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 2013

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 and other insurance businesses denominated in RMB and foreign currencies and the related reinsurance business as well as 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 LLP
Consulting actuaries:	Milliman Asia Limited
Legal advisors:	as to Hong Kong Laws: Linklaters as to PRC Laws: King and Wood

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Interim Consolidated Income Statement

For the six months ended 30 June 2013

	Notes	**Unaudited Six months ended 30 June 2013** *RMB million*	Unaudited Six months ended 30 June 2012 *RMB million*
TURNOVER	4	**115,636**	101,192
Net premiums earned	4	**87,466**	73,539
Net claims incurred	5	**(53,777)**	(45,193)
Policy acquisition costs		**(17,477)**	(14,639)
Other underwriting expenses		**(7,209)**	(4,905)
Administrative expenses		**(3,373)**	(3,191)
UNDERWRITING PROFIT		**5,630**	5,611
Investment income	6	**4,861**	4,052
Net realised and unrealised gains/(losses) on investments	7	**227**	(400)
Investment expenses		**(93)**	(95)
Interest expenses credited to policyholders' deposits		**–**	(5)
Exchange (losses)/gains, net		**(11)**	21
Sundry income		**87**	37
Sundry expenses		**(64)**	(45)
Finance costs	8	**(974)**	(825)
Share of profits of associates		**92**	62
PROFIT BEFORE TAX	9	**9,755**	8,413
Income tax expense	10	**(2,126)**	(1,879)
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		**7,629**	6,534
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (in RMB)	12	**0.587**	0.508

	Note	Unaudited Six months ended 30 June 2013 *RMB million*	Unaudited Six months ended 30 June 2012 *RMB million*
PROFIT FOR THE PERIOD		**7,629**	6,534
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net movement in cash flow hedges	13	**(14)**	3
Income tax effect		**3**	(1)
		(11)	2
Net (losses)/gains on available-for-sale financial assets	13	**(1,192)**	2,254
Income tax effect		**298**	(564)
		(894)	1,690
Share of other comprehensive income of associates		**(82)**	239
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(987)**	1,931
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gains on investment property revaluation upon transfer to investment properties	13	**92**	128
Income tax effect		**(23)**	(32)
		69	96
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**69**	96
Other comprehensive income for the period, net of tax		**(918)**	2,027
Total comprehensive income for the period attributable to owners of the parent		**6,711**	8,561

Interim Consolidated Statement of Financial Position

30 June 2013

	Notes	Unaudited 30 June 2013 *RMB million*	Audited 31 December 2012 *RMB million*
ASSETS			
Cash and cash equivalents	14	**81,817**	66,020
Derivative financial assets		**15**	28
Debt securities	15	**104,325**	97,148
Equity securities	16	**29,969**	35,055
Insurance receivables, net	17	**28,898**	22,662
Tax recoverable		**223**	382
Reinsurance assets	18	**21,953**	22,637
Prepayments and other assets		**24,388**	20,919
Investments in associates	19	**2,002**	2,584
Property, plant and equipment	20	**13,643**	13,981
Investment properties	21	**4,472**	4,538
Prepaid land premiums		**3,524**	3,497
Deferred tax assets		**1,177**	973
Assets classified as held for sale	22	**1,077**	–
TOTAL ASSETS		**317,483**	290,424
LIABILITIES			
Payables to reinsurers	23	**11,465**	16,667
Accrued insurance protection fund		**604**	575
Other liabilities and accruals		**48,023**	46,793
Insurance contract liabilities	18	**178,016**	159,529
Policyholders' deposits	24	**1,966**	1,983
Subordinated debts		**19,494**	19,427
TOTAL LIABILITIES		**259,568**	244,974
EQUITY			
Equity attributable to owners of the parent			
Issued capital	25	**13,604**	12,256
Reserves		**44,311**	33,194
TOTAL EQUITY		**57,915**	45,450
TOTAL EQUITY AND LIABILITIES		**317,483**	290,424

	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 2013	12,256	8,584	2,077	(2,202)	22	12,285	2,886	9,542	45,450
Profit for the period	–	–	–	–	–	–	–	7,629	7,629
Other comprehensive income for the period									
Net movement in cash flow hedges, net of tax	–	–	–	–	(11)	–	–	–	(11)
Net losses on available-for-sale financial assets, net of tax	–	–	–	(894)	–	–	–	–	(894)
Gains on investment property revaluation upon transfer to investment properties, net of tax	–	–	69	–	–	–	–	–	69
Share of other comprehensive income of associates	–	–	–	(82)	–	–	–	–	(82)
Total comprehensive income for the period	–	–	69	(976)	(11)	–	–	7,629	6,711
Appropriations to discretionary surplus reserve****	–	–	–	–	–	5,741	–	(5,741)	–
Rights issue*****	1,348	4,439	–	–	–	–	–	–	5,787
Share issue expenses*****	–	(33)	–	–	–	–	–	–	(33)
At 30 June 2013	13,604	12,990*	2,146*	(3,178)*	11*	18,026*	2,886*	11,430*	57,915

* These reserve accounts comprise the consolidated reserves of RMB44,311 million (31 December 2012: RMB33,194 million) in the interim 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 29 June 2013, the shareholders of the Company at a general meeting approved that 55% of the profit after tax of the Company for 2012, 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.

***** On 16 January 2013, the Board of Directors of the Company approved the rights issue proposal. The Company completed the rights issue of 418 million H shares at an issue price of HK$5.38 per H rights share and 930 million domestic shares at an issue price of RMB4.30 per domestic share on the basis of 1.1 rights shares for every 10 existing H shares and domestic shares held by members registered on 30 May 2013, respectively. The Company raised total proceeds of RMB5,787 million, of which an amount of RMB1,348 million was recorded in issued capital and RMB4,406 million was recorded in the share premium account after a deduction of the share issue expenses of RMB33 million.

	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 upon transfer to investment properties, 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 interim 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 after tax of the Company 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.

	Unaudited Six months ended 30 June 2013 *RMB million*	Unaudited Six months ended 30 June 2012 *RMB million*
Net cash inflow from operating activities	11,535	4,826
Net cash outflow from investing activities	(3,547)	(6,173)
Net cash inflow from financing activities	7,118	2,320
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,106	973
Cash and cash equivalents at beginning of the period	12,890	14,135
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	27,996	15,108

1. CORPORATE INFORMATION

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

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

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in property and casualty insurance business. The details of the operating segments are set out in Note 3 to the interim condensed consolidated financial statements.

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

2.1 BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

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 2012, except for the change in financial statement presentation and the adoption of new and revised standards and interpretations as of 1 January 2013.

Change in financial statement presentation

For the purpose of providing more relevant information in these interim condensed consolidated financial statements, the Company has made revisions to the items in the interim consolidated income statement. The revised items and their accounting content are as follows:

Policy acquisition costs represent those costs that are incremental and directly related to the acquisition of new or renewal of existing insurance contracts. Such costs generally include commission expenses, underwriting staff related expenses, business tax and surcharges, insurance protection fund and other incremental costs. The scope was consistent with that of the "Acquisition costs and other underwriting expenses" in the financial statements of prior years.

Other underwriting expenses represent those non-incremental costs that were related to underwriting but not included in the policy acquisition costs.

Administrative expenses represent other costs that were related to managing and organizing business activities.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Financial Statements: Other Comprehensive Income*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Clarification of the requirement for comparative information*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation*
HKAS 34 Amendments	Amendments to HKAS 34 *Interim Financial Reporting: Presentation*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

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

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 *Consolidated and Separate Financial Statements* and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

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

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

HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by HKAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in Note 27.

The HKAS 1 Amendments introduce a grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items which will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments affect presentation only and have had no impact on the Group's financial position or performance.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

The HKAS 1 Amendments clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The revised standard has had no significant impact on the Group.

The HKAS 32 Amendments clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

The HKAS 34 Amendments clarifies the requirements to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in HKFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the total amount disclosed in the entity's last annual consolidated financial statements for that reportable segment. The Group provides these disclosures as total segment assets and liabilities were reported to the chief operating decision maker. Please refer to Note 3.

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

Several other new standards and amendments apply for the first time in 2013. However, they have had no impact on the 2012 annual consolidated financial statements of the Group or the 2013 interim condensed consolidated financial statements of the Group.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

In addition to the above-mentioned amendments and new standards, HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards* was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of HKFRS and therefore, this amendment is not relevant to 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 seven 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 revenue of the corporate segment is mainly derived from investing activities.

3. OPERATING SEGMENT INFORMATION *(continued)*

The segment income statements for the six months ended 30 June 2013 and 2012 are as follows:

Six months ended 30 June 2013 (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	79,317	8,030	2,081	4,586	5,302	16,320	–	115,636
Net premiums earned	69,416	4,152	1,292	3,030	2,966	6,610	–	87,466
Net claims incurred	(44,804)	(1,922)	(434)	(1,577)	(2,004)	(3,036)	–	(53,777)
Policy acquisition costs	(15,202)	(1,048)	(228)	(698)	(357)	56	–	(17,477)
Other underwriting expenses	(5,214)	(281)	(90)	(227)	(253)	(1,144)	–	(7,209)
Administrative expenses	(2,396)	(176)	(4)	(157)	(196)	(444)	–	(3,373)
Underwriting profit	1,800	725	536	371	156	2,042	–	5,630
Investment income	–	–	–	–	–	–	4,861	4,861
Net realised and unrealised gains on investments	–	–	–	–	–	–	227	227
Investment expenses	–	–	–	–	–	–	(93)	(93)
Exchange losses, net	–	–	–	–	–	–	(11)	(11)
Finance costs	–	–	–	–	–	–	(974)	(974)
Sundry income and expenses, net	–	–	–	–	–	–	23	23
Share of profits of associates	–	–	–	–	–	–	92	92
Profit before tax	1,800	725	536	371	156	2,042	4,125	9,755
Income tax expense	–	–	–	–	–	–	(2,126)	(2,126)
Profit attributable to owners of the parent	1,800	725	536	371	156	2,042	1,999	7,629

3. OPERATING SEGMENT INFORMATION *(continued)*

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)
Policy acquisition costs	(12,546)	(1,074)	(301)	(555)	(305)	142	–	(14,639)
Other underwriting expenses	(3,601)	13	(108)	(209)	(197)	(803)	–	(4,905)
Administrative expenses	(2,036)	(204)	(178)	(134)	(116)	(523)	–	(3,191)
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, net	–	–	–	–	–	–	(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)*

The segment assets and liabilities as at 30 June 2013 and 31 December 2012 are as follow:

30 June 2013 (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	14,020	8,337	1,666	3,826	3,888	22,053	263,693	317,483
Total liabilities	132,696	14,462	3,121	10,340	8,075	31,583	59,291	259,568

31 December 2012 (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	19,608	6,967	1,309	3,142	2,391	14,865	242,142	290,424
Total liabilities	131,440	13,207	3,169	9,594	6,163	24,985	56,416	244,974

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 2013 *RMB million*	Unaudited Six months ended 30 June 2012 *RMB million*
Turnover		
Direct premiums written	115,341	100,911
Reinsurance premiums assumed	295	281
	115,636	101,192
Net premiums earned		
Turnover	115,636	101,192
Less: Reinsurance premiums ceded	(13,117)	(14,676)
Net premiums written	102,519	86,516
Less: Change in net unearned premium reserves	(15,053)	(12,977)
Net premiums earned	87,466	73,539

5. NET CLAIMS INCURRED

	Unaudited Six months ended 30 June 2013 *RMB million*	Unaudited Six months ended 30 June 2012 *RMB million*
Gross claims paid	57,045	47,407
Less: Paid losses recoverable from reinsurers	(7,386)	(6,119)
Net claims paid	49,659	41,288
Change in net loss and loss adjustment expense reserves	4,118	3,905
Net claims incurred	53,777	45,193

6. INVESTMENT INCOME

	Unaudited Six months ended 30 June 2013 *RMB million*	Unaudited Six months ended 30 June 2012 *RMB million*
Rental income from investment properties	96	94
Financial assets at fair value through profit or loss:		
– Held for trading		
Interest income	13	25
Dividend income	61	75
– Designated upon initial recognition		
Interest income	8	2
Available-for-sale financial assets:		
Interest income	1,218	1,210
Dividend income	605	218
Held-to-maturity investments:		
Interest income	950	787
Loans and receivables:		
Interest income	1,910	1,641
	4,861	4,052

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

	Unaudited Six months ended 30 June 2013 ***RMB million***	Unaudited Six months ended 30 June 2012 *RMB million*
Available-for-sale financial assets:		
Realised gains/(losses)	**735**	(197)
Impairment losses	**(609)**	(392)
Financial assets at fair value through profit or loss:		
– Held for trading		
Realised gains/(losses)	**6**	(40)
Unrealised (losses)/gains	**(6)**	163
Fair value gains on investment properties	**101**	66
	227	(400)

8. FINANCE COSTS

	Unaudited Six months ended 30 June 2013 ***RMB million***	Unaudited Six months ended 30 June 2012 *RMB million*
Interest on subordinated debts	**535**	530
Interest on securities sold under agreements to repurchase	**439**	250
Other finance costs	**–**	45
	974	825

9. PROFIT BEFORE TAX

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

	Unaudited Six months ended 30 June 2013 ***RMB million***	Unaudited Six months ended 30 June 2012 *RMB million*
Depreciation of property, plant and equipment	**873**	687
Amortisation of prepaid land premiums	**64**	58
Impairment losses on insurance receivables	**175**	377

10. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June 2013 *RMB million*	Unaudited Six months ended 30 June 2012 *RMB million*
Current		
– Charge for the period	2,053	1,523
– Adjustment for prior years	(1)	176
Deferred	74	180
	2,126	1,879

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

11. DIVIDENDS

	Unaudited Six months ended 30 June 2013 *RMB million*	Unaudited Six months ended 30 June 2012 *RMB million*
Interim dividends on ordinary shares approved (not recognised as a liability as at 30 June) for 2013: RMB0.243 per share (2012: RMB0.21 per share)	3,306	2,574

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 2013	Unaudited Six months ended 30 June 2012 *(Restated)*
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent (RMB million)	7,629	6,534
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	12,991	12,869
Basic earnings per share (RMB yuan)	0.587	0.508

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 period and the comparative period were adjusted to reflect the effect of the rights issues in 2013.

Diluted earnings per share amounts for the six months ended 30 June 2013 and 2012 have not been disclosed as no diluting events existed during these periods.

13. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June 2013 *RMB million*	Unaudited Six months ended 30 June 2012 *RMB million*
Cash flow hedges:		
Changes in fair value	(14)	3
Available-for-sale financial assets:		
Changes in fair value	(1,066)	1,665
Reclassification adjustments for (gains)/losses included in the consolidated income statement		
– (Gains)/losses on disposal	(735)	197
– Impairment losses	609	392
	(1,192)	2,254
Investment property revaluation upon transfer to investment properties:		
Revaluation gains arising during the period	92	128
Share of other comprehensive income of associates:		
Other comprehensive income	(82)	239

14. CASH AND CASH EQUIVALENTS

	Unaudited 30 June 2013 *RMB million*	Audited 31 December 2012 *RMB million*
Cash, at amortised cost	7	–
Demand deposits, at amortised cost	21,637	12,000
Securities purchased under resale agreements with original maturity of no more than three months, at amortised cost	6,227	690
Deposits with banks and other financial institutions with original maturity of no more than three months, at amortised cost	125	200
Deposits with banks and other financial institutions with original maturity of more than three months, at amortised cost	53,092	52,389
Structured deposits with banks and other financial institutions, at amortised cost	729	741
	81,817	66,020
Classification of cash and cash equivalents:		
Loans and receivables	81,817	66,020

15. DEBT SECURITIES

	Unaudited 30 June 2013 RMB million	Audited 31 December 2012 RMB million
Listed debt securities, at fair value:		
Debt securities issued by governments	718	599
Debt securities issued by corporate entities	11,397	7,103
	12,115	7,702
Unlisted debt securities, at fair value:		
Debt securities issued by governments	13,444	14,513
Debt securities issued by banks and other financial institutions	20,339	22,690
Debt securities issued by corporate entities	20,225	17,801
	54,008	55,004
Listed debt securities, at amortised cost:		
Debt securities issued by corporate entities	2,640	1,280
Unlisted debt securities, at amortised cost:		
Debt securities issued by government	2,927	2,926
Debt securities issued by banks and other financial institutions	27,296	27,295
Debt securities issued by corporate entities	5,339	2,941
	35,562	33,162
	104,325	97,148
Classification of debt securities:		
Fair value through profit or loss – held for trading	1,291	1,376
Available-for-sale	64,832	61,330
Held-to-maturity	38,202	34,442
	104,325	97,148

16. EQUITY SECURITIES

	Unaudited 30 June 2013 *RMB million*	Audited 31 December 2012 *RMB million*
Listed investments, at fair value:		
Mutual funds	1,909	1,775
Shares	17,087	19,936
	18,996	21,711
Unlisted investments, at fair value:		
Mutual funds	9,755	12,126
Unlisted investments, at cost:		
Shares	1,218	1,218
	29,969	35,055
Classification of equity securities:		
Fair value through profit or loss – held for trading	1,754	2,166
Available-for-sale	28,215	32,889
	29,969	35,055

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

There was a significant or 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 RMB609 million (six months ended 30 June 2012: RMB392 million), which represented a reclassification from other comprehensive income of RMB609 million (six months ended 30 June 2012: RMB392 million), has been recognised in the income statement for the period.

17. INSURANCE RECEIVABLES, NET

	Unaudited 30 June 2013 *RMB million*	Audited 31 December 2012 *RMB million*
Premiums receivable and agents' balances	16,953	6,156
Receivables from reinsurers	14,463	18,921
	31,416	25,077
Less: Impairment provision on		
– Premiums receivable and agents' balances	(2,327)	(2,222)
– Receivables from reinsurers	(191)	(193)
	28,898	22,662

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

	Unaudited 30 June 2013 *RMB million*	Audited 31 December 2012 *RMB million*
On demand	15,755	13,081
Within 1 month	4,250	1,354
1 to 3 months	4,442	5,256
Over 3 months	4,451	2,971
	28,898	22,662

Included in the insurance receivables is an amount due from a fellow subsidiary of RMB509 million (31 December 2012: RMB404 million). Please refer to Note 32(b) for details.

18. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

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

	Unaudited 30 June 2013			Audited 31 December 2012		
	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	90,389	(9,089)	81,300	75,634	(9,387)	66,247
Loss and loss adjustment expense reserves	87,627	(12,864)	74,763	83,895	(13,250)	70,645
	178,016	(21,953)	156,063	159,529	(22,637)	136,892

19. INVESTMENTS IN ASSOCIATES

The Group's investments in associates are as follows:

	Unaudited 30 June 2013 *RMB million*	Audited 31 December 2012 *RMB million*
PICC Life Insurance Company Limited ("PICC Life")	2,002	1,506
Beijing No.88 West Chang'an Avenue Development Company Limited ("No.88 Development Company")	–	1,078
	2,002	2,584

As at 30 June 2013, the Company's equity interest in No. 88 Development Company had been reclassified to assets classified as held for sale. Please refer to Note 22 for details.

20. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired assets with a cost of RMB256 million (six months ended 30 June 2012: RMB246 million).

Assets with a net book value of RMB10 million were disposed of by the Group during the six months ended 30 June 2013 (six months ended 30 June 2012: RMB8 million), resulting in a net disposal gain of RMB16 million (six months ended 30 June 2012: net disposal gain of RMB3 million).

During the six months ended 30 June 2013, construction in progress with an aggregate amount of RMB2 million (six months ended 30 June 2012: RMB11 million) was transferred to property, plant and equipment.

During the six months ended 30 June 2013, property, plant and equipment, and construction in progress with an aggregate amount of RMB30 million (six months ended 30 June 2012: RMB66 million) was transferred to investment properties.

21. INVESTMENT PROPERTIES

	Unaudited Six months ended 30 June 2013 ***RMB million***	Unaudited Six months ended 30 June 2012 *RMB million*
At 1 January	**4,538**	4,443
Transfers from property, plant and equipment and prepaid land premiums	**44**	86
Fair value gain on revaluation of investment properties transferred from property, plant and equipment and prepaid land premiums	**92**	128
Increase in fair value of investment properties during the period	**101**	66
Transfers to property, plant and equipment and prepaid land premiums	**(303)**	(317)
At 30 June	**4,472**	4,406

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 the following approaches: (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; and (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 RMB96 million (six months ended 30 June 2012: RMB94 million) was recognised in the income statement for the period.

As at 30 June 2013 and 31 December 2012, none of the Group's investment properties was pledged to secure general banking facilities granted to the Group.

22. ASSETS CLASSIFIED AS HELD FOR SALE

On 3 May 2013, the Company announced its intention to enter into a sale and purchase agreement with PICC Group to sell its 30.41% equity interests in No. 88 Development Company at a consideration of RMB1,114 million derived based on an independent valuer's report. As of 30 June 2013, the board of directors of the Company and the shareholders' general meeting of PICC Group had approved the transaction and accordingly, the Company's equity interests in No. 88 Development Company had been reclassified to assets classified as held for sale.

23. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	Unaudited 30 June 2013 *RMB million*	Audited 31 December 2012 *RMB million*
Reinsurance payables	11,465	16,667

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

Included in the reinsurance payables is an amount due to a fellow subsidiary of RMB292 million (31 December 2012: RMB321 million). Please refer to Note 32(b) for details.

24. POLICYHOLDERS' DEPOSITS

As at 30 June 2013 and 31 December 2012, the policyholders' deposits are non-interest-bearing.

25. ISSUED CAPITAL

	Unaudited 30 June 2013 *RMB million*	Audited 31 December 2012 *RMB million*
Shares		
Issued and fully paid:		
Domestic shares of RMB1.00 each	9,384	8,454
H shares of RMB1.00 each	4,220	3,802
	13,604	12,256

The Company obtained approval of registered capital increase from the China Insurance Regulatory Commission. The registration with the Administration for Industry and Commerce is in process.

26. NON-CONTROLLING INTERESTS

	Unaudited 30 June 2013 *RMB Yuan*	Audited 31 December 2012 *RMB Yuan*
Non-controlling interests	27,097	22,071

	Unaudited Six months ended 30 June 2013 *RMB Yuan*	Unaudited Six months ended 30 June 2012 *RMB Yuan*
Net gains attributable to non-controlling interests	5,025	378

27. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts		Fair values	
	Unaudited 30 June 2013 *RMB million*	Audited 31 December 2012 *RMB million*	Unaudited 30 June 2013 *RMB million*	Audited 31 December 2012 *RMB million*
Financial assets:				
Cash and cash equivalents	81,817	66,020	81,817	66,020
Derivative financial assets	15	28	15	28
Debt securities	104,325	97,148	104,532	97,373
Equity securities	28,751	33,837	28,751	33,837
Insurance receivables, net	28,898	22,662	28,898	22,662
Prepayments and other assets	22,237	18,838	22,488	19,176
	266,043	238,533	266,501	239,096
Financial liabilities:				
Payables to reinsurers	11,465	16,667	11,465	16,667
Accrued insurance protection fund	604	575	604	575
Other liabilities and accruals	39,497	36,370	39,497	36,370
Policyholders' deposits	1,966	1,983	1,966	1,983
Subordinated debts	19,494	19,427	19,104	18,997
	73,026	75,022	72,636	74,592

27. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

The fair values of the financial assets and liabilities are measured at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, insurance receivables, net, payables to reinsurers, accrued insurance protection fund, other liabilities and accruals and policyholders' deposits listed in the above tables approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of derivative financial assets are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties and interest rate curves.

The fair values of listed debt securities and equity investments are based on quoted market prices. The fair value of restricted equity investments has been estimated by using quoted price of restricted shares taking into account a non-marketability discount estimated using the option pricing model. The fair values of unlisted debt securities and mutual fund investments have been estimated by using the quoted market prices of securities with similar credit, maturity and yield characteristics, or based on executable broker/dealer price quotations, or bid prices quoted by mutual fund management companies. The fair value of subordinated debts has been estimated using quoted market prices for securities with similar credit, terms, maturity and characteristics. The directors believe that the estimated fair values resulting from the valuation technique, and the related changes in fair values, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group uses the following hierarchy for determining and disclosing the fair value of its assets:

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

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)

27. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

Assets measured at fair value

As at 30 June 2013 (Unaudited)	**Level 1** ***RMB million***	**Level 2** ***RMB million***	**Level 3** ***RMB million***	**Total** ***RMB million***
Financial assets held for trading:				
– Equity securities	**1,754**	**–**	**–**	**1,754**
– Debt securities	**10**	**1,281**	**–**	**1,291**
Derivative financial assets:				
– Interest rate swap contracts	**–**	**15**	**–**	**15**
Available-for-sale financial assets:				
– Equity securities	**18,467**	**218**	**8,312**	**26,997**
– Debt securities	**6,462**	**58,370**	**–**	**64,832**
	26,693	**59,884**	**8,312**	**94,889**

As at 31 December 2012 (Audited)	Level 1 *RMB million*	Level 2 *RMB million*	Level 3 *RMB million*	Total *RMB million*
Financial assets held for trading:				
– Equity securities	2,066	100	–	2,166
– Debt securities	–	1,376	–	1,376
Derivative financial assets:				
– Interest rate swap contracts	–	28	–	28
Available-for-sale financial assets:				
– Equity securities	23,209	150	8,312	31,671
– Debt securities	5,717	55,613	–	61,330
	30,992	57,267	8,312	96,571

27. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

Assets measured at fair value *(continued)*

Fair value measurements in Level 3

Since the investment in Industrial Bank Co., Ltd. ("IB") shares is subject to a lock-up period of 36 months, in estimation of their fair value, the Company used quoted price of IB shares taking into account a non-marketability discount estimated using the option pricing model. The Company used the historical volatility of IB share price as the significant unobservable input in the fair value measurement of the non-marketability discount. Therefore, the above available-for-sale investment for IB was classified to Level 3 fair value hierarchy.

During the six months ended 30 June 2013, due to changes in availability of market observable inputs, the Group transferred equity securities and debt securities at an amount of RMB1,260 million from Level 1 to Level 2 of the fair value hierarchy (six months ended 30 June 2012: RMB664 million) and RMB1,000 million from Level 2 to Level 1 (six months ended 30 June 2012: RMB486 million), but no transfers into or out of Level 3.

The Group did not have any financial liabilities measured at fair value as at 30 June 2013 (31 December 2012: Nil).

28. MATURITY PROFILE

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 2013 (Unaudited)	On demand/ Past due *RMB million*	Within 3 months *RMB million*	3 to 12 months *RMB million*	1 to 5 years *RMB million*	More than 5 years *RMB million*	Total *RMB million*
Assets:						
Cash and cash equivalents	21,644	6,637	4,325	59,102	42	91,750
Derivative financial assets	–	1	9	31	–	41
Debt securities:						
– Available-for-sale	–	1,716	3,315	37,798	37,150	79,979
– Fair value through profit or loss	–	479	331	484	82	1,376
– Held-to-maturity	–	40	1,199	7,818	61,857	70,914
Reinsurance assets	–	4,838	9,993	6,425	877	22,133
Capital security fund	–	–	38	2,928	–	2,966
Liabilities:						
Payables to reinsurers	3,946	6,295	997	215	12	11,465
Insurance contract liabilities	–	40,007	90,425	41,975	6,197	178,604
Policyholders' deposits	216	–	–	–	1,750	1,966
Subordinated debts	–	215	727	7,447	18,529	26,918

31 December 2012 (Audited)	On demand/ Past due *RMB million*	Within 3 months *RMB million*	3 to 12 months *RMB million*	1 to 5 years *RMB million*	More than 5 years *RMB million*	Total *RMB million*
Assets:						
Cash and cash equivalents	12,200	852	4,618	59,064	70	76,804
Derivative financial assets	–	1	8	29	–	38
Debt securities:						
– Available-for-sale	–	419	6,843	36,805	31,378	75,445
– Fair value through profit or loss	–	133	627	605	110	1,475
– Held-to-maturity	–	51	1,194	7,035	57,670	65,950
Reinsurance assets	–	5,102	9,813	6,960	940	22,815
Capital security fund	–	428	203	2,778	–	3,409
Liabilities:						
Payables to reinsurers	8,811	7,221	359	262	14	16,667
Insurance contract liabilities	–	34,363	80,522	39,746	4,966	159,597
Policyholders' deposits	226	–	–	–	1,757	1,983
Subordinated debts	–	7	1,304	7,227	19,294	27,832

29. CONTINGENT LIABILITIES

There were certain outstanding litigation matters against the Group as at 30 June 2013. 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 21) under operating lease arrangements, with leases negotiated for terms ranging from two to twenty years (31 December 2012: two to twenty years).

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

	Unaudited 30 June 2013 *RMB million*	Audited 31 December 2012 *RMB million*
Within one year	181	153
In the second to fifth years, inclusive	261	284
After five years	108	113
	550	550

(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 (31 December 2012: one to twenty years), and those for motor vehicles are negotiated for terms ranging from one to three years (31 December 2012: one to three years).

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

	Unaudited 30 June 2013 *RMB million*	Audited 31 December 2012 *RMB million*
Within one year	109	110
In the second to fifth years, inclusive	356	333
After five years	119	136
	584	579

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 2013 *RMB million*	Audited 31 December 2012 *RMB million*
Contracted, but not provided for		
Property, plant and equipment	249	871

32. RELATED PARTY TRANSACTIONS

(a) Material transactions with related parties

	Unaudited Six months ended 30 June 2013 *RMB million*	Unaudited Six months ended 30 June 2012 *RMB million*
Transaction with the PICC Group:		
Rights issue	3,999	–
Transactions with fellow subsidiaries:		
Property rental expenses	53	55
Property rental income	1	1
Management fee	66	63
Premiums ceded	193	246
Reinsurance commission income	83	100
Paid losses recoverable from reinsurers	170	99
Transactions with associates:		
Shares subscribed	485	–
Premiums paid	22	75
Commission received	9	7
Commission paid	34	35
Transactions with associates of PICC Group:		
Interest income	1	Not applicable
Dividend income	360	Not applicable
Interest expenses	7	Not applicable

32. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balances with related parties

	Notes	**Unaudited 30 June 2013** ***RMB million***	Audited 31 December 2012 *RMB million*
Cash and cash equivalent			
Associates of PICC Group		**4,099**	Not applicable
Receivables from reinsurers			
Fellow subsidiaries	17	**509**	404
Due from related parties			
Fellow subsidiaries		**63**	49
Associates		**–**	1
Associates of PICC Group		**369**	Not applicable
Payables to reinsurers			
Fellow subsidiaries	23	**292**	321
Due to related parties			
Fellow subsidiaries		**119**	54
Associates of PICC Group		**28**	Not applicable
Subordinated debts			
Associates of PICC Group		**850**	Not applicable
Securities sold under agreements to repurchase			
Associates of PICC Group		**1,000**	Not applicable

PICC Life and No.88 Development Company are both associates of the Company and fellow subsidiaries of the Company as their parent company is PICC Group. In the above note, they are included in "Associates" and excluded from "Fellow subsidiaries".

On 8 May 2013, the IB became an associate of PICC Group which is the parent company of the Company. The Company disclosed the transactions with the IB as related party transactions.

33. EVENTS AFTER THE REPORTING PERIOD

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

On 26 August 2013, the Board of Directors of the Company approved appropriations of RMB761 million, RMB761 million and RMB3,806 million to the statutory surplus reserve, the general risk reserve and the discretionary surplus reserve, respectively, based on 10%, 10% and 50% of the profit after tax of the Company for the six months ended 30 June 2013.

34. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 August 2013.

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 35, which comprise the interim consolidated statement of financial position of PICC Property and Casualty Company Limited and its subsidiaries as at 30 June 2013 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
26 August 2013

OVERVIEW

In the first half of 2013, by further promoting its customer-oriented comprehensive transformation, with its bases of operation and management being continuously strengthened, its development enjoying steadily boosted vigor and engine and its balanced development pattern being further reinforced, the Company stabilised and increased its market share, further consolidated its capital strength, recorded the best operating results in history over the same period and significantly enhanced its comprehensive strength.

- **Steady business growth and stabilisation and recovery in market share**. In the first half of 2013, the market share in terms of premiums of the Company and its subsidiaries was 35.3% *(Note)* in the PRC property and casualty insurance sector, representing an increase of 0.4 percentage point compared to 2012. Turnover of the Company and its subsidiaries reached RMB115,636 million, representing an increase of 14.3% compared to the same period of last year. In particular, turnover of the motor vehicle insurance segment amounted to RMB79,317 million, representing an increase of 13.4% compared to the same period of last year, and turnover of the non-vehicle insurance businesses amounted to RMB36,319 million, representing an increase of 16.3% compared to the same period of last year.

- **Driven by both underwriting and investment, achieving the best operating results in history over the same period**. In the first half of 2013, the Company and its subsidiaries recorded an underwriting profit of RMB5,630 million and a total investment income of RMB5,180 million, thereby further consolidated the pattern of gaining profits from both underwriting and investment. The Company and its subsidiaries achieved a combined ratio of 93.6%, continuously outperforming the industry; and recorded a profit after tax of RMB7,629 million, representing an increase of 16.8% compared to the same period of last year, with the return on equity taking a leading position in the industry.

- **Steady growth of capital strength and significant enhancement of comprehensive strength**. In June 2013, the Company raised RMB5,754 million through a rights issue. As at 30 June 2013, the total assets of the Company and its subsidiaries reached RMB317,483 million, representing an increase of 9.3% compared to the end of 2012, the shareholders' equity totalled RMB57,915 million, representing an increase of 27.4% compared to the end of 2012, the total amount of investment assets grew steadily, reaching RMB236,776 million, and the solvency margin ratio was 195%, representing an increase of 20 percentage points compared to the end of 2012, continuously maintaining the Adequate Solvency II level.

Note: Calculated based on the PRC insurance industry data 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			
	2013		2012	
	Amount *RMB million*	Percentage *%*	Amount *RMB million*	Percentage *%*
Net premiums earned	87,466	100.0	73,539	100.0
Net claims incurred	(53,777)	(61.5)	(45,193)	(61.5)
Total expenses	(28,059)	(32.1)	(22,735)	(30.9)
Underwriting profit	5,630	6.4	5,611	7.6

TURNOVER

The following table sets forth the turnover of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Motor vehicle insurance	79,317	69,956
Commercial property insurance	8,030	7,882
Liability insurance	4,586	4,040
Accidental injury and health insurance	5,302	3,578
Cargo insurance	2,081	2,273
Other insurance	16,320	13,463
Total	115,636	101,192

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

	Six months ended 30 June			
	2013		2012	
	Amount	Percentage	Amount	Percentage
	RMB million	*%*	*RMB million*	*%*
Insurance agents	67,978	58.9	65,111	64.6
Individual insurance agents	38,704	33.6	37,596	37.3
Ancillary insurance agents	23,804	20.6	22,797	22.6
Professional insurance agents	5,470	4.7	4,718	4.7
Direct sales	40,165	34.8	29,196	28.9
Insurance brokers	7,198	6.3	6,604	6.5
Total	115,341	100.0	100,911	100.0

Turnover of the Company and its subsidiaries was RMB115,636 million in the first half of 2013, representing an increase of RMB14,444 million (or 14.3%) from RMB101,192 million in the first half of 2012. The steady growth of its overall business was largely driven by the growth of the motor vehicle insurance and agriculture insurance businesses, and the relatively rapid growth in the liability insurance, accidental injury and health insurance and credit and surety insurance businesses.

Turnover of the motor vehicle insurance segment of the Company and its subsidiaries was RMB79,317 million in the first half of 2013, representing an increase of RMB9,361 million (or 13.4%) from RMB69,956 million in the first half of 2012. In the first half of 2013, the increase of production and sales volume in the domestic auto market went beyond expectation. The Company strengthened the synergies between its product lines and distribution channel departments, improved its management model on new auto policies sold through auto dealers, integrated the resources of the auto industrial chain, focused on building the commercial model of group auto insurance business and strategically expanded the mid and high-end new auto markets, thereby further consolidated the Company's market share in terms of new auto insurance business. The Company also strengthened the process management of renewed and transferred-in auto insurance business, continuously optimised the working process of renewed and transferred-in business, and comprehensively improved the level of our customers' satisfaction and loyalty, thereby steadily improved the renewal rate. The Company also enhanced the construction of tele-marketing and online sales service systems, improved the customer information management and after-sales services of tele-marketing and online sales, became the first to launch the "WeChat platform for PICC Tele-marketing", thereby achieved excellent results in the construction of new sales channels such as tele-marketing, online sales and mobile platform sales.

In the first half of 2013, although the domestic economic growth slowed down and the number of competitors in the commercial property insurance market increased, turnover of the commercial property insurance segment of the Company and its subsidiaries achieved RMB8,030 million, representing an increase of RMB148 million (or 1.9%) from RMB7,882 million in the first half of 2012.

In the first half of 2013, the government further deepened the implementation of the administrative system reform, innovated its way of providing public services, actively pushed forward the reform of the basic social security system, and established and refined the food and medicine safety supervision system, environmental protection supervision system and ceo-compensation mechanism. The further implementation of such reforms facilitated the rapid growth of public liability insurance, natural disaster liability insurance, food safety liability insurance, medical liability insurance and environmental pollution liability insurance businesses. In the first half of 2013, the Company and its subsidiaries seized the opportunities of development and turnover of the liability insurance segment achieved RMB4,586 million, representing an increase of RMB546 million (or 13.5%) from RMB4,040 million in the first half of 2012.

Turnover of the accidental injury and health insurance segment of the Company and its subsidiaries was RMB5,302 million in the first half of 2013, representing an increase of RMB1,724 million (or 48.2%) from RMB3,578 million in the first half of 2012. In the first half of 2013, the government actively promoted the construction of new urbanisation, and orderly pushed forward the integration of rural and urban planning, infrastructure and public services, and the public awareness of disaster precautions and insurance increased, thereby the Company achieved a steady growth in its accidental insurance business for construction projects, borrowers, motor vehicle drivers and passengers, and school children and young children. Since 2012, the government has made great efforts to develop critical illness insurance for rural and urban residents. The *Guidelines on Developing Critical Illness Insurance for Rural and Urban Residents* jointly issued by six ministries and commissions have received positive responses from local government departments. By seizing the opportunities arising from the national medical and healthcare system reform and making full use of its competitive strengths in brand, services and networks, the Company has won in the bids of a number of critical illness insurance programs for both rural and urban residents and of the new rural cooperative medical system at the provincial, municipal and county levels.

In the first half of 2013, due to the backdrop of a slowdown in the domestic economy, tightened monetary supply, gloomy domestic demand, falling average import price of bulk raw materials, continued appreciation of Renminbi, constant increase in human resources costs, grim operating conditions for processing and trade enterprises in the manufacturing sector, and a decline in the growth rate of exports, the Company suffered a shrinkage of cargo insurance business and a decline in the average premium per policy and average premium rate. Turnover of the cargo insurance segment of the Company and its subsidiaries decreased by RMB192 million (or -8.4%) to RMB2,081 million in the first half of 2013 from RMB2,273 million in the first half of 2012.

Turnover of the other insurance segment of the Company and its subsidiaries was RMB16,320 million in the first half of 2013, representing an increase of RMB2,857 million (or 21.2%) from RMB13,463 million in the first half of 2012. In 2013, the Company became the first commercial insurance company that has been authorised to engage in short-term export credit insurance business. With the depressed global and domestic macroeconomic environments and a strong demand for financing credit insurance, the Company vigorously expanded its short-term export credit insurance business for micro, small and medium enterprises by taking full advantage of its institutional networks and customer base. Meanwhile, the Company accelerated the construction of service network and sales and service platforms in rural areas to service agriculture, rural areas and farmers. The agriculture insurance business continued to grow rapidly.

NET PREMIUMS EARNED

The following table sets forth the net premiums earned of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Motor vehicle insurance	**69,416**	58,440
Commercial property insurance	**4,152**	3,871
Liability insurance	**3,030**	2,606
Accidental injury and health insurance	**2,966**	2,028
Cargo insurance	**1,292**	1,396
Other insurance	**6,610**	5,198
Total	**87,466**	73,539

Net premiums earned of the Company and its subsidiaries was RMB87,466 million in the first half of 2013, representing an increase of RMB13,927 million (or 18.9%) from RMB73,539 million in the first half of 2012.

NET CLAIMS INCURRED

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

	Six months ended 30 June			
	2013		2012	
	Net claims incurred *RMB million*	Loss ratio *%*	Net claims incurred *RMB million*	Loss ratio *%*
Motor vehicle insurance	(44,804)	(64.5)	(36,782)	(62.9)
Commercial property insurance	(1,922)	(46.3)	(1,943)	(50.2)
Liability insurance	(1,577)	(52.0)	(1,494)	(57.3)
Accidental injury and health insurance	(2,004)	(67.6)	(1,171)	(57.7)
Cargo insurance	(434)	(33.6)	(477)	(34.2)
Other insurance	(3,036)	(45.9)	(3,326)	(64.0)
Total	(53,777)	(61.5)	(45,193)	(61.5)

Net claims incurred of the Company and its subsidiaries in the first half of 2013 were RMB53,777 million, representing an increase of RMB8,584 million (or 19.0%) from RMB45,193 million in the first half of 2012. The loss ratio was 61.5%, which was in line with that of the same period of last year.

Net claims incurred of the motor vehicle insurance segment of the Company and its subsidiaries were RMB44,804 million in the first half of 2013, representing an increase of RMB8,022 million (or 21.8%) from RMB36,782 million in the first half of 2012. In the first half of 2013, the prices of auto spare parts, manpower costs in auto maintenance and repairs and the personal injury compensation standards continued to increase. Additionally, with the continuous increase in the contribution of premiums written from new channels to the overall premiums of motor vehicle insurance segment of the Company and the increasing discount rates resulting therefrom, both the premium rates and the premium adequacy ratio decreased. Due to the abovementioned reasons, the loss ratio of the motor vehicle insurance segment increased by 1.6 percentage points from 62.9% in the first half of 2012 to 64.5% in the first half of 2013.

Net claims incurred of the liability insurance segment of the Company and its subsidiaries were RMB1,577 million in the first half of 2013, representing an increase of RMB83 million (or 5.6%) from RMB1,494 million in the first half of 2012. The loss ratio decreased by 5.3 percentage points from 57.3% in the first half of 2012 to 52.0% in the first half of 2013. This was due to a decrease in the business of liability insurance with high loss ratio, as well as the decreased loss ratios in various extents attributable to carrier, employer, public, medical treatment and school liability insurances in the first half of 2013.

Net claims incurred of the accidental injury and health insurance segment of the Company and its subsidiaries were RMB2,004 million in the first half of 2013, representing an increase of RMB833 million (or 71.1%) from RMB1,171 million in the first half of 2012. The loss ratio increased by 9.9 percentage points from 57.7% in the first half of 2012 to 67.6% in the first half of 2013. In the first half of 2013, with the implementation of the national policy, the business of critical illness insurance for rural and urban residents of the Company has seen significant growth, and as the underwriting terms of the critical illness insurance for rural and urban residents have a broader coverage and higher protection than previous similar insurances, both the actual and the expected loss ratios of health insurance experienced a notable increase.

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			
	2013		2012	
	Total expenses *RMB million*	Expense ratio *%*	Total expenses *RMB million*	Expense ratio *%*
Motor vehicle insurance	(22,812)	(32.9)	(18,183)	(31.1)
Commercial property insurance	(1,505)	(36.2)	(1,265)	(32.7)
Liability insurance	(1,082)	(35.7)	(898)	(34.5)
Accidental injury and health insurance	(806)	(27.2)	(618)	(30.5)
Cargo insurance	(322)	(24.9)	(587)	(42.0)
Other insurance	(1,532)	(23.2)	(1,184)	(22.8)
Total	(28,059)	(32.1)	(22,735)	(30.9)

Total expenses of the Company and its subsidiaries were RMB28,059 million in the first half of 2013 with the expense ratio increased by 1.2 percentage points from 30.9% in the first half of 2012 to 32.1% in the first half of 2013. In the first half of 2013, the Company achieved notable results in thoroughly advocating thrift among its headquarters and branches and further refining the management and control of expenses budget, contributing to a decrease in administrative expense ratio as compared to the same period of last year. Meanwhile, the Company continued to implement its progressive market strategies, continuously intensified its efforts in the differentiated allocation of sales expenses, vigorously pushed forward the construction of the sales and service system, perfected the building of business outlets network in counties, towns and villages, promoted the transformation of business outlets in urban areas and strengthened the after-sales services of new sales channels, all of which resulted in an evident increase in the underwriting-related expenses.

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			
	2013		2012	
	Underwriting profit *RMB million*	Underwriting profit ratio *%*	Underwriting profit *RMB million*	Underwriting profit ratio *%*
Motor vehicle insurance	1,800	2.6	3,475	5.9
Commercial property insurance	725	17.5	663	17.1
Liability insurance	371	12.3	214	8.2
Accidental injury and health insurance	156	5.2	239	11.8
Cargo insurance	536	41.5	332	23.8
Other insurance	2,042	30.9	688	13.2
Total	5,630	6.4	5,611	7.6

The Company and its subsidiaries recorded an underwriting profit of RMB5,630 million in the first half of 2013, representing an increase of RMB19 million (or 0.3%) from RMB5,611 million in the first half of 2012; and the underwriting profit ratio was 6.4%, decreased by 1.2 percentage points from 7.6% in the first half of 2012.

INVESTMENT RESULTS

Composition of Investment Assets

The following table sets forth the composition of investment assets of the Company and its subsidiaries as at the following dates:

	30 June 2013		31 December 2012	
	Balance	Percentage	Balance	Percentage
	RMB million	*%*	*RMB million*	*%*
By category:				
Cash and cash equivalents *(Note 1)*	27,996	11.8	12,890	5.9
Term deposits	53,821	22.7	53,130	24.5
Debt securities	104,325	44.1	97,148	44.8
Equity securities	29,969	12.6	35,055	16.1
Subordinated debts, debt investment plans and trust products	9,390	4.0	8,000	3.7
Investment properties	4,472	1.9	4,538	2.1
Investment in associates and assets classified as held for sale	3,079	1.3	2,584	1.2
Other investment assets *(Note 2)*	3,724	1.6	3,655	1.7
Total investment assets	236,776	100.0	217,000	100.0

Notes:

1. Cash and cash equivalents are mainly in RMB and do not include deposits with banks and other financial institutions with original maturity of more than three months or structured deposits with banks and other financial institutions.

2. Other investment assets mainly include derivative financial assets and capital security fund.

In the first half of 2013, the Company maintained a steady growth in the underwriting business, which provided a stable cash flow support for the development of the investment business of the Company. As at the end of the reporting period, the investment assets of the Company increased by RMB19,776 million (or 9.1%) compared to the end of 2012. While increasing the overall size of the investment assets, the Company timely adjusted the investment assets composition based on the operation of the capital market and its own risk preference, improved the quality of its investment portfolio and achieved a balance between profit earning and risk taking.

In the first half of 2013, the Company increased investment in relatively long-term, high-yield and high-quality debt securities and reduced investment in equity securities at opportune time in light of the market conditions. The Company also took advantage of new investment policies and purchased debt investment plans and trust products which have high credit ratings and are of good quality on the basis of strict risk control and ensuring the on-time payment of principals and interests.

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

Investment Income

The following table sets forth the investment income of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Rental income from investment properties	**96**	94
Interest income	**4,099**	3,665
Dividend income	**666**	293
Total of investment income	**4,861**	4,052

Investment income of the Company and its subsidiaries was RMB4,861 million in the first half of 2013, representing an increase of RMB809 million (or 20.0%) from RMB4,052 million in the first half of 2012.

In the first half of 2013, the Company adopted a prudent and sound investment strategy and increased its investments in debt securities purchased under resale agreements and held-to-maturity debt securities, which generated steady incomes and led to an increase in interest income by RMB434 million (or 11.8%) compared to the same period of last year. At the beginning of 2013, Shanghai Stock Exchange issued the *Guidelines on Distribution of Cash Dividends by Listed Companies* with an aim at further guiding and promoting the establishment of a sustainable, steady, scientific and transparent dividend distribution mechanism by listed companies and diligently protecting investors' legitimate interests. As a result, in the first half of 2013, the dividends from equity investment by the Company in domestic listed companies increased and the dividend income of the Company increased by RMB373 million (or 127.3%) compared to the same period of last year.

Net Realised and Unrealised Gains/(Losses) on Investments

The following table sets forth the net realised and unrealised gains/(losses) on investments of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Realised gains/(losses) on investments	**741**	(237)
Unrealised (losses)/gains on investments	**(6)**	163
Impairment losses	**(609)**	(392)
Fair value gains on investment properties	**101**	66
Total of net realised and unrealised gains/(losses) on investments	**227**	(400)

In the first half of 2013, the Company proactively seized opportunities in the equity investment market, further optimised its equity investment portfolio and achieved an increase in realised gains on investments of RMB978 million compared to the same period of last year. Meanwhile, due to the decline in volatility of the domestic capital market, the unrealised losses on the financial assets at fair value through profit or loss increased by RMB169 million and the impairment losses on available-for-sale financial assets increased by RMB217 million in the first half of 2013 compared to the same period of last year.

OVERALL RESULTS

The following table sets forth the overall results of the Company and its subsidiaries for the relevant periods or as at the relevant dates:

	Six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Profit before tax	**9,755**	8,413
Income tax expense	**(2,126)**	(1,879)
Profit attributable to owners of the parent	**7,629**	6,534
Total assets *(Note)*	**317,483**	290,424

Note: Based on the data as at 30 June 2013 and 31 December 2012.

PROFIT BEFORE TAX

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB9,755 million in the first half of 2013, representing an increase of RMB1,342 million (or 16.0%) from RMB8,413 million in the first half of 2012.

INCOME TAX EXPENSE

Income tax expense of the Company and its subsidiaries was RMB2,126 million in the first half of 2013, representing an increase of RMB247 million from RMB1,879 million in the first half of 2012. 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 2013.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the foregoing, profit after tax of the Company and its subsidiaries increased by RMB1,095 million from RMB6,534 million in the first half of 2012 to RMB7,629 million in the first half of 2013. Basic earnings per share attributable to ordinary equity holders of the parent in the first half of 2013 was RMB0.587.

CASH FLOW

The following table sets forth the cash flow of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Net cash inflow from operating activities	11,535	4,826
Net cash outflow from investing activities	(3,547)	(6,173)
Net cash inflow from financing activities	7,118	2,320
Net increase in cash and cash equivalents	15,106	973

In the first half of 2013, the overall business of the Company and its subsidiaries developed steadily and the net cash inflow from operating activities amounted to RMB11,535 million, representing an increase of RMB6,709 million (or 139.0%) from RMB4,826 million in the first half of 2012. The net cash outflow from reinsurance ceded in the first half of 2013 decreased by RMB5,966 million compared to the same period of last year, significantly contributing to the increase in the Company's cash flow from operating activities.

In the first half of 2013, the net cash outflow from investing activities of the Company and its subsidiaries decreased by RMB2,626 million compared to the first half of 2012. In particular, the cash outflow from debt investment plans decreased by RMB2,410 million compared to the same period of last year.

In the first half of 2013, the Company raised RMB5,754 million through a rights issue and the net cash inflow from financing activities of the Company and its subsidiaries was RMB7,118 million, representing an increase of RMB4,798 million (or 206.8%) compared to the first half of 2012.

As at 30 June 2013, the cash and cash equivalents of the Company and its subsidiaries was RMB27,996 million.

LIQUIDITY

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

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

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 the facility is repayable within one year. As at 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 meet their working capital needs in the future from cash generated from operating activities. The Company and its subsidiaries have sufficient working capital.

CAPITAL EXPENDITURE

The capital expenditure of the Company and its subsidiaries primarily includes expenditures for operational properties under construction and acquisition of motor vehicles for operational purposes as well as development of the information system. Capital expenditure of the Company and its subsidiaries was RMB763 million in the first half of 2013.

SOLVENCY MARGIN REQUIREMENT

The Company is subject to a number of laws and regulations regarding financial operations of the Company, including the regulatory requirements for maintaining a stipulated solvency margin and providing for certain funds and reserves. In accordance with the insurance laws and regulations of the PRC, the Company was required to maintain a minimum solvency margin of RMB27,147 million on 30 June 2013. The Company's actual solvency margin calculated pursuant to the regulations of the CIRC was RMB52,997 million and the solvency margin ratio was 195% *(Note)*.

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

GEARING RATIO

As at 30 June 2013, the gearing ratio *(Note)* of the Company and its subsidiaries was 75.6%, representing a decrease of 2.1 percentage points from 77.7% as at 31 December 2012.

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

CONTINGENT EVENT

There were certain outstanding litigation matters against the Company and its subsidiaries as at 30 June 2013. After taking into account professional opinions, the management of the Company believes that 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 proceedings. Most of such legal proceedings involve claims on the insurance policies of the Company and its subsidiaries, and some losses arising therefrom will be indemnified by reinsurers or other recoveries including salvages and subrogation. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Company and its subsidiaries believe that any resulting liabilities will not have a material adverse effect on the financial positions or operating results of the Company and its subsidiaries.

EVENTS AFTER THE REPORTING PERIOD

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

On 26 August 2013, the Board of Directors approved appropriations of RMB761 million, RMB761 million and RMB3,806 million to the statutory surplus reserve, the general risk reserve and the discretionary surplus reserve, respectively, based on 10%, 10% and 50% of the profit after tax of the Company for the six months ended 30 June 2013.

CREDIT RISK

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

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

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

The majority of the corporate bonds held by the Company and its subsidiaries have credit ratings of AA or above. The Company and its subsidiaries diligently manage credit risk in debt securities by analysing the creditworthiness of invested companies prior to making investments and by strictly conforming to the relevant regulations issued by the CIRC on the ratings of corporate bonds invested by insurance companies.

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

EXCHANGE RATE RISK

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

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

INTEREST RATE RISK

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Company and its subsidiaries' interest rate risk policy requires the Company and its subsidiaries to manage interest rate risk by maintaining an appropriate match of fixed and floating interest rate instruments. The policy also requires the Company and its subsidiaries to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities, 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 at 30 June 2013, the interest rate swap contracts held by the Company had an aggregate notional amount of RMB1,250 million.

DEVELOPMENT OF NEW PRODUCTS

In the first half of 2013, the Company designed and developed 59 insurance provisions which were filed with the CIRC, consisting 23 new national provisions, 25 amended national provisions, 10 new regional provisions and one amended regional provision. As at 30 June 2013, the Company had 5,696 insurance provisions in operation and use, which consisted of 3,862 national provisions and 1,834 regional provisions.

EMPLOYEES

As at 30 June 2013, the Company had 157,525 employees (among which 63,852 employees signed labour contracts formulated by the Company's headquarters). The Company and its subsidiaries paid remuneration of RMB9,771 million to its employees in the first half of 2013, which mainly included basic salaries, performance-related bonus, and various insurances and benefits contributed in accordance with the relevant PRC laws and regulations. The Company and its subsidiaries enhanced the employees' performance and work efficiency by providing various career development paths, strengthening personnel training, implementing performance appraisal and several other measures. The Company is of the view that the Company and its subsidiaries maintain a good relationship with their employees.

LOOKING FORWARD

For a certain period of time in the future, the Company will continue to be in a critical stage of transformation and development, which comes with important strategic opportunities. From the perspective of macroeconomic development trend, there are still some uncertainties over the economic development trend of China under the influence of international economic environment. The continuous furtherance of the reform process in China will bring the insurance industry both vast opportunities in serving economic and social development and new challenges on its service and innovation capabilities. From the perspective of the industry development trend, with the continuously intensifying competition in the insurance industry, the CIRC is focusing on the current market order and continuously upgrading efforts in rectifying the market to curb irrational competition, which will generate a long lasting effect on the market.

Faced with the complex and unsettled internal and external conditions, the Company will further consolidate and unify its resources for and common understanding of transformation and development, make solid progress in its customer-oriented transformation and ensure successful completion of all business targets set for the year. In the second half of this year, the Company will uphold customer orientation and accelerate its comprehensive transformation towards customer orientation; insist on benchmarking market with a view to achieving significant development in overall market scenario; attach utmost importance to profitability to create the most profitable value chains; and insist on people orientation to continuously strengthen the momentum and vitality in its reform and development.

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

The Directors, Supervisors and chief executive of the Company did not hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO as at 30 June 2013 that were 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

Changes in Directors during the period from 1 January 2013 to the date of this interim report are as follows:

At the shareholders' extraordinary general meeting of the Company held on 25 March 2013, Mr Lin Hanchuan was appointed as an Independent Non-executive Director for a term of office commencing immediately after the conclusion of the extraordinary general meeting to the expiry of the term of office of the current session of the Board.

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)*
Mr Lin Hanchuan *(Independent Non-executive Director)*

There has been no change in the members of the Supervisory Committee of the Company from 1 January 2013 to the date of this interim report.

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

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

CHANGES IN THE INFORMATION ON DIRECTORS AND SUPERVISORS

Mr Luk Kin Yu, Peter, an Independent Non-executive Director of the Company, no longer serves as an independent member of the Risk Committee and the Audit Committee of RBWM (Retail Banking and Wealth Management) of HSBC Holdings plc.*. Mr Ding Ningning, an Independent Non-executive Director of the Company, is also an Independent Non-executive Director of Huabao International Holdings Limited**. Mr Liao Li, an Independent Non-executive Director of the Company, has retired as an Independent Non-executive Director of Beijing Media Corporation Limited**.

Mr Lu Zhengfei, an Independent Supervisor of the Company, is also an Independent Non-executive Director of Bank of China Limited***.

CHANGES IN THE INFORMATION ON DIRECTORS AND SUPERVISORS *(continued)*

* This company has a dual primary listing on the stock exchanges in London and Hong Kong.

** These companies are listed on the Hong Kong Stock Exchange.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has formulated guidelines on trading of the Company's securities that are applicable to Directors, Supervisors and all employees, and the terms of such guidelines are no less exacting than those set out in the Model Code. The Company enquired with all the Directors and Supervisors and they all confirmed that they had complied with the requirements under the Model Code and such guidelines during the first half of 2013. Following the codification of the obligations to disclose inside information in the SFO, the Company accordingly amended the guidelines on trading securities of the Company and such amendments were considered and approved by the Board on 25 March 2013.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

To the knowledge of the Directors, as at 30 June 2013, the following persons held interests or short positions in the shares or underlying shares of the Company that were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or notified to the Company and the Hong Kong Stock Exchange by other means:

Name of shareholder	Capacity	Number of domestic shares	Nature of interests	Percentage of total number of domestic shares in issue	Percentage of total number of shares in issue
PICC Group *(Notes 1 & 2)*	Beneficial owner	9,384,386,220	Long position	100%	69.0%

Name of shareholder	Capacity	Number of H shares	Nature of interests	Percentage of total number of H shares in issue	Percentage of total number of shares in issue
AIG *(Notes 1, 3, 4 & 5)*	Interest of controlled corporations	1,103,038,000	Long position	31.92%	9.9%
Birmingham Fire Insurance Company of Pennsylvania *(Notes 1, 3, 4 & 5)*	Beneficial owner	562,549,380	Long position	16.28%	5.05%
Commerce and Industry Insurance Company *(Notes 1, 3, 4 & 5)*	Beneficial owner	330,911,400	Long position	9.58%	2.97%
Lexington Insurance Company *(Notes 1, 3, 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	Nature of interests	Percentage of total number of H shares in issue	Percentage of total number of shares in issue
BlackRock, Inc. *(Notes 1, 3 & 6)*	Interest of controlled corporations	250,483,300	Long position	5.93%	1.84%
		12,760	Short position	0.00%	0.00%
HSBC Holdings plc *(Notes 1, 3 & 7)*	Interest of controlled corporations	229,361,664	Long position	5.44%	1.69%
		79,067,491	Short position	1.87%	0.58%

Notes:

1. The Company conducted the first rights issue in 2011 on the basis of 1 rights share for every 10 shares, and the rights shares were issued on 30 December 2011 (the "2011 Rights Issue"). The Company conducted the second rights issue in the first half of 2013 on the basis of 1.1 rights shares for every 10 shares, and the rights shares were issued on 25 June 2013 (the "2013 Rights Issue" and together with the 2011 Rights Issue, the "Rights Issues").

2. The number of shares held by PICC Group and its percentages of shareholding were based on those recorded in the Company's register of members of domestic shareholders as at 30 June 2013, which also represent the shareholding status of PICC Group after the completion of the Rights Issues.

3. After the completion of the Rights Issues, the numbers of H shares held by the H shareholders have changed, however, the Company has not received any disclosure of interests notices by the H shareholders in relation thereto. The information on the numbers of H shares held by the H shareholders and their percentages of shareholdings set out above was based on the disclosure of interests notices available on the website of the Hong Kong Stock Exchange as at 30 June 2013.

4. The numbers of H shares held by AIG and its percentage of shareholding are those stated in the disclosure of interest notices available on the website of the Hong Kong Stock Exchange before the Rights Issues. AIG was once 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 were once deemed to be interested in the H shares held by the controlled corporations of AIG. However, as confirmed by AIG, as of 14 December 2012, United States Treasury, Jill M. Considine, Chester B. Feldberg and Douglas L. Foshee no longer had any interests in AIG and therefore they are no longer deemed to be interested in the H shares of the Company held by the controlled corporations of AIG. It is further confirmed by AIG that after the completion of the 2013 Rights Issue, AIG was interested in 1,346,809,396 H shares of the Company. Such H shares were held by AIG's controlled corporations, of which Chartis Property Casualty Company held 686,872,792 H shares, Commerce and Industry Insurance Company held 404,042,819 H shares and Lexington Insurance Company held 255,893,785 H shares.

5. Birmingham Fire Insurance Company of Pennsylvania (now known as "Chartis Property Casualty Company"), Commerce and Industry Insurance Company and Lexington Insurance Company are controlled corporations of AIG. Based on the latest disclosure of interests notice made by AIG, AIG owned 100% shareholding in each of Birmingham Fire Insurance Company of Pennsylvania and Commerce and Industry Insurance Company. Based on the latest disclosure of interests notice made by Lexington Insurance Company, AIG owned 100% shareholding in Lexington Insurance Company.

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

6. The number of H shares held by BlackRock, Inc. and its percentage of shareholding are those stated in the disclosure of interests notice available on the website of the Hong Kong Stock Exchange as at 30 June 2013.

7. The number of H shares held by HSBC Holdings plc and its percentage of shareholding are those stated in the disclosure of interests notice available on the website of the Hong Kong Stock Exchange as at 30 June 2013.

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 that were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and to be recorded in the register required to be kept under Section 336 of the SFO or being substantial shareholders of the Company as at 30 June 2013.

INTERIM DIVIDEND AND INTERIM PROFIT APPROPRIATION

The Board has approved that each of 10% of the profit after tax of the Company for the six months ended 30 June 2013 of RMB7,612 million, totalling RMB761 million and RMB761 million, respectively, be appropriated to the statutory surplus reserve and the general risk reserve of the Company, and 50% of the profit after tax of the Company, totalling RMB3,806 million, be appropriated to the discretionary surplus reserve of the Company. Meanwhile, the Board declared the payment of an Interim Dividend of RMB0.243 (inclusive of applicable tax) per share for the six months ended 30 June 2013. The Interim Dividend will be paid to the shareholders whose names appear on the register of members of the Company on 16 September 2013 (Monday). The 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 = RMB0.795568, 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$0.30544 (inclusive of applicable tax), the payment of which is expected to be made on or about 8 November 2013.

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 11 September 2013 (Wednesday) to 16 September 2013 (Monday), both days inclusive, during which period no transfer of shares will be registered. Holders of H shares and domestic shares whose names appear on the register of members of the Company on 16 September 2013 (Monday) are entitled to receive the Interim Dividend. In order for holders of H shares of the Company to qualify for the Interim Dividend payment, all transfer documents accompanied by the relevant H share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 10 September 2013 (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 the 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稅法》) and its implementing rules as well as the Tax Notice, the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on behalf of Individual H Shareholders:

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities in the first half of 2013.

CORPORATE GOVERNANCE

Save for one of the requirements under the code provision A.4.2 of the Corporate Governance Code and the requirement under Rule 3.10A of the Listing Rules, the Company had complied with all the code provisions of the Corporate Governance Code in the first half of 2013.

According to code provision A.4.2 of the Corporate Governance Code, every director should retire by rotation at least once every three years. The terms of appointment of Mr Luk Kin Yu, Peter and Mr Ding Ningning, both Independent Non-executive Directors, should have expired on 28 April 2011 and 17 January 2012, respectively. In accordance with the provisions of the PRC 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 currently continued to serve as a Director until the newly elected director commences his/her term of office. As a result, the Company has not complied with the relevant provision of the Corporate Governance Code during the period from 29 April 2011 to the date of this interim report.

As at 31 December 2012, the Board comprised four executive Directors, four non-executive Directors and three independent non-executive Directors and as such, the requirement under the newly introduced Rule 3.10A of the amended Listing Rules that the number of independent non-executive directors shall represent at least one-third of the members of the board of directors was not complied with. In order to comply with the new requirement of the Listing Rules, the Board nominated Mr Lin Hanchuan as an Independent Non-executive Director, and the shareholders considered and appointed Mr Lin Hanchuan as an Independent Non-executive Director at the extraordinary general meeting of the Company held on 25 March 2013. Accordingly, the Company has complied with the new requirement of the Listing Rules as from the date of the appointment of Mr Lin Hanchuan as an Independent Non-executive Director on 25 March 2013.

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 2013.

By Order of the Board
Wu Yan
Chairman

Beijing, the PRC
26 August 2013

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
"Company"	PICC Property and Casualty Company Limited
"Corporate Governance Code"	the corporate governance code section contained in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"Director(s)"	director(s) of the Company
"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 2013 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 Macau 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
"PICC Life"	PICC Life Insurance Company Limited
"PRC" or "China"	the People's Republic of China
"PRC Company Law"	the Company Law of the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Supervisor(s)"	supervisor(s) of the Company
"Tax Notice"	the Notice of the State Administration for 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

To know more about PICC P&C, please simply scan
this QR code with your smartphone right away.