1. RECONCILIATION OF GAAP DIFFERENCES BETWEEN PRC ACCOUNTING STANDARDS AND IFRS

The material GAAP differences between PRC Accounting Standards and IFRS in preparing financial statements are as follows:

Consolidated net profit	*Notes*	**2006 In RMB thousand**	2005 In RMB thousand
Financial statements prepared in accordance with PRC Accounting Standards		**5,985,962**	3,338,428
Claim reserves	*(i)*	**149,234**	(439,832)
Long-term and unearned premium reserves	*(ii)*	**(15,529)**	309,646
Policyholders' reserves	*(iii)*	**(6,544,374)**	(3,005,894)
Deferred policy acquisition costs	*(iv)*	**5,480,526**	3,829,708
Fair value adjustment of investment assets and financial liabilities	*(v)*	**3,095,511**	359,769
Deferred tax	*(vi)*	**(413,479)**	(158,725)
Minority interests and others		**100,418**	(7,018)
Financial statements prepared in accordance with IFRS		**7,838,269**	4,226,082

Consolidated equity	*Notes*	**December 31, 2006 In RMB thousand**	December 31, 2005 In RMB thousand
Financial statements prepared in accordance with PRC Accounting Standards		**36,667,865**	32,664,006
Claim reserves	*(i)*	**(1,401,149)**	(1,550,383)
Long-term and unearned premium reserves	*(ii)*	**86,140**	101,669
Policyholders' reserves	*(iii)*	**(35,762,405)**	(25,815,612)
Deferred policy acquisition costs	*(iv)*	**31,866,330**	26,428,450
Fair value adjustment of investment assets and financial liabilities	*(v)*	**16,935,254**	1,440,096
Deferred tax	*(vi)*	**(1,839,769)**	(69,040)
Minority interests and others		**(176,744)**	(202,696)
Financial statements prepared in accordance with IFRS		**46,375,522**	32,996,490

Notes:

(i) Under 2006 PRC Accounting Standards, claim reserves are provided for claims reported but not settled, and claims incurred but not reported at the balance sheet date. Reserves for claims incurred but not reported are estimated on the basis of 4% of actual claim losses. From September 1, 2006, in accordance with the "Regulations on health insurance" (Baojianhuiling [2006] No. 8), the Chain-ladder method and the Bornhuetter-Ferguson method are used to calculate the reserves for health insurance business. The higher of the two results will be the best estimate. Under IFRS, reserves for claims incurred but not reported are estimated using actuarial techniques.

(ii) Under 2006 PRC Accounting Standards, unearned premium reserves of life insurance businesses should be no less than 50% of the net premium for the current period. Under IFRS, unearned premium reserves are provided using actuarial valuation results (1/365 method).

(iii) Under 2006 PRC Accounting Standards, policyholders' reserves are provided in accordance with related actuarial regulations released by CIRC. Under IFRS, policyholders' reserves are provided in accordance with IFRS 4 Insurance Contracts and by reference to US GAAP.

(iv) Under 2006 PRC Accounting Standards, handling costs and commission expenses of acquiring new policies are recognized in the income statement when incurred. Under IFRS, handling costs and commission expenses of acquiring new policies are deferred and amortized over the premium paying period of the insurance contracts or amortized in proportion to expected premiums or the present value of estimated gross profits expected to be realized over the life of the insurance contracts, in accordance with IFRS 4 Insurance Contracts and by reference to US GAAP.

(v) Under 2006 PRC Accounting Standards, the Group classifies its investments into short-term investments and long-term investments, depending on liquidity and the period for which these investments are intended to be held. Short-term investments are carried at the lower of cost and market value, while long-term investments are stated at the lower of book value and the recoverable amount. Under IFRS, the Group classifies its investments into four categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and other receivables and available-for-sale financial assets, in accordance with IAS 32 Financial Instruments: Disclosure and Presentation as well as IAS 39 Financial Instruments: Recognition and Measurement. Available-for-sale financial assets and financial assets at fair value through profit or loss are stated at fair value. Held-to-maturity financial assets and loans and other receivables are carried at amortized cost. Unrealized gains or losses, arising from changes in fair value of financial assets at fair value through profit or loss, are recognized in the income statement. Unrealized gains or losses, arising from changes in fair value of available-for-sale financial assets, are reported in equity. On derecognition or impairment of available-for-sale financial assets, the cumulative unrealized gains or losses previously reported in equity is transferred to the income statement.

(vi) The above differences between PRC Accounting Standards and IFRS are temporary differences in accordance with IAS 12 Income Taxes. The Group recognizes deferred tax assets on the basis of the above differences and the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

2. FULLY DILUTED AND WEIGHTED AVERAGE RETURN ON NET ASSET AND EARNINGS PER SHARE

The returns on net assets and earnings per share computed using the Group's consolidated financial statements are as follows:

2006	**Return on net assets (%)**		**Earnings per share (RMB)**	
	Fully diluted	**Weighted average**	**Fully diluted**	**Weighted average**
Profit from principal operations	**(39.6%)**	**(41.9%)**	**(2.34)**	**(2.34)**
Operating profit	**16.9%**	**17.8%**	**1.00**	**1.00**
Net profit	**16.3%**	**17.3%**	**0.97**	**0.97**
Net profit after deducting non-recurring items	**15.5%**	**16.4%**	**0.92**	**0.92**

2005	Return on net assets (%)		Earnings per share (RMB)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	(14.7%)	(15.3%)	(0.77)	(0.77)
Operating profit	11.7%	12.2%	0.62	0.62
Net profit	10.2%	10.6%	0.54	0.54
Net profit after deducting non-recurring items	10.0%	10.4%	0.53	0.53

Net profit after deducting non-recurring items:

	2006 **In RMB thousand**	2005 In RMB thousand
Net profit	**5,985,962**	3,338,428
Add/(Less): non-recurring items:		
Gains on disposal of long-term equity investments, fixed assets, construction in progress, intangible assets and other long-term assets	**(45,380)**	(26,779)
Non-operating income and expenses after deduction of routine assets impairments provided in accordance with the Accounting System for Financial Institutions	**20,367**	17,271
Write-back of asset impairments recognized in prior years	**(277,291)**	(74,997)
Total of non-recurring items	**(302,304)**	(84,505)
Add: Tax impact	**11,311**	5,056
Add: Minority's share	**2,910**	794
Net profit deducting non-recurring profits or losses	**5,697,879**	3,259,773

The above returns on net assets and earnings per share are computed in accordance with the formulas contained in "Standard No. 9 Disclosure Requirements of Public Listed Companies" issued by CSRC on January 19, 2001.

3. BREAKDOWN OF PROVISION FOR IMPAIRMENT LOSSES

Provision for impairment losses of the Group are as follows:

(in RMB thousand)		2006					
				Reversal during the year			
Item	Notes V	Balance as at January 1, 2006	Provision during the year	Appreciation in values of assets	Other reversals	Total	Balance as at December 31, 2006
Provision for impairment losses on short-term investments		123,769	34,253	(146,351)	–	(146,351)	11,671
Including:							
Equity investments		6,513	–	(6,433)	–	(6,433)	80
Bond investments		500	34,253	(23,162)	–	(23,162)	11,591
Equity investment funds		116,756	–	(116,756)	–	(116,756)	–
Provision for bad debts		237,411	572,538	–	(61,487)	(61,487)	748,462
Including:							
Placements with banks and other financial institutions	5	24,737	359,611	–	(8,736)	(8,736)	375,612
Premium receivables	9	92,442	63,544	–	(657)	(657)	155,329
Other receivables	11	68,925	144,184	–	(52,094)	(52,094)	161,015
Receivables from reinsurers	9	51,307	5,199	–	–	–	56,506
Provision for impairment on long-term investments		347,768	108,474	(168,784)	(12,482)	(181,266)	274,976
Including:							
Long-term equity investments	12	297,101	85,656	(153,297)	(12,482)	(165,779)	216,978
Long-term bond investments	13	12,316	12	(12,316)	–	(12,316)	12
Long-term equity investment funds	14	38,351	22,806	(3,171)	–	(3,171)	57,986
Loan loss provisions	6	93,550	2,530,800	–	(193,624)	(193,624)	2,430,726
Provision for impairment losses on fixed assets	15	323,275	29,594	(111,013)	(49,884)	(160,897)	191,972
Including:							
Buildings	15	323,275	29,594	(111,013)	(49,884)	(160,897)	191,972
Provision for impairment losses on construction in progress	16	26,472	–	–	(15,472)	(15,472)	11,000
Provision for impairment losses on intangible assets	17	3,040	–	–	–	–	3,040
Provision for impairment losses on repossessed assets	19	–	352,641	–	–	–	352,641
Provision for Impairment losses on other long-term assets		19,274	–	(665)	(3,140)	(3,805)	15,469
Total		1,174,559	3,628,300	(426,813)	(336,089)	(762,902)	4,039,957