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 2012

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

Contents

Interim Consolidated Income Statement

For the six months ended 30 June 2012

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

	Note	**Unaudited Six months ended 30 June 2012** ***RMB million***	Unaudited Six months ended 30 June 2011 *RMB million*
PROFIT FOR THE PERIOD		**6,534**	5,288
OTHER COMPREHENSIVE INCOME			
Net movement in cash flow hedges	13	**3**	14
Income tax effect		**(1)**	(4)
		2	10
Net gains/(losses) on available-for-sale financial assets	13	**2,254**	(1,755)
Income tax effect		**(564)**	439
		1,690	(1,316)
Gains on investment property revaluation	13	**128**	209
Income tax effect		**(32)**	(52)
		96	157
Share of other comprehensive income of associates		**239**	(152)
Other comprehensive income for the period, net of tax		**2,027**	(1,301)
Total comprehensive income for the period attributable to owners of the parent		**8,561**	3,987

Interim Consolidated Statement of Financial Position

30 June 2012

	Notes	Unaudited 30 June 2012 *RMB million*	Audited 31 December 2011 *RMB million*
ASSETS			
Cash and cash equivalents	14	67,618	58,638
Derivative financial assets		54	51
Debt securities	15	93,808	98,062
Equity securities	16	27,410	22,512
Insurance receivables, net	17	30,929	22,093
Tax recoverable		188	–
Reinsurance assets	18	25,699	24,275
Other financial assets and prepayments	19	20,632	15,347
Investments in associates	20	2,429	2,131
Property, plant and equipment	21	12,737	12,770
Investment properties	22	4,406	4,443
Prepaid land premiums		3,519	3,410
Deferred tax assets		1,135	1,912
TOTAL ASSETS		290,564	265,644
LIABILITIES			
Payables to reinsurers	23	21,722	25,746
Accrued insurance protection fund		532	536
Tax payable		–	526
Other liabilities and accruals		39,171	36,332
Insurance contract liabilities	18	164,023	145,717
Policyholders' deposits	24	2,033	2,328
Subordinated debts		19,362	19,299
TOTAL LIABILITIES		246,843	230,484
EQUITY			
Equity attributable to owners of the parent			
Issued capital	25	12,256	12,256
Reserves		31,465	22,904
TOTAL EQUITY		43,721	35,160
TOTAL EQUITY AND LIABILITIES		290,564	265,644

	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 reserves*** *RMB million*	General risk reserve *RMB million*	Retained profits *RMB million*	Total *RMB million*
Unaudited									
At 1 January 2012	12,256	8,584	1,854	(4,455)	39	4,819	1,842	10,221	35,160
Profit for the period	–	–	–	–	–	–	–	6,534	6,534
Other comprehensive income for the period									
Net movement in cash flow hedges, net of tax	–	–	–	–	2	–	–	–	2
Net gains on available-for-sale financial assets, net of tax	–	–	–	1,690	–	–	–	–	1,690
Gains on investment property revaluation, net of tax	–	–	96	–	–	–	–	–	96
Share of other comprehensive income of associates	–	–	–	239	–	–	–	–	239
Total comprehensive income for the period	–	–	96	1,929	2	–	–	6,534	8,561
Appropriations to discretionary surplus reserve****	–	–	–	–	–	6,422	–	(6,422)	–
At 30 June 2012	12,256	8,584*	1,950*	(2,526)*	41*	11,241*	1,842*	10,333*	43,721

* These reserve accounts comprise the consolidated reserves of RMB31,465 million (31 December 2011: RMB22,904 million) in the consolidated statement of financial position.

** The asset revaluation reserve arose from the change in use from owner-occupied properties to investment properties.

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

**** On 26 June 2012, the shareholders of the Company at a general meeting approved that 80% of the profit attributable to owners of the parent for 2011, 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 2012

	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 reserves** *RMB million*	General risk reserve *RMB million*	Retained profits *RMB million*	Total *RMB million*
Unaudited									
At 1 January 2011	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

* The asset revaluation reserve arose from the change in use from owner-occupied properties to investment properties.

** 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 profit attributable to owners of the parent for 2010, 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.

	Unaudited Six months ended 30 June 2012 *RMB million*	Unaudited Six months ended 30 June 2011 *RMB million*
Net cash inflow from operating activities	**4,826**	18,633
Net cash outflow from investing activities	**(6,173)**	(36,906)
Net cash inflow from financing activities	**2,320**	19,915
NET INCREASE IN CASH AND CASH EQUIVALENTS	**973**	1,642
Cash and cash equivalents at beginning of the period	**14,135**	17,727
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**15,108**	19,369

1. CORPORATE INFORMATION

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

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

The principal activity of the Company and its subsidiaries (collectively referred to as the "Group") is the provision of property and casualty insurance services. The details of the operating segments are set out in note 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, 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 2011.

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

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

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

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION *(continued)*

The segment income statements for the six months ended 30 June 2012 and 2011 are as follows:

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

3. OPERATING SEGMENT INFORMATION *(continued)*

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

3. OPERATING SEGMENT INFORMATION *(continued)*

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

30 June 2012 (Unaudited)	**Motor Vehicle** *RMB million*	**Commercial Property** *RMB million*	**Cargo** *RMB million*	**Liability** *RMB million*	**Accidental Injury and Health** *RMB million*	**Others** *RMB million*	**Corporate** *RMB million*	**Total** *RMB million*
Total assets	**23,347**	**7,770**	**1,759**	**3,348**	**2,864**	**20,454**	**231,022**	**290,564**
Total liabilities	**132,280**	**15,081**	**3,723**	**9,625**	**6,231**	**29,440**	**50,463**	**246,843**

31 December 2011 (Audited)	Motor Vehicle *RMB million*	Commercial Property *RMB million*	Cargo *RMB million*	Liability *RMB million*	Accidental Injury and Health *RMB million*	Others *RMB million*	Corporate *RMB million*	Total *RMB million*
Total assets	24,659	5,203	1,383	2,503	2,039	13,377	216,480	265,644
Total liabilities	133,529	11,610	3,227	8,396	5,286	22,334	46,102	230,484

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

4. TURNOVER AND NET PREMIUMS EARNED

Turnover represents direct premiums written and reinsurance premiums assumed.

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

5. NET CLAIMS INCURRED

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

6. INVESTMENT INCOME

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

7. NET REALISED AND UNREALISED LOSSES ON INVESTMENTS

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

8. FINANCE COSTS

	Unaudited Six months ended 30 June 2012 *RMB million*	Unaudited Six months ended 30 June 2011 *RMB million*
Interest on subordinated debts	530	396
Interest on securities sold under agreements to repurchase	250	90
Other finance costs	45	28
	825	514

9. PROFIT BEFORE TAX

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

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

10. INCOME TAX EXPENSE

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

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

11. DIVIDEND

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

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

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

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

12. BASIC EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

Basic earnings per share was calculated as the profit for the period attributable to ordinary equity holders of the parent divided by the weighted average number of ordinary shares in issue.

The weighted average number of ordinary shares in issue during the six months ended 30 June 2011 was adjusted to reflect the effect of the rights issues in 2011.

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

13. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June 2012 ***RMB million***	Unaudited Six months ended 30 June 2011 *RMB million*
Cash flow hedges:		
Changes in fair value	**3**	14
Available-for-sale financial assets:		
Changes in fair value	**1,665**	(2,002)
Reclassification adjustments for (gains)/losses included in the consolidated income statement		
– (Gains)/losses on disposal	**197**	(90)
– Impairment losses	**392**	337
	2,254	(1,755)
Investment property revaluation:		
Revaluation gains arising during the period	**128**	209

14. CASH AND CASH EQUIVALENTS

	Unaudited 30 June 2012 *RMB million*	Audited 31 December 2011 *RMB million*
Cash on hand, at amortised cost	–	–
Demand deposits, at amortised cost	14,835	13,244
Securities purchased under resale agreements with original maturity of no more than three months, at amortised cost	110	891
Deposits with banks and other financial institutions with original maturity of no more than three months, at amortised cost	163	–
Deposits with banks and other financial institutions with original maturity of more than three months, at amortised cost	51,765	43,574
Structured deposits with banks and other financial institutions:		
– At fair value	–	189
– At amortised cost	745	740
	67,618	58,638
Classification of cash and cash equivalents:		
Loans and receivables	67,618	58,449
Financial assets designated as fair value through profit or loss	–	189
	67,618	58,638

15. DEBT SECURITIES

	Unaudited 30 June 2012 RMB million	Audited 31 December 2011 RMB million
Listed debt securities, at fair value:		
Debt securities issued by governments	752	810
Debt securities issued by corporate entities	7,198	7,450
	7,950	8,260
Unlisted debt securities, at fair value:		
Debt securities issued by governments	14,664	14,082
Debt securities issued by banks and other financial institutions	22,450	28,232
Debt securities issued by corporate entities	17,371	16,615
	54,485	58,929
Listed debt securities, at amortised cost:		
Debt securities issued by corporate entities	1,280	1,280
Unlisted debt securities, at amortised cost:		
Debt securities issued by government	2,925	2,925
Debt securities issued by banks and other financial institutions	24,397	23,897
Debt securities issued by corporate entities	2,771	2,771
	30,093	29,593
	93,808	98,062
Classification of debt securities:		
Fair value through profit or loss – held for trading	1,345	1,132
Available-for-sale	61,090	66,057
Held-to-maturity	31,373	30,873
	93,808	98,062

16. EQUITY SECURITIES

	Unaudited 30 June 2012 *RMB million*	Audited 31 December 2011 *RMB million*
Listed investments, at fair value:		
Mutual funds	810	925
Shares	14,785	14,902
	15,595	15,827
Unlisted investments, at fair value:		
Mutual funds	11,185	6,055
Unlisted investments, at cost:		
Shares	630	630
	27,410	22,512
Classification of equity securities:		
Fair value through profit or loss-held for trading	3,976	1,971
Available-for-sale	23,434	20,541
	27,410	22,512

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

There was a prolonged decline in the market value of certain equity investments during the period. The Company consider that such a decline indicates that the equity investments have been impaired and an impairment loss of RMB392 million (six months ended 30 June 2011: Impairment loss of RMB337 million), which included a reclassification from other comprehensive income of RMB392 million (six months ended 30 June 2011: Impairment loss of RMB337 million), has been recognised in the income statement for the period.

17. INSURANCE RECEIVABLES, NET

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

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

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

Included in the insurance receivables is an amount due from a fellow subsidiary of RMB213 million (31 December 2011: RMB304 million). Please refer to note 32(b) for details.

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 2012			Audited 31 December 2011		
	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	80,543	(10,146)	70,397	69,617	(12,197)	57,420
Loss and loss adjustment expense reserves	83,480	(15,553)	67,927	76,100	(12,078)	64,022
	164,023	(25,699)	138,324	145,717	(24,275)	121,442

19. OTHER FINANCIAL ASSETS AND PREPAYMENTS

Included in the other financial assets and prepayments as at 30 June 2012 was a consideration of RMB588 million (31 December 2011: 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 2012, 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 2012 *RMB million*	Audited 31 December 2011 *RMB million*
PICC Life Insurance Company Limited	1,384	1,088
Beijing No.88 West Chang'an Avenue Development Company Limited	1,045	1,043
	2,429	2,131

21. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired assets with a cost of RMB246 million (six months ended 30 June 2011: RMB415 million).

Assets with a net book value of RMB8 million were disposed of by the Group during the six months ended 30 June 2012 (six months ended 30 June 2011: RMB21 million), resulting in a net disposal gain of RMB3 million (six months ended 30 June 2011: RMB7 million).

During the six months ended 30 June 2012, construction in progress with an aggregate amount of RMB11 million (six months ended 30 June 2011: Nil) was transferred to property, plant and equipment.

During the six months ended 30 June 2012, property, plant and equipment, and construction in progress with an aggregate amount of RMB66 million (six months ended 30 June 2011: RMB87 million) was transferred to investment properties.

22. INVESTMENT PROPERTIES

	Unaudited 2012 *RMB million*	Unaudited 2011 *RMB million*
At 1 January	4,443	3,940
Transfer from property, plant and equipment and prepaid land premiums	86	135
Fair value gain on revaluation of investment properties transferred from property, plant and equipment and prepaid land premiums	128	209
Increase in fair value of investment properties during the period	66	20
Transfers to property, plant and equipment and prepaid land premiums	(317)	–
At 30 June	4,406	4,304

The fair values were determined based on the valuation carried out by an external independent valuer, DTZ DEBENHAM TIE LEUNG Limited. Valuations were based on either: (i) the 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 RMB94 million (six months ended 30 June 2011: RMB93 million) was recognised in the income statement for the period.

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

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

Included in the reinsurance payables is an amount due to a fellow subsidiary of RMB139 million (31 December 2011: RMB182 million). Please refer to note 32(b) for details.

24. POLICYHOLDERS' DEPOSITS

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

	Unaudited 30 June 2012 RMB million	Audited 31 December 2011 RMB million
Interest-bearing deposits	77	356
Non-interest-bearing deposits	1,956	1,972
	2,033	2,328

25. ISSUED CAPITAL

	Unaudited 30 June 2012 RMB million	Audited 31 December 2011 RMB million
Shares		
Registered, issued and fully paid:		
8,454,402,000 domestic shares of RMB1.00 each	8,454	8,454
3,801,578,000 H shares of RMB1.00 each	3,802	3,802
	12,256	12,256

26. NON-CONTROLLING INTERESTS

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

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

27. FAIR VALUE HIERARCHY

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

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

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

Level 3 – fair values measured based on valuation techniques for which any 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 2012 (Unaudited)	**Level 1** ***RMB million***	**Level 2** ***RMB million***	**Total** ***RMB million***
Financial assets held for trading			
Equity securities	**3,976**	**–**	**3,976**
Debt securities	**55**	**1,290**	**1,345**
Derivative financial assets			
Interest rate swap contracts	**–**	**54**	**54**
Available-for-sale financial assets			
Equity securities	**22,796**	**8**	**22,804**
Debt securities	**6,503**	**54,587**	**61,090**
	33,330	**55,939**	**89,269**

As at 31 December 2011 (Audited)	Level 1 *RMB million*	Level 2 *RMB million*	Total *RMB million*
Financial assets held for trading			
Equity securities	1,745	226	1,971
Debt securities	10	1,122	1,132
Financial assets designated as fair value through profit or loss	–	189	189
Derivative financial assets			
Interest rate swap contracts	–	51	51
Available-for-sale financial assets			
Equity securities	19,813	98	19,911
Debt securities	7,260	58,797	66,057
	28,828	60,483	89,311

27. FAIR VALUE HIERARCHY *(continued)*

There was no fair value measurement in Level 3 as at 30 June 2012 (31 December 2011: Nil).

During the six months ended 30 June 2012, due to changes in availability of market observable inputs, the Group transferred certain equity securities and certain debt securities between Level 1 and Level 2, but no transfers into or out of Level 3 (six months ended 30 June 2011: Nil).

The Group did not have any financial liabilities measured at fair value as at 30 June 2012 (31 December 2011: Nil).

28. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

A remaining contractual maturity analysis for certain financial assets, reinsurance assets, financial liabilities and insurance contract liabilities based on undiscounted contractual cash flows is presented below:

30 June 2012 (Unaudited)	Past due	Within 3 months	3-12 months	1-5 years	More than 5 years	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Assets:						
Cash and cash equivalents	14,835	1,166	4,092	59,121	72	79,286
Derivative financial assets	–	1	6	52	1	60
Debt securities:						
– Available-for-sale	–	410	2,365	37,062	34,972	74,809
– Fair value through profit or loss	–	92	557	536	282	1,467
– Held-to-maturity	–	38	1,073	6,416	53,752	61,279
Reinsurance assets	–	5,211	11,982	7,657	1,000	25,850
Capital security fund	–	–	702	2,244	–	2,946
Liabilities:						
Payables to reinsurers	12,803	8,380	254	268	17	21,722
Insurance contract liabilities	–	34,051	84,628	40,676	5,150	164,505
Policyholders' deposits	258	2	1	–	1,772	2,033
Subordinated debts	–	6	1,226	7,190	20,005	28,427

28. MATURITY PROFILE OF FINANCIAL INSTRUMENTS *(continued)*

31 December 2011 (Audited)	Past due	Within 3 months	3-12 months	1-5 years	More than 5 years	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Assets:						
Cash and cash equivalents	13,244	1,335	4,221	44,118	6,516	69,434
Derivative financial assets	–	–	7	51	1	59
Debt securities:						
– Available-for-sale	–	629	2,541	40,528	37,593	81,291
– Fair value through profit or loss	–	96	428	484	240	1,248
– Held-to-maturity	–	238	1,341	6,316	53,838	61,733
Reinsurance assets	–	4,973	11,471	7,130	813	24,387
Capital security fund	–	302	957	974	259	2,492
Liabilities:						
Payables to reinsurers	11,907	9,362	4,238	234	5	25,746
Insurance contract liabilities	–	31,105	69,446	41,474	4,067	146,092
Policyholders' deposits	252	197	97	–	1,782	2,328
Subordinated debts	–	6	1,305	7,090	20,374	28,775

29. CONTINGENT LIABILITIES

There were certain outstanding litigation matters against the Group as at 30 June 2012. 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 might be indemnified by reinsurers or other recoveries including salvages and subrogation. While the outcome of such contingencies, lawsuits or other proceedings cannot be determined at present, the Group believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

30. OPERATING LEASE COMMITMENTS

(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 (six months ended 30 June 2011: two to twenty years).

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

	Unaudited 30 June 2012 *RMB million*	Audited 31 December 2011 *RMB million*
Within one year	155	147
In the second to fifth years, inclusive	311	316
After five years	72	97
	538	560

(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 (six months ended 30 June 2011: one to twenty years), and those for motor vehicles are negotiated for terms ranging from one to three years (six months ended 30 June 2011: one to three years).

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

	Unaudited 30 June 2012 *RMB million*	Audited 31 December 2011 *RMB million*
Within one year	89	117
In the second to fifth years, inclusive	260	174
After five years	62	43
	411	334

31. CAPITAL COMMITMENTS

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

	Unaudited 30 June 2012 *RMB million*	Audited 31 December 2011 *RMB million*
Contracted, but not provided for:		
Property, plant and equipment	277	389

32. RELATED PARTY TRANSACTIONS

(a) Material transactions with related parties

	Unaudited Six months ended 30 June 2012 *RMB million*	Unaudited Six months ended 30 June 2011 *RMB million*
Transactions with fellow subsidiaries:		
Property rental expenses	55	72
Property rental income	1	1
Management fee	63	59
Premiums ceded	246	266
Reinsurance commission income	100	88
Paid losses recoverable from reinsurers	99	118
Transactions with associates:		
Share subscribed	–	545
Commission income received	7	5
Commission expenses paid	35	36

(b) Outstanding balances with related parties

	Receivables from reinsurers		Due from related parties		Payables to reinsurers		Due to related parties	
	Unaudited 30 June 2012 *RMB million*	Audited 31 December 2011 *RMB million*	Unaudited 30 June 2012 *RMB million*	Audited 31 December 2011 *RMB million*	Unaudited 30 June 2012 *RMB million*	Audited 31 December 2011 *RMB million*	Unaudited 30 June 2012 *RMB million*	Audited 31 December 2011 *RMB million*
PICC Group	–	–	227	136	–	–	–	–
Fellow subsidiaries (notes 17, 23)	213	304	43	27	139	182	84	54
Associates	–	–	1	5	–	–	–	–
	213	304	271	168	139	182	84	54

33. EVENTS AFTER THE BALANCE SHEET DATE

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

34. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 20 August 2012.

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 28, which comprise the interim consolidated statement of financial position of PICC Property and Casualty Company Limited and its subsidiaries as at 30 June 2012 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 Main Board Listing 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
20 August 2012

OVERVIEW

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

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

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

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

Note: Calculated according to the PRC insurance industry data for the first half of 2012 published on the website of the CIRC.

UNDERWRITING RESULTS

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

	Six months ended 30 June			
	2012		2011	
	RMB million	*%*	*RMB million*	*%*
Net premiums earned	73,539	100.0	65,946	100.0
Net claims incurred	(45,193)	(61.5)	(42,784)	(64.9)
Total expenses (including acquisition costs and other underwriting expenses and general and administrative expenses)	(22,735)	(30.9)	(18,226)	(27.6)
Underwriting profit	5,611	7.6	4,936	7.5

TURNOVER

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

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

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

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

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

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

NET PREMIUMS EARNED

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

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

NET CLAIMS INCURRED

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

	Six months ended 30 June			
	2012		2011	
	Net claims incurred	**Loss ratio**	Net claims incurred	Loss ratio
	RMB million	***%***	*RMB million*	*%*
Motor vehicle insurance	**(36,782)**	**(62.9)**	(35,693)	(67.8)
Commercial property insurance	**(1,943)**	**(50.2)**	(2,244)	(55.9)
Liability insurance	**(1,494)**	**(57.3)**	(1,379)	(60.7)
Accidental injury and health insurance	**(1,171)**	**(57.7)**	(1,092)	(64.1)
Cargo insurance	**(477)**	**(34.2)**	(611)	(40.0)
Other insurance	**(3,326)**	**(64.0)**	(1,765)	(46.9)
Total	**(45,193)**	**(61.5)**	(42,784)	(64.9)

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

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

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

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

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

TOTAL EXPENSES

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

	Six months ended 30 June			
	2012		2011	
	Total expenses *RMB million*	Expense ratio *%*	Total expenses *RMB million*	Expense ratio *%*
Motor vehicle insurance	(18,183)	(31.1)	(13,299)	(25.2)
Commercial property insurance	(1,265)	(32.7)	(1,622)	(40.4)
Liability insurance	(898)	(34.5)	(832)	(36.7)
Accidental injury and health insurance	(618)	(30.5)	(591)	(34.7)
Cargo insurance	(587)	(42.0)	(557)	(36.5)
Other insurance	(1,184)	(22.8)	(1,325)	(35.2)
Total	(22,735)	(30.9)	(18,226)	(27.6)

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

UNDERWRITING PROFIT

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

	Six months ended 30 June			
	2012		2011	
	Underwriting profit *RMB million*	Underwriting profit ratio *%*	Underwriting profit *RMB million*	Underwriting profit ratio *%*
Motor vehicle insurance	3,475	5.9	3,678	7.0
Commercial property insurance	663	17.1	145	3.6
Liability insurance	214	8.2	59	2.6
Accidental injury and health insurance	239	11.8	21	1.2
Cargo insurance	332	23.8	359	23.5
Other insurance	688	13.2	674	17.9
Total	5,611	7.6	4,936	7.5

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

INVESTMENT RESULTS

Composition of investment assets

	30 June 2012		31 December 2011	
	Balance	Percentage	Balance	Percentage
	RMB million	*%*	*RMB million*	*%*
By category:				
Cash and cash equivalents *(Note)*	15,108	7.4	14,135	7.4
Fixed income investment:	154,318	75.7	146,765	77.2
Term deposits	52,510	25.8	44,503	23.4
Debt securities	93,808	46.0	98,062	51.6
Unlisted debts	8,000	3.9	4,200	2.2
Equity investment:	29,839	14.7	24,643	13.0
Mutual funds	11,995	5.9	6,980	3.7
Listed shares	14,785	7.3	14,902	7.9
Unlisted shares	630	0.3	630	0.3
Investment in associates	2,429	1.2	2,131	1.1
Other investment assets	4,460	2.2	4,494	2.4
Total of investment assets	203,725	100.0	190,037	100.0

Note: Cash and cash equivalents are mainly in Renminbi and exclude deposits with banks and other financial institutions with original maturity of more than three months and structured deposits with banks and other financial institutions.

In the first half of 2012, the relatively rapid growth in the underwriting business and the steady increase in the underwriting profit brought to the Company a relatively stable cash flow which was used as investment assets. As at the end of the reporting period, the balance of the investment assets reached RMB203,725 million, representing an increase of 7.2% compared to the end of last year. In addition, the Company enhanced the scale and efficiency of capital utilisation by continuing an overview management of its businesses and investment capital, continuing to strengthen centralised payment, carrying out a quota management of the working capital of the headquarters and reducing the working capital to the minimum level.

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

Investment income

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

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

Net realised and unrealised losses on investments

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

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

OVERALL RESULTS

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

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

PROFIT BEFORE TAX

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

INCOME TAX EXPENSE

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

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

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

CASH FLOW

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

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

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

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

LIQUIDITY

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

In June 2011, June 2010, September 2009 and December 2006, the Company issued fixed-rate subordinated term debts of RMB5 billion, RMB6 billion, RMB5 billion and RMB3 billion, respectively, in each case with a term of 10 years, to institutional investors in the PRC for the primary purpose of increasing the Company's solvency margin.

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

CAPITAL EXPENDITURE

The capital expenditure of the Company and its subsidiaries has primarily been for operational properties under construction and acquisition of motor vehicles for business needs as well as development of information system. Capital expenditure of the Company and its subsidiaries was RMB405 million in the first half of 2012.

SOLVENCY MARGIN REQUIREMENT

The Company is subject to a number of laws and regulations regarding financial operations of the Company, including maintaining a stipulated solvency margin and providing for certain funds and reserves. In accordance with the insurance laws and regulations of the PRC, the Company was required to maintain a minimum solvency margin of RMB22,579 million on 30 June 2012. The Company's actual solvency margin calculated pursuant to the regulations of the CIRC was RMB41,553 million and the solvency margin adequacy ratio was 184% *(Note)*.

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

GEARING RATIO

As of 30 June 2012, the gearing ratio *(Note)* of the Company and its subsidiaries was 78.3%, representing a decrease of 1.2 percentage point from 79.5% as of 31 December 2011.

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

CONTINGENT LIABILITIES

There were certain outstanding litigation matters against the Company and its subsidiaries as at 30 June 2012. The management of the Company believes such litigation matters will not cause significant losses to the Company and its subsidiaries.

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

EVENTS AFTER THE BALANCE SHEET DATE

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

CREDIT RISK

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

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

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

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

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

EXCHANGE RATE RISK

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

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

INTEREST RATE RISK

Interest rate risk means the risks of changes in the value/future cash flows of a financial instrument as a result of the changes in market interest rates. The Company and its subsidiaries' interest rate risk policy requires the Company and its subsidiaries to manage interest rate risk by maintaining an appropriate match of fixed and floating rate instruments. The policy also requires the Company and its subsidiaries to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities, reprice interest on floating rate instruments at intervals of less than one year, and manage floating interest rate risk through interest rate swap instruments. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

INTEREST RATE SWAPS

The Company's financial assets which bear interests at different rates would generate uncertain cash flow. As such, interest rate swap contracts are used by the Company to hedge against such interest rate risk whereby fixed interests are received from, and floating interests are paid to, the counterparties. As of 30 June 2012, the interest rate swap contracts held by the Company had a total notional amount of RMB1,250 million.

DEVELOPMENT OF NEW PRODUCTS

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

EMPLOYEES

As of 30 June 2012, the Company had 149,908 formal employees, among which the number of employees with labor contracts of the Company's headquarters version was 62,378. Staff remuneration payment by the Company and its subsidiaries in the first half of 2012 was RMB7,754 million, which mainly included basic salaries, performance-related bonus, and various insurances and benefits contributed in accordance with the relevant PRC regulations. The Company and its subsidiaries enhanced the performance and work efficiency of employees by, among others, providing various career development paths, strengthening personnel training and the implementation of performance appraisal. The Company is of the view that the Company and its subsidiaries maintain a good relationship with their employees.

LOOKING FORWARD

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

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

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 SFO as at 30 June 2012 that are required to be recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Hong Kong Stock Exchange under the Model Code.

CHANGES IN DIRECTORATE AND SUPERVISORY COMMITTEE

There has been no change of the members of the Board of Directors and the Supervisory Committee of the Company from 1 January 2012 to the date of this interim report.

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 Liao Li *(Independent Non-executive Director)*

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

Mr Liao Li, an Independent Non-executive Director of the Company, currently is also an Executive Associate Dean of PBC School of Finance of Tsinghua University and no longer an Associate Dean of the School of Economics and Management of Tsinghua University. Mr Liao has retired as an Independent Non-executive Director of Yucheng Technologies Limited (listed on NASDAQ of the United States of America).

There has been no change in the information on the Supervisors of the Company from 1 January 2012 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 are applicable 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 the 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 2012.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

As at 30 June 2012, 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 *(Note 1)*	Nature of interests	Percentage of total number of domestic shares in issue *(Note 1)*	Percentage of total number of shares in issue *(Note 1)*
PICC Group	Beneficial owner	8,454,402,000	Long position	100%	69.0%

Name of shareholder	Capacity	Number of H shares *(Note 2)*	Nature of interests	Percentage of total number of H shares in issue *(Note 2)*	Percentage of total number of shares in issue *(Note 2)*
United States Treasury *(Notes 3, 5)*	Interest of controlled corporations	1,103,038,000	Long position	31.92%	9.9%
AIG *(Notes 3, 4, 5)*	Interest of controlled corporations	1,103,038,000	Long position	31.92%	9.9%
Jill M. Considine *(Notes 3, 5)*	Interest of controlled corporations	1,103,038,000	Long position	31.92%	9.9%
Chester B. Feldberg *(Notes 3, 5)*	Interest of controlled corporations	1,103,038,000	Long position	31.92%	9.9%
Douglas L. Foshee *(Notes 3, 5)*	Interest of controlled corporations	1,103,038,000	Long position	31.92%	9.9%
Birmingham Fire Insurance Company of Pennsylvania *(Notes 4, 5)*	Beneficial owner	562,549,380	Long position	16.28%	5.05%
Commerce and Industry Insurance Company *(Notes 4, 5)*	Beneficial owner	330,911,400	Long position	9.58%	2.97%
Lexington Insurance Company *(Notes 4, 5)*	Beneficial owner	209,577,220	Long position	6.06%	1.88%

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

Name of shareholder	Capacity	Number of H shares *(Note 2)*	Nature of interests	Percentage of total number of H shares in issue *(Note 2)*	Percentage of total number of shares in issue *(Note 2)*
BlackRock, Inc.	Interest of controlled corporations	212,835,275	Long position	5.59%	1.73%
		10,425,592	Short position	0.27%	0.08%
JPMorgan Chase & Co.	Beneficial owner, investment manager, and custodian corporation/approved lending agent	193,761,994 *(Note 6)*	Long position	5.10%	1.58%
	Beneficial owner	5,639,117	Short position	0.15%	0.05%
	Custodian corporation/ approved lending agent	162,972,568	Lending pool	4.29%	1.33%

Notes:

1. The Company conducted the rights issue in 2011 on the basis of 1 rights share for every 10 existing shares, and the rights shares were issued on 30 December 2011. The number of shares held by the domestic shareholder and its percentage of shareholding set out above are based on that recorded in the Company's register of members of domestic shareholders, which also represent the shareholding status of such shareholder after the completion of the rights issue.

2. The numbers of shares held by the H shareholders and their percentages of shareholdings set out above represent the latest disclosure of interests notices made by such H shareholders pursuant to the SFO on or prior to 30 June 2012. Except for BlackRock, Inc. and JPMorgan Chase & Co., the numbers of shares held and the percentages of shareholdings stated in the said notices represented the status before the rights issue mentioned above. After the completion of the rights issue, the numbers of shares held by the H shareholders changed, however, the Company has not received any disclosure of interests notices made pursuant to the SFO in relation thereto.

3. The interests of AIG set out above represent its latest disclosure of interests notice made pursuant to the SFO, which have not reflected the H shares issued by the Company in the rights issue mentioned above. 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 H shares held by the controlled corporations of AIG.

4. Birmingham Fire Insurance Company of Pennsylvania (now known as "Chartis Property Casualty Company"), Commerce and Industry Insurance Company and Lexington Insurance Company are the controlled corporations of AIG. AIG owned 100% shareholding in each of Birmingham Fire Insurance Company of Pennsylvania and Commerce and Industry Insurance Company, and 70% shareholding in Lexington Insurance Company.

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

5. AIG confirmed that upon the completion of the rights issue mentioned above, AIG was interested in 1,213,341,800 H shares of the Company. Such shares were held by AIG's controlled corporations, of which Chartis Property Casualty Company held 618,804,318 shares, Commerce and Industry Insurance Company held 364,002,540 shares and Lexington Insurance Company held 230,534,942 shares.

6. Such 193,761,994 shares included 30,031,226 shares held in the capacity as beneficiary owner, 758,200 shares held in the capacity as investment manager and 162,972,568 shares held in the capacity as custodian corporation/approved lending agent.

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 2012 that are required to be recorded in the register which is required to be kept under section 336 of the SFO.

INTERIM DIVIDEND

The Board declared the payment of an Interim Dividend of RMB0.21 (inclusive of applicable tax) per share for the six months ended 30 June 2012. The Interim Dividend will be paid to the shareholders whose names appear on the register of members of the Company on 10 September 2012 (Monday). Interim Dividend on H shares will be paid in Hong Kong dollars. The applicable exchange rate for calculating the amount of Interim Dividend on H shares is HK$1=RMB0.818186, being the average middle exchange rate of Hong Kong dollars to Renminbi on the interbank foreign exchange market as announced by the China Foreign Exchange Trade System under the authorisation of the People's Bank of China for the calendar week prior to the date of declaration of the Interim Dividend. Accordingly, the amount of the Interim Dividend per H share is HK$0.25667 (inclusive of applicable tax), the payment of which is expected to be made on or about 31 October 2012.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of shareholders who are entitled to receive the Interim Dividend, the register of members of the Company will be closed from 5 September 2012 (Wednesday) to 10 September 2012 (Monday), both days inclusive, during which period no transfer of shares will be effected. Holders of H shares and domestic shares whose names appear on the register of members of the Company on 10 September 2012 (Monday) will be entitled to receive the Interim Dividend. In order for holders of H shares to qualify for the Interim Dividend payment, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 4 September 2012 (Tuesday) for registration.

WITHHOLDING AND PAYMENT OF INTERIM DIVIDEND INCOME TAX

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

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

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

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税法》) and its implementing rules as well as the Tax Notice, the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on behalf of Individual H Shareholders:

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

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities in the first half of 2012.

CORPORATE GOVERNANCE

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

The terms of directorship of Mr Luk Kin Yu, Peter and Mr Ding Ningning should have expired on 28 April 2011 and 17 January 2012, respectively. In accordance with the provisions of the Company Law, where a company has not yet re-elected a director upon the expiry of his/her term of office or the number of directors is less than the required quorum due to the resignation of a director, the existing director shall continue to serve as a director until the newly elected director commences his/her term of office. Accordingly, each of Mr Luk Kin Yu, Peter and Mr Ding Ningning has continued to serve as a Director until the newly elected director commences his/her term of office.

As a result, the Company failed to comply with the requirement that each director shall be subject to retirement by rotation at least once every three years as set out in the code provision A.4.2 of the Corporate Governance Code (same as code provision A.4.2 of the Code on Corporate Governance Practices) during the period from 29 April 2011 to the date of this 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 2012.

By Order of the Board
Wu Yan
Chairman

Beijing, the PRC
20 August 2012

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

"AIG"	American International Group, Inc.
"Board" or "Board of Directors"	the board of directors of the Company
"CIRC"	China Insurance Regulatory Commission
"Code on Corporate Governance Practices"	the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (which was revised as the Corporate Governance Code effective during 2012)
"Company"	PICC Property and Casualty Company Limited
"Company Law"	the Company Law of the People's Republic of China
"Corporate Governance Code"	the corporate governance code section contained in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules effective during 2012
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Individual H Shareholders"	the individual holders of H shares in the Company who are entitled to receive the Interim Dividend
"Interim Dividend"	the interim dividend for the six months ended 30 June 2012 as declared for payment by the Board of Directors
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Macau"	the Macao Special Administrative Region of the People's Republic of China
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PICC Group"	The People's Insurance Company (Group) of China Limited
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Tax Notice"	the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124)
"%"	per cent