim dividend paid in mid-2008 as opposed to the interim dividend of RMB1,014 million paid in mid-2007. The combination of the above two factors gave rise to an increase of RMB2,937 million in net cash inflow over 2007.

Net decrease in cash and cash equivalents (mainly in RMB) of the Company and its subsidiaries was RMB3,629 million in 2008.

LIQUIDITY

The cash flow of the Company and its subsidiaries is primarily derived from cash generated from operating activities, and, in particular, cash from insurance premiums received. Additional liquidity sources include interest and dividend income, proceeds from matured investments, disposal of assets and financing activities. The liquidity requirements of the Company and its subsidiaries consist principally of the payment of claims and other obligations under outstanding insurance policies, capital expenditures, operating expenses, tax payments, dividend payments and investment needs.

The Company issued the fixed-rate subordinated term debts of RMB3,000 million with a term of 10 years to institutional investors in the PRC in December 2006 for the primary purpose of increasing the Company's solvency margin.

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

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

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

CAPITAL EXPENDITURE

The capital expenditure of the Company and its subsidiaries has primarily been for property construction, acquisition of motor vehicles for business needs and development of information system. Capital expenditure of the Company and its subsidiaries was RMB1,267 million in 2008.

SOLVENCY MARGIN REQUIREMENT

The Company is subject to a number of laws and regulations regarding financial operations, including maintaining a stipulated solvency margin and providing for certain funds and reserves. In accordance with the insurance laws and regulations in the PRC, the Company was required to maintain a minimum solvency margin of RMB11,546 million on 31 December 2008. The Company's actual solvency margin calculated pursuant to the regulations of CIRC was RMB16,762 million and the solvency margin adequacy ratio was 145% *(Note)*.

Note: The calculation was based on the PRC Accounting Standards for Business Enterprises.

GEARING RATIO

As of 31 December 2008, the gearing ratio *(Note)* of the Company and its subsidiaries was 83.8%, representing an increase of 5.5 percentage points from 78.3% as of 31 December 2007.

Note: Gearing ratio is represented by total liabilities (excluding subordinated term debts) divided by total assets under accounting principles generally accepted in Hong Kong.

CONTINGENT LIABILITIES

Owing to the nature of the insurance business, the Company and its subsidiaries are involved in legal proceedings related to its ordinary course of business, as plaintiff or defendant. Such legal proceedings mostly involve claims on the insurance policies of the Company and its subsidiaries. While the outcomes of such contingencies or legal proceedings cannot be determined at present, the Company and its subsidiaries believe that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Company and its subsidiaries.

CREDIT RISK

Credit risk is the risk of an economic loss incurred by the Company and its subsidiaries resulting from the inability of debtors of the Company and its subsidiaries to make any principal or interest payment when due. The accounts receivable for insurance assets, reinsurance assets, debt securities and deposits with commercial banks of the Company and its subsidiaries are subject to credit risk.

The Company and its subsidiaries are committed to credit sales only to corporate customers or individual customers purchasing insurance via insurance intermediaries. The ability of collecting premiums on a timely manner remains one of the key performance indictors of the Company. The Company's premiums receivable involves a large number of diversified customers, therefore there are no major credit concentration risks in relation to insurance accounts receivable.

Except when dealing with national reinsurers, the Company and its subsidiaries purchase reinsurance primarily from reinsurance companies with A.M. Best ratings of A- or above. The management of the Company and its subsidiaries review the creditworthiness of the reinsurance companies in order to update the reinsurance strategies of, and determine reasonable impairment provision for reinsurance assets of, the Company and its subsidiaries, on a regular basis.

The Company and its subsidiaries diligently manage credit risk in debt securities by analysing the creditworthiness of companies prior to making investments and by strictly conforming to the regulations laid down by CIRC which permits investments in corporate bonds with rating higher than AA only.

The Company and its subsidiaries manage and lower credit risk affecting their bank deposits mainly by depositing most of their deposits with state-owned or state-controlled commercial banks.

EXCHANGE RATE RISK

The Company and its subsidiaries conduct their business primarily in Renminbi, which is also their functional and financial reporting currency. A portion of their business (including a portion of commercial property insurance, international cargo insurance and aviation insurance) is conducted in foreign currencies, primarily US dollars. The Company and its subsidiaries are also exposed to exchange rate risks with respect to their holdings in certain assets such as bank deposits, debt securities and certain insurance liabilities which are denominated in foreign currencies, primarily US dollars.

INTEREST RATE RISK

Interest rate risk means the risks of changes in the value or future cash flows of financial instruments as a result of changes in market interest rates. In view of the relatively short terms of insurance debts, the Company and its subsidiaries primarily invest in financial assets with a term ranging from one to seven years. The Company and its subsidiaries intend to procure the term of their investment portfolios to remain shorter than the market level for similar financial assets. The Company and its subsidiaries also hold a high percentage of interest rate-sensitive financial assets so as to reduce interest rate risks.

INTEREST RATE SWAPS

The Company's financial assets which bear interests at different rates would generate uncertain cash flow. As such, interest rate swap contracts are used by the Company to hedge against such interest rate risk whereby fixed interests are received from, and floating interests are paid to, the counterparties. As of 31 December 2008, the interest rate swap contracts held by the Company had a total notional amount of RMB850 million.

EMPLOYEES

As of 31 December 2008, the Company had 59,669 employees. Staff remuneration payment by the Company and its subsidiaries in 2008 was RMB6,485 million, which included basic salaries, performance-related bonus, and various insurance and benefits contributed in accordance with the relevant PRC regulations. The Company and its subsidiaries enhanced the performance and work efficiency of employees by providing various career development paths, strengthening personnel training and implementation of performance appraisal. The Company is of the view that the Company and its subsidiaries maintain a good relationship with their employees.

The Board of Directors presents its report and the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2008 (the "Year").

PRINCIPAL ACTIVITIES

The Company engages in motor vehicle insurance, commercial property insurance, homeowners insurance, cargo insurance, liability insurance, accidental injury insurance, short-term health insurance, hull insurance, agriculture insurance, surety insurance, which are denominated in RMB and foreign currencies, together with the reinsurance of the above insurance products, and investment and fund application business permitted under the relevant laws and regulations of the PRC. The Company's subsidiaries mainly engage in providing insurance agency services and training services for the Company.

FINANCIAL RESULTS AND DIVIDEND

The results of the Company and its subsidiaries for the Year and the state of financial affairs of the Company and its subsidiaries as at 31 December 2008 are set out on pages 53 to 133 of this annual report.

The Board of Directors did not recommend any final dividend for the Year.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Company and its subsidiaries for the last five financial years is set out in the "Financial Summary" section of this annual report.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Changes in the property, plant and equipment and investment properties of the Company and its subsidiaries during the Year are set out in notes 27 and 28 to the financial statements, respectively.

SHARE CAPITAL

There were no movements in the share capital of the Company during the Year.

PRE-EMPTIVE RIGHTS

There are no provisions regarding pre-emptive rights in respect of the transfer of shares or issue of new shares of joint stock limited companies under the Company Law of the People's Republic of China (the "Company Law").

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.

RESERVES

Details of the reserves of the Company and its subsidiaries and their changes during the Year are set out in the "Consolidated Statement of Changes in Equity" section of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2008, the Company's distributable reserves totaled RMB1,781 million based on the PRC Accounting Standards for Business Enterprises.

CHARITABLE AND OTHER DONATIONS

Charitable and other donations made by the Company and its subsidiaries in the Year amounted to RMB208 million.

MAJOR CUSTOMERS

The aggregate turnover of the Company and its subsidiaries attributable to their five largest customers did not exceed 10% of the total turnover of the Company and its subsidiaries for the Year.

DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company during the Year and the changes in the members of the Board of Directors from 1 January 2008 to the date of this annual report are set out in the "Corporate Governance Report" section of this annual report. There has been no change in the members of the Supervisory Committee from 1 January 2008 to the date of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT

Biographical details of the directors, supervisors and other senior management of the Company are set out in the "Biographical Details of Directors, Supervisors and Other Senior Management" section of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATION

The Company did not enter into any service contracts, which are not determinable by the Company within one year without payment of compensation (other than statutory compensation), with its directors and supervisors.

Details of the remuneration of the directors and supervisors of the Company are set out in note 12 to the financial statements.

HIGHEST PAID INDIVIDUALS

Details of the remuneration of the five highest paid individuals of the Company are set out in note 13 to the financial statements.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

None of the directors and supervisors had a material interest, whether directly or indirectly, in any contracts which were significant to the business of the Company and subsisted at the end of the Year or at any time during the Year.

MANAGEMENT CONTRACT

Pursuant to the asset management agreement entered into between the Company and PICC Asset Management Company Limited ("PICC AMC", a subsidiary of the Company's controlling shareholder), PICC AMC provides investment management services in respect of certain assets of the Company. The Company pays PICC AMC a management fee and a performance bonus when the investment performance satisfies certain conditions. The particulars of this agreement are set forth in note 45 to the financial statements.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

The directors, supervisors and chief executive of the Company did not held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the Securities and Futures Ordinance ("SFO") as at 31 December 2008 that are required to be recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Hong Kong Stock Exchange under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' INTERESTS IN COMPETING BUSINESS

PICC Life Insurance Company Limited ("PICC Life", an associate of the Company) and PICC Health Insurance Company Limited ("PICC Health"), subsidiaries of PICC Group, the controlling shareholder of the Company, also engage in accidental injury insurance and short-term health insurance business.

Mr Wu Yan, the Chairman of the Company, is the Chairman of PICC Life. Mr Wu Gaolian (resigned as a non-executive director of the Company on 29 December 2008) was the Chairman of PICC Health and a director of PICC Life. Ms Liu Zhenghuan, an executive director of the Company, is a director of PICC Life.

Pursuant to the reorganisation agreement entered into between the Company and PICC Group, PICC Group has undertaken not to carry on any insurance business in the PRC which is of the same or similar nature as, or competes with, the core business of the Company.

Save as disclosed above, none of the directors of the Company is or was interested in any business that competes or competed or is or was likely to compete, either directly or indirectly, with the Company's business from 1 January 2008 to the date of this annual report.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

As at 31 December 2008, the following shareholders had interests or short positions in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Number of domestic shares	Nature of interests	Percentage of total number of domestic shares in issue	Percentage of total number of shares in issue
PICC Group	Beneficial owner	7,685,820,000	Long position	100%	69.0%

Name of shareholder	Capacity	Number of H shares	Nature of interests	Percentage of total number of H shares in issue	Percentage of total number of shares in issue
AIG	Interest of controlled corporations	1,103,038,000	Long position	31.92%	9.9%
Birmingham Fire Insurance Company of Pennsylvania	Beneficial owner	562,549,380	Long position	16.28%	5.05%
Commerce and Industry Insurance Company	Beneficial owner	330,911,400	Long position	9.58%	2.97%
Lexington Insurance Company	Beneficial owner	209,577,220	Long position	6.06%	1.88%

Note: Birmingham Fire Insurance Company of Pennsylvania, Commerce and Industry Insurance Company, and Lexington Insurance Company are controlled corporations of AIG.

Save as disclosed above, the Company is not aware of any other persons having any interests or short positions in the shares or underlying shares of the Company as at 31 December 2008 that are required to be recorded in the register kept under section 336 of the SFO.

PUBLIC FLOAT

As at the date of this annual report, 31% of the issued share capital of the Company is held by the public, and therefore the Company complies with the minimum public float requirement set out in the Listing Rules.

CONNECTED TRANSACTIONS

The connected transactions of the Company for the Year are set out in note 45 to the financial statements.

The independent non-executive directors of the Company have reviewed the continuing connected transactions mentioned above and confirmed that:

1. all transactions were entered into in the ordinary and usual course of business;

2. all transactions were on normal commercial terms, fair and reasonable and in the interests of the shareholders of the Company as a whole; and

3. all transactions were carried out in accordance with the terms of the agreements governing the transactions.

The auditors of the Company have reviewed the continuing connected transactions mentioned above and confirmed to the Board of Directors that:

1. all transactions have been approved by the Board of Directors;

2. all transactions (involving the provision of goods or services by the Company) were carried out in accordance with the Company's pricing policy;

3. all transactions were carried out in accordance with the terms of the agreements governing the transactions; and

4. for items (i), (iii), (iv) and (vi) set out in note 45(a) to the financial statements, none of the transactions exceeded the relevant annual upper limits previously disclosed in the Company's announcements.

The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out in the "Corporate Governance Report" section of this annual report.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial statements for the Year. The composition and the role of the Audit Committee and a summary of its work performed during the Year are set out in the "Corporate Governance Report" section of this annual report.

AUDITORS

The terms of Ernst & Young and Ernst & Young Hua Ming, which serve as the international auditors and domestic auditors of the Company respectively, shall end at the conclusion of the forthcoming annual general meeting. A resolution to re-appoint Ernst & Young as the international auditors and Ernst & Young Hua Ming as the domestic auditors of the Company will be proposed at the forthcoming annual general meeting.

By Order of the Board of Directors
Wu Yan
Chairman

Beijing, the PRC
15 April 2009

Dear Shareholders:

In 2008 (the "Year"), all members of the Supervisory Committee of the Company duly carried out its work and supervisory duties strictly in accordance with the relevant provisions of the Company Law and the Articles of Association of PICC Property and Casualty Company Limited (the "Articles of Association") and in good faith, and effectively protected the interests of the shareholders, the Company and its employees.

During the Year, the Supervisory Committee convened three meetings, at which the Company's relevant departments reported on matters including the financial conditions, business operations, internal control and compliance of the Company for 2007 and the first half of 2008, the Company's auditors reported on the audit work for the Company, and twelve proposals including the Auditors' Report and the Audited Financial Statements for 2007 of the Company were considered and approved. The Supervisory Committee also gave opinions on the financial statements disclosed by the Company and the significant issues arising from the Company's operations and management. The supervisors attended three meetings of the Audit Committee, two shareholders' general meetings and five meetings of the Board of Directors to keep abreast of matters relating to the Company's operations and management and perform on-site supervision over the legality of the substance and procedures of the meetings. The supervisors monitored the implementation by the Board of Directors of the resolutions of the shareholders' general meetings, and submitted the Report of the Supervisory Committee for 2007 to the shareholders' general meeting, at which it was approved.

During the Year, the Supervisory Committee focused on the supervision over financial matters, internal control and compliance as well as risk control, and conducted investigation and research on matters such as cost control, internal control and compliance of the Company's branches and their sub-branches in Hebei, Xiamen, Inner Mongolia and Qingdao. Special reports on the results of the investigation and research with improvement suggestions were submitted to the management of the Company.

The Supervisory Committee is of the view that:

In the Year, the directors and senior management of the Company have performed their duties set forth in the Articles of Association in diligence and good faith, implemented all resolutions of the shareholders' general meetings and those of the Board of Directors in earnest. No director or member of the senior management was found to have committed any breach of any laws, regulations or the Articles of Association or to have infringed any rights or interests of the shareholders, the Company or its employees when performing their duties during the Year.

The reviewed financial statements for the interim period of 2008 and the audited annual financial statements for 2008 of the Company and its subsidiaries were prepared strictly in accordance with the relevant accounting standards. Accounting treatments were applied consistently, and the information contained in the financial statements gave a true and fair view of the financial conditions and operating results of the Company and its subsidiaries.

The connected transactions of the Company were conducted on an arm's length basis and satisfied the relevant regulatory requirements of the Hong Kong Stock Exchange. There was no indication of any infringement of the interests of the independent minority shareholders and the Company.

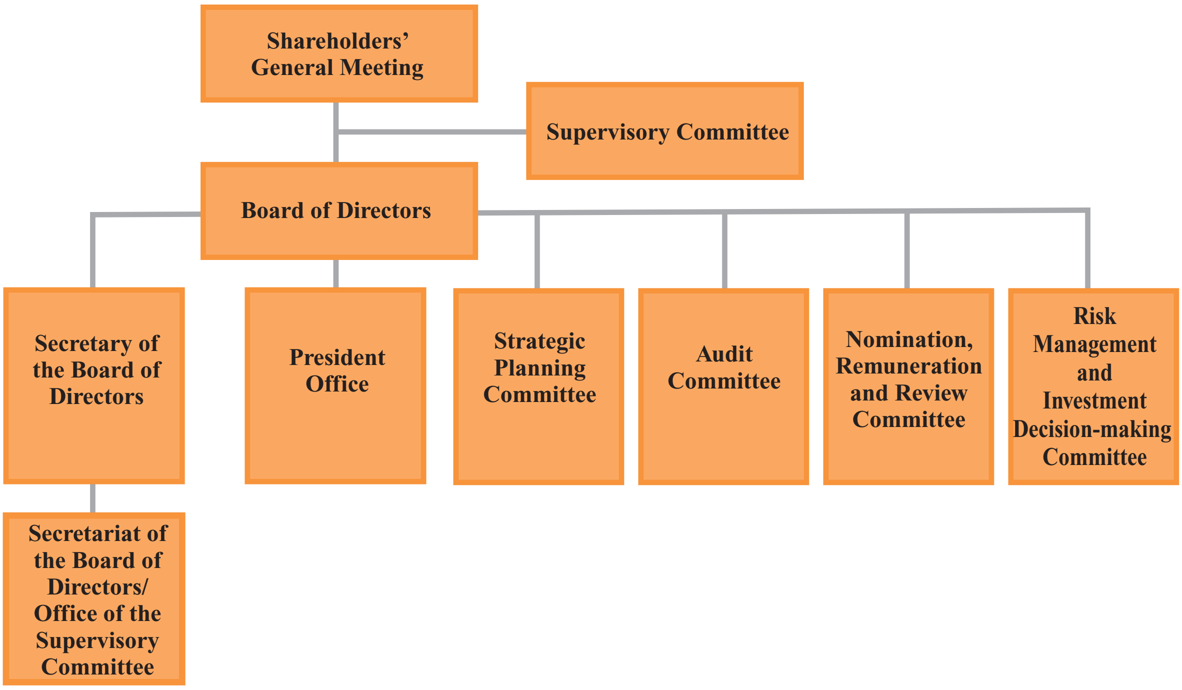
In 2009, the Supervisory Committee will perform its supervisory duties strictly in accordance with the relevant provisions of the Company Law and the Articles of Association with supervision over meetings as its fundamental duties, financial matters, internal control and compliance as its supervision focus, and investigation and research as its tools. The Supervisory Committee will also further strengthen its supervisory and investigation and research efforts to protect the interests of the shareholders, the Company and its employees earnestly and to accomplish its work diligently.

By Order of the Supervisory Committee
Ding Yunzhou
Chairman of the Supervisory Committee

Beijing, the PRC
15 April 2009

OVERVIEW

The Company believes that maintaining sound corporate governance is in the interests of the Company, its shareholders and stakeholders. In 2008 (the "Year"), the Company continuously strengthened its risk management, internal control, compliance development and management, developed and refined its risk management, internal control and compliance management structure, regulated the operation of the Board of Directors and enhanced the corporate governance level in accordance with the Company Law, the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "Code on Corporate Governance Practices"), the Guidelines on Regulating Corporate Governance Structure of Insurance Companies (Trial) (the "Guidelines"), the Guidelines on Compliance Management of Insurance Companies, the Guidelines on Operation of Board of Directors of Insurance Companies and the Provisional Measures for the Administration of Independent Directors of Insurance Companies issued by China Insurance Regulatory Commission, the Articles of Association and other relevant laws, regulations and rules.



The Company complied with all the code provisions of the Code on Corporate Governance Practices in the Year.

BOARD OF DIRECTORS

Overview

During the Year, the Board of Directors convened two shareholders' general meetings and submitted nine proposals to the shareholders' general meetings for consideration and approval. Nine board meetings were convened, at which thirty-nine proposals were considered and approved. The Board of Directors formulated the business development plan, financial budget, fixed assets investment plan, strategic allocations of and investment policies on custodian assets of the Company, etc. The Board of Directors also conducted annual performance appraisals of the Company's Directors and senior management, and enhanced the Company's internal control, compliance management and risk management and control level.

The Board of Directors meets regularly at least four times a year, and holds special meetings when necessary. Notices and meeting materials for regular board meetings are given to the directors at least fourteen days and three days prior to the meetings, respectively. All the directors are entitled to submit proposals to be listed as part of the agenda of the board meetings. Detailed minutes of each board meeting are kept. Four board committees are formed under the Board of Directors, namely the Strategic Planning Committee, the Audit Committee, the Nomination, Remuneration and Review Committee, and the Risk Management and Investment Decision-making Committee, respectively. The duties and responsibilities of and operating procedures for each of the board committees are clearly defined. The board committees submit opinions and proposals to the Board of Directors on matters within their respective scope of duties and responsibilities.

During the Year, in accordance with the relevant provisions of the Company Law, the Code on Corporate Governance Practices, the Guidelines, the Guidelines on Operation of Board of Directors of Insurance Companies, the Provisional Measures for the Administration of Independent Directors of Insurance Companies and the Articles of Association, the Board of Directors continued to regulate its operation and enhanced the corporate governance level.

BOARD OF DIRECTORS *(continued)*

Composition

During the Year, the Board of Directors of the Company comprised the following Directors:

Name	Position	Date of Commencement of Directorship	Term
Mr Wu Yan	Chairman, Executive Director	23 March 2007	From 23 March 2007 to 22 March 2010
Mr Wang Yi (resigned)	Vice Chairman, Executive Director	6 July 2003	Resigned on 22 April 2008
Mr Wang Yincheng	Vice Chairman, Executive Director	6 July 2003	From 18 October 2006 to 5 July 2009
Mr Tse Sze-Wing, Edmund	Non-executive Director	15 June 2004	From 6 July 2006 to 5 July 2009
Mr Cheng Wai Chee, Christopher	Independent Non-executive Director	30 July 2003	From 30 July 2006 to 5 July 2009
Mr Lu Zhengfei	Independent Non-executive Director	24 February 2004	From 24 February 2007 to 23 February 2010
Mr Luk Kin Yu, Peter	Independent Non-executive Director	29 April 2005	From 29 April 2008 to 28 April 2011
Mr Ding Ningning	Independent Non-executive Director	18 January 2006	From 18 January 2009 to 17 January 2012
Mr Wu Gaolian (resigned)	Non-executive Director	18 October 2006	Resigned on 29 December 2008
Mr Zhou Shurui	Non-executive Director	6 July 2003	From 18 October 2006 to 5 July 2009
Ms Liu Zhenghuan	Executive Director, Secretary of the Board of Directors	6 July 2003	From 18 October 2006 to 5 July 2009
Mr Li Tao	Non-executive Director	18 October 2006	From 18 October 2006 to 5 July 2009

BOARD OF DIRECTORS *(continued)*

Composition *(continued)*

Notes:

1. Mr Luk Kin Yu, Peter was re-appointed the Company's Independent Non-executive Director on 15 April 2008 and his term of appointment will expire on 28 April 2011.

2. Mr Wang Yi resigned as the Company's Vice Chairman, Executive Director, President and Chief Executive Officer on 22 April 2008.

3. Mr Wang Yincheng was appointed the Company's Vice Chairman and President on 7 August 2008.

4. Mr Wu Gaolian resigned as the Company's Non-executive Director on 29 December 2008.

5. Mr Ding Ningning was re-appointed the Company's Independent Non-executive Director on 16 January 2009 and his term of appointment will expire on 17 January 2012.

Changes of directors during the Year are as follows:

Mr Wang Yi resigned as the Company's Vice Chairman, Executive Director, President and Chief Executive Officer on 22 April 2008. Mr Wu Gaolian resigned as the Company's Non-executive Director on 29 December 2008.

Duties and Responsibilities

The Board of Directors is responsible for providing leadership, monitoring and controlling the operations of the Company, formulating the overall strategies, policies, financial budgets and final accounts of the Company, determining the annual business development plans and investment plans of the Company, determining the fundamental management system and internal management structure, assessing the performance of the Company and supervising the work of the management. The Board of Directors is also responsible for convening shareholders' general meetings, implementing resolutions of the shareholders' general meetings, formulating plans for distribution of profits and recovery of losses, formulating proposals for the increase in or reduction of the registered capital of the Company, drawing up plans for the issue of corporate bonds, appointing or removing the Company's President, Vice Presidents, Secretary of the Board of Directors and other senior management personnel and determining their remuneration, rewards and disciplinary matters, etc. The Board of Directors is ultimately responsible for the internal control, risk management and compliance management of the Company. Details of the duties and responsibilities of the Board of Directors were set out on page 33 of the Company's 2006 Annual Report.

The Board of Directors delegates the daily business operations and management of the Company to the management.

BOARD OF DIRECTORS *(continued)*

Summary of Work Undertaken

During the Year, the Board of Directors held nine meetings and considered thirty-nine proposals. Each Director attained attendance rate of 100%. The attendance of each Director is recorded as follows:

Name	Number of meetings attended/ Number of meetings that require attendance	Attendance rate
Wu Yan	9/9	100%
Wang Yi	3/3	100%
Wang Yincheng	9/9	100%
Tse Sze-Wing, Edmund	9/9	100%
Cheng Wai Chee, Christopher	9/9	100%
Lu Zhengfei	9/9	100%
Luk Kin Yu, Peter	9/9	100%
Ding Ningning	9/9	100%
Wu Gaolian	9/9	100%
Zhou Shurui	9/9	100%
Liu Zhenghuan	9/9	100%
Li Tao	9/9	100%

Notes:

1. Mr Wang Yi resigned on 22 April 2008.

2. Mr Wu Gaolian resigned on 29 December 2008.

The main tasks accomplished by the Board of Directors in the Year included the followings:

- convened two shareholders' general meetings and submitted nine proposals to the shareholders' general meetings including the proposals regarding the re-appointment of Mr Luk Kin Yu, Peter as an Independent Non-executive Director, the Report of the Board of Directors for 2007, the Auditors' Report and the audited financial statements for 2007, and the profit distribution plan for 2007;

- elected Mr Wang Yincheng as the Company's Vice Chairman and President;

- approved the business development plan, fixed assets investment plan, strategic allocation of and investment policies on custodian assets of the Company for the Year, formulated the financial budget for the Year;

- approved the total amount of remuneration of the Company for the Year, and conducted the annual performance appraisals of the Company's senior management including the Chairman, Directors and President;

- considered and approved the Company's Internal Control Assessment Report, Risk Assessment Report and Compliance Assessment Report for 2007, considered the report on improvement based on the Management Letter for 2006, considered the Management Letter for 2007, reviewed and continuously enhanced the effectiveness of the Company's internal control system.

DIRECTORS

Responsibilities with respect to Financial Statements

Directors are responsible for the preparation of financial statements for every financial year and the interim period thereof which shall give a true and fair view of the business operations of the Company in accordance with the financial reporting standards issued by the Hong Kong Institute of Certified Public Accountants and through the adoption of appropriate accounting policies consistently.

Securities Transactions

The Company has formulated guidelines on transactions of the Company's securities that are applicable to directors, supervisors and all employees, and the terms of such guidelines are no less exacting than those set out in the Model Code. The Company has enquired with all the Directors and Supervisors and they have all confirmed that they have complied with the requirements under the Model Code and such guidelines during the Year.

Independence of Independent Non-executive Directors

The Company has received the annual confirmation letters from all the Independent Non-executive Directors of the Company in relation to their independence. As of the date of this annual report, the Company is of the view that all the Independent Non-executive Directors are independent.

CHAIRMAN/PRESIDENT

Mr Wu Yan is the Chairman of the Board of Directors. Mr Wang Yi resigned as the Vice Chairman of the Board of Directors, Executive Director, President and Chief Executive Officer of the Company on 22 April 2008. Mr Wang Yincheng was appointed the Vice Chairman of the Board of Directors and President of the Company on 7 August 2008. The Chairman is responsible for providing leadership for the Board of Directors and ensuring that the Board of Directors works effectively and discharges its responsibilities properly. The President is responsible for managing the daily business operations of the Company and implementing the resolutions passed by the Board of Directors. Details of the duties and responsibilities of the Chairman and the President were set out on pages 36 and 37 of the Company's 2005 Annual Report.

AUDIT COMMITTEE

Overview

During the Year, the Audit Committee conscientiously performed its four core duties of monitoring and providing guidance on internal and external audit, monitoring financial reporting procedures, reinforcing internal control management and reviewing financial reports, and provided the Board of Directors with professional opinions and suggestions, thus played a proactive role in the refinement of corporate governance and the enhancement of corporate governance level. At the same time, the Audit Committee also paid close attention to the regulatory developments on insurance industry and the impact of the development trend of accounting treatments of insurance companies on the Company's operation, management and financial reports.

Composition

Chairman: Lu Zhengfei

Members: Luk Kin Yu, Peter and Li Tao

AUDIT COMMITTEE *(continued)*

Duties and Responsibilities

The Audit Committee is responsible for monitoring and inspecting the financial reporting procedures and internal control system of the Company, reviewing the financial information of the Company, monitoring and providing guidance on internal and external audit of the Company, and reviewing the appointment and the engagement terms of the external auditors. Details of the duties and responsibilities of the Audit Committee were set out on pages 37 and 38 of the Company's 2005 Annual Report.

Remuneration of Auditors

In the Year, the Company paid RMB17.90 million to the auditors, including the fees for the audit of the financial statements for 2007 and the review of the interim financial statements for 2008. In the Year, the Company paid RMB0.32 million to the auditors for non-audit services.

Summary of Work Undertaken

During the Year, the Audit Committee held five meetings and considered twenty proposals. The attendance rate of each committee member reached 100% and the attendance is recorded as follows:

Name	Lu Zhengfei	Luk Kin Yu, Peter	Li Tao
Number of meetings attended/ Number of meetings that require attendance	5/5	5/5	5/5
Attendance rate	100%	100%	100%

In the Year, the main tasks accomplished by the Audit Committee included:

Continuously strengthened the communications with the external auditors:

- considered the external auditors' reports on the work plans for and results of the audit for 2007 and the interim review for 2008, discussed with the external auditors about the nature, scope and responsibilities of the audit and review, gave detailed opinions and suggestions on the audit and review work, and fully communicated with the external auditors on matters such as the change of accounting estimates, selection of accounting methods, material audit adjustments and internal control potential risks;

- considered the opinions of the external auditors and the Company's management on the fees for the interim review and the annual audit for 2008, considered the engagement terms, and proposed to the Board of Directors on the continuous engagement of the auditors and obtained the approvals from the Board of Directors and the shareholders' general meeting.

AUDIT COMMITTEE *(continued)*

Summary of Work Undertaken *(continued)*

Monitored and inspected the financial reporting procedures and reviewed the financial reports:

- monitored and inspected the Company's financial reporting procedures, reviewed the financial statements and results announcements for 2007 and for the interim period of 2008, and fully communicated with the management on material matters such as the change of accounting estimates, selection of and changes in the accounting policies, material audit adjustments and internal control potential risks;

- paid attention to the regulatory developments on insurance industry and the impact of the development trend of accounting treatments of insurance companies on the Company's operation, management and financial reports, and communicated and discussed with the external auditors and the management on the same.

Strengthened the internal control work:

- considered and discussed the reports on the Company's internal control assessment for 2007, the annual compliance assessment for 2007 and the interim compliance assessment for 2008, provided specific opinions on the working methods and the form and contents of the reports, required that focus should be paid on the implementation of the internal rules, and proposed that the internal control, compliance and finance departments should work jointly to produce a synergy effect;

- considered the Company's report on improvement based on the Management Letter for 2006, provided detailed suggestions to the external auditors and the management in respect of the problems raised therein; considered the Management Letter for 2007, proposed specific requirements on how the external auditors can assist in solving the problems raised in the Management Letter from a professional perspective and how the management can follow up the improvement in such problems, thereby effectively enhancing the Company's internal control;

- considered and approved the Company's connected transaction with PICC Investment Holding Company Limited regarding the leasing of properties, particularly reviewing the fairness of the transaction.

Strengthened supervision and provision of guidance on the internal audit and finance work:

- considered the report of the Auditing Department of the Company on the work summary for 2007 and the work plan for the Year, and considered and discussed the special audit reports on the subsequent economic benefit of the premiums receivable for 2007 and on the quality of underwriting of property insurance;

- considered the report of the Finance and Accounting Department of the Company on the work summary for 2007 and the work plan for the Year.

NOMINATION, REMUNERATION AND REVIEW COMMITTEE

Overview

The Nomination, Remuneration and Review Committee is responsible for matters relating to the nomination, remuneration and performance appraisals of directors of the Company. During the Year, the Nomination, Remuneration and Review Committee made constructive suggestions to the Board of Directors on various matters including the nomination of candidates and performance appraisals of Directors and the senior management, and the overall remuneration of the Company.

Composition

Chairman: Cheng Wai Chee, Christopher

Members: Wang Yincheng, Lu Zhengfei, Luk Kin Yu, Peter, Ding Ningning, Zhou Shurui and Liu Zhenghuan

Duties and Responsibilities

The Nomination, Remuneration and Review Committee is responsible for recommending candidates for directorship, formulating remuneration policies and appraisal standards for directors, the President and other senior management personnel (including Vice Presidents, Chief Financial Officer, Secretary of the Board of Directors and Assistant to the President), and supervising the implementation of such policies and standards. Details of the duties and responsibilities of the Committee were set out on page 41 of the Company's 2005 Annual Report.

Nomination of Directors

The Nomination, Remuneration and Review Committee shall first discuss the nomination of candidates as new directors, and then recommend such candidates to the Board of Directors. The Board of Directors shall then determine whether such candidates' appointments should be proposed for approval at the shareholders' general meeting. The major criteria considered by the Nomination, Remuneration and Review Committee and the Board of Directors are the educational background, management and research experience in the finance industry, especially in the insurance sector, of the candidates and the candidates' commitment to the Company. Regarding the nomination of independent non-executive directors, the Nomination, Remuneration and Review Committee will also give special consideration to the independence of the relevant candidates. Regarding the proposed re-election of Mr Luk Kin Yu, Peter and Mr Ding Ningning as independent non-executive directors of the Company, the Nomination, Remuneration and Review Committee has also considered the same criteria and principles.

Remuneration of Directors and Other Senior Management

The fixed salary of the executive directors and other senior management is determined in accordance with the market levels and their respective positions, and the amount of their performance-related bonuses is determined according to the scores on performance appraisals. The amounts of directors' fees and supervisors' fees are determined with reference to the market levels and the circumstances of the Company.

NOMINATION, REMUNERATION AND REVIEW COMMITTEE *(continued)*

Summary of Work Undertaken

During the Year, the Nomination, Remuneration and Review Committee held five meetings, at which seven proposals were considered. Three of the five meetings were held for discussing remuneration-related matters. The meeting attendance rate of each committee member reached 100%. Attendance record of the meetings is as follows:

Name	Cheng Wai Chee, Christopher	Wang Yincheng	Lu Zhengfei	Luk Kin Yu, Peter	Ding Ningning	Zhou Shurui	Liu Zhenghuan
Number of meetings attended/ Number of meetings that require attendance	5/5	5/5	5/5	5/5	5/5	5/5	5/5
Attendance rate	100%	100%	100%	100%	100%	100%	100%

In the Year, the main tasks accomplished by the Nomination, Remuneration and Review Committee included:

- having taken into consideration the candidate for the compliance officer of the Company and making a nomination, and such nomination was considered and approved by the Board of Directors;

- having taken into consideration of the market salary levels of comparable companies and the Company's own circumstances, made recommendations to the Board of Directors in respect of the fees of the directors and supervisors, and such recommendations were considered and approved by the Board of Directors and at the shareholders' general meeting;

- having taken into consideration of the changes in the market environment, agreed to the plan for the total amount of remuneration of the Company for the Year, and submitted the plan to the Board of Directors for consideration and approval;

- considered the performance appraisal plan for the senior management for 2007 and made recommendations to the Board of Directors in respect thereof, carried out the annual performance appraisals of the Chairman, Directors and President, made suggestions with respect to the score on appraisal of the President and the bonus coefficients for the Chairman and the President, which were considered and approved by the Board of Directors;

- proposed to the Board of Directors the re-election of Mr Luk Kin Yu, Peter and Mr Ding Ningning as independent non-executive directors of the Company, which were considered and approved by the Board of Directors and at the shareholders' general meetings.

STRATEGIC PLANNING COMMITTEE

Overview

During the Year, the Company continued to enhance the development of the Strategic Planning Committee, and strengthened the review of the annual business development plan, financial budget, profit distribution and major strategies of the Company.

Composition

Chairman: Wu Yan

Members: Wang Yi (resigned on 22 April 2008), Tse Sze-Wing, Edmund, Ding Ningning, Wu Gaolian (resigned on 29 December 2008) and Li Tao

Duties and Responsibilities

The Strategic Planning Committee is responsible for formulating medium and long term development strategies, reviewing major investment plans, financing plans, annual financial budgets and final accounts of the Company. Details of the duties and responsibilities of the Committee were set out on pages 43 and 44 of the Company's 2005 Annual Report.

Summary of Work Undertaken

During the Year, the Strategic Planning Committee held five meetings and considered twelve proposals. The main tasks accomplished by the Strategic Planning Committee in the Year included the followings:

- considered and approved the business development plan for the Year;
- considered and approved the financial budget for the Year;
- considered and approved the adjustments to the Company's organisational structure;
- considered and approved the profit distribution plan for 2007 and the non-payment of interim dividend for 2008;
- considered and approved the setting up of the Compliance Department, Vvip Service Department, Strategic Development Department and Channel Management Department in the Company's headquarters.

RISK MANAGEMENT AND INVESTMENT DECISION-MAKING COMMITTEE

Overview

During the Year, the Risk Management and Investment Decision-making Committee strengthened the review of the fund application strategies, investment strategies and risk assessment reports of the Company.

Composition

Chairman: Wu Yan

Members: Wang Yi (resigned on 22 April 2008), Wang Yincheng, Luk Kin Yu, Peter, Wu Gaolian (resigned on 29 December 2008), Zhou Shurui and Liu Zhenghuan

Duties and Responsibilities

The Risk Management and Investment Decision-making Committee is responsible for matters including the reviewing of the overall goal, basic policies and working system of risk management of the Company, the organisational structure for risk management and the related duties and responsibilities, the risk assessment of major decisions and solutions to material risks and the annual risk assessment reports, and formulating strategic plans for allocation of assets and investment strategies. Details of the duties and responsibilities of the Committee were set out on page 45 of the Company's 2007 Annual Report.

Summary of Work Undertaken

During the Year, the Risk Management and Investment Decision-making Committee held three meetings and considered three proposals. The main tasks accomplished by the Risk Management and Investment Decision-making Committee in the Year included the followings:

- considered and approved the strategic allocation of and investment strategies for the custodian assets for the Year;
- considered and approved the Risk Assessment Report for 2007.

INTERNAL CONTROL

The Company believes that sound internal control plays an important role in the operation of the Company. The Board of Directors is committed to establishing an effective internal control system and implementing and monitoring such internal control system. The Board of Directors has the ultimate responsibility for internal control, risk management and compliance management, and reviews the internal control work each year so as to ensure the internal control system of the Company is sound, perfect and effective. The Audit Committee of the Board of Directors is responsible for reviewing the internal control system of the Company, monitoring the implementation of the internal control, and considering internal control assessment reports and compliance assessment reports. The Risk Management and Investment Decision-making Committee of the Board of Directors is responsible for considering the basic system of risk management of the Company and the annual risk assessment reports, and monitoring the effectiveness of the operation of the risk management system. The Company's Auditing Department, Compliance Department and Finance and Accounting Department are responsible for the daily work of internal control, compliance management and risk management of the Company, respectively.

SUPERVISORY COMMITTEE

Overview

During the Year, the Supervisory Committee discharged its supervisory duties according to the law. The Supervisory Committee strengthened the supervision over meetings, conducted investigations and researches on specific topics, and made suggestions to the management about the strengthening of operation and management, compliant operation and risk prevention.

Composition

Chairman: Ding Yunzhou

Supervisors: Li Dianjun, Sheng Hetai and He Bangshun

Duties and Responsibilities

The Supervisory Committee is accountable to the shareholders' general meeting and performs duties of supervision over the financial affairs, directors and other senior management of the Company. Detailed duties and responsibilities include, among others, examining the financial affairs of the Company, verifying the financial information to be submitted by the Board of Directors to the shareholders' general meetings which includes financial reports, business reports and profit distribution plans, supervising the directors and other senior management in their performance of duties for the Company, proposing the removal of the directors or other senior management who breaches the laws, regulations, the Articles of Association or resolutions of the shareholders' general meetings, requiring the directors and other senior management of the Company to rectify their actions in the event that such actions infringe the interests of the Company, and bringing lawsuits against directors or other senior management in accordance with the provisions of the Company Law.

Summary of Work Undertaken

During the Year, the Supervisory Committee duly carried out its work and supervisory duties and protected the interests of the shareholders, the Company and its employees strictly in compliance with the relevant provisions of the Company Law and the Articles of Association. During this reporting period, the Supervisory Committee held three meetings, at which twelve proposals were considered and approved. The meeting attendance rate of each supervisor reached 100% and the attendance is recorded as follows:

Name	Ding Yunzhou	Li Dianjun	Sheng Hetai	He Bangshun
Number of meetings attended/ Number of meetings that require attendance	3/3	3/3	3/3	3/3
Attendance rate	100%	100%	100%	100%

Details of the tasks accomplished by the Supervisory Committee in the Year are set out in the Report of the Supervisory Committee contained in this annual report.

RIGHTS OF SHAREHOLDERS

Methods of Convening Special General Meetings

According to the Articles of Association and the Rules of Conduct for General Meetings of the Company, any shareholder(s), whether individually or collectively, holding 10% or more of the voting shares of the Company may request in writing to convene a special general meeting and such shareholder(s) shall submit the complete resolution(s) to the Board of Directors in writing. If the Board of Directors is satisfied that the resolution(s) complies with the requirements under the laws, regulations and the Articles of Association, it shall issue a notice of special general meeting within 15 days of receipt of the written resolution(s).

Procedures for Proposing Resolutions at Annual General Meetings

Any shareholder(s), whether individually or collectively, holding 3% or more of the voting shares of the Company is entitled to propose and submit to the Board of Directors proposed resolution(s) in writing 10 days prior to the holding of the annual general meeting. The Board of Directors shall notify other shareholders of such proposed resolution(s) within two days of receipt of such proposal(s) and submit the same to the annual general meeting for consideration. The proposed resolution(s) shall deal with matters that are within the scope of the shareholders' general meeting and shall contain clear subjects and specific matters to be resolved.

INVESTOR RELATIONS

The Company communicates its operating results and business development trends timely with investors after the announcement of annual and interim results by way of results briefings and roadshows. Through accepting visits by investors, attending major investment forums, making timely replies to enquiries made by telephone and electronic mails and providing information to investors proactively on the Company's website, the Company strengthens its day-to-day communications with investors with a view to establishing and maintaining a good relationship with investors.

PARTICULARS OF THE LATEST SHAREHOLDERS' GENERAL MEETING

The latest shareholders' general meeting was the special general meeting held on 16 January 2009. The meeting considered the resolution regarding the re-appointment of Mr Ding Ningning as an Independent Non-executive Director of the Company. The resolution was passed by way of poll.

In 2008, the Company received numerous honours, some of which are listed below:

"2008 Top Ten Classical Marketing Cases of the Olympics"

In January 2009, the "CCTV Post-Olympics Marketing Summit Forum and the Fourth Sports Marketing Award Grand Ceremony", a major event jointly promoted by CCTV Sports Center, CCTV Advertising Department and CCTV.com and with the Management Case Studies Center of Peking University, the Case Center of Cheung Kong Graduate School of Business and some other authoritative academic institutions sitting on the judging panel, was held in Beijing. The Company was selected as one of the "2008 Top Ten Classical Marketing Cases of the Olympics" in recognition of its outstanding marketing performance in the Olympics and its strong brand name.

"Property and Casualty Insurance Company with the Best Services"

In December 2008, the "2008 SOHU Finance Management Network Survey Report", which was organised and hosted by the financial channel of the famous national website SOHU, and the list of award-winning companies were announced. The Company won the award of "Property and Casualty Insurance Company with the Best Services" after hundreds of thousands of people voted via the internet.

"Customers' Favourite E-Finance Brand", "Best Telephone Insurance Company" and "Best Online Insurance Company"

In December 2008, the list of winners of the first "China e-Finance Golden Cup Awards" organised by the e-finance Professional Committee of China Electronic Commerce Association, was announced. In recognition of its outstanding customer services, telephone and online business services, the Company won three grand prizes, namely, the "Customers' Favourite E-Finance Brand – e-PICC e-Commerce Platform and Through-Train to PICC P&C ", the "Best Telephone Insurance Company" and the "Best Online Insurance Company".

"Most Competitive Non-life Insurance Company in Asia"

In November 2008, the "2008 Asian Insurance Competency Ranking Research Report" was published. This research was organised by 21st Century Business Herald and California State University, Fullerton and Shanghai University of Finance and Economics were appointed to conduct the research jointly. The Company was awarded the "Most Competitive Non-life Insurance Company in Asia" grand prize.

"2008 Best Insurance Company"

In September 2008, the Company was awarded the "Best Insurance Company of the Year" in the "Gold Kylin Awards", which was hosted by the famous national website SINA and directed by Insurance Association of China, China Banking Association, Securities Association of China and other industry institutions.

"Private Cars Loss Insurance" of the Company won the "Best Motor Vehicle Insurance Product"

In September 2008, the Company's "Private Cars Loss Insurance" was named the "Best Motor Vehicle Insurance Product" in the "Millions of China's Middle Class Families' Top Choice of Insurance Brands in 2008", the first award for insurance industry hosted by Moneyweek magazine.

95518 Call Center of the Company won the "2008 China Best Contact Center"

In April 2008, at the "China Best Contact Center & CRM Ceremony 2008" hosted by China Customer Relationship Management Committee of China Federations of IT Promotion, the Company's 95518 Call Center was awarded the grand prize "China Best Contact Center" for the third consecutive year. The Company's 95518 Call Center also received the ceremony's only special prize "Great Affection 2008 – China Call Center Special Contributions Award".

To the shareholders of PICC Property and Casualty Company Limited
(Incorporated in the People's Republic of China with limited liability)

We have audited the financial statements of PICC Property and Casualty Company Limited set out on pages 53 to 133, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong
15 April 2009

	Notes	2008 RMB million	2007 RMB million
TURNOVER	5	**101,878**	88,668
Net premiums earned	5	**81,122**	68,728
Net claims incurred	6	**(60,604)**	(46,944)
Amortisation of deferred acquisition costs, net	23	**(11,764)**	(11,151)
Insurance protection expenses		**(774)**	(749)
General and administrative expenses		**(10,474)**	(11,311)
UNDERWRITING LOSS		**(2,494)**	(1,427)
Net investment income	7	**3,716**	3,229
Net realised and unrealised gains on investments	8	**319**	4,442
Investment expenses		**(260)**	(288)
Interest expenses credited to policyholders' deposits		**(215)**	(248)
Exchange losses, net	9	**(815)**	(801)
Sundry income		**357**	12
Sundry expenses		**(295)**	(135)
Finance costs	10	**(227)**	(315)
Share of profit and loss of associates		**(533)**	(13)
PROFIT/(LOSS) BEFORE TAX	11	**(447)**	4,456
Tax	14	**497**	(1,465)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**50**	2,991
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (in RMB)	15	**0.004**	0.268
DIVIDEND PER SHARE (in RMB)	16	**–**	0.091

Consolidated Balance Sheet

31 December 2008

	Notes	2008 RMB million	2007 RMB million
ASSETS			
Cash and cash equivalents	17	29,056	30,789
Derivative financial assets	18	6	–
Debt securities	19	41,291	28,465
Equity securities	20	6,438	16,978
Insurance receivables, net	21	20,736	13,898
Reinsurance assets	22	20,782	11,136
Deferred acquisition costs	23	8,160	7,490
Other financial assets and prepayments	24	9,352	8,365
Interests in associates	25	521	1,025
Property, plant and equipment	27	12,136	11,721
Investment properties	28	605	532
Prepaid land premiums	29	3,769	3,866
TOTAL ASSETS		152,852	134,265
LIABILITIES			
Derivative financial liabilities	18	–	35
Payables to reinsurers	30	18,258	9,813
Accrued insurance protection fund	31	252	296
Tax payable		926	1,314
Other liabilities and accruals	32	11,956	8,109
Deferred tax liabilities	33	138	2,777
Deferred acquisition costs-reinsurers' share	23	3,544	1,775
Insurance contract liabilities	34	85,586	73,115
Policyholders' deposits	35	7,383	7,953
Subordinated debts	36	3,000	3,000
TOTAL LIABILITIES		131,043	108,187
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	38	11,142	11,142
Reserves		10,667	14,936
TOTAL EQUITY		21,809	26,078
TOTAL EQUITY AND LIABILITIES		152,852	134,265

	Issued capital *RMB million*	Share premium account *RMB million*	Available-for-sale investment revaluation reserve *RMB million*	Cash flow hedging reserve *RMB million*	Statutory surplus reserve *RMB million*	General risk reserve *RMB million*	Retained profits *RMB million*	Total *RMB million*
At 1 January 2008	11,142	4,739	4,167	(26)	452	239	5,365	26,078
Net fair value loss on available-for-sale investments	–	–	(3,803)	–	–	–	–	(3,803)
Net fair value gain on cash flow hedges	–	–	–	41	–	–	–	41
Realised gains on disposals of available-for-sale investments	–	–	(2,928)	–	–	–	–	(2,928)
Impairment of available-for-sale investments	–	–	872	–	–	–	–	872
Change in deferred tax assets/(liabilities) recognised (note 33)	–	–	1,465	(10)	–	–	–	1,455
Change in associates' equity	–	–	44	–	–	–	–	44
Net gain/(loss) for the year recognised directly in equity	–	–	(4,350)	31	–	–	–	(4,319)
Profit for the year	–	–	–	–	–	–	50	50
Transfer from/(to) reserves	–	–	–	–	88	88	(176)	–
At 31 December 2008	11,142	4,739*	(183)*	5*	540*	327*	5,239*	21,809

* These reserve accounts comprise the consolidated reserves of RMB10,667 million (2007: RMB14,936 million) in the consolidated balance sheet.

	Issued capital *RMB million*	Share premium account *RMB million*	Available-for-sale investment revaluation reserve *RMB million*	Cash flow hedging reserve *RMB million*	Statutory surplus reserve *RMB million*	General risk reserve *RMB million*	Retained profits *RMB million*	Total *RMB million*
At 1 January 2007	11,142	4,739	763	4	213	–	3,866	20,727
Net fair value gain on available-for-sale investments	–	–	5,443	–	–	–	–	5,443
Net fair value loss on cash flow hedges	–	–	–	(41)	–	–	–	(41)
Realised gains on disposals of available -for-sale investments	–	–	(1,118)	–	–	–	–	(1,118)
Change in deferred tax assets/(liabilities) recognised (note 33)	–	–	(990)	11	–	–	–	(979)
Change in associates' equity	–	–	69	–	–	–	–	69
Net gain/(loss) for the year recognised directly in equity	–	–	3,404	(30)	–	–	–	3,374
Profit for the year	–	–	–	–	–	–	2,991	2,991
Transfer from/(to) reserves	–	–	–	–	239	239	(478)	–
Interim 2007 dividend	–	–	–	–	–	–	(1,014)	(1,014)
At 31 December 2007	11,142	4,739*	4,167*	(26)*	452*	239*	5,365*	26,078

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	2008 RMB million	2007 RMB million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(447)	4,456
Adjustments for:			
Net investment income	7	(3,716)	(3,229)
Net realised and unrealised gains on investments	8	(319)	(4,442)
Interest expenses credited to policyholders' deposits		215	248
Exchange losses, net	9	815	801
Share of profit and loss of associates		533	13
Depreciation of property, plant and equipment	11, 27	866	876
Depreciation of investment properties	11, 28	23	20
Amortisation of prepaid land premiums	11, 29	104	113
Net loss on disposal of items of property, plant and equipment	11	13	2
Finance costs	10	227	315
Impairment loss on insurance receivables	11	477	627
Increase in insurance receivables, net		(7,315)	(7,006)
Decrease/(increase) in deferred acquisition costs, net		1,099	(213)
Increase in other financial assets and prepayments		(519)	(392)
Increase in payables to reinsurers		8,445	5,572
Increase/(decrease) in an accrued insurance protection fund		(44)	79
Increase in other liabilities and accruals		2,069	2,000
Increase in insurance contract liabilities, net		2,825	12,002
Cash generated from operations		5,351	11,842
PRC income tax paid		(1,075)	(583)
Net cash inflow from operating activities		4,276	11,259
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		2,161	2,006
Rental income received from investment properties		80	54
Dividend income received from equity securities		1,098	1,150
Payment for investment expenses		(262)	(254)
Payment for capital expenditure		(1,267)	(890)
Proceeds from disposal of items of property, plant and equipment		4	28
Acquisition of an associate		–	(812)
Dividends received from an associate		7	–
Payment for purchases of debt and equity securities		(39,263)	(46,193)
Payment for infrastructure finance projects		–	(870)
Proceeds from sales of debt and equity securities		31,383	40,434
Placement of deposits with banks and other financial institutions with original maturity of more than three months and structured deposits		(4,734)	(2,130)
Maturity of deposits with banks and other financial institutions with original maturity of more than three months and structured deposits		2,177	2,644
Net cash outflow from investing activities		(8,616)	(4,833)

continued/..

	Note	2008 RMB million	2007 RMB million
Net cash outflow from investing activities		**(8,616)**	(4,833)
CASH FLOWS FROM FINANCING ACTIVITIES			
Securities sold under agreements to repurchase		1,723	(200)
Decrease in policyholders' deposits		(785)	(1,189)
Interest paid		(227)	(315)
Interim dividend paid		–	(1,014)
Net cash inflow/(outflow) from financing activities		**711**	(2,718)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(3,629)**	3,708
Cash and cash equivalents at beginning of year		25,314	21,606
CASH AND CASH EQUIVALENTS AT END OF YEAR		**21,685**	25,314
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash on hand	17	17	27
Demand deposits	17	15,204	14,761
Securities purchased under resale agreements with original maturity of less than three months	17	–	2,896
Deposits with banks and other financial institutions with original maturity of less than three months	17	6,464	7,630
		21,685	25,314

Balance Sheet

31 December 2008

	Notes	2008 RMB million	2007 RMB million
ASSETS			
Cash and cash equivalents	17	29,054	30,786
Derivative financial assets	18	6	–
Debt securities	19	41,291	28,465
Equity securities	20	6,438	16,978
Insurance receivables, net	21	20,736	13,898
Reinsurance assets	22	20,782	11,136
Deferred acquisition costs	23	8,160	7,490
Other financial assets and prepayments	24	9,352	8,365
Investments in associates	25	972	972
Investments in subsidiaries	26	3	3
Property, plant and equipment	27	12,136	11,721
Investment properties	28	605	532
Prepaid land premiums	29	3,769	3,866
TOTAL ASSETS		153,304	134,212
LIABILITIES			
Derivative financial liabilities	18	–	35
Payables to reinsurers	30	18,258	9,813
Accrued insurance protection fund	31	252	296
Tax payable		926	1,314
Other liabilities and accruals	32	11,956	8,109
Deferred tax liabilities	33	138	2,777
Deferred acquisition costs-reinsurers' share	23	3,544	1,775
Insurance contract liabilities	34	85,586	73,115
Policyholders' deposits	35	7,383	7,953
Subordinated debts	36	3,000	3,000
TOTAL LIABILITIES		131,043	108,187
EQUITY			
Issued capital	38	11,142	11,142
Reserves		11,119	14,883
TOTAL EQUITY		22,261	26,025
TOTAL EQUITY AND LIABILITIES		153,304	134,212

1. CORPORATE INFORMATION

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

The registered office of the Company is located at No. 69, Dongheyan Street, Xuanwumen, Beijing, the PRC.

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

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

2.1 BASIS OF PREPARATION

These 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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain debt securities, equity securities, derivatives and structured deposits, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. For the year ended 31 December 2008, the net loss attributable to minority interests amounted to RMB28,840 (2007: RMB35,046). As at 31 December 2008, the net assets attributable to minority interests amounted to RMB41,342 (2007: RMB70,182).

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available-for-sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future of until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held for trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions*

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. This interpretation also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(c) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) HK(IFRIC)-Int 14 *HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

2.3 FUTURE CHANGES IN ACCOUNTING POLICIES

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-Based Payment – Vesting Conditions and Cancellations*
HKFRS 3 (Revised)	*Business Combinations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendment to HK(IFRIC)-Int 9 and HKAS 39 *Reassessment of Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers*

Apart from the above, the HKICPA has issued *Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009, although there are separate transitional provisions for each standard. Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

2.3 FUTURE CHANGES IN ACCOUNTING POLICIES *(continued)*

The amendments to HKFRS 1 and HKAS 27 were issued in October 2008, and become effective for financial years beginning on or after 1 January 2009. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements. As the Group is not a first-time adoptor of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group. The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only.

The amendments to HKFRS 2 *Share-Based Payment* were issued in March 2008, and become effective for financial years beginning on or after 1 January 2009. The amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, the amendments are unlikely to have any significant implications on its accounting for share-based payments.

The revised HKFRS 3 *Business Combinations* was issued in March 2008, and becomes effective for financial periods beginning on or after 1 July 2009. The revised HKFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

The revised HKAS 27 *Consolidated and Separate Financial Statements* was issued in March 2008, and becomes effective for financial years beginning on or after 1 July 2009. This revised standard requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect future acquisitions, loss of control and transactions with minority interests.

The amendments to HKFRS 7 *Financial Instruments: Disclosures* were issued in March 2009, and becomes effective for annual periods beginning on or after 1 January 2009, with earlier adoption permitted. The main change is to add disclosure of any change in the method for determining fair value and the reasons for the change. It also adds disclosure for a three-level hierarchy for fair value measurements. However, it currently will not be required to provide comparative disclosures in the first year of application.

HKFRS 8 *Operating Segments* was issued in March 2007, and becomes effective for annual periods beginning on or after 1 January 2009. The standard, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purpose of allocating resources to the segments and assessing their performance. The standard also requires disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and the revenue from the Group's major customers.

2.3 FUTURE CHANGES IN ACCOUNTING POLICIES *(continued)*

The revised HKAS 1 *Presentation of Financial Statements* was issued in October 2008 and becomes effective for financial years beginning on or after 1 January 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements.

A revised HKAS 23 *Borrowing Costs* was issued in June 2007, and becomes effective for annual periods beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

The amendments to HKAS 32 and HKAS 1 were issued in June 2008 and become effective for financial years beginning on or after 1 January 2009. The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments are unlikely to have any financial impact on the Group.

The amendment to HKAS 39 was issued in August 2008 and become effective for financial periods beginning on or after 1 July 2009. The amendment addresses the designation of an one-sided risk in hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

The amendments to HK(IFRIC)-Int 9 and HKAS 39 *Reassessment of Embedded Derivatives* were issued in March 2009, and becomes effective for annual periods ending on or after 30 June 2009. The amendments requires an entity to assess whether to separate an embedded derivative from a host contract in the case where the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. Such assessment shall be made either when the entity first became a party to the contract or when a change in the terms of the contract significantly modifies expected cash flows.

HK(IFRIC)-Int 13 was issued in September 2007, and becomes effective for annual periods beginning on or after 1 July 2008. The interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair values and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group has no customer loyalty award scheme, the interpretation is not applicable to the Group and therefore is unlikely to have any financial impact on the Group.

2.3 FUTURE CHANGES IN ACCOUNTING POLICIES *(continued)*

HK(IFRIC)-Int 15 was issued in August 2008 and becomes effective for financial years beginning on or after 1 January 2009. The interpretation will replace HK interpretation 3 *Revenue – Pre-completion Contracts for the Sale of Development Properties*. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with HKAS 18 *Revenue*. As the Group currently is not involved in any construction of real estate, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 16 was issued in August 2008 and becomes effective for financial periods beginning on or after 1 October 2008. The interpretation provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 17 was issued in December 2008, and becomes effective for financial periods beginning on or after 1 July 2009. The interpretation standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Group expects to apply the interpretation from 1 January 2010 prospectively. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 *Events after the Reporting Period* and HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

HK(IFRIC)-Int 18 was issued in February 2009, and becomes effective for financial periods beginning on or after 1 July 2009. The interpretation provides additional guidance on the accounting for transfers of assets from customers and clarifies the requirements of HKFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as supply of electricity, gas or water). The Group receives certain motor vehicles from its policyholders as subrogation. As the Group's current policy for subrogation aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and the consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as assets and are stated at cost less any impairment losses.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c); or

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on the acquisition of associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Present Value of Acquired In-force Business (the "AVIF")

When a portfolio of long term insurance contracts and/or investment contracts with discretionary participation features are acquired either directly or through the acquisition of an investment in an associate, the difference between the fair value and the carrying amount of the insurance liabilities is recognised as the value of acquired in-force business. In the case of an associate, AVIF is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses. It is amortised over the useful life of the related contracts on a systematic rate. The amortisation is recorded in the income statement.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the income statement. The AVIF is also taken into consideration when conducting liability adequacy tests for each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	2.77% to 19.40%
Motor vehicles	16.17% to 24.25%
Office equipment, furniture and fixtures	8.82% to 32.30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs, less accumulated depreciation and any impairment losses at the balance sheet date.

Depreciation is computed on the straight-line basis, after taking into account the estimated residual value (3% of the original cost), over the estimated useful lives. The estimated useful lives of investment properties vary from 30 to 35 years.

The useful life and the depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the individual investment properties.

Any gains or losses on retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers to, or from, investment properties are made when, and only when, there is evidence of a change in use.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in property, plant and equipment, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "*Revenue recognition*" below.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the two preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively, and are recognised in the income statement as "Net investment income" in accordance with the policies set out for "*Revenue recognition*" below. Losses arising from the impairment of such investments are recognised in the income statement as "Net realised and unrealised gains/(losses) on investments" and are transferred from the available-for-sale investment revaluation reserve.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to premiums receivable and agents' balances and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for an available-for-sale equity investment when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant' or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

– the rights to receive cash flows from the asset have expired;

– the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

– the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities at amortised cost (including subordinated debts)

Financial liabilities including payables to reinsurers, an accrued insurance protection fund, other liabilities and accruals, policyholders' deposits and subordinated debts are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as insurance contracts and the Group applies the recognition and measurement criteria under HKFRS 4 Insurance Contracts to such contracts.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of interest rate swap contracts is determined by reference to the present value of estimated future cash flows.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting and are classified as cash flow hedges are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised immediately in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments and hedging *(continued)*

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

Impairment of non-financial assets other than goodwill and AVIF

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and AVIF is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Product classification

Insurance contracts

Insurance contracts are those contracts for which the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance risk is significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenarios, excluding scenarios that lack commercial substance. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains as an insurance contract for the remaining of its life time, even if the insurance risk reduces significantly during this period, unless all rights and obligations expire.

Investment contracts

Any contracts issued to policyholders but not considered as insurance contracts under HKFRS 4 are classified as investment contracts. Investment contracts can be reclassified as insurance contracts after inception if the insurance risk becomes significant.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Insurance contract liabilities

Unearned premium reserves

Unearned premium reserves are recognised to cover the unexpired portion of the risks written. Premiums are earned over the terms of the related insurance contracts on a 365-day basis.

Loss and loss adjustment expense reserves

The loss and loss adjustment expense reserves are recorded on an undiscounted basis and comprise estimated provisions for losses reported at the balance sheet date, losses incurred but not yet reported at the balance sheet date, and direct and indirect unallocated loss adjustment expenses.

The loss and loss adjustment expense reserves are calculated at a realistically estimated amount considered necessary to settle the loss in full, less a deduction for the estimated value of salvage and other recoveries, using the recognised actuarial method. Past experience is taken into account as well as the current and future expected social and economic factors.

Liability adequacy tests

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred acquisition cost assets. In performing these tests, current best estimates of future contractual cash flows, loss adjustments and policy administration expenses, as well as investment income from assets backing such liabilities, are used. Any deficiency is immediately charged to the income statement initially by writing off deferred acquisition cost assets and subsequently by establishing a provision for losses arising from the liability adequacy tests. An amount of provision is made for each class of business individually. Any deferred acquisition cost asset written off cannot be reinstated subsequently.

Derecognition of insurance contract liabilities

Insurance contract liabilities are derecognised when they expire, are discharged or cancelled.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deferred acquisition costs

Policy acquisition costs which vary with and are primarily related to the production of new and renewing businesses (consisting principally of commission expenses, underwriting personnel expenses, government levies and surcharges) are deferred and amortised over the terms of the related insurance policies. Reinsurers' share of deferred acquisition costs is separately presented in the balance sheet as a liability item. Deferred acquisition costs are derecognised when the related contracts are settled or disposed of.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

– where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Reinsurance

The Group assumes and/or cedes reinsurance in the normal course of business. Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be recognised if the reinsurance were considered a direct business, taking into account the product classification of the reinsured business. Amounts due to reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the terms of the reinsurance contracts. Premiums ceded and claims reimbursed are presented on a gross basis.

An impairment review is performed on all reinsurance assets when there is an indication of impairment.

Other employee benefits

Pension scheme

The employees of the Group are required to participate in a central pension scheme operated by the local municipal government of Mainland China. The Group is required to contribute 13.0% to 39.5% of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Share-based payment transactions

Senior executives working in the Group are granted share appreciation rights ("SAR"), which are settleable only in cash ("cash-settled transactions"). The cost of cash-settled transactions is measured initially at fair value using the Black-Scholes model at the grant date taking into account the terms and conditions upon which the instruments were granted (see note 40). This fair value is expensed over the period until vesting with the recognition of a corresponding liability. The liability is remeasured at each balance sheet date up to and including the settlement date with changes in fair value recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

(a) premium income, which earned on a pro rata basis over the term of the related policy coverage, on the policy inception;

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Claims

Claims incurred include all claim losses occurring during the year, whether reported or not, including the related loss adjustment expenses, the reduction in the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

Loss adjustment expenses include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all general administrative costs directly attributable to the claims function.

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Profit appropriation

In accordance with the PRC Company Law and the Group's articles of association, the Group is required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses), determined in accordance with PRC GAAP, to the statutory surplus reserve. When the balance of such reserve fund reaches 50% of the capital, any further appropriation is optional. Subject to resolutions passed in shareholders' meetings, the statutory surplus reserve fund can be transferred to share capital. The balance of the statutory surplus reserve fund after transfers to share capital should not be less than 25% of the registered capital.

According to the relevant regulations of the PRC, the Company has to set aside 10% of its net profit determined in accordance with PRC GAAP to general risk reserve for catastrophic losses. This general risk reserve cannot be used for dividend distribution or conversion to share capital.

Dividends

Dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in Renminbi, which is the Company's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, corporate management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification of financial assets

The Group classifies its financial assets in accordance with HKAS 39 as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. Certain of these classifications require judgements. In making these judgements, the Group considers the intention of holding these financial assets, the compliance with the requirements of HKAS 39 and their implications for the presentation in the financial statements.

Impairment of available-for-sale equity financial instruments

For equity securities, a significant or prolonged decline in the fair value of an equity instrument is objective evidence of impairment. In conducting an impairment analysis, the Group considers quantitative and qualitative evidence. More specifically, the Group collectively considers the magnitude of the decline in fair value relative to the cost, volatility, and the duration of the decline in evaluating whether a decline in value is significant. The Group considers the period and consistency of the decline in evaluating whether a decline in value is prolonged. In general, the larger the magnitude of the decline in fair value relative to cost, the lower the volatility, the longer the duration of the decline or the more consistent the magnitude of decline, the more likely that objective evidence of impairment of an equity instrument exists.

The Group also considers qualitative evidence that includes, but is not necessarily limited to the following:

– Significant financial difficulty of the investee, including failure to comply with contractual obligations, financial restructuring, deterioration of going concern expectations; and

– Adverse changes relative to the investee's technology, market, customer base, macro economic indicators relative to the business, significant legal or regulatory matters.

Impairments do not establish a new cost basis and, accordingly, to the extent an impairment loss has been previously recorded due to the significant or prolonged criteria described above, any subsequent losses, including any portion attributable to foreign currency changes, are also recognised in profit or loss until the asset is derecognised.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Insurance contracts

The Group makes significant judgements on classification of insurance contracts, including reinsurance contracts, by assessing whether significant insurance risk exists. Any contracts issued to policyholders but not considered as insurance contracts under HKFRS 4 are classified as investment contracts and accounted for in accordance with HKAS 39.

Impairment of reinsurance assets

The Group performs an impairment review on its reinsurance assets when an indication of impairment occurs. In considering whether a reinsurance asset is impaired, the Group considers whether (i) there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Group may not be able to receive all amounts due to it under the terms of the contract; and (ii) the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Impairment loss on a right to acquire an equity interest in a securities company

For the right to acquire an equity interest in a securities company, as explained in note 24 to the financial statements, judgement is required to determine when impairment is required.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Claims liability arising from insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty, including legislative changes and speed of settlement, that need to be considered in the estimation of the liability that the Group will ultimately pay for those claims. The Group uses a number of different actuarial techniques and assumptions to estimate the liability.

The directors believe that the loss and loss adjustment expense reserves at the balance sheet date are adequate to cover the ultimate costs of all incurred losses and direct loss adjustment expenses to that date. However, the reserves are necessarily based on estimates and no representation is made that the ultimate liability may not exceed or be less than such estimates.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Impairment loss on insurance receivables

The Group reviews its insurance receivables at each reporting date to assess whether an allowance should be recorded in the income statement.

In addition to specific allowances against individually significant insurance receivables, the Group also makes a collective impairment against a group of insurance receivables with similar credit risk characteristics. The extent of impairment is dependent on the estimation of the amount and the timing of future cash flows.

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary reporting basis, by business segment. No further geographical segment information is presented as all of the Group's customers and operations are located in the PRC.

Summary details of the business segments are 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; and
(f) the "other" segment mainly represents insurance products related to marine hull, homeowners, agriculture, aviation and energy.

4. SEGMENT INFORMATION *(continued)*

Information on the Group's reportable business segments is as follows:

2008 Income statement	Motor Vehicle *RMB million*	Commercial Property *RMB million*	Cargo *RMB million*	Liability *RMB million*	Accidental Injury and Health *RMB million*	Other *RMB million*	Corporate *RMB million*	Total *RMB million*
Turnover	69,258	9,397	3,248	4,264	3,729	11,982	–	101,878
Net premiums earned	60,553	5,859	2,455	2,958	2,431	6,866	–	81,122
Net claims incurred	(44,839)	(5,404)	(1,267)	(2,259)	(1,990)	(4,845)	–	(60,604)
Amortisation of deferred acquisition costs, net	(9,710)	(849)	(330)	(425)	(269)	(181)	–	(11,764)
Insurance protection expenses	(570)	(55)	(24)	(27)	(25)	(73)	–	(774)
Profit/(loss) before general and administrative expenses	5,434	(449)	834	247	147	1,767	–	7,980
General and administrative expenses	–	–	–	–	–	–	(10,474)	(10,474)
Net investment income	–	–	–	–	–	210	3,506	3,716
Net realised and unrealised gains/(losses) on investments	–	–	–	–	–	(60)	379	319
Investment expenses	–	–	–	–	–	(7)	(253)	(260)
Interest expenses credited to policyholders' deposits	–	–	–	–	–	(215)	–	(215)
Exchange losses, net	–	–	–	–	–	–	(815)	(815)
Finance costs	–	–	–	–	–	–	(227)	(227)
Sundry income and expenses	–	–	–	–	–	–	62	62
Share of profit and loss of associates	–	–	–	–	–	–	(533)	(533)
Profit/(loss) before tax	5,434	(449)	834	247	147	1,695	(8,355)	(447)
Tax	–	–	–	–	–	–	497	497
Profit/(loss) attributable to equity holders of the parent	5,434	(449)	834	247	147	1,695	(7,858)	50

4. SEGMENT INFORMATION *(continued)*

2007 Income statement	Motor Vehicle *RMB million*	Commercial Property *RMB million*	Cargo *RMB million*	Liability *RMB million*	Accidental Injury and Health *RMB million*	Other *RMB million*	Corporate *RMB million*	Total *RMB million*
Turnover	61,988	8,941	2,990	3,640	3,115	7,994	–	88,668
Net premiums earned	53,273	5,689	2,271	2,534	2,084	2,877	–	68,728
Net claims incurred	(36,283)	(4,347)	(1,016)	(1,603)	(1,315)	(2,380)	–	(46,944)
Amortisation of deferred acquisition costs, net	(8,954)	(836)	(334)	(387)	(290)	(350)	–	(11,151)
Insurance protection expenses	(576)	(59)	(23)	(27)	(20)	(44)	–	(749)
Profit before general and administrative expenses	7,460	447	898	517	459	103	–	9,884
General and administrative expenses	–	–	–	–	–	–	(11,311)	(11,311)
Net investment income	–	–	–	–	–	265	2,964	3,229
Net realised and unrealised gains on investments	–	–	–	–	–	165	4,277	4,442
Investment expenses	–	–	–	–	–	(9)	(279)	(288)
Interest expenses credited to policyholders' deposits	–	–	–	–	–	(248)	–	(248)
Exchange losses, net	–	–	–	–	–	–	(801)	(801)
Finance costs	–	–	–	–	–	–	(315)	(315)
Sundry income and expenses	–	–	–	–	–	–	(123)	(123)
Share of profit and loss of associates	–	–	–	–	–	–	(13)	(13)
Profit/(loss) before tax	7,460	447	898	517	459	276	(5,601)	4,456
Tax	–	–	–	–	–	–	(1,465)	(1,465)
Profit/(loss) attributable to equity holders of the parent	7,460	447	898	517	459	276	(7,066)	2,991

4. SEGMENT INFORMATION *(continued)*

The segment assets and liabilities for the years ended 31 December 2008 and 2007 are shown as follows:

2008 Balance sheet	Motor Vehicle *RMB million*	Commercial Property *RMB million*	Cargo *RMB million*	Liability *RMB million*	Accidental Injury and Health *RMB million*	Other *RMB million*	Corporate *RMB million*	Total *RMB million*
Total assets	21,574	8,915	976	2,381	1,824	10,693	106,489	152,852
Total liabilities	70,465	10,572	2,156	5,373	5,682	22,397	14,398	131,043

2007 Balance sheet	Motor Vehicle *RMB million*	Commercial Property *RMB million*	Cargo *RMB million*	Liability *RMB million*	Accidental Injury and Health *RMB million*	Other *RMB million*	Corporate *RMB million*	Total *RMB million*
Total assets	14,164	5,990	1,029	1,606	1,697	8,037	101,742	134,265
Total liabilities	55,753	8,846	2,019	4,078	4,929	20,129	12,433	108,187

Capital expenditure, depreciation and impairment charges, which are not attributable to particular insurance products, are not allocated.

5. TURNOVER AND NET PREMIUMS EARNED

Turnover represents direct premiums written and reinsurance premiums assumed.

	Group	
	2008	2007
	RMB million	*RMB million*
Turnover		
Direct premiums written	**101,655**	88,594
Reinsurance premiums assumed	**223**	74
	101,878	88,668
Net premiums earned		
Turnover	**101,878**	88,668
Less: Reinsurance premiums ceded	**(24,505)**	(13,779)
Net premiums written	**77,373**	74,889
Less: Change in net unearned premium reserves (note 34)	**3,749**	(6,161)
Net premiums earned	**81,122**	68,728

6. NET CLAIMS INCURRED

	Group	
	2008	2007
	RMB million	*RMB million*
Gross claims paid	**65,790**	48,695
Less: Paid losses recoverable from reinsurers	**(11,760)**	(7,592)
Net claims paid	**54,030**	41,103
Change in net loss and loss adjustment expense reserves (note 34)	**6,574**	5,841
Net claims incurred	**60,604**	46,944

7. NET INVESTMENT INCOME

	Group	
	2008	2007
	RMB million	*RMB million*
Rental income from investment properties	80	54
Financial assets at fair value through profit or loss		
– Held for trading purpose:		
Interest income	99	92
Dividend income	935	953
Financial assets at fair value through profit or loss		
– Designated upon initial recognition:		
Interest income	23	7
Available-for-sale financial assets:		
Interest income	1,227	875
Dividend income	161	199
Loans and receivables:		
Interest income	1,191	1,049
	3,716	3,229

8. NET REALISED AND UNREALISED GAINS ON INVESTMENTS

	Group	
	2008	2007
	RMB million	*RMB million*
Available-for-sale financial assets:		
Realised gains	2,928	1,118
Impairment loss	(872)	–
Financial assets at fair value through profit or loss		
– Held for trading:		
Realised gains	398	2,541
Unrealised gains/(losses)	(2,189)	849
Financial assets at fair value through profit or loss		
– Designated upon initial recognition:		
Unrealised gains	29	50
Loans and receivables:		
Impairment loss	25	(116)
	319	4,442

9. EXCHANGE LOSSES, NET

Exchange gains/(losses) are attributable to the following functions:

	Group 2008 RMB million	Group 2007 RMB million
Net realised and unrealised losses on term deposits	(691)	(829)
Net claims incurred	(39)	15
General and administrative expenses	(85)	13
	(815)	(801)

10. FINANCE COSTS

	Group 2008 RMB million	Group 2007 RMB million
Interest on subordinated debts	122	122
Interest on securities sold under agreements to repurchase	44	111
Other finance costs	61	82
	227	315

11. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2008 RMB million	2007 RMB million
Auditors' remuneration, including interim review		18	18
Depreciation of property, plant and equipment	27	866	876
Depreciation of investment properties	28	23	20
Amortisation of prepaid land premiums	29	104	113
Employee expenses (including directors' remuneration (note 12)):			
Wages, salaries and staff welfare		5,885	5,502
Charge/(credit) of cash-settled appreciation rights expense		(445)	752
Pension scheme contributions		600	583
Impairment loss on insurance receivables	21	477	627
Minimum lease payments under operating leases in respect of land and buildings		370	397
Net loss on disposal of items of property, plant and equipment		13	2

12. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2008 *RMB'000*	2007 *RMB'000*
Fees	1,382	2,892
Other emoluments:		
Salaries, allowances, benefits in kind and performance related bonuses	3,581	5,333
Pension scheme contributions	975	421
	5,938	8,646

Certain directors and supervisors are entitled to bonuses which are determined by a number of factors including the operating results of the Group.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2008 *RMB'000*	2007 *RMB'000*
Mr. Cheng Wai Chee, Christopher	249	277
Mr. Lu Zhengfei	249	277
Mr. Luk Kin Yu, Peter	249	277
Mr. Ding Ning Ning	249	277
	996	1,108

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

12. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

(b) Chairman of the Board, executive directors, non-executive directors and supervisors

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2008					
Chairman of the Board:					
Mr. Wu Yan	–	700	330	288	1,318
Executive directors:					
Mr. Wang Yincheng (President)	–	605	285	214	1,104
Mdm. Liu Zhenghuan	–	567	267	224	1,058
Mr. Wang Yi (Resigned)	–	233	110	152	495
Non-executive directors:					
Mr. Tse Sze-Wing, Edmund	137	–	–	–	137
Mr. Wu Gaolian (Resigned)	–	–	–	–	–
Mr. Zhou Shurui	–	–	–	–	–
Mr. Li Tao	–	–	–	–	–
Supervisors:					
Mr. Ding Yunzhou (Chairman)	–	–	–	–	–
Mr. Sheng Hetai	–	–	–	–	–
Mr. He Bangshun	–	339	145	97	581
Independent supervisor:					
Mr. Li Dianjun	249	–	–	–	249
	386	2,444	1,137	975	4,942

During the year, Mr. Wu Yan, Mr. Wang Yincheng, Madam. Liu Zhenghuan, Mr. Wang Yi (resigned), Mr. Wu Gaolian (resigned), Mr. Zhou Shurui, Mr. Li Tao, Mr. Ding Yunzhou, Mr. Sheng Hetai and Mr. He Bangshun agreed to waive directors fees of approximately RMB1 million in aggregate.

12. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

(b) Chairmen of the Board, executive directors, non-executive directors and supervisors *(continued)*

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2007					
Chairmen of the Board:					
Mr. Wu Yan	137	700	546	99	1,482
Mr. Tang Yunxiang (Resigned)	–	61	480	14	555
Executive directors:					
Mr. Wang Yi (President)	137	700	546	99	1,482
Mr. Wang Yincheng	137	537	371	78	1,123
Mdm. Liu Zhenghuan	137	567	391	81	1,176
Non-executive directors:					
Mr. Tse Sze-Wing, Edmund	137	–	–	–	137
Mr. Wu Gaolian	137	–	–	–	137
Mr. Zhou Shurui	137	–	–	–	137
Mr. Li Tao	137	–	–	–	137
Supervisors:					
Mr. Ding Yunzhou (Chairman)	137	–	–	–	137
Mr. Sheng Hetai	137	–	–	–	137
Mr. He Bangshun	137	312	122	50	621
Independent supervisor:					
Mr. Li Dianjun	277	–	–	–	277
	1,784	2,877	2,456	421	7,538

Apart from the independent non-executive directors, an independent supervisor and non-executive directors (excluding a non-Mainland China resident), directors' fees were not yet paid as at 31 December 2007.

In respect of the SAR granted to senior executives, as the administration of the related SAR scheme was being reviewed by a major shareholder, the relevant scheme for senior executive was still subject to further deliberation (please refer to note 40).

13. FIVE HIGHEST PAID EMPLOYEES

All of the five highest paid employees during the current and prior years were either directors or supervisors of the Company.

14. TAX

The provision for PRC income tax is calculated based on the statutory rate of 25% (2007: 33%) in accordance with the relevant PRC income tax rules and regulations.

	2008 *RMB million*	2007 *RMB million*
Group:		
Current		
– Charge for the year	1,036	1,572
– Overprovision in prior years	(349)	–
Deferred (note 33)	(1,184)	(107)
Total tax charge for the year	(497)	1,465

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax using the statutory tax rate for the PRC, in which the Group is domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate, i.e., the statutory tax rate, to the effective tax rate, are as follows:

Group	2008 *RMB million*	*%*	2007 *RMB million*	*%*
Profit/(loss) before tax	(447)		4,456	
Tax at the statutory tax rate of 25% (2007: 33%)	(112)	25.0	1,470	33.0
Income not subject to tax	(381)	85.2	(174)	(3.9)
Effect of change in tax rate	–	–	(454)	(10.2)
Expenses not deductible for tax	345	(77.2)	623	14.0
Adjustments in respect of current tax of previous periods	(349)	78.1	–	–
Tax charge/(credit) at the Group's effective rate	(497)	111.1	1,465	32.9

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and has become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Accordingly, the Group adopted 25% as the statutory tax rates when determining its corporate tax since 1 January 2008.

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

The calculation of basic earnings per share is based on the profit for the year attributable to the ordinary equity holders of the parent of RMB50 million (2007: RMB2,991 million) and 11,142 million (2007: 11,142 million) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 December 2008 and 2007 have not been disclosed as no diluting events existed during these years.

16. DIVIDEND PER SHARE

The Board of Directors did not propose any interim and final dividend for the year (2007: interim dividend of RMB1,014 million).

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	RMB million	*RMB million*	***RMB million***	*RMB million*
Cash on hand, at amortised cost	**17**	27	**17**	27
Demand deposits, at amortised cost	**15,204**	14,761	**15,202**	14,758
Securities purchased under resale agreements with original maturity of less than three months, at amortised cost	**–**	2,896	**–**	2,896
Deposits with banks and other financial institutions with original maturity of less than three months, at amortised cost	**6,464**	7,630	**6,464**	7,630
Deposits with banks and other financial institutions with original maturity of more than three months, at amortised cost	**5,706**	2,054	**5,706**	2,054
Structured deposits with banks and other financial institutions:				
at fair value	**136**	729	**136**	729
at amortised cost	**1,529**	2,692	**1,529**	2,692
	29,056	30,789	**29,054**	30,786
Classification of cash and cash equivalents:				
Loans and receivables	**28,920**	30,060	**28,918**	30,057
Designated as fair value through profit or loss financial assets	**136**	729	**136**	729
	29,056	30,789	**29,054**	30,786

17. CASH AND CASH EQUIVALENTS *(continued)*

Certain structured deposits maintained with PRC banks and other financial institutions are designated as financial instruments at fair value through profit or loss upon the initial adoption of HKAS 39. The returns of certain structured deposits are linked to US dollar-denominated debt instruments or the London Inter-Bank Offered Rate. Embedded in some of these structured deposits are options to enter into new and different structured deposit arrangements at their maturity dates.

For structured deposits designated as financial assets at fair value through profit or loss, the changes in fair value attributable to changes in credit risk during the year and since their initial designation were immaterial.

No debt securities were held by the Group as collaterals under securities repurchase transactions as at 31 December 2008 (2007: RMB2,896 million).

The carrying amounts of cash and cash equivalents approximate to their fair values.

18. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	Group and Company	
	2008	2007
	RMB million	*RMB million*
Interest rate swaps assets/(liabilities)	**6**	(35)

The carrying amounts of interest rate swaps are the same as their fair values.

The Company is exposed to the variability of cash flows on financial assets which bear interest at a variable rate, and therefore uses interest rate swaps to hedge its risks by receiving interest at a fixed rate from counterparties and paying interest at a variable rate. The terms of these swap contracts are as follows:

Floating rate	**Fixed rate**	**Maturity**	**Aggregate notional amount** *RMB million*
2008:			
7-day fixing Repo rate or 1-year deposit rate by the People's Bank of China	2.900%-4.000%	10 August 2010-18 May 2014	850
2007:			
7-day fixing Repo rate or 1-year deposit rate by the People's Bank of China	2.900%-4.000%	10 August 2010-18 May 2014	850

The cash flow hedges were assessed to be highly effective and a net gain of RMB31 million (2007: net loss of RMB30 million) was included in the cash flow hedging reserve. There was no gain or loss removed from the hedging reserve in 2007 and 2008.

19. DEBT SECURITIES

	Group and Company	
	2008	2007
	RMB million	*RMB million*
Listed debt securities, at fair value:		
Debt securities issued by governments	**12,778**	10,828
Debt securities issued by corporate entities	**1,940**	1,928
	14,718	12,756
Unlisted debt securities, at fair value:		
Debt securities issued by governments	**5,537**	3,512
Debt securities issued by banks and other financial institutions	**13,738**	8,505
Debt securities issued by corporate entities	**7,298**	3,692
	26,573	15,709
	41,291	28,465
Classification of debt securities:		
Fair value through profit or loss – held for trading	**2,498**	4,284
Available-for-sale	**38,793**	24,181
	41,291	28,465

The fair values are mainly based on quoted market prices or executable broker/dealer price quotations.

20. EQUITY SECURITIES

	Group and Company	
	2008	2007
	RMB million	*RMB million*
Listed investments, at fair value:		
Mutual funds	**1,087**	2,435
Shares	**2,704**	11,590
	3,791	14,025
Unlisted investments, at fair value:		
Mutual funds	**2,270**	2,953
Unlisted investments, at cost:		
Shares	**377**	–
	6,438	16,978
Classification of equity securities:		
Fair value through profit or loss – held for trading	**2,415**	5,886
Available-for-sale	**4,023**	11,092
	6,438	16,978

The fair values are based on quoted market prices or bid prices quoted by mutual fund management companies.

21. INSURANCE RECEIVABLES, NET

	Group and Company	
	2008	2007
	RMB million	*RMB million*
Premiums receivable and agents' balances	**8,309**	7,229
Receivables from reinsurers	**13,926**	7,691
	22,235	14,920
Less: Impairment provision on:		
Premiums receivable and agents' balances	**(1,494)**	(1,017)
Receivables from reinsurers	**(5)**	(5)
	20,736	13,898

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

	Group and Company	
	2008	2007
	RMB million	*RMB million*
At 1 January	**1,022**	395
Charge for the year	**477**	634
Impairment losses reversed	**–**	(7)
At 31 December	**1,499**	1,022

The carrying amounts disclosed above reasonably approximate to their fair values at each year end.

22. REINSURANCE ASSETS

	Group and Company	
	2008	2007
	RMB million	*RMB million*
Reinsurers' share of:		
Unearned premium reserves (note 34)	**12,745**	5,809
Loss and loss adjustment expense reserves (note 34)	**8,037**	5,327
	20,782	11,136

23. DEFERRED ACQUISITION COSTS

Group and Company	Gross amount *RMB million*	Reinsurers' share *RMB million*	Net amount *RMB million*
At 1 January 2008	7,490	(1,775)	5,715
Costs deferred during the year	17,425	(6,760)	10,665
Amortisation for the year	(16,755)	4,991	(11,764)
At 31 December 2008	8,160	(3,544)	4,616
At 1 January 2007	6,817	(1,315)	5,502
Costs deferred during the year	15,254	(3,890)	11,364
Amortisation for the year	(14,581)	3,430	(11,151)
At 31 December 2007	7,490	(1,775)	5,715

Group and Company	2008			2007		
	Gross amount *RMB million*	Reinsurers' share *RMB million*	Net amount *RMB million*	Gross amount *RMB million*	Reinsurers' share *RMB million*	Net amount *RMB million*
Current	7,398	(3,362)	4,036	6,582	(1,337)	5,245
Non-current	762	(182)	580	908	(438)	470
	8,160	(3,544)	4,616	7,490	(1,775)	5,715

24. OTHER FINANCIAL ASSETS AND PREPAYMENTS

	Notes	Group and Company 2008 RMB million	2007 RMB million
Unlisted debts		**3,780**	3,780
Capital security fund	(i)	**2,228**	2,228
Interest receivables		**1,012**	633
Prepayments and deposits	(ii)	**830**	827
Other receivables	(iii)	**289**	427
Amount due from the PICC Group (note 45(c))		**305**	36
Amounts due from associates (note 45(c))		**5**	–
Amount due from a fellow subsidiary (note 45(c))		**4**	–
Others assets		**899**	434
		9,352	8,365

Notes:

(i) In accordance with the PRC Insurance Law, the Group is required to maintain a deposit equivalent to 20% of its registered capital with banks designated by the China Insurance Regulatory Commission (the "CIRC") as a security fund. The use of the security fund is subject to the approval of the CIRC.

(ii) Included in the prepayments and deposits as at 31 December 2008 was a consideration of RMB588 million (2007: RMB588 million) paid for a right to a 1.96% economic interest in the issued share capital of a securities company. It represents the right to receive dividends, proceeds from the disposal of the equity interests of that securities company, and the right to register as a shareholder. The Company obtained this right under the restructuring scheme of another securities company, which sold its securities business and assets to this securities company. The consideration represented the government bonds originally registered under the trading seats of the securities company under the restructuring.

(iii) Included in the other receivables as at 31 December 2008 was an amount of RMB340 million (2007: RMB366 million) due from another securities company under liquidation. For both years, the amount was fully impaired.

Except for the right to the equity interest in the new securities company and unlisted debts, the carrying amounts disclosed above reasonably approximate to their fair values at the year end. The fair value of the right to the equity in the new securities company could not be measured reliably. The fair value of the unlisted debts as at 31 December 2008 was RMB3,878 million (2007: RMB3,888 million), which was estimated by using the quoted market prices of securities with similar credit, maturity and yield characteristics.

25. INTERESTS IN ASSOCIATES

	Group		Company	
	2008 *RMB million*	2007 *RMB million*	**2008** *RMB million*	2007 *RMB million*
Unlisted shares, at cost	–	–	972	972
AVIF	26	33	–	–
Goodwill on acquisition	16	16	–	–
Share of net assets	479	976	–	–
	521	1,025	972	972

Particulars of the associates are as follows:

Name	**Place of registration and operations**	**Nominal value of registered share capital** *(RMB million)*	**Percentage of equity directly attributable to the Group**	**Principal activities**
PICC Asset Management Company Limited ("PICC AMC")	Mainland China	800	20	Asset management services
PICC Life Insurance Company Limited ("PICC Life")	Mainland China	2,708	28	Provision of life insurance products

25. INTERESTS IN ASSOCIATES *(continued)*

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	PICC Life		PICC AMC	
	2008	2007	**2008**	2007
	RMB million	*RMB million*	***RMB million***	*RMB million*
Share of the associates' balance sheets:				
Assets	**11,959**	2,341	**259**	238
Liabilities	**(11,664)**	(1,544)	**(75)**	(59)
Net assets	**295**	797	**184**	179
Share of the associates' revenue and profit/(loss):				
Revenue	**8,357**	1,098	**38**	36
Profit/(loss)	**(545)**	(29)	**12**	16

26. INVESTMENTS IN SUBSIDIARIES

	Company	
	2008	2007
	RMB million	*RMB million*
Unlisted shares, at cost	**3**	3

Particulars of the subsidiaries are as follows:

Name	**Place of registration and operations**	**Nominal value of registered share capital** *(RMB million)*	**Percentage of equity directly attributable to the Company**
PICC Hebi Insurance Agency Company Limited*	Mainland China	0.5	100
PICC Qingdao Insurance Agency Company Limited*	Mainland China	0.5	90
PICC Hebei Insurance Agency Company Limited*	Mainland China	1.0	100
PICC Haikou Training Center Company Limited*	Mainland China	0.1	100

* Registered as company limited enterprises under the PRC Company Law.

The principal activities of these subsidiaries are mainly the provision of insurance agency services and training services to the Group.

27. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Land and buildings *RMB million*	Motor vehicles *RMB million*	Office equipment, furniture and fixtures *RMB million*	Construction in progress *RMB million*	Total *RMB million*
Cost:					
At 1 January 2008	10,132	1,530	2,817	1,744	16,223
Additions	75	223	494	602	1,394
Transfers	158	–	24	(182)	–
Transfers to investment properties (note 28)	(134)	–	–	–	(134)
Disposals	(24)	(202)	(234)	–	(460)
At 31 December 2008	10,207	1,551	3,101	2,164	17,023
Accumulated depreciation:					
At 1 January 2008	(1,695)	(1,019)	(1,788)	–	(4,502)
Charge for the year	(366)	(140)	(360)	–	(866)
Transfers to investment properties (note 28)	38	–	–	–	38
Disposals	24	194	225	–	443
At 31 December 2008	(1,999)	(965)	(1,923)	–	(4,887)
Net book value:					
At 31 December 2008	8,208	586	1,178	2,164	12,136

27. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group and Company

	Land and buildings *RMB million*	Motor vehicles *RMB million*	Office equipment, furniture and fixtures *RMB million*	Construction in progress *RMB million*	Total *RMB million*
Cost:					
At 1 January 2007	9,862	1,444	2,625	1,872	15,803
Additions	103	178	345	207	833
Transfers	335	–	–	(335)	–
Transfers to investment properties (note 28)	(133)	–	–	–	(133)
Disposals	(35)	(92)	(153)	–	(280)
At 31 December 2007	10,132	1,530	2,817	1,744	16,223
Accumulated depreciation:					
At 1 January 2007	(1,366)	(990)	(1,544)	–	(3,900)
Charge for the year	(363)	(121)	(392)	–	(876)
Transfers to investment properties (note 28)	24	–	–	–	24
Disposals	10	92	148	–	250
At 31 December 2007	(1,695)	(1,019)	(1,788)	–	(4,502)
Net book value:					
At 31 December 2007	8,437	511	1,029	1,744	11,721

The Group's land and buildings and construction in progress are situated in Mainland China and held under medium term leases.

As at 31 December 2008, certain acquired buildings of the Group with a net book value of RMB335 million (2007: RMB509 million) were in the process of title registration.

The net book value of the Group's property, plant and equipment held under finance leases included in the total amount of property, plant and equipment at 31 December 2008 amounted to RMB1,945 million (2007: RMB1,931 million).

28. INVESTMENT PROPERTIES

	Group and Company	
	2008	2007
	RMB million	*RMB million*
Cost:		
At 1 January	681	548
Transfers from property, plant and equipment (note 27)	134	133
At 31 December	815	681
Accumulated depreciation:		
At 1 January	(149)	(105)
Charge for the year	(23)	(20)
Transfers from property, plant and equipment (note 27)	(38)	(24)
At 31 December	(210)	(149)
Net book value at 31 December	605	532

As at 31 December 2008, the fair value of the investment properties was RMB900 million (2007: RMB699 million). The fair value of the properties is determined by the directors with reference to recent market transactions.

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

29. PREPAID LAND PREMIUMS

	Group and Company	
	2008	2007
	RMB million	*RMB million*
At 1 January	3,866	3,960
Additions	7	19
Amortisation recognised during the year	(104)	(113)
At 31 December	3,769	3,866

29. PREPAID LAND PREMIUMS *(continued)*

The leasehold land is situated in Mainland China and held under the following terms:

	Group and Company	
	2008	2007
	RMB million	*RMB million*
Long term leases	**85**	88
Medium term leases	**3,684**	3,778
	3,769	3,866

30. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	Group and Company	
	2008	2007
	RMB million	*RMB million*
Reinsurance payables	**18,258**	9,813

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

The carrying amounts disclosed above reasonably approximate to their fair values at each year end.

31. ACCRUED INSURANCE PROTECTION FUND

	Group and Company	
	2008	2007
	RMB million	*RMB million*
At 1 January	**296**	217
Accrued during the year	**774**	749
Paid during the year	**(818)**	(670)
At 31 December	**252**	296

The Group is obligated to pay into an insurance protection fund an amount based on a rate of 1% of its annual retained premiums in accordance with the relevant PRC insurance law and regulations. No further provision is required once the accumulated balance has reached 6% (2007: 6%) of the Group's total assets as determined in accordance with PRC GAAP.

Insurance companies are required to deposit their insurance protection fund in a bank account designated by the CIRC on a quarterly basis.

32. OTHER LIABILITIES AND ACCRUALS

	Group and Company	
	2008	2007
	RMB million	*RMB million*
Premiums received in advance	**4,659**	2,639
Securities sold under agreements to repurchase	**1,724**	–
Salaries and staff welfare payables	**1,529**	1,364
Liabilities arising from share appreciation rights	**–**	480
Accrued capital expenditure	**78**	78
Amounts due to associates (note 45(c))	**19**	20
Amount due to a fellow subsidiary (note 45(c))	**5**	–
Others	**3,942**	3,528
	11,956	8,109

Securities sold under agreements to repurchase do not qualify for derecognition as the Group has committed to repurchasing these securities under predetermined terms. The carrying amount of financial assets that do not qualify for derecognition as at 31 December 2008 was RMB1,724 million (2007: Nil), while the borrowings obtained under these repurchase transactions were disclosed as above.

The carrying amounts disclosed above reasonably approximate to their fair values at each year end.

33. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Group and Company	Revaluation of fair value through profit or loss *RMB million*	Revaluation of available-for-sale financial instruments *RMB million*	Cash flow hedging *RMB million*	Depreciation of property, plant and equipment *RMB million*	Deferred acquisition costs *RMB million*	Others *RMB million*	Total *RMB million*
Deferred tax assets:							
At 1 January 2008	(524)	(1,367)	–	52	444	482	(913)
Deferred tax (charged)/ credited to the income statement during the year (note 14)	547	–	–	(52)	442	414	1,351
Deferred tax debited to equity during the year	–	1,465	–	–	–	–	1,465
Gross deferred tax assets at 31 December 2008	23	98	–	–	886	896	1,903
Deferred tax liabilities:							
At 1 January 2008	–	–	9	–	(1,873)	–	(1,864)
Deferred tax charged to the income statement during the year (note 14)	–	–	–	–	(167)	–	(167)
Deferred tax debited to equity during the year	–	–	(10)	–	–	–	(10)
Gross deferred tax liabilities at 31 December 2008	–	–	(1)	–	(2,040)	–	(2,041)
Net deferred tax liabilities at 31 December 2008							(138)

33. DEFERRED TAX *(continued)*

Group and Company	Revaluation of fair value through profit or loss *RMB million*	Revaluation of available-for-sale financial instruments *RMB million*	Cash flow hedging *RMB million*	Depreciation of property, plant and equipment *RMB million*	Deferred acquisition costs *RMB million*	Others *RMB million*	Total *RMB million*
Deferred tax assets:							
At 1 January 2007	–	–	(2)	190	434	353	975
Deferred tax (charged)/ credited to the income statement during the year *(note 14)*	–	–	–	(138)	10	129	1
Deferred tax credited to equity during the year	–	–	11	–	–	–	11
Gross deferred tax assets at 31 December 2007	–	–	9	52	444	482	987
Deferred tax liabilities:							
At 1 January 2007	(253)	(377)	–	–	(2,250)	–	(2,880)
Deferred tax charged/ (credited) to the income statement during the year *(note 14)*	(271)	–	–	–	377	–	106
Deferred tax debited to equity during the year	–	(990)	–	–	–	–	(990)
Gross deferred tax liabilities at 31 December 2007	(524)	(1,367)	–	–	(1,873)	–	(3,764)
Net deferred tax liabilities at 31 December 2007							(2,777)

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

The change in respect of the deferred tax assets recognised arising from the revaluation of available-for-sale investments is taken to the available-for-sale investment revaluation reserve.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities as they relate to the same tax authority.

34. INSURANCE CONTRACT LIABILITIES

	Group and Company 2008 RMB million	2007 RMB million
Unearned premium reserves	47,118	43,931
Loss and loss adjustment expense reserves	38,468	29,184
	85,586	73,115

Movements of insurance contract liabilities and their corresponding reinsurance assets were set out below:

Group and Company	2008 Gross amount RMB million	2008 Reinsurers' share RMB million (note 22)	2008 Net amount RMB million	2007 Gross amount RMB million	2007 Reinsurers' share RMB million (note 22)	2007 Net amount RMB million
Unearned premium reserves:						
At 1 January	43,931	(5,809)	38,122	36,842	(4,881)	31,961
Increase during the year	38,721	(12,082)	26,639	36,304	(5,012)	31,292
Release during the year	(35,534)	5,146	(30,388)	(29,215)	4,084	(25,131)
At 31 December	47,118	(12,745)	34,373	43,931	(5,809)	38,122
Loss and loss adjustment expense reserves:						
At 1 January	29,184	(5,327)	23,857	22,880	(4,864)	18,016
Increase during the year	75,074	(14,470)	60,604	54,999	(8,055)	46,944
Release during the year	(65,790)	11,760	(54,030)	(48,695)	7,592	(41,103)
At 31 December	38,468	(8,037)	30,431	29,184	(5,327)	23,857
Total insurance contract liabilities	85,586	(20,782)	64,804	73,115	(11,136)	61,979

An analysis of expected settlements of these liabilities was set out below:

	2008 Gross amount	2008 Reinsurers' share	2008 Net amount	2007 Gross amount	2007 Reinsurers' share	2007 Net amount
Current	72,168	(18,799)	53,369	61,101	(8,727)	52,374
Non-current	13,418	(1,983)	11,435	12,014	(2,409)	9,605
	85,586	(20,782)	64,804	73,115	(11,136)	61,979

35. POLICYHOLDERS' DEPOSITS

Policyholders' deposits consist of interest-bearing and non-interest-bearing deposits placed by policyholders.

An analysis of interest-bearing and non-interest-bearing deposits is set out below:

	Group and Company	
	2008	2007
	RMB million	*RMB million*
Interest-bearing deposits	**5,147**	5,926
Non-interest-bearing deposits	**2,236**	2,027
	7,383	7,953

Certain contracts offered by the Group require that the policyholders place a deposit with the Group which is refundable upon maturity, varies from one year to perpetuity, and bears no interest. A contract holder can terminate the contract before the maturity date without penalties. The main feature of this product is that an insurance coverage is fixed at the inception of the policy and remains in effect during the policy period or until terminated by the contract holder.

From 2002, the Group has underwritten policies in one type of homeowners insurance products containing both insurance and investment features. Policyholders deposit a fixed principal amount which is only refundable upon the maturity of the policy of three or five years, and the policyholders receive a fixed rate of interest. Penalties on early termination are charged according to the terms stated in the contract.

The carrying amounts disclosed above reasonably approximate to their fair values at the year end.

36. SUBORDINATED DEBTS ISSUED BY THE COMPANY

On 19 December 2006, the Company issued subordinated debts of RMB3,000 million to a number of institutional investors. These debts are unsecured and have a maturity period of 10 years, bearing interest at a rate of 4.08% per annum in the first five years and a rate of 6.08% per annum in the remaining years. The Company has an option to redeem the subordinated debts at the end of the first five years.

As at 31 December 2008, the fair value of these subordinated debts was RMB3,279 million (2007: RMB3,142 million). The fair value has been estimated using the quoted market prices for securities with similar credit terms, maturity and characteristics.

37. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – TERMS, ASSUMPTIONS AND SENSITIVITIES

(a) Insurance contract liabilities

Terms

Loss and loss adjustment expense reserves are refined on a quarterly basis as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported. The reserves are not discounted for the time value of money.

The measurement process primarily includes projection of future claim costs through a combination of actuarial and statistical projection techniques.

Estimates of gross loss and loss adjustment expense reserves are based on the following selected methods:

Line	Estimation method
Aviation and energy	• Incurred claims loss development; and • Incurred claims Bornhuetter-Ferguson.
Other lines	• Incurred claims loss development; • Payment per claim incurred; • Incurred claims Bornhuetter-Fergusons; and • Loss ratio method.

Reinsurance recoveries on unpaid claims are separately estimated for proportional treaties including statutory treaties, facultative reinsurance arrangements and other treaties applying to cargo, liabilities, marine and non-marine.

Reinsurance	Estimation method
Proportional treaty	• As a certain percentage of gross claim liabilities.
Facultative	• Case estimates in individual large claims.
Other treaties	• Incurred claims Bornhuetter-Ferguson.

Assumptions and sensitivities

The principal assumption underlying the estimates is the Group's past claims development experience. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

37. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – TERMS, ASSUMPTIONS AND SENSITIVITIES *(continued)*

(a) Insurance contracts liabilities *(continued)*

Assumptions and sensitivities (continued)

As different statistical projection techniques may produce different estimates, the directors choose results that are considered appropriate for the observed claims development patterns. The range of reasonable estimates of loss and loss adjustment expense reserves, projected by different statistical techniques and various key assumptions, represents different views on the speed of settlements, changes in premium rates and the underwriting controls over ultimate losses.

The sensitivity of certain variables like legislative change, uncertainty in the estimation process, etc., is not possible to quantify with any degree of confidence. Furthermore, because of delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the loss and loss adjustment reserves are not quantifiable with certainty at the balance sheet date.

Reproduced below is an analysis that shows the development of claims over a period of time on gross and net bases:

Accident year	2001	2002	2003	2004	2005	2006	2007	2008	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Gross basis	*million*	*million*	*million*	*million*	*million*	*million*	*million*	*million*	*million*
Estimated cumulative claims costs at:									
End of current year			35,469	41,015	39,768	42,674	51,319	70,758	281,003
One year later		33,297	37,724	40,758	40,397	43,700	51,329		247,205
Two years later	28,078	34,081	38,706	41,334	40,075	44,376			226,650
Three years later	28,198	34,192	38,803	41,515	40,425				183,133
Four years later	28,229	34,215	39,040	41,652					143,136
Five years later	28,175	34,328	39,115						101,618
Six years later	28,199	34,388							62,587
Seven years later	28,164								28,164
Estimated cumulative claims cost	28,164	34,388	39,115	41,652	40,425	44,376	51,329	70,758	350,207
Cumulative claims cost	(28,157)	(33,980)	(39,004)	(41,185)	(39,823)	(42,669)	(45,662)	(42,360)	(312,840)
Liability recognised in the balance sheet	7	408	111	467	602	1,707	5,667	28,398	37,367
Liability in respect of prior years and unallocated loss adjustment expenses									1,101
Gross liability included in the balance sheet									38,468

37. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – TERMS, ASSUMPTIONS AND SENSITIVITIES *(continued)*

(a) Insurance contract liabilities *(continued)*

Assumptions and sensitivities (continued)

Accident year	2001	2002	2003	2004	2005	2006	2007	2008	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Net basis	*million*	*million*	*million*	*million*	*million*	*million*	*million*	*million*	*million*
Estimated cumulative claims costs at:									
End of current year			27,215	33,316	32,788	35,405	43,791	56,929	229,444
One year later		25,631	29,421	33,119	33,406	36,195	43,799		201,571
Two years later	21,779	26,357	30,225	33,652	33,159	36,688			181,860
Three years later	21,863	26,274	30,306	33,791	33,414				145,648
Four years later	21,877	26,242	30,489	33,891					112,499
Five years later	21,813	26,329	30,544						78,686
Six years later	21,832	26,372							48,204
Seven years later	21,806								21,806
Estimated cumulative claims cost	21,806	26,372	30,544	33,891	33,414	36,688	43,799	56,929	283,443
Cumulative claims cost	(21,800)	(26,290)	(30,448)	(33,517)	(32,972)	(35,259)	(38,825)	(35,069)	(254,180)
Liability recognised in the balance sheet	6	82	96	374	442	1,429	4,974	21,860	29,263
Liability in respect of prior years and unallocated loss adjustment expenses									1,168
Net liability included in the balance sheet									30,431

The liabilities as at 31 December 2001 and 2002, which are based on an actuarial valuation performed on 27 October 2003, are extracted from the Company's prospectus dated 27 October 2003 issued in respect of the listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited ("HKSE").

The ultimate liabilities will vary as a result of subsequent developments. Differences resulting from the re-assessment of the ultimate liabilities are recognised in subsequent years' financial statements.

37. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – TERMS, ASSUMPTIONS AND SENSITIVITIES *(continued)*

(b) Reinsurance assets – Terms, assumptions and methods

The Group limits its exposure to loss within insurance operations through participation in reinsurance arrangements. The majority of the business ceded is placed on a quota share basis or surplus line basis with retention limits varying by product line. Excess of loss catastrophic reinsurance is also arranged to limit the Group's exposure to certain catastrophic events.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders. During the year, the Group's premiums ceded to the top three reinsurance companies amounted to RMB20,533 million (2007: RMB10,096 million) and thus a credit exposure exists with respect to the business ceded, to the extent that any of these reinsurers is unable to meet its obligations assumed under such reinsurance agreements.

38. ISSUED CAPITAL

	2008 *RMB million*	2007 *RMB million*
Shares		
Registered, issued and fully paid:		
7,685,820,000 domestic shares of RMB1.00 each	7,686	7,686
3,455,980,000 H shares of RMB1.00 each	3,456	3,456
	11,142	11,142

39. CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to ensure that the Group meets all obligations arising from the insurance contracts and the applicable insurance laws and regulations in the PRC so as to support the growth of business and maximise the shareholders' value.

The Company manages its capital requirements by monitoring the solvency margin which is the difference between the regulatory capital held and the minimum regulatory capital required on a regular basis. The table below summarises the minimum regulatory capital and the regulatory capital held by the Company:

	31 December 2008			31 December 2007		
	Regulatory capital held *RMB million*	**Minimum regulatory capital** *RMB million*	**Solvency margin ratio**	Regulatory capital held *RMB million*	Minimum regulatory capital *RMB million*	Solvency margin ratio
Solvency margin	**16,762**	**11,546**	**145%**	21,243	11,235	189%

40. SHARE APPRECIATION RIGHTS

The shareholders of the Company approved the adoption of a scheme of share appreciation rights for senior management on 30 July 2003. The scheme is designed to link the interest of the Company's senior management with the Group's results of operations and the Company's share value (market price of its H Shares). The Board of Directors of the Company is responsible for making decisions under the scheme and administering the scheme. No shares will be issued under the scheme. Therefore, the shareholdings of shareholders will not be diluted as a result of the issuance of SAR.

Under the SAR scheme, the Board of Directors (excluding independent non-executive directors) and the Supervisory Committee (excluding independent supervisors), president, vice presidents, chief financial officer, division managers of the Company, presidents of the provincial/municipal level branch offices, employees with special contribution to the Company as determined by the Company's Nomination, Remuneration and Review Committee, and other senior management at equivalent levels are eligible to receive SAR.

40. SHARE APPRECIATION RIGHTS *(continued)*

SAR will be granted in units with each unit representing one H Share. SAR granted in aggregate may not exceed 10% of the issued share capital at any time, and SAR granted to any individual may not exceed 1% of the issued share capital in any 12-month period. The number of SAR units granted to a person may also be adjusted in accordance with the result of his or her performance evaluation.

Under the SAR scheme, all SAR are valid for five years, but are not exercisable in the first year after the date of grant. As at each of the second, third, fourth and fifth anniversary of the date of grant, the total number of units of SAR exercised may not in aggregate exceed 25%, 50%, 75% and 100%, respectively, of the total number of units of SAR granted to such person. Thereafter, SAR which have not been exercised will lapse. If a grantee deceases or becomes severely disabled during the five-year period, his or her share appreciation rights will be fully vested immediately.

The exercise price of the SAR initially granted was equal to the offer price of the initial public offering of the Company. The exercise price of the SAR subsequently granted is equal to the higher of (i) the closing price of the H shares on the date of grant; and (ii) the average closing price of the H shares on the five consecutive trading days before the date of grant. Upon exercise of the SAR, the person will receive cash payment, subject to any applicable withholding tax, equal to the sum of the number of units of SAR exercised and the difference between the exercise price and market price of H shares at the time of exercise.

In compliance with the relevant law and regulations issued by the Ministry of Finance (the “MOF”) and the CIRC, the Company decided to suspend the scheme during the year. No SAR (2007: 50,244,000 units at an average exercise price of HK$1.90 each) was exercised during the year.

As at 31 December 2007, the exercisable units of SAR were 68,759,000. These units were exercisable at a weighted average price of HK$1.92 each. The fair value and intrinsic value of the vested SAR were RMB480 million and RMB80 million, respectively.

The fair value of SAR as at 31 December 2007 was measured by using the Black-Scholes option pricing model taking into account the terms and conditions at the balance sheet date. The following table lists the inputs to the model used for the computation as at 31 December 2007:

	2007
Dividend yield (%)	–
Expected volatility (%)	63.21
Historical volatility (%)	63.21
Risk-free interest rate (%)	3.684
Expected life of SAR (years)	1-2
Share price at the balance sheet date (HK$)	11.160

41. RISK MANAGEMENT OBJECTIVES AND POLICIES

Similar to other insurance entities, the Group holds substantial financial assets including debt securities, equity securities and bank deposits as an integral part of its operations. The Group also issued subordinated debt instruments to enhance its solvency position. The Group has various other financial assets and liabilities such as insurance receivables, net, and reinsurance funds withheld, which arise directly from its operations. The main risks from the Group's financial instruments are credit risk, liquidity or funding risk and market risk. The details of these risks, together with insurance risk, and the Group's management policies are set out below:

(a) Financial risks

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group is subject to credit risk of debt securities. The Group heavily invests in debt securities issued by the government, banks and financial institutions. Details of these debt securities are set out in note 19 to the financial statements. The Group only invests in corporate debt securities with a PRC rating higher than AA.

The Group only issues insurance policies on credit to corporate customers or to individuals who purchase policies through insurance intermediaries. A policyholder usually has a maximum credit period of three months but a longer period can be granted on a discretionary basis. For large corporate customers and certain multi-year policies, payments by installments are usually arranged. One of the major performance indicators is the ability to collect premiums receivable on a timely basis. The Group's premiums receivable relate to a large number of diversified customers and therefore there is no significant concentration of credit risk.

Reinsurance of the Group is mainly placed with reinsurers with A.M. Best ratings of A– or above except for state-owned reinsurance companies. Management performs regular assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and ascertain suitable allowances for impairment of reinsurance assets. As at 31 December 2008, the top three reinsurance companies owed an aggregate amount of RMB10,945 million (2007: RMB6,104 million) to the Group.

41. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Financial risks *(continued)*

(1) Credit risk *(continued)*

The table below shows the maximum exposures to credit risk without taking into account collateral for the components of the consolidated balance sheet:

	2008 *RMB million*	2007 *RMB million*
Cash and cash equivalents	29,056	30,789
Derivative financial assets	6	–
Debt securities	41,291	28,465
Insurance receivables, net	20,736	13,898
Other financial assets	9,342	8,016
Total	100,431	81,168
Commitment	–	–
Total credit risk exposure	100,431	81,168

Where financial instruments are recorded at fair value, the amounts shown above represents the current risk exposure but not the maximum risk exposure that could arise in future as a result of changes in values.

Collateral was held by the Group in respect of certain securities repurchase transactions and the details are disclosed in note 17 to these financial statements.

41. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Financial risks *(continued)*

(1) Credit risk *(continued)*

An aged analysis of the financial assets past due but not impaired and impaired is shown as follows:

31 December 2008	On demand	Past due but not impaired				Past due and impaired	Total
		Less than 30 days	31 to 90 days	More than 90 days	Sub-total		
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Cash and cash equivalents	29,056	–	–	–	–	–	29,056
Derivative financial assets	6	–	–	–	–	–	6
Debt securities	41,291	–	–	–	–	–	41,291
Insurance receivables	12,818	960	2,192	2,283	5,435	3,982	22,235
Other financial assets	9,342	–	–	–	–	340	9,682
Total	92,513	960	2,192	2,283	5,435	4,322	102,270
Less: Impairment provision	–	–	–	–	–	(1,839)	(1,839)
Net	92,513	960	2,192	2,283	5,435	2,483	100,431

31 December 2007	On demand	Past due but not impaired				Past due and impaired	Total
		Less than 30 days	31 to 90 days	More than 90 days	Sub-total		
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Cash and cash equivalents	30,789	–	–	–	–	–	30,789
Debt securities	28,465	–	–	–	–	–	28,465
Insurance receivables	6,368	1,202	1,736	1,910	4,848	3,704	14,920
Other financial assets	8,016	–	–	–	–	366	8,382
Total	73,638	1,202	1,736	1,910	4,848	4,070	82,556
Less: Impairment provision	–	–	–	–	–	(1,388)	(1,388)
Net	73,638	1,202	1,736	1,910	4,848	2,682	81,168

41. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Financial risks *(continued)*

(2) Liquidity or funding risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or a counterparty failing to repay a contractual obligation; or an insurance liability falling due for payment earlier than expected; or the inability to generate cash inflows as anticipated.

The major liquidity risk the Group confronts is the daily calls on its available cash resources in respect of claims arising from insurance contracts and maturities of policyholders' deposits.

It is unusual for a Group primarily transacting insurance business to predict the requirements of funding with absolute certainty, as the theory of probability is applied on insurance contracts to ascertain the likely provision and the period when such liabilities will require settlement. The amounts and maturity periods of these insurance liabilities are thus based on management's best estimate based on statistical techniques and past experience.

As at the balance sheet date, the Group held 14% (2007: 17%) of the total assets as demand deposits and term deposits with original maturity of less than three months to ensure that sufficient liquid assets are available. Additions to illiquid assets, properties in particular, are closely monitored by management.

41. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Financial risks *(continued)*

(2) Liquidity or funding risk *(continued)*

A remaining contractual maturity analysis for certain financial assets and all financial liabilities is presented below:

31 December 2008	On demand *RMB million*	Within 3 months *RMB million*	3-12 months *RMB million*	1-5 years *RMB million*	More than 5 years *RMB million*	Total *RMB million*
Assets:						
Cash and cash equivalents	15,507	6,962	2,889	3,122	1,981	30,461
Derivative financial assets	–	–	(3)	8	1	6
Debt securities						
– Available-for-sale	–	1,376	8,683	19,145	14,833	44,037
– Fair value through profit and loss	–	160	992	907	665	2,724
Capital security fund	–	–	574	1,904	–	2,478
Liabilities:						
Payables to reinsurers	3,802	4,615	9,439	400	2	18,258
Policyholders' deposits	1,458	439	2,078	3,388	20	7,383
Subordinated debts	–	–	123	792	3,365	4,280

31 December 2007	On demand *RMB million*	Within 3 months *RMB million*	3-12 months *RMB million*	1-5 years *RMB million*	More than 5 years *RMB million*	Total *RMB million*
Assets:						
Cash and cash equivalents	16,768	9,263	689	2,079	4,117	32,916
Debt securities						
– Available-for-sale	–	1,337	2,378	17,140	7,619	28,474
– Fair value through profit and loss	–	622	854	1,309	1,973	4,758
Capital security fund	–	1,027	65	1,384	–	2,476
Liabilities:						
Derivative financial liabilities	–	–	–	35	5	40
Payables to reinsurers	4,697	2,973	2,079	64	–	9,813
Policyholders' deposits	982	664	1,081	5,189	37	7,953
Subordinated debts	–	–	123	732	3,547	4,402

The Group has no significant concentration of liquidity or funding risk.

41. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Financial risks *(continued)*

(2) Liquidity or funding risk *(continued)*

The table below summarises the expected recovery of all assets:

	2008			2007		
	Current* *RMB million*	Non-current *RMB million*	Total *RMB million*	Current* *RMB million*	Non-current *RMB million*	Total *RMB million*
Cash and cash equivalents	25,090	3,966	29,056	26,355	4,434	30,789
Derivative financial assets	–	6	6	–	–	–
Debt securities	10,675	30,616	41,291	7,228	21,237	28,465
Equity securities	2,415	4,023	6,438	5,886	11,092	16,978
Insurance receivables, net	20,068	668	20,736	12,755	1,143	13,898
Reinsurance assets	18,799	1,983	20,782	8,727	2,409	11,136
Deferred acquisition costs	7,398	762	8,160	6,582	908	7,490
Other financial assets and prepayments	5,039	4,313	9,352	3,492	4,873	8,365
Investments in associates	–	521	521	–	1,025	1,025
Property, plant and equipment	–	12,136	12,136	–	11,721	11,721
Investment properties	–	605	605	–	532	532
Prepaid land premiums	–	3,769	3,769	–	3,866	3,866
Total	89,484	63,368	152,852	71,025	63,240	134,265

* Expected recovery or settlement within 12 months from the balance sheet date

41. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Financial risks *(continued)*

(3) Market risk

Market risk is the risk of changes in fair value of financial instruments from fluctuations in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether any such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Group mitigates its market risk through proper diversification of its investment portfolio. An investment mandate was also approved by an investment committee to direct investment decisions.

(i) Currency risk

The Group's principal transactions are carried out in Renminbi. Certain insurance policies issued by the Group, however, in particular in respect of cargo, commercial properties and aviation insurance, were denominated in United States dollars ("USD"). Therefore, premiums received, reinsurance premiums ceded, claims paid and paid losses recovered from reinsurers in respect of these policies are transacted in United States dollars.

Moreover, the Group holds deposits of RMB7,347 million (2007: RMB10,931 million) and debt securities of RMB781 million (2007: RMB707 million) of which their carrying values were mainly exposed to fluctuations of foreign exchange rates.

The analysis below is performed for reasonably possible movements in exchange rates for USD with all other variables held constant, showing the pre-tax impact on profit (due to changes in fair value of currency sensitive monetary assets and liabilities) and equity. The correlation of variables will have a significant effect in determining the ultimate impact on currency risk, but to demonstrate the impact due to changes in exchange rates, the correlations of these variables are ignored.

		2008		2007	
	Appreciation/ (depreciation) against RMB	Impact on profit *RMB million*	Impact on equity *RMB million*	Impact on profit *RMB million*	Impact on equity *RMB million*
USD	+5%	390	390	539	539
USD	–5%	(390)	(390)	(539)	(539)

41. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Financial risks *(continued)*

(3) Market risk *(continued)*

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates.

The Group mainly invests in financial assets of which the maturity periods vary from one to seven years in view of the short duration of insurance liabilities. The Group intends to maintain the duration of its investment portfolio below the market level of financial assets with similar characteristics. A high proportion of interest-sensitive financial assets are also held by the Group to reduce its interest rate risk.

(iii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure relates to mutual fund and equity securities whose values will fluctuate as a result of changes in market prices.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments.

The Group uses the Value-at-Risk ("VaR") methodology to measure the expected maximum loss in respect of interest rate risk and equity price risk over a holding period of one trading day at a confidence level of 95% based on historical data in the past one year.

41. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Financial risks *(continued)*

(3) Market risk *(continued)*

(iii) Price risk (continued)

The VaR methodology quantifies the potential loss under the assumption of normal market conditions only, and therefore when extreme market events occur, the potential loss could be underestimated. VaR also uses historical data to forecast future price behaviour, which could differ substantially from past behaviour. Moreover, the use of a one-day holding period assumes that all positions in the portfolio can be liquidated or hedged in one day. This assumption may not hold true in reality, especially when the market is illiquid.

	2008 *RMB million*	2007 *RMB million*
Interest rate VaR	172	112
Equity price VaR	196	507

(b) Insurance risk

The risk under an insurance contract arises from the possibility of occurrence of an insured event and the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that the actual claims payments and the costs of claims settlement exceed the carrying amount of insurance liabilities. This could occur due to any of the following:

Occurrence risk – the possibility that the number of insured events will differ from those expected.

Severity risk – the possibility that the costs of the events will differ from those expected.

Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The Group has the objective to control and minimise insurance risk, so to reduce the volatility of the operating profits. The Group manages insurance risk through the following mechanism:

– The launch of any new product has to be approved by appropriate authorities;

– Underwriting and claim-handling authorities at different levels are properly established;

– Treaty reinsurance and most facultative reinsurance arrangements are centrally managed at the head office level; and

– Catastrophic reinsurance is used to limit the Group's exposure to flooding, earthquakes and typhoons.

41. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Insurance risk *(continued)*

Claims of certain provinces in the PRC are often affected by natural disasters including flooding, earthquakes and typhoons. Therefore, an undue concentration of risk units in these areas may have an impact on the severity of claim payments on a portfolio basis. The Group has achieved geographical diversification by accepting risks in different provinces of the PRC.

The Group's concentration of insurance risk before and after reinsurance, measured by geographical turnover and net premiums written, is as follows:

	2008		2007	
	Gross	Net	Gross	Net
	RMB million	*RMB million*	*RMB million*	*RMB million*
Coastal and developed provinces/cities	46,395	33,919	40,856	33,703
Western China	20,773	16,423	17,746	15,249
North China	15,385	12,091	13,250	11,620
Central China	11,462	9,029	9,675	8,356
North-eastern China	7,863	5,911	7,141	5,961
Total	101,878	77,373	88,668	74,889

42. CONTINGENT LIABILITIES

Owing to the nature of the insurance business, the Group is involved in legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the Group's insurance policies and some losses arising therefrom will be indemnified by reinsurers or other recoveries including salvage and subrogation. While the outcome of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

43. OPERATING LEASE COMMITMENTS

The Group leases certain of its land and buildings and motor vehicles under operating lease arrangements. Leases for land and buildings are negotiated for terms ranging from one to twenty years, and those for motor vehicles are negotiated for one year (2007: one year).

At 31 December 2008, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group and Company	
	2008	2007
	RMB million	*RMB million*
Within one year	**192**	234
In the second to fifth years, inclusive	**283**	130
After five years	**69**	57
	544	421

44. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 43 above, the Group and the Company had the following commitments at the balance sheet date:

	Group and Company	
	2008	2007
	RMB million	*RMB million*
Contracted, but not provided for:		
Property, plant and equipment	**249**	243
Acquisition of an investment	**1,500**	1,500
Authorised, but not contracted for:		
Property, plant and equipment	**–**	8
	1,749	1,751

45. RELATED PARTY TRANSACTIONS

(a) Material transactions with related parties

	Notes	**2008** *RMB million*	2007 *RMB million*
Transactions with the PICC Group:			
Property rental expenses	(i)	**108**	209
Property rental income	(i)	**6**	11
Motor vehicle rental expenses	(i)	**12**	22
Motor vehicle rental income	(i)	**2**	4
Service fee income	(ii)	**2**	4
Transactions with a fellow subsidiary:			
Property rental expenses	(iii)	**76**	–
Property rental income	(iii)	**1**	–
Motor vehicle rental expenses	(iii)	**–**	–
Transactions with associates:			
Management fee	(iv)	**73**	57
Acquisition of an associate	(v)	**–**	812
Commission received	(vi)	**2**	–
Commission paid	(vi)	**9**	–

Notes:

(i) The Company entered into a Property Leasing Agreement and a Motor Vehicle Rental Agreement with the PICC Group on 9 October 2003 under which the Company rented certain properties and motor vehicles from the PICC Group and the PICC Group rented certain properties and motor vehicles from the Company. The rental income and charges in respect of these properties and motor vehicles are based on market rates. The terms of both agreements were for four years effective from 7 July 2003. The agreements were extended for one year on 7 July 2007 and expired on 6 July 2008.

(ii) The Company entered into an Information System Services Agreement with the PICC Group on 9 October 2003 pursuant to which the Company agreed to provide the PICC Group with certain information services, including (i) facilities leasing services and network services; (ii) software and application services; (iii) other computer-related facility maintenance services; and (iv) other information system services agreed by both parties. The services fee payable to the Company by the PICC Group are no less than market rates, and are determined with reference to the costs associated with the labour and equipment required to provide the services and support pursuant to the Information System Services Agreement between the Company and the PICC Group. The term of the Information System Services Agreement is four years. On 8 October 2007, the agreement was extended to 6 July 2008.

(iii) On 19 September 2008, the Company entered into a Property Leasing Agreement and a Motor Vehicle Rental Agreement with PICC Investment Holding Company Limited ("PICC Investment"), a fellow subsidiary of the Company. Under these agreements, the Company rented certain properties and motor vehicles from PICC Investment and PICC Investment rented certain properties from the Company. The rental income and charges in respect of these properties and motor vehicles are based on market rates. The terms of both agreements are three years effective from 7 July 2008. During the year, motor vehicle rental expenses were less than one million and, therefore, the amount was not presented above.

45. RELATED PARTY TRANSACTIONS *(continued)*

(a) Material transactions with related parties *(continued)*

Notes: (continued)

(iv) On 28 December 2007, the Company and PICC AMC entered into an asset management agreement. Pursuant to the asset management agreement, PICC AMC provides investment management services in respect of certain financial assets of the Company. The Company pays an annual management fee to PICC AMC, which is calculated based on the average daily net asset value of the assets under the management of PICC AMC in that particular year and the applicable annual rate. Other than annual management fees, performance bonuses will also be paid to PICC AMC when the investment performance satisfies certain conditions. The new agreement commenced from 10 October 2007 and expires on 31 December 2009.

(v) On 22 June 2007, the Company entered into an agreement to contribute RMB812 million to the enlarged registered capital of PICC Life, an associate. The Company holds a 28% interest in PICC Life.

(vi) The Company entered into a mutual insurance agency agreement with PICC Life on 19 October 2006, pursuant to which the Company and PICC Life mutually act as the agency for selling the insurance products and receiving agency premiums on behalf of each other. The Company will pay an agency fee to PICC Life in consideration of the agency services provided by PICC Life on the Company's insurance products. The Company will receive an agency fee from PICC Life in consideration of the agency services provided by the Company on PICC Life's insurance products. The agency fees are calculated by the actual agency premiums received multiplied by the agreed commission rates. The term of the mutual insurance agency agreement is three years commencing from 1 September 2006. During 2007, commission income received and paid to PICC Life was less than one million and, therefore, the amount was not presented above.

The transactions mentioned above constitute connected transactions under the HKSE Listing Rules.

Subsequent to the balance sheet date, the Group entered into a number of transactions with related parties and the details are set out in note 46 to the financial statements.

(b) Transactions with other state-owned enterprises in the PRC

The Company operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively the "State-owned Enterprises"). During the year, the Company had transactions with the State-owned Enterprises including but not limited to the sale of insurance policies. The directors consider that transactions with other State-owned Enterprises are activities in the ordinary course of the Company's business, and that the dealings of the Company have not been significantly or unduly affected by the fact that the Company and the other State-owned Enterprises are ultimately controlled or owned by the PRC government. The Company has also established pricing policies for insurance products, and such pricing policies do not depend on whether or not the customers are State-owned Enterprises. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

45. RELATED PARTY TRANSACTIONS *(continued)*

(c) Outstanding balances with related parties

	Due from related parties		Due to related parties	
	2008	2007	**2008**	2007
	RMB million	*RMB million*	***RMB million***	*RMB million*
The PICC Group	**305**	36	**–**	–
A fellow subsidiary	**4**	–	**5**	–
Associates	**5**	–	**19**	20
	314	36	**24**	20

The balance with the PICC Group, a fellow subsidiary and associates are settled according to respective arrangements between the Company and the related parties. The balance of RMB305 million due from the PICC Group was subsequently settled.

(d) Compensation of key management personnel (including the Chairman of the Board and executive directors)

	2008	2007
	RMB'000	*RMB'000*
Short term employee benefits	**3,097**	5,447
Post-employment benefits	**878**	371
Total compensation paid to key management personnel	**3,975**	5,818

Further details of directors' emoluments are included in note 12 to the financial statements.

46. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 12 March 2009, the Board of Directors of the Company approved an issue by the Company of a 10-year subordinated term debt with an aggregate principal amount of not exceeding RMB8,000 million. The proceeds of the subordinated term debt will be used for raising the solvency margin of the Company.

The issue of the above debt is subject to (i) the approval by shareholders at the Company's shareholders' meeting; and (ii) the approval by the CIRC and other relevant governing authorities.

(b) On 13 March 2009, the Company entered into an equity transfer agreement with the PICC Group, pursuant to which the Company agreed to transfer its 20% equity interests in PICC AMC to the PICC Group for a consideration of RMB171 million. Subsequent to the completion of the equity transfer, the Company will no longer hold any equity interest in PICC AMC.

(c) PICC Life, an associate of the Company, intends to increase its share capital in 2009. The proceeds raised from the share capital increase will be used for its business development and satisfying regulatory requirements. The Company currently holds 28% of the registered capital of PICC Life and has decided not to participate in the aforesaid capital increase. Upon completion of the aforesaid capital increase, the Company's equity interests in PICC Life will be diluted to approximately 14%.

47. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 15 April 2009.

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
PICC Plaza, No.50, Dalai Street, Haishu District Ningbo, PRC	Office building	Medium term lease	100%
PICC Plaza, No.17, North Chaoyang Gate Avenue, Beijing, PRC	Office building	Medium term lease	100%
PICC Plaza, No.66, Hongkong Middle Street, Shinan District Qingdao, Shandong Province, PRC	Office building	Medium term lease	100%
PICC Plaza, No.57, Dongyu Street, Jinjiang District Chengdu, Sichuan Province, PRC	Office building	Medium term lease	100%
PICC Plaza, No.6, Shiyi Jing Street, Hedong District Tianjin, PRC	Office building	Medium term lease	100%

PROPERTIES UNDER DEVELOPMENT

Location	Use	Site area *(sq.m.)*	Gross floor area *(sq.m.)*	Percentage of completion	Expected completion date	Attributable interest of the Group
Yin Tai Commercial Building, East Office No.4, Jianguomenwai Street Chaoyang District, Beijing, PRC	Commercial	6,836	76,362	97%	October 2009	100%

In the opinion of the directors, disclosure of all investment properties and properties under development would result in particulars of excessive length. Therefore, only material properties are listed in the schedule.

NOTICE IS HEREBY GIVEN that an annual general meeting of PICC Property and Casualty Company Limited (the "Company") will be held at Wanchunyuan Villa, No. 28 Qinghua Road (W), Haidian District, Beijing, the People's Republic of China on 26 June 2009 (Friday) at 9:30 a.m. for the purposes of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. To approve the Report of the Board of Directors of the Company for 2008.

2. To approve the Report of the Supervisory Committee of the Company for 2008.

3. To approve the audited financial statements and the Report of the Auditors of the Company for the year ended 31 December 2008.

4. To approve the profit distribution plan of the Company for the year ended 31 December 2008.

5. To approve directors' fees for 2009.

6. To approve supervisors' fees for 2009.

7. To re-appoint Ernst & Young as the international auditors of the Company and Ernst & Young Hua Ming as the domestic auditors of the Company to hold office until the conclusion of the next annual general meeting, and to authorise the Board of Directors to fix their remuneration.

SPECIAL RESOLUTION

8. To grant a general mandate to the Board of Directors to separately or concurrently issue, allot or deal with additional domestic shares and H shares in the Company not exceeding 20% of each of the aggregate nominal amount of the domestic shares and H shares of the Company in issue within 12 months from the date on which shareholders' approval is obtained, and to authorise the Board of Directors to increase the registered capital of the Company and make corresponding amendments to the Articles of Association of the Company as it thinks fit so as to reflect the new capital structure upon the issue or allotment of shares.

By Order of the Board
Liu Zhenghuan
Secretary of the Board

Beijing, the PRC, 30 April 2009

Notes:

1. The register of members of the Company will be closed from 27 May 2009 (Wednesday) to 26 June 2009 (Friday), both days inclusive, during which period no transfer of shares will be effected. Holders of H shares and domestic shares whose names appear on the register of members of the Company on 26 June 2009 (Friday) shall be entitled to attend this meeting. In order for holders of H shares to qualify for attending this meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 26 May 2009 (Tuesday) for registration.

   As set out in the Company's Notice of Special General Meeting dated 23 March 2009, the Company's register of members is closed until 8 May 2009. The Company's register of members will be re-open for registration from 11 May 2009.

2. A shareholder entitled to attend and vote at this meeting may appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.

3. The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorised in writing. If the shareholder is a corporation, that instrument must be either under its common seal or under the hand of its director(s) or duly authorised attorney(s). If that instrument is signed by an attorney of the shareholder, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.

4. In order to be valid, the proxy form together with the notarised power of attorney or other authorisation document (if any) must be deposited at the Secretariat of the Board of Directors of the Company for holders of domestic shares and at the Company's place of business in Hong Kong for holders of H shares not less than 24 hours before the time fixed for holding this meeting or any adjournment thereof (as the case may be). Completion and return of a proxy form will not preclude a shareholder from attending and voting in person at this meeting or any adjournment thereof if he so wishes.

5. Holders of domestic shares and holders of H shares who intend to attend this meeting in person or by proxy should deliver the reply slip to the Secretariat of the Board of Directors of the Company and to the Company's place of business in Hong Kong respectively on or before 5 June 2009 (Friday) by hand, by post or by fax.

6. Shareholders or their proxies attending this meeting (and any adjournment thereof) shall produce their identity documents.

7. Regarding the proposed resolution no. 4, according to the requirements of the financial regulations of the PRC, 10% of the net profit (based on the PRC Accounting Standards for Business Enterprises) were transferred to the Company's statutory surplus reserve and 10% of the net profit were transferred to the Company's general risk reserve. The transferred amounts are set out in the "Consolidated Statement of Changes in Equity" section of the 2008 Annual Report. The Board of Directors did not recommend any final dividend for 2008.

8. Regarding the proposed resolution no. 5, it is proposed that for 2009, the director's fee for each non-executive director (not citizen of the PRC) to be RMB100,000 (after tax) or an equivalent amount in Hong Kong dollars and the director's fee for each independent non-executive director to be HK$200,000 (after tax) or an equivalent amount in RMB. The other directors will not receive directors' fee for 2009.

9. Regarding the proposed resolution no. 6, it is proposed that for 2009, the supervisor's fee for each independent supervisor to be HK$200,000 (after tax) or an equivalent amount in RMB. The other supervisors will not receive supervisors' fee for 2009.

10. Regarding the proposed resolution no. 8, the purpose of seeking approval of the mandate is to give the Board of Directors flexibility and discretion to issue new shares in the event that it becomes desirable for the Company, and the Company has no immediate plans to issue new shares pursuant to the mandate.

Corporate Information

REGISTERED NAME

Chinese name:	中國人民財產保險股份有限公司
Abbreviation of Chinese name:	人保財險
English name:	PICC Property and Casualty Company Limited
Abbreviation of English name:	PICC P&C

PLACE OF LISTING OF H SHARES

The Stock Exchange of Hong Kong Limited

TYPE OF STOCK

H Share

STOCK NAME

PICC P&C

STOCK CODE

2328

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

REGISTERED OFFICE

No. 69 Dong He Yan Street, Xuanwu District,
Beijing 100052, the PRC

WEBSITE

www.piccnet.com.cn

LEGAL REPRESENTATIVE

Wu Yan

SECRETARY OF THE BOARD OF DIRECTORS

Liu Zhenghuan

COMPANY SECRETARY

Man Kam Ching

INFORMATION INQUIRY DEPARTMENT

Secretariat of the Board of Directors
Tel: (8610) 83157607
Fax: (8610) 83157607
E-mail: IR@picc.com.cn

AUDITORS

International Auditors
Ernst & Young

Domestic Auditors
Ernst & Young Hua Ming

CONSULTING ACTUARIES

Milliman Asia Limited

LEGAL ADVISORS

as to Hong Kong Laws
Linklaters

as to PRC Laws
King and Wood

中国人民财产保险股份有限公司

PICC PROPERTY AND CASUALTY COMPANY LIMITED

Annual Report 2008

Stock Code: 2328