

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, 2005

CHAIRMAN'S STATEMENT

Interim Report 2005

2005 is the first year for the full opening of the PRC insurance market after WTO accession and also a critical year for our development. With the unremitting support from our shareholders and the diligence and dedication of our staff, the Group sustained good development momentum in the first half of 2005 and achieved its main objectives as planned. Net profit for the half year ended June 30, 2005 increased 47.3% to RMB2,250 million over the same period last year. Meanwhile, our business mix and key performance indicators continued to improve, and our productivity and unit cost indicators were also enhanced. Such progress and improvement demonstrate the positive effects of the active transformation strategies implemented in the past three years.

Review for the first half year

Steady growth and quality improvement in our core insurance business

Our core life insurance business delivered strong profitability growth in the first half of 2005 and its net profit increased 35.2% to RMB1,868 million over the same period last year. Total gross written premiums, policy fees and premium deposits increased 2.3% to RMB29,747 million over the same period last year. Premium growth was achieved concurrently with further improvement in our product mix. The proportion of premiums and premium deposits obtained through our individual life, our group life, and our bancassurance distribution channels were 78.8%, 13.8% and 7.4%, respectively, as compared to 69.3%, 20.2% and 10.5%, in the same period last year. In particular, premiums and premium deposits from the more profitable individual life business increased 16.3% to RMB23,441 million over the same period last year, first year premiums and premium deposits increased 57.8% to RMB6,179 million over the same period last year, and renewal premiums and premium deposits continued to grow steadily. This was achieved through significant improvement in the productivity of our agency force, reflecting the positive effect of our agency rationalization program.

Net profit from property and casualty insurance business increased significantly to RMB142 million from RMB45 million in the same period last year. Written premiums from property and casualty insurance reached RMB6,290 million, an increase of 22.5% over the same period last year, among which, written premiums attributable to automobile insurance, non-automobile insurance, and accident and health insurance increased by 23.7%, 18.5% and 45.6%, over the same period last year. Growth in our property and casualty business was accompanied by a further improvement in our combined ratio to 96.1% from 97.2% over the full year of 2004.

Progress in our back-office support centralization project

Construction of our national back-office support centre in Zhangjiang, Shanghai is proceeding smoothly. We have completed an initial pilot testing for the centralization of our underwriting and claims functions in several branches. We will enter the next phase of this project with valuable experience accumulated during the test.

Strengthening our comprehensive financial service platform

Following the establishment of Ping An Annuity Insurance Company of China, Ltd. in the second half of last year, Ping An Health Insurance Company of China, Ltd. and Ping An Asset Management Co., Ltd. were both established in the first half of 2005. In addition, the headquarter of Ping An Bank moved to Shanghai. As a result, the Group has a total of eight subsidiaries providing a wide range of financial services and products to our customers. In order to better meet our customers' demand for more diversified financial services, we initiated an overall organizational transformation where suitable products will be developed, and appropriate channels and resources will be effectively allocated to serve both our individual and corporate customers. This will further enhance our ability to cross-sell different financial services and products.

Prospects for the second half of 2005

Although competition has increased due to market liberalization, we believe that future growth in the insurance industry is assured as corporate governance and professional standards in the industry continue to improve. Our optimistic outlook is based on the rapid growth of the Chinese economy, an increase in purchasing power of both individuals and corporations, and the continued improvement in insurance industry regulation.

Operation results in the first half of 2005 were very encouraging and the Group has accomplished its intermediate objectives. In the second half of 2005, we will pursue new business opportunities, continue our re-organization and strengthen the competitiveness of our core business. We will also seek to open new investment channels, such as infrastructure projects to diversify our investment risks, increase returns on investment, and improve our asset liability management. We have various initiatives to expand our banking business. This will include the application for full-scope Renminbi operating license, development and sales of new products and opening new branches. We intend to use Ping An Bank as a brand builder to demonstrate our capacity for innovation in products, channels and services.

With the support from our shareholders, employees and management, we are confident that we will fulfill our objectives for the next six months and further enhance our shareholder value.

MANAGEMENT DISCUSSION AND ANALYSIS

Group's Consolidated Performance

The following is a summary of the consolidated results of the Group:

For six months ended June 30, (in RMB million)	2005	2004
Gross written premiums, policy fees and premium deposits	36,037	34,200
Less: Premium deposits	(5,488)	(1,919)
Gross written premiums and policy fees	30,549	32,281
Total revenue	32,603	32,825
Operating profit	2,673	1,842
Net profit	2,250	1,527

The following table sets forth the breakdown of our net profit by business segment:

For six months ended June 30, (in RMB million)	2005	2004
Life insurance	1,868	1,382
Property and casualty insurance	142	45
Other businesses	240	100
Net profit	2,250	1,527

Consolidated net profit increased 47.3% to RMB2,250 million in the six months ended June 30, 2005 from RMB1,527 million in the same period in 2004. This increase was primarily due to the better performance in our core life insurance and property and casualty insurance businesses, which accounted for approximately 83.0% and 6.3%, respectively, of our net profit.

Factors attributing to our improved performance include improved product mix of our life insurance business, better results from our property and casualty insurance business, continued cost control initiatives, and better total investment returns.

Consolidated Investment Income

For six months ended June 30, (in RMB million, except percentages)	2005	2004
Net investment income	4,481	3,432
Realized and unrealized gains/(losses)	19	(769)
	<hr/>	<hr/>
Total investment income	4,500	2,663
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Net investment yield	4.1%	4.1%
Total investment yield	4.1%	3.6%
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Our net investment income increased 30.6% to RMB4,481 million in the six months ended June 30, 2005 from RMB3,432 million in the same period in 2004. This increase was primarily due to the increase in our investment assets to RMB219,666 million as of June 30, 2005 from RMB174,145 million as of June 30, 2004. Net investment yield maintained unchanged at 4.1% in the six months ended June 30, 2005.

Our total investment income increased 69.0% to RMB4,500 million in the six months ended June 30, 2005 from RMB2,663 million in the same period in 2004. Total investment yield increased to 4.1% in the six months ended June 30, 2005 from 3.6% in the same period in 2004. This increase was primarily due to the decrease in bond yield rates, which resulted in a higher valuation of our bond investments that were “carried at fair value through profit or loss”. In addition, our equity investments in the PRC equity markets suffered a smaller loss in the six months ended June 30, 2005 as compared to the loss in the same period in 2004. As a result, the realized and unrealized gains in the six months ended June 30, 2005 were RMB19 million as compared to realized and unrealized losses of RMB769 million in the same period in 2004.

We continued to improve the asset allocation of our portfolio in response to the changes in the capital markets. As a result, our bond investment as a percentage of our total investment assets increased to 62.3% as of June 30, 2005 from 56.0% as of December 31, 2004. In addition, we were able to achieve an average yield of 4.5% from our new money investment in bonds during the first half of 2005. The following table presents our investment portfolio allocations among the major categories of our investments:

(in RMB million, except percentages)	As of June 30, 2005		As of December 31, 2004	
	Carrying Value	% of Total	Carrying Value	% of Total
Fixed maturity investments				
Term deposits	72,185	32.9%	80,320	39.9%
Bond investments ⁽¹⁾	136,889	62.3%	112,860	56.0%
Other fixed maturity investments	946	0.4%	675	0.3%
Equity investments ⁽²⁾	8,303	3.8%	6,018	3.0%
Investment properties	1,343	0.6%	1,504	0.8%
	<u>219,666</u>	<u>100.0%</u>	<u>201,377</u>	<u>100.0%</u>

(1) Bond investments include the carrying value of derivatives embedded with the host contracts.

(2) Equity investments include equity investment funds, equity securities and investment in an associate.

Life Insurance Business

The following is a summary of the operation data of our life insurance business:

	As of June 30, 2005	As of December 31, 2004
Market share of gross written premiums, policy fees and premium deposits ⁽¹⁾	14.8%	17.2%
Persistency ratio:		
13-month	85.5%	87.5%
25-month	82.5%	80.3%
Number of customers:		
Individual (in thousands)	29,537	28,362
Corporate (in thousands)	<u>221</u>	<u>177</u>

(1) Based on our PRC GAAP financial data and the PRC insurance industry data calculated in accordance with the PRC GAAP and published by the National Bureau of Statistics of China.

Market share as of June 30, 2005 was computed based on gross written premiums, policy fees and premium deposits accumulated over a period of six months.

Market share as of December 31, 2004 was computed based on gross written premiums, policy fees and premium deposits accumulated over a period of one year.

We are the second largest life insurance company in the PRC in terms of gross written premiums, policy fees and premium deposits. For six months ended June 30, 2005, our life insurance business accounted for approximately 14.8% of the gross written premiums, policy fees and premium deposits received by the PRC life insurance companies, based on our PRC GAAP financial data and the PRC insurance industry data calculated in accordance with the PRC GAAP.

We continued to focus on maintaining excellent customer services. As a result, our 13-month and 25-month persistency ratios were maintained at a very respectable rate of more than 85% and 80%, respectively. In addition, the number of our individual life sales agents are maintained at approximately 200,000 while the average productivity per agent continue to increase.

Property and Casualty Insurance Business

The following is a summary of the operation data of our property and casualty insurance business:

	As of June 30, 2005	As of December 31, 2004
Market share of gross written premiums ⁽¹⁾	9.4%	9.5%
Number of customers:		
Individual (in thousands)	5,912	5,519
Corporate (in thousands)	<u>774</u>	<u>613</u>

- (1) Based on our PRC GAAP financial data and the PRC insurance industry data calculated in accordance with the PRC GAAP and published by the National Bureau of Statistics of China.
Market share as of June 30, 2005 was computed based on gross written premiums accumulated over a period of six months.
Market share as of December 31, 2004 was computed based on gross written premiums accumulated over a period of one year.

We are the third largest property and casualty insurance company in the PRC in terms of gross written premiums. For six months ended June 30, 2005, our property and casualty insurance business accounted for approximately 9.4% of the gross written premiums received by the PRC property and casualty insurance companies, based on our PRC GAAP financial data and the PRC insurance industry data calculated in accordance with the PRC GAAP.

Combined Ratio

	For six months ended June 30, 2005	For year ended December 31, 2004
Expense ratio	20.0%	20.2%
Loss ratio	<u>76.1%</u>	<u>77.0%</u>
Combined ratio	<u><u>96.1%</u></u>	<u><u>97.2%</u></u>

We continued to grow our property and casualty business with a focus on proper management of our underwriting risks and operation cost controls. This strategy has enabled us to improve both our expense ratio and our loss ratio. As a result, our combined ratio improved to 96.1% in the six months ended June 30, 2005 from 97.2% in the full year of 2004.

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 six months ended June 30, 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

For six months ended June 30, 2005

For six months ended June 30, (in RMB million)	Notes	2005 (Unaudited)	2004 (Unaudited) (Restated)
Gross written premiums and policy fees	4	30,549	32,281
Less: Premiums ceded to reinsurers		(2,311)	(2,171)
Net written premiums and policy fees		28,238	30,110
Increase in unearned premium reserves, net		(1,292)	(887)
Net earned premiums		26,946	29,223
Reinsurance commission income		772	670
Net investment income	5	4,481	3,432
Realized and unrealized gains/(losses)	5	19	(769)
Other income		385	269
Total revenue		32,603	32,825
Change in deferred policy acquisition costs		1,734	681
Claims and policyholders' benefits		(10,623)	(7,221)
Increase in policyholders' reserves		(14,739)	(18,866)
Changes in fair value of derivative financial liabilities		(137)	(80)
Commission expenses		(2,904)	(2,584)
General and administrative expenses		(3,155)	(2,861)
Provision for insurance guarantee fund		(106)	(52)
Total expenses		(29,930)	(30,983)
Operating profit	6	2,673	1,842
Income taxes	7	(423)	(315)
Net profit		2,250	1,527
Attributable to:			
– Shareholders		2,235	1,504
– Minority interests		15	23
		2,250	1,527
Proposed dividends	8	–	–
		RMB	RMB
Earnings per share for net profit attributable to shareholders			
– basic	9	0.36	0.30

CONDENSED CONSOLIDATED BALANCE SHEET*As of June 30, 2005*

(in RMB million)	June 30, 2005 (Unaudited)	December 31, 2004 (Audited) (Restated)
ASSETS		
Investments		
Fixed maturity investments		
Bonds	136,837	112,798
Term deposits	72,185	80,320
Policy loans	690	545
Loans and advances to customers	256	130
Equity investments		
Equity investment funds	6,600	5,749
Equity securities	1,700	266
Derivative financial assets	52	62
Investment in an associate	3	3
Investment properties	1,343	1,504
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Total investments	219,666	201,377
	<hr/>	<hr/>
Cash and cash equivalents	19,358	15,254
Due from banks	464	439
Premium receivables	963	617
Interest receivables	1,475	382
Policyholder account assets in respect of insurance contracts	11,620	9,758
Policyholder account assets in respect of investment contracts	3,293	3,145
Reinsurance assets	4,614	4,356
Deferred policy acquisition costs	24,356	22,622
Property, plant and equipment	2,718	2,735
Construction-in-progress	348	204
Land use rights	946	928
Goodwill	326	322
Deferred income tax asset	216	362
Statutory deposits	1,260	1,200
Other assets	896	738
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Total assets	292,519	264,439
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EQUITY AND LIABILITIES

Shareholders' equity

Share capital	6,195	6,195
Reserves	20,066	19,517
Retained profits	3,853	2,485
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	30,114	28,197
Minority interests	472	430
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Total equity	30,586	28,627

Liabilities

Customers' deposits	1,612	1,849
Securities sold under agreements to repurchase	5,170	601
Premiums received in advance	814	1,627
Commission payable	638	556
Due to reinsurers	838	209
Dividends payable to shareholders	171	74
Income tax payable	529	490
Insurance guarantee fund	473	827
Policyholder dividend payable and provisions	2,506	1,977
Policyholders' contract deposits	4,927	1,411
Policyholder account liabilities in respect of insurance contracts	11,620	9,758
Policyholder account liabilities in respect of investment contracts	3,293	3,145
Unearned premium reserves	10,930	9,472
Claim reserves	7,602	6,642
Policyholders' reserves	208,509	193,770
Derivative financial liabilities	264	127
Investment contract reserves	15	15
Other liabilities	2,022	3,262
	<hr/>	<hr/>
Total liabilities	261,933	235,812
	<hr/>	<hr/>
Total equity and liabilities	292,519	264,439

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended June 30, 2005 (in RMB million)

	Shareholders' equity									
	Note	Reserves							Minority interests	Total
		Share capital	Capital reserve	Revenue reserve fund	Common welfare fund	General reserve	Net unrealized gains/(losses)	Retained profits		
(Unaudited)										
(Restated)										
As of January 1, 2004										
As previously reported		4,933	2,818	4,148	486	395	(180)	352	337	13,289
Effect of implementation of new/revised accounting standards		-	-	-	-	-	(61)	-	(1)	(62)
As restated		4,933	2,818	4,148	486	395	(241)	352	336	13,227
Net profit for six months ended June 30, 2004		-	-	-	-	-	-	1,504	23	1,527
Net losses on available-for-sale investments		-	-	-	-	-	(826)	-	(8)	(834)
Net losses on available-for-sale investments removed from equity and reported in net profit		-	-	-	-	-	8	-	-	8
Deferred tax recognized, net		-	-	-	-	-	123	-	1	124
Issue of shares through initial public offering		1,262	12,564	-	-	-	-	-	-	13,826
Share issue expenses		-	(581)	-	-	-	-	-	-	(581)
Acquisition of a subsidiary		-	-	-	-	-	-	-	136	136
Dividends declared	8	-	-	-	-	-	-	(592)	-	(592)
As of June 30, 2004		<u>6,195</u>	<u>14,801</u>	<u>4,148</u>	<u>486</u>	<u>395</u>	<u>(936)</u>	<u>1,264</u>	<u>488</u>	<u>26,841</u>
(Unaudited)										
As of January 1, 2005										
As previously reported		6,195	14,835	4,409	616	395	(682)	2,485	431	28,684
Effect of implementation of new/revised accounting standards		-	-	-	-	-	(56)	-	(1)	(57)
As restated		6,195	14,835	4,409	616	395	(738)	2,485	430	28,627
Net profit for six months ended June 30, 2005		-	-	-	-	-	-	2,235	15	2,250
Net gains on available-for-sale investments		-	-	-	-	-	755	-	7	762
Net gains on available-for-sale investments removed from equity and reported in net profit		-	-	-	-	-	(109)	-	(1)	(110)
Increase in capital of a subsidiary		-	-	-	-	-	-	-	22	22
Deferred tax recognized, net		-	-	-	-	-	(97)	-	(1)	(98)
Dividends declared	8	-	-	-	-	-	-	(867)	-	(867)
As of June 30, 2005		<u>6,195</u>	<u>14,835</u>	<u>4,409</u>	<u>616</u>	<u>395</u>	<u>(189)</u>	<u>3,853</u>	<u>472</u>	<u>30,586</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For six months ended June 30, (in RMB million)	2005 (Unaudited)	2004 (Unaudited)
Cash inflows from operating activities	15,112	20,119
Cash outflows from investing activities	(10,238)	(17,779)
Cash inflows/(outflows) from financing activities	(770)	12,583
Net increase in cash and cash equivalents	4,104	14,923
Cash and cash equivalents at beginning of period	15,254	8,017
Cash and cash equivalents at end of period	19,358	22,940

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2005

1. Organization and principal activities

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 life insurance, property and casualty insurance, and provision of financial services.

2. 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 the condensed consolidated financial statements are consistent with those used in the annual audited financial statements for year ended December 31, 2004, except the changes in significant accounting policies following the adoption of certain new or revised International Financial Reporting Standards (“IFRSs”). These condensed consolidated financial statements should be read in conjunction with the audited financial statements for year ended December 31, 2004.

3. 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 six months ended June 30, 2005 (the “Period”) is as follows:

(in RMB million)	Life insurance (Unaudited)	Property and casualty insurance (Unaudited)	Corporate (Unaudited)	Others (Unaudited)	Elimination (Unaudited)	Total (Unaudited)
Gross written premiums and policy fees	24,259	6,290	-	-	-	30,549
Less: Premiums ceded to reinsurers	(420)	(1,891)	-	-	-	(2,311)
Increase in unearned premium reserves, net	(323)	(969)	-	-	-	(1,292)
Net earned premiums	23,516	3,430	-	-	-	26,946
Reinsurance commission income	88	684	-	-	-	772
Net investment income	3,971	182	308	20	-	4,481
Realized and unrealized gains/(losses)	(5)	(8)	8	24	-	19
Other income	207	11	67	133	(33)	385
Total revenue	27,777	4,299	383	177	(33)	32,603
Change in deferred policy acquisition costs	1,565	169	-	-	-	1,734
Claims and policyholders' benefits	(8,011)	(2,612)	-	-	-	(10,623)
Increase in policyholders' reserves	(14,739)	-	-	-	-	(14,739)
Changes in fair value of derivative financial liabilities	(137)	-	-	-	-	(137)
Commission expenses	(2,465)	(439)	-	-	-	(2,904)
General and administrative expenses	(1,852)	(1,052)	(118)	(166)	33	(3,155)
Provision for insurance guarantee fund	(59)	(47)	-	-	-	(106)
Total expenses	(25,698)	(3,981)	(118)	(166)	33	(29,930)
Operating profit	2,079	318	265	11	-	2,673
Income taxes	(211)	(176)	(37)	1	-	(423)
Net profit	1,868	142	228	12	-	2,250

4. Gross written premiums and policy fees

For six months ended June 30, (in RMB million)	2005 (Unaudited)	2004 (Unaudited) (Restated)
Gross written premiums, policy fees and premium deposits, as reported in accordance with PRC GAAP	36,453	34,550
Less: Business tax and surcharges	(416)	(350)
Gross written premiums, policy fees and premium deposits (net of business tax and surcharges)	36,037	34,200
Less: Premium deposits allocated to policyholder accounts	(1,923)	(1,903)
Premium deposits allocated to investment policies	-	(16)
Premium deposits allocated to policyholders' contract deposits	(3,565)	-
Gross written premiums and policy fees	30,549	32,281

Life		
Individual life	19,621	18,595
Bancassurance	721	3,055
Group insurance	3,917	5,495
	<u>24,259</u>	<u>27,145</u>
Property and casualty		
Automobile insurance	3,720	3,007
Non-automobile insurance	2,321	1,958
Accident and health insurance	249	171
	<u>6,290</u>	<u>5,136</u>
Gross written premiums and policy fees	<u>30,549</u>	<u>32,281</u>

5. Investment income

(1) Net investment income

For six months ended June 30, (in RMB million)	2005 (Unaudited)	2004 (Unaudited) (Restated)
Interest income on fixed maturity investments		
Bonds	2,506	1,258
Term deposits	1,810	1,769
Others	22	40
Dividend income on equity investments		
Equity investment funds	99	321
Equity securities	33	–
Operating lease income from investment properties	49	60
Interest expenses on securities sold under agreements to repurchase	(38)	(16)
Total	<u>4,481</u>	<u>3,432</u>
Yield of net investment income (% per annum)	<u>4.1</u>	<u>4.1</u>

The above yield is calculated for investment assets excluding investment properties.

(2) Realized and unrealized gains/(losses)

For six months ended June 30, (in RMB million)	2005 (Unaudited)	2004 (Unaudited) (Restated)
Fixed maturity investments	242	(79)
Equity investments	(212)	(690)
Convertible bond derivatives	(11)	–
Total	<u>19</u>	<u>(769)</u>

(3) *Total investment income*

For six months ended June 30, (in RMB million)	2005 (Unaudited)	2004 (Unaudited) (Restated)
Net investment income	4,481	3,432
Realized and unrealized gains/(losses)	19	(769)
Total	4,500	2,663
Yield of total investment income (% per annum)	4.1	3.6

The above yield is calculated for investment assets excluding investment properties.

6. Operating profit

Operating profit is arrived at after charging the following items:

For six months ended June 30, (in RMB million)	2005 (Unaudited)	2004 (Unaudited) (Restated)
Employee costs, excluding directors' remuneration	1,515	1,230
Depreciation of investment properties	26	31
Depreciation of property, plant and equipment	162	150
Amortization of land use rights	12	10
Impairment losses for investment properties, property, plant and equipment, construction-in-progress, and land use rights	39	17
Operating lease payments in respect of land and buildings	250	276
Provision for doubtful debts, net	154	40

7. 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%

For six months ended June 30, (in RMB million)	2005 (Unaudited)	2004 (Unaudited)
Current income tax	374	297
Deferred tax	49	18
Income taxes	423	315

8. Dividends

(1) Dividends attributable to the interim period

The directors do not recommend the payment of any dividend in respect of the Period (Six months ended June 30, 2004: Nil).

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

For six months ended June 30, (in RMB million)	2005 (Unaudited)	2004 (Unaudited)
Final dividend of RMB0.14 per ordinary share (Six months ended June 30, 2004: RMB0.12 per ordinary share)	<u>867</u>	<u>592</u>

9. 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 6,195,053,334 shares (Six months ended June 30, 2004: 4,981,861,026 shares) in issue during the Period.

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

10. Subsequent event

On July 21, 2005, the PRC's exchange rate regime was reformed. Consequently, the PRC currency, Renminbi, appreciated against several major currencies, including the United States Dollar and Hong Kong Dollar.

The Group held monetary assets and liabilities denominated in foreign currencies as part of its daily operation. These monetary assets and liabilities will be revalued and the differences arising from the revaluation will be recorded as a component of the income statement for periods subsequent to the revaluation. This impact did not exist as of June 30, 2005.

As of June 30, 2005, the Group's monetary assets net of monetary liabilities denominated in foreign currencies was approximately RMB15,837 million.

OTHER INFORMATION

Purchase, sale, or redemption of securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its securities from January 1, 2005 to June 30, 2005.

Audit committee

The Company has established an audit committee in compliance with the Code on Corporate Governance Practices 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 on Corporate Governance Practices of the Listing Rules

None of the directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules for any part of the period from January 1, 2005 to June 30, 2005 except that Mr. Ma Mingzhe has occupied the positions of both the chairman and chief executive officer of the Company.

After considering the relevant principle of Code Provision A.2.1 of the Code on Corporate Governance Practices and the management structure of the Company, the Board is of the opinion that although the chairman of the Board has the casting vote in the event of an equality of votes, the Board comprises 18 directors and the decision of the Board is not made by the chairman of the Board alone. There is a clear division of the responsibilities between the management of the Board and the day-to-day management of the Company's business and the management power of the Company is not concentrated in any one individual.

As 16 members of the Board are non-executive Directors, the role of the chairman of the Board who is also the chief executive officer of the Company is very important as he can:

- (1) maintain a close communication channel between the Board and the day-to-day management;
- (2) ensure the Board's direction and opinion can be fully and accurately carried out by the day-to-day management;
- (3) maintain a balance of power and authority between the management of the Board and the day-to-day management.

Based on the management history of the Company, such kind of management structure has proved to be able to provide the Company with efficient management and at the same time with protection of all the shareholders' rights to the greatest extents. The Company therefore does not currently intend to separate the roles of chairman and chief executive officer.

Disclosure of information of the Stock Exchange's website

All information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>) in due course.

The executive directors of the Company are Ma Mingzhe, Sun Jianyi, the non-executive directors of the Company are Huang Jianping, Liu Haifeng David, Henry Cornell, Lin Yu Fen, Cheung Lee Wah, Anthony Philip Hope, Lin Lijun, Fan Gang, Dou Wenwei, Shi Yuxin, Hu Aimin, Chen Hongbo, and the independent non-executive directors are Bao Youde, Kwong Che Keung Gordon, Cheung Wing Yui and Chow Wing Kin, Anthony.

By Order of the Board
Ma Mingzhe
Chairman and Chief Executive Officer
Shenzhen, PRC
August 20, 2005

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