

EMPLOYEES

As at 30 June 2005, the Company had 61,719 employees. The Company's personnel expenses totalled RMB2,140 million in the first half of 2005. The Company makes contributions to retirement plans, housing fund and social medical insurance plans for its employees. The Company enhances the performance and efficiency of employees by providing various career development channels, strengthening employees training and implementing performance review. The Company is of the view that it maintains a good relationship with its employees.

SHARE APPRECIATION RIGHTS SCHEME

A share appreciation rights scheme was adopted by the Company, which was designed to align the interests of senior management with the Company's results of operations and the Company's share value (market price of its H Shares). No shares will be issued under the share appreciation rights scheme. Therefore, shareholders' equity interest will not be diluted. In the first half of 2005, share appreciation rights in respect of a total of 900,000 units were exercised, which resulted in the expenditure of RMB740,000. In the first half of 2005, share appreciation rights in respect of a total of 100,000 units were granted by the Board. Since certain of the grantees resigned from their offices, share appreciation rights in respect of a total of 622,000 units were cancelled or lapsed as at 30 June 2005. As of the date of this interim report, the outstanding share appreciation rights granted by the Company involved 27,556,000 units.

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

The following sets out 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 ("SFO")) held by the directors, supervisors and chief executive of the Company as at 30 June 2005, which was recorded in the register required to be kept under section 352 of the SFO and required to be notified to the Company and The Stock Exchange of Hong Kong Limited under the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

Name of director	Capacity	Number of H Shares
Cheng Wai Chee, Christopher	Controlled corporations	50,000

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. These companies were controlled corporations of Mr Cheng. 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 interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2005 as recorded in the register required to be kept under section 352 of the SFO, or as notified pursuant to the Model Code.

CHANGES IN DIRECTORATE/SUPERVISORY COMMITTEE

Changes in the directorate from 1 January 2005 to the date of this interim report are as follows:

Mr Wong Tung Shun, Peter resigned from his post as an Independent Non-executive Director of the Company with effect from 18 January 2005 for personal reasons. Following the resignation of Mr Wong, the Company did not satisfy the requirement of having at least three Independent Non-executive Directors under Rule 3.10(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. At the special general meeting of the Company held on 29 April 2005, Mr Luk Kin Yu, Peter was appointed as an Independent Non-executive Director of the Company.

On 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*)
 Md 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 Lu Zhengfei (*Independent Non-executive Director*)
 Mr Luk Kin Yu, Peter (*Independent Non-executive Director*)

There is no change in the members of the Supervisory Committee from 1 January 2005 to the date of this interim report. On the date of this interim report, the supervisors of the Company are:

Mr Deng Zhaoyu (*Chairman of Supervisory Committee*)
 Mr Tang Wei (*Supervisor*)
 Mr Liu Qilong (*Supervisor*)

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code. All directors have confirmed, following the enquiry by the Company, that they had complied with the required standard set out in the Model Code during the first half of 2005.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30 June 2005, the following shareholders had interests in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Number of domestic shares	Percentage of total number of domestic shares in issue	Percentage of total number of shares in issue
PICC Holding	Beneficial owner	7,685,820,000	100%	69.0%

Name of shareholder	Capacity	Number of H Shares	Percentage of total number of H Shares in issue	Percentage of total number of shares in issue
AIG (Note 1)	Controlled corporations	1,103,038,000	31.92%	9.9%
Birmingham Fire Insurance Company of Pennsylvania (Note 1)	Beneficial owner	562,549,380	16.28%	5.05%
Commerce and Industry Insurance Company (Note 1)	Beneficial owner	330,911,400	9.58%	2.97%
Lexington Insurance Company (Note 1)	Beneficial owner	209,577,220	6.06%	1.88%

Notes:

1. Birmingham Fire Insurance Company of Pennsylvania, Commerce and Industry Insurance Company, Lexington Insurance Company were controlled corporations of AIG.
2. The interests disclosed above are long positions in the shares of the Company.

Save as disclosed above, the Company is not aware of any other person having any interests or short positions in the shares or underlying shares of the Company as at 30 June 2005 required to be recorded in the register kept under section 336 of the SFO.

INTERIM DIVIDEND

The Board of Directors recommended to pay an interim dividend of RMB0.072 per share for the six months ended 30 June 2005. The payment shall be made to the shareholders whose names appear on the register of members of the Company on 25 October 2005, subject to the approval at the special general meeting to be held on 25 October 2005. Interim dividend for H shares will be paid in Hong Kong dollars and the conversion rate of Renminbi to Hong Kong dollar will be the average selling rate as announced by the People's Bank of China for the week prior to the date of the special general meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 26 September 2005 to 25 October 2005, both days inclusive, during which period no transfer of shares will be effected. Holders of H shares and domestic shares whose names appear on the register of members of the Company on 23 September 2005 at 4:00 p.m. are entitled to attend the special general meeting. In order for holders of H shares to be qualified for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, no later than 4:00 p.m. on 23 September 2005 for registration.

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 2005.

CORPORATE GOVERNANCE

So far as the Board is aware, other than not complying with paragraph B.1.1 of the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, which relates to the composition of the Nomination, Remuneration and Review Committee of the Company, the Company has complied with all the code provisions of the Code on Corporate Governance Practices throughout the first half of 2005 (save for the code provisions in relation to internal controls which will become effective for accounting periods commencing on or after 1 July 2005).

The Nomination, Remuneration and Review Committee of the Company consists of two Executive Directors, one Non-executive Director and two Independent Non-executive Directors. Accordingly, its composition does not satisfy the requirement set out in paragraph B.1.1 of the code provisions of the Code on Corporate Governance Practices, which requires that the majority of the members of the remuneration committee should be Independent Non-executive Directors. The Company is now seeking suitable person to be appointed as Independent Non-executive Director and member of the above committee.

REVIEW OF INTERIM RESULTS

Ernst & Young, the international auditors of the Company, and the audit committee of the Company have reviewed the Company's interim financial statements for the six months ended 30 June 2005.

By Order of the Board
Tang Yunxiang
Chairman

Beijing, PRC
25 August 2005