Supplementary Information for ADS Holders

RECONCILIATION OF HK GAAP AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("US GAAP")

(a) The consolidated financial statements of the Group have been prepared in accordance with HK GAAP, which differs in certain significant respects from US GAAP. Differences between HK GAAP and US GAAP, which may have significant impacts on consolidated net profit/(loss) and consolidated shareholders' equity, are described below.

The effect on net profit/(loss) of significant differences between HK GAAP and US GAAP for the years ended December 31, 2004 and 2003 are as follows:

	2004 ***RMB million***	2003 *RMB million*
Net profit/(loss) under HK GAAP	**7,171**	(1,428)
US GAAP adjustments		
Depreciation of investment properties	**–**	(40)
Deficit on revaluation of investment properties	**–**	181
Net profit/(loss) under US GAAP	**7,171**	(1,287)

There are no differences between HK GAAP and US GAAP that had an effect on Shareholders' equity as at December 31, 2004 and 2003.

Investment Properties

Under HK GAAP, investment properties are valued on an open market value basis. Under US GAAP, investment properties are stated at historical cost less accumulated depreciation and accumulated impairment loss. Cost of investment properties, less residual value, is depreciated using a straight-line method over its estimated useful life.

During 2003, there was a deficit on revaluation of investment properties totalling RMB181 million charged to the consolidated profit and loss account under HK GAAP. As at September 30, 2003, all investment properties were retained by CLIC and derecognised from the Group's consolidated balance sheet as a result of the Restructuring. The accumulated depreciation and revaluation deficit related to the investment properties were also retained by CLIC and no longer constituted a GAAP difference to the Group's consolidated profit and loss accounts for the year ended December 31, 2004 and shareholders' equity as at December 31, 2004 and 2003.

Property, Plant, and Equipment

Certain property, plant and equipment on hand as of January 1, 2000 have been valued at fair values rather than at historical cost less depreciation, which is required by US GAAP. The Group has not been able to quantify the effect of the difference in accounting treatment because, prior to January 1, 1997, the predecessor company did not maintain sufficiently detailed historical cost records. The fair market values recorded in the opening balance of the Group at January 1, 2000 have been carried forward as the deemed cost.

RECONCILIATION OF HK GAAP AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("US GAAP") *(continued)*

(b) Accumulated other comprehensive income/(loss) represents the cumulative gains and losses on items that are not reflected in earnings. The balances and activities for the years ended December 31, 2004 and 2003 are as follows:

	As at December 31	
	2004	2003
	RMB million	*RMB million*
Changes in net unrealised gain/(loss) on investment securities:		
Net unrealised losses arising during the period	**(4,332)**	(3,457)
Reclassification adjustment for gain/(loss) included in net earnings/(losses)	**91**	(154)
Sub-total	**(4,241)**	(3,611)
Adjustments for:		
Deferred policy acquisition costs and future life policyholder benefits	**(352)**	285
Sub-total	**(4,593)**	(3,326)
Income tax effect there of	**1,516**	594
Total other comprehensive loss	**(3,077)**	(2,732)

(c) Statutory Information

	As at December 31	
	2004	2003
	RMB million	*RMB million*
Statutory capital and surplus	**54,456**	50,948
Minimum statutory capital and surplus necessary to satisfy regulatory requirement	**17,264**	12,906
Solvency adequacy ratio	**315%**	395%

RECONCILIATION OF HK GAAP AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("US GAAP") *(continued)*

(c) Statutory Information *(continued)*

According to Article 2003.1 issued by the CIRC, all insurance companies have to report their statutory capital and surplus (i.e. solvency margin) to the CIRC at the end of each fiscal year. The solvency adequacy ratio is computed by dividing the actual solvency margin by the minimum solvency margin. CIRC will closely monitor those insurance companies with solvency adequacy ratio less than 100% and may, depending on the individual circumstances, undertake certain regulatory measures, including but not limited to restricting the payment of dividends.

(d) Disclosures about investments in an unrealised loss position

		As at December 31, 2004			
		Less than 6 months *RMB million*	More than 6 months but less than 12 months *RMB million*	More than 12 months *RMB million*	Total *RMB million*
Fixed maturity securities					
Government bonds	Fair value	8,113	4,250	21,122	33,485
	Unrealised losses	(626)	(327)	(3,415)	(4,368)
Government agency bonds	Fair value	12,390	5,149	2,312	19,851
	Unrealised losses	(213)	(148)	(77)	(438)
Corporate bonds	Fair value	514	384	2,739	3,637
	Unrealised losses	(19)	(67)	(468)	(554)
Equity securities	Fair value	7,802	2,726	–	10,528
	Unrealised losses	(291)	(377)	–	(668)
Total temporarily impaired securities	Fair value	28,819	12,509	26,173	67,501
	Unrealised losses	(1,149)	(919)	(3,960)	(6,028)

RECONCILIATION OF HK GAAP AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("US GAAP") *(continued)*

(d) Disclosures about investments in an unrealised loss position *(continued)*

		As at December 31, 2003			
		Less than 6 months	More than 6 months but less than 12 months	More than 12 months	Total
		RMB million	*RMB million*	*RMB million*	*RMB million*
Fixed maturity securities					
Government bonds	Fair value	24,353	2,061	–	26,414
	Unrealised losses	(1,281)	(115)	–	(1,396)
Government agency bonds	Fair value	20,371	77	–	20,448
	Unrealised losses	(451)	(5)	–	(456)
Corporate bonds	Fair value	3,392	159	–	3,551
	Unrealised losses	(203)	(5)	–	(208)
Equity securities	Fair value	895	421	–	1,316
	Unrealised losses	(5)	(2)	–	(7)
Total temporarily impaired securities	Fair value	49,011	2,718	–	51,729
	Unrealised losses	(1,940)	(127)	–	(2,067)

Non-trading securities have generally been identified as temporarily impaired if their amortized cost as at December 31, 2004 was greater than their fair value, resulting in an unrealised loss. Unrealised gains and losses in respect of investments designated as trading have been included in net income and have been excluded from the above table. Unrealised losses are largely due to interest rate fluctuations. Based on a review of these investment holdings, it is believed that the contractual terms of these non-trading securities will be met. A total of 105 fixed maturity securities positions (47 equity securities positions) were in an unrealised loss position at December 31, 2004 of which 58 (39 equity securities positions) were in a continuous loss position for less than 6 months, 25 positions for more than 6 months but less than 12 months (8 equity securities positions) and 40 positions for more than 12 months (no equity securities position).

RECONCILIATION OF HK GAAP AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("US GAAP") *(continued)*

(e) The movement on the deferred income tax balance is as follows:

	At January 1, 2003 *RMB million*	Deferred taxation charged/ (credited) to profit and loss account *RMB million*	Arising from Restructuring *RMB million*	Change in unrealised gains/losses of non-trading securities *RMB million*	At December 31, 2003 *RMB million*
Tax value of loss carried forward	10,082	822	(10,904)	–	–
Future life policyholder benefits and policyholder contract deposits and other funds	47,041	1,736	(45,265)	–	3,512
Provision for assets impairment	1,708	331	(2,039)	–	–
Others	1,366	(58)	(657)	469	1,120
	60,197	2,831	(58,865)	469	4,632
Less: valuation allowance	(53,801)	(1,640)	55,441	–	–
Deferred income tax assets	6,396	1,191	(3,424)	469	4,632
Deferred policy acquisition costs	(5,945)	(2,166)	–	(95)	(8,206)
Others	(451)	(66)	185	220	(112)
Deferred income tax liabilities	(6,396)	(2,232)	185	125	(8,318)
Net deferred income tax liabilities	–	(1,041)	(3,239)	594	(3,686)

Net deferred income tax assets of RMB3,239 million were retained by CLIC on September 30, 2003 and were charged to the shareholders' equity as part of the Restructuring.

(f) Recently issued accounting standards

In March 2004, the Emerging Issues Task Force ("EITF") reached a consensus on the guidance provided in EITF Issue 03-1, "The Meaning of Other-Than-Temporary Impairments and Its Application to Certain Investments," as applicable to debt and equity securities that are within the scope of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and equity securities that are accounted for using the cost method specified in APB No. 18, "The Equity Method of Accounting for Investments in Common Stock." The new guidance was scheduled to become effective for reporting periods beginning after June 15, 2004. In September 2004, however, the FASB delayed the effective date and is expected to issue finalized guidance in 2005. Pending a final resolution by the FASB, the Group, as required, will continue to apply existing authoritative literature with respect to the recognition of losses related to the other-than-temporary impairment of securities. In the absence of such final resolution, the Group is unable to determine the impact, if any, that the impairment provisions of EITF Issue 03-1 will have on the Group's consolidated financial statements.