

# Report of the Supervisory Committee

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## Dear Shareholders:

From the date of the establishment of the Supervisory Committee of the Company, which is 6 July 2003, to 31 December 2003 (the "Reporting Period"), the Supervisory Committee of the Company carried out its supervisory duties and protected the interests of the shareholders, the Company and employees of the Company in strict accordance with the relevant provisions of the Company Law of the People's Republic of China and the Articles of Association of the Company.

During the Reporting Period, the Supervisory Committee convened two meetings where it passed two resolutions. The first meeting of the first Supervisory Committee was convened immediately following its establishment on 6 July 2003, at which Mr Deng Zhaoyu was elected as the Chairman of the Supervisory Committee. The second meeting of the first Supervisory Committee was held on 8 October 2003, at which the Charter of the Supervisory Committee of PICC Property and Casualty Company Limited was adopted. The Charter was then presented to and adopted by the Company's second extraordinary shareholders in 2003.

During the Reporting Period, the Supervisory Committee has chiefly been involved in the following areas of work:

1. **Supervision of Decision Making.** During the Reporting Period, the Supervisory Committee attended two shareholders' meetings and was present at four meetings of the Board of Directors, carefully reviewed 14 resolutions made by the shareholders' meetings and 29 resolutions made by the Board of Directors and supervised the procedures and process of the decision making on these occasions.
2. **Supervision of Implementation.** The Supervisory Committee supervised the implementation of the resolution in relation to the listing of the Company, progress towards meeting the Company's 2003 profit forecast and utilization of proceeds from listing. The Supervisory Committee received one special report on the listing of the Company and an annual work report from the President of the Company. It also carried out an investigation of internal control.
3. **Financial Review.** The Supervisory Committee thoroughly reviewed the audited accountants' report and report on the connected transactions of the Company in connection with the Company's listing, and the audited financial statements of the Company for the 2003 financial year.

## Report of the Supervisory Committee *(Continued)*

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The Supervisory Committee is of the view that:

1. The Board of Directors of the Company conscientiously carried out its duties and responsibilities and has standardized the decision-making process. It also did an excellent job ensuring the successful listing of the Company as scheduled, formulating an outline for the Company's development strategy and increasing the transparency of the management of the Company. With the successful listing of its H Shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Company improved its capital base and solvency. This has helped the Company create a solid foundation to handle the increased competition caused by the internationalization of the insurance market in China. In addition, the Independent Non-executive Directors of the Company expressed their views independently and provided expert advice in the course of decision making.
2. Faced with intense market competition in 2003, the Company's management team still managed to ensure the Company successfully completed its various business goals and met its projected profit targets. The team made tremendous efforts to strengthen the management of fundamentals, refine the Company's business structure, construct the "three centers" and reinforce internal controls. Following the reform of motor vehicle insurance, the Company successfully developed and launched personalized products aimed at meeting the diverse needs of its customers as well as differentiated premium rates to correspond to different levels of insurance risk. The Company constructed a full-scale data management and information system, built a unified information management platform and effected the centralization of the Company's operational and financial data.
3. The audited accountants' report of the Company in connection with the Company's listing and the audited financial statements of the Company for the 2003 Financial Year were prepared in strict accordance with the accounting principles promulgated by the Hong Kong Society of Accountants. Accounting treatment was in compliance with the principle of consistency and the data used in the reports gave a true and fair reflection of the Company's financial condition and operating results. The proceeds from the Company's public offering were applied in strict accordance with the description thereof set out in the Company's prospectus.
4. The Company's connected transactions were conducted on an arm's length basis, satisfied the relevant regulatory provisions of the Stock Exchange and accorded strictly with the commitments set out in the Company's prospectus. There was no indication of any infringement of the interests of minority shareholders or the Company.
5. Directors and senior management of the Company acted in diligence and good faith. During the Reporting Period, no member of senior management was found to have committed any breach of any laws, regulations or the Articles of Association or to have infringed any rights or interests of the shareholders, the Company or employees of the Company in exercising their duties.

## Report of the Supervisory Committee *(Continued)*

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6. During the Reporting Period, the Company was notified on 11 November 2004 of the passing away of Mr Yan Dawu, who was an Independent Non-executive Director and the chairman of the audit committee, that resulted in the Company's audit committee failing to fulfil the requirement of having a majority of Independent Non-executive Directors under the Code of Best Practice. The Company has appointed an Independent Non-executive Director, Mr Lu Zhengfei, as the chairman of the audit committee on 24 February 2004.

The Supervisory Committee hopes that the Company will further refine its business structure, continue to strengthen its management and control capabilities, improve the utilization of information technologies, improve the implementation of the "three centers" and endeavor to increase market competitiveness and profitability of the Company.

In 2004, the Supervisory Committee will continue to strictly abide by the Articles of Association and relevant regulations, carry out its supervisory duties and conscientiously protect the interests of the Company and its shareholders and employees. The Supervisory Committee will also continue to strengthen its supervision over the decision-making process, the truthfulness of financial information and conduct specialized inspections, investigations and research regarding the issues of connected transactions, internal controls, budget operations, reserve contributions and implementation of resolutions of the Company.

By Order of the Supervisory Committee  
**Deng Zhaoyu**  
*Chairman of the Supervisory Committee*

Beijing, PRC  
23 April 2004