

(Stock Code: 2328)

**ANNOUNCEMENT IN RELATION TO THE AUDIT OF NATIONAL AUDIT OFFICE
OF THE PRC**

This announcement is made only for the information of the shareholders and investors of PICC Property and Casualty Company Limited (the “Company”).

During March to July 2007, the National Audit Office of the People’s Republic of China (“CNAO”) conducted a routine audit on the assets, liabilities and profits and losses of The People’s Insurance Company (Group) of China (“PICC Group”) (the promoter and controlling shareholder of the Company) for 2006 with the audit focus on the Company’s head office and five provincial branches and PICC Asset Management Company Limited. In respect of certain issues, the scope of audit was expanded and the period covered extended to prior years.

The audit results stated that PICC Group conscientiously implemented the State Council’s Several Opinions on the Reform and Development of the Insurance Industry, continued to perfect the corporate governance structure, strengthen the internal management and maintain a leading position in the non-life insurance industry in mainland China, and performed insurance functions in the disaster assistance, economic compensation and social stability aspects. The audit results, with respect to the Company, stated that the Company’s solvency margin satisfied the statutory requirements and increased, the Company’s operation scale was expanded, efforts to develop and promote new products were enhanced, accounting by insurance product lines was strengthened, construction of profit centers by product lines was promoted, risk budgeting system and stop loss budgeting system were implemented, reserves actuarial system was refined, and asset scale and premiums income grew.

The audit results also stated that there were non-compliance and deficiencies in the operation and management of PICC Group’s subsidiaries and certain sub-branches, which as relating to the Company, mainly included certain sub-branches’ non-compliance in the operational areas of underwriting and claims management, certain sub-branches’ non-compliance with the finance laws and regulations, certain sub-branches’ failing to strictly adhere to the internal rules and the Company’s information system requiring improvement. In addition, due to some fund application problems of Hantang Securities Co., Ltd (“Hantang Securities”) and the asset management institution, the Company’s government bonds standing in the account with Hantang Securities with an aggregate face value of approximately RMB356.533 million had the risk of loss (The Company has made an impairment provision for approximately 70% of this amount).

The Company has placed great importance on the audit results, and started to make rectification simultaneously during the audit. At present, most of the problems identified

during the audit have been effectively rectified and the personnel held accountable have been dealt with seriously. Concurrently, the Company continues to strengthen the internal control system and refine various systems such as the business management and financial management systems, reinforces the execution of internal rules, intensifies internal supervision and internal audit, and has started to develop a new generation of business management system to comprehensively improve the internal control and risk management.

The results of the audit of CNAO have no impact on the overall operating results and the published financial statements of the Company.

According to the CNAO audit report, PICC Group will publish the major findings of the audit on its assets, liabilities and profits and losses for 2006, and CNAO will release the major findings of the audit by way of an Audit Results Announcement.

By Order of the Board
Liu Zhenghuan
Secretary of the Board

Beijing, the PRC, 25 March 2008

On the date of this announcement, the Chairman of the Board is Mr. Wu Yan (executive director), the Vice Chairman is Mr. Wang Yi (executive director), Mr. Wang Yincheng and Md. Liu Zhenghuan are the executive directors, the non-executive directors are Mr. Tse Sze-Wing, Edmund, Mr. Wu Gaolian, Mr. Zhou Shurui and Mr. Li Tao, the independent non-executive directors are Mr. Cheng Wai Chee, Christopher, Mr. Lu Zhengfei, Mr. Luk Kin Yu, Peter and Mr. Ding Ningning.