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

Interim Report 2010

Stock Code: 2328

Corporate Information

Registered name:	Chinese name: 中國人民財產保險股份有限公司 English name: PICC Property and Casualty Company Limited
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.
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
Legal representative:	Wu Yan
Secretary of the Board of Directors:	Zhang Xiaoli
Company Secretary:	Man Kam Ching
Information inquiry department:	Secretariat of the Board of Directors Tel: (8610) 85176084 Fax: (8610) 85176084 E-mail: IR@picc.com.cn
Website:	www.piccnet.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

Contents

Condensed Consolidated Income Statement

For the six months ended 30 June 2010

	Notes	**Unaudited Six months ended 30 June 2010** *RMB million*	Unaudited Six months ended 30 June 2009 *RMB million* (Restated)
TURNOVER	4	**81,628**	67,050
Net premiums earned	4	**57,679**	43,447
Net claims incurred	5	**(38,110)**	(29,465)
Acquisition cost and other underwriting expenses		**(12,035)**	(9,941)
General and administrative expenses		**(5,634)**	(5,575)
UNDERWRITING PROFIT/(LOSS)		**1,900**	(1,534)
Net investment income	6	**1,796**	1,368
Net realised and unrealised gains on investments	7	**28**	454
Investment expenses		**(73)**	(60)
Interest expenses credited to policyholders' deposits		**(18)**	(63)
Exchange losses, net		**(112)**	(2)
Sundry income		**112**	40
Sundry expenses		**(48)**	(137)
Finance costs	8	**(205)**	(88)
Share of profits and losses of associates		**20**	13
PROFIT/(LOSS) BEFORE TAX	9	**3,400**	(9)
Income tax expense	10	**(755)**	89
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		**2,645**	80
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (in RMB)	12	**0.237**	0.007

	Note	Unaudited Six months ended 30 June 2010 *RMB million*	Unaudited Six months ended 30 June 2009 *RMB million* (Restated)
PROFIT FOR THE PERIOD		2,645	80
OTHER COMPREHENSIVE INCOME			
Net gains/(losses) on cash flow hedges	13	(3)	13
Income tax effect		1	(3)
		(2)	10
Net gains/(losses) on available for sale financial assets	13	(2,396)	1,083
Income tax effect		599	(271)
		(1,797)	812
Share of other comprehensive income/(loss) of associates		(298)	62
Other comprehensive income/(loss) for the period, net of tax		(2,097)	884
Total comprehensive income for the period attributable to owners of the parent		548	964

Condensed Consolidated Statement of Financial Position

30 June 2010

	Notes	Unaudited 30 June 2010 RMB million	Audited 31 December 2009 RMB million
ASSETS			
Cash and cash equivalents	14	40,838	32,143
Derivative financial assets		13	16
Debt securities	15	72,467	58,458
Equity securities	16	14,173	14,683
Insurance receivables, net	17	13,621	17,170
Tax recoverable		15	89
Reinsurance assets	18	13,353	14,426
Other financial assets and prepayments	19	14,146	10,947
Investment in an associate	20	405	644
Property, plant and equipment	21	11,476	12,282
Investment properties		1,304	706
Prepaid land premiums		3,695	3,750
Deferred tax assets		785	69
TOTAL ASSETS		186,291	165,383
LIABILITIES			
Payables to reinsurers	22	10,523	16,595
Accrued insurance protection fund		482	418
Other liabilities and accruals		19,301	20,625
Insurance contract liabilities	18	116,985	92,695
Policyholders' deposits	23	2,689	5,287
Subordinated debts	24	14,000	8,000
TOTAL LIABILITIES		163,980	143,620
EQUITY			
Equity attributable to owners of the parent			
Issued capital	25	11,142	11,142
Reserves		11,169	10,621
TOTAL EQUITY		22,311	21,763
TOTAL EQUITY AND LIABILITIES		186,291	165,383

	Attributable to owners of the parent							
	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*
Unaudited								
At 1 January 2010	11,142	4,739	87	12	853	488	4,442	21,763
Profit for the period	–	–	–	–	–	–	2,645	2,645
Other comprehensive loss for the period	–	–	(2,095)	(2)	–	–	–	(2,097)
Total comprehensive income/(loss) for the period	–	–	(2,095)	(2)	–	–	2,645	548
At 30 June 2010	11,142	4,739*	(2,008)*	10*	853*	488*	7,087*	22,311

* These reserve accounts comprise the consolidated reserves of RMB11,169 million (31 December 2009: RMB10,621 million) in the consolidated statement of financial position.

	Attributable to owners of the parent (Restated)							
	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*
Unaudited								
At 1 January 2009								
As previously reported	11,142	4,739	(183)	5	540	327	5,239	21,809
Changes in accounting policies	–	–	41	–	135	(17)	(2,224)	(2,065)
As restated	11,142	4,739	(142)	5	675	310	3,015	19,744
Profit for the period	–	–	–	–	–	–	80	80
Other comprehensive income for the period	–	–	874	10	–	–	–	884
Total comprehensive income for the period	–	–	874	10	–	–	80	964
At 30 June 2009	11,142	4,739	732	15	675	310	3,095	20,708

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Unaudited Six months ended 30 June 2010 ***RMB million***	Unaudited Six months ended 30 June 2009 *RMB million*
Net cash inflow from operating activities	**19,406**	12,231
Net cash outflow from investing activities	**(19,297)**	(2,751)
Net cash inflow from financing activities	**5,120**	2,698
NET INCREASE IN CASH AND CASH EQUIVALENTS	**5,229**	12,178
Cash and cash equivalents at beginning of the period	**23,087**	21,685
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**28,316**	33,863

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements of the Company and its subsidiaries (the "Group") are unaudited, but have been reviewed by Ernst & Young in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young's independent review report to the Board of Directors is set out on page 26.

The interim condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except for the adoption of new and revised standards and interpretations as of 1 January 2010 noted below:

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*

Apart from the above, *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. Except for the amendment to HKAS 18 which is effective for annual periods beginning on or after 1 January 2009, the Group has adopted all the amendments from 1 January 2010. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group.

HKFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substance of accounting by first-time adopters. As the Group is not a first-time adopter of HKFRSs, the amendments are not applicable to the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The HKFRS 1 Amendments provide relief from the full retrospective application of HKFRSs for the measurement of oil and gas assets and leases. As a result of extending the options for determining deemed cost to oil and gas assets, the existing exemption relating to decommissioning liabilities has also been revised. As the Group is not a first-time adopter of HKFRSs, the amendments are not applicable to the Group.

The HKFRS 2 Amendments provide guidance on how to account for cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods and services when the entity has no obligation to settle the share-based payment transactions. The amendments also incorporate guidance that was previously included in HK(IFRIC)-Int 8 *Scope of HKFRS 2* and HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions*. The adoption of the amendments has had no impact on the financial position or results of operations of the Group.

HKFRS 3 (Revised) 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. As the Group currently has no such transactions, the revised standard has had no impact on the financial position or results of operations of the Group.

HKAS 27 (Revised) 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*. As the Group currently has no such transactions, the revised standard has had no impact on the financial position or results of operations of the Group.

The HKAS 39 Amendment addresses the designation of a one-sided risk in a 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 a hedged item. As the Group has not entered into any such hedges, the amendment has had no impact on the financial position or results of operations of the Group.

HK(IFRIC)-Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. 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 results in changes in certain accounting policies, the interpretation has had no significant financial impact on the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The amendments to HKFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest. The changes must be applied prospectively and will affect future sale transactions or plans involving loss of control of a subsidiary. As the Group currently has no such transactions, the amendments have had no impact on the financial position or results of operations of the Group.

HK Interpretation 4 was revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as financial leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40. The adoption of the revised interpretation has had no impact on the financial position or results of operations of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is recognised into business units based on their products and services and has six reportable operating segments as follows:

(a) the motor vehicle segment provides insurance products covering motor vehicles;

(b) the commercial property segment provides insurance products covering commercial properties;

(c) the cargo segment provides insurance products covering vessels, crafts or conveyances;

(d) the liability segment provides insurance products covering policyholders' liabilities;

(e) the accidental injury and health segment provides insurance products covering accidental injuries and medical expenses; and

(f) the "other" segment mainly represents insurance products related to marine hull, homeowners, agriculture, aviation and energy.

3. OPERATING SEGMENT INFORMATION *(continued)*

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

Six months ended 30 June 2010 (Unaudited) 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	58,846	6,937	1,992	3,080	2,129	8,644	–	81,628
Net premiums earned	46,358	3,295	1,343	1,972	1,226	3,485	–	57,679
Net claims incurred	(31,226)	(1,722)	(678)	(1,270)	(825)	(2,389)	–	(38,110)
Acquisition cost and other underwriting expenses	(10,315)	(762)	(198)	(399)	(188)	(173)	–	(12,035)
General and administrative expenses	(3,740)	(339)	(324)	(271)	(212)	(748)	–	(5,634)
Underwriting profit	1,077	472	143	32	1	175	–	1,900
Net investment income	–	–	–	–	–	20	1,776	1,796
Net realised and unrealised gains on investments	–	–	–	–	–	5	23	28
Investment expenses	–	–	–	–	–	(1)	(72)	(73)
Interest expenses credited to policyholders' deposits	–	–	–	–	–	(18)	–	(18)
Exchange losses, net	–	–	–	–	–	–	(112)	(112)
Finance costs	–	–	–	–	–	–	(205)	(205)
Sundry income and expenses	–	–	–	–	–	–	64	64
Share of profit and loss of an associate	–	–	–	–	–	–	20	20
Profit before tax	1,077	472	143	32	1	181	1,494	3,400
Income tax expense	–	–	–	–	–	–	(755)	(755)
Profit attributable to owners of the parent	1,077	472	143	32	1	181	739	2,645

3. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2009 (Unaudited) Income statement	Motor Vehicle *RMB million* (Restated)	Commercial Property *RMB million* (Restated)	Cargo *RMB million* (Restated)	Liability *RMB million* (Restated)	Accidental Injury and Health *RMB million* (Restated)	Other *RMB million* (Restated)	Corporate *RMB million* (Restated)	Total *RMB million* (Restated)
Turnover	46,328	6,496	1,660	2,693	2,241	7,632	–	67,050
Net premiums earned	32,718	3,141	1,064	1,564	1,331	3,629	–	43,447
Net claims incurred	(23,141)	(1,300)	(528)	(1,001)	(971)	(2,524)	–	(29,465)
Acquisition cost and other underwriting expenses	(8,026)	(1,288)	(41)	(285)	(159)	(142)	–	(9,941)
General and administrative expenses	(3,639)	(572)	(147)	(316)	(306)	(595)	–	(5,575)
Underwriting profit/(loss)	(2,088)	(19)	348	(38)	(105)	368	–	(1,534)
Net investment income	–	–	–	–	–	63	1,305	1,368
Net realised and unrealised gains on investments	–	–	–	–	–	12	442	454
Investment expenses	–	–	–	–	–	(3)	(57)	(60)
Interest expenses credited to policyholders' deposits	–	–	–	–	–	(63)	–	(63)
Exchange losses, net	–	–	–	–	–	–	(2)	(2)
Finance costs	–	–	–	–	–	–	(88)	(88)
Sundry income and expenses	–	–	–	–	–	–	(97)	(97)
Share of profits and losses of associates	–	–	–	–	–	–	13	13
Profit/(loss) before tax	(2,088)	(19)	348	(38)	(105)	377	1,516	(9)
Income tax expense	–	–	–	–	–	–	89	89
Profit/(loss) attributable to owners of the parent	(2,088)	(19)	348	(38)	(105)	377	1,605	80

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of underwriting profit/(loss).

4. TURNOVER AND NET PREMIUMS EARNED

Turnover represents direct premiums written and reinsurance premiums assumed.

	Unaudited Six months ended 30 June 2010 *RMB million*	Unaudited Six months ended 30 June 2009 *RMB million* (Restated)
Turnover		
Direct premiums written	81,406	66,876
Reinsurance premiums assumed	222	174
	81,628	67,050
Net premiums earned		
Turnover	81,628	67,050
Less: Reinsurance premiums ceded	(6,630)	(8,972)
Net premiums written	74,998	58,078
Less: Change in net unearned premium reserves	(17,319)	(14,631)
Net premiums earned	57,679	43,447

5. NET CLAIMS INCURRED

	Unaudited Six months ended 30 June 2010 *RMB million*	Unaudited Six months ended 30 June 2009 *RMB million* (Restated)
Gross claims paid	33,794	33,979
Less: Paid losses recoverable from reinsurers	(3,728)	(6,427)
Net claims paid	30,066	27,552
Change in net loss and loss adjustment expense reserves	8,044	1,913
Net claims incurred	38,110	29,465

6. NET INVESTMENT INCOME

	Unaudited Six months ended 30 June 2010 *RMB million*	Unaudited Six months ended 30 June 2009 *RMB million*
Rental income from investment properties	42	38
Financial assets at fair value through profit or loss		
– Held for trading:		
Interest income	32	41
Dividend income	60	65
Financial assets at fair value through profit or loss		
– Designated upon initial recognition:		
Interest income	8	1
Available for sale financial assets:		
Interest income	987	700
Dividend income	231	39
Held to maturity investments:		
Interest income	35	–
Loans and receivables:		
Interest income	401	484
	1,796	1,368

7. NET REALISED AND UNREALISED GAINS ON INVESTMENTS

	Unaudited Six months ended 30 June 2010 *RMB million*	Unaudited Six months ended 30 June 2009 *RMB million*
Available for sale financial assets:		
Realised gains	261	234
Financial assets at fair value through profit or loss		
– Held for trading:		
Realised gains/(losses)	11	(8)
Unrealised gains/(losses)	(285)	252
Profit/(loss) on disposal of associates	41	(24)
	28	454

8. FINANCE COSTS

	Unaudited Six months ended 30 June 2010 *RMB million*	Unaudited Six months ended 30 June 2009 *RMB million*
Interest on subordinated debts	169	61
Interest on securities sold under agreements to repurchase	19	14
Other finance costs	17	13
	205	88

9. PROFIT/(LOSS) BEFORE TAX

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

	Unaudited Six months ended 30 June 2010 *RMB million*	Unaudited Six months ended 30 June 2009 *RMB million*
Depreciation of property, plant and equipment	463	444
Depreciation of investment properties	14	12
Amortisation of prepaid land premiums	54	48
Impairment loss on insurance receivables	273	701

10. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June 2010 *RMB million*	Unaudited Six months ended 30 June 2009 *RMB million* (Restated)
Current		
– Charge for the period	860	93
– Under/(over)provision in prior years	11	(343)
Deferred	(116)	161
Total tax charge/(credit) for the period	755	(89)

The provision for the PRC income tax is calculated based on the statutory rate of 25% (2009: 25%) in accordance with the relevant PRC income tax rules and regulations.

11. DECLARED INTERIM DIVIDEND

During the period, the Board of Directors does not propose any interim dividend (six months ended 30 June 2009: Nil).

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

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent of RMB2,645 million for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB80 million (Restated)) and the 11,142 million (six months ended 30 June 2009: 11,142 million) ordinary shares in issue during the period.

Diluted earnings per share amounts for the six months ended 30 June 2010 and 2009 have not been disclosed as no diluting events existed during these periods.

13. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June 2010 *RMB million*	Unaudited Six months ended 30 June 2009 *RMB million*
Cash flow hedges:		
Net gains/(losses) arising during the period	**(3)**	13
Available for sale financial assets:		
Net gains/(losses) arising during the period	**(2,135)**	1,317
Less: Recycled to the income statement upon disposals	**(261)**	(234)
	(2,396)	1,083

14. CASH AND CASH EQUIVALENTS

	Unaudited 30 June 2010 *RMB million*	Audited 31 December 2009 *RMB million*
Cash on hand, at amortised cost	2	4
Demand deposits, at amortised cost	26,134	17,393
Securities purchased under resale agreements with original maturity of less than three months, at amortised cost	500	–
Deposits with banks and other financial institutions with original maturity of less than three months, at amortised cost	1,680	5,690
Deposits with banks and other financial institutions with original maturity of more than three months, at amortised cost	10,458	6,907
Structured deposits with banks and other financial institutions, at amortised cost	2,064	2,149
	40,838	32,143
Classification of cash and cash equivalents:		
Loans and receivables	40,838	32,143

15. DEBT SECURITIES

	Unaudited 30 June 2010 *RMB million*	Audited 31 December 2009 *RMB million*
Listed debt securities, at fair value:		
Debt securities issued by governments	8,070	9,743
Debt securities issued by corporate entities	6,288	3,639
	14,358	13,382
Unlisted debt securities, at fair value:		
Debt securities issued by governments	14,152	11,975
Debt securities issued by banks and other financial institutions	26,374	19,275
Debt securities issued by corporate entities	14,904	13,326
	55,430	44,576
Unlisted debt securities, at amortised cost:		
Debt securities issued by banks	2,679	500
	72,467	58,458
Classification of debt securities:		
Fair value through profit or loss – held for trading	2,066	1,649
Available for sale	67,722	56,309
Held to maturity	2,679	500
	72,467	58,458

16. EQUITY SECURITIES

	Unaudited 30 June 2010 *RMB million*	Audited 31 December 2009 *RMB million*
Listed investments, at fair value:		
Mutual funds	586	616
Shares	7,157	7,278
	7,743	7,894
Unlisted investments, at fair value:		
Mutual funds	5,800	6,166
Unlisted investments, at cost:		
Other equity investments	630	623
	14,173	14,683
Classification of equity securities:		
Fair value through profit or loss – held for trading	2,375	2,711
Available for sale	11,798	11,972
	14,173	14,683

17. INSURANCE RECEIVABLES, NET

	Unaudited 30 June 2010 *RMB million*	Audited 31 December 2009 *RMB million*
Premiums receivable and agents' balances	8,858	6,044
Receivables from reinsurers	7,172	13,262
	16,030	19,306
Less: Impairment provision on		
Premiums receivable and agents' balances	(2,397)	(2,127)
Receivables from reinsurers	(12)	(9)
	13,621	17,170

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

	Unaudited 30 June 2010 *RMB million*	Audited 31 December 2009 *RMB million*
On demand	3,071	8,641
Within 1 month	2,034	1,126
1 to 3 months	3,250	1,549
Over 3 months	5,266	5,854
	13,621	17,170

18. REINSURANCE ASSETS AND INSURANCE CONTRACT LIABILITIES

An analysis of insurance contract liabilities and their corresponding reinsurance assets is set out as follows:

	Unaudited 30 June 2010			Audited 31 December 2009		
	Gross amount *RMB million*	Reinsurers' share *RMB million*	Net amount *RMB million*	Gross amount *RMB million*	Reinsurers' share *RMB million*	Net amount *RMB million*
Unearned premium reserves	61,655	(4,100)	57,555	44,872	(4,636)	40,236
Loss and loss adjustment expense reserves	55,330	(9,253)	46,077	47,823	(9,790)	38,033
	116,985	(13,353)	103,632	92,695	(14,426)	78,269

19. OTHER FINANCIAL ASSETS AND PREPAYMENTS

Included in the other financial assets and prepayments as at 30 June 2010 was a consideration of RMB588 million (31 December 2009: RMB588 million) paid for a right to a 1.96% economic interest in the issued share capital of a new securities company. It represents the right to receive dividends, proceeds from the disposal of the equity interests of the 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 new securities company. The consideration represented the government bonds originally registered under the trading seats of the securities company under the restructuring.

20. INVESTMENT IN AN ASSOCIATE

Included in the investment in an associate as at 30 June 2010 was an investment in PICC Life Insurance Company Limited ("PICC Life"). PICC Life increased its share capital during the six months ended 30 June 2010. The Company did not participate in the aforesaid capital increase in PICC Life, and therefore the Company's equity interest in PICC Life was diluted to 8.615% from 14.0%. A deemed disposal gain of RMB41 million was recognised as a result of this dilution in interest. The Company continues to account for its interest in PICC Life as an associate as the Company has representation on the Board of Directors of PICC Life.

21. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group acquired assets with a cost of RMB187 million (six months ended 30 June 2009: RMB44 million).

Assets with a net book value of RMB3 million were disposed of by the Group during the six months ended 30 June 2010 (six months ended 30 June 2009: RMB4 million), resulting in a net profit on disposal of RMB6 million (six months ended 30 June 2009: RMB6 million).

During the six months ended 30 June 2010, construction in progress with an aggregate amount of RMB1,369 million (six months ended 30 June 2009: RMB196 million) was transferred to property, plant and equipment.

During the six months ended 30 June 2010, property, plant and equipment, and construction in progress with an aggregate amount of RMB611 million (six months ended 30 June 2009: RMB20 million) was transferred to investment properties.

22. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	Unaudited 30 June 2010 ***RMB million***	Audited 31 December 2009 *RMB million*
Reinsurance payables	**10,523**	16,595

The reinsurance payables are non-interest-bearing and are due within three months from the end of the reporting period or are repayable on demand.

The carrying amounts disclosed above reasonably approximate to their fair values at the end of each reporting period.

23. POLICYHOLDERS' DEPOSITS

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

	Unaudited 30 June 2010 *RMB million*	Audited 31 December 2009 *RMB million*
Interest-bearing deposits	511	2,969
Non-interest-bearing deposits	2,178	2,318
	2,689	5,287

24. SUBORDINATED DEBTS

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.

On 28 September 2009, the Company issued subordinated debts of RMB5,000 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 4.30% per annum in the first five years and a rate of 6.30% per annum in the remaining years. The Company has an option to redeem the subordinated debts at the end of the first five years.

On 30 June 2010, the Company issued subordinated debts of RMB6,000 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 4.60% per annum in the first five years and a rate of 6.60% 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 30 June 2010, the fair value of these subordinated debts was RMB14,838 million (31 December 2009: RMB8,249 million). The fair value has been estimated using the quoted market prices for securities with similar credit terms, maturity and characteristics.

25. ISSUED CAPITAL

	Unaudited 30 June 2010 *RMB million*	Audited 31 December 2009 *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

26. MINORITY INTERESTS

	Unaudited 30 June 2010 *RMB yuan*	Audited 31 December 2009 *RMB yuan*
Minority interests	22,400	22,401

	Unaudited Six months ended 30 June 2010 *RMB yuan*	Unaudited Six months ended 30 June 2009 *RMB yuan*
Net loss attributable to minority interests	(1)	(27,247)

27. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1 – fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 – fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

As at 30 June 2010, the Group held the following financial instruments measured at fair value:

Assets measured at fair value	**Level 1**	**Level 2**	**Total**
Financial assets held for trading:			
Equity shares	2,375	–	2,375
Debt securities	409	1,657	2,066
Derivative financial assets:			
Interest rate swap contracts	–	13	13
Available for sale financial assets:			
Equity shares	11,168	–	11,168
Debt securities	13,138	54,584	67,722

There was no fair value measurement in Level 3 as at 30 June 2010.

During the six months ended 30 June 2010, there were no transfers of fair value measurements between Level 1 and Level 2, and no transfers into or out of Level 3.

28. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

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

30 June 2010 (Unaudited)

	On demand/ Past due *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	26,214	5,792	4,511	3,854	1,752	42,123
Derivative financial assets	–	3	4	6	–	13
Debt securities:						
– Available for sale	–	2,680	7,202	40,256	29,662	79,800
– Fair value through profit or loss	–	487	203	921	457	2,068
– Held to maturity	–	–	124	496	3,492	4,112
Capital security fund	–	–	1,682	714	–	2,396
Liabilities:						
Payables to reinsurers	6,553	3,576	303	90	1	10,523
Policyholders' deposits	427	22	–	410	1,830	2,689
Subordinated debts	–	215	398	2,634	17,920	21,167

31 December 2009 (Audited)

	On demand/ Past due *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	17,878	8,010	2,250	3,027	2,151	33,316
Derivative financial assets	–	–	8	9	–	17
Debt securities:						
– Available for sale	–	1,920	7,433	33,237	23,170	65,760
– Fair value through profit or loss	–	6	420	957	458	1,841
– Held to maturity	–	–	23	96	740	859
Capital security fund	–	302	1,333	741	–	2,376
Liabilities:						
Payables to reinsurers	11,399	4,144	954	95	3	16,595
Policyholders' deposits	567	1,767	713	398	1,842	5,287
Subordinated debts	–	1	398	2,055	9,354	11,808

29. 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 salvages and subrogation. While the outcome of such contingencies, lawsuits or other proceedings cannot be determined at present, the Group believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

30. 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 terms ranging from one to three years.

At 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Unaudited 30 June 2010 ***RMB million***	Audited 31 December 2009 *RMB million*
Within one year	**94**	175
In the second to fifth years, inclusive	**154**	194
After five years	**55**	66
	303	435

31. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 30 above, the Group had the following capital commitments at the end of the reporting period:

	Unaudited 30 June 2010 ***RMB million***	Audited 31 December 2009 *RMB million*
Contracted, but not provided for:		
Property, plant and equipment	**87**	273

32. RELATED PARTY TRANSACTIONS

(a) Material transactions with related parties

	Unaudited Six months ended 30 June 2010 *RMB million*	Unaudited Six months ended 30 June 2009 *RMB million*
Transactions with the holding company:		
Loss on disposal of an associate	–	24
Transfer of unlisted debts	975	–
Transactions with fellow subsidiaries:		
Property rental expenses	75	79
Property rental income	1	1
Management fee	51	–
Premiums ceded	179	–
Commission recoverable	62	–
Claim recoverable	10	–
Reinsurance premiums assumed	2	–
Reinsurance claims paid	1	–
Transactions with associates:		
Management fee	–	39
Commission received	11	2
Commission paid	11	4

(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 six months ended 30 June 2010, 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.

32. RELATED PARTY TRANSACTIONS *(continued)*

(c) Outstanding balances with related parties

	Due from related parties		Due to related parties	
	Unaudited 30 June 2010 *RMB million*	Audited 31 December 2009 *RMB million*	Unaudited 30 June 2010 *RMB million*	Audited 31 December 2009 *RMB million*
The Holding Company	66	9	–	–
Fellow subsidiaries	107	14	292	69
An associate	1	1	–	–
	174	24	292	69

33. COMPARATIVE FIGURES

The presentation of the condensed consolidated income statement was revised for the current interim period to bring it in line with that adopted for the changes in accounting policies in the Group's annual financial statements for the year ended 31 December 2009. Certain comparative figures have been reclassified or restated to conform with the current period's presentation.

The effect on the condensed consolidated income statement for the six months ended 30 June 2009 before and after the changes in accounting policies are as follows:

	Six months ended 30 June 2009 (Unaudited)		
	Before changes *RMB million*	Effect of changes in accounting policies *RMB million*	After changes *RMB million*
Net premiums earned	40,140	3,307	43,447
Net claims incurred	(29,195)	(270)	(29,465)
Amortisation of deferred acquisition costs, net	(5,918)	5,918	–
Insurance protection expenses	(535)	535	–
Acquisition cost and other underwriting expenses	–	(9,941)	(9,941)
General and administrative expenses	(5,704)	129	(5,575)
Income tax expense	9	80	89
Net profit for the period	322	(242)	80
Basic earnings per share attributable to ordinary equity holders of the parent (in RMB)	0.029	(0.022)	0.007
Total comprehensive income for the period attributable to owners of the parent	1,206	(242)	964

34. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 17 August 2010.

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF PICC PROPERTY AND CASUALTY COMPANY LIMITED
(A joint stock company incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 2 to 25 which comprise the condensed consolidated statement of financial position of the Group as at 30 June 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

18/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

17 August 2010

OVERVIEW

PICC Property and Casualty Company Limited (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 the first half of 2010, the turnover of the Company and its subsidiaries maintained a rapid growth momentum and increased by 21.7% to RMB81,628 million compared to the first half of 2009. The Company had a 39.0% *(Note)* market share in the non-life insurance market in the PRC, remaining in a leading position in the burgeoning property insurance market. In the first half of 2010, the Company and its subsidiaries recorded a net profit of RMB2,645 million, representing an increase of RMB2,565 million compared to the same period of last year, and a net cash inflow from operating activities of RMB19,406 million, representing an increase of RMB7,175 million compared to the same period of last year. As at 30 June 2010, the total assets of the Company and its subsidiaries reached RMB186,291 million and shareholders' equity totalled RMB22,311 million.

Note: Calculated according to the PRC insurance industry data for the first half of 2010 published on the website of the China Insurance Regulatory Commission (the "CIRC").

UNDERWRITING RESULTS

The following table sets forth the selected financial indicators of the insurance business of the Company and its subsidiaries and their percentages to net premiums earned for the relevant periods.

	Six months ended 30 June			
	2010		2009	
	RMB million	**%**	*RMB million* (Restated)	% (Restated)
Net premiums earned	**57,679**	**100.0**	43,447	100.0
Net claims incurred	**(38,110)**	**(66.1)**	(29,465)	(67.8)
Acquisition cost and other underwriting expenses	**(12,035)**	**(20.8)**	(9,941)	(22.9)
General and administrative expenses	**(5,634)**	**(9.8)**	(5,575)	(12.8)
Underwriting profit/(loss)	**1,900**	**3.3**	(1,534)	(3.5)

TURNOVER

	Six months ended 30 June	
	2010	2009
	RMB million	*RMB million*
Motor vehicle insurance	58,846	46,328
Commercial property insurance	6,937	6,496
Liability insurance	3,080	2,693
Accidental injury and health insurance	2,129	2,241
Cargo insurance	1,992	1,660
Other insurance	8,644	7,632
Total	81,628	67,050

Turnover of the Company and its subsidiaries was RMB81,628 million in the first half of 2010, representing an increase of RMB14,578 million (or 21.7%) from RMB67,050 million in the first half of 2009. The overall business growth continued at a steady pace, largely driven by the motor vehicle insurance segment. Moreover, liability insurance, cargo insurance as well as construction insurance, hull insurance and homeowners insurance under the other insurance segment also developed relatively rapidly.

Turnover of the motor vehicle insurance segment of the Company and its subsidiaries was RMB58,846 million in the first half of 2010, representing an increase of RMB12,518 million (or 27.0%) from RMB46,328 million in the first half of 2009. In the first half of 2010, there was a significant increase in the sales volume of motor vehicles compared to the same period of last year as a result of the implementation of a series of favourable measures including the continuation by the Chinese government of the automobile subsidy program for rural areas and purchase tax-related subsidies, the increase in the amounts of subsidies for the trade-in of vehicles, and the increase in the number of pilot cities for new energy vehicles. The Company and its subsidiaries seized this opportunity for developing business, boosted the development of the sales system and introduced the "new hassle-free claim settlement project" featuring the key commitments to performing "hassle-free", "convenient" and "borderless" claim settlement services. Consequently, the standard of claim settlement services was constantly improving, and a remarkable growth was achieved in the number of motor vehicle insurance policies.

Turnover of the liability insurance segment of the Company and its subsidiaries was RMB3,080 million in the first half of 2010, representing an increase of RMB387 million (or 14.4%) from RMB2,693 million in the first half of 2009. Under this segment, the safety production liability insurance, travel agency liability insurance, campus liability insurance and freighter liability insurance experienced considerable growth and a breakthrough was made in the growth of the newly developed extended electrical appliance warranty liability insurance.

Turnover of the cargo insurance segment of the Company and its subsidiaries was RMB1,992 million in the first half of 2010, representing an increase of RMB332 million (or 20.0%) from RMB1,660 million in the first half of 2009. During the first half of 2010, the effects of the financial crisis gradually weakened, and the global economy was beginning to revive. The implementation of the national policy of expanding domestic demand was noticeably successful, driving the domestic logistics industry into a phase of rapid growth. There was an obvious rebound in both international and domestic cargo volumes, functioning as a stimulus to the rapid development of cargo insurance business.

In the first half of 2010, benefiting from the national macroeconomic stimulus policies, large-scale infrastructure construction projects had been launched one after another. The Company and its subsidiaries leveraged on market opportunities in a timely manner and achieved a comparatively rapid growth in the construction insurance under the other insurance segment.

In the meantime, turnover of the accidental injury and health insurance segment of the Company and its subsidiaries was RMB2,129 million in the first half of 2010, representing a decrease of RMB112 million (or -5.0%) from RMB2,241 million in the first half of 2009. In the first half of 2010, by continual adherence to the principle of "profitable underwriting", proactive adjustments were made to the business structure of the accidental injury and health insurance segment of the Company and its subsidiaries by removing businesses with unsatisfactory operating profits, thereby the pace of development of that insurance segment was affected to a certain extent.

NET PREMIUMS EARNED

	Six months ended 30 June	
	2010	2009
	RMB million	*RMB million*
		(Restated)
Motor vehicle insurance	**46,358**	32,718
Commercial property insurance	**3,295**	3,141
Liability insurance	**1,972**	1,564
Accidental injury and health insurance	**1,226**	1,331
Cargo insurance	**1,343**	1,064
Other insurance	**3,485**	3,629
Total	**57,679**	43,447

Net premiums earned of the Company and its subsidiaries was RMB57,679 million in the first half of 2010, representing an increase of RMB14,232 million (or 32.8%) from RMB43,447 million in the first half of 2009.

NET CLAIMS INCURRED

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

	Six months ended 30 June			
	2010		2009	
	Net claims incurred *RMB million*	Loss ratio %	Net claims incurred *RMB million* (Restated)	Loss ratio % (Restated)
Motor vehicle insurance	**(31,226)**	**(67.4)**	(23,141)	(70.7)
Commercial property insurance	**(1,722)**	**(52.3)**	(1,300)	(41.4)
Liability insurance	**(1,270)**	**(64.4)**	(1,001)	(64.0)
Accidental injury and health insurance	**(825)**	**(67.3)**	(971)	(73.0)
Cargo insurance	**(678)**	**(50.5)**	(528)	(49.6)
Other insurance	**(2,389)**	**(68.6)**	(2,524)	(69.6)
Total	**(38,110)**	**(66.1)**	(29,465)	(67.8)

Net claims incurred of the Company and its subsidiaries was RMB38,110 million in the first half of 2010, representing an increase of RMB8,645 million (or 29.3%) from RMB29,465 million in the first half of 2009. Loss ratio decreased by 1.7 percentage points from 67.8% in the first half of 2009 to 66.1% in the first half of 2010, primarily due to the decrease in the loss ratios for such insurance segments as the motor vehicle insurance and accidental injury and health insurance.

Net claims incurred of the motor vehicle insurance segment of the Company and its subsidiaries was RMB31,226 million in the first half of 2010, representing an increase of RMB8,085 million (or 34.9%) from RMB23,141 million in the first half of 2009. Loss ratio decreased to 67.4% in the first half of 2010 from 70.7% in the first half of 2009. The increase in net claims incurred was lower than the increase in net premiums earned for the same period. This was on the one hand due to the full functioning of the maintenance platform for quotation information on parts and accessories and the remote system of cross-adjustment of loss at different places for motor vehicle insurance, the in-depth advance of the category-based management of businesses, the continually reinforced follow-up management of injury-related claims, the initial success of the management and control of settlement of motor vehicle insurance claims, and the constantly increased premium adequacy. On the other hand, there had been an evident decline in the numbers of small value claims with the launch of the shared information platform for commercial insurance in various locations and the implementation of the policy of linking commercial insurance premium rates with claims.

Net claims incurred of the commercial property insurance segment of the Company and its subsidiaries was RMB1,722 million in the first half of 2010, representing an increase of RMB422 million (or 32.5%) from RMB1,300 million in the first half of 2009. Loss ratio increased from 41.4% in the first half of 2009 to 52.3% in the first half of 2010 during which several rounds of large-scale rainstorms and flood disasters hit southern China, giving rise to a noticeable increase in the claim ratio relating to commercial property insurance.

Net claims incurred of the accidental injury and health insurance segment of the Company and its subsidiaries was RMB825 million in the first half of 2010, representing a decrease of RMB146 million (or -15.0%) from RMB971 million in the first half of 2009. Loss ratio declined to 67.3% in the first half of 2010 from 73.0% in the first half of 2009, primarily due to the underwriting conditions being improved by the efforts of the Company and its subsidiaries to enhance the risk screening in relation to the underwriting aspect of the accidental injury and health insurance segment, and the management and control of claim settlement attaining certain effects by following strict claims review standard and strengthening moral risks prevention.

ACQUISITION COST AND OTHER UNDERWRITING EXPENSES

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

	Six months ended 30 June			
	2010		2009	
	Acquisition cost and other underwriting expenses *RMB million*	Underwriting expense ratio %	Acquisition cost and other underwriting expenses *RMB million* (Restated)	Underwriting expense ratio % (Restated)
Motor vehicle insurance	**(10,315)**	**(22.3)**	(8,026)	(24.5)
Commercial property insurance	**(762)**	**(23.1)**	(1,288)	(41.0)
Liability insurance	**(399)**	**(20.2)**	(285)	(18.2)
Accidental injury and health insurance	**(188)**	**(15.3)**	(159)	(11.9)
Cargo insurance	**(198)**	**(14.7)**	(41)	(3.9)
Other insurance	**(173)**	**(5.0)**	(142)	(3.9)
Total	**(12,035)**	**(20.8)**	(9,941)	(22.9)

In the first half of 2010, there was an increase of 21.1% in the acquisition cost and other underwriting expenses of the Company and its subsidiaries compared to the same period of last year, slightly lower than the business growth for the same period. The underwriting expense ratio declined from 22.9% in the first half of 2009 to 20.8% in the first half of 2010, as a result of such management and control measures of the Company and its subsidiaries as the differentiated allocation of cost-oriented resources being effected gradually.

GENERAL AND ADMINISTRATIVE EXPENSES

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

	Six months ended 30 June			
	2010		2009	
	General and administrative expenses *(Note)* *RMB million*	Administrative expense ratio %	General and administrative expenses *(Note)* *RMB million* (Restated)	Administrative expense ratio % (Restated)
Motor vehicle insurance	**(3,740)**	**(8.1)**	(3,639)	(11.1)
Commercial property insurance	**(339)**	**(10.3)**	(572)	(18.2)
Liability insurance	**(271)**	**(13.7)**	(316)	(20.2)
Accidental injury and health insurance	**(212)**	**(17.3)**	(306)	(23.0)
Cargo insurance	**(324)**	**(24.1)**	(147)	(13.8)
Other insurance	**(748)**	**(21.5)**	(595)	(16.4)
Total	**(5,634)**	**(9.8)**	(5,575)	(12.8)

Note: The general and administrative expenses are allocated based on insurance segments.

In the first half of 2010, the Company and its subsidiaries continued to further the implementation of comprehensive budget management, and conditional on the effective allocation of sales expenses, brought administrative expenses under project-based management and zero-based budget management. Efforts were made to steer the launch of cost-saving organisational development initiatives at all levels, coordinate the centralisation of procurement functions across the country and effectively reduce the administrative expenses of the headquarters and branches at all levels. In the first half of 2010, the general and administrative expenses of the Company and its subsidiaries increased by 1.1% compared to the same period of last year, significantly lower than the business growth for the same period. The administrative expense ratio decreased from 12.8% in the first half of 2009 to 9.8% in the first half of 2010.

UNDERWRITING PROFIT/(LOSS)

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

	Six months ended 30 June			
	2010		2009	
	Underwriting profit *RMB million*	Underwriting profit ratio %	Underwriting profit/(loss) *RMB million* (Restated)	Underwriting profit/(loss) ratio % (Restated)
Motor vehicle insurance	1,077	2.2	(2,088)	(6.3)
Commercial property insurance	472	14.3	(19)	(0.6)
Liability insurance	32	1.7	(38)	(2.4)
Accidental injury and health insurance	1	0.1	(105)	(7.9)
Cargo insurance	143	10.7	348	32.7
Other insurance	175	4.9	368	10.1
Total	1,900	3.3	(1,534)	(3.5)

In the first half of 2010, with the further regulation of the order in the domestic property insurance market, the Company and its subsidiaries, by taking advantage of this favourable opportunity, continued to reinforce the category-based management of businesses, implement differentiated allocation of resources and proactively adjust the business structure. As a result, there was a remarkable improvement in the quality of underwriting business, a recovery in the premium rates of some insurance segments, and a steady decline in the claim ratio. In contrast to an underwriting loss of RMB1,534 million in the first half of 2009, an underwriting profit of RMB1,900 million was achieved in the first half of 2010, with the underwriting profit ratio reaching 3.3%.

The motor vehicle insurance segment incurred an underwriting loss of RMB2,088 million in the first half of 2009, but made an underwriting profit of RMB1,077 million in the first half of 2010. In the first half of 2010, the Company and its subsidiaries continued to reinforce the category-based management of motor vehicle insurance businesses, and strictly control the proportion of loss-making businesses by making use of information technology. The Company and its subsidiaries further advanced the centralised management of underwriting and claim settlement, carried out the differentiated allocation of underwriting expenses and promoted the optimisation of the business structure, and these measures resulted in the noticeably improved underwriting results.

The commercial property insurance segment incurred an underwriting loss of RMB19 million in the first half of 2009, but made an underwriting profit of RMB472 million in the first half of 2010, primarily due to the efforts made by the Company and its subsidiaries to further perfect the underwriting standard, standardise the underwriting procedures, strengthen the staff's risk identification, risk control and risk-based pricing abilities, refine the centralised authorisation system, effect differentiated marketing strategies, proactively seek involvement in the modification of pure risk and loss ratio-related projects, and thus contributing to the building of a rationally competitive market environment.

The liability insurance segment incurred an underwriting loss of RMB38 million in the first half of 2009, but made an underwriting profit of RMB32 million in the first half of 2010, primarily due to the efforts made by the Company and its subsidiaries to improve the quality of underwriting business by strictly carrying out the category-based management of liability insurance businesses, ascertaining the operating results and underwriting policies in respect of each category of businesses, and centralising the underwriting authority for such loss-making products as the medical, power supply, logistics and work injury liability insurance.

The accidental injury and health insurance segment incurred an underwriting loss of RMB105 million in the first half of 2009, but made a slight underwriting profit in the first half of 2010, representing a noticeable improvement in the quality of underwriting business. This was primarily due to the efforts made by the Company and its subsidiaries to further adjust the business structure, earnestly develop profitable businesses such as borrower accidental insurance, travel accidental insurance and construction work accidental insurance, strictly manage underwriting authorisation procedures and refrain from underwriting certain high-risk businesses.

INVESTMENT RESULTS

Net investment income

	Six months ended 30 June	
	2010	2009
	RMB million	*RMB million*
Rental income from investment properties	**42**	38
Interest income	**1,463**	1,226
Dividend income	**291**	104
Total of net investment income	**1,796**	1,368

Net investment income of the Company and its subsidiaries was RMB1,796 million in the first half of 2010, representing an increase of RMB428 million from RMB1,368 million in the first half of 2009. Particularly, the interest income increased by RMB237 million and the dividend income increased by RMB187 million from the same period of last year, primarily due to the enlarged amounts of investments made by the Company and its subsidiaries.

Net realised and unrealised gains on investments

	Six months ended 30 June	
	2010	2009
	RMB million	*RMB million*
Realised gains on investments	**272**	226
Unrealised gains/(losses) on investments	**(285)**	252
Profit/(loss) on disposal of associates	**41**	(24)
Total of net realised and unrealised gains on investments	**28**	454

Net realised and unrealised gains on investments of the Company and its subsidiaries was merely RMB28 million in the first half of 2010 during which there was a downturn in the capital markets, representing a decrease of RMB426 million from RMB454 million in the first half of 2009. This was primarily due to a decrease of RMB537 million in unrealised gains on investments in financial assets at fair value through profit or loss. However, this effect was partly offset by an increase of RMB27 million in realised gains on investments in available for sale financial assets.

OVERALL RESULTS

	Six months ended 30 June	
	2010	2009
	RMB million	*RMB million*
		(Restated)
Profit/(loss) before tax	**3,400**	(9)
Income tax expense	**(755)**	89
Profit attributable to owners of the parent	**2,645**	80
Total assets *(Note)*	**186,291**	165,383

Note: Based on the data as of 30 June 2010 and 31 December 2009.

PROFIT/(LOSS) BEFORE TAX

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB3,400 million in the first half of 2010, representing an increase of RMB3,409 million compared to the loss of RMB9 million in the first half of 2009.

INCOME TAX EXPENSE

Income tax expense of the Company and its subsidiaries was RMB755 million in the first half of 2010, representing an increase of RMB844 million from RMB-89 million in the first half of 2009. The increase in the income tax expense of the Company and its subsidiaries was primarily due to a substantial increase in the profit before tax in the first half of 2010.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the foregoing, there was a significant increase in the overall profit of the Company and its subsidiaries in the first half of 2010, and net profit increased by RMB2,565 million from RMB80 million in the first half of 2009 to RMB2,645 million in the first half of 2010. Basic earnings per share attributable to ordinary equity holders of the parent in the first half of 2010 was RMB0.237.

CASH FLOW

	Six months ended 30 June	
	2010	2009
	RMB million	*RMB million*
Net cash inflow from operating activities	19,406	12,231
Net cash outflow from investing activities	(19,297)	(2,751)
Net cash inflow from financing activities	5,120	2,698
Net increase in cash and cash equivalents	5,229	12,178

In the first half of 2010, the cash flow from operating activities of the Company and its subsidiaries increased remarkably. Since the pursuit by the motor vehicle insurance segment and some other insurance segments of the practice of "making insurance policies available upon payment of the premiums", collection of premiums had become notably more efficient. Net cash inflow from operating activities of the Company and its subsidiaries was RMB19,406 million in the first half of 2010, representing an increase of RMB7,175 million from RMB12,231 million in the first half of 2009.

In the first half of 2010, the amount of entrusted investment assets of the Company and its subsidiaries increased significantly. Net cash outflow from investing activities of the Company and its subsidiaries was RMB19,297 million in the first half of 2010, representing an increase of RMB16,546 million compared to the first half of 2009. Net payment involved in debt securities and equity securities tradings totalled RMB15,909 million in the first half of 2010, representing a significant increase of RMB14,982 million compared to the same period of last year.

Net cash inflow from financing activities of the Company and its subsidiaries was RMB5,120 million in the first half of 2010, representing an increase of RMB2,422 million compared to the first half of 2009, primarily due to the issuance of fixed-rate subordinated term debts of RMB6,000 million in the first half of 2010. However, this effect was partly offset by an increase of RMB2,225 million in the cash outflow attributable to the reduction in policyholders' deposits.

As of 30 June 2010, the cash and cash equivalents *(Note)* of the Company and its subsidiaries amounted to RMB28,316 million.

Note: Cash and cash equivalents are primarily denominated in RMB and do not include deposits with banks and other financial institutions with original maturity of more than three months and structured deposits with banks and other financial institutions.

LIQUIDITY

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

In June 2010, September 2009 and December 2006, the Company issued fixed-rate subordinated term debts of RMB6,000 million, RMB5,000 million and RMB3,000 million, respectively, in each case with a term of 10 years, to institutional investors in the PRC for the primary purpose of increasing the Company's solvency margin.

In August 2003, the Company obtained a 10-year revolving credit facility from China Development Bank for up to RMB10 billion. Each drawdown made under this facility is repayable within one year. As of the date of this interim 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.

INVESTMENT IN AN ASSOCIATE

PICC Life, an associate of the Company, further increased its capital in the first half of 2010 and the Company did not participate in such capital increase of PICC Life. After completion of the capital increase of PICC Life, the Company's shareholding in PICC Life has been diluted from 14.0% to approximately 8.6%.

CAPITAL EXPENDITURE

The capital expenditure of the Company and its subsidiaries has primarily been for operational property under construction and acquisition of motor vehicles for business needs as well as development of information system. Capital expenditure of the Company and its subsidiaries was RMB337 million in the first half of 2010.

SOLVENCY MARGIN REQUIREMENT

The Company is subject to a number of laws and regulations regarding financial operations of the Company, including maintaining a stipulated solvency margin and providing for certain funds and reserves. In accordance with the insurance laws and regulations of the PRC, the Company was required to maintain a minimum solvency margin of RMB18,237 million on 30 June 2010. The Company's actual solvency margin calculated pursuant to the regulations of the CIRC was RMB21,301 million and the solvency margin adequacy ratio was 117% *(Note)*.

Note: In calculating the solvency margin, the assessment standards for premium reserves as promulgated by the CIRC shall continue to apply to insurance contract liabilities while China Accounting Standards for Business Enterprises shall apply to non-insurance contract liabilities.

GEARING RATIO

As of 30 June 2010, the gearing ratio *(Note)* of the Company and its subsidiaries was 80.5%, representing a decrease of 1.5 percentage points from 82.0% as of 31 December 2009.

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 in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the insurance policies of the Company and its subsidiaries, and some losses arising therefrom will be indemnified by reinsurers or other recoveries including salvages and subrogation. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Company and its subsidiaries believe that any resulting liabilities will not have a material adverse effect on the financial 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 policies 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 business accounts receivable.

Except when dealing with national reinsurers, the Company and its subsidiaries purchase reinsurance primarily from reinsurance companies with Standard & Poor's ratings of A- (or ratings of equal level given by other international rating institutions such as A.M. Best, Fitch and Moody's) or above. The management of the Company and its subsidiaries review the creditworthiness of the reinsurance companies in order to update the reinsurance strategies of, and determine reasonable impairment provision for reinsurance assets of, the Company and its subsidiaries, on a regular basis.

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

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

Foreign exchange transactions under the capital accounts of the Company and its subsidiaries are subject to foreign exchange control as well as the approval of the State Administration of Foreign Exchange of the PRC. Exchange rate fluctuations may arise from the foreign exchange policies of the PRC government.

INTEREST RATE RISK

Interest rate risk means the risks of changes in the value 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 of 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 30 June 2010, the interest rate swap contracts held by the Company had a total notional amount of RMB800 million.

DEVELOPMENT OF NEW PRODUCTS

In the first half of 2010, the Company developed and modified a total of 164 products consisting of 39 national products and 125 regional products. The Company will continue to further the implementation of its product upgrading strategy, proactively explore the transition from "selling products" to "providing integrated solutions against risks", boost the development and research of channel-specific products, develop products for targeted individuals and small- and medium-sized enterprises, and continuously further e-commerce product innovations.

EMPLOYEES

As at 30 June 2010, the Company had 60,042 employees. Staff remuneration payment by the Company and its subsidiaries in the first half of 2010 was RMB3,597 million, which mainly 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, among others, providing various career development paths, strengthening personnel training and implementation of performance appraisal. The Company is of the view that the Company and its subsidiaries maintain a good relationship with their employees.

LOOKING FORWARD

During the second half of 2010, the Company will pay close attention to the changes in the economic and financial conditions and their effects on the insurance industry, achieve an in-depth understanding of the favourable conditions and difficulties facing the development of the industry, speed up the transformation of the mode of development, make every effort to promote the corporate transition, continually improve the inherent corporate quality, resolutely promote the specialisation, standardisation, centralisation and differentiation of the Company's operations, earnestly pursue the perfection of the Company's operation and management models, focus its efforts on the annual goals, highlight profitability and strengthen the measures aimed at profitable developments, so as to ensure the full accomplishment of all the annual operating objectives.

The key efforts and moves of the Company for the second half of 2010 are to carry out in-depth initiatives motivating performance excellence and promote sustainable and healthy growth of the Company; to constantly pay close attention to the market and accelerate profitable development; to perfect the sales system and further the building of corporate marketing capabilities; to promote the utilisation of advanced management tools and support corporate profitability building; to intensify standardisation and centralisation efforts and promote the establishment of an intensive operating and management platform; to strengthen internal control and compliance management, and continually enhance risk prevention and control capabilities; and to advance the reform of human resources management and provide effective organisational support for the Company's development.

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

The directors, supervisors and chief executive of the Company did not hold 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 30 June 2010 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 Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") under the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

CHANGE IN DIRECTORATE AND SUPERVISORY COMMITTEE

There has been no change of the members of the Board of Directors and the Supervisory Committee of the Company from 1 January 2010 to the date of this interim report.

On the date of this interim report, the directors of the Company are:

Mr Wu Yan *(Chairman of the Board, Executive Director)*
Mr Wang Yincheng *(Vice Chairman of the Board, Executive Director)*
Mr Tse Sze-Wing, Edmund *(Non-executive Director)*
Mr Lu Zhengfei *(Independent Non-executive Director)*
Mr Luk Kin Yu, Peter *(Independent Non-executive Director)*
Mr Ding Ningning *(Independent Non-executive Director)*
Mr Zhou Shurui *(Non-executive Director)*
Mdm Liu Zhenghuan *(Executive Director)*
Mr Li Tao *(Non-executive Director)*

On the date of this interim report, the supervisors of the Company are:

Mr Ding Yunzhou *(Chairman of the Supervisory Committee)*
Mr Li Dianjun *(Independent Supervisor)*
Mr Sheng Hetai *(Supervisor)*
Mr He Bangshun *(Supervisor)*

The term of directorship of Mr Wu Yan and Mr Lu Zhengfei should have expired on 22 March 2010 and 23 February 2010, respectively. The term of directorship of Mr Wang Yincheng, Mr Tse Sze-Wing, Edmund, Mr Zhou Shurui, Mdm Liu Zhenghuan and Mr Li Tao should have expired on 5 July 2009. The term of office of Mr Ding Yunzhou, Mr Sheng Hetai and Mr He Bangshun as supervisors should have expired on 17 October 2009. The term of office of Mr Li Dianjun as a supervisor should have expired on 8 May 2009. Pursuant to the provisions of the Company Law of the PRC ("Company Law"), the above seven directors and four supervisors shall continue in office until the respective new sessions of the Board and the Supervisory Committee are formed.

CHANGES IN THE INFORMATION ON DIRECTORS AND SUPERVISORS

Changes in the information on the directors and supervisors of the Company are as follows:

Mr Tse Sze-Wing, Edmund, Non-executive Director of the Company, is also an Independent Non-executive Director of PCCW Limited, the shares of which are listed on the Hong Kong Stock Exchange and traded in the form of American depositary receipts on the Pink OTC Markets in the United States of America.

Mr Sheng Hetai, Supervisor of the Company, is the Assistant to the President of The People's Insurance Company (Group) of China Limited ("PICC Group") and continues to act as the General Manager of the Strategic Planning Department of PICC Group. He was previously a Senior Specialist of PICC Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has formulated guidelines on transactions of the Company's securities that apply to directors, supervisors and all employees, and the terms of the guidelines are no less exacting than those set out in the Model Code. The Company has enquired with all directors and supervisors and they have all confirmed that they complied with the requirements under the Model Code and the guidelines during the first half of 2010.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

As at 30 June 2010, 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
United States Treasury *(Note 1)*	Interest of controlled corporations	1,103,038,000	Long position	31.92%	9.9%
American International Group, Inc. ("AIG") *(Notes 1, 2)*	Interest of controlled corporations	1,103,038,000	Long position	31.92%	9.9%
Jill M. Considine *(Note 1)*	Interest of controlled corporations	1,103,038,000	Long position	31.92%	9.9%
Chester B. Feldberg *(Note 1)*	Interest of controlled corporations	1,103,038,000	Long position	31.92%	9.9%

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO *(continued)*

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
Douglas L. Foshee *(Note 1)*	Interest of controlled corporations	1,103,038,000	Long position	31.92%	9.9%
Birmingham Fire Insurance Company of Pennsylvania *(Note 2)*	Beneficial owner	562,549,380	Long position	16.28%	5.05%
Commerce and Industry Insurance Company *(Note 2)*	Beneficial owner	330,911,400	Long position	9.58%	2.97%
Lexington Insurance Company *(Note 2)*	Beneficial owner	209,577,220	Long position	6.06%	1.88%

Notes:

1. These 1,103,038,000 H shares represent the corporate interest of AIG. AIG is a controlled corporation of the United States Treasury in its capacity as the beneficiary of AIG Credit Facility Trust and Jill M. Considine, Chester B. Feldberg and Douglas L. Foshee in their capacity as the joint trustees of AIG Credit Facility Trust. As such, all of the United States Treasury, Jill M. Considine, Chester B. Feldberg and Douglas L. Foshee are deemed to be interested in the 1,103,038,000 H shares held by the controlled corporations of AIG.

2. Birmingham Fire Insurance Company of Pennsylvania, Commerce and Industry Insurance Company and Lexington Insurance Company are the controlled corporations of AIG. Lexington Insurance Company is indirectly owned as to 70% by 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 30 June 2010 that are required to be recorded in the register kept under section 336 of the SFO.

INTERIM DIVIDEND

The Board of Directors does not propose any interim dividend for 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities in the first half of 2010.

CORPORATE GOVERNANCE

Save for one of the requirements under each of the code provisions A.4.2 and B.1.1 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules ("Code on Corporate Governance Practices"), the Company had complied with all the code provisions of the Code on Corporate Governance Practices in the first half of 2010.

The term of directorship of Mr Wu Yan, Mr Wang Yincheng, Mr Tse Sze-Wing, Edmund, Mr Lu Zhengfei, Mr Zhou Shurui, Mdm Liu Zhenghuan and Mr Li Tao should have expired during the period from the second half of 2009 to the first half of 2010. Pursuant to the provisions of the Company Law, where a company has not yet re-elected a director upon the expiry of his/her term of office or the number of directors is less than the required quorum as a result of the resignation of a director, the existing director shall continue to serve as a director until the newly elected director commences his/her term of office. Accordingly, the directors mentioned above have continued to serve as directors until the formation of the new session of the Board of Directors. As a result, the Company failed to comply with the requirement that each director shall be subject to retirement by rotation at least once every three years as set out in the code provision A.4.2 of the Code on Corporate Governance Practices during the period from 6 July 2009 to the date of this interim report.

Mr Cheng Wai Chee, Christopher ceased to act as the Chairman of the Nomination, Remuneration and Review Committee at the same time when he resigned as an Independent Non-executive Director of the Company on 23 October 2009. After the resignation of Mr Cheng, only half of the members of the Nomination, Remuneration and Review Committee are Independent Non-executive Directors. As a result, the Company failed to comply with the requirement that the majority of the members of the remuneration committee shall be independent non-executive directors as set out in the code provision B.1.1 of the Code on Corporate Governance Practices during the period from 23 October 2009 to the date of this interim report. The Company has still complied with the requirement that there shall be at least three independent non-executive directors. The Company proposes to re-elect the members of the Nomination, Remuneration and Review Committee after the election of the new session of the Board of Directors.

REVIEW OF INTERIM RESULTS

Ernst & Young, the Company's auditors, and the Audit Committee of the Company have reviewed the interim condensed consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2010.

By Order of the Board
Wu Yan
Chairman

Beijing, the PRC
17 August 2010

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

Interim Report 2010

Stock Code: 2328