*You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below before making an investment in our H Shares or ADSs. You should pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price of our H Shares or ADSs could decrease due to any of these risks, and you may lose all or part of your investment. For more information concerning the PRC and certain related matters discussed below, see the section headed "Supervision and Regulation", Appendix VI — "Summary of Principal Legal and Regulatory Provisions" and Appendix VII — "Summary of Articles of Association".*

## RISKS RELATING TO OUR OVERALL BUSINESS

### Interest rate fluctuations as well as the continuation of the current low interest rate environment may materially and adversely affect our profitability.

During periods of declining interest rates, our average investment yield will decline as maturing investments, as well as bonds and loans that are redeemed or prepaid to take advantage of the lower interest rate environment, are replaced with new investments with lower yields and coupon payments from bonds we hold from time to time are reinvested at lower yields. This would reduce our return from investments of capital, which would adversely affect our profitability, regardless of whether such investments are used to support particular insurance policy obligations. Our life insurance policies tend to have a longer duration than our investment assets, and because our premiums are generally calculated based on a fixed assumed investment yield, lower interest rates tend to reduce the yield on our investment portfolio while our premium income from outstanding policies remains unchanged, thereby reducing our profitability. In addition, due to regulatory restrictions, our investment assets must remain concentrated in interest bearing investments, further exposing us to the risk of a decline in interest rates. If the current low interest rate environment continues, these negative effects on our profitability will persist or possibly increase as our average investment yield decreases.

Conversely, in periods of rising interest rates, while the increased investment yield will increase the returns on our investment portfolio, **surrenders** and **withdrawals** of policies may increase as policyholders seek investments with higher perceived returns. This process may lead to a flow of cash out of our businesses. In particular, these outflows may require our investment assets to be sold at a time when the prices of those assets are lower because of the increase in market interest rates, which may result in realized investment losses. In addition, unanticipated surrenders and withdrawals may require us to accelerate the amortization of **deferred policy acquisition costs,** which would adversely affect our results of operations. Moreover, a rise in interest rates would adversely affect our shareholders' equity in the immediate fiscal year due to a decrease in the fair value of our fixed-income investments.

Like other major PRC life insurance companies, we offered life insurance products with relatively high guaranteed rates of return from 1995 to 1999, primarily as a result of the then prevailing high market interest rates. These products expose us to the risk that changes in interest rates will reduce our interest rate spread, or the difference between the amounts that we are required to pay under these policies and the rate of return we are able to earn on our investments intended to support our obligations under these policies. In the current low interest rate environment, the substantial shortfall between the market interest rates and the guaranteed rates of return offered by these products has resulted in a negative interest rate spread, which has adversely affected our results of operations. As of December 31, 2003, based on an assumed discount rate equal to the earned rate or 10.0% and an assumed discount rate equal to the earned rate or 15.0%, without deducting the cost of holding required solvency margin, the estimated value of the value of in-force business written prior to June 1999 was negative RMB25,129 million and negative RMB19,504 million, respectively. See the section headed ''Composition of the Value of In-force Business'' in the Consulting Actuaries' Report set forth in Appendix IV. In 2003, the average pricing rate for all of our guaranteed return life insurance products was approximately 5.0%, while our average investment return was approximately 4.4%. On June 10, 1999, the CIRC reduced the guaranteed rates of return that an insurance company may offer on its life insurance products to not more than 2.5%. Further declines in interest rates may increase the negative interest rate spread, which would further reduce our profitability. Conversely, during periods of rising interest rates, we may not be able to replace our existing investments with higher yielding investments in a timely manner, even though we may need to continue offering products with relatively higher guaranteed rates of return in order to retain existing or attract new customers. This may also have a material adverse effect on our results of operations. See the section headed ''Financial Information — Overview — Negative Interest Rate Spread on Legacy High Guaranteed Return Products''.

**Due to the limited availability of long-term fixed income securities in the PRC capital markets and the legal and regulatory restrictions on the types of investments we may make, we are unable to match closely the duration of our assets and liabilities, which increases our exposure to interest rate risk.**

Like other insurance companies, we seek to manage interest rate risk through managing, to the extent possible, the average duration of our investment assets and the insurance policy liabilities they support. Matching the duration of our assets to their related liabilities reduces our exposure to changes in interest rates, because the effect of the changes will largely be offset against each other. However, restrictions under the PRC Insurance Law on the assets classes in which we may invest, as well as the limited availability of long-duration investment assets in the markets in which we invest, has resulted in the duration of our assets being shorter than that of our liabilities. Moreover, the PRC financial markets currently do not provide an effective means for us to hedge our interest rate risk through financial derivative products. We believe that, with the gradual easing of the investment restrictions imposed on insurance companies in the PRC, our ability to match the duration of our assets to that of our liabilities will improve. We also seek to manage the risk of duration mismatch by focusing on product offerings whose maturity profiles are in line with the duration of investments available to us in the prevailing investment environment. However, if we are unable to match more closely the duration of our assets and liabilities, we will continue to be exposed to risks related to interest changes, which may materially and adversely affect our financial condition and results of operations.

**Our business and prospects would be materially and adversely affected if we are not able to manage our growth successfully.**

We have experienced rapid growth in a relatively short period of time. The management of this growth has required significant management and operational resources and is likely to continue to do so. The management of our growth will require, among other things:

- the development of adequate underwriting and claim handling capabilities and skills;
- stringent cost controls;
- sufficient capital base;
- continued strengthening of financial and management controls and information technology systems;
- increased marketing and sales activities; and
- the hiring and training of new personnel.

We cannot assure you that we will be successful in managing our growth. In particular, we may have difficulties in hiring and training rapidly sufficient numbers of customer service personnel to keep pace with the growth in the number of our customers. In addition, we may experience difficulties in upgrading, developing and expanding our information technology systems quickly enough to accommodate our growing customer base. If we are not able to manage our growth successfully, our business and prospects would be adversely affected.

**We may need additional capital in the future, and we cannot assure you that we would be able to obtain such capital on acceptable terms, or at all.**

In order for us to grow, remain competitive, enter new businesses, expand our base of operations or meet regulatory capital adequacy or solvency margin requirements, we may require new capital in the future. Our ability to obtain additional capital in the future is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- the ability to obtain the necessary regulatory approvals on a timely basis;
- general market conditions for capital raising activities by insurance companies and other financial institutions; and
- economic, political and other conditions in the PRC and elsewhere.

We cannot assure you that we will be able to obtain additional capital in a timely manner or on acceptable terms or at all. Furthermore, the terms and amount of any additional capital raised through issuances of equity securities may result in significant dilution of shareholders' interests.

**Our risk management policies and procedures and internal controls, as well as the risk management tools available to us, may not be adequate or effective in all respects, and may expose us to unidentified or unanticipated risks, which could materially and adversely affect our business or result in losses.**

Our risk management policies and procedures and internal controls may not be fully adequate or effective in mitigating our risk exposures in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some methods of managing risk are based upon observed historical market behavior. As a result, those methods may not predict future risk exposures, which could be significantly greater than those indicated by the historical measures. Other risk management methods depend upon an evaluation of available information regarding operating and market conditions or other matters. This information may not be accurate, complete, up-to-date or properly evaluated in all cases. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, as well as appropriate internal control systems. These policies and procedures and internal controls may not be fully effective in all circumstances, and our business, financial condition and results of operations may be materially and adversely affected by the corresponding increase in our risk exposure. Insurance companies typically utilize various financial instruments and investments to manage risks associated with their businesses. However, current PRC rules and regulations restrict the types of financial instruments and investments we may hold. As a result, the risk management tools available to us are limited.

**Any significant failure in our information technology systems, including our management information systems, could have a material adverse effect on our business and profitability.**

Our business is highly dependent on the ability of our information technology systems to timely process a large number of transactions across numerous and diverse markets and products at a time when transaction processes have become increasingly complex and the volume of such transactions are growing at a significant rate. The proper functioning of our financial control, accounting, customer database, customer service and other data processing systems, including those relating to underwriting and claim processing, together with the communication systems between our various branch offices and our main information technology centers, is critical to our business and to our ability to compete effectively. Although we have a backup data center that could be used in the event of a catastrophe or a failure of our primary system, and have established alternative communication systems where available, we cannot assure you that our business activities would not be materially disrupted in the event of a partial or complete failure of any of these primary information technology or communications systems, which could be caused by, among others, software bugs, computer virus attacks or conversion errors due to system upgrading. In addition, a prolonged failure of our information technology system could damage our reputation and materially and adversely affect our future prospects and profitability.

**A perceived reduction in our financial strength or a downgrade in our rating could increase policy surrenders and withdrawals and damage our relationship with our creditors, our counterparties and the distributors of our products.**

Measures of financial strength are an important factor affecting public confidence in our products and, as a result, our competitiveness. In particular, customers may consider, among other measures, our financial strength rating and solvency margin ratio when deciding whether to purchase insurance from us. A downgrade in our financial strength rating or a significant reduction in our solvency margin ratio could have a material adverse effect on our business because such development may, among other things:

- increase the number of policy surrenders and withdrawals;
- damage our relationship with our creditors, our counterparties and the distributors of our products; and
- negatively impact new sales of our products.

As with all financial services companies, the conduct of our business depends upon, among others, consumer confidence in the financial service industry's, and our, financial strength. Any decrease in consumer confidence in the financial service industry as a whole, or in us in particular, could have a material adverse effect on our business and prospects.

**Our ability to pay dividends and meet other obligations depends on dividends and other payments from our operating subsidiaries, which may be subject to contractual and other limitations.**

We are a holding company and, with the exception of investment management activities, do not conduct any significant business operations on our own. As a result, we depend upon dividends and distributions from our operating subsidiaries for substantially all of our cash flow. Most of our assets are held by these subsidiaries. Our liquidity and ability to pay interest and expenses, meet our obligations and pay cash dividends are dependent upon the flow of funds from these subsidiaries. We cannot assure you that these subsidiaries will generate sufficient funds to support dividends payments and other distributions in an amount sufficient to meet our cash requirements and pay shareholder dividends.

Our ability to pay dividends or make other payments may be further restricted by covenants contained in agreements governing our debt. In addition, our subsidiaries may incur debt to third parties, the terms of which may restrict our ability to obtain funds from the applicable subsidiaries. See the section headed "Supervision and Regulation" and Appendix VII — "Summary of Articles of Association — Dividends and Other Methods of Profit Distribution".

**Misconduct by our employees and agents is difficult to detect and deter and could harm our business, financial condition and results of operations.**

Employee and sales agent misconduct could result in violations of law by us, regulatory sanctions and/or serious reputational or financial harm to us. Such misconduct could occur in each of our businesses and could include:

- binding us to transactions that exceed authorized limits;
- hiding unauthorized or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- improperly using or disclosing confidential information;
- recommending products, services or transactions that are not suitable;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling insurance policies to our customers;
- engaging in unauthorized or excessive transactions to the detriment of customers; or
- otherwise not complying with applicable laws or our internal control procedures.

We cannot always deter employee and agent misconduct, and the precautions we take to prevent and detect these activities may not be effective in all cases. See the section headed "Business — Legal and Regulatory Proceedings". We cannot assure you that employee misconduct will not materially and adversely affect our business, financial condition and results of operations.

**Our largest shareholders may take collective actions that are not in, and may conflict with, our or our other shareholders' best interests.**

Immediately after the completion of the Global Offering, assuming the Over-allotment Option is not exercised and no new Shares are issued pursuant to the HSBC Price Adjustment Top-Up, our five existing largest shareholders will own, directly or indirectly, approximately 38.9% of our outstanding Shares. Accordingly, our largest shareholders, including these five shareholders, may continue to collectively have the ability to exercise significant influence over our business, including matters relating to:

- our management, business strategies and policies;
- the timing and distribution of dividends;
- any plans relating to mergers, acquisitions, joint ventures, investments or divestitures; and
- the election of our Directors and Supervisors.

Our largest shareholders may collectively take actions that you may not agree with or that are not in our or our other shareholders' best interests.

**A material increase in the enterprise income tax rate applicable to our operations in Shenzhen would materially and adversely affect our financial condition and results of operations.**

Our operations in Shenzhen are subject to a preferential enterprise income tax rate of 15% applicable in the Shenzhen Special Economic Zone, as opposed to the standard enterprise income tax rate of 33% to which most of our operations outside Shenzhen are subject. We cannot assure you that the enterprise income tax rate in Shenzhen will not be increased in the future. As a majority of our investment income is subject to the preferential enterprise income tax rates, a material increase in the enterprise income tax rate in Shenzhen would materially and adversely affect our financial condition and results of operations.

**Any future outbreak of severe acute respiratory syndrome or similar illnesses in the PRC may have a material adverse effect on our financial condition and results of operations.**

From November 2002 to June 2003, the PRC and certain other countries and regions experienced an outbreak of a new and highly contagious form of atypical pneumonia now known as severe acute respiratory syndrome, or SARS. On July 5, 2003, the World Health Organization declared that the SARS outbreak had been contained. However, new cases of SARS have been reported in the PRC since April 22, 2004. We cannot predict at this time the effect of any new outbreak of SARS or SARS-like illnesses on our business and prospects. In particular, many aspects of SARS, including its cause, means of transmission and ability to survive in different environments, are still not well understood by the international medical community. As a result, any future outbreak of SARS or SARS-like illnesses may, among other things, significantly increase the payment obligations under our life and health insurance policies, which could materially and adversely affect our profitability. Moreover, a future outbreak may significantly disrupt our ability to adequately staff our business, and may generally disrupt our operations. For example, the previous outbreak of SARS reduced the activity level of our sales force, and reduced sales of our insurance products. We cannot assure you that any future outbreak of SARS or SARS-like illnesses would not have a material adverse effect on our financial condition and results of operations.

**Future periodic examinations by PRC regulatory authorities may result in fines, other penalties or actions that could materially and adversely affect our business, financial condition and results of operations as well as our reputation.**

We are subject to periodic examinations by PRC regulatory authorities. In the past, we have from time to time been found to have violated certain laws and regulations. As a result, we have been subject to penalties, including, among others, fines. During the three years ended December 31, 2003, we were fined approximately 740 times totaling approximately RMB32 million by PRC regulatory authorities. These fines covered violations relating to, among other things, improper payments in connection with sales of insurance products, accounting irregularities (including improper booking of accounting entries at our branch and sub-branch offices), misrepresentation by sales agents when marketing insurance products and late payment of income taxes. These penalties have not had a material adverse effect on our business, financial condition and results of operations. We cannot assure you, however, that future examinations by PRC regulatory authorities would not result in fines, other penalties or actions that could materially and adversely affect our business, financial condition and results of operations as well as our reputation. See the section headed ''Business — Legal and Regulatory Proceedings'' for further information.

**We do not possess the title deeds in respect of some of the properties owned by us.**

As of the date of the valuation report set forth in Appendix III to this prospectus, we owned approximately 605 buildings with an aggregate gross floor area of approximately 682,565 sq.m., out of which 599 buildings with an aggregate gross floor area of approximately 682,220 sq.m. were located in the PRC. We hold the relevant long-term granted land use right certificates and/or building ownership certificates (the ''**title deeds**'') for all but 149 buildings with an aggregate gross floor area of approximately 277,995 sq.m. situated in the PRC (the ''**defective properties**''). We are in the process of applying for the relevant title deeds that we do not yet hold. Upon obtaining the title deeds for a defective property, we will have the lawful rights to occupy, let, transfer and mortgage such property. We may have great difficulties in obtaining the relevant title deeds for 64 of the 149 defective properties with an aggregate gross floor area of approximately 119,404 sq.m. See the section headed ''Business — Properties — Property Titles''. We cannot predict with certainty how our rights as owner/occupier of these defective properties would be adversely affected as a result of the absence of the title deeds as described above.

**We may be subject to administrative sanctions, fines and other penalties for using our funds in a manner that is inconsistent with, or impermissible under, the applicable limitations set forth in the PRC Insurance Law and CIRC regulations.**

The PRC Insurance Law and CIRC regulations have strict limitations on the use of funds by PRC insurance companies. In particular, the PRC Insurance Law and CIRC regulations prohibit PRC insurance companies from, among other things, using their funds to engage in securities or other activities that are outside of the scope of normal insurance operations. We may have in the past used our funds in a manner that is inconsistent with, or impermissible under, the applicable limitations set forth under the PRC Insurance Law and CIRC regulations. These activities may have included providing funds for, among other things, the establishment of a securities business, the investment in unlisted equity securities and the development of real estate projects. We have either terminated or are in the process of rectifying these activities. See the section headed ''Supervision and Regulation — Areas Prohibited for Use of Funds of an Insurance Company''. While we have not been subject to any material administrative sanctions, fines or other penalties for such use of our funds, we cannot assure you that the relevant regulatory authorities would not take additional actions against us in the future. Any future administrative sanctions, fines or other penalties may have a material adverse effect on our business, financial condition and results of operations.

**If we are not able to realize the potential benefits of our acquisition of an equity interest in Fujian Asia Bank Ltd., our business prospects may be materially and adversely affected.**

Fujian Asia Bank Ltd. became a 73% owned subsidiary of Ping An Trust on February 19, 2004, and has been renamed Ping An Bank Limited as of the same date. Ping An Bank Limited is a joint venture bank primarily engaged in foreign currency commercial banking businesses in the PRC. We intend to use Ping An Bank Limited to develop a multiple financial services platform that allows us to better service our customers. We cannot assure you that we will be successful in achieving the potential benefits of this transaction. If we are not otherwise successful in managing credit risk and maintaining capital discipline in developing consumer banking business or integrating the operations of the combined entities, we may not be able to realize the potential benefits of this transaction and our business prospects may be materially and adversely affected.

## RISKS RELATING TO OUR INSURANCE OPERATIONS

### Differences between actual benefits and claims experience and underwriting and reserving assumptions may require us to increase our reserves.

We establish and carry, as balance sheet liabilities, reserves of how much we will need to pay for future benefits and claims. For our life insurance products, we calculate these reserves based on many assumptions and estimates, including:

- estimated premiums we will receive over the assumed life of the insurance policy;
- the mortality rate;
- lapse and surrenders;
- the timing of the event covered by the insurance policy;
- the amount of benefits or claims to be paid; and
- the investment returns on the assets we purchase with the premiums we receive.

We establish property and casualty reserves based on assumptions and estimates of damages and liabilities incurred. We establish our healthcare related reserves based on assumptions and estimates of morbidity rates, policy and claim termination rates, benefit amounts, investment returns and other factors. Consequently, our earnings depend significantly upon the extent to which our actual claims experience is consistent with the assumptions and estimate used in setting the prices for our products and establishing the reserves for our obligations for future policy benefits and claims. To the extent that actual benefits or claims experience is less favorable than our underlying assumptions and estimates used in establishing our reserves, we may be required to increase our reserves. Any such increase in reserves will result in additional charges, and may reduce our net income.

The process of estimating reserve liabilities is a difficult and complex exercise involving many variables and subjective judgments. Due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of the liabilities for unpaid policy benefits and claims, we cannot determine precisely the amount which we will ultimately pay to settle these liabilities. These amounts may vary from the estimated amounts, particularly when those payments may not occur until well into future. In addition, variations in benefits or claims experience and fluctuation on benefits or claims could cause actual underwriting experience, such as lapse, mortality, expense and morbidity, to be different from actuarial assumptions used in the pricing of our insurance products. In addition, the relatively short history of the PRC insurance industry in terms of claims experience may affect our ability to establish actuarial assumptions for certain products, such as health care insurance products. We evaluate our reserves periodically, based on changes in the assumptions and estimates used to establish these reserves, as well as our actual policy benefits and claims experience. We charge or credit changes in our reserves to expenses in the period the reserves are established or re-estimated. If the reserves originally established for future policy benefits prove inadequate, we must increase our reserves, which may have a material adverse effect on our business, financial condition and results of operations.

**Competition in the PRC insurance industry is increasing and our business and prospects will be harmed if we are not able to compete effectively.**

We face competition in all areas of our business. Competition in the insurance industry is based on many factors, including premiums charged and other terms and conditions of coverage, services provided, financial ratings assigned by independent rating agencies, claims services, reputation, perceived financial strength and the experience of the insurance company in the line of insurance to be written. Our competitors include both domestic and foreign-invested life insurance and property and casualty insurance companies, mutual fund companies and other financial services providers. Some of these companies have greater financial, management and other resources than we do, and may have more extensive experience than us. Furthermore, these companies may be able to offer a broader range of products and services, as well as establish their reserves more adequately, than us. In addition, some of our domestic competitors have taken advantage of favorable governmental policies that are applicable to them. For example, these competitors were allowed to establish a nationwide business network before we were allowed to establish such a network. Furthermore, in 2003, some of these competitors were also allowed to deduct certain expenses not normally deductible under PRC tax law in connection with their respective restructurings. The entry by foreign insurance companies into the PRC insurance market has also continued to increase in recent years, and is expected to further increase as a result of the PRC's entry into the WTO. In particular, some of these new entrants may be able to commence operations rapidly by forming alliances and joint ventures with other PRC companies and by employing products and skills developed in their home markets. Some of these new entrants may also adopt pricing strategies that are more aggressive than the PRC insurance companies, including us. In addition, recent changes in PRC investment regulations relaxing rules on the formation of mutual funds and sales of securities have led to greater availability and variety of financial investment products. These products may be more attractive to the public and adversely affect the sale of some of our products, including participating life insurance and investment-linked products. The increased competitive pressures resulting from these and other factors may materially and adversely affect our business and prospects, as well as have a material adverse effect on our financial condition and results of operations by, among other things:

- reducing our market share in our principal lines of business;
- decreasing our margins and spreads;
- reducing the growth of our customer base;
- increasing our policy acquisition costs;
- increasing our operating expenses, such as sales and marketing expenses; and
- increased turnover of management and sales personnel.

**We depend on select management and actuarial personnel as well as dedicated sales agents, and could be materially and adversely affected by the loss of their services.**

We depend on the continued service of our senior management members (including Mr. Ma Mingzhe and Mr. Sun Jianyi) and skilled actuarial and other personnel. Our business could suffer if we lose the services of any of these personnel and cannot adequately replace them. In particular, we may be required to increase substantially the number of these employees in connection with our future growth plans, and there is intense competition for their services in the PRC insurance industry. We cannot assure you that we will be able to retain our present personnel or attract additional qualified personnel as and when needed. In addition, we may need to increase employee compensation levels in order to retain our existing officers and employees and attract the additional personnel we may require.

We also depend to a significant extent on sales agents to distribute our life insurance products. In particular, we compete to attract and retain dedicated sales agents that distribute our life insurance products. Intense competition exists for dedicated sales agents with demonstrated ability. We compete for these agents with other insurance companies primarily on the basis of our reputation, brand name, products, compensation and retirement benefits, training, support services and financial position. While we have undertaken, and expect to continue to undertake, various initiatives and measures to retain and attract our agents, we cannot assure you that these initiatives will succeed in attracting new agents or retaining existing agents. Sales and persistency in our businesses, as well as our financial condition and results of operations, could be materially and adversely affected if we are unsuccessful in attracting and retaining these sales agents.

**The termination or disruption of our bancassurance arrangements in the PRC may have a material adverse effect on our competitiveness and result in a decline in our revenues and profits.**

We currently have arrangements with China Post, the four largest national commercial banks, many regional and local commercial banks in the PRC for the distribution of our **bancassurance** products through their respective branch networks, the most significant of which are with ICBC and Bank of China, two of the largest national commercial banks in the PRC. Our sales through these bancassurance arrangements totaled approximately RMB10,562 million, or approximately 16.7%, of our **gross written premiums** and policy fees in 2003, with ICBC contributing approximately 42% of such sales. If we fail to maintain, or experience significant disruptions with respect to, these arrangements, our competitiveness may be adversely affected, and we may not be able to replace lost premium volumes with premiums derived from other sources, which may have a material adverse effect on our revenues and profits.

**Our business and prospects would be materially and adversely affected to the extent our cross-selling activities are not successful.**

We intend to expand our business with our existing customers and increase our revenues by expanding our cross-selling efforts. We cannot assure you, however, that our cross-selling activities will be successful. In particular, the applicable PRC regulatory framework allows for a high level of discretion on the part of the regulators empowered to oversee and review our cross-selling activities, and licensing is required for certain cross-selling activities. If we are deemed to have violated any cross-selling regulations, we may be required to cease our cross-selling activities, which may have a material adverse effect on our business and prospects. In addition, we may need to significantly upgrade our existing information technology systems in order to enable us to better understand and predict the behavioral patterns of our customers. We cannot assure you that our efforts in this regard will be successful. Furthermore, the cross-selling of insurance and other financial products is a relatively new concept in the PRC, and we cannot assure you that our cross-selling activities would be widely accepted by our customers.

**Catastrophic losses could materially reduce our profitability or cash flow.**

Our property and casualty insurance operations expose us to claims arising out of catastrophes. Earthquakes, typhoons, floods, wind, fires, explosions, industrial accidents and other events may cause catastrophes, and the occurrence and severity of catastrophes are inherently unpredictable. We recorded losses arising out of catastrophes in aggregate amounts of approximately RMB360 million, RMB242 million and RMB226 million in 2001, 2002 and 2003, respectively. In accordance with IFRS, we do not establish reserves for catastrophes in advance of their occurrence, and the loss or losses from a single catastrophe or multiple catastrophes could be material to our financial condition and results of operations or cash flow in any particular period.

**If we are not able to obtain reinsurance on a timely basis or at all, we may be required to bear increased risks or reduce the level of our underwriting commitments.**

Our ability to obtain reinsurance on a timely basis and at a reasonable cost is subject to a number of factors, including prevailing market conditions, that are beyond our control. The availability and cost of reinsurance may affect the volume of our business as well as our profitability. In particular, we may be unable to maintain our current reinsurance coverage or to obtain other reinsurance coverage in adequate amounts and at favorable rates. If we are unable to renew our expiring coverage or to obtain new reinsurance coverage, either our net risk exposure would increase or, if we are unwilling to bear an increase in net risk exposures, our overall underwriting capacity and the amount of risk we are able to underwrite would decrease. To the extent we are not able to obtain reinsurance on a timely basis and at a reasonable cost, or at all, our business, financial condition and results of operations would be materially and adversely affected.

**A default by one or more of our reinsurers could materially and adversely affect our financial condition and results of operations.**

Like other major insurance companies in the world, we transfer some of the risk we assume under the insurance policies we underwrite to reinsurance companies in exchange for a portion of the premiums we receive in connection with the underwriting of these policies. Although reinsurance makes the reinsurer liable to us for the risk transferred, it does not discharge our liability to our policyholders. As a result, we are exposed to credit risk with respect to reinsurers in all lines of our insurance business. In particular, a default by one or more of our reinsurers under our existing reinsurance arrangements would increase our financial losses arising out of a risk we have insured, which would reduce our profitability and may adversely affect our liquidity position. For example, the applicable PRC regulations relating to reinsurance currently require all PRC property and casualty insurers to **cede** 10% of gross written premiums under certain types of insurance policies to China Reinsurance Company. In the event of a catastrophic loss that affects a significant number of PRC insurers, China Reinsurance Company may not be able to pay us on a timely basis, or at all. In addition, China Reinsurance Company is currently not rated by any of the recognized international credit rating agencies. We also have life insurance treaty and property and casualty insurance reinsurance arrangements with a number of international reinsurance companies, all of which had a credit rating of at least A– from Standard and Poor's at the time they entered into reinsurance agreements with us. However, we cannot assure you that these reinsurance companies will be able to meet their obligations under the existing reinsurance arrangements on a timely basis, or at all, or that these insurance companies will be able to maintain a credit rating of at least A– from Standard and Poor's during the term of their reinsurance arrangements with us. If our reinsurers fail to pay us or fail to pay us on a timely basis, our financial condition and results of operations could be materially and adversely affected.

## RISKS RELATING TO OUR INVESTMENT PORTFOLIO

### We may incur significant losses on our investments, which may cause our investment income to decrease, and could have a material adverse effect on our financial condition and results of operations.

Our investment returns, and thus our profitability, may be adversely affected from time to time by conditions affecting our specific investments and, more generally, by market fluctuations as well as general economic, market and political conditions. In particular, our ability to make a profit on our insurance products depends in part on the returns on investments supporting our obligations under these products, and the value of specific investments may fluctuate substantially. Our investment income has been affected in 2001 and 2002 by decreases in the fair value of equity investments, as well as fluctuations in realized gains and losses on the sale of investments, resulting from movements in market interest rates, unfavorable conditions in the PRC securities markets and other factors. Future movements in market interest rates, unfavorable conditions in the PRC securities markets or other factors may cause our investment income to decrease significantly, and could have a material adverse effect on our financial condition and results of operations.

### Applicable PRC regulations limit our ability to diversify our investment portfolio as well as seek an optimal return on our investments; as a result, a decrease in the value of a particular type of investment may have a material adverse effect on our financial condition and results of operations.

As a result of the current PRC regulatory restrictions, substantially all of our investment assets are concentrated in a limited number of investments that are located in the PRC. A detailed discussion of these restrictions is set forth in the section headed ''Supervision and Regulation — Insurance Business — Use of Insurance Funds''. As of December 31, 2003, fixed deposits at commercial banks, government bonds, finance bonds for government projects, corporate bonds of state-owned companies and equity investment funds investing in shares of companies listed on the Shanghai and Shenzhen stock exchanges accounted for approximately 50.2%, 24.5%, 12.3%, 6.9% and 2.9%, respectively, of our total investment assets. Our inability to diversify our investment portfolio exposes us to a significant level of risk associated with these types of investments. For example, as of December 31, 2003, RMB43,497 million, or approximately 55.6% of our total fixed deposits or approximately 27.9%

of our total investment assets, were concentrated in five commercial banks. A continued high level of non-performing loans could affect the capital adequacy and solvency of commercial banks, which may put our fixed deposits at risk. In addition, adverse market conditions or other developments in the future may prevent us from continuing to enjoy the preferential long-term deposit rates that we are currently able to secure from commercial banks. See the section headed ''Business — Investment Portfolio — Portfolio Composition — Fixed Deposits''. Moreover, if the PRC government's budget deficit continues to increase, the value of the government and finance bonds we invest in may be adversely affected. In addition, approximately 43.7% of our total investment assets as of December 31, 2003 consisted of fixed maturity securities. The issuers whose fixed maturity securities we hold may fail to pay or otherwise default on their obligations due to bankruptcy, a lack of liquidity, a downturn in the economy, operational failure or other reasons. Losses due to these defaults could reduce our profitability. Furthermore, the Shanghai and Shenzhen stock exchanges have experienced significant volatility in recent years, and the value of shares of many companies listed on these exchanges have experienced similar volatility. Consequently, a decrease in the value of any of these types of investments could have a material adverse effect on our financial condition and results of operations.

**Certain of our fixed income investment assets are not rated, which may affect your ability to independently evaluate the risks of our investments.**

Unlike the prevailing practice for insurance companies in the United States and the European Union, PRC insurance companies generally do not have a credit rating for their investment assets. As a result, you may not be able to independently evaluate the risks of our investments. To the extent we suffer significant losses on our investments, our financial condition and results of operations would be materially and adversely affected.

**Fluctuations in share values resulting from the volatility of the PRC securities market may materially and adversely affect the value of our investment portfolio and our financial condition and results of operations.**

The PRC securities market is smaller and can be more volatile than the securities markets in the United States and in certain European countries. In particular, the Shanghai and Shenzhen stock exchanges have experienced substantial fluctuations in the prices and trading volumes of listed securities, and there are currently limits on the range of daily price movements. At December 31, 2003, 2.9% of our investment portfolio was invested in equity investment funds, the value of which fluctuates depending on company specific and general market conditions. The broad investment environment in the PRC has negatively affected the value of these equity investment funds and may continue to do so in the future. Any decrease in the value of our equity investment funds may materially and adversely affect the value of our investment portfolio or shareholders' equity.

## RISKS RELATING TO THE PRC INSURANCE INDUSTRY

**Our businesses are highly regulated and we may be materially and adversely affected by future regulatory changes.**

Our life insurance and property and casualty insurance businesses are regulated primarily by the CIRC, and we are subject to laws regulating all aspects of our insurance business, including the recently amended PRC Insurance Law and related rules and regulations. In addition, our trust and securities businesses are regulated by the CBRC and the CSRC, respectively. Compliance with applicable laws, rules and regulations may restrict our business activities. Furthermore, these laws, rules and regulations may change from time to time and we cannot assure you that future legislative or regulatory changes, including deregulation, would not have a material adverse effect on our business, financial condition and results of operations. Moreover, we may be required to increase our reserves in response to future changes in CIRC rules and regulations. Furthermore, the adoption of any new life mortality table may also affect, among other things, our business and prospects. We cannot predict at this time the effect of potential regulatory changes on our business and profitability. In addition, some of the laws, rules and regulations that we are subject to are relatively new and therefore there remains uncertainty regarding their interpretation and application. Moreover, failure to comply with any of the numerous laws, rules and regulations to which we are subject could result in fines, suspension or, in extreme cases, business license revocation, which could materially and adversely affect us. In particular, future laws, rules and regulations, or the interpretation of existing or future laws, rules and regulations, may have a material adverse affect on our business, financial condition and results of operations.

**New entrants in the PRC insurance market as a result of the PRC joining the WTO may increase competition and reduce our profitability.**

As a result of the PRC joining the WTO in December 2001, the PRC government is gradually reducing restrictions on foreign participation in the PRC insurance market. We expect the PRC government to continue reducing these restrictions in accordance with the PRC WTO accession agreement. This will result in the further opening of the PRC insurance market to foreign insurance companies, and could erode certain competitive advantages that we currently enjoy, such as our nationwide business network. In particular, the PRC has undertaken in the accession agreement relating to its entry into the WTO to, over a period of five years:

- eliminate geographic restrictions on business activities of foreign-invested insurance providers;
- eliminate scope of business and ownership restrictions for foreign-invested property and casualty insurance providers;
- eliminate scope of business restrictions for foreign-invested life insurance providers; and
- increase the foreign ownership limit for life insurance providers to 50%.

The opening of the PRC insurance market to foreign insurance companies and the resulting increased competition may materially and adversely affect our business as well as our future profitability.

**All of our insurance agents are required to obtain a qualification certificate from the CIRC and register with the relevant local bureau of the SAIC; if the regulatory authorities decide to enforce these qualification and registration requirements, our business may be materially and adversely affected.**

Insurance agents in the PRC are required to obtain a qualification certificate from the CIRC in order to conduct insurance agency business. See the section headed ''Supervision and Regulation — Insurance Agents''. Approximately 28% of our individual insurance agents had not obtained such a certificate as of December 31, 2003. We believe the CIRC has not, to date, taken any action against an insurance company or its individual insurance agents for failing to be so qualified. In May 2004, the CIRC issued a circular requiring insurance companies to adopt effective measures in carrying out the qualification certificate requirement. If the CIRC were to enforce this regulation in the future, and if a substantial number of our individual insurance agents do not become licensed, we would lose a significant number of our individual insurance agents, which could adversely affect our ability to service our customers, as well as our plan to further develop our individual life insurance business. This could have a material and adverse effect on our future growth and prospects. Moreover, we may be subject to fines and other administrative proceedings for the failure of our insurance agents to obtain the necessary CIRC qualification certificate. Any such fines or administrative proceedings could materially and adversely affect our business, financial condition and results of operations.

Under the PRC Insurance Law, insurance agents are required to be registered with, and obtain a business license from, the relevant local bureau of the SAIC. Historically, this requirement has not been generally enforced, and it is our understanding that the SAIC does not have procedures in place to effect the registration and licensing of individual insurance agents. Consequently, substantially all of our individual insurance agents are not in compliance with this requirement. We believe other insurance companies operating in the PRC operate under similar circumstances. To date, this noncompliance has not had a material adverse effect on our business. We do not know whether the local bureau of the SAIC will enforce this requirement in the future. If this requirement were to be enforced in the future, our insurance agents would be required to register and obtain a business license. We cannot assure you that all of our individual insurance agents would obtain such licenses. The enforcement of this requirement could adversely affect the composition and effectiveness of our individual insurance agent distribution system, which could have a material adverse effect on our business.

**The further development of regulations in the PRC may impose additional costs and restrictions on our activities.**

We operate in a highly regulated industry. The CIRC supervises and administers the insurance industry in the PRC. In exercising its authority, the CIRC is given wide discretion. The PRC insurance regulatory regime is undergoing significant change as it moves toward a more transparent regulatory process. Some of these changes may result in additional costs or restrictions on our activities. In particular, some of the changes may require us to take additional steps to comply with new rules and regulations on a timely basis. We cannot assure you that we will be able to achieve full compliance with any such new rules and regulations within any prescribed timeframe, and any such compliance may result in our incurring increased compliance and other costs. Moreover, because the terms of our products are subject to regulations, changes in regulations may affect our profitability on the policies and contracts we issue. For example, under guidelines issued by the CIRC, the dividends on our participating products must be no less than 70% of the distributable earnings from participating products. If this level were to be increased in the future, our profitability could be materially and adversely affected.

**Our ability to comply with minimum solvency requirements is affected by a number of factors, and our compliance may force us to raise additional capital, which could be dilutive to you, or could reduce our growth.**

We are required by CIRC regulations to maintain our solvency at a level in excess of minimum solvency levels. Our minimum solvency is affected primarily by the policy reserves we are required to maintain which, in turn, are affected by the volume of insurance policies we sell and by regulations on the determination of statutory reserves. Our solvency is also affected by a number of other factors, including the profit margin of our products, returns on our investments, underwriting and acquisition costs, and policyholder and shareholder dividends. If we continue to grow rapidly in the future, or if the required solvency level is increased in the future, we may need to raise additional capital to meet our solvency requirement, which would be dilutive to you. If we are not able to raise additional capital, we may be forced to reduce the growth of our business.

**The rate of growth of the PRC insurance market may not be as high or as sustainable as we anticipate.**

The rate of growth of the PRC insurance market may not be as high or as sustainable as we anticipate. This may be the case even though we expect the insurance market in the PRC to expand and the penetration rate to rise with the growth of the PRC economy and household wealth, continued social welfare reform, demographic changes and the opening of the PRC insurance market to foreign participants. The impact on the PRC insurance industry of certain trends and events, such as the pace of economic growth in the PRC, the PRC's accession to the WTO and the ongoing reform of the social welfare system is generally prospective and is currently not clear. Consequently, the growth and development of the PRC insurance market is subject to a number of uncertainties that are beyond our control.

## GENERAL RISKS RELATING TO THE PRC

Substantially all of our assets are located in the PRC, and substantially all of our revenues are derived from our operations in the PRC. Accordingly, our financial condition, results of operations and prospects will be affected to a significant extent by economic, political and legal developments in the PRC.

**The PRC's economic, political and social conditions and government policies could affect our business.**

Substantially all of our business, assets and operations are located in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including:

- government involvement;

- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

While the PRC's economy has experienced significant growth in the past twenty years, such growth has been concentrated in certain geographic areas and sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall economy of the PRC, but may also have a negative effect on us. For example, our operating results may be adversely affected by government control over capital investments or changes in applicable tax regulations.

The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. Although the PRC government has in recent years implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

**Government control of currency conversion and future movements in exchange rates could have a material adverse effect on our operations and financial results, as well as affect our ability to pay dividends in foreign currencies.**

We receive substantially all of our revenues in Renminbi, which currently is not a freely convertible currency. A portion of these revenues must be converted into other currencies to meet our foreign currency obligations. We need to obtain foreign currency to pay dividends declared, if any, in respect of our H Shares and to pay foreign exchange expenses and liabilities, if any.

Under the PRC's existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the State Administration of Foreign Exchange by complying with certain procedural requirements. However, the PRC government may take measures at its discretion in the future to restrict access to foreign currencies for current account transactions if foreign currencies become scarce in the PRC. We may not be able to pay dividends in foreign currencies to our shareholders if the PRC government restricts access to foreign currencies for current account transactions.

Foreign exchange transactions under our capital account continue to be subject to significant foreign exchange controls and require the approval of the State Administration of Foreign Exchange. These limitations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

**An economic slowdown in the PRC may materially and adversely affect our financial condition and results of operations, as well as our future prospects.**

We conduct most of our business and generate substantially all of our revenues in the PRC. As a result, economic conditions in the PRC have a significant effect on our financial condition and results of operations, as well as our future prospects. Since 1978, the PRC has been one of the world's fastest growing economies in terms of GDP growth. Between 1978 and 2003, GDP of the PRC increased from approximately RMB362 billion to approximately RMB11,690 billion. We cannot assure you, however, that such growth will be sustained in the future. Moreover, a slowdown in the economies of the United States, the European Union and certain Asian countries may adversely affect economic growth in the PRC. In addition, any future outbreak of SARS may cause a decrease in the level of economic activity and adversely affect economic growth in the PRC, Asia and elsewhere in the world. We cannot assure you that our financial condition and results of operations, as well as our future prospects, will not be materially and adversely affected by an economic downturn in the PRC.

**Fluctuations of the Renminbi could have a material adverse effect on our financial condition and results of operations, as well as reduce the value of, and dividends payable on, our H Shares in foreign currency terms.**

The value of the Renminbi fluctuates and is subject to changes in the PRC's political and economic conditions. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and US dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates on the world financial markets. Since 1994, the official exchange rate for the conversion of Renminbi to US dollars has generally been stable. Any devaluation of the Renminbi, however, may adversely affect the value of, and dividends, if any, payable on, our H Shares in foreign currency terms, since we will receive substantially all of our revenues, and express our profits, in Renminbi. In addition, as a result of the subscription by HSBC Insurance of a 10% equity interest (as enlarged by the subscription) in our Company for US$600 million in November 2002, fluctuations in the exchange rate used to translate US dollar amounts into Renminbi for financial reporting purposes may impact our reported financial position and results of operations from year to year. Our financial condition and results of operations may also be affected by changes in the value of certain currencies, such as Hong Kong dollars and US dollars, other than the Renminbi, in which our earnings and obligations are denominated. See Appendix V — "Taxation and Foreign Exchange".

**The PRC legal system has inherent uncertainties that could limit the legal protections available to you.**

We are organized under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC government has promulgated laws and regulations dealing with economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties.

Our Articles of Association provide that disputes between holders of H Shares and us, our Directors, Supervisors or officers or holders of Domestic Shares, arising out of our Articles of Association or any rights or obligations conferred or imposed upon by the PRC Company Law and related rules and regulations concerning our affairs, including the transfer of our Shares, are to be resolved through arbitration rather than by a court of law. A claimant may elect arbitration organizations in Hong Kong or the PRC. Awards that are made by the PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in the PRC. However, to our knowledge, no action has been brought in the PRC by any holder of H Shares to enforce an arbitral award, and we cannot assure you as to the outcome of any action brought in the PRC by any holder of H Shares to enforce an arbitral award made in favor of holders of H Shares. Moreover, to our knowledge, there has not been any published report of judicial enforcement in the PRC by holders of H Shares of their rights under our Articles of Association or the PRC Company Law.

In addition, under the applicable PRC laws, it is not clear whether shareholders have the right to sue the directors, supervisors, officers or other shareholders on behalf of a corporation to enforce a claim against such party or parties that the corporation has failed to enforce itself. Our shareholders may have to rely on other means to enforce their rights directly, such as through administrative proceedings. PRC laws, rules and regulations applicable to companies listed overseas do not distinguish among minority and controlling shareholders in terms of their rights and protections. Furthermore, our minority shareholders may not have the same protections afforded to them by companies incorporated under the laws of the United States and certain other countries.

**Holders of more than 10% or such percentage as specified by the CIRC from time to time, whichever is higher, of our issued and outstanding Shares may not be able to fully exercise their rights as our shareholder.**

Our Articles of Association provide that, without the prior approval of the CIRC, any shareholder (including holders of H Shares represented by ADSs) that owns, directly or indirectly, more than 10% or such percentage as specified by the CIRC from time to time, whichever is higher, of our issued and outstanding Shares will not be able to exercise, with respect to the amount of Shares (including H Shares represented by ADSs) that are in excess of the applicable ownership limitation, the right to vote at the general or class meeting of our shareholders or to nominate our directors and supervisors. In addition, under the PRC Insurance Law, any acquisition of Shares (including H Shares represented by ADSs) that results in the holder owning, directly or indirectly, 10% or more of our issued and outstanding Shares requires the prior approval of the CIRC. See the section headed ‘‘Supervision and Regulation’’ and Appendix VII — ‘‘Summary of Articles of Association’’. As a result, holders of more than 10% or such percentage as specified by the CIRC from time to time, whichever is higher, of our issued and outstanding Shares (including holders of H Shares represented by ADSs) may not be able to fully exercise their shareholder rights.

**You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.**

We are a company incorporated under the laws of the PRC, and substantially all of our assets and our subsidiaries are located in the PRC. In addition, most of our Directors and officers reside within the PRC, and the assets of our Directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside of the PRC upon most of our Directors and officers, including with respect to matters arising under the U.S. Federal securities laws or applicable state securities laws. Moreover, our PRC legal counsel, Commerce & Finance Law Offices, has advised us that the PRC does not have treaties providing for the reciprocal and enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other Western countries. In addition, our Hong Kong counsel, Dibb Lupton Alsop, has advised us that Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

In addition, although we will be subject to the Hong Kong Listing Rules and the Hong Kong Takeovers Codes upon the listing of our H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules. Furthermore, the Hong Kong Takeovers Codes do not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

**Holders of H Shares may be subject to PRC taxation.**

Under the PRC's current tax laws, regulations and rulings, dividends paid by us to holders of H Shares outside the PRC are currently exempted from PRC income tax. In addition, gains realized by individuals or enterprises upon the sale or other disposition of H Shares are currently exempted from PRC income tax. If the exemptions are withdrawn in the future, holders of H Shares may be required to pay withholding tax on dividends, which is currently imposed at the rate of 20%, or capital gains tax, which may currently be imposed upon individuals at the rate of 20%. See Appendix V — "Taxation and Foreign Exchange".

**Payment of dividends is subject to restrictions under PRC law.**

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits means our after-tax profits as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and allocations to statutory funds that we are required to make. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. However, we will not ordinarily pay any dividends in a year in which we do not have any distributable profits.

The calculation of distributable profits for an insurance company under PRC GAAP differs in a few respects from the calculation under IFRS. As a result, we may not be able to pay any dividends in a given year if we do not have distributable profits as determined under PRC GAAP, even if we have profits for that year as determined under IFRS. Payment of dividends by us is also regulated by the PRC Insurance Law. See the section headed "Financial Information — Dividend Policy".

## RISKS RELATING TO THE GLOBAL OFFERING

**An active trading market for our H Shares and ADSs may fail to develop or be sustained, and their trading prices may fluctuate significantly.**

Prior to the Global Offering, no public market for our H Shares or ADSs existed. Following the completion of the Global Offering, the Hong Kong Stock Exchange will be the only market for the H Shares. We cannot assure you that an active trading market for our H Shares and ADSs will develop or be sustained after the Global Offering. In addition, we cannot assure you that our H Shares and ADSs will trade in the public market subsequent to the Global Offering at or above the Offer Price. The Offer Price for the H Shares and the ADSs is expected to be fixed by agreement among the Joint Global Coordinators (on behalf of the Hong Kong Underwriters and the International Purchasers) and us (for the Company and on behalf of the Selling Shareholders), and may not be indicative of the market price of the H Shares and the ADSs following the completion of the Global Offering. If an active trading market for our H Shares and ADSs does not develop or is not sustained after the Global Offering, the market price and liquidity of our H Shares and ADSs could be materially and adversely affected.

**Future sales, or perceived sales, of substantial amounts of our H Shares or ADSs in the public market could have a material adverse effect on the prevailing market price of our H Shares or ADSs.**

The market price of our H Shares or ADSs could decline as a result of future sales of substantial amounts of our H Shares or ADSs or other securities relating to our H Shares in the public market or the issuance of new H Shares, or the perception that such sales or issuances may occur. In particular, the Unlisted Foreign Shares owned by the GS Investor, the MS Investor, HSBC Insurance and Dai-Ichi Mutual Life Insurance Company will be converted into H Shares upon completion of the Global Offering. These converted H Shares will be available for sale after their respective lock-up periods end. Future sales, or perceived sales, of substantial amounts of our H Shares or ADSs could also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate. In addition, our shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings.

**Our actual financial performance could vary materially from the prospective financial information contained in this prospectus, which may adversely affect the market price of our H Shares or ADSs.**

The profit forecast set forth in the section headed "Financial Information — Profit Forecast" represent our estimate of our net income and earnings per Share for the year ending December 31, 2004. The profit forecast was prepared in accordance with market practice in Hong Kong, and was not prepared with a view towards compliance with published guidelines of the U.S. Securities and Exchange Commission and the American Institute of Certified Public Accountants. For these reasons, you should only consider the profit forecast after carefully evaluating all of the risks described in this prospectus, including the risks described in this section and throughout this prospectus. The profit forecast is based on, among others, a number of estimates and assumptions set forth in Appendix II to this prospectus, and is necessarily speculative in nature. In particular, it is expected that one or more of the estimates and assumptions on which the profit forecast is based may not materialize or may vary significantly from actual results, and that such variances will likely increase over time. Furthermore, unanticipated events could adversely affect the actual results that we achieve in 2004. In addition, the profit forecast was prepared as of May 31, 2004 and has not been updated for any subsequently available information. Accordingly, actual results during the period covered will vary from the profit forecast, which variations may be material and adverse. Furthermore, subject to the requirements of the Hong Kong Listing Rules, we do not intend to update or otherwise revise the profit forecast in the future, whether as a result of new information, future events or otherwise.

**The embedded value of our Company, and the value of one year's sales in respect of our new life insurance business, are calculated based on, among other things, a number of assumptions used in the calculations, and you should not rely on these values as a measure of our actual value and performance.**

The financial information set forth in the section headed ''Embedded Value'' include an estimate of the embedded value of our Company, which is an actuarially determined estimate of the economic value (excluding any value attributed to future new business) of our Company. We have also included an estimate of the value of one year's sales in respect of our new insurance business. The calculation of these values has been reviewed by Watson Wyatt Insurance Consulting Limited, which operates within the Watson Wyatt Worldwide Alliance (**''Watson Wyatt''**), an independent firm of consulting actuaries, and the related report of Watson Wyatt is set forth in Appendix IV to this prospectus. The calculation of these values necessarily makes numerous assumptions with respect to, among others, industry performance, general business and economic conditions, investment return, reserving standards, life expectancy, business growth rates and other matters, many of which are beyond our control. As a result, actual future experience may vary from those assumed in the calculation, and these variations may be material. In addition, the calculation of embedded value does not extend to insurance policies underwritten after the date covered by Watson Wyatt's report set forth in Appendix IV to this prospectus, and the calculations of embedded value and the value of one year's sales in respect of our new life insurance business are by its nature dependent upon the assumptions regarding the variables used in such calculations, most of which are subjective. Consequently, these values are inherently not predictive. Furthermore, since our actual market value is determined by investors based on a variety of information available to them, these values should not be construed to be a direct reflection of our actual market value and performance, and should not be construed to have any correlation with the price of our Shares. The inclusion of these values in this prospectus should not be regarded as a representation by us, Watson Wyatt, the Underwriters or any other person of our future profitability. For these reasons, you should only consider these values after carefully evaluating all of the risks described in this prospectus, including the risks described in this section and throughout this prospectus. Furthermore, we do not intend to update or otherwise revise these values in the future, whether as a result of new information, future events or otherwise.