

EMPLOYEES

As of 30 June 2004, the Company had 62,962 employees. In the first half of 2004, the Company's personnel expenses totalled RMB1,832 million. The Company makes contributions to retirement plans and social medical insurance plans for its employees. The Company enhances the performance and efficiency of employees through providing various career development paths, enhancing employees training and implementing performance review to its employees. The Company believes its relationship with its employees to be good.

SHARE APPRECIATION RIGHTS PLAN

At the shareholders' meeting of the Company held on 30 July 2003, the Senior Management Share Appreciation Rights Plan (the "Share Appreciation Rights Plan"), which was designed to align the financial interests of senior management with the Company's results of operations and the performance of its H shares, was approved. No shares will be issued under the plan. Therefore, the shareholdings of shareholders will not be diluted. In the first half of 2004, no share appreciation right was granted under the Share Appreciation Rights Plan.

On 22 July 2004, the Company granted share appreciation rights to 76 senior management personnel, representing 28,628,000 shares, equivalent to 0.83% of the Company's total issued H shares, under the Share Appreciation Rights Plan.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTEREST IN SHARES

The following sets forth the interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the Securities and Futures Ordinance (the "SFO")) held by the directors, supervisors and chief executive of the Company as at 30 June 2004, which was recorded in the register required to be kept under section 352 of the SFO and which was required to be notified to the Company and HKSE under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Main Board Listing Rules.

Director	Capacity in which the shares are held	Number of shares held
Mr. Cheng Wai Chee, Christopher	Controlled Corporation (<i>Note</i>)	50,000 H Shares

Note: Such shares were directly held by Wing Tai Corporation Limited and were indirectly held by Wing Tai (Cheng) Holdings Limited and Renowned Development Limited. Mr. Cheng controls more than one-third of the votes at the shareholders' general meeting of the above companies. The interests disclosed above are long positions in the shares of the Company.

Save as disclosed above, none of the other directors, supervisors or chief executive of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2004 as recorded in the register required to be kept under section 352 of the SFO, or as notified pursuant to the Model Code.

CHANGE OF DIRECTORS AND SUPERVISORS

The following sets forth the changes of directors and supervisors from 1 January 2004 to the date of this interim report:

Mr. Lu Zhengfei was appointed as an Independent Non-executive Director of the Company on 24 February 2004.

Mr. Tse Sze-Wing, Edmund was appointed as a Non-executive Director of the Company on 15 June 2004.

Mr. Qiao Lin, a Non-executive Director of the Company, has submitted an application for resignation to the Board of Directors on 20 August 2004 because he has retired. The Board of Directors has accepted his resignation on the same day.

As at the date of this interim report, the directors of the Company are Mr. Tang Yunxiang (Chairman of the Board), Mr. Wang Yi (Vice Chairman of the Board, Executive Director), Mr. Wang Yincheng (Executive Director), Ms. Liu Zhenghuan (Executive Director), Mr. Fu Zhu (Executive Director, Secretary of the Board), Mr. Ding Yunzhou (Non-executive Director), Mr. Zhou Shurui (Non-executive Director), Mr. Tse Sze-Wing, Edmund (Non-executive Director), Mr. Cheng Wai Chee, Christopher (Independent Non-executive Director), Mr. Wong Tung Shun, Peter (Independent Non-executive Director) and Mr. Lu Zhengfei (Independent Non-executive Director).

As at the date of this interim report, the supervisors of the Company are Mr. Deng Zhaoyu (Chairman of Supervisory Committee), Mr. Tang Wei (Supervisor) and Mr. Liu Qilong (Supervisor).

MODEL CODE

All directors of the Company have confirmed, at the enquiry of the Company, that they had complied with the required standard as set out in the Model Code during the six months ended 30 June 2004.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2004, the following shareholders were shown to have an interest of 5% or more in the issued share capital of the Company as recorded in the register required to be kept under section 336 of the SFO:

Types of shares	Shareholder	Number of Shares held		Percentage of Issued Share Capital
		Directly held	Indirectly held	
Domestic Shares	PICC Holding Company	7,685,820,000		69.0%
H Shares	AIG (Note 1)		1,103,038,000	9.9%
H Shares	Birmingham Fire Insurance Company of Pennsylvania ("BFIC") (Note 1)	562,549,380		5.05%

Notes: 1. AIG is the ultimate controlling company of BFIC, hence BFIC's interests are deemed to be AIG's interests.
2. The interests disclosed above are long positions in the shares of the Company.

Save as disclosed above, so far as the Board of Directors is aware, as at 30 June 2004, no other person had any interests or short positions in the shares or underlying shares of the Company required to be recorded in the register required to be kept pursuant to section 336 of the SFO.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The Company did not purchase, sell or redeem any of its listed securities in the first half of 2004.

CODE OF BEST PRACTICE

So far as the Board of Directors is aware, apart from the passing away of Mr. Yan Dawu, who was an Independent Non-executive Director of the Company and the chairman of the audit committee of the Board of Directors (the "Audit Committee"), that resulted in the Audit Committee failing to fulfil the requirement of having a majority of Independent Non-executive Directors under the Code of Best Practice as set out in Appendix 14 to the Main Board Listing Rules during the period from 1 January 2004 to 24 February 2004, the Company had complied with the Code of Best Practice in the first half of 2004. The Company had appointed Mr. Lu Zhengfei, an Independent Non-executive Director, as the chairman of the Audit Committee on 24 February 2004, to fill the vacancy of Mr. Yan Dawu.

AUDIT COMMITTEE

The Company has established the Audit Committee in September 2003 to review and supervise the financial reporting process and internal control of the Company. The Audit Committee has reviewed the Company's interim financial statements for the six months ended 30 June 2004.

Members of the Audit Committee from 24 February 2004 to 30 June 2004 are as follows:

Chairman: Mr. Lu Zhengfei

Members: Mr. Cheng Wai Chee, Christopher and Mr. Ding Yunzhou

AUDITORS

At the annual general meeting held on 15 June 2004, resolution was passed to re-appoint Ernst & Young as the auditors of the Company for the year 2004, with a term of office until the next annual general meeting of the Company.

By Order of the Board
Tang Yunxiang
Chairman

Beijing, PRC
20 August 2004