中国人民财产保险股份有限公司

PICC PROPERTY AND CASUALTY COMPANY LIMITED

Stock Code : 2328

Interim Report 2011

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:	Tower 2, No. 2 Jianguomenwai Avenue, Chaoyang District, Beijing 100022, 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

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INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Notes	Unaudited Six months ended 30 June 2011 *RMB million*	Unaudited Six months ended 30 June 2010 *RMB million* (Restated)
TURNOVER	4	**91,444**	81,628
Net premiums earned	4	**65,946**	57,679
Net claims incurred	5	**(42,784)**	(38,110)
Acquisition costs and other underwriting expenses		**(10,292)**	(12,035)
General and administrative expenses		**(7,934)**	(5,616)
UNDERWRITING PROFIT		**4,936**	1,918
Investment income	6	**2,933**	1,796
Net realised and unrealised gains/(losses) on investments	7	**(332)**	65
Investment expenses		**(85)**	(73)
Interest expenses credited to policyholders' deposits		**(5)**	(18)
Exchange losses, net		**(234)**	(112)
Sundry income		**48**	112
Sundry expenses		**(40)**	(48)
Finance costs	8	**(514)**	(205)
Share of profit of associates		**56**	20
PROFIT BEFORE TAX	9	**6,763**	3,455
Income tax expense	10	**(1,475)**	(769)
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		**5,288**	2,686
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (in RMB)	12	**0.475**	0.241

	Note	Unaudited Six months ended 30 June 2011 *RMB million*	Unaudited Six months ended 30 June 2010 *RMB million* (Restated)
PROFIT FOR THE PERIOD		**5,288**	2,686
OTHER COMPREHENSIVE INCOME			
Net movement in cash flow hedges	13	**14**	(3)
Income tax effect		**(4)**	1
		10	(2)
Net losses on available for sale financial assets	13	**(1,755)**	(2,396)
Income tax effect		**439**	599
		(1,316)	(1,797)
Gains on investment property revaluation	13	**209**	687
Income tax effect		**(52)**	(172)
		157	515
Share of other comprehensive income of associates		**(152)**	(298)
Other comprehensive income for the period, net of tax		**(1,301)**	(1,582)
Total comprehensive income for the period attributable to owners of the parent		**3,987**	1,104

Interim Consolidated Statement of Financial Position

30 June 2011

	Notes	Unaudited 30 June 2011 *RMB million*	Audited 31 December 2010 *RMB million* (Restated)
ASSETS			
Cash and cash equivalents	14	**54,159**	32,209
Derivative financial assets		**20**	6
Debt securities	15	**100,837**	92,567
Equity securities	16	**25,763**	19,001
Insurance receivables, net	17	**18,789**	10,330
Reinsurance assets	18	**21,991**	15,549
Other financial assets and prepayments	19	**16,055**	12,346
Investments in associates	20	**2,057**	1,611
Property, plant and equipment	21	**11,589**	11,765
Investment properties	22	**4,304**	3,940
Prepaid land premiums		**3,263**	3,360
Deferred tax assets		**1,957**	873
TOTAL ASSETS		**260,784**	203,557
LIABILITIES			
Payables to reinsurers	23	**19,315**	10,555
Accrued insurance protection fund		**493**	586
Tax payable		**586**	709
Other liabilities and accruals		**43,088**	25,481
Insurance contract liabilities	18	**145,027**	122,946
Policyholders' deposits	24	**2,472**	2,517
Subordinated debts	25	**19,210**	14,157
TOTAL LIABILITIES		**230,191**	176,951
EQUITY			
Equity attributable to owners of the parent			
Issued capital	26	**11,142**	11,142
Reserves		**19,451**	15,464
TOTAL EQUITY		**30,593**	26,606
TOTAL EQUITY AND LIABILITIES		**260,784**	203,557

	Attributable to owners of the parent								
	Issued capital *RMB million*	Share premium account *RMB million*	Asset revaluation reserve** *RMB million*	Available for sale investment revaluation reserve *RMB million*	Cash flow hedging reserve *RMB million*	Surplus reserve*** *RMB million*	General risk reserve *RMB million*	Retained profits *RMB million*	Total *RMB million*
Unaudited									
At 1 January 2011									
As previously reported	11,142	4,739	–	(2,047)	5	1,374	1,009	8,612	24,834
Changes in accounting policies	–	–	1,405	–	–	37	30	300	1,772
As restated	11,142	4,739	1,405	(2,047)	5	1,411	1,039	8,912	26,606
Profit for the period	–	–	–	–	–	–	–	5,288	5,288
Other comprehensive income for the period									
Net movement in cash flow hedges, net of tax	–	–	–	–	10	–	–	–	10
Net losses on available for sale financial assets, net of tax	–	–	–	(1,316)	–	–	–	–	(1,316)
Gains on investment property revaluation, net of tax	–	–	157	–	–	–	–	–	157
Share of other comprehensive income of associates	–	–	29	(181)	–	–	–	–	(152)
Total comprehensive income for the period	–	–	186	(1,497)	10	–	–	5,288	3,987
Appropriations to discretionary surplus reserve****	–	–	–	–	–	2,605	–	(2,605)	–
At 30 June 2011	11,142	4,739*	1,591*	(3,544)*	15*	4,016*	1,039*	11,595*	30,593

* These reserve accounts comprise the consolidated reserves of RMB19,451 million (31 December 2010: RMB15,464 million (restated)) in the consolidated statement of financial position.

** The asset revaluation reserve arose from change in use from owner-occupied properties to investment properties carried at fair value, before 1 January 2011.

*** This account contains both statutory and discretionary surplus reserve.

**** On 24 June 2011, the shareholders of the Company at a general meeting approved that 50% of the net profit of the Company for 2010 of RMB5,211 million, after the appropriations to the statutory surplus reserve and the general risk reserve, be appropriated to the discretionary surplus reserve, according to the relevant laws and regulations.

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the parent (Restated)								
	Issued capital *RMB million*	Share premium account *RMB million*	Asset revaluation reserve** *RMB million*	Available for sale investment revaluation reserve *RMB million*	Cash flow hedging reserve *RMB million*	Surplus reserve *RMB million*	General risk reserve *RMB million*	Retained profits *RMB million*	Total *RMB million*
Unaudited									
At 1 January 2010									
As previously reported	11,142	4,739	–	87	12	853	488	4,442	21,763
Changes in accounting policies	–	–	651	–	–	29	22	240	942
As restated	11,142	4,739	651	87	12	882	510	4,682	22,705
Profit for the period	–	–	–	–	–	–	–	2,686	2,686
Other comprehensive income for the period									
Net movement in cash flow hedges, net of tax	–	–	–	–	(2)	–	–	–	(2)
Net losses on available for sale financial assets, net of tax	–	–	–	(1,797)	–	–	–	–	(1,797)
Gains on investment property revaluation, net of tax	–	–	515	–	–	–	–	–	515
Share of other comprehensive income of associates	–	–	–	(298)	–	–	–	–	(298)
Total comprehensive income for the period	–	–	515	(2,095)	(2)	–	–	2,686	1,104
At 30 June 2010	11,142	4,739	1,166	(2,008)	10	882	510	7,368	23,809

** The asset revaluation reserve arose from a change in use from owner-occupied properties to investment properties carried at fair value, before 1 January 2010.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Unaudited Six months ended 30 June 2011 *RMB million*	Unaudited Six months ended 30 June 2010 *RMB million*
Net cash inflow from operating activities	**18,633**	19,406
Net cash outflow from investing activities	**(36,906)**	(19,297)
Net cash inflow from financing activities	**19,915**	5,120
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,642**	5,229
Cash and cash equivalents at beginning of the period	**17,727**	23,087
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**19,369**	28,316

1. CORPORATE INFORMATION

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

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

The principal activity of the Company and its subsidiaries (collectively referred to as the "Group") is the provision of property and casualty insurance services. The details of the business segments are set out in note 3 to the financial statements.

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

2.1 BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

2.2 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 2010, except for the adoption of new and revised standards and interpretations as of 1 January 2011 and a voluntary change in accounting policies noted below:

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation - Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*

Apart from the above, *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. The Group has adopted all the amendments from 1 January 2011. 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.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

New standards, interpretations and amendments thereof, adopted by the Group *(continued)*

HKFRS 1 Amendment relieves first-time adopters of HKFRSs from providing the additional disclosures introduced in March 2009 by Improving Disclosures about Financial Instruments (Amendments to HKFRS 7). It thereby ensures that first-time adopters benefit from the same transition provisions that Amendments to HKFRS 7 provide to current HKFRS preparers. The amendment has had no significant impact on the Group's financial statements.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The revised standard has had no significant impact on the Group's related party disclosures.

HKAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of an entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendment has had no significant impact on the Group.

The HK(IFRIC)-Int 14 Amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment for future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. The adoption of the amendments has had no significant financial impact on the Group.

HK(IFRIC)-Int 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are a consideration paid in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. The interpretation has had no significant financial impact on the Group.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group.

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Voluntary change in accounting policies

During the period, the Group has changed its accounting policies with respect to the subsequent measurement of investment properties from the cost model to the fair value model, with changes in fair value recognised in profit or loss. The Group believes that subsequent measurement using the fair value model provides more relevant information about the financial performance of these assets.

The change was made retrospectively, restating the comparative balances and recognising accumulated fair value gains in asset revaluation reserve and retained profits. The fair values were determined based on the valuation carried out by an external independent valuer.

The effects of the above changes in respect of the accounting policies in relation to the subsequent measurement of investment properties are summarised below.

	Investment properties *RMB million*
Balance previously reported at 31 December 2010	1,577
Restatement effect on opening balances at 1 January 2010	1,255
Effect on total assets at 31 December 2010:	
Increase in fair value of investment properties in 2010	1,055
Add-back of depreciation and amortisation on investment properties in 2010	53
Restated balance at 31 December 2010	3,940

	Retained profits/ profit or loss *RMB million*	Asset revaluation reserve *RMB million*
Balances previously reported at 31 December 2010	8,612	–
Restatement effect on opening balances at 1 January 2010	240	651
Effect on total comprehensive income for the year:		
Increase in fair value of investment properties in 2010 (net of tax and appropriations to surplus reserve and general risk reserve)	29	754
Add-back of depreciation and amortisation on investment properties in 2010 (net of tax and appropriations to surplus reserve and general risk reserve)	31	–
Restated balances at 31 December 2010	8,912	1,405

2.2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Voluntary change in accounting policies *(continued)*

This change in accounting policies was applied retrospectively and the restated basic earnings per share is RMB0.241 Yuan for the six months ended 30 June 2010. The impact on net profit for the six months ended 30 June 2010 due to the restatement is as follows:

	RMB million
Net profit for the period ended 30 June 2010 (before restatement)	2,645
Fair value gain on investment properties recognised directly in profit or loss (net of tax)	28
Depreciation and amortisation written back (net of tax)	13
Net profit for the period ended 30 June 2010 (after restatement)	2,686

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services from which reportable segments derive revenue as follows:

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

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

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

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

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

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

(g) the corporate segment includes the management and support of the Group's business through its strategy, risk management, treasury, finance, legal, human resources functions, etc. The corporate segment derives revenue from investing activities.

3. OPERATING SEGMENT INFORMATION *(continued)*

The segment income statements for the six months ended 30 June 2011 and 2010 are as follows:

Six months ended 30 June 2011 (Unaudited) Income statement	Motor Vehicle *RMB million*	Commercial Property *RMB million*	Cargo *RMB million*	Liability *RMB million*	Accidental Injury and Health *RMB million*	Others *RMB million*	Corporate *RMB million*	Total *RMB million*
Turnover	64,329	7,628	2,256	3,536	2,896	10,799	–	91,444
Net premiums earned	52,670	4,011	1,527	2,270	1,704	3,764	–	65,946
Net claims incurred	(35,693)	(2,244)	(611)	(1,379)	(1,092)	(1,765)	–	(42,784)
Acquisition costs and other underwriting expenses	(8,041)	(1,029)	(318)	(506)	(292)	(106)	–	(10,292)
General and administrative expenses	(5,258)	(593)	(239)	(326)	(299)	(1,219)	–	(7,934)
Underwriting profit	3,678	145	359	59	21	674	–	4,936
Investment income	–	–	–	–	–	8	2,925	2,933
Net realised and unrealised gains/(losses) on investments	–	–	–	–	–	1	(333)	(332)
Investment expenses	–	–	–	–	–	–	(85)	(85)
Interest expenses credited to policyholders' deposits	–	–	–	–	–	(5)	–	(5)
Exchange losses, net	–	–	–	–	–	–	(234)	(234)
Finance costs	–	–	–	–	–	–	(514)	(514)
Sundry income and expenses	–	–	–	–	–	–	8	8
Share of profit of associates	–	–	–	–	–	–	56	56
Profit before tax	3,678	145	359	59	21	678	1,823	6,763
Income tax expense	–	–	–	–	–	–	(1,475)	(1,475)
Profit attributable to owners of the parent	3,678	145	359	59	21	678	348	5,288

3. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2010 (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)	Others *RMB million* (Restated)	Corporate *RMB million* (Restated)	Total *RMB million* (Restated)
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 costs and other underwriting expenses	(10,315)	(762)	(198)	(399)	(188)	(173)	–	(12,035)
General and administrative expenses	(3,728)	(337)	(324)	(270)	(212)	(745)	–	(5,616)
Underwriting profit	1,089	474	143	33	1	178	–	1,918
Investment income	–	–	–	–	–	20	1,776	1,796
Net realised and unrealised gains on investments	–	–	–	–	–	5	60	65
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 of an associate	–	–	–	–	–	–	20	20
Profit before tax	1,089	474	143	33	1	184	1,531	3,455
Income tax expense	–	–	–	–	–	–	(769)	(769)
Profit attributable to owners of the parent	1,089	474	143	33	1	184	762	2,686

3. OPERATING SEGMENT INFORMATION *(continued)*

The segment assets and liabilities as at 30 June 2011 and 31 December 2010 are as follow:

30 June 2011 (Unaudited)	Motor Vehicle *RMB million*	Commercial Property *RMB million*	Cargo *RMB million*	Liability *RMB million*	Accidental Injury and Health *RMB million*	Others *RMB million*	Corporate *RMB million*	Total *RMB million*
Total assets	15,822	5,518	1,480	2,431	2,399	15,759	217,375	260,784
Total liabilities	120,175	13,271	3,559	8,127	5,587	24,084	55,388	230,191

31 December 2010 (Audited)	Motor Vehicle *RMB million*	Commercial Property *RMB million*	Cargo *RMB million*	Liability *RMB million*	Accidental Injury and Health *RMB million*	Others *RMB million*	Corporate *RMB million* (Restated)	Total *RMB million* (Restated)
Total assets	8,437	3,766	1,116	2,063	1,755	11,302	175,118	203,557
Total liabilities	102,689	10,090	2,913	7,086	4,316	18,739	31,118	176,951

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

4. TURNOVER AND NET PREMIUMS EARNED

Turnover represents direct premiums written and reinsurance premiums assumed.

	Unaudited Six months ended 30 June 2011 *RMB million*	Unaudited Six months ended 30 June 2010 *RMB million*
Turnover		
Direct premiums written	91,219	81,406
Reinsurance premiums assumed	225	222
	91,444	81,628
Net premiums earned		
Turnover	91,444	81,628
Less: Reinsurance premiums ceded	(18,216)	(6,630)
Net premiums written	73,228	74,998
Less: Change in net unearned premium reserves	(7,282)	(17,319)
Net premiums earned	65,946	57,679

5. NET CLAIMS INCURRED

	Unaudited Six months ended 30 June 2011 *RMB million*	Unaudited Six months ended 30 June 2010 *RMB million*
Gross claims paid	38,341	33,794
Less: Paid losses recoverable from reinsurers	(3,914)	(3,728)
Net claims paid	34,427	30,066
Change in net loss and loss adjustment expense reserves	8,357	8,044
Net claims incurred	42,784	38,110

6. INVESTMENT INCOME

	Unaudited Six months ended 30 June 2011 *RMB million*	Unaudited Six months ended 30 June 2010 *RMB million*
Rental income from investment properties	93	42
Financial assets at fair value through profit or loss:		
– Held for trading		
Interest income	24	32
Dividend income	17	60
– Designated upon initial recognition		
Interest income	8	8
Available for sale financial assets:		
Interest income	1,428	987
Dividend income	425	231
Held to maturity investments:		
Interest income	269	35
Loans and receivables:		
Interest income	669	401
	2,933	1,796

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

	Unaudited Six months ended 30 June 2011 *RMB million*	Unaudited Six months ended 30 June 2010 *RMB million* (Restated)
Available for sale financial assets:		
Realised gains	90	261
Impairment losses	(337)	–
Financial assets at fair value through profit or loss		
– Held for trading:		
Realised gains/(losses)	(90)	11
Unrealised losses	(15)	(285)
Fair value gains on investment properties	20	37
Profit on deemed disposal of an associate	–	41
	(332)	65

8. FINANCE COSTS

	Unaudited Six months ended 30 June 2011 *RMB million*	Unaudited Six months ended 30 June 2010 *RMB million*
Interest on subordinated debts	396	169
Interest on securities sold under agreements to repurchase	90	19
Other finance costs	28	17
	514	205

9. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting) the following items:

	Unaudited Six months ended 30 June 2011 *RMB million*	Unaudited Six months ended 30 June 2010 *RMB million* (Restated)
Depreciation of property, plant and equipment	534	463
Changes in fair value of investment properties	(20)	(37)
Amortisation of prepaid land premiums	49	51
Charge of impairment loss on insurance receivables	528	273

10. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June 2011 *RMB million*	Unaudited Six months ended 30 June 2010 *RMB million* (Restated)
Current		
– Charge for the period	2,169	860
– Under-provision in prior years	7	11
Deferred	(701)	(102)
	1,475	769

The provision for the PRC income tax is calculated based on the statutory rate of 25% (2010: 25%) in accordance with the relevant PRC income tax rules and regulations.

11. DIVIDEND

	Unaudited Six months ended 30 June 2011 *RMB million*	Unaudited Six months ended 30 June 2010 *RMB million*
Interim dividends on ordinary shares approved (not recognised as a liability as at 30 June) for 2011: RMB0.225 per share (2010: Nil)	2,507	–

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

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the parent of RMB5,288 million for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB2,686 million (restated)) and the 11,142 million (six months ended 30 June 2010: 11,142 million) ordinary shares in issue during the period.

Diluted earnings per share amounts for the six months ended 30 June 2011 and 2010 have not been disclosed as no diluting events existed during these periods.

13. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June 2011 *RMB million*	Unaudited Six months ended 30 June 2010 *RMB million* (Restated)
Cash flow hedges:		
Net gains/(losses) arising during the period	14	(3)
Available for sale financial assets:		
Changes in fair value	(2,002)	(2,135)
Reclassification adjustments for (gains)/losses included in the profit or loss		
– Gains on disposal	(90)	(261)
– Impairment losses	337	–
	(1,755)	(2,396)
Property revaluation:		
Net gains arising during the period	209	687

14. CASH AND CASH EQUIVALENTS

	Unaudited 30 June 2011 *RMB million*	Audited 31 December 2010 *RMB million*
Cash on hand, at amortised cost	–	–
Demand deposits, at amortised cost	17,029	14,823
Securities purchased under resale agreements with original maturity of less than three months, at amortised cost	1,655	50
Deposits with banks and other financial institutions with original maturity of less than three months, at amortised cost	685	2,854
Deposits with banks and other financial institutions with original maturity of more than three months, at amortised cost	33,676	12,315
Structured deposits with banks and other financial institutions:		
– at fair value	194	199
– at amortised cost	920	1,968
	54,159	32,209
Classification of cash and cash equivalents:		
Loans and receivables	53,965	32,010
Designated as fair value through profit or loss financial assets	194	199
	54,159	32,209

15. DEBT SECURITIES

	Unaudited 30 June 2011 *RMB million*	Audited 31 December 2010 *RMB million*
Listed debt securities, at fair value:		
Debt securities issued by governments	2,678	6,148
Debt securities issued by corporate entities	7,329	6,207
	10,007	12,355
Unlisted debt securities, at fair value:		
Debt securities issued by governments	16,836	17,859
Debt securities issued by banks and other financial institutions	34,880	34,046
Debt securities issued by corporate entities	17,979	20,384
	69,695	72,289
Listed debt securities, at amortised cost:		
Debt securities issued by corporate entities	1,280	950
Unlisted debt securities, at amortised cost:		
Debt securities issued by government	2,748	500
Debt securities issued by banks and other financial institutions	15,967	5,333
Debt securities issued by corporate entities	1,140	1,140
	19,855	6,973
	100,837	92,567
Classification of debt securities:		
Fair value through profit or loss – held for trading	1,517	1,678
Available for sale	78,185	82,966
Held to maturity	21,135	7,923
	100,837	92,567

16. EQUITY SECURITIES

	Unaudited 30 June 2011 *RMB million*	Audited 31 December 2010 *RMB million*
Listed equity securities, at fair value:		
Mutual funds	1,429	873
Shares	15,793	11,809
	17,222	12,682
Unlisted equity securities, at fair value:		
Mutual funds	7,911	5,689
Unlisted equity securities, at cost:		
Shares	630	630
	25,763	19,001
Classification of equity securities:		
Fair value through profit or loss – held for trading	1,596	2,019
Available for sale	24,167	16,982
	25,763	19,001

The fair value of unlisted equity investments cannot be measured reliably.

There was a significant and prolonged decline in the market value of certain equity investments during the period. The directors considered that such a decline indicated that the equity investments have been impaired and an impairment loss of RMB337 million (six months ended 30 June 2010: Nil), which included a reclassification from other comprehensive income of RMB337 million (six months ended 30 June 2010: Nil), has been recognised in the income statement for the period.

17. INSURANCE RECEIVABLES, NET

	Unaudited 30 June 2011 *RMB million*	Audited 31 December 2010 *RMB million*
Premiums receivable and agents' balances	10,637	5,399
Receivables from reinsurers	10,854	7,107
	21,491	12,506
Less: Impairment provision on:		
Premiums receivable and agents' balances	(2,502)	(2,035)
Receivables from reinsurers	(200)	(141)
	18,789	10,330

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

	Unaudited 30 June 2011 *RMB million*	Audited 31 December 2010 *RMB million*
On demand	10,985	6,509
Within 1 month	2,807	961
1 to 3 months	2,508	1,518
Over 3 months	2,489	1,342
	18,789	10,330

Included in the insurance receivables is an amount due from a fellow subsidiary of RMB243 million (31 December 2010: RMB238 million), refer to note 33(b).

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 2011			Audited 31 December 2010		
	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	72,445	(11,228)	61,217	60,214	(6,279)	53,935
Loss and loss adjustment expense reserves	72,582	(10,763)	61,819	62,732	(9,270)	53,462
	145,027	(21,991)	123,036	122,946	(15,549)	107,397

19. OTHER FINANCIAL ASSETS AND PREPAYMENTS

Included in the other financial assets and prepayments as at 30 June 2011 was a consideration of RMB588 million (31 December 2010: 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 before 27 December 2009. The Company obtained the said right pursuant to an agreement dated 27 December 2006 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. As at 30 June 2011, the Company was still in negotiation with the shareholder of the securities company to extend the term of the agreement to register as a shareholder. The Company considered there was no impairment to the consideration as the amount will be fully recovered should the said agreement not be extended. The fair value of the right to the equity in the new securities company could not be measured reliably.

20. INVESTMENTS IN ASSOCIATES

The Group's investments in associates as at 30 June are as follows:

	Unaudited 30 June 2011 *RMB million*	Audited 31 December 2010 *RMB million*
PICC Life Insurance Company Limited ("PICC Life")	**1,057**	611
Beijing No. 88 West Chang'an Avenue Development Company Limited	**1,000**	1,000
	2,057	1,611

On 15 June 2011, the Company entered into an agreement, pursuant to which the Company agreed to subscribe for shares with an amount of approximately RMB545 million to increase the share capital of PICC Life. Upon completion of the increase in share capital of PICC Life, the equity interest held by the Company will remain unchanged, representing 8.615% of the enlarged issued share capital of PICC Life. 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 2011, the Group acquired assets with a cost of RMB415 million (six months ended 30 June 2010: RMB187 million).

Assets with a net book value of RMB21 million were disposed of by the Group during the six months ended 30 June 2011 (six months ended 30 June 2010: RMB3 million), resulting in a net profit on disposal of RMB7 million (six months ended 30 June 2010: RMB6 million).

During the six months ended 30 June 2011, there was no transfer between construction in progress and property, plant and equipment (six months ended 30 June 2010: RMB1,369 million).

During the six months ended 30 June 2011, property, plant and equipment, and construction in progress with an aggregate amount of RMB87 million (six months ended 30 June 2010: RMB611 million) was transferred to investment properties.

22. INVESTMENT PROPERTIES

	RMB million
At 1 January 2011	3,940
Transfer from property, plant and equipment and prepaid land premiums	135
Fair value gain on revaluation of investment properties transferred from property, plant and equipment and prepaid land premiums	209
Increase in fair value of investment properties during the period	20
At 30 June 2011	4,304

22. INVESTMENT PROPERTIES *(continued)*

As per note 2.2, the Group changed its accounting policies for subsequent measurement of investment properties from the cost model to the fair value model retrospectively, restating the comparative balances. The fair values were determined based on the valuation carried out by an external independent valuer.

The Group's investment properties were revalued as at 31 December 2009, 30 June 2010, 31 December 2010 and 30 June 2011 by an independent professional valuer, DTZ DEBENHAM TIE LEUNG Limited. Valuations were based on either: (i) direct comparison approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market; or (ii) capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

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

Rental income generated from these investment properties amounting to RMB93 million (six months ended 30 June 2010: RMB42 million) was recognised in the income statement for the period.

At 30 June 2011 and 31 December 2010, none of the Group's investment properties was pledged to secure general banking facilities granted to the Group.

23. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	Unaudited **30 June 2011** ***RMB million***	Audited 31 December 2010 *RMB million*
Reinsurance payables	**19,315**	10,555

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

Included in the reinsurance payables is an amount due to a fellow subsidiary of RMB334 million (31 December 2010: RMB483 million), refer to note 33(b).

24. POLICYHOLDERS' DEPOSITS

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

	Unaudited **30 June 2011** ***RMB million***	Audited 31 December 2010 *RMB million*
Interest-bearing deposits	**485**	484
Non-interest-bearing deposits	**1,987**	2,033
	2,472	2,517

25. 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.

On 3 June 2011, 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 5.38% per annum in the first five years and a rate of 7.38% per annum in the remaining years. The Company has an option to redeem the subordinated debts at the end of the first five years.

26. ISSUED CAPITAL

	Unaudited **30 June 2011** ***RMB million***	Audited 31 December 2010 *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

27. NON-CONTROLLING INTERESTS

	Unaudited **30 June 2011** ***RMB Yuan***	Audited 31 December 2010 *RMB Yuan*
Non-controlling interests	**20,221**	21,553

	Unaudited **Six months ended** **30 June 2011** ***RMB Yuan***	Unaudited Six months ended 30 June 2010 *RMB Yuan*
Net loss attributable to Non-controlling interests	**(1,332)**	(1)

28. 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).

Financial assets measured at fair value

As at 30 June 2011 (Unaudited)	**Level 1** ***RMB million***	**Level 2** ***RMB million***	**Total** ***RMB million***
Financial assets held for trading			
Equity securities	**1,596**	**–**	**1,596**
Debt securities	**364**	**1,153**	**1,517**
Derivative financial assets			
Interest rate swap contracts	**–**	**20**	**20**
Available for sale financial assets			
Equity securities	**23,537**	**–**	**23,537**
Debt securities	**9,644**	**68,541**	**78,185**
	35,141	**69,714**	**104,855**

As at 31 December 2010 (Audited)	Level 1 *RMB million*	Level 2 *RMB million*	Total *RMB million*
Financial assets held for trading			
Equity securities	2,019	–	2,019
Debt securities	389	1,289	1,678
Derivative financial assets			
Interest rate swap contracts	–	6	6
Available for sale financial assets			
Equity securities	16,352	–	16,352
Debt securities	11,966	71,000	82,966
	30,726	72,295	103,021

There was no fair value measurement in Level 3 as at 30 June 2011 (31 December 2010: Nil).

During the six months ended 30 June 2011, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (six months ended 30 June 2010: Nil).

The Group did not have any financial liabilities measured at fair value as at 30 June 2011 (31 December 2010: Nil).

29. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

A remaining contractual maturity analysis for certain financial assets and liabilities based on undiscounted contractual cash flows are presented below:

30 June 2011 (Unaudited)

	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	17,027	2,740	5,113	17,278	20,679	62,837
Derivative financial assets	–	2	5	13	–	20
Debt securities:						
– Available for sale	–	3,167	6,128	45,221	41,835	96,351
– Fair value through profit or loss	–	106	268	959	219	1,552
– Held to maturity	–	39	709	4,125	37,642	42,515
Reinsurance assets	–	3,765	13,766	3,961	657	22,149
Capital security fund	–	602	1,020	687	–	2,309
Liabilities:						
Payables to reinsurers	4,202	9,201	5,723	182	7	19,315
Insurance contract liabilities	–	33,943	83,004	25,261	3,146	145,354
Policyholders' deposits	261	–	425	2	1,784	2,472
Subordinated debts	–	215	667	3,594	24,267	28,743

31 December 2010 (Audited)

	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	14,901	6,979	3,051	5,618	3,372	33,921
Derivative financial assets	–	–	4	2	–	6
Debt securities:						
– Available for sale	–	1,656	13,920	44,953	39,163	99,692
– Fair value through profit or loss	–	1	727	603	399	1,730
– Held to maturity	–	15	220	1,418	9,930	11,583
Reinsurance assets	–	2,729	8,706	3,851	416	15,702
Capital security fund	–	301	1,317	705	–	2,323
Liabilities:						
Payables to reinsurers	2,953	7,152	325	122	3	10,555
Insurance contract liabilities	–	21,490	77,356	22,503	1,904	123,253
Policyholders' deposits	306	–	143	278	1,790	2,517
Subordinated debts	–	2	818	2,880	17,136	20,836

30. CONTINGENT LIABILITIES

There were certain outstanding litigation matters against the Group as at 30 June 2011. The management of the Company believes such litigation matters will not cause significant losses to the Group.

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.

31. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group leases its investment properties (note 22) under operating lease arrangements, with leases negotiated for terms ranging from two to twenty years.

Future minimum lease receivables under non-cancellable operating leases are as follows:

	Unaudited 30 June 2011 *RMB million*	Audited 31 December 2010 *RMB million*
Within one year	139	143
In the second to fifth years, inclusive	341	249
After five years	37	95
	517	487

(b) As lessee

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.

Future minimum lease payments under non-cancellable operating leases are as follows:

	Unaudited 30 June 2011 *RMB million*	Audited 31 December 2010 *RMB million*
Within one year	66	155
In the second to fifth years, inclusive	123	164
After five years	45	63
	234	382

32. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group had the following capital commitments at the end of the reporting period:

	Unaudited 30 June 2011 *RMB million*	Audited 31 December 2010 *RMB million*
Contracted, but not provided for:		
Property, plant and equipment	254	325
Authorised, but not contracted for:		
Property, plant and equipment	4	–
	258	325

33. RELATED PARTY TRANSACTIONS

(a) Material transactions with related parties

	Unaudited Six months ended 30 June 2011 *RMB million*	Unaudited Six months ended 30 June 2010 *RMB million*
Transactions with the holding company:		
Transfer of unlisted debts	–	975
Transactions with fellow subsidiaries:		
Property rental expenses	72	75
Property rental income	1	1
Management fee	59	51
Premiums ceded	266	179
Reinsurance commission income	88	62
Paid losses recoverable from reinsurers	118	10
Reinsurance premiums assumed	–	2
Gross claims paid-reinsurance	–	1
Transactions with associates:		
Share subscribed	545	–
Commission income received	5	11
Commission expenses paid	36	11

33. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balances with related parties

	Receivables from reinsurers		Due from related parties		Payables from reinsurers		Due to related parties	
	Unaudited 30 June 2011 *RMB million*	Audited 31 December 2010 *RMB million*	Unaudited 30 June 2011 *RMB million*	Audited 31 December 2010 *RMB million*	Unaudited 30 June 2011 *RMB million*	Audited 31 December 2010 *RMB million*	Unaudited 30 June 2011 *RMB million*	Audited 31 December 2010 *RMB million*
The PICC Group	–	–	186	139	–	–	–	–
Fellow subsidiaries (notes 17, 23)	243	238	28	8	334	483	92	95
Associates	–	–	–	1	–	–	–	–
	243	238	214	148	334	483	92	95

34. EVENTS AFTER THE BALANCE SHEET DATE

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

35. COMPARATIVE FIGURES

As further explained in note 2.2 to the interim condensed consolidated financial statements, due to the change in accounting policies in relation to the subsequent measurement of investment properties, the Group has revised the accounting treatment and presentation of certain items and balances in these financial statements to comply with the new accounting policies. Accordingly, certain prior period adjustments have been made and certain comparative amounts have been reclassified and restated to conform to the current period's presentation and accounting treatment.

36. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 12 August 2011.

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF
PICC PROPERTY AND CASUALTY COMPANY LIMITED
(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 30, which comprise the interim consolidated statement of financial position of PICC Property and Casualty Company Limited and its subsidiaries as at 30 June 2011 and the related interim 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 accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
12 August 2011

OVERVIEW

In the first half of 2011, the Company achieved a steady business growth, significantly improved profitability and maintained an ample cash flow, and continued to maintain its leading position in the non-life insurance market in the PRC. In the first half of 2011, the turnover of the Company and its subsidiaries increased by 12.0% to RMB91,444 million compared to the first half of 2010. The Company had a 37.3% *(Note)* market share in the non-life insurance market in the PRC. In the first half of 2011, the Company and its subsidiaries recorded an underwriting profit of RMB4,936 million, representing a significant increase of RMB3,018 million compared to, and 2.57 times that of, the same period of last year, a combined ratio of 92.5%, representing a decline of 4.2 percentage points compared to the same period of last year, and a net profit of RMB5,288 million, representing a significant increase of RMB2,602 million compared to, and 1.97 times that of, the same period of last year. As at 30 June 2011, the total assets and shareholders' equity of the Company and its subsidiaries reached RMB260,784 million and RMB30,593 million respectively, representing an increase of 28.1% and 15.0% respectively compared to the end of last year.

Note: Calculated according to the PRC insurance industry data for the first half of 2011 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			
	2011		2010 (Restated)	
	RMB million	**%**	*RMB million*	%
Net premiums earned	**65,946**	**100.0**	57,679	100.0
Net claims incurred	**(42,784)**	**(64.9)**	(38,110)	(66.1)
Total expenses (including acquisition costs and other underwriting expenses and general and administrative expenses)	**(18,226)**	**(27.6)**	(17,651)	(30.6)
Underwriting profit	**4,936**	**7.5**	1,918	3.3

TURNOVER

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
Motor vehicle insurance	**64,329**	58,846
Commercial property insurance	**7,628**	6,937
Liability insurance	**3,536**	3,080
Accidental injury and health insurance	**2,896**	2,129
Cargo insurance	**2,256**	1,992
Other insurance	**10,799**	8,644
Total	**91,444**	81,628

Turnover of the Company and its subsidiaries was RMB91,444 million in the first half of 2011, representing an increase of RMB9,816 million (or 12.0%) from RMB81,628 million in the first half of 2010. Apart from the driving effects of the motor vehicle insurance segment, the steady growth in the overall business also benefited from the rapid growth in the liability insurance, accidental injury and health insurance and cargo insurance segments as well as agriculture insurance under the other insurance segment.

In response to the changes in the production and sales volumes of automobiles in the domestic market, the Company strengthened its effort in market development and actively explored emerging channels in the first half of 2011. Turnover of the motor vehicle insurance segment of the Company and its subsidiaries was RMB64,329 million in the first half of 2011, representing an increase of RMB5,483 million (or 9.3%) from RMB58,846 million in the first half of 2010.

Turnover of the liability insurance segment of the Company and its subsidiaries was RMB3,536 million in the first half of 2011, representing an increase of RMB456 million (or 14.8%) from RMB3,080 million in the first half of 2010. The key promoted products of the Company, such as the safety production liability insurance and travel liability insurance, experienced significant progress in their development.

Turnover of the accidental injury and health insurance segment of the Company and its subsidiaries was RMB2,896 million in the first half of 2011, representing an increase of RMB767 million (or 36.0%) from RMB2,129 million in the first half of 2010. In the first half of 2011, the Company fully utilised its motor vehicle insurance customer resources to promote the rapid development of the business of accident insurance for motor vehicle drivers, and actively developed the supplementary medical insurance for urban and town employees and residents to promote the growth of health insurance business.

Turnover of the cargo insurance segment of the Company and its subsidiaries was RMB2,256 million in the first half of 2011, representing an increase of RMB264 million (or 13.3%) from RMB1,992 million in the first half of 2010. During the first half of 2011, the rise in both the trading volume and price in the domestic railway freight market and the substantial increase in the total value of imported goods had been driving the rapid development of railway cargo insurance and import cargo insurance.

During the first half of 2011, the scope of subsidised crops and regions covered by state financial supported agriculture insurance continued to expand, and local governments had constantly increased their support for state financial supported forest insurance. As a result, the turnover of agriculture insurance under the other insurance segment of the Company and its subsidiaries regained the momentum of rapid growth.

NET PREMIUMS EARNED

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
Motor vehicle insurance	**52,670**	46,358
Commercial property insurance	**4,011**	3,295
Liability insurance	**2,270**	1,972
Accidental injury and health insurance	**1,704**	1,226
Cargo insurance	**1,527**	1,343
Other insurance	**3,764**	3,485
Total	**65,946**	57,679

Net premiums earned of the Company and its subsidiaries was RMB65,946 million in the first half of 2011, representing an increase of RMB8,267 million (or 14.3%) from RMB57,679 million in the first half of 2010.

NET CLAIMS INCURRED

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

	Six months ended 30 June			
	2011		2010	
	Net claims incurred *RMB million*	Loss ratio %	Net claims incurred *RMB million*	Loss ratio %
Motor vehicle insurance	(35,693)	(67.8)	(31,226)	(67.4)
Commercial property insurance	(2,244)	(55.9)	(1,722)	(52.3)
Liability insurance	(1,379)	(60.7)	(1,270)	(64.4)
Accidental injury and health insurance	(1,092)	(64.1)	(825)	(67.3)
Cargo insurance	(611)	(40.0)	(678)	(50.5)
Other insurance	(1,765)	(46.9)	(2,389)	(68.6)
Total	(42,784)	(64.9)	(38,110)	(66.1)

Net claims incurred of the Company and its subsidiaries was RMB42,784 million in the first half of 2011, representing an increase of RMB4,674 million (or 12.3%) from RMB38,110 million in the first half of 2010. Loss ratio decreased by 1.2 percentage points from 66.1% in the first half of 2010 to 64.9% in the first half of 2011, primarily due to the decline in the loss ratios for the liability insurance, accidental injury and health insurance, cargo insurance segments and agriculture insurance under the other insurance segment.

Net claims incurred of the motor vehicle insurance segment of the Company and its subsidiaries was RMB35,693 million in the first half of 2011, representing an increase of RMB4,467 million (or 14.3%) from RMB31,226 million in the first half of 2010. Loss ratio basically remained at the same level compared to the same period of last year.

Net claims incurred of the commercial property insurance segment of the Company and its subsidiaries was RMB2,244 million in the first half of 2011, representing an increase of RMB522 million (or 30.3%) from RMB1,722 million in the first half of 2010. Loss ratio increased from 52.3% in the first half of 2010 to 55.9% in the first half of 2011 due to the effects of a few large-value claims incurred in the first half of 2011.

Net claims incurred of the liability insurance segment of the Company and its subsidiaries was RMB1,379 million in the first half of 2011, representing an increase of RMB109 million (or 8.6%) from RMB1,270 million in the first half of 2010. Loss ratio decreased from 64.4% in the first half of 2010 to 60.7% in the first half of 2011, primarily due to the continually improved underwriting conditions and enhanced underwriting quality of liability insurance provided by the Company and its subsidiaries.

Net claims incurred of the accidental injury and health insurance segment of the Company and its subsidiaries was RMB1,092 million in the first half of 2011, representing an increase of RMB267 million (or 32.4%) from RMB825 million in the first half of 2010. Loss ratio decreased from 67.3% in the first half of 2010 to 64.1% in the first half of 2011. The Business Operation Standards for Accidental Injury Insurance began to be implemented last year, and the Company and its subsidiaries enhanced the risk identification and centralised management and control in the underwriting process and at the same time strengthened moral risk prevention. As a result, there was a decline in the loss ratios for the accident insurance for motor vehicle drivers and construction accident insurance provided by the Company and its subsidiaries.

Net claims incurred of the cargo insurance segment of the Company and its subsidiaries was RMB611 million in the first half of 2011, representing a decrease of RMB67 million (or -9.9%) from RMB678 million in the first half of 2010. Loss ratio for the cargo insurance segment of the Company and its subsidiaries decreased by 10.5 percentage points in the first half of 2011 compared to the same period of last year, primarily due to the effects of a few large-value claims incurred in the first half of 2010.

There was a decline in the loss ratio for agriculture insurance under the other insurance segment of the Company and its subsidiaries in the first half of 2011, primarily due to the efforts of the Company in recent years to strengthen risk management and control, enlarge the underwriting coverage and further improve the quality of business.

TOTAL EXPENSES

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

	Six months ended 30 June			
	2011		2010 (Restated)	
	Total expenses *RMB million*	Expense ratio %	Total expenses *RMB million*	Expense ratio %
Motor vehicle insurance	(13,299)	(25.2)	(14,043)	(30.3)
Commercial property insurance	(1,622)	(40.4)	(1,099)	(33.4)
Liability insurance	(832)	(36.7)	(669)	(33.9)
Accidental injury and health insurance	(591)	(34.7)	(400)	(32.6)
Cargo insurance	(557)	(36.5)	(522)	(38.9)
Other insurance	(1,325)	(35.2)	(918)	(26.3)
Total	(18,226)	(27.6)	(17,651)	(30.6)

In the first half of 2011, the total expenses of the Company and its subsidiaries was RMB18,226 million, representing an increase of RMB575 million (or 3.3%) from RMB17,651 million in the first half of 2010. The total expenses increased at a rate slower than the pace of business growth for the same period. The first half of 2011 witnessed the further regulation of the order in the domestic property insurance market and the effective control of the promotional and management costs of market players. The Company and its subsidiaries continued to strengthen the category-based management of businesses and make steady progress in differentiated allocation of expenses and resources. As a result, the expense ratio decreased from 30.6% in the first half of 2010 to 27.6% in the first half of 2011.

UNDERWRITING PROFIT

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

	Six months ended 30 June			
	2011		2010 (Restated)	
	Underwriting profit	Underwriting profit ratio	Underwriting profit	Underwriting profit ratio
	RMB million	%	*RMB million*	%
Motor vehicle insurance	3,678	7.0	1,089	2.3
Commercial property insurance	145	3.6	474	14.4
Liability insurance	59	2.6	33	1.7
Accidental injury and health insurance	21	1.2	1	0.1
Cargo insurance	359	23.5	143	10.6
Other insurance	674	17.9	178	5.1
Total	4,936	7.5	1,918	3.3

In the first half of 2011, the external market environment continued to improve, and the Company continued to deepen its reforms and transformations, achieved a high quality and steady growth of business and has entered a high-speed track of healthy development. The underwriting profit of the Company and its subsidiaries was RMB4,936 million in the first half of 2011, 2.57 times that of the same period of last year, with the underwriting profit ratio reaching 7.5%.

INVESTMENT RESULTS

Investment income

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
Rental income from investment properties	93	42
Interest income	2,398	1,463
Dividend income	442	291
Total of investment income	2,933	1,796

Investment income of the Company and its subsidiaries was RMB2,933 million in the first half of 2011, representing an increase of RMB1,137 million from RMB1,796 million in the first half of 2010. Particularly, the interest income increased by RMB935 million and the dividend income increased by RMB151 million compared to the same period of last year, primarily due to the enlarged amount of investment assets of the Company and its subsidiaries.

Net realised and unrealised gains/(losses) on investments

	Six months ended 30 June 2011 RMB million	2010 (Restated) RMB million
Realised gains on investments	–	272
Unrealised losses on investments	(15)	(285)
Impairment losses	(337)	–
Fair value gains on investment properties	20	37
Profit on deemed disposal of an associate	–	41
Total of net realised and unrealised gains/(losses) on investments	(332)	65

In the first half of 2011, a period when the capital market remained volatile, net realised and unrealised losses on investments of the Company and its subsidiaries amounted to RMB332 million, representing a decrease of RMB397 million from net gains of RMB65 million in the first half of 2010. This was primarily due to a decrease of RMB171 million in realised gains on investments in available for sale financial assets compared to the same period of last year, and the provision for impairment losses on investments in available for sale equity securities according to the changes in their market values.

OVERALL RESULTS

	Six months ended 30 June 2011 RMB million	2010 (Restated) RMB million
Profit before tax	6,763	3,455
Income tax expense	(1,475)	(769)
Profit attributable to owners of the parent	5,288	2,686
Total assets *(Note)*	260,784	203,557

Note: Based on the data as of 30 June 2011 and 31 December 2010.

PROFIT BEFORE TAX

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB6,763 million in the first half of 2011, representing an increase of RMB3,308 million from RMB3,455 million in the first half of 2010.

INCOME TAX EXPENSE

Income tax expense of the Company and its subsidiaries was RMB1,475 million in the first half of 2011, representing an increase of RMB706 million from RMB769 million in the first half of 2010. 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 2011.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the foregoing, there was a significant increase in the overall profit of the Company and its subsidiaries in the first half of 2011, and net profit increased by RMB2,602 million from RMB2,686 million (restated) in the first half of 2010 to RMB5,288 million in the first half of 2011. Basic earnings per share attributable to ordinary equity holders of the parent in the first half of 2011 was RMB0.475.

CASH FLOW

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million*
Net cash inflow from operating activities	**18,633**	19,406
Net cash outflow from investing activities	**(36,906)**	(19,297)
Net cash inflow from financing activities	**19,915**	5,120
Net increase in cash and cash equivalents	**1,642**	5,229

Net cash inflow from operating activities of the Company and its subsidiaries was RMB18,633 million in the first half of 2011, representing a decrease of RMB773 million from RMB19,406 million in the first half of 2010.

In the first half of 2011, 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 RMB36,906 million in the first half of 2011, representing an increase of RMB17,609 million compared to the first half of 2010. Particularly, deposits with banks and other financial institutions with original maturity of more than three months resulted in a cash outflow of RMB26,000 million, representing an increase of RMB18,166 million compared to the same period of last year.

Net cash inflow from financing activities of the Company and its subsidiaries was RMB19,915 million in the first half of 2011, representing an increase of RMB14,795 million compared to the first half of 2010. Particularly, cash inflow from investments in securities sold under agreements to repurchase was RMB15,442 million, representing an increase of RMB13,670 million compared to the same period of last year.

As of 30 June 2011, cash and cash equivalents *(Note)* of the Company and its subsidiaries amounted to RMB19,369 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 2011, June 2010, September 2009 and December 2006, the Company issued fixed-rate subordinated term debts of RMB5,000 million, 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

On 15 June 2011, the Company entered into an agreement agreeing to make an additional capital contribution of approximately RMB545 million to PICC Life. Upon completion of the capital increase of PICC Life, the Company's shareholding in PICC Life remains unchanged, accounting for 8.615% of the enlarged issued share capital of PICC Life.

CAPITAL EXPENDITURE

The capital expenditure of the Company and its subsidiaries has primarily been for operational properties under construction and acquisition of motor vehicles for business needs as well as development of information system. Capital expenditure of the Company and its subsidiaries was RMB621 million in the first half of 2011.

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 RMB20,266 million on 30 June 2011. The Company's actual solvency margin calculated pursuant to the regulations of the CIRC was RMB32,211 million and the solvency margin adequacy ratio was 159% *(Note)*.

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

GEARING RATIO

As of 30 June 2011, the gearing ratio *(Note)* of the Company and its subsidiaries was 80.9%, representing an increase of 0.9 percentage point from 80.0% as of 31 December 2010.

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

CONTINGENT LIABILITIES

There were certain outstanding litigation matters against the Company and its subsidiaries as at 30 June 2011. The management of the Company believes such litigation matters will not cause significant losses to the Company and its subsidiaries.

Owing to the nature of the insurance business, the Company and its subsidiaries are involved in legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the insurance policies of the Company and its subsidiaries, and some losses arising therefrom may 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.

EVENTS AFTER THE BALANCE SHEET DATE

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

CREDIT RISK

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

The Company and its subsidiaries are committed to credit sales only to corporate customers or individual customers purchasing certain policies via insurance intermediaries. The ability to collect premiums on a timely manner remains one of the key performance indicators of the Company. The Company's premiums receivable involves a large number of diversified customers, therefore there are no major credit concentration risks in relation to insurance 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 agencies (such as A.M. Best, Fitch and Moody's) or above. The management of the Company and its subsidiaries review the creditworthiness of the reinsurance companies in order to update the reinsurance strategies of, and determine reasonable impairment provision for reinsurance assets of, the Company and its subsidiaries, on a regular basis.

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

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

EXCHANGE RATE RISK

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

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

INTEREST RATE RISK

Interest rate risk means the risks of changes in the values or future cash flows of financial instruments as a result of changes in market interest rates. The Company and its subsidiaries primarily invest in financial assets with a term ranging from four to five years based on the assessment of the future trend in interest rates and risk tolerance of the Company and its subsidiaries.

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 2011, the interest rate swap contracts held by the Company had a total notional amount of RMB2,230 million.

DEVELOPMENT OF NEW PRODUCTS

In the first half of 2011, the Company further strengthened the development and management of products, and pursued innovation while ensuring legal compliance to maximise the role of products in promoting the healthy development of the Company's business. In the first half of 2011, the Company developed and improved a total of 87 insurance products including 24 national products and 63 regional products. In the first half of 2011, the Company submitted a total of 195 insurance provisions and premium rates to the insurance regulatory authority for approval and filing, which consisted of 68 national provisions and premium rates and 127 regional provisions and premium rates as well as 75 main-insurance provisions and premium rates and 120 rider provisions and premium rates. As of 30 June 2011, the Company had 3,381 national provisions and 1,510 regional provisions in use and operation.

EMPLOYEES

As of 30 June 2011, the Company had 135,158 employees, among which the number of employees with labor contracts of the Company's headquarters version was 60,952. Staff remuneration payment by the Company and its subsidiaries in the first half of 2011 was RMB6,906 million, which mainly included basic salaries, performance-related bonus, and various insurances and benefits contributed in accordance with the relevant PRC regulations. The Company and its subsidiaries enhanced the performance and work efficiency of employees by, among others, providing various career development paths, strengthening personnel training and the implementation of performance appraisal. The Company is of the view that the Company and its subsidiaries maintain a good relationship with their employees.

LOOKING FORWARD

In the second half of 2011, the Company will, in the process of carrying out its overall strategic blueprint and promoting its reforms and transformations, manage appropriately the relationships between external strategic planning and internal growth mechanism building, between the implementation of phased competitive strategies and overall strategies, between the quality of growth and the market share, between national and provincial centralised platforms, and between the platform structure and the process mechanism.

In the second half of 2011, the Company will strictly comply with time requirements, place emphasis on the effectiveness of work, and further deepen its reforms and transformations to ensure the full accomplishment of all the annual operating objectives and tasks: unswervingly carry out high-priority projects to lay a solid foundation for the Company's reforms and transformations; continue to promote profitable development and fully consolidate and enhance the Company's market leadership; apply a multi-pronged approach to strengthen cost management and control and successfully achieve the full-year profit targets; always adhere to staying people-oriented and continue to enhance the effectiveness of the human resources management of the Company; and unremittingly strengthen compliance management to ensure the sound operations of the Company.

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 of Hong Kong ("SFO") as at 30 June 2011 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 (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").

CHANGES IN DIRECTORATE AND SUPERVISORY COMMITTEE

Changes in the members of the Board from 1 January 2011 to the date of this interim report are as follows:

At the shareholders' special general meeting of the Company convened on 17 January 2011, Mr Wu Yan and Mr Wang Yincheng were re-elected as Executive Directors, Mr Guo Shengchen and Mr Wang He were appointed as Executive Directors, Mr Zhou Shurui, Mr Li Tao and Mr Tse Sze-Wing, Edmund were re-elected as Non-executive Directors, Ms Yu Xiaoping was appointed as a Non-executive Director, and Mr Ip Shu Kwan, Stephen and Mr Liao Li were appointed as Independent Non-executive Directors, each for a term of three years with effect from the date of the shareholders' special general meeting. On the same day, the Board of Directors re-elected Mr Wu Yan as the Chairman of the Board and Mr Wang Yincheng as the Vice Chairman of the Board. Mr Lu Zhengfei retired as an Independent Non-executive Director on the same day.

On the date of this interim report, the Board comprises:

Mr Wu Yan *(Chairman of the Board, Executive Director)*
Mr Wang Yincheng *(Vice Chairman of the Board, Executive Director)*
Mr Guo Shengchen *(Executive Director)*
Mr Wang He *(Executive Director)*
Mr Zhou Shurui *(Non-executive Director)*
Ms Yu Xiaoping *(Non-executive Director)*
Mr Li Tao *(Non-executive Director)*
Mr Tse Sze-Wing, Edmund *(Non-executive Director)*
Mr Luk Kin Yu, Peter *(Independent Non-executive Director)*
Mr Ding Ningning *(Independent Non-executive Director)*
Mr Ip Shu Kwan, Stephen *(Independent Non-executive Director)*
Mr Liao Li *(Independent Non-executive Director)*

Changes in the members of the Supervisory Committee of the Company from 1 January 2011 to the date of this interim report are as follows:

At the shareholders' special general meeting of the Company convened on 17 January 2011, Mr Zhou Liqun and Mr Lu Zhengfei were appointed as a Supervisor and an Independent Supervisor respectively, and Mr Sheng Hetai was re-elected as a Supervisor, each for a term of three years with effect from the date of the shareholders' special general meeting. Ms Qu Yonghuan and Mr Shen Ruiguo were elected at the meeting of the representatives of employees of the Company as Supervisors Representing Employees, with the same term of office as the aforesaid Supervisors. On the same day, the Supervisory Committee elected Mr Zhou Liqun as the Chairman of the Supervisory Committee. Mr Ding Yunzhou and Mr He Bangshun retired as Supervisors of the Company, and Mr Li Dianjun retired as an Independent Supervisor of the Company on the same day.

CHANGES IN DIRECTORATE AND SUPERVISORY COMMITTEE *(continued)*

On the date of this interim report, the Supervisory Committee of the Company comprises:

Mr Zhou Liqun *(Chairman of the Supervisory Committee)*
Mr Lu Zhengfei *(Independent Supervisor)*
Mr Sheng Hetai *(Supervisor)*
Ms Qu Yonghuan *(Supervisor Representing Employees)*
Mr Shen Ruiguo *(Supervisor Representing Employees)*

CHANGES IN THE INFORMATION ON DIRECTORS AND SUPERVISORS

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

Mr Ip Shu Kwan, Stephen, Independent Non-executive Director of the Company, is also an Independent Non-executive Director of Kingboard Laminates Holdings Limited and Milan Station Holdings Limited, respectively. The above two companies are listed on the Hong Kong Stock Exchange.

There has been no change in the information on the supervisors of the Company from 1 January 2011 to the date of this interim report that is required to be disclosed under Rule 13.51B(1) of the Listing Rules.

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 2011.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

As at 30 June 2011, 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, 3)*	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
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%
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 *(Notes 2, 3)*	Beneficial owner	562,549,380	Long position	16.28%	5.05%
Commerce and Industry Insurance Company *(Note 3)*	Beneficial owner	330,911,400	Long position	9.58%	2.97%
Lexington Insurance Company *(Note 3)*	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 is now known as Chartis Property Casualty Company.

3. Birmingham Fire Insurance Company of Pennsylvania, Commerce and Industry Insurance Company and Lexington Insurance Company are the controlled corporations of AIG. AIG directly owns 100% shareholding in each of Birmingham Fire Insurance Company of Pennsylvania and Commerce and Industry Insurance Company, and indirectly owns 70% shareholding in Lexington Insurance Company.

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 2011 that are required to be recorded in the register kept under section 336 of the SFO.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of RMB0.225 (inclusive of applicable tax) ("Interim Dividend") per share for the six months ended 30 June 2011. The Interim Dividend will be paid to the shareholders whose names appear on the register of members of the Company on 7 September 2011 (Wednesday). Interim Dividend on H shares will be paid in Hong Kong dollars. The applicable exchange rate for calculating the amount of Interim Dividend on H shares is HK$1=RMB0.82304, being the average middle exchange rate of Hong Kong dollars to Renminbi on the interbank foreign exchange market as announced by the China Foreign Exchange Trade System under the authorisation of the People's Bank of China for the calendar week prior to the date of declaration of the Interim Dividend. Accordingly, the amount of the Interim Dividend per H share is HK$0.27338 (inclusive of applicable tax), the payment of which is expected to be made on or about 31 October 2011.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of shareholders who will be entitled to receive the Interim Dividend, the register of members of the Company will be closed from 2 September 2011 (Friday) to 7 September 2011 (Wednesday), 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 7 September 2011 (Wednesday) will be entitled to receive the Interim Dividend. In order for holders of H shares to qualify for the Interim Dividend payment, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 1 September 2011 (Thursday) for registration.

WITHHOLDING AND PAYMENT OF INTERIM DIVIDEND INCOME TAX

Withholding and Payment of Enterprise Income Tax on behalf of Overseas Non-Resident Enterprises

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementing rules, the Company will withhold and pay enterprise income tax at the rate of 10% when it distributes Interim Dividend to non-resident enterprise holders of H shares (including any H shares registered in the name of HKSCC Nominees Limited).

Withholding and Payment of Individual Income Tax on behalf of Overseas Individual Shareholders

Pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementing rules as well as the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No.124) (《國家稅務總局關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知》(國稅發[2009]124號)) (the "Tax Notice"), the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on behalf of individual holders of H shares who are entitled to receive the Interim Dividend ("Individual H Shareholders"):

- For Individual H Shareholders who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholders in the distribution of Interim Dividend;

WITHHOLDING AND PAYMENT OF INTERIM DIVIDEND INCOME TAX *(continued)*

Withholding and Payment of Individual Income Tax on behalf of Overseas Individual Shareholders (continued)

- For Individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholders in the distribution of Interim Dividend. If relevant Individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Company will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Notice. Qualified shareholders please submit in time a letter of entrustment and all application materials as required under the Tax Notice to the Company's H share registrar, Computershare Hong Kong Investor Services Limited. The Company will then submit the above documents to competent tax authorities and, after their examination and approval, the Company will assist in refunding the excess amount of tax withheld and paid;

- For Individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of the Individual H Shareholders in the distribution of Interim Dividend; and

- For Individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the Individual H Shareholders in the distribution of Interim Dividend.

Should the H shareholders of the Company have any doubt as to the aforesaid arrangements, they are recommended to consult their tax advisors on the relevant tax impact in Mainland China, Hong Kong and other countries (regions) on the possession and disposal of H shares of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities in the first half of 2011.

CORPORATE GOVERNANCE

Save for one of the requirements under the code provision A.4.2 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "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 2011.

CORPORATE GOVERNANCE *(continued)*

The term of directorship of Mr Wu Yan, Mr Wang Yincheng, Mr Tse Sze-Wing, Edmund, Mr Lu Zhengfei, Mr Zhou Shurui and Mr Li Tao should have expired respectively during the period from the second half of 2009 to the first half of 2010. In accordance with the provisions of the Company Law of the People's Republic of China (the "Company Law"), where a company has not yet re-elected a director upon the expiry of his/her term of office or the number of directors is less than the required quorum due to the resignation of a director, the existing director shall continue to serve as a director until the newly elected director commences his/her term of office. Accordingly, the Directors mentioned above continued to serve as Directors until the assumption of office of the third session of the Board. The Company elected the third session of the Board on 17 January 2011. As a result, the Company failed to comply with the requirement that each director shall be subject to retirement by rotation at least once every three years as set out in the code provision A.4.2 of the Code on Corporate Governance Practices during the period from 6 July 2009 to 16 January 2011. The Company complied with such requirement from 17 January 2011 until 28 April 2011. The term of directorship of Mr Luk Kin Yu, Peter should have expired on 28 April 2011. Pursuant to the above provisions of the Company Law, Mr Luk Kin Yu, Peter has continued to serve as a Director until the newly elected director commences his/her term of office. As a result, the Company failed to comply with the requirement that each director shall be subject to retirement by rotation at least once every three years as set out in the code provision A.4.2 of the Code on Corporate Governance Practices during the period from 29 April 2011 to the date of this interim report.

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 2011.

By Order of the Board
Wu Yan
Chairman

Beijing, the PRC
12 August 2011