

# 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 AUDITED RESULTS FOR THE YEAR ENDED DECEMBER 31, 2004

2004 was an unforgettable year for Ping An as it achieved another milestone and opened a new chapter in its exciting development. During the year, the Group realized a challenging strategic objective by successfully listing H Shares on the Hong Kong Stock Exchange and raising approximately US\$1,670 million in a global offering during a period when the international capital markets had not yet fully recovered. As of December 31, 2004, the market value of the Group exceeded US\$10,000 million, and the Group achieved the status of a large international insurance enterprise. The Company is currently a constituent stock of the MSCI China Index and the Hang Seng China Enterprise Index.

In 2004, we received a number of awards and recognition for our achievements, including:

- our being recognized as the “Best Investor Relations for an IPO in Asia” and the “Best Investor Relations for an IPO in China” by the Investor Relations Magazine;
- our being awarded the “Best Public Offer Without Listing (POWL) in Japan in 2004” by FinanceAsia;
- our being selected as one of the winners of the “Best Corporate Citizenship in China in 2004”, an award jointly organized by the 21st Century Press Series and China Europe International Business School based on a comprehensive assessment of the management and social morality of PRC companies; and
- our being selected as one of the winners of the “2004 Most Viable Corporate in China Award”, which was jointly organized by the All-China Federation of Industry & Commerce (“ACFIC”), ACFIC Corporate Development of Research Center and China Business Times.

During 2004, the PRC economy continued to develop at a rapid and healthy pace. Gross domestic product increased at a rate of 9.5%, reaching a new record of RMB13,652 billion. In particular, the rising income of PRC nationals has led to ever increasing market demand, which provided ample room for the development of the insurance industry. Ping An took this opportunity to capitalize on its objectives of continuing our business growth, improving our operating structure and upgrading our professional standards based on the principle of “International Standards and Local Advantages”.

### 2004: Achieved Solid Results and Further Strengthened Core Strengths

Owing to the diligence and dedication of the staff and also to the unremitting support of our shareholders, the Group's profit continued to increase. In 2004, the Group's net profit reached RMB3,116 million, representing an increase of 34.3% from the previous year. Earnings per share was RMB0.56 and return on average equity was 15.1%. As of the end of 2004, total assets and total equity of the Group were RMB264,496 million and RMB28,253 million, respectively.

We believe our success is attributable to our strengths, which include: good corporate governance structure, strict risk control system, internationalized management team, strong IT system platform and nationwide distribution and service network. These strengths are the key core competitive advantages for our rapid development and capability to operate with high standards.

In 2004, the Group set up an internal procedure requiring the risk management committee to hold quarterly meetings to provide quantitative analysis and continuous monitoring of potential risk exposures, as well as undertaking periodic reviews and provide suggested improvements. We continued to internationalize our management team, and implemented a person-in-charge accountability system. The “competition, motivation, elimination” process was also implemented, which helped raising the general vitality and productivity of our staff. Moreover, the construction of our IT system was further strengthened, which helped improving our life and property and casualty insurance businesses and aided in the development of various operations. Furthermore, we have successfully completed the trial run of the “IT High Speed Disaster Recovery“, the first of its kind in the PRC insurance industry, which underlines our ability to effectively protect customer interests and our management information system.

In 2004, the Group invested heavily in and completed the initial phase of our national back-office support center. The center will become one of the largest financial back-office support centers in Asia and raise the quality and service efficiency of the Group to international standards in the long term.

## **Market Overview**

2004 marked a new era for the development of the PRC insurance industry.

According to the National Bureau of statistics of China, gross written premiums totaled RMB431,813 million in 2004, representing an increase of 11.3% from that of the previous year. The insurance penetration rate was 3.4% while insurance density was RMB332 per capita, representing increases of 13.3% and 10.7%, respectively, from the previous year. Total assets of all insurance companies reached RMB1,185 billion at the end of 2004, representing an increase of RMB273 billion from the beginning of the year. Out of all the sectors, property and casualty insurance was outstanding and benefited from the continued development of the national economy, especially in the growth of automobile consumption and fixed asset investment, with gross written premiums reaching RMB108,989 million at year end, representing an increase of 25.4% from the previous year. Life insurance also grew steadily, with insurance premiums totalling RMB322,825 million, representing an increase of 7.2% from the previous year. The pace of growth of life insurance was adversely affected by the proactive adjustment in business structure of insurance companies and the rise of interest rates.

Government policies were revised in 2004 to allow insurance companies to invest insurance funds directly in securities markets, which widened the scope of utilization of insurance funds, resulting in a higher growth in total insurance funds utilized. As of December 31, 2004, the balance of utilized funds totaled RMB1,125 billion, representing an increase of RMB287 billion from the beginning of the year.

As for the insurance market, the reform and transformation of state-owned insurance companies have been largely completed. In addition, competition has intensified with more than ten new insurance companies approved to be established, the highest number approved in a year. On December 11, 2004, restrictions on overseas investors entering the PRC insurance industry were further relaxed under the WTO agreement. As a result, the PRC insurance industry has entered into a new era where domestic and foreign companies face head-to-head competition.

## **Business Review**

In 2004, we have achieved steady improvement in every segment of our business and have realized total revenue of RMB63,251 million, among which gross written premiums and policy fees were RMB60,049 million, while investment income totaled RMB6,488 million. The quality improvement project for life insurance and property and casualty insurance has initially generated evident results, with cross-selling and new distribution channels achieving substantial growth. The key quality indicators remain healthy, such as the persistency ratio of life insurance and the combined ratio of property and casualty insurance. Furthermore, investment income increased steadily, the new banking business was launched, and the establishment of annuity insurance and health insurance companies experienced a successful beginning. All these events have laid a solid foundation for Ping An’s future development.

### ***Life Insurance – Manage Product Mix to Enhance Profitability***

Gross written premiums, policy fees and premium deposits totaled RMB54,729 million in 2004, representing 17.2% of the PRC life insurance market. Ping An was ranked the second largest life insurance in the PRC. Net profit in 2004 was RMB2,704 million, representing an increase of 38.7% from the previous year.

In 2004, substantially all of the gross written premiums, policy fees and premium deposits from new sales of individual life insurance were attributable to regular premium insurance products, outstripping those of our competitors in the PRC insurance industry. By utilizing a comprehensive premium collection system and increasing the customer service levels, we raised the 13 months and 25 months persistency ratios to 87.5% and 80.3%, respectively, which not only continued to outperform those of our competitors but also reached levels comparable to international standards.

### ***Property and Casualty Insurance – Develop New Channels to Enhance the Growth***

Gross written premiums reached RMB10,150 million in 2004, representing an increase of 25.4% from the previous year. Our market share was 9.5% of the PRC property and casualty insurance market, and Ping An was ranked the third largest property and casualty insurance company in the PRC.

The property and casualty insurance segment went through a trial reform of the corporate structure of our branches in 2004, which was based on detailed customer segmentation. We also formulated an improved sales management system and achieved remarkable results. In addition, cross-selling and new channels have achieved breakthroughs. Gross written premiums attributable to cross-selling of our property and casualty insurance products to our life insurance customers were RMB873 million in 2004, representing an increase of 97.1% from the previous year.

### ***Investments – Steady Net Investment Yield***

By strengthening investment management and risk control, following long-term and prudent investment principles, and taking advantage of the macro-economic and market opportunity, we have improved our asset-liability management and asset utilization efficiency, steadily expanded our investment channels and conservatively increased the returns on assets. In 2004, the net investment income and total investment income were RMB7,261 million and RMB6,488 million, respectively, representing a net investment yield of 4.1% and a total investment yield of 3.6%, respectively.

### ***Trust Business – Making a Breakthrough***

In 2004, our trust business made a breakthrough by successfully launching four trust products, and units with a total value of RMB960 million were successfully raised in just 20 days. We loaned the proceeds from the sales of units to borrowers involved in certain infrastructure projects in China, and the repayment obligations of these borrowers are guaranteed by China Development Bank. Our trust business also successfully improved its corporate governance platform by such measures as introducing an internationalized management team, strengthening its core operation team and optimizing its organization structure. Through the exploration of an operation model which permits sustainable development and stable earning, a clear business direction and strategy for our trust business is formulated, and we expect strong growth in the coming years. In 2004, our trust business had a net profit of RMB3 million.

### ***Securities Business – Favourable Results in a Bear Market***

Despite the poor market conditions, our securities business in 2004 performed well and had a net profit of RMB6 million. These favourable results were achieved mainly due to the good momentum of our investment banking operations. Another key factor that helped bringing such favorable results was our strict cost control, and the increase in trading volume, which boosted our brokerage fee income. We also succeeded in obtaining the underwriter qualification of bond issuers, setting a solid foundation for the creation of a new income source in future.

## ***Banking – Improvement in Results***

On February 19, 2004, China Ping An Trust & Investment Co., Ltd. formally took over Fujian Asia Bank Ltd., which was renamed Ping An Bank Limited on the same date. Subsequently, Ping An Bank recruited a team of experienced management personnel with domestic and international banking expertise. Ping An Bank has paid particular attention to risk management ever since its establishment. With the assistance provided by HSBC, Ping An Bank has established an effective corporate governance structure and formulated comprehensive internal controls. In 2004, Ping An Bank's net profit was RMB3 million.

## ***Annuity and Health Insurance***

On December 1, 2004, Ping An Annuity Insurance Company of China, Ltd. was approved for operation by the China Insurance Regulatory Commission. In September 2004, the preparation of establishment of Ping An Health Insurance Company of China, Ltd. was approved. With the establishment of above two specialized insurance companies, the scope of our professional operations will be further enhanced, and our status as a multiple financial services provider with a core insurance business will be further strengthened.

## **Prospects**

The PRC economy is expected to continue growing at a fast pace. Amid a modest inflation environment, per capita income will continue to increase. The fast growing pace of consumer spending observed in previous periods is also expected to continue. As consumer spending continues to increase and the standard of living of households continues to improve, demand for personal financial products and services will be enhanced, which will provide a favorable environment for further growth of the PRC financial and insurance industries.

Faced with growth opportunities and challenges provided by the opening of the PRC insurance market and the consolidation of the global financial industry, we are going to move toward, under the leadership of our management team with international expertise, our objective of becoming a financial conglomerate with leading international standards.

Through the continuous strengthening of its core insurance operations, the Group will further improve the structure of its life insurance business and the productivity of its sales team, while the property and casualty insurance business will fully leverage the broad customer base of the Group to increase its operational efficiency through our multi-channel distribution network. Based on the solid results of 2004, we expect that our securities and trust businesses will enjoy further improvement in asset utilization and profitability. Our investment operations are well-prepared with its personnel and operating system and are looking forward to the further liberalization by the PRC authorities of policies governing the use of insurance funds. Our banking arm will complete the application procedures for establishment of its Shanghai head office and Fuzhou branch, and will commence operations to build a solid base for the establishment of a leading retail bank in the PRC. The new businesses of annuity insurance and health insurance will commence in 2005. We will apply international standards and establish professional management teams to effectively develop these businesses, control costs and build strong brand names.

I hereby extend my sincere thanks to all shareholders and staff of Ping An. As the PRC's national economy enjoys steady growth, Ping An is firmly positioned to make progress through prudent operations. With an emphasis of "International Standards and Local Advantages", we endeavour to reach new heights and create greater value for the shareholders, staff members and clients in 2005. In the not too distant future, we will realize the ambition of building a financial conglomerate with leading international standards.

# **CONSOLIDATED INCOME STATEMENT**

For the year ended December 31, 2004

	<i>Notes</i>	<b>2004</b> <b><i>RMB Million</i></b>	<b>2003</b> <b><i>RMB Million</i></b>
Gross written premiums and policy fees	3	<b>60,049</b>	63,134
Less: Premiums ceded to reinsurers		<b>(4,122)</b>	(3,800)
Net written premiums and policy fees		<b>55,927</b>	59,334
Increase in unearned premium reserves, net		<b>(1,191)</b>	(485)
Net earned premiums		<b>54,736</b>	58,849
Reinsurance commission income		<b>1,376</b>	1,247
Net investment income	4	<b>7,261</b>	5,948
Realized and unrealized gains/(losses)	5	<b>(773)</b>	395
Other income		<b>651</b>	184
<b>Total revenue</b>		<b>63,251</b>	66,623
Change in deferred policy acquisition costs		<b>2,261</b>	2,885
Claims and policyholders' benefits		<b>(16,473)</b>	(14,786)
Increase in policyholders' reserves		<b>(33,967)</b>	(40,417)
Commission expenses		<b>(5,255)</b>	(5,676)
General and administrative expenses		<b>(5,922)</b>	(5,505)
Finance costs		<b>(42)</b>	(224)
Provision for insurance guarantee fund		<b>(106)</b>	(84)
<b>Total expenses</b>		<b>(59,504)</b>	(63,807)
Operating profit	6	<b>3,747</b>	2,816
Share of profits of an associate		<b>–</b>	5
Income taxes	7	<b>(601)</b>	(494)
<b>Net profit before minority interests</b>		<b>3,146</b>	2,327
Minority interests		<b>(30)</b>	(7)
<b>Net profit attributable to shareholders</b>		<b>3,116</b>	2,320
<b>Proposed dividends</b>	8	<b>867</b>	592
		<b><i>RMB</i></b>	<b><i>RMB</i></b>
<b>Earnings per share – basic</b>	9	<b>0.56</b>	0.47

# **CONSOLIDATED BALANCE SHEET**

As of December 31, 2004

	2004 <i>RMB Million</i>	2003 <i>RMB Million</i>
<b>ASSETS</b>		
Investments		
Fixed maturity investments		
Bonds	112,865	68,177
Term deposits	80,320	78,233
Policy loans	545	297
Securities purchased under agreements to resell	–	2,968
Loans and advances to customers	130	21
Equity investments		
Equity investment funds	5,749	4,648
Equity securities	266	240
Derivative financial assets	62	–
Investment in an associate	3	3
Investment properties	1,504	1,333
	<hr/>	<hr/>
Total investments	201,444	155,920
	<hr/>	<hr/>
Cash and cash equivalents	15,254	8,017
Due from banks	439	–
Premium receivables	617	439
Interest receivables	382	316
Reinsurance assets	4,356	3,903
Deferred policy acquisition costs	22,622	20,361
Property, plant and equipment	2,735	3,147
Construction-in-progress	204	146
Land use rights	928	924
Goodwill	322	241
Deferred income tax asset	352	293
Statutory deposits	1,200	1,200
Other assets	738	1,078
Separate account (investment-linked) assets	12,903	10,059
	<hr/>	<hr/>
<b>Total assets</b>	<b>264,496</b>	<b>206,044</b>
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	2004 <i>RMB Million</i>	2003 <i>RMB Million</i>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	6,195	4,933
Reserves	19,573	7,667
Retained profits	2,485	352
<b>Total equity</b>	<b>28,253</b>	12,952
<b>Minority interests</b>	<b>431</b>	337
<b>Liabilities</b>		
Customers' deposits	1,849	2,304
Securities sold under agreements to repurchase	601	200
Premiums received in advance	1,627	2,129
Commission payable	556	497
Due to reinsurers	209	314
Dividends payable to shareholders	74	–
Income tax payable	490	326
Insurance guarantee fund	827	710
Policyholder dividend payable and provisions	1,977	1,189
Policyholders' contract deposits	1,411	–
Unearned premium reserves	9,472	8,302
Claim reserves	6,642	4,817
Policyholders' reserves	193,912	159,945
Other liabilities	3,262	1,963
Separate account (investment-linked) liabilities	12,903	10,059
<b>Total liabilities</b>	<b>235,812</b>	192,755
<b>Total equity and liabilities</b>	<b>264,496</b>	206,044

### **Supplementary Information:**

#### **1. Principal activities**

The principal activities of the Group comprise the provision of a wide range of financial products and services with a focus on life and property and casualty insurance products. There were no significant changes in the nature of the Group's principal activities during the year.

#### **2. Impact of Recently Issued International Financial Reporting Standards ("IFRSs")**

The following IFRSs are effective for the first time for the current year's financial statements:

- **IFRS 3, Business Combinations**

IFRS 3 requires goodwill arising from a business combination to be measured after initial recognition at cost less any accumulated impairment losses. Therefore, goodwill is not amortized and instead tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. This IFRS is applicable to goodwill arising from a business combination for which the agreement date is on or after March 31, 2004. Previous recognized goodwill can still be amortized.

- **IAS 36 (revised 2004), Impairment of Assets**

IAS 36 was amended mainly to reflect those changes relating to business combinations.

The International Accounting Standards Board (“IASB”) has issued other IFRSs and has revised a number of International Accounting Standards, collectively referred to as “the New IFRSs”, which are generally effective for accounting periods beginning on or after January 1, 2005. The Group has not early adopted the New IFRSs in the financial statements for the year ended December 31, 2004. The Group is in the process of making an assessment of the impact of the New IFRSs as follows:

- **IFRS 4, Insurance Contracts**

IFRS 4 is the first IFRS to deal with insurance contracts. Its main features include but are not limited to the definition of an insurance contract, the use of liability adequacy tests and impairment tests for reinsurance assets, and prohibition of catastrophe and equalization provisions. Under IFRS 4, investment contracts containing discretionary participation features continue to be accounted for as if they are insurance contracts. Premium income from certain contracts, which are regarded as investment contracts by IFRS 4, will be accounted for as a direct credit to the policyholders’ account balance, and related claims to the extent covered by the said account balance are accounted for as a direct debit to the policyholders’ account balance.

- **IAS 39 (revised 2004), Financial Instruments: Recognition and Measurement**

IAS 39 has eliminated the definition of “originated loans and receivables”, defined “loans and receivables” and clarified the criteria for derecognition of a financial asset. This standard may affect the categorization of the Group’s financial assets and subsequent measurement thereof.

- **IFRS 2, Share-based Payment**

IFRS 2 requires an entity to recognize share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity. This standard will give more guidance on recognition, measurement and disclosure of the Group’s share appreciation rights scheme.

The Group will continue with its assessment of the impact of the above and other New IFRSs which may result in changes in the financial statements as to how the Group’s performance and financial position will be presented. At present, it is early to conclude whether the New IFRSs will have a material impact in future periods.

### 3. Gross written premiums and policy fees

	<b>2004</b>	2003
	<b><i>RMB Million</i></b>	<i>RMB Million</i>
Life		
Individual life	<b>35,949</b>	34,617
Bancassurance	<b>5,836</b>	10,562
Group insurance	<b>8,114</b>	9,864
Property and casualty		
Automobile insurance	<b>6,232</b>	4,589
Non-automobile insurance	<b>3,545</b>	3,351
Accident and health insurance	<b>373</b>	151
	<hr/>	<hr/>
Total	<b><u>60,049</u></b>	<u>63,134</u>



#### 4. Net investment income

	2004 <i>RMB Million</i>	2003 <i>RMB Million</i>
Interest income on fixed maturity investments		
Bonds	3,074	2,142
Term deposits	3,592	3,520
Others	72	118
Dividend income on equity investments		
Equity investment funds	382	69
Equity securities	11	—
Operating lease income from investment properties	130	99
Total	<u>7,261</u>	<u>5,948</u>

#### 5. Realized and unrealized gains/(losses)

	2004 <i>RMB Million</i>	2003 <i>RMB Million</i>
Fixed maturity investments	22	(8)
Equity investments	(789)	398
Derivative financial assets	(6)	—
Other investments	—	5
Total	<u>(773)</u>	<u>395</u>

#### 6. Operating Profit

(1) Operating profit is arrived at after charging/(crediting) the following items:

	2004 <i>RMB Million</i>	2003 <i>RMB Million</i>
Employee costs, excluding directors' emoluments (6(2))	2,720	2,471
Depreciation of investment properties	66	55
Depreciation of property, plant and equipment	460	399
Amortization of land use rights	19	21
Amortization of goodwill	24	3
Loss on disposal of property, plant and equipment, net	10	2
Impairment losses for investment properties, property, plant and equipment, construction-in-progress, and land use rights	73	35
Write-back of provision for doubtful debts, net	(39)	—
Write-back of provision for loans	(12)	—
Auditors' remuneration	10	2
Operating lease payments in respect of land and buildings	<u>521</u>	<u>524</u>

(2) Employee costs, excluding directors' emoluments

	<b>2004</b> <i>RMB Million</i>	2003 <i>RMB Million</i>
Wages, salaries and bonuses	<b>2,225</b>	2,077
Retirement benefits, social security contributions and welfare benefits	<b>495</b>	394
Total	<b>2,720</b>	2,471

**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 during the year are as follows:

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

	<b>2004</b> <i>RMB Million</i>	2003 <i>RMB Million</i>
Current income tax of the Group	<b>572</b>	635
Share of tax attributable to an associate	–	–
Total current income tax	<b>572</b>	635
Deferred tax relating to the origination and reversal of temporary differences:		
Provision for policyholders' reserves	<b>(246)</b>	(349)
Provision for claim reserves	<b>(81)</b>	(43)
Provision for unearned premium reserves	<b>41</b>	(5)
Deferred policy acquisition costs	<b>339</b>	432
Fair value adjustment on held-for-trading investments	<b>7</b>	(25)
Others	<b>(31)</b>	(5)
Total deferred tax	<b>29</b>	5
	<b>601</b>	640
Less: Tax refund	–	(146)
Income taxes	<b>601</b>	494

A numerical reconciliation between the tax expense and the product of accounting profit multiplied by the main applicable tax rate of 15% is as follows:

	<b>2004</b> <i>RMB Million</i>	2003 <i>RMB Million</i>
Accounting profit before income tax and minority interests	<u><b>3,747</b></u>	<u>2,821</u>
Tax computed at the main applicable tax rate of 15%	<b>562</b>	423
Tax effect of income not taxable in determining taxable income	<b>(423)</b>	(215)
Tax effects of expenses not deductible in determining taxable income	<b>393</b>	225
Tax effect of higher tax rate for branches and entities (in the PRC) that are located outside the Special Economic Zones	<u><b>69</b></u>	<u>207</u>
Income taxes	<u><b>601</b></u>	<u>640</u>

## **8. Dividends**

	<b>2004</b> <i>RMB Million</i>	2003 <i>RMB Million</i>
Proposed dividends – RMB0.14 per ordinary share (2003: RMB0.12 per ordinary share)	<u><b>867</b></u>	<u>592</u>
Paid in the year	<u><b>518</b></u>	<u>493</u>

## **9. Earnings Per Share**

The basic earnings per share for the year is computed by dividing the net profit for the year by the weighted average number of 5,588,324,591 shares in issue during 2004 (2003: 4,933,333,334 shares in issue as adjusted to reflect the capitalization issue on December 19, 2003).

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

## **10. Embedded Value**

The embedded value represents the shareholders' adjusted net asset value plus the value of the Group's in-force life insurance business adjusted for the cost of regulatory solvency margin deployed to support this business. The embedded value excludes the value of future new business sales.

The calculation of embedded value necessarily makes a number of assumptions with respect to future experience. As a result, future experience may vary from that assumed in the calculation, and these variations may be material. The market value of the Group is measured by the value of the Group's shares on any particular day. In valuing the Group's shares, investors take into account a variety of information available to them and their own investment criteria, therefore these calculated values should not be constructed as a direct reflection of the actual market value.

## Components of Economic Value

For years ended December 31

	2004 RMB Million	2003 RMB Million
Adjusted net asset value	25,161	13,631
Value of in-force insurance business written prior to June 1999	(16,743)	(22,103)
Value of in-force insurance business written since June 1999	33,127	29,752
Cost of holding the required solvency margin	(4,297)	(2,202)
<b>Embedded Value</b>	<b>37,248</b>	<b>19,078</b>
Value of one year's new business	4,331	4,681
Cost of holding the required solvency margin	(418)	(429)
<b>Value of one year's new business after cost of solvency</b>	<b>3,913</b>	<b>4,252</b>

### 11. Distributable reserves

As of December 31, 2004, the Company's reserves available for distribution, calculated in accordance with the relevant regulations, totaled RMB2,867 million, of which RMB867 million has been proposed as a final dividend for the year. In addition, the Company's capital reserve and revenue reserve fund, in the amount of RMB19,244 million, may be distributed by a future capitalization issue.

### 12. Use of proceeds from the Company's initial public offering

The net proceeds from the Company's issue of new shares at the time of its listing on the Hong Kong Stock Exchange in June 2004, after deduction of related issuance expenses, amounted to approximately RMB13,279 million. As of December 31, 2004, the net proceeds were used, as stated in the prospectus of the Company, for general corporate purposes and improvement of business operations. The proceeds form part of the Group's liquid capital and were invested in accordance with relevant regulations of the PRC industry regulators, as appropriate.

### 13. Major customers and suppliers

In the year under review, gross written premiums, policy fees and premium deposits from the Group's five largest customers accounted for less than 30% of the total gross written premiums, policy fees and premium deposits for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

### 14. Purchase, redemption or sale of listed securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

### 15. Directors' and Supervisors' interests and short positions in shares

As of December 31, 2004, none of the directors or supervisors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the Hong Kong Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers".

## **16. Code of Best Practice of Appendix 14 of the Hong Kong Listing Rules**

So far as the board of directors are aware, for the period commencing from June 24, 2004 (the date on which the H shares of the Company were listed on the Hong Kong Stock Exchange) to December 31, 2004, the Company has complied with the Code of Best Practice of the Hong Kong Listing Rules which was in force prior to January 1, 2005, throughout that period.

## **17. Contingent Liabilities**

Owing to the nature of insurance and financial service business, the Group is involved in estimates, contingencies and legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of legal advice.

No provision has been made for pending lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability is low or remote. For pending lawsuits, management also believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

## **18. Post Balance Sheet Events**

A Level I American Depositary Receipt program in respect of the Company's H shares was established on March 28, 2005. American Depositary Shares evidenced by American Depositary Receipts are traded under the symbol "PNGAY" in the over-the-counter markets in the United States. Each American Depositary Share represents 20 H shares.

On April 4, 2005, Ping An Trust entered into the Capital Increase Agreement with Ping An Securities, pursuant to which the registered capital of Ping An Securities would be increased from RMB1 billion to RMB1.3 billion by RMB300 million contributed wholly by Ping An Trust subject to the approval of the relevant PRC authorities.

On April 18, 2005, the Company proposed a final dividend of RMB14 cents per ordinary share. The proposed dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held at 10:00 a.m. on Thursday, June 23, 2005 at 6th Floor, Ping An Building, Ba Gua No.3 Road, Shenzhen, PRC.

## **CLOSURE OF THE REGISTERS OF MEMBERS**

In order to determine the list of shareholders who are entitled to attend the annual general meeting of the Company and to receive the final dividend for the year ended December 31, 2004, the registers of members will be closed from Tuesday, May 24, 2005 to Thursday, June 23, 2005, both days inclusive, during which period no transfer of shares will be effected. Holders of the Company's H shares and domestic shares whose names appear on the registers of members on Thursday, June 23, 2005 are entitled to attend the meeting.

## **AUDIT COMMITTEE**

The audited committee of the board of directors (the "Audit Committee") comprises two independent non-executive directors, Mr. Bao Youde and Mr. Kwong Che Keung Gordon, and one non-executive director, Mr. Anthony Philip Hope, and the annual results of the Group for the year ended December 31, 2004 have been reviewed by the Audit Committee.

## **DETAILED RESULTS ANNOUNCEMENT ON THE WEBSITE OF THE COMPANY**

The above detailed results announcement will be published on the website of the Company ([www.pingan.com.cn](http://www.pingan.com.cn)) at around 9:00 a.m. on April 19, 2005.

## **PUBLICATION OF DETAILED RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE**

The Company's annual report 2004 containing all the information required under Appendix 16 to the Listing Rules will be submitted to the Stock Exchange and published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) in due course.

**Ma Mingzhe**  
*Chairman*  
Shenzhen, PRC

April 18, 2005

*As at the date of this announcement, 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, Dicky Peter Yip, Lin Lijun, Fan Gang, Dou Wenwei, Shi Yuxin, Hu Aimin, and the independent non-executive directors are Bao Youde, Kwong Che Keung Gordon and Cheung Wing Yui.*

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