

# **中国平安保险(集团)股份有限公司**

PING AN INSURANCE (GROUP) COMPANY OF CHINA, LTD.

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

**(Stock Code: 2318)**

## **ANNOUNCEMENT OF UNAUDITED RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2004**

### **CHAIRMAN'S STATEMENT**

The successful listing of Ping An Insurance (Group) Company of China, Ltd. ("Ping An" or the "Company") on The Stock Exchange of Hong Kong Limited on June 24, 2004 represents another milestone in our development. We are very much encouraged by and I am proud of the recognition by our shareholders of our sound corporate governance, our strong management team with international expertise, our outstanding asset quality, our distinguished risk management, our stable operating record and our prestigious brand name built up in the market. I would like to take this opportunity to express my deepest gratitude to the cordial support of our shareholders, to the seamless cooperation between the Board of Directors, the Supervisory Committee and our management team and to the great efforts contributed by each of our staff.

During the first half of 2004, we have achieved steady development in every segment of our business as planned and made significant improvement in the quality of our insurance business. Our net profit increased 25.8% to RMB1,504 million in the six months ended June 30, 2004 from RMB1,196 million in the same period in 2003. Our total equity increased to RMB26,664 million as of June 30, 2004 from RMB12,952 million as of December 31, 2003. Improvement was also accomplished in many key indicators of our performance, such as the persistency ratio of insurance policies, retention of our staff, agent productivity and loss ratio. We were also able to make substantial progress in the cross-selling of our insurance products, which contributed to the enhancement of our profitability.

### **Further intensify the reform on property and casualty insurance and life insurance**

With a view to enhance the overall profitability of our life insurance business, we strive to strengthen the training of agents, reinforce the operating model with emphasis on the sales team, improve the sales support system, optimize the business structure of life insurance, and proceed with the transformation of group insurance/bancassurance. For our property and casualty insurance business, we are committed to optimizing distribution network, improving underwriting and claims processing systems, reforming the remuneration system and upgrading the customer relation management system. Some of the reforms have been fully implemented and have achieved the expected results.

### **Further promote cross-selling**

We will spare no efforts in promoting the cross-selling of personal life insurance, group insurance and property and casualty insurance products and offering to our customers with diversified insurance products and services.

### **Further centralize back-office support**

The back-office support centralization project has proceeded smoothly. The construction of the National Support Center in Zhangjiang, Shanghai (上海張江全國後援中心) has been progressing well. The centralization of underwriting and claims services for property and casualty insurance and life insurance also proceeded smoothly, and the property and casualty insurance business has commenced the centralization of claims settlement on trial basis. Meanwhile, we are exploring the feasibility of establishment and application of the automatic underwriting system for personal line business.

## **Develop integrated services**

Being a customer-oriented group, we are committed to providing better and tailored services to customers by integrating our customer data base, consolidating our services, and effectively transforming from selling products to providing services, with a view to promote customer loyalty and satisfaction.

## **Advocate the specialization of insurance operations**

Under the guidance of the China Insurance Regulatory Commission (“CIRC”), we have applied for the establishment of new companies which will be engaged in the provision of pension and health insurance services, so as to explore the new growth opportunities in the future. We have received an approval in principle from the CIRC to establish a company to be engaged in the provision of pension services. The application for the establishment of other companies is being reviewed by the relevant authorities.

All of the above tasks are proceeding as scheduled with the full support of our staff. We believe we are heading towards our goal of improving the long-term profitability of the Company, and enhancing shareholder value.

## **Prospects for the second half of 2004**

The insurance market in the PRC saw emerging features in 2004. The correlation between the insurance industry and the macro-economy, financial sector and other industries has become closer than ever. In addition, competition within the insurance industry has further intensified. Insurance companies are bound to provide diversified and integrated products and services, instead of single product and service, and they are all adopting the standardized operations, efficiency and profit-oriented approach. Such new changes and trends pose a new challenge to the insurance industry in China. However, for Ping An, a value-driven company consistently committed to standardization and professionalism, such a challenge will, in the long run, provide us with a competitive environment which is compatible with our business doctrine, and allow us more room for future development.

For the second half of 2004, we will keep up our effort in reforming property and casualty insurance and life insurance businesses, adjusting the product mix, improving the productivity of the sales team, optimizing the structure of the sales team and improving sales support and internal control for the purpose of laying a stronger foundation for our future development. We will also continue our efforts on the centralization of the back-office support of property and casualty insurance and life insurance businesses and formulate a standardized operating procedure, reinforce the risk management and strive to improve the quality of our insurance business. We will also strengthen the integration of services, as well as enhance our product development capabilities, to reinforce the cross-selling of products and provide more diversified and tailor-made insurance products to customers, with an objective to satisfy the fast growing demand of the insurance market in China.

2004 is not only the year Ping An became a public company, but is also a critical year for our business development. The Company and every member of our staff are committed to maximizing shareholder value, implementing various reform and development initiatives, and achieving the Company’s operating targets for the year to deliver satisfactory results to our shareholders.

## **MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Business Review**

The financial performance of the Group in the six months ended June 30, 2004 was satisfactory. Our gross written premiums and policy fees decreased 9.1% to RMB32,297 million in the six months ended June 30, 2004 from RMB35,548 million in the same period in 2003, while our net profit increased 25.8% to RMB1,504 million in the six months ended June 30, 2004 from RMB1,196 million in the same period in 2003. The decrease in our gross written premiums and policy fees was primarily due to our effort to manage the growth of our overall business in 2004, with a view towards optimizing our product mix and enhancing our profit margins. Our total assets increased to RMB240,587 million as of June 30, 2004 from RMB203,479 million as of December 31, 2003, and our total equity increased to RMB26,664 million as of June 30, 2004 from RMB12,952 million as of December 31, 2003, which was principally a result of the proceeds received from our initial public offering in June 2004 as well as an increase of our net profit in the first half of 2004. We believe we have continued to achieve sustained quality improvement in our core life insurance and property and casualty insurance businesses and are well positioned for medium-term profitable growth.

Our core life insurance and property and casualty insurance operations accounted for approximately 89.1% and 9.9%, respectively, of our revenue in the six months ended June 30, 2004. The following table sets forth the breakdown of our revenue by business segment for the periods indicated:

	<b>Six months ended June 30, 2004</b>	2003
	<i>(in millions of RMB)</i>	
Life insurance	<b>29,261</b>	33,404
Property and casualty insurance	<b>3,256</b>	3,231
Other <sup>(1)</sup>	<b>340</b>	208
	<hr/>	<hr/>
Total	<b>32,857</b>	36,843
	<hr/> <hr/>	<hr/> <hr/>

(1) Consists of businesses other than life insurance and property and casualty insurance, including our trust business and the securities services we provide to our customers through China Ping An Trust & Investment Co., Ltd. and Ping An Securities Company, Ltd., respectively.

### *Life Insurance*

During the first half of 2004, we managed the growth of our life insurance business to focus on the more profitable regular premium individual life insurance products. As a result, premiums from our individual life insurance products accounted for approximately 68.5% of the gross written premiums and policy fees for our life insurance business in the six months ended June 30, 2004 compared to approximately 57.2% in the same period in 2003. In particular, over 95% of individual life first year premium were from regular premium products in the six months ended June 30, 2004. Our focus on regular premium individual life insurance products provides us with a stable revenue stream that helps us to generate sustainable longer term profits. Net profit from our life insurance business increased 38.2% to RMB1,382 million in the six months ended June 30, 2004 from RMB1,000 million in the same period in 2003.

We continued to rationalize our individual life insurance sales force in the first half of 2004 to enhance productivity and professionalism, and stabilized the number of our individual life insurance sales agents at approximately 180,000. In addition, we continued our efforts in enhancing customer service. As a result, the 13-month and 25-month persistency ratios for our individual life insurance customers improved to 88.5% and 80.8%, respectively, as of June 30, 2004.

### *Property and Casualty Insurance*

The loss ratio for our property and casualty insurance business declined to 72.6% in the six months ended June 30, 2004 from 73.7% in the same period in 2003. During the first half of 2004, we continued to focus on disciplined underwriting and careful selection of risk exposures to improve the profitability of our property and casualty insurance business. As a result, our claims experience, and in particular our claims experience relating to automobile insurance, improved in the six months ended June 30, 2004 compared to the same period in 2003.

The following table sets forth the expense, loss and combined ratios for our property and casualty insurance business for the periods indicated:

	<b>Six months ended June 30, 2004</b>	2003
Expense ratio	<b>24.6%</b>	23.8%
Loss ratio	<b>72.6</b>	73.7
	<hr/>	<hr/>
Combined ratio	<b>97.2%</b>	97.5%
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### Cross-Selling

We were able to leverage our broad customer base and our advanced information technology capacity to make substantial progress in the cross-selling of our insurance products in the first half of 2004. As a result, gross written premiums from cross-selling activities increased 85.2% to RMB787 million in the six months ended June 30, 2004 from RMB425 million in the same period in 2003.

The following table sets forth certain data relating to crossing-selling of our insurance products for the periods indicated:

	<b>Six months ended June 30,</b>	
	<b>2004</b>	<b>2003</b>
	<i>(in millions of RMB)</i>	
Gross written premiums from our property and casualty insurance customers purchasing life insurance	<b>473</b>	218
Gross written premiums from our life insurance customers purchasing property and casualty insurance	<b>314</b>	207
Total	<b><u>787</u></b>	<b><u>425</u></b>

### Investment

Our net investment income, including interest income and dividend income, increased 23.2% to RMB3,448 million in the six months ended June 30, 2004 from RMB2,799 million in the same period in 2003. During the first half of 2004, we continued to improve the assets allocation of our investment portfolio and lengthen our assets duration. As a result, our bond investment as a percentage of our total investment assets increased to 47.7% as of June 30, 2004 from 43.7% as of December 31, 2003. We were able to achieve an average 4.6% investment return from our new money investment in bonds in the first half of 2004, as the bond yield increased significantly in the same period. In addition, our government bonds investment, of which interest income enjoys tax exemptions, as a percentage of our total bond investment portfolio increased to 59.1% as of June 30, 2004 from 56.1% as of December 31, 2003. As a result of the downturn of the PRC equity market in the first half of 2004, our total investment yield decreased to 3.6% in the first half of 2004 from 4.5% in the same period in 2003. While the equity market can be volatile, we believe our investment strategy will allow us to achieve stable returns from our core net investment income.

The following table sets forth certain information relating to our investment income for the periods indicated:

	<b>Six months ended June 30,</b>			
	<b>2004</b>		<b>2003</b>	
	<b>Amount</b>	<b>Yield</b>	<b>Amount</b>	<b>Yield</b>
	<i>(in millions of RMB, except percentages)</i>			
Net investment income	<b>3,448</b>	<b>4.1%</b>	2,799	4.3%
Net realized and unrealized gain/(loss)	<b>(769)</b>		266	
Total investment income	<b><u>2,679</u></b>	<b><u>3.6%</u></b>	<b><u>3,065</u></b>	<b><u>4.5%</u></b>

### Liquidity and Gearing Ratio

As of June 30, 2004, the amount of cash and cash equivalents of the Group was approximately RMB22,940 million.

The Group had no material charges on group assets.

The gearing ratio was 88.9%, which was computed by dividing the sum of total liabilities and minority interests by total assets.

## Company Staff

As of June 30, 2004, the Company had 34,735 employees and approximately 180,000 individual sales agents. Staff remuneration packages are structured and reviewed by reference to market terms and individual merits. The Company has participated in various defined contribution pension schemes coordinated by the provincial and municipal governments for the Company's staff in accordance with the laws and regulations of PRC.

## UNAUDITED RESULTS OF THE GROUP

Ping An Insurance (Group) Company of China, Ltd. (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended June 30, 2004.

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2004

		<b>Six months ended June 30,</b>	
		<b>2004</b>	<b>2003</b>
	<i>Notes</i>	<b>(Unaudited) RMB Million</b>	<b>(Unaudited) RMB Million</b>
Gross written premiums and policy fees (net of business tax and surcharges)	3	<b>32,297</b>	35,548
Less: Premiums ceded to reinsurers		<b>(2,171)</b>	(1,904)
Net written premiums and policy fees	3	<b>30,126</b>	33,644
Increase in unearned premium reserves		<b>(887)</b>	(712)
Net earned premiums		<b>29,239</b>	32,932
Reinsurance commission income		<b>670</b>	673
Investment income and other income	4	<b>2,948</b>	3,238
<b>Total revenue</b>		<b>32,857</b>	36,843
Change in deferred policy acquisition costs		<b>681</b>	1,663
Claims, surrenders, annuities and maturities		<b>(7,002)</b>	(6,510)
Policyholder dividends and provisions		<b>(219)</b>	(382)
Increase in policyholders' reserves		<b>(18,962)</b>	(24,033)
Commission expenses		<b>(2,584)</b>	(3,060)
General and administrative expenses		<b>(2,861)</b>	(2,910)
Finance costs		<b>(16)</b>	(107)
Provision for insurance guarantee fund		<b>(52)</b>	(46)
<b>Total expenses</b>		<b>(31,015)</b>	(35,385)
Operating profit	5	<b>1,842</b>	1,458
Share of profits of an associate		<b>—</b>	4
Income taxes	6	<b>(315)</b>	(256)
<b>Net profit before minority interests</b>		<b>1,527</b>	1,206
Minority interests		<b>(23)</b>	(10)
<b>Net profit attributable to shareholders</b>		<b>1,504</b>	1,196
<b>Dividends</b>	7	<b>592</b>	493
		<b>RMB</b>	<b>RMB</b>
Earnings per share – basic	8	<b>0.30</b>	0.24

**CONDENSED CONSOLIDATED BALANCE SHEET***As of June 30, 2004*

	<b>June 30, 2004 (Unaudited) RMB Million</b>	December 31, 2003 (Audited) RMB Million
<b>ASSETS</b>		
<b>Investments</b>		
Held-for-trading investments	<b>11,502</b>	6,799
Available-for-sale investments	<b>13,196</b>	14,764
Held-to-maturity investments	<b>41,832</b>	32,332
Loans and receivables originated by the enterprise:		
Bonds	<b>24,949</b>	19,170
Fixed deposits	<b>80,446</b>	78,233
Placements and loans	<b>1,163</b>	3,286
Investment in an associate	<b>3</b>	3
Investment properties, net	<b>1,423</b>	1,333
	<hr/>	<hr/>
<b>Total investments</b>	<b>174,514</b>	155,920
	<hr/>	<hr/>
<b>Other assets</b>		
Cash and cash equivalents	<b>22,940</b>	8,017
Premium receivables, net	<b>530</b>	439
Interest receivables, net	<b>1,716</b>	316
Claims recoverable	<b>1,250</b>	1,338
Deferred policy acquisition costs	<b>21,042</b>	20,361
Statutory deposits	<b>1,200</b>	1,200
Property, plant and equipment, net	<b>2,899</b>	3,147
Construction-in-progress, net	<b>151</b>	146
Land use rights, net	<b>938</b>	924
Goodwill	<b>245</b>	241
Deferred tax assets	<b>354</b>	293
Other assets	<b>997</b>	1,078
Separate account (investment-linked) assets	<b>11,811</b>	10,059
	<hr/>	<hr/>
<b>Total other assets</b>	<b>66,073</b>	47,559
	<hr/>	<hr/>
<b>Total assets</b>	<b>240,587</b>	203,479
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## EQUITY AND LIABILITIES

### Equity

Share capital	6,195	4,933
Reserves	19,205	7,667
Retained profits	1,264	352
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<b>Total equity</b>	<b>26,664</b>	<b>12,952</b>
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<b>Minority interests</b>	<b>491</b>	<b>337</b>
	<hr/>	<hr/>
<b>Liabilities</b>		
Customers' deposits	2,939	2,304
Short term borrowings	70	200
Premiums received in advance	599	2,129
Commission payable	518	497
Claim reserves	5,119	4,817
Payable to reinsurers	652	270
Policyholder dividends payable and provisions	1,396	1,189
Deposits from policyholders	45	49
Deposits from reinsurers	110	130
Unearned premium reserves	6,668	5,781
Policyholders' reserves	178,907	159,945
Taxes payable	396	326
Insurance guarantee fund	768	710
Other liabilities	3,434	1,784
Separate account (investment-linked) liabilities	11,811	10,059
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>213,432</b>	<b>190,190</b>
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<b>Total equity and liabilities</b>	<b>240,587</b>	<b>203,479</b>
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# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2004

	Notes	Reserves						Retained profits/deficits	Total
		Share capital	Capital reserve	Revenue reserve fund	Common welfare fund	General reserve	Net unrealized gains/(losses)		
		RMB Million	RMB Million	RMB Million	RMB Million	RMB Million	RMB Million	RMB Million	RMB Million
(Unaudited)									
Balance, January 1, 2003		2,467	5,285	2,880	381	395	382	(102)	11,688
Net profit for the six months ended June 30, 2003		-	-	-	-	-	-	1,196	1,196
Net gains on available-for-sale investments		-	-	-	-	-	124	-	124
Net gains on available-for-sale investments removed from equity and reported in net profit	4	-	-	-	-	-	(43)	-	(43)
Deferred tax recognized, net		-	-	-	-	-	(12)	-	(12)
Appropriation to discretionary reserve		-	-	1,057	-	-	-	(1,057)	-
Dividends declared	7	-	-	-	-	-	-	(493)	(493)
Balance, June 30, 2003		<u>2,467</u>	<u>5,285</u>	<u>3,937</u>	<u>381</u>	<u>395</u>	<u>451</u>	<u>(456)</u>	<u>12,460</u>
(Unaudited)									
Balance, January 1, 2004		4,933	2,818	4,148	486	395	(180)	352	12,952
Net profit for the six months ended June 30, 2004		-	-	-	-	-	-	1,504	1,504
Net losses on available-for-sale investments		-	-	-	-	-	(532)	-	(532)
Net losses on available-for-sale investments removed from equity and reported in net profit	4	-	-	-	-	-	8	-	8
Deferred tax recognized, net		-	-	-	-	-	79	-	79
Issue of shares through initial public offering		1,262	12,564	-	-	-	-	-	13,826
Share issue expenses		-	(581)	-	-	-	-	-	(581)
Dividends declared	7	-	-	-	-	-	-	(592)	(592)
Balance, June 30, 2004		<u>6,195</u>	<u>14,801</u>	<u>4,148</u>	<u>486</u>	<u>395</u>	<u>(625)</u>	<u>1,264</u>	<u>26,664</u>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended June 30, 2004

	Six months ended June 30,	
	2004	2003
	(Unaudited)	(Unaudited)
	RMB Million	RMB Million
Cash inflows from operating activities	20,119	20,171
Cash outflows from investing activities	(17,779)	(10,478)
Cash inflows/(outflows) from financing activities	12,583	(7,172)
Net increase in cash and cash equivalents	14,923	2,521
Cash and cash equivalents at beginning of period	8,017	3,815
Cash and cash equivalents at end of period	22,940	6,336

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004

#### 1. Principal activities, organization and basis of preparation

(a) *Principal activities and change in the Group's organization*

Ping An Insurance (Group) Company of China, Ltd. (the "Company") was incorporated in Shenzhen, the People's Republic of China (the "PRC") on March 21, 1988. Its business scope includes investing in insurance enterprises, supervising and managing various domestic and overseas businesses of subsidiaries, and utilizing insurance funds. The Company and its principal subsidiaries (the "Group") are mainly engaged in various general insurance and life insurance businesses denominated in Renminbi ("RMB") and foreign currencies.

On September 29, 2003, China Ping An Trust & Investment Co., Ltd. ("Ping An Trust", a subsidiary of the Company) entered into a sale and purchase agreement to acquire Bank of China's 50% equity interest in Fujian Asia Bank Limited (the "Bank"). On December 23, 2003, the China Banking Regulatory Commission (the "CBRC") approved the above sale and purchase of the equity interest in the Bank and the change of the Bank's name into Ping An Bank Limited. The CBRC also approved that Ping An Trust make an additional capital contribution of US\$23 million to the Bank. The acquisition, additional capital contribution and the related business registration were completed by February 2004. Thereafter, the Bank has become a 73% owned subsidiary of Ping An Trust and the Bank's financial statements are consolidated into the Group's consolidated financial statements.

(b) *Basis of preparation and significant accounting policies*

These unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board and the disclosure requirements of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in and should be read in conjunction with the accountants' report as set out in Appendix I to the Company's prospectus dated June 14, 2004.

## 2. Segment reporting

Segment information is presented in respect of the Group's business segment. The Group's revenue and net profit were mainly derived from the PRC. Accordingly, no segment analysis by geographical area is presented.

The segment analysis for the six months ended June 30, 2004 (the "Period") is as follows:

	<b>Life insurance</b> (Unaudited) <i>RMB Million</i>	<b>General insurance</b> (Unaudited) <i>RMB Million</i>	<b>Corporate</b> (Unaudited) <i>RMB Million</i>	<b>Others</b> (Unaudited) <i>RMB Million</i>	<b>Elimination</b> (Unaudited) <i>RMB Million</i>	<b>Total</b> (Unaudited) <i>RMB Million</i>
<b>Income statement</b>						
Gross written premiums and policy fees (net of business tax and surcharges)	27,161	5,136	-	-	-	32,297
Less: Premiums ceded to reinsurers	(420)	(1,751)	-	-	-	(2,171)
Increase in unearned premium reserves	(97)	(790)	-	-	-	(887)
Net earned premiums	26,644	2,595	-	-	-	29,239
Reinsurance commission income	120	550	-	-	-	670
Investment income and other income	2,497	111	118	251	(29)	2,948
<b>Total revenue</b>	<b>29,261</b>	<b>3,256</b>	<b>118</b>	<b>251</b>	<b>(29)</b>	<b>32,857</b>
Change in deferred policy acquisition costs	543	138	-	-	-	681
Claims, surrenders, annuities and maturities	(5,118)	(1,884)	-	-	-	(7,002)
Policyholder dividends and provisions	(219)	-	-	-	-	(219)
Increase in policyholders' reserves	(18,962)	-	-	-	-	(18,962)
Commission expenses	(2,253)	(331)	-	-	-	(2,584)
General and administrative expenses	(1,690)	(957)	(40)	(191)	17	(2,861)
Finance costs	(3)	(3)	-	(10)	-	(16)
Provision for insurance guarantee fund	(16)	(36)	-	-	-	(52)
<b>Total expenses</b>	<b>(27,718)</b>	<b>(3,073)</b>	<b>(40)</b>	<b>(201)</b>	<b>17</b>	<b>(31,015)</b>
Operating profit	1,543	183	78	50	(12)	1,842
Income taxes	(161)	(138)	(13)	(3)	-	(315)
Net profit before minority interests	1,382	45	65	47	(12)	1,527
Minority interests	-	-	-	(8)	(15)	(23)
<b>Net profit attributable to shareholders</b>	<b>1,382</b>	<b>45</b>	<b>65</b>	<b>39</b>	<b>(27)</b>	<b>1,504</b>

The segment analysis as at June 30, 2004 is as follows:

	Life insurance (Unaudited) RMB Million	General insurance (Unaudited) RMB Million	Corporate (Unaudited) RMB Million	Others (Unaudited) RMB Million	Elimination (Unaudited) RMB Million	Total (Unaudited) RMB Million
<b>Balance sheet</b>						
Investment in an associate	–	–	–	3	–	3
Other investments	161,286	6,414	12,042	2,969	(8,200)	174,511
Other assets	41,668	5,764	15,045	4,080	(484)	66,073
Gross assets	202,954	12,178	27,087	7,052	(8,684)	240,587
Policyholders' and other reserves	182,163	8,531	–	–	–	190,694
Other liabilities	15,948	2,142	1,404	3,727	(483)	22,738
Gross liabilities	198,111	10,673	1,404	3,727	(483)	213,432
Minority interests	11	–	–	391	89	491
Segment net assets	<u>4,832</u>	<u>1,505</u>	<u>25,683</u>	<u>2,934</u>	<u>(8,290)</u>	<u>26,664</u>

### 3. Written premiums and policy fees

	Six months ended June 30,	
	2004 (Unaudited) RMB Million	2003 (Unaudited) RMB Million
Gross premiums written and investment-linked premiums	34,550	38,094
Less: Allocated to separate (investment-linked) assets	(1,903)	(2,213)
	<u>32,647</u>	<u>35,881</u>
Less: Business tax and surcharges	(350)	(333)
Gross written premiums and policy fees (net of business tax and surcharges)	<u>32,297</u>	<u>35,548</u>
<b>Gross</b>		
Life		
Short term	2,037	1,972
Long term	25,124	29,108
General	5,136	4,468
Gross written premiums and policy fees (net of business tax and surcharges)	<u>32,297</u>	<u>35,548</u>
<b>Net of reinsurance outward</b>		
Life		
Short term	1,624	1,452
Long term	25,117	29,104
General	3,385	3,088
Net written premiums and policy fees	<u>30,126</u>	<u>33,644</u>

#### 4. Investment income and other income

	<b>Six months ended June 30,</b>	
	<b>2004</b>	<b>2003</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB Million</b>	<b>RMB Million</b>
<b>Investment income</b>		
Interest income:		
Bonds	1,258	937
Fixed and other bank deposits	1,769	1,689
Collateralized placements	40	102
Dividend income	321	27
Realized gain/(loss) on:		
Held-for-trading investments	65	48
Available-for-sale investments	(8)	43
Unrealized gain/(loss) on held-for-trading investments	(826)	175
Operating lease income from investment properties	60	44
	<hr/>	<hr/>
Total investment income	2,679	3,065
Other income	269	173
	<hr/>	<hr/>
Total investment income and other income	<u>2,948</u>	<u>3,238</u>

#### 5. Operating profit

Operating profit is arrived at after charging the following items:

	<b>Six months ended June 30,</b>	
	<b>2004</b>	<b>2003</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB Million</b>	<b>RMB Million</b>
Employee costs, excluding directors' remuneration	1,230	1,285
Depreciation of investment properties	31	22
Depreciation of property, plant and equipment	150	174
Amortization of land use rights	10	10
Amortization of goodwill	13	–
Impairment losses for investment properties, property, plant and equipment, construction-in-progress, and land use rights	17	32
Operating lease payments in respect of land and buildings	276	260
Provision for doubtful debts, net	40	–
	<hr/>	<hr/>

## 6. Income taxes

According to the “Provisional Regulations of the PRC on Enterprise Income Tax”, the taxable income of the Group represents its income for financial reporting purposes, net of deductible items for income tax purposes. The enterprise income tax rates applicable to the Group, the subsidiaries and their branches are as follows:

Tax	Subsidiaries and branches	Tax rate
Enterprise income tax in the PRC	– Located in Special Economic Zones	15%
	– Located outside Special Economic Zones	33%
Hong Kong profits tax	– Subsidiaries in Hong Kong Special Administrative Region	17.5%

	Six months ended June 30,	
	2004	2003
	(Unaudited)	(Unaudited)
	RMB Million	RMB Million
Current income tax	297	310
Deferred tax	18	(54)
Income taxes	<u>315</u>	<u>256</u>

## 7. Dividends

### (1) Dividends attributable to the interim period

The directors do not recommend payment of any dividend in respect of the Period (Six months ended June 30, 2003: Nil).

### (2) Dividends attributable to the previous financial year and declared during the interim period

	Six months ended June 30,	
	2004	2003
	(Unaudited)	(Unaudited)
	RMB Million	RMB Million
Final dividend of RMB0.12 per share (Six months ended June 30, 2003: RMB0.10 per share)	<u>592</u>	<u>493</u>

## 8. Earnings per share

The basic earnings per share for the Period is computed by dividing the unaudited net profit attributable to shareholders for the Period by the weighted average number of 4,981,861,026 shares (Six months ended June 30, 2003: 4,933,333,334 shares after reflecting the capitalization issue on December 19, 2003) in issue during the Period.

The Company had no dilutive potential shares, hence no diluted earnings per share amount is presented.

## OTHER INFORMATION

### Purchase, sale, or redemption of shares

The Company has not redeemed any of its shares since the Listing on June 24, 2004 up to June 30, 2004. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the same period.

## **Audit committee**

The Company has established an audit committee in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review the financial reporting process of the Group. The audit committee consists of two independent non-executive Directors, namely Mr. Bao Youde and Mr. Kwong Che Keung Gordon and a non-executive Director, Mr. Anthony Philip Hope. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including a review of the condensed interim accounts of the Company.

## **Compliance with the Code of Best Practice of the Listing Rules**

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not or was not for any part of the period from the Listing to June 30, 2004 in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

## **Publication of detailed results on the website of the Stock Exchange**

All detailed information required by paragraphs 46(1) to 46(6) in Appendix 16 to the Listing Rules will be published on the Stock Exchange's website in due course.

## **Directors**

The directors of the Company are MA Mingzhe, LI Heihu, SUN Jianyi, GAO Lei, HUANG Jianping, LIU Haifeng David, Henry CORNELL, LIN Yu Fen, CHEUNG Lee Wah, Anthony Philip HOPE, Dicky Peter YIP, LIN Lijun, FAN Gang, DOU Wenwei, BAO Youde, KWONG Che Keung Gordon, CHEUNG Wing Yui, SHI Yuxin and HU Aimin.

By Order of the Board  
**Ma Mingzhe**  
*Chairman and Chief Executive Officer*

Hong Kong, August 25, 2004

“Please also refer to the published version of this announcement in the South China Morning Post”