中国人民财产保险股份有限公司
PICC Property and Casualty Company Limited

2005
Interim Report

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
Main business:	The Company provides a broad range of non-life insurance products in the PRC. The major scope of business includes motor vehicle insurance, commercial property insurance, homeowners insurance, cargo insurance, liability insurance, accidental injury insurance, surety insurance and short-term health insurance business denominated in both RMB and foreign currencies, together with related reinsurance business.
Place of listing of H Shares:	The Stock Exchange of Hong Kong Limited
Type of stock:	H Shares
Name of stock:	PICC P&C
Stock code:	2328
H share registrar and transfer office:	Computershare Hong Kong Investor Services Limited
Place of business:	No. 69 Dong He Yan Street, Xuanwu District, Beijing 100052, PRC
Legal representative:	Tang Yunxiang
Secretary of the Board of Directors:	Fu Zhu
Company Secretary:	Man Kam Ching
Information inquiry department:	Secretariat of the Board of Directors Tel : (8610) 83157607 Fax : (8610) 83157607 E-mail : IR@picc.com.cn Website : www.picc.com.cn
Auditors:	Ernst & Young
Consulting actuaries:	Milliman Asia Limited
Legal advisors:	*as to Hong Kong law:* Linklaters *as to PRC law:* King and Wood

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Condensed Profit and Loss Account

For the six months ended 30 June 2005

The Board of Directors (the "Board of Directors") of PICC Property and Casualty Company Limited (the "Company") is pleased to announce the unaudited condensed profit and loss account for the six months ended 30 June 2005, the unaudited condensed balance sheet as at 30 June 2005 and the unaudited condensed statement of changes in equity and the unaudited condensed cash flow statement for the six months ended 30 June 2005.

	Notes	**Unaudited Six months ended 30 June 2005** ***RMB million***	Unaudited Six months ended 30 June 2004 *RMB million*
TURNOVER	3	**34,882**	35,389
Net premiums earned	3	**24,939**	24,206
Net investment income	3	**679**	530
Net realised and unrealised losses on investments	3	**(711)**	(514)
Net claims incurred	4	**(18,050)**	(17,586)
Amortisation of deferred acquisition costs		**(2,178)**	(1,626)
Insurance protection expense		**(302)**	(325)
Interest expense credited to policyholders' deposits		**(67)**	(78)
General and administrative expenses		**(2,880)**	(3,251)
OPERATING PROFIT	5	**1,430**	1,356
Finance costs		**(56)**	(66)
PROFIT BEFORE TAX		**1,374**	1,290
Tax	6	**(485)**	(327)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		**889**	963
PROPOSED INTERIM DIVIDEND	7	**802**	–
BASIC EARNINGS PER SHARE (in RMB)	8	**0.080**	0.086

	Notes	**Unaudited 30 June 2005** *RMB million*	Audited 31 December 2004 *RMB million* (Restated)
ASSETS			
Cash and cash equivalents	10	**19,404**	16,275
Term deposits	11	**13,359**	11,723
Debt securities	12	**15,060**	14,649
Equity securities	13	**4,497**	5,568
Loans	14	**2,910**	2,910
Capital security fund		**2,228**	2,228
Premiums receivable and agents' balances, net	15	**6,033**	2,472
Unearned premium reserves – reinsurers' share		**5,918**	4,319
Deferred acquisition costs		**1,600**	2,253
Other non-current assets		**189**	286
Receivables from reinsurers	16	**1,919**	989
Reinsurance recoverable on unpaid losses		**5,434**	5,957
Prepayments and other receivables	17	**1,138**	2,515
Fixed assets		**10,503**	10,942
Investment properties		**159**	162
Construction in progress		**1,461**	949
Prepaid land premiums		**4,101**	4,065
Deferred tax assets		**355**	–
TOTAL ASSETS		**96,268**	88,262
LIABILITIES			
Payables to reinsurers	18	**4,194**	1,311
Accrued insurance protection fund		**191**	1,099
Tax payable		**534**	291
Other liabilities and accruals		**4,849**	6,153
Deferred tax liabilities		**–**	29
Unearned premium reserves		**35,675**	30,803
Loss and loss adjustment expense reserves		**22,498**	21,272
Policyholders' deposits	19	**8,582**	8,786
Subordinated loan		**2,000**	2,000
TOTAL LIABILITIES		**78,523**	71,744
CAPITAL AND RESERVES			
Issued capital	20	**11,142**	11,142
Reserves/owners' equity		**6,603**	5,376
		17,745	16,518
TOTAL EQUITY AND LIABILITIES		**96,268**	88,262

Condensed Statement of Changes in Equity

For the six months ended 30 June 2005

	Issued share capital *RMB million*	Share premium account *RMB million*	Investment revaluation *RMB million*	Statutory surplus reserve *RMB million*	Statutory public welfare fund *RMB million*	(Note) Other reserves *RMB million*	Retained profits *RMB million*	Proposed interim dividend *RMB million*	Total *RMB million*
Unaudited									
At 1 January 2005	**11,142**	**4,739**	**(452)**	**6**	**3**	**774**	**306**	**–**	**16,518**
Revaluation of available-for-sale investments	–	–	177	–	–	–	–	–	177
Deferred tax assets released	–	–	(59)	–	–	–	–	–	(59)
Net loss not recognised in the profit and loss account	–	–	**118**	–	–	–	–	–	**118**
Realised on disposal of available-for-sale investments	–	–	100	–	–	–	–	–	100
Impairment	–	–	228	–	–	–	–	–	228
Deferred tax assets released	–	–	(108)	–	–	–	–	–	(108)
	–	–	220	–	–	–	–	–	220
Net profit for the period	–	–	–	–	–	–	889	–	889
Transfer from/(to) reserves	–	–	–	95	48	–	(143)	–	–
Proposed 2005 interim dividend	–	–	–	–	–	–	(802)	802	–
At 30 June 2005	**11,142**	**4,739**	**(114)**	**101**	**51**	**774**	**250**	**802**	**17.745**
Unaudited									
At 1 January 2004	11,142	4,739	(5)	6	3	774	98	–	16,757
Revaluation of investments in non-trading securities	–	–	(610)	–	–	–	–	–	(610)
Deferred tax assets recognised	–	–	199	–	–	–	–	–	199
Net loss not recognised in the profit and loss account	–	–	(411)	–	–	–	–	–	(411)
Net profit for the period	–	–	–	–	–	–	963	–	963
At 30 June 2004	11,142	4,739	(416)	6	3	774	1,061	–	17,309

Note: This represents the net profit during the period from 1 October 2002 to 6 July 2003 arising from the commercial insurance business injected into the Company, net of the special dividends payable, pursuant to the reorganisation of the Company on 30 September 2002. Details of this reorganisation are set out in the Company's prospectus dated 27 October 2003 issued in respect of the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited ("HKSE"). According to a legal opinion obtained from the Company's lawyer, this amount is distributable, subject to the provisions as set out under "Profit appropriation" in note 4 to the Company's financial statements for the year ended 31 December 2004.

For the six months ended 30 June 2005

	Unaudited Six months ended 30 June 2005 *RMB million*	Unaudited Six months ended 30 June 2004 *RMB million*
Net cash inflow from operating activities	**6,839**	8,102
Net cash outflow from investing activities	**(1,297)**	(3,132)
Net cash outflow from financing activities	**(2,413)**	(839)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3,129**	4,131
Cash and cash equivalents at beginning of period	**16,275**	18,004
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**19,404**	22,135

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed interim financial statements of the Company are unaudited, but has been reviewed by Ernst & Young in accordance with Hong Kong Statement of Auditing Standard 700 issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young's independent review report to the Company's Board of Directors is set out on page 30.

The condensed interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2004, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) which are generally effective for accounting periods beginning on or after 1 January 2005 and are adopted the first time by the Company for the current period's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 4	Insurance Contracts

The adoption of HKASs 1, 8, 16, 19, 21 and 24 have no material impact on the accounting policies of the Company and the methods of computation in the Company's financial statements. The impact of adopting other HKFRSs is detailed as follows:

(a) HKAS 17 – Leases

In prior periods, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Company's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Company's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Company by the end of the lease term, and is reclassified from fixed assets to prepaid land premiums/land lease payments, while leasehold buildings continue to be classified as part of fixed assets. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings and are amortised over the shorter of the lease terms and useful lives.

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

(a) HKAS 17 – Leases (continued)

This change in accounting policy has no effect on the condensed profit and loss account and retained earnings. The comparatives on the condensed balance sheet for the year ended 31 December 2004 have been restated to reflect the reclassification of leasehold land.

(b) HKAS 32 and HKAS 39 – Financial Instruments

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosures of financial instruments. A summary of the significant impact arising from the adoption of HKAS 32 and HKAS 39 is set out below:

Disclosures

The adoption of HKAS 32 has resulted in changes in the disclosures of maturity profiles of financial assets and liabilities.

Classification of investments

In the prior periods, investments are classified into trading, non-trading and held-to-maturity investments. The accounting policies for these investments are set out in details in note 4 to the audited annual financial statements for the year ended 31 December 2004.

Investments held by the entity in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its investments after initial recognition and when permitted and appropriate re-evaluates this designation at the balance sheet date.

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

Financial assets at fair value through profit or loss comprise financial assets classified as held for trading or financial assets that upon initial recognition are designated by the Company as financial assets at fair value through profit or loss. Financial assets are held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the profit and loss account.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

(b) HKAS 32 and HKAS 39 – Financial Instruments (continued)

Classification of investments (continued)

Available-for-sale financial assets are those non-derivative financial assets in listed and unlisted debt or equity securities that are designated as available-for-sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

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

When the fair value of unlisted debt or equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment, or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost.

The adoption of HKAS 39 results in re-designation of certain financial assets and the details are set out in notes 9 and 11 to these interim financial statements.

Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired as a result of one or more events that occur after the initial recognition of the asset ("loss events"), and that loss event has an impact on the estimated future cash flows that can be reliably estimated.

Assets carried at amortised cost

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for any individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and the group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

(b) HKAS 32 and HKAS 39 – Financial Instruments (continued)

Impairment of financial assets (continued)

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised in profit or loss.

Available-for-sale financial assets

If there is objective evidence of impairment, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss. The amount of the loss recognised in profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment losses on that financial asset previously recognised in profit or loss. Any such impairment losses on equity instruments classified as held for sale are not reversed through profit or loss.

Reversal of impairment losses on debt instruments is reversed through profit or loss, if the increase in fair value of an instrument can be objectively related to an event occurring after the impairment loss is recognised in profit or loss.

Derivatives financial instruments

The Company did not use any stand-alone derivatives but certain derivatives are embedded in structured deposits and convertible debt financial instruments. An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract.

As all financial instruments with embedded derivatives were re-designated as financial assets at fair value through profit or loss on 1 January 2005, no embedded derivatives are separated from the host contract and accounted for as derivatives.

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

(c) HKAS 40 – Investment Property

The adoption of HKAS 40 has resulted in a change in accounting policies for investment properties. Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured at cost, including transaction costs, less accumulated depreciation and any impairment losses.

In the prior period, the Company made use of the exemption in Hong Kong Statement of Standard Accounting Practice 13 "Accounting for investment properties" available to insurance companies and did not separately present investment properties. Investment properties were previously accounted for as fixed assets. On the adoption of HKAS 40, investment properties are separately presented in the balance sheet.

This change in accounting policy has no effect on the profit and loss account and retained earnings. The comparatives on the balance sheet for the year ended 31 December 2004 have been restated to reflect the reclassification of investment properties.

(d) HKFRS 2 – Share-based Payment

In prior periods, no recognition and measurement of share-based transactions in which employees (including directors) were granted was required until such were exercised or fully exercisable by employees.

The adoption of HKFRS 2 "Share-based Payment" results in changes in accounting policy for the share appreciation rights scheme of the Company. HKFRS 2 requires that cash-settled share-based transactions with employees should be measured when the services are acquired and a liability should be established at fair value at inception. The fair value is expensed over the period until vested with the recognition of a corresponding liability. The liability is measured at each balance sheet date up to and including the settlement date with changes in fair value recognised in profit or loss. As the adoption of HKFRS 2 did not materially impact the financial statements for the prior year, it was prospectively applied and accordingly its adoption decreased the Company's profit for the period by RMB2 million.

(e) HKFRS 4 – Insurance Contracts

According to HKFRS 4, insurance contracts are those contracts that transfer significant insurance risk. Contracts that transfer financial risk without significant insurance risk are classified as investment contracts. The adoption of HKFRS 4 did not materially impact the measurement and recognition of any asset, liability, income or expense in the financial statements.

2. SEGMENT INFORMATION

Line of business segment has been presented as the Company's primary segment reporting basis. No analysis of the Company's turnover and contribution to profit from operations by geographical segment has been presented as all the Company's operating activities are carried out in the People's Republic of China.

Summary details of the business segments are as follows:

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

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

(c) the homeowners segment provides insurance products covering homes and their contents;

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

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

(f) the accidental injury segment provides insurance products covering accidental injury; and

(g) the "other" segment mainly represents insurance products related to marine hull, aviation and oil and gas.

2. SEGMENT INFORMATION (continued)

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

	Unaudited Six months ended 30 June 2005 *RMB million*	Unaudited Six months ended 30 June 2004 *RMB million*
Turnover		
Motor vehicle	**22,872**	24,197
Commercial property	**5,330**	5,145
Homeowners	**585**	793
Cargo	**1,578**	1,527
Liability	**1,377**	1,094
Accidental injury	**1,070**	836
Other	**2,070**	1,797
	34,882	35,389
Net premiums earned		
Motor vehicle	**18,384**	16,377
Commercial property	**2,712**	3,238
Homeowners	**397**	378
Cargo	**1,147**	1,710
Liability	**848**	942
Accidental injury	**789**	851
Other	**662**	710
	24,939	24,206
Net investment income		
Homeowners	**126**	53
Net realised and unrealised losses on investments		
Homeowners	**(127)**	(7)

2. SEGMENT INFORMATION (continued)

	Unaudited Six months ended 30 June 2005 *RMB million*	Unaudited Six months ended 30 June 2004 *RMB million*
Net claims incurred		
Motor vehicle	**(14,423)**	(14,096)
Commercial property	**(1,604)**	(1,248)
Homeowners	**(72)**	(103)
Cargo	**(579)**	(459)
Liability	**(611)**	(561)
Accidental injury	**(314)**	(553)
Other	**(447)**	(566)
	(18,050)	(17,586)
Amortisation of deferred acquisition costs		
Motor vehicle	**(2,007)**	(1,328)
Commercial property	**(170)**	(133)
Homeowners	**(140)**	(47)
Cargo	**(108)**	(118)
Liability	**(95)**	(72)
Accidental injury	**(77)**	(53)
Other	**419**	125
	(2,178)	(1,626)
Insurance protection expense		
Motor vehicle	**(211)**	(231)
Commercial property	**(41)**	(45)
Homeowners	**(5)**	(8)
Cargo	**(13)**	(14)
Liability	**(11)**	(10)
Accidental injury	**(9)**	(8)
Other	**(12)**	(9)
	(302)	(325)
Interest expense credited to policyholders' deposits		
Homeowners	**(67)**	(78)

2. SEGMENT INFORMATION (continued)

	Unaudited Six months ended 30 June 2005 *RMB million*	Unaudited Six months ended 30 June 2004 *RMB million*
Segment profit before unallocated income and expenses		
Motor vehicle	**1,743**	722
Commercial property	**897**	1,812
Homeowners	**112**	188
Cargo	**447**	1,119
Liability	**131**	299
Accidental injury	**389**	237
Other	**622**	260
	4,341	4,637
Unallocated operating income and expenses		
Net investment income	**553**	477
Net realised and unrealised losses on investments	**(584)**	(507)
General and administrative expenses	**(2,880)**	(3,251)
Finance costs	**(56)**	(66)
	(2,967)	(3,347)
Profit before tax	**1,374**	1,290
Tax	**(485)**	(327)
Net profit attributable to shareholders	**889**	963

Net investment income and net realised and unrealised losses on investments attributable to homeowners' insurance products, which can be separately identified based on the results of its designated pool of investments, are separately disclosed. The remaining amounts, which are not attributable to particular insurance products, are not allocated and are included under unallocated operating income and expenses.

3. TURNOVER AND REVENUE

Turnover represents direct premiums written and reinsurance premiums assumed, net of government levies and surcharges.

An analysis of turnover, net investment income and net realised and unrealised losses on investments is as follows:

	Unaudited Six months ended 30 June 2005 ***RMB million***	Unaudited Six months ended 30 June 2004 *RMB million*
Turnover		
Direct premiums written	**36,875**	37,395
Reinsurance premiums assumed	**4**	1
	36,879	37,396
Less: Government levies and surcharges	**(1,997)**	(2,007)
	34,882	35,389
Net premiums earned		
Turnover	**34,882**	35,389
Less: Reinsurance premiums ceded	**(6,670)**	(4,803)
Net premiums written	**28,212**	30,586
Less: Changes in net unearned premium reserves	**(3,273)**	(6,380)
Net premiums earned	**24,939**	24,206
Net investment income		
Interest income from cash and cash equivalents and term deposits, net	**306**	203
Interest income from debt securities, net	**259**	176
Interest income from loans	**70**	3
Dividend income from equity securities	**33**	137
Rental income from investment properties	**11**	11
	679	530
Net realised and unrealised losses on investments		
Realised gains on debt securities	**123**	4
Realised gains/(losses) on equity securities	**(25)**	4
Unrealised gains/(losses) on debt securities	**25**	(51)
Unrealised losses on equity securities	**(589)**	(471)
Impairment loss on equity and debt securities	**(245)**	–
	(711)	(514)

4. NET CLAIMS INCURRED

	Unaudited Six months ended 30 June 2005 ***RMB million***	Unaudited Six months ended 30 June 2004 *RMB million*
Gross claims expenses	**19,416**	18,747
Less: Loss recovered from reinsurance	**(3,115)**	(3,106)
Net claims expenses	**16,301**	15,641
Add: Change in net loss and loss adjustment expense reserves	**1,749**	1,945
Net claims incurred	**18,050**	17,586

5. OPERATING PROFIT

The Company's operating profit is arrived at after charging:

	Unaudited Six months ended 30 June 2005 ***RMB million***	Unaudited Six months ended 30 June 2004 *RMB million*
Depreciation and amortisation	**646**	717
Provision for doubtful accounts	**301**	78

6. TAX

	Unaudited Six months ended 30 June 2005 ***RMB million***	Unaudited Six months ended 30 June 2004 *RMB million*
Current – PRC		
Charge for the period	**1,035**	456
Deferred	**(550)**	(129)
Total tax charge for the period	**485**	327

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

7. PROPOSED INTERIM DIVIDEND

The Board of Directors proposed an interim dividend of RMB7.2 cent (2004: Nil) per ordinary share. The proposed interim dividend for the period is subject to the approval at the special general meeting.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the six months ended 30 June 2005 of RMB889 million (six months ended 30 June 2004: RMB963 million) and the 11,142 million ordinary shares (six months ended 30 June 2004: 11,142 million ordinary shares) in issue during the period.

A diluted earnings per share for the six months ended 30 June 2005 has not been disclosed as no diluting events existed during the period.

9. INVESTMENT RE-DESIGNATION

All investments previously classified as trading securities are designated as financial assets at fair value through profit or loss.

The Company has taken the advantage of the transitional provisions on its first time adoption of HKAS 39 to re-designate certain investments previously classified as non-trading securities as financial assets at fair value through profit or loss or available-for-sale financial assets. Details of the re-designation are set out below:

	Unaudited 30 June 2005			
	Fair value through profit or loss	**Available-for-sale**	**Total**	Audited 31 December 2004
	RMB million	***RMB million***	***RMB million***	*RMB million*
Debt securities	**3,827**	**8,879**	**12,706**	12,449
Equity securities	**2,198**	**–**	**2,198**	2,787
	6,025	**8,879**	**14,904**	15,236
Balances at 1 January 2005, at fair value after re-designation	**5,085**	**10,151**	**15,236**	

Certain term deposits were also re-designated as financial assets at fair value through profit or loss and the details are set out in note 11.

10. CASH AND CASH EQUIVALENTS

	Unaudited 30 June 2005 *RMB million*	Audited 31 December 2004 *RMB million*
Demand deposits	**16,558**	14,942
Cash in hand	**57**	25
Securities purchased under resale agreements with original maturity of less than three months	**1,592**	50
Deposits with PRC banks and other financial institutions with original maturity of less than three months	**1,197**	1,258
	19,404	16,275

11. TERM DEPOSITS

	Unaudited 30 June 2005 *RMB million*	Audited 31 December 2004 *RMB million*
Structured deposits maintained with PRC banks and other financial institutions	**3,389**	3,664
Deposits with PRC banks and other financial institutions with original maturity of more than three months	**9,970**	8,059
	13,359	11,723

11. TERM DEPOSITS (continued)

The maturity profile of the term deposits analysed by remaining period according to their contractual maturity dates is as follows:

	Unaudited 30 June 2005 ***RMB million***	Audited 31 December 2004 *RMB million*
Fixed rate:		
Within 1 year	**7,615**	4,908
1 – 2 years	**2,055**	2,851
2 – 3 years	**300**	300
	9,970	8,059
Floating rate:		
Within 1 year	**1,116**	1,186
1 – 2 years	**164**	87
2 – 3 years	**81**	247
3 – 4 years	**287**	41
4 – 5 years	**82**	328
More than 5 years	**1,659**	1,775
	3,389	3,664
	13,359	11,723
Effective interest rate (% per annum)	**1.71% – 12.08%**	1.09% – 12.08%

On the initial adoption of HKAS 39, structured deposits maintained with PRC banks and other financial institutions containing one or more embedded derivatives are designated as financial assets at fair value through profit or loss.

12. DEBT SECURITIES

	Unaudited 30 June 2005 *RMB million*	Audited 31 December 2004 *RMB million* (Restated)
Listed debt securities:		
Debt securities issued by the PRC central government, net	**5,174**	3,566
Debt securities issued by corporate entities	**635**	959
	5,809	4,525
Unlisted debt securities:		
Debt securities issued by the PRC central government	**4,032**	4,360
Debt securities issued by banks and other financial institutions	**3,516**	2,397
Debt securities issued by corporate entities	**1,703**	3,367
	9,251	10,124
	15,060	14,649

In September 2004, a PRC securities company engaged by the Company's investment manager, PICC Asset Management Company Limited ("PICC AMC"), a fellow subsidiary of the Company, was placed under operational control by a special manager as instructed by the China Securities Regulatory Commission ("CSRC"). In June 2005, the CSRC announced the commencement of liquidating the securities company in September 2005 and the appointment of the special manager as liquidator. As at 30 June 2005, the Company had an outstanding amount of RMB412 million (31 December 2004: RMB415 million) deposited at this securities company, comprising financial assets at fair value through profit or loss and available-for-sale debt securities, their accrued interest amounting to RMB314 million and RMB44 million (31 December 2004: trading and non-trading securities and their accrued interest amounting to RMB110 million and RMB248 million), respectively, and a clearing account deposit of RMB54 million (31 December 2004: RMB57 million).

As at 30 June 2005, certain debt securities of the Company were registered under the exchange trading seats of another PRC securities company. The total amounts of debt securities at fair value through profit or loss and available-for-sales securities at 30 June 2005 were RMB522 million and RMB55 million (31 December 2004: trading and non-trading securities of RMB546 million and RMB53 million), respectively. During 2004, the Company and PICC AMC have instructed the securities company to either dispose of the debt securities, or to transfer the registration of the debt securities to the exchange trading seats of PICC AMC. The securities company has confirmed in writing to the Company that it would execute the said instruction and, as at the date of approving the Company's interim financial statements for the period ended 30 June 2005, debt securities totalling RMB18 million (31 December 2004: RMB16 million) were disposed of by the securities company. In June 2005, the Company was notified that a state-owned investment holding company intended to inject capital in the securities company for its restructuring. The Company's management has liaised with the securities company and the relevant regulatory authorities to ensure that the Company's assets are protected.

12. DEBT SECURITIES (continued)

The Company's management has assessed the expected net recoverable amount of the above-mentioned debt securities and their accrued interest and necessary provision has been made to cover any potential shortfall between the expected net recoverable amount and the carrying amount as at 30 June 2005.

The maturity profile of the debt securities analysed by remaining period according to their contractual maturity dates is as follows:

	Unaudited 30 June 2005		
	Fair value through profit or loss *RMB million*	Available-for-sale *RMB million*	Total *RMB million*
Fixed rate:			
Within 1 year	**1,807**	**82**	**1,889**
1 – 2 years	**88**	**300**	**388**
2 – 3 years	**469**	**611**	**1,080**
3 – 4 years	**–**	**1,636**	**1,636**
4 – 5 years	**867**	**1,549**	**2,416**
More than 5 years	**536**	**3,982**	**4,518**
	3,767	**8,160**	**11,927**
Floating rate:			
1 – 2 years	**203**	**–**	**203**
2 – 3 years	**689**	**–**	**689**
4 – 5 years	**1,522**	**–**	**1,522**
More than 5 years	**–**	**719**	**719**
	2,414	**719**	**3,133**
	6,181	**8,879**	**15,060**
Effective interest rate (% per annum)			**1.00% – 11.83%**

12. DEBT SECURITIES (continued)

	Audited 31 December 2004 (Restated)		
	Trading *RMB million*	Non-trading *RMB million*	Total *RMB million*
Fixed rate:			
Within 1 year	1,454	205	1,659
1 – 2 years	–	654	654
2 – 3 years	–	646	646
3 – 4 years	10	2,444	2,454
4 – 5 years	105	1,323	1,428
More than 5 years	–	6,316	6,316
	1,569	11,588	13,157
Floating rate:			
2 – 3 years	567	204	771
4 – 5 years	5	46	51
More than 5 years	59	611	670
	631	861	1,492
	2,200	12,449	14,649
Effective interest rate (% per annum)			1.00% – 11.83%

Interest rates of floating rate debt securities are refixed at intervals of less than one year. Interest rates of fixed rate debt securities are fixed during their tenors.

13. EQUITY SECURITIES

	Unaudited 30 June 2005 *RMB million*	Audited 31 December 2004 *RMB million* (Restated)
Listed investments:		
Mutual funds	**2,264**	2,781
Shares	**35**	–
	2,299	2,781
Unlisted investments:		
Mutual funds	**2,198**	2,787
	2,198	2,787
	4,497	5,568
Fair value through profit or loss	**4,497**	–
Trading	**–**	2,781
Non-trading	**–**	2,787
	4,497	5,568

14. LOANS

	Unaudited 30 June 2005 *RMB million*	Audited 31 December 2004 *RMB million*
Unlisted subordinated debts issued by PRC banks and other financial institutions	**2,910**	2,910

On the adoption of HKAS 39, the Company has reclassified all held-to-maturity subordinated debts issued by PRC banks and other financial institutions as loans according to the new classification requirement.

14. LOANS (continued)

The maturity profile of the subordinated debts held by the Company analysed according to their remaining maturities is as follows:

	Unaudited 30 June 2005 ***RMB million***	Audited 31 December 2004 *RMB million*
Floating rate:		
3 – 4 years	**600**	–
4 – 5 years	**1,120**	1,220
More than 5 years	**1,190**	1,690
	2,910	2,910
Effective interest rate (% per annum)	**4.86% – 5.07%**	4.86% – 5.07%

Interest rates of floating rate subordinated debts are refixed at intervals of less than one year.

15. PREMIUMS RECEIVABLE AND AGENTS' BALANCES, NET

	Unaudited 30 June 2005 ***RMB million***	Audited 31 December 2004 *RMB million*
Premiums receivable and agents' balances	**6,495**	2,633
Less: Allowance for doubtful accounts	**(462)**	(161)
	6,033	2,472

An aged analysis of the premiums receivable and agents' balances as at the balance sheet date, based on payment due date and net of provisions, is as follows:

	Unaudited 30 June 2005 ***RMB million***	Audited 31 December 2004 *RMB million*
Within 3 months	**5,513**	2,249
Over 3 months but less than 6 months	**405**	140
Over 6 months	**115**	83
	6,033	2,472

16. RECEIVABLES FROM REINSURERS

An aged analysis of the receivables from reinsurers as at the balance sheet date is as follows:

	Unaudited 30 June 2005 ***RMB million***	Audited 31 December 2004 *RMB million*
Within 3 months	**1,557**	755
Over 3 months but less than 6 months	**190**	80
Over 6 months	**172**	154
	1,919	989

17. PREPAYMENTS AND OTHER RECEIVABLES

As at 31 December 2004, included in prepayments and other receivables was an amount due from certain provincial and municipal governments totalling RMB1,210 million. During 1999, pursuant to the instruction from the State Council as part of the restructuring of the PRC insurance industry, the Company acquired the commercial insurance business of certain provincial and municipal governments. On the date of acquisition, the net liabilities assumed amounted to RMB1,210 million, which mainly consisted of unearned premium reserves and loss and loss adjustment expense reserves, net of cash and cash equivalents.

During the period ended 30 June 2005, in accordance with notices issued by Ministry of Finance and China Insurance Regulatory Commission ("CIRC"), the Company fully offset the balance of RMB1,210 million due from provincial and municipal governments against the accrued insurance protection fund.

18. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	Unaudited 30 June 2005 ***RMB million***	Audited 31 December 2004 *RMB million*
Reinsurance balances payable	**3,753**	641
Reinsurance funds withheld	**441**	670
	4,194	1,311

Amount payables to reinsurers as at 30 June 2005 and 31 December 2004 are due within three months from the balance sheet date or are repayable on demand. The reinsurance funds withheld as at 30 June 2005 and 31 December 2004 are repayable upon the expiration of the related reinsurance contracts.

19. POLICYHOLDERS' DEPOSITS

Policyholders' deposits consist of interest-bearing and non-interest-bearing deposits placed by policyholders. The remaining maturities of policyholders' deposits are analysed as follows:

	Unaudited 30 June 2005 *RMB million*	Audited 31 December 2004 *RMB million*
Within 1 year	**808**	794
1 – 2 years	**2,366**	2,365
2 – 3 years	**2,875**	2,867
3 – 4 years	**998**	977
4 – 5 years	**709**	660
More than 5 years	**826**	1,123
	8,582	8,786

20. SHARE CAPITAL

	Unaudited 30 June 2005 *RMB million*	Audited 31 December 2004 *RMB million*
Shares		
Registered, issued and fully paid:		
7,685,820,000 domestic shares of RMB1.00 each	**7,686**	7,686
3,455,980,000 H shares of RMB1.00 each	**3,456**	3,456
	11,142	11,142

21. OPERATING LEASE COMMITMENTS

The Company leases certain of its land and buildings and motor vehicles under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twenty years, and those for motor vehicles are negotiated for terms ranging between one to three years.

At 30 June 2005, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Unaudited 30 June 2005 ***RMB million***	Audited 31 December 2004 *RMB million*
Within one year	**304**	310
In the second to fifth years, inclusive	**331**	466
After five years	**38**	40
	673	816

22. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 21 above, the Company had the following capital commitments at the balance sheet date:

	Unaudited 30 June 2005 ***RMB million***	Audited 31 December 2004 *RMB million*
Contracted, but not provided for	**1,099**	1,473
Authorised, but not contracted for	**75**	85
	1,174	1,558

23. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Unaudited Six months ended 30 June 2005 ***RMB million***	Unaudited Six month ended 30 June 2004 *RMB million*
Transactions with the holding company:		
Property rental expenses	**105**	105
Property rental income	**5**	5
Motor vehicle rental expenses	**11**	11
Motor vehicle rental income	**2**	2
Services fee income	**2**	2
Transactions with a fellow subsidiary:		
Management fee	**17**	17
Transactions with a major shareholder:		
Reinsurance premiums ceded	**222**	–
Claims recoverable	**95**	–
Reinsurance commission received/receivables	**87**	–

(b) Outstanding balances with related parties

	Due from related parties		**Due to related parties**	
	Unaudited 30 June 2005 ***RMB million***	Audited 31 December 2004 *RMB million*	**Unaudited 30 June 2005** ***RMB million***	Audited 31 December 2004 *RMB million*
Holding company	**36**	139	**–**	–
A fellow subsidiary	**–**	–	**3**	8
A major shareholder	**108**	57	**136**	113
	144	196	**139**	121

24. COMPARATIVE FIGURES

As further explained in note 1 to these interim financial statements, due to the adoption of new and revised HKFRSs during the current period, the accounting treatment and presentation of certain items and balances in these interim financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified or restated to conform with the current year's presentation.

25. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved and authorised for issue by the board of directors on 25 August 2005.

ERNST & YOUNG

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF PICC PROPERTY AND CASUALTY COMPANY LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

We have been instructed by the Company to review the interim financial report set out on pages 2 to 29.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the directors to prepare interim financial report to be in compliance with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors. It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion 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.

Review work performed

We conducted our review in accordance with SAS 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2005.

Ernst & Young
Certified Public Accountants

Hong Kong
25 August 2005

OVERVIEW

As a leading insurance company in the PRC property and casualty insurance market, the Company provides various property and casualty insurance products as well as a broad range of accidental injury insurance and short-term health insurance products to its customers. The accidental injury insurance and short-term health insurance products jointly developed by the Company and American International Group, Inc. ("AIG") have been launched and gradually rolled out to the nationwide market. In the first half of 2005, the Company's market share in the property and casualty insurance market was 53.1%.

The following table sets forth the net premiums earned, underwriting profit, net profit and total assets of the Company for the periods indicated.

	Six months ended 30 June	
	2005	2004
	RMB million	*RMB million*
Net premiums earned	**24,939**	24,206
Underwriting profit[1]	**1,529**	1,418
Net profit attributable to shareholders	**889**	963
Total assets	**96,268**	93,705

1 Underwriting profit represents net premiums earned minus net claims incurred, and after amortisation of deferred acquisition costs, insurance protection expense and general and administrative expenses.

RESULTS OF OPERATIONS

In the first half of 2005, the Company's turnover decreased slightly whilst its underwriting performance was relatively satisfactory. The Company's investment return still requires further improvement. The following table sets forth selected financial information shown as percentages of net premiums earned for the periods indicated.

	Six months ended 30 June	
	2005	2004
	(%)	
Net premiums earned	**100.0**	100.0
Net claims incurred	**(72.4)**	(72.7)
Amortisation of deferred acquisition costs	**(8.7)**	(6.7)
Insurance protection expense	**(1.2)**	(1.3)
General and administrative expenses	**(11.5)**	(13.4)
Underwriting profit	**6.1**	5.9
Net investment income	**2.7**	2.1
Net realised and unrealised losses on investments	**(2.9)**	(2.1)
Finance costs	**(0.2)**	(0.3)
Interest expenses credited to policyholders' deposits	**(0.3)**	(0.3)
Profit before tax	**5.5**	5.3
Tax	**(1.9)**	(1.3)
Net profit attributable to shareholders	**3.6**	4.0
Loss ratio	**72.4**	72.7
Expense ratio	**21.5**	21.4
Combined ratio	**93.9**	94.1

The following table sets forth the net premiums earned, net claims incurred and amortisation of deferred acquisition costs by segment, analysed as percentages, for the periods indicated.

	Six months ended 30 June	
	2005	2004
	(%)	
Net premiums earned		
Motor vehicle	**73.7**	67.7
Commercial property	**10.9**	13.4
Homeowners	**1.6**	1.6
Other	**13.8**	17.3
Total	**100.0**	100.0
Net claims incurred		
Motor vehicle	**79.9**	80.2
Commercial property	**8.9**	7.1
Homeowners	**0.4**	0.6
Other	**10.8**	12.1
Total	**100.0**	100.0
Amortisation of deferred acquisition costs		
Motor vehicle	**92.2**	81.7
Commercial property	**7.8**	8.2
Homeowners	**6.4**	2.9
Other	**(6.4)**	7.2
Total	**100.0**	100.0

TURNOVER

Turnover of the Company reached RMB34,882 million in the first half of 2005, representing a decrease of RMB507 million (or 1.4%) compared to RMB35,389 million in the first half of 2004. The decrease was primarily due to a decrease of RMB1,325 million in turnover of the motor vehicle segment.

NET PREMIUMS EARNED

Net premiums earned of the Company amounted to RMB24,939 million in the first half of 2005, representing an increase of RMB733 million compared to RMB24,206 million in the first half of 2004. The increase was primarily due to a decrease in the change in net unearned premium reserves, which was partially offset by an increase in reinsurance premiums ceded and a decrease in turnover. Reinsurance premiums ceded increased from RMB4,803 million, or 13.6% of turnover, in the first half of 2004 to RMB6,670 million, or 19.1% of turnover, in the first half of 2005. The increase was primarily due to an increase in the commercial reinsurance ratio. As a result, despite a 5 percentage points decrease in the statutory reinsurance ratio in 2005 compared to that in 2004, the Company's reinsurance premiums ceded as a percentage of total premiums increased significantly in the first half of 2005 compared to the first half of 2004.

NET INVESTMENT INCOME

Net investment income of the Company reached RMB679 million in the first half of 2005, representing an increase of 28.1% compared to RMB530 million in the first half of 2004. The increase was primarily due to increases in interest income from bank deposits, debt securities and loans of RMB103 million, RMB83 million and RMB67 million, respectively. However, such increases were partially offset by a decrease of RMB104 million in dividend income from equity securities. The increase in interest income was primarily due to increased bank interest rates and increased balances of time deposits and debt securities investments, whereas the decrease in dividend income from equity securities was primarily due to the decrease in dividends from mutual funds.

NET REALISED AND UNREALISED LOSSES ON INVESTMENTS

Net realised and unrealised losses on the Company's investments in debt and equity securities reached RMB711 million in the first half of 2005, representing an increase of RMB197 million compared to the net losses of RMB514 million in the first half of 2004. The increase was primarily due to an increase in the provisions for impairment losses of debt securities that the Company deposited in Hantang Securities and a decrease in the realised and unrealised gains on equity investments, but such increase was partially offset by an increase in the realised and unrealised gains from debt securities investments.

NET CLAIMS INCURRED

The Company's net claims incurred amounted to RMB18,050 million in the first half of 2005, representing an increase of 2.6% compared to RMB17,586 million in the first half of 2004. Loss ratio of the Company was 72.4% in the first half of 2005, slightly lower than 72.7% in the first half of 2004. The increase in net claims incurred was primarily due to an increase of RMB356 million in net claims incurred in the commercial property segment to RMB1,604 million in the first half of 2005 compared to RMB1,248 million in the first half of 2004, and an increase of RMB327 million in net claims incurred in the motor vehicle segment to RMB14,423 million in the first half of 2005 compared to RMB14,096 million in the first half of 2004. Net loss and loss adjustment expense reserves as of 30 June 2005 increased by RMB1,749 million compared to 31 December 2004. The increase was primarily due to an increase in the loss and loss adjustment expense reserves for claims that occurred in 2005. The increase was also partially due to the Company's increase of RMB477 million in its loss and loss adjustment expense reserves for claims that occurred prior to 31 December 2004, after comparing the latest actuarial results as of 30 June 2005 to the actuarial results as of 31 December 2004. Of such increase, RMB298 million and RMB163 million were attributable to claims of the motor vehicle segment and claims of the commercial property segment which occurred prior to 31 December 2004, respectively.

AMORTISATION OF DEFERRED ACQUISITION COSTS

Amortisation of deferred acquisition costs amounted to RMB2,178 million in the first half of 2005, representing an increase of 33.9% compared to RMB1,626 million in the first half of 2004. The increase was primarily due to a significant increase in the first half of 2005 in amortisation of acquisition costs incurred in previous years, which was partially offset by an increase in reinsurance commission receivable as a result of a higher ceding ratio in the first half of 2005.

INSURANCE PROTECTION EXPENSE

According to the relevant PRC insurance law and regulations, the Company is required to accrue an insurance protection fund based on 1% of its retained premiums. Insurance protection expense of the Company amounted to RMB302 million in the first half of 2005, representing a decrease of 7.1% compared to RMB325 million in the first half of 2004. The decrease was primarily due to a decrease in retained premiums.

INTEREST EXPENSE CREDITED TO POLICYHOLDERS' DEPOSITS

Interest expense of the Company credited to policyholders' deposits was RMB67 million in the first half of 2005, representing a decrease of 14.1% compared to RMB78 million in the first half of 2004. The decrease was primarily due to a lower average balance of policyholders' deposits from the Company's Golden Bull homeowners insurance products in the first half of 2005 compared to the first half of 2004.

FINANCE COSTS

Finance costs amounted to RMB56 million in the first half of 2005, representing a decrease of RMB10 million compared to RMB66 million in the first half of 2004. The decrease was primarily due to a decrease in interest expense on reinsurance funds withheld in the first half of 2005 compared to the first half of 2004.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses of the Company amounted to RMB2,880 million in the first half of 2005, representing a decrease of RMB371 million compared to RMB3,251 million in the first half of 2004. The decrease was primarily due to the Company's strengthened efforts in costs control and also due to the decrease in depreciation and amortisation.

PROFIT BEFORE TAX

Profit before tax amounted to RMB1,374 million in the first half of 2005, representing an increase of RMB84 million compared to RMB1,290 million in the first half of 2004. The increase was primarily due to an increase of RMB149 million in net investment income and an increase of RMB111 million in underwriting profit. However, these increases were partially offset by an increase of RMB197 million in net realised and unrealised losses on investments in debt and equity securities.

INCOME TAX

Income tax was RMB485 million in the first half of 2005, representing an increase of 48.3% compared to RMB327 million in the first half of 2004. The Company's effective tax rate increased to 35.3% in the first half of 2005 compared to 25.3% in the first half of 2004.

NET PROFIT

As a result of the foregoing, the Company's net profit decreased by 7.7% to RMB889 million in the first half of 2005 compared to RMB963 million in the first half of 2004. Basic earnings per share in the first half of 2005 was RMB0.080.

COMBINED RATIO

The Company's combined ratio decreased from 94.1% in the first half of 2004 to 93.9% in the first half of 2005, primarily due to the decrease in loss ratio from 72.7% in the first half of 2004 to 72.4% in the first half of 2005.

RESULTS OF SEGMENT OPERATIONS

Motor Vehicle Insurance

	Six months ended 30 June	
	2005	2004
	RMB million	*RMB million*
Turnover	**22,872**	24,197
Net premiums earned	**18,384**	16,377
Net claims incurred	**(14,423)**	(14,096)
Amortisation of deferred acquisition costs	**(2,007)**	(1,328)
Insurance protection expense	**(211)**	(231)
Segment profit before unallocated income and expenses	**1,743**	722
Loss ratio	**78.5%**	86.1%
Segment expense ratio	**12.1%**	9.5%
Segment combined ratio	**90.6%**	95.6%

Turnover of the motor vehicle segment reached RMB22,872 million in the first half of 2005, representing a decrease of 5.5% compared to RMB24,197 million in the first half of 2004. This decrease was primarily due to an intense competition in the motor vehicle insurance market and the Company's adjustments of its motor vehicle insurance business portfolio with a view to enhance the profitability of the motor vehicle insurance business.

Net premiums earned of the motor vehicle segment amounted to RMB18,384 million in the first half of 2005, representing a 12.3% increase compared to RMB16,377 million in the first half of 2004. The increase was primarily due to a decrease in the change in unearned premium reserves, which was partially offset by a decrease in turnover and an increase in reinsurance premiums ceded.

Net claims incurred of the motor vehicle segment increased by 2.3% to RMB14,423 million in the first half of 2005 from RMB14,096 million in the first half of 2004, primarily due to the increase in net premiums earned and the increase in personal injury claims standard. Loss ratio of the motor vehicle segment of the Company decreased to 78.5% in the first half of 2005 compared to 86.1% in the first half of 2004, primarily due to the Company's adoption of various measures to enhance the profitability of the motor vehicle segment and its improved claims management, as well as a decrease in the number of traffic accidents.

Amortisation of deferred acquisition costs charged to the motor vehicle segment increased by 51.1% to RMB2,007 million in the first half of 2005 compared to RMB1,328 million in the first half of 2004. The increase was primarily due to an increase in this year's amortisation of deferred acquisition costs incurred in previous years, which was partially offset by an increase in reinsurance commission receivable as a result of a higher ceding ratio.

Insurance protection expense charged to the motor vehicle segment decreased by 8.7% to RMB211 million in the first half of 2005 compared to RMB231 million in the first half of 2004 due to a decrease in retained premiums.

Primarily due to a sharp increase in amortisation of deferred acquisition costs, the expense ratio of the motor vehicle segment increased to 12.1% in the first half of 2005 compared to 9.5% in the first half of 2004.

As a result of the foregoing, primarily due to a relatively rapid increase in net premiums earned, the motor vehicle segment recorded a profit of RMB1,743 million before unallocated income and expenses in the first half of 2005, representing an increase of 141.4% compared to RMB722 million in the first half of 2004.

Commercial Property Insurance

	Six months ended 30 June	
	2005	2004
	RMB million	*RMB million*
Turnover	**5,330**	5,145
Net premiums earned	**2,712**	3,238
Net claims incurred	**(1,604)**	(1,248)
Amortisation of deferred acquisition costs	**(170)**	(133)
Insurance protection expense	**(41)**	(45)
Segment profit before unallocated income and expenses	**897**	1,812
Loss ratio	**59.1%**	38.5%
Segment expense ratio	**7.8%**	5.5%
Segment combined ratio	**66.9%**	44.0%

Turnover of the commercial property segment of the Company increased by 3.6% to RMB5,330 million in the first half of 2005 compared to RMB5,145 million in the first half of 2004, primarily due to the Company's efforts commencing from the second half of 2004 in adjusting its business structure and taking various measures to promote its business development in the commercial property segment.

Net premiums earned of the commercial property segment reached RMB2,712 million in the first half of 2005, representing a 16.2% decrease compared to RMB3,238 million in the first half of 2004. The decrease was primarily due to an increase in reinsurance ratio and partially due to an increase in the change in unearned premium reserves.

Net claims incurred of the commercial property segment increased by 28.5% to RMB1,604 million in the first half of 2005 compared to RMB1,248 million in the first half of 2004. The increase was primarily due to the unfavorable development of loss and loss adjustment expense reserves for previous years and the continued decrease in the premium rate.

Due to a substantial increase in net claims incurred and decrease in net premiums earned, loss ratio for the commercial property segment increased from 38.5% in the first half of 2004 to 59.1% in the first half of 2005.

Amortisation of deferred acquisition costs charged to the commercial property segment increased by 27.8% to RMB170 million in the first half of 2005 compared to RMB133 million in the first half of 2004. The increase was primarily due to an increase in this year's amortisation of deferred acquisition costs incurred in previous years, which was partially offset by an increase in reinsurance commission receivable as a result of a higher ceding ratio.

Insurance protection expense charged to the commercial property segment decreased by 8.9% to RMB41 million in the first half of 2005 compared to RMB45 million in the first half of 2004, primarily due to a decrease in retained premiums.

Due to the increase in amortisation of deferred acquisition costs and the decrease in net premiums earned mentioned above, the segment expense ratio of the commercial property segment increased to 7.8% in the first half of 2005 compared to 5.5% in the first half of 2004.

As a result of the foregoing, the commercial property segment recorded a profit of RMB897 million before unallocated income and expenses in the first half of 2005, representing a decrease of 50.5% compared to RMB1,812 million in the first half of 2004.

Homeowners Insurance

	Six months ended 30 June	
	2005	2004
	RMB million	*RMB million*
Turnover	**585**	793
Net premiums earned	**397**	378
Net claims incurred	**(72)**	(103)
Amortisation of deferred acquisition costs	**(140)**	(47)
Net investment income	**126**	53
Net realised and unrealised losses on investments	**(127)**	(7)
Interest expense credited to policyholders' deposits	**(67)**	(78)
Insurance protection expense	**(5)**	(8)
Segment profit before unallocated income and expenses	**112**	188
Loss ratio	**18.1%**	27.2%
Segment expense ratio	**36.5%**	14.6%
Segment combined ratio	**54.6%**	41.8%

Turnover of the homeowners segment decreased by 26.2% to RMB585 million in the first half of 2005 compared to RMB793 million in the first half of 2004. The decrease was primarily due to an increase in mortgage loan guarantee policies terminations resulting from the increase in interest rates and the government's macro economics control over the real estate market, and partially due to an intense competition in homeowners insurance market.

Net premiums earned of the homeowners segment increased by 5.0% to RMB397 million in the first half of 2005 compared to RMB378 million in the first half of 2004. The increase was primarily due to a decrease in change in unearned premium reserves caused by a decrease in turnover of the homeowners insurance in the first half of 2005.

Net claims incurred of the homeowners segment decreased by 30.1% to RMB72 million in the first half of 2005 compared to RMB103 million in the first half of 2004. Loss ratio decreased to 18.1% in the first half of 2005 compared to 27.2% in the first half of 2004.

Amortisation of deferred acquisition costs charged to the homeowners segment increased by 197.9% to RMB140 million in the first half of 2005 compared to RMB47 million in the first half of 2004. The increase was primarily due to an increase in this year's amortisation of deferred acquisition costs incurred in previous years, which was partially offset by an increase in reinsurance ratio resulting in an increase in reinsurance commission receivable.

Insurance protection expense charged to the homeowners segment decreased to RMB5 million in the first half of 2005 compared to RMB8 million in the first half of 2004, primarily due to a decrease in retained premiums.

Due to the substantial increase in the amortisation of deferred acquisition costs, the segment expense ratio of the homeowners segment increased to 36.5% in the first half of 2005 compared to 14.6% in the first half of 2004.

The net investment income from policyholders' deposits of the homeowners segment increased by RMB73 million to RMB126 million in the first half of 2005 compared to RMB53 million in the first half of 2004, primarily due to an increase in interest and dividend income derived from the deposits and bonds invested through of the Golden Bull homeowners insurance products.

Interest expense credited to policyholders' deposits of the homeowners segment decreased by 14.1% to RMB67 million in the first half of 2005 from RMB78 million in the first half of 2004, primarily due to a decrease in average balance of deposits of the Golden Bull homeowners insurance products.

As a result of the foregoing, the homeowners segment recorded a profit of RMB112 million before unallocated income and expenses in the first half of 2005, representing a decrease of RMB76 million compared to RMB188 million in the first half of 2004.

Other Insurance Segments

The Company's other insurance segments include cargo, liability, accidental injury, aviation, construction, marine hull and oil and gas, etc.

	Six months ended 30 June	
	2005	2004
	RMB million	*RMB million*
Turnover		
Cargo insurance	**1,578**	1,527
Liability insurance	**1,377**	1,094
Accidental injury insurance	**1,070**	836
Other insurance	**2,070**	1,797
Total	**6,095**	5,254
Net premiums earned		
Cargo insurance	**1,147**	1,710
Liability insurance	**848**	942
Accidental injury insurance	**789**	851
Other insurance	**662**	710
Total	**3,446**	4,213
Net claims incurred	**(1,951)**	(2,139)
Amortisation of deferred acquisition costs	**139**	(118)
Insurance protection expense	**(45)**	(41)
Segment profit before unallocated income and expenses	**1,589**	1,915
Loss ratio	**56.6%**	50.8%
Segment expense ratio	**–2.7%**	3.8%
Segment combined ratio	**53.9%**	54.6%

Turnover of the other insurance segments increased by 16.0% to RMB6,095 million in the first half of 2005 compared to RMB5,254 million in the first half of 2004. The increase was primarily due to the increase in the turnover of the liability and accidental injury segments of RMB283 million and RMB234 million, respectively, in the first half of 2005 compared to the first half of 2004. The increase in turnover of the liability segment was primarily due to the launch of a number of new products in the market, and the increase in the accidental injury segment was primarily due to the Company's strengthened marketing efforts on the new products developed in 2004.

Net premiums earned of the other insurance segments decreased by 18.2% to RMB3,446 million in the first half of 2005 compared to RMB4,213 million in the first half of 2004. This decrease was primarily due to an increase in change in net unearned premium reserves, causing a decrease of RMB563 million in net premiums earned of the cargo segment.

Net claims incurred of the other insurance segments decreased by 8.8% to RMB1,951 million in the first half of 2005 compared to RMB2,139 million in the first half of 2004.

Due to the decrease in net premiums earned, loss ratio of the other insurance segments increased to 56.6% in the first half of 2005 compared to 50.8% in the first half of 2004.

Amortisation of deferred acquisition costs charged to other insurance segments amounted to negative RMB139 million in the first half of 2005, representing a decrease of RMB257 million compared to RMB118 million in the first half of 2004. The decrease was primarily due to an increase in reinsurance commission receivable as a result of a higher ceding ratio in the first half of 2005.

Insurance protection expense charged to the other insurance segments was RMB45 million in the first half of 2005, representing an increase of 9.8% compared to the first half of 2004, primarily due to an increase in retained premiums.

As a result of the foregoing, the other insurance segments recorded a profit of RMB1,589 million before unallocated income and expenses, representing a decrease of 17.0% compared to RMB1,915 million in the first half of 2004.

DEVELOPMENT OF NEW PRODUCTS

In the first half of 2005, the Company developed 12 new national insurance products in, amongst others, homeowners insurance, liability insurance and motor vehicle insurance product lines, of which 4 are stand-alone products and 8 are supplementary products.

In the second half of 2005, the Company will further strengthen its market research and development, focus on targeted customer groups and specific channels, and design customised products. The Company will also actively strengthen its cooperation with AIG, improve the accidental injury insurance products and continue to promote the short-term health insurance products in key cities throughout the PRC.

CASH FLOW

	Six months ended 30 June	
	2005	2004
	RMB million	*RMB million*
Net cash inflow from operating activities	**6,839**	8,102
Net cash outflow from investing activities	**(1,297)**	(3,132)
Net cash outflow from financing activities	**(2,413)**	(839)
Net increase in cash and cash equivalents	**3,129**	4,131

Net cash inflow from the Company's operating activities in the first half of 2005 was RMB6,839 million, representing a decrease of 15.6% compared to the first half of 2004. The decrease was primarily due to factors such as decrease in premiums received in cash and increase in surrenders in the first half of 2005.

Net cash outflow from the Company's investing activities in the first half of 2005 was RMB1,297 million, representing a decrease of 58.6% compared to the first half of 2004. Such decrease was primarily due to a decrease in net cash outflow for investments in securities.

Net cash outflow from the Company's financing activities in the first half of 2005 was RMB2,413 million, as compared to RMB839 million in the first half of 2004, primarily due to an increase in securities purchased under resale agreements.

Net increase in cash and cash equivalents of the Company in the first half of 2005 was RMB3,129 million.

LIQUIDITY

The Company's cash flow is primarily derived from the cash generated from operating activities, mainly cash from insurance premiums received. Additional liquidity sources include proceeds from investments, maturities of investments, disposal of assets and financing activities. The Company's liquidity needs consist principally of payment of claims and other obligations under outstanding insurance policies, capital expenditure, operating expenses, tax payments, dividend payments and investment needs.

The Company entered into a RMB2,000 million subordinated loan agreement with China Development Bank on 10 October 2003. This loan is unsecured and bears interest at a rate which is equal to 90% of the 5-year lending rate fixed by the People's Bank of China. The loan comes due in November 2023.

The Company obtained a 10-year revolving credit facility from China Development Bank for up to RMB10 billion on 26 August 2003. Each drawdown made under that facility is repayable within one year. As of the date of this interim report, no amount has been drawn down under that facility.

Save for the subordinated loan and the credit facility mentioned above, the Company does not obtain working capital by borrowing.

The Company expects that it can fund its working capital needs in the future from cash generated from operating activities. The Board of Directors is of the opinion that the Company has sufficient working capital.

CAPITAL EXPENDITURE

The capital expenditure of the Company has primarily been for property construction, acquisition of motor vehicles and development of information systems. Capital expenditures of the Company amounted to RMB648 million in the first half of 2005.

Save for the construction of the new headquarters building starting from the first half of 2005, there was no other material capital expenditure. The Company believes that it has sufficient capital resources to fully satisfy its capital expenditure plan and its daily working capital requirements.

SOLVENCY MARGIN REQUIREMENT

The Company is subject to a number of regulations regarding financial operations, including maintaining a stipulated solvency margin, complying with 11 regulatory benchmarks and providing for certain funds and reserves. In accordance with the insurance laws and regulations in the PRC, the Company is required to maintain a solvency margin that exceeds a minimum statutory level of RMB8,058 million in the first half of 2005. The Company's solvency margin calculated pursuant to the CIRC regulations was RMB11,793 million and solvency margin adequacy ratio was 146.4%.

Pursuant to the CIRC regulations, if an insurance company fails to meet 4 of the 11 benchmarks regarding solvency, the CIRC has the right to demand an explanation and investigate into the reasons for non-compliance. In the first half of 2005, the Company failed to meet fewer than four of such benchmarks.

GEARING RATIO AND OTHER RATIOS

As of 30 June 2005, the gearing ratio[2] of the Company was 81.6%, representing an increase of 0.3 percentage point from 81.3% as of 31 December 2004. The premium to capital ratio is the ratio of retained premiums in any financial year to the sum of paid-in capital, capital reserves, surplus reserves and public welfare funds. Pursuant to the PRC Insurance Law, this premium to capital ratio may not exceed 4 times for any property and casualty insurance company in any financial year. The premium to capital ratio for the Company as of 30 June 2005 reached 3.39 times[3].

2 Gearing ratio is represented by total liabilities divided by total assets, in accordance with accounting principles generally accepted in Hong Kong.

3 Calculated in accordance with the PRC Accounting Regulations for Financial Institutions. The figures of retained premiums were for the full year ended 30 June 2005.

CONTINGENT LIABILITIES

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

INTEREST RATE RISK

The Company's holding in fixed income investments is subject to interest rate risk. The Company also invests in floating rate instruments, interest proceeds from which can rise and fall due to changes in interest rates. The Company's holding in mutual funds is also exposed to price fluctuations caused by changes in interest rates. The Company manages exposure to risks associated with interest rate fluctuations through active review of the investment portfolio and consultation with financial investment experts. The goal is to maintain liquidity and to generate stable returns.

CREDIT RISK

The Company is subject to credit risk on investments such as corporate bonds and mutual funds. The Company diligently manages credit risk by analysing the creditworthiness of companies prior to making investments as well as strictly following the CIRC guidelines which only permit investments in corporate bonds with rating higher than AA. The Company is also subject to credit risk with respect to amounts owed to it by reinsurers. As a result, except when dealing with national reinsurers such as China Property and Casualty Reinsurance Company Ltd., the Company only purchases reinsurance from reinsurers with A.M. Best ratings of at least A–, and pays particular attention to their creditworthiness and financial condition.

EXCHANGE RATE RISK

The Company conducts its business primarily in Renminbi, which is also its functional and financial reporting currency. However, a portion of its business (including international cargo insurance and aviation insurance) is conducted in foreign currencies, typically US dollars. A portion of its claims and liabilities are also denominated in foreign currencies, typically US dollars. Starting from 21 July 2005, China has reformed the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. Renminbi is no longer solely pegged to the US dollar and the Renminbi exchange rate regime now has greater flexibility. On the same day, the People's Bank of China adjusted the exchange rate of the US dollar against the Renminbi at 19:00 hour of 21 July 2005 to RMB8.11 per US dollar, resulting in an approximately 2% decrease in the trading price of the US dollar. As the Company needs to convert foreign currencies denominated assets and liabilities into Renminbi in its financial statements as at the end of accounting periods, fluctuations in exchange rates will affect the Company's balance sheet position and its profit and loss account. The impact of exchange rate fluctuations will, however, ultimately depend on the extent of exchange rate fluctuations during the accounting period.

Most of the Company's sales are domestic and as such it has a limited amount of foreign currency denominated accounts receivable. Foreign exchange transactions under the Company's capital account are subject to foreign exchange regulations and require the approval of the State Administration of Foreign Exchange. Foreign exchange policies adopted by the PRC government could cause future exchange rates to vary.

HEDGING INSTRUMENTS

The use of funds in Renminbi and foreign currencies by insurance companies in the PRC is subject to the regulatory control by regulatory bodies of the PRC. Therefore, the Company does not use any financial instruments for hedging purposes.

LOOKING FORWARD

With the stable growth of China's economy and the increasing sales volume of motor vehicles, a comparatively rapid growth will be maintained in the domestic insurance market in the second half of 2005. With the promulgation of the Administrative Measures on Non-life Insurance Reserves, the PRC insurance regulatory authorities will strengthen their efforts in regulating the insurance market and maintaining market order, which will promote a more rational competition in the non-life insurance market. Furthermore, the deepening of reforms on share segregation of share capital will lead to the stable development of the PRC capital market.

In order to increase value for shareholders, the Company will strive to refine the "three centers" (the underwriting center, claims center, and finance center), and consistently strengthen underwriting management and further improve its claims management. The Company will integrate its information systems and improve the application of information resources. The Company will employ experts and promote trainings on actuarial techniques. The Company will adjust its business portfolio to focus more on profitable non-motor vehicle insurance business. The Company will also enhance its cooperation with AIG and the marketing of short-term health insurance products. The Company will further enhance its risk control in its use of investment funds while trying to improve its investment return.

EMPLOYEES

As at 30 June 2005, the Company had 61,719 employees. The Company's personnel expenses totalled RMB2,140 million in the first half of 2005. The Company makes contributions to retirement plans, housing fund and social medical insurance plans for its employees. The Company enhances the performance and efficiency of employees by providing various career development channels, strengthening employees training and implementing performance review. The Company is of the view that it maintains a good relationship with its employees.

SHARE APPRECIATION RIGHTS SCHEME

A share appreciation rights scheme was adopted by the Company, which was designed to align the interests of senior management with the Company's results of operations and the Company's share value (market price of its H Shares). No shares will be issued under the share appreciation rights scheme. Therefore, shareholders' equity interest will not be diluted. In the first half of 2005, share appreciation rights in respect of a total of 900,000 units were exercised, which resulted in the expenditure of RMB740,000. In the first half of 2005, share appreciation rights in respect of a total of 100,000 units were granted by the Board. Since certain of the grantees resigned from their offices, share appreciation rights in respect of a total of 622,000 units were cancelled or lapsed as at 30 June 2005. As of the date of this interim report, the outstanding share appreciation rights granted by the Company involved 27,556,000 units.

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

The following sets out the interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the Securities and Futures Ordinance ("SFO")) held by the directors, supervisors and chief executive of the Company as at 30 June 2005, which was recorded in the register required to be kept under section 352 of the SFO and required to be notified to the Company and The Stock Exchange of Hong Kong Limited under the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

Name of director	Capacity	Number of H Shares
Cheng Wai Chee, Christopher	Controlled corporations	50,000

Note: Such shares were directly held by Wing Tai Corporation Limited and were indirectly held by Wing Tai (Cheng) Holdings Limited and Renowned Development Limited. These companies were controlled corporations of Mr Cheng. The interests disclosed above are long positions in the shares of the Company.

Save as disclosed above, none of the other directors, supervisors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2005 as recorded in the register required to be kept under section 352 of the SFO, or as notified pursuant to the Model Code.

CHANGES IN DIRECTORATE/SUPERVISORY COMMITTEE

Changes in the directorate from 1 January 2005 to the date of this interim report are as follows:

Mr Wong Tung Shun, Peter resigned from his post as an Independent Non-executive Director of the Company with effect from 18 January 2005 for personal reasons. Following the resignation of Mr Wong, the Company did not satisfy the requirement of having at least three Independent Non-executive Directors under Rule 3.10(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. At the special general meeting of the Company held on 29 April 2005, Mr Luk Kin Yu, Peter was appointed as an Independent Non-executive Director of the Company.

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

Mr Tang Yunxiang *(Chairman of the Board)*
Mr Wang Yi *(Vice Chairman of the Board, Executive Director)*
Mr Wang Yincheng *(Executive Director)*
Md Liu Zhenghuan *(Executive Director)*
Mr Fu Zhu *(Executive Director, Secretary of the Board)*
Mr Ding Yunzhou *(Non-executive Director)*
Mr Zhou Shurui *(Non-executive Director)*
Mr Tse Sze Wing, Edmund *(Non-executive Director)*
Mr Cheng Wai Chee, Christopher *(Independent Non-executive Director)*
Mr Lu Zhengfei *(Independent Non-executive Director)*
Mr Luk Kin Yu, Peter *(Independent Non-executive Director)*

There is no change in the members of the Supervisory Committee from 1 January 2005 to the date of this interim report. On the date of this interim report, the supervisors of the Company are:

Mr Deng Zhaoyu *(Chairman of Supervisory Committee)*
Mr Tang Wei *(Supervisor)*
Mr Liu Qilong *(Supervisor)*

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code. All directors have confirmed, following the enquiry by the Company, that they had complied with the required standard set out in the Model Code during the first half of 2005.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30 June 2005, the following shareholders had interests in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Number of domestic shares	Percentage of total number of domestic shares in issue	Percentage of total number of shares in issue
PICC Holding	Beneficial owner	7,685,820,000	100%	69.0%

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

Notes:

1. Birmingham Fire Insurance Company of Pennsylvania, Commerce and Industry Insurance Company, Lexington Insurance Company were controlled corporations of AIG.

2. The interests disclosed above are long positions in the shares of the Company.

Save as disclosed above, the Company is not aware of any other person having any interests or short positions in the shares or underlying shares of the Company as at 30 June 2005 required to be recorded in the register kept under section 336 of the SFO.

INTERIM DIVIDEND

The Board of Directors recommended to pay an interim dividend of RMB0.072 per share for the six months ended 30 June 2005. The payment shall be made to the shareholders whose names appear on the register of members of the Company on 25 October 2005, subject to the approval at the special general meeting to be held on 25 October 2005. Interim dividend for H shares will be paid in Hong Kong dollars and the conversion rate of Renminbi to Hong Kong dollar will be the average selling rate as announced by the People's Bank of China for the week prior to the date of the special general meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 26 September 2005 to 25 October 2005, both days inclusive, during which period no transfer of shares will be effected. Holders of H shares and domestic shares whose names appear on the register of members of the Company on 23 September 2005 at 4:00 p.m. are entitled to attend the special general meeting. In order for holders of H shares to be qualified for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, no later than 4:00 p.m. on 23 September 2005 for registration.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The Company did not purchase, sell or redeem any of its listed securities in the first half of 2005.

CORPORATE GOVERNANCE

So far as the Board is aware, other than not complying with paragraph B.1.1 of the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, which relates to the composition of the Nomination, Remuneration and Review Committee of the Company, the Company has complied with all the code provisions of the Code on Corporate Governance Practices throughout the first half of 2005 (save for the code provisions in relation to internal controls which will become effective for accounting periods commencing on or after 1 July 2005).

The Nomination, Remuneration and Review Committee of the Company consists of two Executive Directors, one Non-executive Director and two Independent Non-executive Directors. Accordingly, its composition does not satisfy the requirement set out in paragraph B.1.1 of the code provisions of the Code on Corporate Governance Practices, which requires that the majority of the members of the remuneration committee should be Independent Non-executive Directors. The Company is now seeking suitable person to be appointed as Independent Non-executive Director and member of the above committee.

REVIEW OF INTERIM RESULTS

Ernst & Young, the international auditors of the Company, and the audit committee of the Company have reviewed the Company's interim financial statements for the six months ended 30 June 2005.

By Order of the Board
Tang Yunxiang
Chairman

Beijing, PRC
25 August 2005

NOTICE IS HEREBY GIVEN that a special general meeting of PICC Property and Casualty Company Limited (the "Company") will be held at Wanchunyuan Villa, Old Summer Palace, No. 28 Qinghua Road (W), Haidian District, Beijing, People's Republic of China on 25 October 2005 (Tuesday) at 9:00 a.m. for the purposes of considering and, if thought fit, passing the following ordinary resolution:

To consider and approve the interim dividend for the six months ended 30 June 2005.

By Order of the Board
Fu Zhu
Secretary of the Board

Beijing, PRC, 6 September 2005

Notes:

1. According to the Articles of Association of the Company, resolutions at general meetings will be determined by a show of hands unless a poll is required under the Listing Rules or demanded before or after any vote by show of hands. A poll may be demanded by the chairman of the meeting or at least two shareholders entitled to vote, present in person or by proxy, or by one or more shareholders present in person or by proxy representing more than 10% of all shares carrying the voting rights at the meeting. Irrespective of whether the voting is carried out by show of hands or by poll, the votes counted will be based on the number of shares represented by such votes.

2. The register of members will be closed from 26 September 2005 (Monday) to 25 October 2005 (Tuesday), both days inclusive, during which period no transfer of shares will be effected. Holders of H shares and domestic shares whose names appear on the register of members of the Company on 23 September 2005 (Friday) at 4:00 p.m. are entitled to attend this meeting. In order for holders of H shares to be qualified for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on 23 September 2005 (Friday) for registration.

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

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

5. In order to be valid, the proxy form together with the power of attorney or other authorization document (if any) must be deposited at the Secretariat of the Board of Directors of the Company for holders of domestic shares and at the Company's place of business in Hong Kong for holders of H shares not less than 24 hours before the time fixed for holding this meeting or any adjournment thereof (as the case may be). Completion and return of a proxy form will not preclude a shareholder from attending and voting in person at this meeting if he so wishes. The Company's place of business in Hong Kong is 15th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong, tel: (852) 2517 2332, fax: (852) 2540 6260/2540 6377.

6. Shareholders who intend to attend this meeting in person or by proxy should return the reply slip to the Company's place of business in Hong Kong on or before 4 October 2005 (Tuesday) by hand, by post or by fax.

7. Shareholders (in person or by proxy) attending this meeting are responsible for their own transportation and accommodation expenses. Shareholders or their proxies attending this meeting shall produce their identity documents.

8. The interim dividend as referred to in the above proposed resolution is expected to be paid to shareholders on or about 5 December 2005.