

# Consolidated Income Statement

For the year ended December 31, 2004

	Notes	2004 RMB Million	2003 RMB Million
Gross written premiums and policy fees	6	60,049	63,134
Less: Premiums ceded to reinsurers		(4,122)	(3,800)
Net written premiums and policy fees	6	55,927	59,334
Increase in unearned premium reserves, net	38	(1,191)	(485)
Net earned premiums		54,736	58,849
Reinsurance commission income		1,376	1,247
Net investment income	7(1)	7,261	5,948
Realized and unrealized gains/(losses)	7(2)	(773)	395
Other income	8	651	184
Total revenue		63,251	66,623
Change in deferred policy acquisition costs	25	2,261	2,885
Claims and policyholders' benefits	9, 50	(16,473)	(14,786)
Increase in policyholders' reserves	40	(33,967)	(40,417)
Commission expenses		(5,255)	(5,676)
General and administrative expenses	50	(5,922)	(5,505)
Finance costs		(42)	(224)
Provision for insurance guarantee fund		(106)	(84)
Total expenses		(59,504)	(63,807)
Operating profit	10	3,747	2,816
Share of profits of an associate		–	5
Income taxes	11	(601)	(494)
Net profit before minority interests		3,146	2,327
Minority interests		(30)	(7)
Net profit attributable to shareholders		3,116	2,320
Proposed dividends	12	867	592
		RMB	RMB
Earnings per share – basic	13	0.56	0.47

The accompanying notes form an integral part of these financial statements.

## Consolidated Balance Sheet

As of December 31, 2004

	Notes	2004 RMB Million	2003 RMB Million
<b>ASSETS</b>			
Investments			
Fixed maturity investments			
Bonds	14,43	112,865	68,177
Term deposits	15,43	80,320	78,233
Policy loans	43	545	297
Securities purchased under agreements to resell	43	–	2,968
Loans and advances to customers	43	130	21
Equity investments			
Equity investment funds	16	5,749	4,648
Equity securities	17	266	240
Derivative financial assets	18	62	–
Investment in an associate	20	3	3
Investment properties	21	1,504	1,333
<b>Total investments</b>		<b>201,444</b>	<b>155,920</b>
Cash and cash equivalents	15,43	15,254	8,017
Due from banks	15,43	439	–
Premium receivables	22	617	439
Interest receivables	23	382	316
Reinsurance assets	24	4,356	3,903
Deferred policy acquisition costs	25	22,622	20,361
Property, plant and equipment	26	2,735	3,147
Construction-in-progress	27	204	146
Land use rights	28	928	924
Goodwill	29	322	241
Deferred income tax asset	30	352	293
Statutory deposits	31	1,200	1,200
Other assets		738	1,078
Separate account (investment-linked) assets		12,903	10,059
<b>Total assets</b>		<b>264,496</b>	<b>206,044</b>

	Notes	2004 RMB Million	2003 RMB Million
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	32	6,195	4,933
Reserves	33	19,573	7,667
Retained profits		2,485	352
<b>Total equity</b>		<b>28,253</b>	<b>12,952</b>
<b>Minority interests</b>		<b>431</b>	<b>337</b>
<b>Liabilities</b>			
Customers' deposits	34,43	1,849	2,304
Securities sold under agreements to repurchase	35,43	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	36	827	710
Policyholder dividend payable and provisions		1,977	1,189
Policyholders' contract deposits	37	1,411	–
Unearned premium reserves	38	9,472	8,302
Claim reserves	39	6,642	4,817
Policyholders' reserves	40	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>	<b>192,755</b>
<b>Total equity and liabilities</b>		<b>264,496</b>	<b>206,044</b>

The accompanying notes form an integral part of these financial statements.

MA Mingzhe  
Director

CHEUNG Chi Yan Louis  
Chief Financial Officer

Sun Jianyi  
Director

## Components of Economic Value

For years ended December 31, (in RMB million)	2004	2003
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>

In RMB millions; figures may not be additive due to rounding