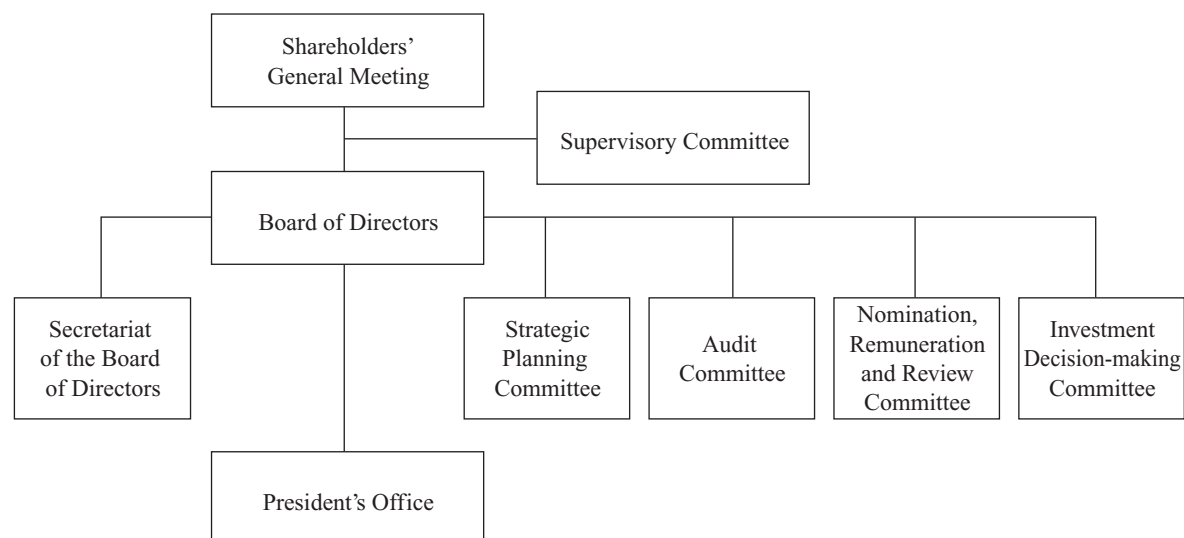


The Company strives to establish a proper corporate governance structure and continuously improves its corporate governance system. The Company has formulated its Articles of Association (“Articles of Association”), Rules of Conduct for Shareholders’ Meetings, Rules of Conduct for Board of Directors’ Meetings, Charter of the Supervisory Committee and work manuals for the Board committees in strict compliance with the Company Law of the People’s Republic of China (the “Company Law”), the Insurance Law of the People’s Republic of China, the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies, other PRC laws, regulations and regulatory documents, as well as the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).



CONVENING OF SHAREHOLDERS' MEETINGS

During the year ended 31 December 2004 (“this Year”), the Board of Directors convened two shareholders’ meetings.

On 24 February 2004, the Company convened the first special general meeting in 2004, at which three resolutions including those for the Election and Appointment of Independent Directors of the Company and the Appointment of Auditors of the Company were considered and approved.

On 15 June 2004, the Company convened the annual general meeting for 2003, at which eight resolutions including those regarding the Report of Directors for 2003 and the Report of the Supervisory Committee for 2003 were considered and approved.

WORK UNDERTAKEN BY THE BOARD OF DIRECTORS

During this Year, the Company convened five meetings of the Board.

On 7 January 2004, the Company convened the fifth meeting of the first session of the Board, at which nine resolutions including the Election and Appointment of Independent Directors of the Company, the Appointment of Auditors and the Remuneration for Directors and Supervisors for 2004 were considered and approved.

On 23 April 2004, the Company convened the sixth meeting of the first session of the Board, at which twelve resolutions including those regarding the Report of the Directors for 2003, the Auditors’ Report, Audited Financial Statements and Results Announcement and the 2003 Management Discussion and Analysis for 2003 were considered and approved.

On 20 August 2004, the Company convened the eighth meeting of the first session of the Board, at which four resolutions including those for the Interim Financial Report for 2004, Interim Results Announcement for 2004 and the Remuneration for Reviewing the Interim Financial Report for 2004 were considered and approved. Report on Capital Raised through Listing was reviewed and the resignation of Qiao Lin as non-executive director of the Company was approved.

In addition, the Board convened the seventh and the ninth meeting by way of resolutions in writing in June 2004 and in November 2004 respectively, at which the resolutions including the Initial Grant under the Share Appreciation Rights Plan were approved.

WORK UNDERTAKEN BY BOARD COMMITTEES

The Strategic Planning Committee

During this Year, the Strategic Planning Committee convened two meetings and two resolutions were passed. The Strategic Planning Committee mainly accomplished the following tasks:

1. The committee formulated the work manual for the Strategic Planning Committee. In order to define the duties and the operating procedures of the Strategic Planning Committee, it drew up the “Work Manual for the Strategic Planning Committee of the Board of Directors of PICC Property and Casualty Company Limited”, which was submitted to and adopted by the Board of Directors.
2. The committee reviewed and verified the “Investment Plan for the Capital Raised through the Company’s Listing” drawn up by the President’s Office, which was submitted to and adopted by the Board of Directors.

The Audit Committee

During this Year, the Audit Committee convened two meetings and five resolutions were passed. The Audit Committee mainly accomplished the following tasks:

1. The committee formulated the work manual for the Audit Committee. In order to define the duties and the operating procedures of the Audit Committee clearly, it drew up the “Work Manual for the Audit Committee of the Board of Directors of PICC Property and Casualty Company Limited”, which was submitted to and adopted by the Board of Directors.
2. The committee nominated the external auditor for appointment by the Company. The Audit Committee proposed that Ernst & Young be appointed as the auditor of the Company for 2004, the proposal was submitted to and adopted by the Board.
3. The committee reviewed the external auditors’ remuneration. The Audit Committee reviewed the auditors’ remuneration for 2003 and the remuneration for reviewing the Interim Report for 2004, the review papers were submitted to and approved by the Board.

4. The committee reviewed the financial information of the Company. During the Reporting Period, the Audit Committee reviewed the 2003 financial statements audited by Ernst & Young and the 2004 Interim Report reviewed by Ernst & Young, which were submitted to and adopted by the Board of Directors. The Audit Committee reviewed and verified the connected transactions of the Company in 2003 and confirmed that these transactions were entered into in the ordinary course of business of the Company on an arm's length and with terms that are fair and reasonable to the independent shareholders of the Company.

The Nomination, Remuneration and Review Committee

During this Year, the Nomination, Remuneration and Review Committee convened two meetings and five resolutions were adopted. The Nomination, Remuneration and Review Committee mainly accomplished the following tasks:

1. The committee formulated the work manual for the Nomination, Remuneration and Review Committee. In order to define the duties and the operating procedures of the Nomination, Remuneration and Review Committee, it drew up the "Work Manual for the Nomination, Remuneration and Review Committee of the Board of PICC Property and Casualty Company Limited", which was submitted to and adopted by the Board.
2. The committee nominated directors. The Nomination, Remuneration and Review Committee nominated to the Board Mr Lu Zhengfei as independent non-executive director and Mr Tse Sze Wing, Edmund as non-executive director of the Company. These nominations were submitted to and approved by the Board and the shareholders' general meeting. In the meantime, pursuant to relevant provisions of the Company Law and changes in the composition of the Board, the Nomination, Remuneration and Review Committee proposed that the number of directors be changed from 11 persons to 5-19 persons and further proposed that the relevant provisions of the Articles of the Association be amended accordingly.
3. The committee reviewed and verified the remuneration of the directors and senior officers of the Company. The Nomination, Remuneration and Review Committee examined the "Implementation Plan for the Initial Grant under the Share Appreciation Rights Plan" and the "Proposal for Examination and Verification of the Compensation of the Directors for 2003", and it reviewed and verified the directors' remuneration for 2003.

COMPOSITION OF THE BOARD OF DIRECTORS AND COMPOSITION AND DUTIES OF BOARD COMMITTEES

Composition of the Board of Directors

The Board consists of 11 directors, including 7 non-executive directors, of whom 3 are independent non-executive directors.

Chairman of the Board: Tang Yunxiang

Vice Chairman of the Board: Wang Yi

Executive Directors: Wang Yi, Wang Yincheng, Liu Zhenghuan and Fu Zhu

Non-executive Directors: Ding Yunzhou, Zhou Shurui and Tse Sze Wing, Edmund

Independent Non-executive Directors: Cheng Wai Chee, Christopher, Lu Zhengfei and Wong Tung Shun, Peter (Mr Wong resigned on 18 January 2005)

During this Year, the composition of the Board changed as follows:

Mr Lu Zhengfei was elected as an independent non-executive director of the Company at the 2004 first special general meeting held on 24 February 2004.

Mr Tse Sze Wing, Edmund was approved as a non-executive director of the Company at the annual general meeting for 2003 held on 15 June 2004.

At the eighth meeting of the first session of the Board held on 20 August 2004, the resignation of Qiao Lin as non-executive director of the Company was approved.

Composition and Duties of the Strategic Planning Committee

Chairman: Tang Yunxiang

Members: Wang Yi, Fu Zhu, Wong Tung Shun, Peter

Duties of the Strategic Planning Committee include:

- considering strategic development plans for the Company, formulating strategic objectives and strategic implementation measures;
- considering the Company's plans to make equity investments by acting as a promoter or by purchasing equity interest in a company;
- considering the Company's plans for mergers and acquisitions;
- considering the Company's business plans, annual budgets, financial reports, profit distribution plans and loss recovery plans;
- considering the Company's annual, medium-term and long-term investment plans in fixed assets;
- considering the Company's plans for the disposition of its material assets;
- considering the Company's plans for the issue of shares and bonds;
- considering the Company's plans to increase or reduce in its registered capital and to repurchase its own shares;
- considering the Company's plans for mergers, spinoffs, dissolution and liquidation;
- considering the Company's plans for amendments to its Articles of Association;
- considering any delegation by the Board to the management;
- considering the Company's plans for material adjustment to its organisational structure;
- other matters authorised by the Board.

Composition and Duties of the Audit Committee

Chairman: Lu Zhengfei

Members: Ding Yunzhou and Cheng Wai Chee, Christopher

Duties of the Audit Committee include:

- proposing to the Board the appointment, dismissal or discontinuation of the appointment of the Company's external auditors, and dealing with any matters concerning the resignation or dismissal of such auditors;
- considering the remuneration and terms of engagement of the external auditors;
- considering the independence of the external auditors and the effectiveness of their auditing procedures, discussing with the external auditors the nature and scope of the audit and the relevant reporting obligations before the commencement of the audit;
- considering and ascertaining the independence and objectivity of non-audit services provided by the external auditors, deciding whether to choose such auditors for non-audit services, formulating relevant policies and monitoring implementation of such policies;
- meeting at least once a year with the external auditors (preferably the management should not be present at such meetings) to discuss matters concerning audit and the auditors' remuneration;
- examining the completeness of the Company's financial statements, annual reports, accounts, interim reports and, if prepared for publication, quarterly reports; reviewing material opinions on financial reporting matters set out in such statements and reports;
- reviewing the Company's financial control, internal control and risk management systems;
- discussing with the management the system of internal control and ensuring that the management establishes an effective internal control system;
- studying the major findings of any investigations of the relevant internal control matters and the management's response;
- coordinating the work between the internal audit department and the external auditors;
- monitoring the implementation of the Company's internal audit system, examining the effectiveness of internal audit, and ensuring that the internal audit department is adequately resourced and has appropriate positioning within the Company;
- reviewing the management letters issued by the external auditors to the management, any material queries raised by the external auditors to the management in respect of accounting records, financial accounts or the internal control system and the management's response to the above, and ensuring timely response by the Board to the matters raised in the management letters;
- examining and verifying the Company's material connected transactions;

- assessing the work of the relevant personnel in charge of the Company's financial accounting department and internal audit department;
- monitoring and guiding the special audit projects carried out by internal audit department;
- other matters authorised by the Board.

Composition and Duties of the Nomination, Remuneration and Review Committee

Chairman: Cheng Wai Chee, Christopher

Members: Wang Yincheng, Liu Zhenghuan and Zhou Shurui

Duties of the Nomination, Remuneration and Review Committee include:

- evaluating the structure of the Board, its size and composition (taking into account factors such as skills, knowledge and experiences) at regular intervals, and making corresponding proposals to the Board;
- proposing to the Board potential candidates for appointment to the Board;
- evaluating the independence of the independent directors;
- proposing to the Board in respect of the overall policy and structure for the compensation of the directors, the president and other senior management personnel and the procedures for formulating compensation policies;
- evaluating and approving the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is in accordance with relevant contractual terms or that such compensation is fair;
- evaluating and approving compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are in accordance with relevant contractual terms or that such arrangements are fair;
- formulating appraisal standards for directors, the president and other senior management personnel, conducting annual appraisals and making recommendations in relation thereto;
- other matters authorised by the Board.

Composition and Duties of the Investment Decision-making Committee

The Investment Decision-making Committee was established on 19 January 2005 following the approval of the resolution to establish such committee at the tenth meeting of the first session of the Board.

Chairman: Tang Yunxiang

Members: Wang Yi, Wang Yincheng, Liu Zhenghuan, Ding Yunzhou, Zhou Shurui

Duties of the Investment Decision-making Committee include:

- examining the management of the use of insurance funds, and plans for the delegation and custody of insurance funds;
- examining regulations, decision-making procedures and delegation policies in respect of the use of insurance funds;
- examining the delegation by the Board to the management in respect of the use of insurance funds;
- formulating annual strategic plans on the allocation of assets and investment strategies, including targeted rate of return, investment principles, risk tolerance level together with the terms and indicators for selecting, restricting or abandoning certain kinds of assets;
- formulating investment strategies and plans for new investment products;
- reviewing at regular intervals findings from the Company's risk control inspection on its use of funds, and understanding at regular intervals the risks faced by the Company in its use of funds;
- reviewing the Company's "Reports on Assets and Liabilities Matching";
- examining matters in respect of changes in the accounting policies regarding use of insurance funds;
- other matters authorised by the Board.

Work Undertaken by the Supervisory Committee

During this Year, the Supervisory Committee of the Company accomplished the following tasks:

1. Meetings of the Supervisory Committee

In 2004, the Supervisory Committee of the Company convened two meetings, considered and passed five resolutions.

2. *Attending Meetings of the Board and Shareholders' Meetings*

The Supervisory Committee attended the fifth, sixth and eighth meetings of the first session of Board and the first special shareholders' meeting in 2004 and the annual general meeting for 2003. The "Report of the Supervisory Committee for 2003" was submitted to and approved at the annual general meeting for 2003.

3. *Other Work*

In April 2004, the Supervisory Committee conducted two inspections on the financial, business and internal control systems in respect of the Company's Guangdong branch, Guangxi branch, Shanxi branch and more than twenty of their respective sub-branches.

Two hearings were held, where the Chief Financial Officer of the Company, the Finance Department of the Company and Ernst & Young presented the financial conditions and the operating conditions of the Company and the status of the review by accountants for the first half of 2004.

Two recommendations were made to the President's Office of the Company to address the relevant problems identified in the supervision and inspection carried out by the Supervisory Committee.

Five working seminars were also organized by the Supervisory Committee.