PING AN

Insurance · Banking · Investment

Annual Report 2008

CONTENTS

WHO WE ARE

HOW WE ARE PERFORMING

HOW WE GOVERN OUR COMPANY

FINANCIAL STATEMENTS

OTHER INFORMATION

Cautionary Statements Regarding Forward-Looking Statements

To the extent any statements made in this report contains information that is not historical are essentially forward-looking. These forward-looking statements include but are not limited to projections, targets, estimates and business plans that the Company expects or anticipates will or may occur in the future. These forward-looking statements are subject to known and unknown risks and uncertainties that may be general or specific. Certain statements, such as those include the words or phrases "potential", "estimates", "expects", "anticipates", "objective", "intends", "plans", "believes", "will", "may", "should", and similar expressions or variations on such expressions may be considered forward-looking statements.

Readers should be cautioned that a variety of factors, many of which are beyond the Company's control, affect the performance, operations and results of the Company, and could cause actual results to differ materially from the expectations expressed in any of the Company's forward-looking statements. These factors include, but are not limited to, exchange rate fluctuations, market shares, competition, environmental risks, changes in legal, financial and regulatory frameworks, international economic and financial market conditions and other risks and factors beyond our control. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. In addition, the Company undertakes no obligation to publicly update or revise any forward-looking statement that is contained in this report as a result of new information, future events or otherwise. None of the Company, or any of its employees or affiliates is responsible for, or is making, any representations concerning the future performance of the Company.

Ping An's New Logo

Ping An's new logo strikes an optimal balance between traditional Chinese culture and modern branding concepts. It uses traditional Chinese design elements – the round exterior and the square interior – in a simple and a contemporary context. It incorporates both traditional characteristics and modern style.

Specifically, the equilateral triangle that forms the "A" character evokes the shape of a house. As such, it symbolises the concepts of shelter, attention and care. The green colour of the block is emblematic of life, energy and vitality. The block itself, resembling ancient Chinese currency, symbolises family, wealth and treasure. Significantly, the logo shows that life, wealth and treasure inside a home, conveying a sense of security, comfort and happiness – the essence of Ping An.

Ping An's new brand identity expresses responsibility to the Group's shareholders, customers and employees as well as to wider society. It is the visual manifestation of what we are striving to be: China's favourite integrated financial services group, offering insurance, banking and investment services to a growing customer base.

Key figures

(in RMB million)	2008	2007	2006	2005	2004
GROUP					
Total income	**95,192**	138,213	88,198	64,995	63,193
Net profit	**477**	19,219	8,000	4,265	3,146
Basic earnings per share (in RMB)	**0.04**	2.61	1.27	0.68	0.56
Total assets	**754,718**	692,222	494,435	319,706	264,439
Total liabilities	**669,022**	578,371	446,685	286,184	235,812
Total equity	**85,696**	113,851	47,750	33,522	28,627
Net investment yield(2) (%)	**4.1**	4.5	4.3	4.2	4.1
Total investment yield(2) (%)	**(1.7)**	14.1	7.7	4.3	3.6
Embedded value	**122,859**	150,311	65,573	48,363	37,248
INSURANCE BUSINESS					
Life insurance business					
Gross written premiums, policy fees and premium deposits	**102,369**	79,279	68,411	58,849	54,877
Net profit	**(2,956)**	10,883	5,704	3,544	2,704
Net investment yield (%)	**4.0**	4.8	4.5	4.2	4.1
Total investment yield (%)	**(2.4)**	14.2	7.8	4.3	3.7
Solvency margin ratio – Ping An Life (%)	**183.7**	287.9	183.1	140.7	123.1
Property and casualty insurance business					
Premium income	**27,014**	21,666	16,994	12,775	10,741
Net profit	**834**	2,073	1,048	422	217
Net investment yield (%)	**4.3**	4.0	3.7	4.3	4.3
Total investment yield (%)	**7.0**	14.7	5.3	4.3	3.6
Combined ratio (%)	**102.0**	97.6	95.6	95.3	97.2
Solvency margin ratio – Ping An Property & Casualty (%)	**153.3**	181.6	131.3	153.4	158.7
BANKING BUSINESS(3)					
Net interest income	**3,814**	3,478	112	–	–
Net profit	**1,444**	1,537	71	–	–
Net interest spread (%)	**2.66**	2.81	1.81	–	–
Cost/income ratio (%)	**47.0**	41.0	43.1	–	–
Total deposits	**106,814**	113,053	73,044	–	–
Total loans	**72,486**	61,900	48,926	–	–
Capital adequacy ratio (%)	**10.7**	9.1	11.9	–	–
Non-performing loan ratio (%)	**0.54**	0.83	6.34	–	–
INVESTMENT BUSINESS					
Securities business					
Total income	**1,471**	3,271	1,277	235	288
Net profit	**550**	1,492	609	6	6
Trust business					
Total income	**1,661**	1,216	332	179	102
Net profit	**1,207**	744	194	57	3

(1) Certain comparative figures have been reclassified or restated to conform to revelant period's presentation.

(2) The figures of 2008 and 2007 are the investment yield of insurance funds, and the figures of 2006, 2005, 2004 have not been recalculated according to new method.

(3) As the scale of our banking business was relatively small before 2006, the table presents the relevant figures of 2008, 2007 and 2006 only.

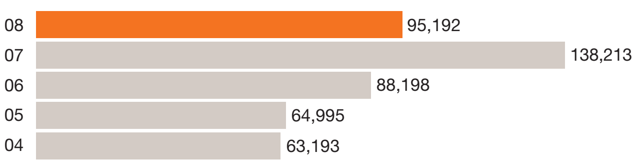
Introduction

Ping An is China's leading integrated financial services group. Our seamless structure allows us to serve the insurance, banking and investment needs of about 45 million individual customers and over 2 million corporate clients. We do this by combining local knowledge with high international standards of corporate governance.

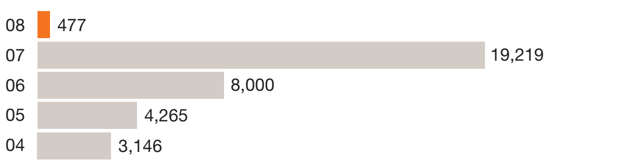
HIGHLIGHTS

- All of our core businesses developed soundly and steadily
- We accelerated implementing our integrated financial strategy, and synergies are increasingly visible
- Due to the global financial crisis, net profit decreased significantly to RMB477 million
- Ping An Life's premium income exceeded RMB100 billion for the first time
- Accumulated credit cards in circulation broke through 1.5 million – best record for first-year card issuance among the banks in China

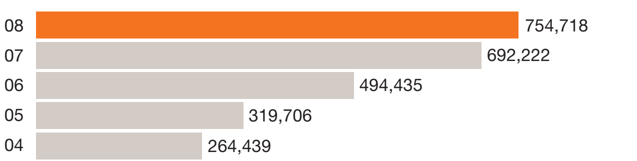
Total Income (in RMB million)



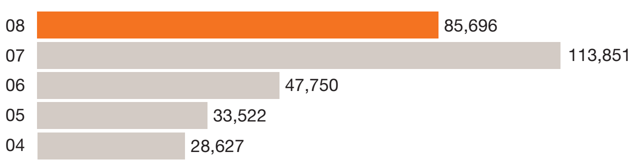
Net Profit (in RMB million)



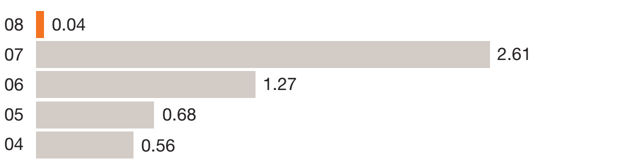
Total Assets (in RMB million)



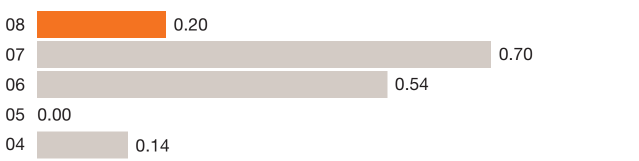
Total Equity (in RMB million)



EPS (in RMB)



Dividend Per Share(1) (in RMB)



(1) Dividend per share includes final dividend, interim dividend and special dividend, and the special dividend for 2006 is RMB0.20 per share.

Business at a glance

In 20 years, **Ping An** has developed from its origins as a property and casualty insurance company to become one of China's foremost diversified providers of financial services and products.

The Group's single-brand, multi-channel distribution network extends to all of the nation's most economically-developed areas. Our three main businesses are: insurance, banking and investment.

Ping An's coverage – in terms of geography, sectors and products – enables us to deliver a seamless customer service as well as reliable shareholder return. Through implementation of our business strategy, centralization of back office and improved asset liability management, we aim to more than double **Ping An's** customer and asset base in the years ahead.

Customer

47 m

Employee

82,808

Sales agent

355,852

Network layout

■ Cities where the branches of the principal businesses of the Company are located.

中国平安 PING AN

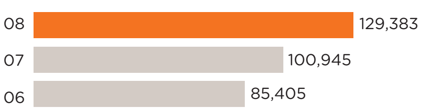
INSURANCE

At its incorporation in 1988, Ping An was primarily engaged in the property and casualty insurance business. After 20 years of growth, insurance remains the Group's core business, shared among four major subsidiaries: Ping An Life, Ping An Property & Casualty, Ping An Annuity and Ping An Health. Collectively, these companies provide clients with a full range of insurance products and services.

Ping An Life is China's second-largest life insurance company in terms of premium income, and also among the most profitable, with a network of over 350,000 sales agents. The increasingly competitive Ping An Property & Casualty has become the third-largest of its kind in China. Ping An Annuity provides clients with a portfolio of professional services including fiduciary management, investment management and account management.

- Ping An Life's premium income exceeded RMB100 billion for the first time
- Ping An Property & Casualty gained an increase in market share
- Ping An Annuity consolidated its leading industry position in annuity business

Premium Income
(in RMB million)



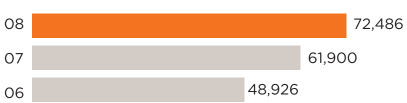
See page 22-33

BANKING

We conduct our banking business through Ping An Bank. Ping An Bank provides innovative products and services including deposits, loans, foreign exchange, credit cards and wealth management. Ping An Bank is developing into a bank with retail and SME business focus, embedded with advanced risk management and high standard of corporate governance. Ping An Bank is extending its nationwide presence, with branches extending from its Shenzhen headquarter to Shanghai, Fuzhou, Quanzhou, Xiamen and Hangzhou. Recently, Ping An Bank has obtained approval to set up a branch in Guangzhou.

- Approvals for branch expansions marked significant progress towards the goal of becoming a nationwide bank
- Accumulated credit cards in circulation broke through 1.5 million – the best record in first-year card issuance among the banks in China
- Reduction in both the amount and ratio of non-performing loans, with asset quality among the best in the industry

Loan Balances
(in RMB million)



See page 34-37

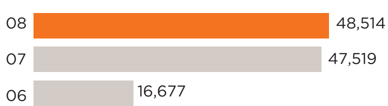
INVESTMENT

Ping An Asset Management, Ping An Asset Management (Hong Kong), Ping An Securities and Ping An Trust together form the investment and asset management platform of the Group.

Ping An Asset Management and Ping An Asset Management (Hong Kong) manage the Group's insurance funds as well as investment assets of other Ping An subsidiaries. In addition, the two companies provide products and services for other investors. Ping An Trust and Ping An Securities provide customers with asset management services, including wealth management products and trust schemes. We have invested our managed assets not only in the capital market but also in other sectors such as infrastructure, property and direct equity investments to meet our customers' needs. Ping An Securities provides brokerage, investment banking and financial advisory services.

- While maintaining its leading position in the SME underwriting market, Ping An Securities has made a successful breakthrough in underwriting big projects
- Ping An Trust enriched its product line in response to market demand, and assets held in trust under its management amounted to RMB48,514 million
- Ping An Asset Management took the lead in investing insurance funds into the Beijing-Shanghai High-Speed Railway – a noteworthy example of direct investment business that broadened our investment channel

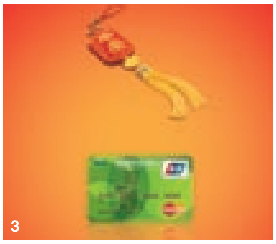
Assets under Trust Scheme
(in RMB million)



See page 38-41

Chairman's statement

In the coming five years, we will continue to achieve the strategic objective of being "financially integrated and internationally leading".



1. Following the "May 12 Wenchuan earthquake" in Sichuan Province, Ping An spared no effort in conducting disaster relief operations.

2. In celebration of its 20th anniversary, Ping An showed its support for promoting health, caring for customers and contributing to society by organizing social sport events.

3. By the end of 2008, the accumulated number of credit cards in circulation issued by Ping An Bank had exceeded 1.5 million.

2008 was the most extraordinary year for the economic development of China and the whole world, presenting formidable challenges for Ping An. The magnitude and depth of the impact of this "once-in-a-century" global financial crisis cannot be underestimated and its destructive power is also unprecedented. China's economic growth and financial industry have been significantly affected. In the face of such a complex and capricious operating environment, we maintained a healthy and stable development across our core businesses, including insurance, banking, trust and securities. However, due to the substantial falling across global stock markets, Ping An suffered significant losses associated with our overseas investments. In 2008, after the impairment loss of RMB22,790 million made for investment in Fortis shares, Ping An recorded a net profit of RMB477 million. Although there was a substantial decrease in net profit as compared with last year, the Company remains fundamentally sound, with our core businesses growing steadily and healthily, and we maintain a solid financial position. The Group's solvency ratio is above 300%, Ping An Life's solvency ratio is above 180% and Ping An Bank's capital adequacy ratio is above 10%. All of these are paving the way for our long-term stable development.

Looking back over 2008, Ping An's outstanding achievements in such a difficult year included:

- **Sustainable, fast and healthy growth in our core insurance business.** For our life insurance business, we have successfully implemented a strategy that focuses on "Reaching New Heights", resulting in a record premium income of over RMB100 billion. While our profitable individual life insurance business maintained steady growth, premium income for our bancassurance business exhibited strong growth and recorded an increase of more than 100%. In our property and casualty insurance business, our strategy of "Surpassing Targets Healthily" achieved better-than-market growth and increased our market share. Our annuity business progressed smoothly across three major indicators, namely annuity payment, assets entrusted and assets under investment management, earning a ranking that was among the highest in the sector.

- **Stable development in our banking business with accelerated nationwide expansion.** Significant progress has been made in our network expansion. Quanzhou, Xiamen and Hangzhou branches began operation and Guangzhou Branch received approval to operate. Our credit card business broke the record for first-year card issuance in China, and the accumulated number of credit cards in circulation exceeded 1.5 million by the end of 2008. On top of this, our assets and workforce are growing day by day, retail banking and SME products are continuously evolving and enriching to meet customers' needs. We are proactive


4


5

across every business line but also maintain operation stability. Moreover, our asset quality is among the best in the industry, with non-performing loan ratio at 0.54% and provision coverage ratio at 153.7%.

- **Vigilant response to market volatility, optimized asset allocation, increased proportion of investment in fixed income assets, and reduction in equity assets exposure to less than 10%.** Our investment in the Beijing-Shanghai High-Speed Railway led by Ping An Asset Management has given us valuable experiences in direct investment of insurance funds while strengthening our brand presence. Ping An Securities achieved a market leader position as leading underwriters in terms of the number of IPOs. We have made a successful breakthrough in underwriting big projects and recorded steady progress in the underwriting of bonds. Ping An Trust has continued to enrich its product line in response to market demand, while third-party trusted assets under its management reached RMB48,514 million by end of 2008.

- **Accelerated execution of our integrated financial strategy with the resulting synergies increasingly visible.** Ping An's 47 million customers are our most valuable resources, providing enormous opportunities for cross-selling. In 2008 the contribution of cross-selling was particularly promising: cross-selling accounted for 50.5% of newly issued bank credit cards, 14.3% of the premium income for the property and casualty insurance business and 14.9% of new assets entrusted under pension annuity investment management business. In addition, we completed the first phase of our back office centralization project, gradually putting in place an efficient, stable, cost-effective and multitask sharing operating platform. Meanwhile, we successively launched Ping An One Account Management Services to enhance wealth management efficiency and Ping An Wanlitong Loyalty Points Program to promote customer loyalty in 2008. These initiatives are the first of their kind in the financial industry of China and are expected to become our unique edge and an important means for accelerating our integrated financial strategies.

While being committed to business development and being responsible to our shareholders and customers, at Ping An we always bear in mind and actively fulfil our corporate social responsibility. When a major earthquake struck Wenchuan in Sichuan in May 2008, we swiftly organized teams to carry out rescue and relief operations in the disaster-hit areas. We also began immediate work on claims investigations and verifications. Instead of celebrating Ping An's 20th anniversary, we donated all funds that were earmarked for this event to the disaster-hit areas. Together with other donations, the Company donated approximately RMB40 million for disaster-relief in Sichuan, focusing in particular on the reconstruction and restoration of the elementary schools in the region. On a more personal level, staff throughout the Group donated a total of over RMB35 million – the largest staff donation amongst insurance companies in China.

4. Located in the Shanghai Bank Card Industry Park, the Zhangjiang Integrated Operating Center of Ping An pioneered the concept of the "financial workshop" in the industry. Its back offices of more than 3,000 branches all over the country are centralized at this operating platform.

5. As one of the largest training institutes for enterprise in China, Ping An School of Financial Services is committed to its mission of "turning knowledge into value" by further enhancing the competitiveness of our workforce.

Chairman’s statement

6. On February 28, 2008, Ping An VIP Club was officially established to provide its members with comprehensive and value-added integrated financial services.

7. On September 6, 2008, the “New Rural Areas and New Hope” voluntary teaching campaign of Ping An kicked off.

In 2008, Ping An continued to maintain a leading position in terms of brand value. With regard to integrated strength, corporate governance and corporate social responsibility, we have won widespread recognition from Chinese and overseas rating agencies and media, and received a range of awards:

- In July 2008, after having been named twice as a Forbes 500 company, Ping An formally became a Fortune 500 company for the first time, ranking No. 1 amongst Chinese non-state-owned enterprises on the list.
- In April 2008, the Group received its seventh consecutive award as “Most Respectable Enterprise in China” by Economic Observer and the Management Case Research Center of Peking University.
- In the “Assessment of Corporate Governance of Top 100 Chinese Listed Companies for 2008” issued by, among others, the Chinese Academy of Social Sciences in June 2008, Ping An was ranked No. 1 amongst 100 elected enterprises.
- In December 2008, the Group was, for the second time, named as “the Best Managed Insurance Company in Asia” by Euromoney, an internationally renowned finance magazine.
- In December 2008, Ping An was identified as “the Most Caring Domestic Enterprise”, the highest national award in the philanthropic sector of China, by the second session of the China Philanthropy Conference.

In order to mitigate geographic concentration risk, diversify financial returns through global asset allocation, leverage foreign expertise in the development of an integrated financial platform and cross-selling, we acquired an aggregate 4.81% equity interests in Fortis after prudent consideration and due diligence. Unfortunately, the global financial crisis has caught many investors off guard and the share price of Fortis was not immune and dropped significantly. Consequently, the financial returns and synergies we expected at initial investment have since eroded. We will continue our efforts in Fortis to safeguard our investment interests. The 2008 global financial crisis prompted us to rethink the development path of the global economy and financial industries. The relationship between risk and reward goes hand in hand with our operating and investing activities, and we will always bear these lessons in mind. Looking forward, we will be mindful of risks associated with global financial market, and take measures to enhance and reinforce risk management in the pursuit of long-term stable returns.

2008 marked the 30th anniversary of China’s economic reform and open door policy. Being an enterprise born in such a great time and in Shekou, Shenzhen, the first Chinese city to implement such policy, Ping An has, within a short span of twenty years, transformed itself from a property and casualty insurer with only 13 staff members into an integrated financial services group that offers comprehensive financial services, as well as a Forbes 500 and Fortune 500 company. We would say that the development of Ping An over the past 20 years is a microcosm of China’s thirty years of successful economic transformation.

Like China’s reform and opening-up process, Ping An has also experienced a bumpy ride and suffered many setbacks and failures over the past twenty years of its development. That said, provided we can reflect on such occasions and profit from the lessons they impart, any setbacks and failures will strengthen us with valuable experience in the long term. This will allow greater stability as we progress, more robustness as we face new challenges and more optimism for our long-term vision. Accordingly, we are fully confident in Ping An’s continuing development outlook and long-term investment value.

Looking ahead into 2009, the negative impact of the global financial crisis will continue. The global economy slowdown intensifies, domestic economy remain severe and financial market is uncertain and unstable. All of these factors contribute to a more complex and unpredictable operating environment in which our performance will face much pressure and ongoing challenges. We will remain prepared and vigilant, strengthen our market assessment capabilities and implement corresponsive measures. We will fully capitalize on various resources to realize the healthy and steady growth of our performance results.

In the coming five years, we will continue to achieve the strategic objective of being "financially integrated and internationally leading", and build an integrated financial services platform based on the concept of "one customer, one account, multiple products and one-stop services". We will gradually achieve a balance among our three major businesses – insurance, banking and investment – and accomplish new advancements in company value, profitability, business structure, customer base and total assets.

For now, it is time to express our appreciation for the continuous support of Ping An's shareholders, the unparalleled leadership of our Board of Directors and the dedication of colleagues throughout the Group. Thanks to them, based on the advantages of the Group as an integrated financial services provider, our solid foundation and sound operation and management, we strongly believe that Ping An will achieve its objectives and deliver long-term, sustainable returns to all of our stakeholders, including the society of which we are a part.

Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC
April 8, 2009

Growth. A fifth of the world's population is Chinese. This is one of China's greatest strengths – as well as a source of considerable growth potential for a financial services company such as Ping An.

Virtually every forecast predicts that China's prosperity will continue in the foreseeable future. Even with a fall in growth rate from recent heights, China's economy continues to expand at an enviable rate. Ping An is ideally placed to benefit from this trend.

We are doing this by:

- Focusing on first- and second-tier cities with dramatic growth
- Catering to the needs of a burgeoning middle class and aspiring workers
- Offering customers a wider range of choices in financial products and services

Ping An is one of the few financial service companies to provide customers with a seamless approach across the insurance, banking and investment sectors in China.


平安是福

Innovation. Ever since Ping An started operating in 1988, innovation has been the Group's driving force.

As a result, we have been the first in our sector to:

- Introduce foreign shareholders
- Engage international accounting and actuarial firms to process auditing and valuation
- Offer investment-linked life insurance products
- Establish a nationwide integrated operating center
- Provide a nationwide claims settlement service to our automobile insurance policyholders
- Achieve group structure listing on overseas stock exchange
- Issue credit cards with insurance coverage

Twenty years on, we maintain the momentum for change and improvement to Ping An systems, products and services.

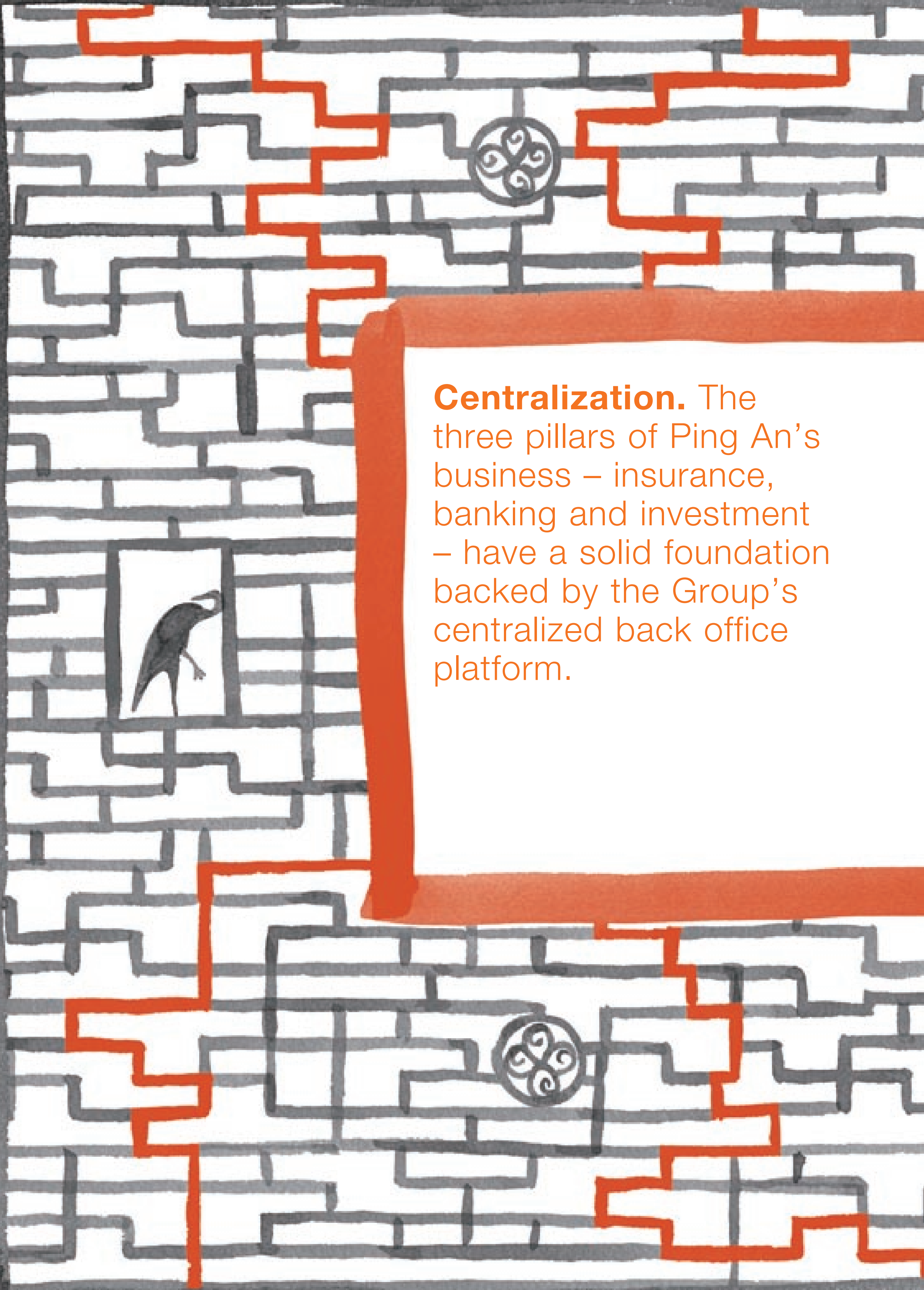
Cross-selling. Ping An's integrated financial structure enables us to match a widening range of financial products and services to the needs of an expanding customer base. Working cross-divisionally gives us enhanced efficiencies and helps to maximise overall Group growth.

Cross-selling is therefore the Group's core strategy. Its aim is to achieve a business model which we describe as "one customer, one account, multiple products and one-stop service".

All of the Group's subsidiaries, including Ping An Life, Ping An Property & Casualty, Ping An Annuity, Ping An Bank and Ping An Trust subscribe to this cross-selling strategy. For example, customers who buy our automobile or life insurance are, when appropriate, exposed to the benefits of the services that other Ping An companies can provide in credit cards, wealth management or deposits and loans.

Such cross-selling reinforces customer loyalties – often established over a decade or more. It also helps to enhance the overall potency of the Ping An brand, rapidly becoming a byword for value, efficiency and integrity.

And thanks to our centralized, highly sophisticated back office platform, all of this can be more easily and cost-effectively managed than ever before.



Centralization. The three pillars of Ping An's business – insurance, banking and investment – have a solid foundation backed by the Group's centralized back office platform.

The result of a multi-billion dollar, six-year investment, Ping An's centralized operations are already providing the Group with enhanced efficiencies and increased production capacities. This gives the Group a competitive advantage in terms of controlled costs and also raises the quality of customer service.

Other advantages include greater levels of support for sales staff and improvements in risk management processes. Overall, the application of advanced technologies and the benefits of standardised operational flow will help Ping An to achieve integrated financial strategic targets.

Integrated financial services. During the next ten years, Ping An aims to become a leading international integrated financial group. This will involve the balanced development of the Group's insurance, banking and investment businesses based on our "one customer, one account, multiple products and one-stop services" strategy.

Ping An started selling insurance from a single office in Shenzhen. Twenty years later, that venture has become one of China's leading integrated financial services providers.

Today, Ping An holds more financial licenses than any other company of its type in China. The Group also enjoys unrivalled business scope and an extensive shareholder base.

These strengths, combined with Ping An's culture of innovation, cross-selling and centralization, will enable the Group to maximise its potential from our base in a national economy that continues to grow.

Management discussion and analysis
Overview

- All of our core businesses developed soundly and steadily
- We accelerated implementing our integrated financial strategy, and synergies were increasingly visible
- Due to the global financial crisis, net profit decreased significantly to RMB477 million

We offer various financial products and services to clients under a single brand name via a multiple distribution network that leveraged the capabilities of major subsidiaries. These are Ping An Life, Ping An Property & Casualty, Ping An Trust, Ping An Securities, Ping An Bank, Ping An Annuity, Ping An Health, Ping An Asset Management and Ping An Asset Management (Hong Kong).

In 2008, China's financial sector came under severe pressure and challenges as it was hit by a global financial crisis not seen in a century, and also as a result of a drastic plunge in the global and domestic stock market. Facing a complicated and capricious business environment, we took a proactive approach that enabled our core businesses to develop soundly and steadily. In our insurance business, life insurance premium income exceeded RMB100 billion for the first time, property and casualty insurance took a higher market share, and annuity business remained a leader in its market. Nationwide expansion of the banking business steadily progressed, with the accumulated number of credit cards in circulation topping 1.5 million. Our investment business optimized the asset allocation and broadened investment channels. The third-party asset management business maintained a good development momentum. Cross-selling made a greater contribution and the back office centralization was strengthened. We successively launched Ping An One Account Management Services and Ping An Wanlitong Loyalty Points Program. All of these demonstrated the acceleration of our integrated financial strategy with the resulting synergies increasingly visible.

However, as the global financial crisis took hold, our investments inevitably suffered in 2008. The investment return and the net profit of the investment business both decreased, due in large part to a RMB22,790 million impairment provision made to our investment in Fortis shares. Due to these factors, our consolidated net profit significantly decreased from RMB19,219 million in 2007 to RMB477 million in 2008.

CONSOLIDATED RESULTS

(In RMB million)	2008	2007
Total income	**95,192**	138,213
Total expenses	**(98,171)**	(116,209)
Operating profit before tax	**(2,979)**	22,004
Net profit	**477**	19,219

NET PROFIT BY BUSINESS SEGMENT

(In RMB million)	2008	2007
Life insurance	**(2,956)**	10,883
Property and casualty insurance	**834**	2,073
Banking	**1,444**	1,537
Securities	**550**	1,492
Other businesses[(1)]	**605**	3,234
Net profit	**477**	19,219

(1) "Other businesses" mainly includes corporate, trust business and asset management business, etc.

In 2008, the net profit of our business segments was adversely affected at different levels by the global financial crisis. Our life insurance business recorded a loss of RMB2,956 million, which was primarily due to the provision of impairment loss of our investment in Fortis shares. Net profit from our property and casualty insurance business significantly decreased to RMB834 million in 2008 from RMB2,073 million in 2007, largely the result of increased claim payments from natural disasters such as the heavy snowstorm and earthquakes, combined with decreased investment income caused by stock market fluctuations. Our banking business realized a net profit of RMB1,444 million, representing a slight drop as compared with that of 2007. This was primarily due to the fact that net profit of 2007 was affected more by the one-off benefits from the packaged disposal of non-performing assets and the reversals of litigation provisions. Our securities business realized a net profit of RMB550 million, representing a significant decrease as compared with that of 2007. Again, this was mainly the result of the negative impact of stock market fluctuations on net fees and commission income, and also total investment income. The net profit of our other businesses recorded a significant decrease, reflecting the significant decrease in the net profit of our corporate business to RMB-188 million in 2008 from RMB2,536 million in 2007 as a result of decreased investment income.

For a detailed analysis of the operation results of each business line, please refer to the respective sections below.

INVESTMENT PORTFOLIO OF INSURANCE FUNDS

Insurance is the core business of the Group. The insurance funds represent the funds that can be invested by the Company and its subsidiaries engaged in insurance business. The investment of insurance funds is subject to relevant laws and regulations. The investment of insurance funds represents a majority of the investment assets of the Group. This section analyzes the investment portfolio of insurance funds.

Investment income

(In RMB million)	2008	2007
Net investment income	**18,735**	16,268
Net realized and unrealized gains/(losses)	**(907)**	34,513
Impairment losses	**(25,855)**	–
Others	**92**	–
Total investment income/(losses)	**(7,935)**	50,781
Net investment yield (%)(1)	**4.1**	4.5
Total investment yield (%)(1)	**(1.7)**	14.1

(1) Net foreign currency gains/losses on investment assets denominated in foreign currencies are excluded in the calculation of the above yields. Average investment assets used as the denominator are computed based on Modified Dietz method in principle.

In 2008, our domestic and overseas investments were affected by the significant fluctuations of both domestic and overseas stock markets. Facing the market fluctuations, we have proactively managed to adjust asset allocation. However, the significant decrease in total investment income definitely had a significant negative impact on our net profit.

Our net investment income increased 15.2% to RMB18,735 million in 2008 from RMB16,268 million in 2007. This increase was primarily due to the increase in interest income from our fixed maturity investments. Net investment yield decreased to 4.1% in 2008 from 4.5% in 2007. This decrease was primarily due to the reduced dividend income from our equity investment funds.

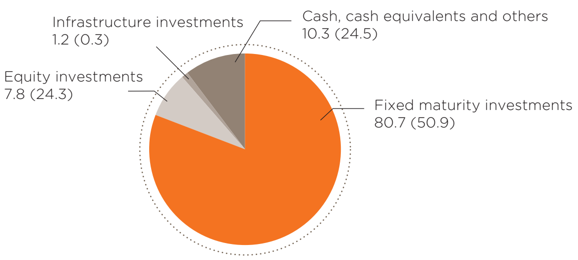
Certain of our available-for-sale equity investments have incurred relatively significant and prolonged unrealized losses. As a result, we have made impairment provision amounting to RMB25,855 million for those available-for-sale equity investments which met objective evidence of impairment criteria as at December 31, 2008. This included RMB22,790 million in impairment provision made for the investment in Fortis shares.

Investment portfolio

	December 31, 2008		December 31, 2007	
(in RMB million)	Carrying Value	%	Carrying Value	%
Fixed maturity investments				
Term deposits(1)	**84,412**	**18.2%**	33,189	7.5%
Bond investments(1)	**286,791**	**61.7%**	188,888	42.8%
Other fixed maturity investments(1)	**3,725**	**0.8%**	2,411	0.6%
Equity investments				
Equity investment funds(1)	**13,443**	**2.9%**	15,627	3.5%
Equity securities	**22,929**	**4.9%**	91,707	20.8%
Infrastructure investments	**5,509**	**1.2%**	1,389	0.3%
Cash, cash equivalents and others	**47,856**	**10.3%**	108,097	24.5%
Total investments	**464,665**	**100.0%**	441,308	100.0%

(1) These figures exclude items that are classified as cash and cash equivalents.

Investment portfolio
(%)
2008 (2007)



We have proactively improved the asset allocations of investment portfolio in response to stock market turbulence. The percentage of fixed maturity investments out of total investments increased from 50.9% as at December 31, 2007 to 80.7% as at December 31, 2008, and that of equity investments declined from 24.3% to 7.8%.

We have seriously reflected upon and learned from the experience of the investment loss in Fortis shares as a result of the financial crisis. We have had a better insight into the risks of global financial markets and have put in place improved and strengthened risk controls for the sake of seeking long-term, stable investment returns.

FOREIGN CURRENCY LOSSES

In 2008, Renminbi continued to appreciate against other major currencies, especially the US dollar. As a result, we experienced a net exchange loss of RMB465 million on foreign-denominated assets in 2008 as compared to a loss of RMB501 million in 2007.

GENERAL, ADMINISTRATIVE AND OTHER EXPENSES

(in RMB million)	2008	2007
Business tax and surcharges	**2,537**	3,451
Other general, administrative expenses and other expenses	**16,514**	16,434
Total	**19,051**	19,885

In 2008, we continued to implement stringent cost control measures. Due to the deep plunge in the stock market, business tax and surcharges arising from realized investment gains decreased significantly as compared to 2007.

INCOME TAXES

(in RMB million)	2008	2007
Current income tax	**2,840**	1,488
Deferred income tax	**(6,296)**	1,297
Total	**(3,456)**	2,785

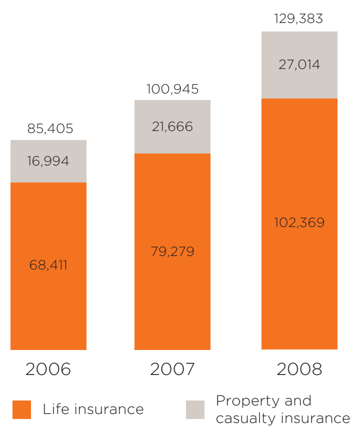
Current income tax increased to RMB2,840 million in 2008 from RMB1,488 million in 2007. This was primarily due to the increase in taxable income from subsidiaries. Deferred income tax decreased to RMB-6,296 million in 2008 from RMB1,297 million in 2007. This was largely a result of the deferred income tax assets recognized for the temporary differences resulting from the impairment loss attributable to Fortis shares.

Management discussion and analysis
Insurance business

- Ping An Life's premium income exceeded RMB100 billion for the first time
- Ping An Property & Casualty gained an increase in market share
- Ping An Annuity consolidated its leading industry position in annuity business

Our core insurance business maintained its sound and fast development momentum. Regarding life insurance business, with emphasis on platform construction about product, organisation, distribution channels and customer, implementation of strategies aimed at "Reaching New Heights" was particularly successful. While maintaining steady growth in the more profitable individual insurance business, we achieved vigorous development in our bancassurance business, recording a more than 100% increase in premium income. In respect of property and casualty insurance business, we achieved superior growth based on the principle of "Surpassing Targets Healthily" and increased market share to 10.9%. Ping An Annuity also progressed steadily in the annuity business. Its three indicators – annuity payment, assets entrusted and assets under investment management – were at the top among professional annuity companies.

Premium income
(in RMB million)



LIFE INSURANCE BUSINESS

Business overview

We conduct our life insurance business through Ping An Life, Ping An Annuity and Ping An Health.

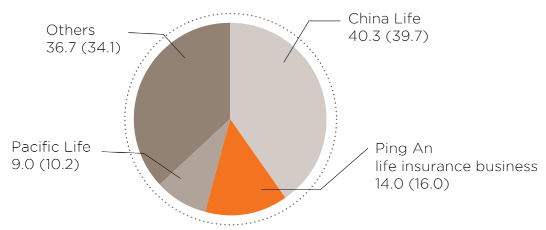
Market share

(in RMB million)	2008	2007
Ping An Life	**101,178**	79,177
Ping An Annuity	**1,158**	99
Ping An Health	**33**	3
Total premium income	**102,369**	79,279
Market share of premium income (%)[1]	**14.0**	16.0

(1) Based on our financial data and the PRC insurance industry data calculated in accordance with CAS and published by the CIRC.

In 2008, our life insurance business accounted for approximately 14.0% of the total premium income received by the PRC life insurance companies, based on our financial data and the PRC insurance industry data calculated in accordance with CAS. Ping An Life is the second largest life insurance company in the PRC in terms of premium income.

Market share
(%)
2008 (2007)



In 2008, life insurance industry sales through bancassurance channels grew significantly, and the growth rate of premium income for bancassurance was higher than that of individual life insurance. However, due to the fact that the base of our bancassurance business was relatively small and its percentage of our life insurance business was still far lower than that of the industry, this resulted in a market share decrease for our life insurance business even though the growth rate of premium income for our bancassurance approximated that of the industry. On the basis of ensuring the steady development of the more profitable individual insurance business, we will strive to balance the development of bancassurance business and continuously improve market competitiveness.

Ping An Life

Ping An Life, through its 35 provincial branches and nearly 2,000 branch offices and outlets, provides individual and group customers with life insurance products. In 2008, in order to facilitate fast and sound growth, an additional capital of RMB20 billion was injected into Ping An Life, improving its solvency. As at December 31, 2008, the registered capital of Ping An Life was RMB23.8 billion.

The following is a summary of operating data:

	2008	2007
Number of customers		
Individual (in thousands)	**36,492**	33,808
Corporate (in thousands)	**458**	351
Total (in thousands)	**36,950**	34,159
Persistency ratio		
13-month	**91.6%**	90.4%
25-month	**86.2%**	81.2%
Agent productivity		
First-year premiums per agent per month	**5,423**	5,316
New individual life insurance policies per agent per month (1)	**1.1**	1.3
Distribution network		
Number of individual life sales agents	**355,852**	301,801
Number of group sales representatives	**3,366**	2,857
Bancassurance outlets	**39,878**	26,310

(1) In 2008, as the number of agents increased significantly and new agents accounted for a relatively high portion, the number of new individual life insurance policies per agent recorded a slight decrease.

In 2008, Ping An Life continued to enhance its business performance by executing the “Reaching New Heights” and “Two-Tier Market Development” strategies. We continued to focus on regular premium individual life insurance products that provide a stable revenue stream and generate sustainable long-term profits. In 2008, the premium income attributable to our individual life insurance business amounted to RMB79,104 million, representing an increase of 23.0% from the previous year. Meanwhile, Ping An Life strengthened its effort in expanding its bancassurance business, recording a more than 100% increase in premium income. In addition, the value of one year’s new business in 2008 was RMB8,541 million, representing an increase of 18.8% from the previous year.

While actively cultivating its teams of individual life insurance sales agents, Ping An Life enhanced the productivity and professionalism of its sales agents through the continued refinement of their training. We also enhanced customer service. As at December 31, 2008, Ping An Life had approximately 36.49 million individual customers and 460,000 corporate customers. The 13-month and 25-month persistency ratios for our individual life insurance customers were maintained at a satisfactory level of above 90% and 80% respectively in 2008.

Our life insurance products are primarily distributed through a network that includes a sales force of approximately 356,000 individual life insurance sales agents, over 3,000 group insurance sales representatives and approximately 40,000 branch offices of commercial banks that have bancassurance arrangements with us.

Management discussion and analysis
Insurance business

Ping An Annuity

Ping An Annuity was set up on December 13, 2004. Having obtained approval from the CIRC on December 27, 2006, Ping An Annuity conducted its business restructuring. Following the restructuring, the principal business of Ping An Annuity is corporate annuity and supplementary pension. In 2008, the Company injected RMB500 million into Ping An Annuity. As at December 31, 2008, Ping An Annuity had a registered capital of RMB1,000 million. Since its incorporation, Ping An Annuity has successively obtained three licenses to operate the corporate annuity businesses of fiduciary management, investment management and account management. It is one of the few professional annuity companies that have obtained all three of such licenses. Ping An Annuity has already set up 35 branches and 64 sub-branches (or central sub-branches) nationwide. The establishment of 63 central sub-branches is underway.

The annuity business of Ping An Annuity developed smoothly. In 2008, accumulated annuity payments were RMB9,017 million (2007: RMB4,887 million). As at December 31, 2008, assets under trust amounted to RMB12,402 million (December 31, 2007: RMB4,983 million), and assets under investment management amounted to RMB14,613 million (December 31, 2007: RMB5,050 million). These three indicators put Ping An Annuity in a leading position among domestic professional annuity companies.

Ping An Health

Ping An Health is principally engaged in providing domestic and overseas corporate and individual customers with various health insurance products and professional services. It has registered capital of RMB500 million. Based on the principles of "professionalism, credibility and innovation", Ping An Health is, through the provision of professional services, committed to enhancing the ability of its customers to withstand the risks of diseases, enhancing the health and quality of life of its customers, and so ultimately facilitating the prosperity and progress of our society. By the end of 2008, Ping An Health had set up three subsidiaries in Shanghai, Guangdong and Beijing. With a sound product mix and a professional services platform, Ping An Health has set up a network of hospitals covering 32 major cities in China as well as a network of hospitals overseas. It has launched a series of health insurance products that cater to the demands of mid-and-high-end customers.

Legacy high-guaranteed-return products

Like other major PRC life insurance companies, in the period 1995 to 1999 we offered life insurance products with relatively high guaranteed rates of return equal to or in excess of 5%, primarily as a result of the prevailing high market interest rates in that period. In June 1999, the CIRC imposed a cap of 2.5% with respect to the guaranteed rate of return a life insurance company could offer on its products. As a result, we have offered guaranteed return products with rates of return equal to or less than 2.5% since June 1999. The average guaranteed liability costs for all of guaranteed return life insurance products and only those products with high guaranteed rates of return were 3.5% and 6.1% respectively as at December 31, 2008. The respective average guaranteed liability costs were 3.7% and 6.1% as at December 31, 2007. The decrease in average guaranteed liability costs for all guaranteed return products was mainly due to the continual increase in new life insurance policies with a relatively lower guaranteed rate of return. The policyholders' reserves for life insurance policies with high guaranteed rates of return, as calculated based on financial data in accordance with CAS, represented 32.8% of total long-term life insurance policyholders' reserves as at December 31, 2008 compared to 35.1% as at December 31, 2007. We expect the policyholders' reserves of these high-guaranteed-return life insurance policies to decline as a percentage of our total in-force life insurance policies, as new policies with lower or no guaranteed rates of return continue to grow.

Financial analysis

Results of operation

(in RMB million)	2008	2007
Gross written premiums, policy fees and premium deposits	**102,369**	79,279
Less: Premium deposits	**(31,373)**	(19,270)
Gross written premiums and policy fees	**70,996**	60,009
Net earned premiums	**69,744**	59,080
Investment income	**(9,411)**	43,756
Other income	**1,494**	877
Total income	**61,827**	103,713
Change in deferred policy acquisition costs	**8,732**	8,820
Claims and policyholders' benefits	**(56,576)**	(82,741)
Commission expenses of insurance operations	**(11,811)**	(9,004)
Foreign currency losses	**(374)**	(510)
General, administrative and other expenses	**(8,786)**	(8,872)
Total expenses	**(68,815)**	(92,307)
Income taxes	**4,032**	(523)
Net profit	**(2,956)**	10,883

As a result of the adverse impact of the global financial crisis, we made an impairment provision for our investment in Fortis shares and thus recorded a loss of RMB2,956 million in our life insurance business in 2008.

Gross written premiums, policy fees and premium deposits

2008 (in RMB million)	Premiums and policy fees	Premium deposits	Total
Individual life			
New business			
First-year regular premiums	13,492	6,227	19,719
First-year single premiums	369	875	1,244
Short-term accident and health premiums	1,911	–	1,911
Total new business	15,772	7,102	22,874
Renewal business	44,642	11,588	56,230
Total individual life	60,414	18,690	79,104
Bancassurance			
New business			
First-year regular premiums	53	13	66
First-year single premiums	1,611	12,657	14,268
Short-term accident and health premiums	2	–	2
Total new business	1,666	12,670	14,336
Renewal business	478	13	491
Total bancassurance	2,144	12,683	14,827
Group insurance			
New business			
First-year single premiums	4,705	–	4,705
Short-term accident and health premiums	3,508	–	3,508
Total new business	8,213	–	8,213
Renewal business	225	–	225
Total group insurance	8,438	–	8,438
Total life insurance	70,996	31,373	102,369

2007 (in RMB million)	Premiums and policy fees	Premium deposits	Total
Individual life			
New business			
First-year regular premiums	10,683	4,444	15,127
First-year single premiums	289	474	763
Short-term accident and health premiums	1,836	–	1,836
Total new business	12,808	4,918	17,726
Renewal business	38,788	7,796	46,584
Total individual life	51,596	12,714	64,310
Bancassurance			
New business			
First-year regular premiums	58	9	67
First-year single premiums	373	6,541	6,914
Short-term accident and health premiums	2	–	2
Total new business	433	6,550	6,983
Renewal business	274	6	280
Total bancassurance	707	6,556	7,263
Group insurance			
New business			
First-year regular premiums	4,361	–	4,361
Short-term accident and health premiums	2,900	–	2,900
Total new business	7,261	–	7,261
Renewal business	445	–	445
Total group insurance	7,706	–	7,706
Total life insurance	60,009	19,270	79,279

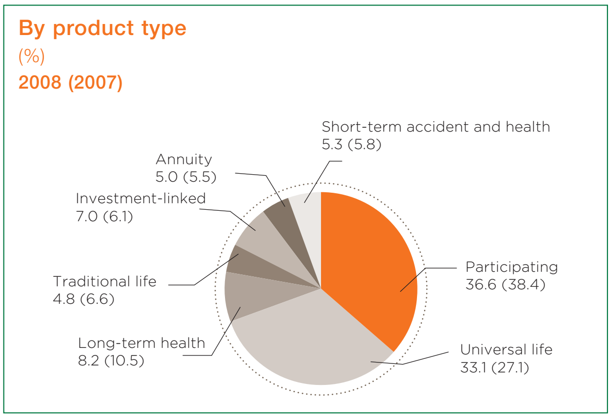
Individual Life Insurance. Gross written premiums, policy fees and premium deposits for our individual life business increased 23.0% to RMB79,104 million in 2008 from RMB64,310 million in 2007. This increase was primarily due to the 29.0% increase in first-year premiums, policy fees and premium deposits to RMB22,874 million in 2008 from RMB17,726 million in 2007. This came about as a result of the continued improvement in the quantity and productivity of our agency force. In addition, renewal premiums, policy fees and premium deposits for our individual life business increased 20.7% to RMB56,230 million in 2008 from RMB46,584 million in 2007. Meanwhile, gross written premiums and policy fees for renewal insurance policies of our short-term accident and health insurance and guaranteed renewal health insurance increased 2.7% to RMB1,678 million in 2008 from RMB1,634 million in 2007.

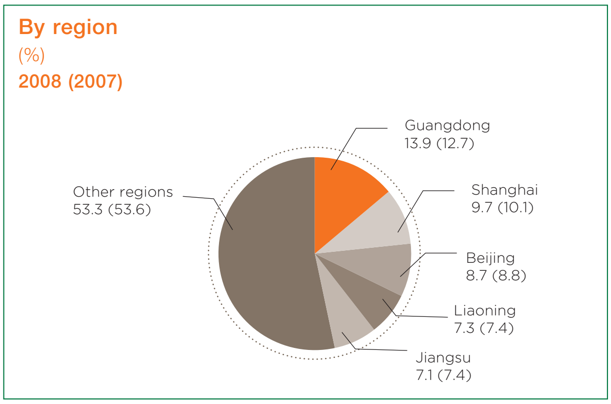
Bancassurance. Gross written premiums, policy fees and premium deposits for our bancassurance business increased 104.1% to RMB14,827 million in 2008 from RMB7,263 million in 2007. This increase was primarily due to the collaborative effort from both bank channels and the Company.

Group Insurance. Gross written premiums, policy fees and premium deposits for our group insurance business increased 9.5% to RMB8,438 million in 2008 from RMB7,706 million in 2007. This increase was primarily due to our focus on multi-sales channel development, promotion of employee welfare benefit plans and other businesses. Gross written premiums and policy fees for our short-term accident and health insurance of group insurance business increased 21.0% to RMB3,508 million in 2008 from RMB2,900 million in 2007.

The following is the breakdown of gross written premiums, policy fees and premium deposits for our life business by product type:

(in RMB million)	2008	2007
Participating	**37,433**	30,411
Universal life	**33,870**	21,453
Long-term health	**8,454**	8,318
Traditional life	**4,943**	5,249
Investment-linked	**7,172**	4,873
Annuity	**5,076**	4,337
Short-term accident and health	**5,421**	4,638
Total	**102,369**	79,279





In 2008, approximately 46.7% (2007: 46.4%) of premium income from our life insurance business was attributable to customers located in Guangdong, Shanghai, Beijing, Liaoning and Jiangsu, which are among the more economically developed areas in China.

Investment income

(in RMB million)	2008	2007
Net investment income	**15,520**	14,767
Net realized and unrealized gains	**151**	28,989
Impairment losses	**(25,107)**	–
Others	**92**	–
Total investment income	**(9,344)**	43,756
Net investment yield (%)[1]	**4.0**	4.8
Total investment yield (%)[1]	**(2.4)**	14.2

(1) Net foreign currency gains/losses on investment assets denominated in foreign currencies are excluded in the calculation of the above yields. Average investment assets used as the denominator are computed based on Modified Dietz method in principle.

Net investment income for our life insurance business increased 5.1% to RMB15,520 million in 2008 from RMB14,767 million in 2007. This increase was primarily due to the increase in investment assets to RMB406,654 million as at December 31, 2008 from RMB364,268 million as at December 31, 2007, as well as improvement in the asset allocation of the investment portfolio. The proportion of fixed maturity investment was increased and the interest income therefrom also increased. Net investment yield for our life insurance business decreased to 4.0% in 2008 from 4.8% in 2007. This decrease was primarily due to the decrease of dividend income received from equity investment funds.

Due to the adverse impact of extreme volatility in the stock market and the substantial impairment loss made for the investment in Fortis shares, in 2008, our life insurance business recorded an investment loss of RMB9,344 million and total investment yield was -2.4%.

Change in deferred policy acquisition costs

The change in deferred policy acquisition costs was RMB8,732 million in 2008 as compared to RMB8,820 million in 2007.

Claims and policyholders' benefits

(in RMB million)	2008	2007
Claims	**4,341**	3,446
Surrenders	**8,552**	9,464
Annuities	**3,388**	2,894
Maturities and survival benefits	**11,414**	9,327
Policyholder dividends	**6,276**	3,514
Interest credited to policyholder contract deposits	**2,501**	1,175
Net increase in policyholders' reserves	**20,104**	52,921
Total claims and policyholders' benefits	**56,576**	82,741

Payments for claims increased 26.0% to RMB4,341 million in 2008 from RMB3,446 million in 2007. This was primarily due to the higher claims expense incurred for our health insurance products.

Payments for surrenders decreased 9.6% to RMB8,552 million in 2008 from RMB9,464 million in 2007. This was primarily due to the smaller payments for surrenders of certain single premium participating products sold through our bancassurance channels as compared to payments in 2007.

Payments for maturities and survival benefits increased 22.4% to RMB11,414 million in 2008 from RMB9,327 million in 2007. This was primarily due to the increase in maturities and survival benefits paid as a result of the product features of certain individual life insurance and bancassurance products.

Payments for policyholder dividends increased significantly to RMB6,276 million in 2008 from RMB3,514 million in 2007. This was primarily due to the increase in sales of participating insurance policies and the higher dividend level for our participating products.

Payments for interest credited to policyholder contract deposits increased significantly to RMB2,501 million in 2008 from RMB1,175 million in 2007. This was primarily due to the increase in sales of universal life policies and higher credit interest rates for our universal life insurance.

Net increase in policyholders' reserves was RMB20,104 million in 2008, while the same period of 2007 was RMB52,921 million. The smaller increase in policyholders' reserves was primarily due to three factors. Firstly, there was significant increase in payments for policyholder dividends and interests credited for universal life insurance, and substantial decrease in market value of certain investment assets. As a result, the difference of change (decrease) in participating special dividend reserves and universal life smoothing reserves was RMB28,493 million as compared with 2007. Secondly, Ping An Life entered into reinsurance agreement which ceded the retained sum at risk to the reinsurance company on some of its traditional non-participating life insurance policies in 2008. As a result, the reinsurers' share of policyholders' reserves increased RMB2,390 million and change in policyholders' reserves decreased accordingly. Finally, there was an increase in the payments for maturities and survival benefits and change in policyholders' reserves decreased accordingly.

PROPERTY AND CASUALTY INSURANCE BUSINESS

Business overview

We conduct our property and casualty insurance business mainly through Ping An Property & Casualty. Furthermore, Ping An Hong Kong also offers property and casualty insurance service in the Hong Kong market. In 2008, an additional capital of RMB1,000 million was injected into Ping An Property & Casualty. As at December 31, 2008, Ping An Property & Casualty had registered capital of RMB4,000 million.

Market share

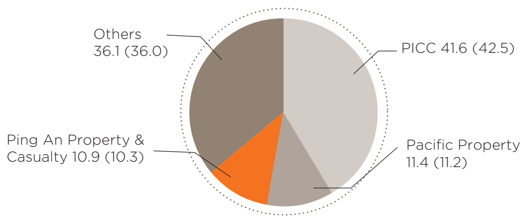
The premium income received by Ping An Property & Casualty and its market share are as follows:

	2008	2007
Premium income (in RMB million)	**26,751**	21,450
Market share of premium income (%)(1)	**10.9**	10.3

(1) Based on our financial data and the PRC insurance industry data calculated in accordance with CAS and published by the CIRC.

In 2008, Ping An Property & Casualty accounted for approximately 10.9% of the total premium income received by the PRC property and casualty insurance companies, based on our financial data and the PRC insurance industry data calculated in accordance with CAS. Ping An Property & Casualty is the third largest property and casualty insurance company in the PRC in terms of premium income.

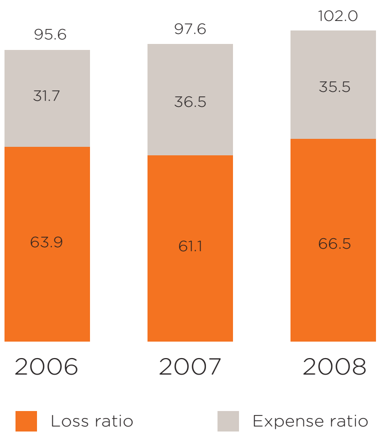
Market share
(%)
2008 (2007)



Combined ratio

In 2008, combined ratio of our property and casualty insurance business was at a higher level of 102.0% due to the occurrence of natural disasters such as heavy snowstorm, earthquakes and rainstorm as well as reduced premium rates for the compulsory third party liability insurance for automobiles. This placed significant pressure on the profitability of our property and casualty insurance business. This business would have a combined ratio of 98.1% in 2008 should the net losses caused by adverse conditions not be taken into account.

Combined ratio
(%)



To cope with the negative impacts of serious natural disasters on our expenses, we have proactively taken stringent cost control measures and embarked on a strategy to enhance sales channels. This includes the more frequent use of low-cost sales channels such as telephone sales and cross-selling. We are also optimizing our operating model to lower costs while maintaining the momentum of business development.

Summary of operating data

	2008	2007
Number of customers[1]		
Individual (in thousands)	**8,206**	7,122
Corporate (in thousands)	**1,611**	1,623
Total (in thousands)	**9,817**	8,745
Distribution network		
Number of direct sales representatives	**10,656**	10,420
Number of insurance agents	**13,461**	10,948

(1) The number of customers in 2007 has been restated to conform to the current year's presentation.

The product distribution network of Ping An Property & Casualty comprises 40 branches located in various provinces, autonomous regions and centrally supervised municipalities in China, and over 1,700 sub-branches located throughout China. Ping An Property & Casualty distributes its insurance products mainly through its in-house sales representatives and through various intermediaries, such as banks and automobile dealerships and insurance brokers.

Financial analysis
Results of operation

(in RMB million)	2008	2007
Gross written premiums	**27,014**	21,666
Net earned premiums	**20,474**	15,795
Reinsurance commission income	**1,285**	992
Investment income	**1,659**	2,534
Other income	**88**	38
Total income	**23,506**	19,359
Change in deferred policy acquisition costs	**562**	552
Claim expenses	**(13,612)**	(9,651)
Commission expenses of insurance operations	**(3,052)**	(2,003)
Foreign currency losses	**(40)**	(10)
General and administrative expenses	**(6,145)**	(5,423)
Including: investment-related general and administrative expenses	**(84)**	(115)
Other expenses	**(62)**	(63)
Total expenses	**(22,349)**	(16,598)
Income taxes	**(323)**	(688)
Net profit	**834**	2,073

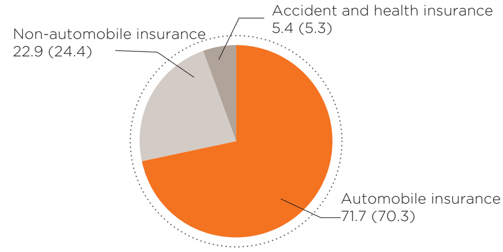
Net profit from our property and casualty insurance business declined significantly from RMB2,073 million in 2007 to RMB834 million in 2008, mainly due to the increase in claim expenses as a result of natural disasters such as heavy snowstorm and earthquakes as well as decrease in investment income resulting from stock market fluctuations.

Gross written premiums

In 2008, all three principal lines of our property and casualty insurance business recorded steady growth.

(in RMB million)	2008	2007
Automobile insurance	**19,377**	15,241
Non-automobile insurance	**6,185**	5,277
Accident and health insurance	**1,452**	1,148
Gross written premiums	**27,014**	21,666

By product type
(%)
2008 (2007)

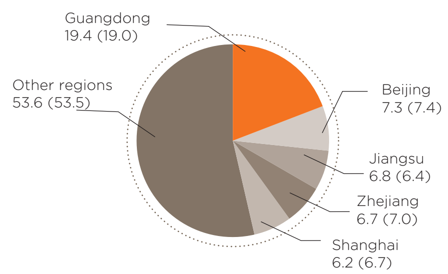


Automobile insurance. Gross written premiums increased 27.1% to RMB19,377 million in 2008 from RMB15,241 million in 2007. This was primarily attributable to the continued increase in demand for automobiles in the PRC.

Non-automobile insurance. Gross written premiums increased 17.2% to RMB6,185 million in 2008 from RMB5,277 million in 2007. This was primarily due to the rapid growth of gross written premiums from commercial property insurance, liability insurance and special risk insurance. Gross written premiums attributable to commercial property insurance increased 9.6% to RMB2,638 million in 2008 from RMB2,408 million in 2007. Gross written premiums attributable to liability insurance increased 23.3% to RMB762 million in 2008 from RMB618 million in 2007. Gross written premiums attributable to special risk insurance increased 35.2% to RMB599 million in 2008 from RMB443 million in 2007.

Accident and health insurance. Gross written premiums increased 26.5% to RMB1,452 million in 2008 from RMB1,148 million in 2007. This was primarily due to our continuous focus on growing this line of business.

By region
(%)
2008 (2007)



Management discussion and analysis
Insurance business

In 2008, approximately 46.4% (2007: 46.5%) of premium income from our property and casualty insurance business was attributable to customers located in Guangdong, Beijing, Jiangsu, Zhejiang and Shanghai, which are among the more economically developed areas in China.

Investment Income

(in RMB million)	2008	2007
Net investment income	**1,027**	652
Net realized and unrealized gains	**971**	1,882
Impairment losses	**(339)**	–
Total investment income	**1,659**	2,534
Net investment yield (%)(1)	**4.3**	4.0
Total investment yield (%)(1)	**7.0**	14.7

(1) Net foreign currency gains/losses on investment assets denominated in foreign currencies are excluded in the calculation of the above yields. Average investment assets used as the denominator are computed based on Modified Dietz method in principle.

Net investment income from our property and casualty insurance business increased 57.5% to RMB1,027 million in 2008 from RMB652 million in 2007, while net investment yield increased to 4.3% in 2008 from 4.0% in 2007. These increases were primarily due to the higher interest income as a result of the increase in the proportion of fixed maturity investments.

Total investment income attributable to our property and casualty insurance business decreased 34.5% to RMB1,659 million in 2008 from RMB2,534 million in 2007. Total investment yield decreased to 7.0% in 2008 from 14.7% in 2007. These decreases were primarily due to the lower realized investment gains and impairment provision made for certain available-for-sale equity investments as a result of significant fluctuation in stock markets.

Change in deferred policy acquisition costs

The change in deferred policy acquisition costs was RMB562 million in 2008 as compared to RMB552 million in 2007. This smaller difference of change in deferred policy acquisition costs was primarily due to a decrease in the change in unearned premium reserves in 2008 as compared to that in 2007. The decrease was offset partly by an increase in the percentage of acquisition costs that can be deferred.

Claims expenses

(in RMB million)	2008	2007
Automobile insurance	**10,789**	7,768
Non-automobile insurance	**1,976**	1,321
Accident and health insurance	**847**	562
Total claims	**13,612**	9,651

Claims attributable to automobile insurance business increased 38.9% to RMB10,789 million in 2008 from RMB7,768 million in 2007. This was primarily due to the increase in gross written premiums and the increase in claims expense as a result of natural disasters such as heavy snowstorm and rainstorm.

Claims attributable to non-automobile insurance business increased 49.6% to RMB1,976 million in 2008 from RMB1,321 million in 2007. This was primarily due to the increase in claims expense as a result of natural disasters such as heavy snowstorm and earthquakes.

Claims attributable to accident and health insurance business increased 50.7% to RMB847 million in 2008 from RMB562 million in 2007. This was primarily due to the increase in gross written premiums by year.

In 2008, claims expenses of our property and casualty business due to heavy snowstorm, earthquakes and rainstorm, which include claims incurred and claim reserves, net of claims recoverable from reinsurers, were approximately RMB464 million, RMB132 million and RMB158 million respectively.

Commission expenses

	2008	2007
Commission expenses as a percentage of gross written premiums	**11.3%**	9.2%

Commission expenses of our property and casualty insurance business increased 52.4% to RMB3,052 million in 2008 from RMB2,003 million in 2007. As a percentage of gross written premiums, commission expenses increased to 11.3% in 2008 from 9.2% in 2007. These increases were primarily due to the increase in gross written premiums and intensified market competition in the property and casualty insurance industry.

SOLVENCY MARGIN

The following table sets forth the solvency margin ratios for Ping An Life and Ping An Property & Casualty:

	Ping An Life		Ping An Property & Casualty	
(in RMB million)	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Actual capital	**33,752**	45,218	**5,047**	4,895
Minimum capital	**18,371**	15,704	**3,293**	2,695
Solvency margin ratio (%)	**183.7**	287.9	**153.3**	181.6

The solvency margin ratio is a measure of capital adequacy for insurance companies. It is calculated by dividing the actual capital by the statutory minimum capital. Under the applicable CIRC regulations, the PRC insurance companies are required to maintain specified solvency margin ratios.

As at December 31, 2008, the solvency margins of Ping An Life and Ping An Property & Casualty were comfortably above regulatory requirement. The solvency margin ratios of Ping An Life and Ping An Property & Casualty decreased significantly as compared to December 31, 2007, as a result of fluctuations in the stock markets.

Management discussion and analysis
Banking business

- Approvals for branch expansions marked significant progress towards the goal of becoming a nationwide bank
- Accumulated credit cards in circulation broke through 1.5 million – best record for first-year card issuance among the banks in China
- Reduction in both the amount and ratio of non-performing loans, with asset quality among the best in the industry

In 2008, Shenzhen Ping An Bank forged ahead on a sound operational basis. We developed our banking businesses in a sound and stable way, with nationwide expansion progressing steadily, and have made significant breakthrough in approvals for branch expansion. The corporate business continued its focus on innovation and created multiple new products, boosting the growth of both its loan business and intermediary businesses. The retail banking business also developed quickly, and wealth management business scaled up progressively. The number of Anchor Wealth Management Centers tripled, boosting the influence in the Shenzhen high-end customer wealth management market. Credit cards in circulation exceeded 1.5 million, setting the best record for first-year card issuance among the banks in China. Equally important was the success in opening Quanzhou Branch, Xiamen Branch and Hangzhou Branch, approval for opening the Guangzhou Branch and the upscaling of the Shenzhen management center to a branch operation. All of these achievements were important milestones in the development of Shenzhen Ping An Bank into a nationwide bank. With remarkable improvement in the building of our service platform and sales channels, including outlets, e-banking, call center and ATMs, customer satisfaction rose to new levels. We have made significant breakthrough in cross-selling, turning the existing Group's customers into our bank's customers smoothly, 50% of new cardholders in 2008 were our existing Ping An customers. In January 2009, Shenzhen Ping An Bank got approval from the CBRC to change its name to Ping An Bank Co., Ltd., a move that is of great significance for the inter-regional operation and development of the banking business.

RESULTS OF OPERATION

(in RMB million)	2008	2007
Net interest income	**3,814**	3,478
Net fee and commission income	**206**	112
Investment income	**(164)**	5
Income from other businesses[(1)]	**68**	491
Total operating income	**3,924**	4,086
Asset impairment losses	**(269)**	(164)
Net operating income	**3,655**	3,922
General, administrative and other expenses[(2)]	**(2,278)**	(1,769)
Profit before tax	**1,377**	2,153
Income taxes	**67**	(616)
Net profit	**1,444**	1,537

(1) Income from other businesses includes exchange gains/(losses), other operating income, and non-operating income.
(2) General, administrative and other expenses includes operating expenses, business taxes and surcharges, other expenses and non-operating expenses.

Net profit from our banking business decreased 6.1% to RMB1,444 million in 2008 from RMB1,537 million in 2007. However, excluding the one-off positive impacts of non-performing assets (NPA) disposal and litigation reserve reversal on 2007 operating performance (totalling RMB409 million), and the one-off positive impacts of deductible loss (totalling RMB300 million), as approved by tax authority in 2008, net profit recorded a slight growth in 2008 despite a large amount of investment in strategic initiatives.

NET INTEREST INCOME

(in RMB million)	2008	2007
Interest income		
Loan and advances to customers	**4,838**	3,200
Balance with the PBOC	**319**	163
Due from banks and other financial institutions	**532**	646
Bond interest income	**1,331**	1,305
Total interest income	**7,020**	5,314
Interest expense		
Customer deposits	**(2,560)**	(1,499)
Due to banks and other financial institutions	**(646)**	(337)
Total interest expense	**(3,206)**	(1,836)
Net interest income	**3,814**	3,478
Net interest spread(1)	**2.66%**	2.81%
Average interest-earning asset balance	**134,524**	120,022
Average interest-bearing liability balance	**125,287**	113,159

(1) Net interest spread (NIS) refers to the difference between the average yield of interest-earning assets and the average cost ratio of interest-bearing liabilities.

Net interest income increased 9.7% to RMB3,814 million in 2008 from RMB3,478 million in 2007, which reflects better management of asset and liability. NIS was contracted from 2.81% in 2007 to 2.66% in 2008, due to a series of interest rate cuts by PBOC in the second half of 2008.

INVESTMENT INCOME

Investment income for our banking business decreased to RMB-164 million in 2008 from RMB5 million in 2007, due to the volatile capital markets, which resulted in adverse impact on fair value of trading bond investment and derivative financial instruments.

INCOME FROM OTHER BUSINESSES

Income from other businesses decreased 86.2% to RMB68 million in 2008 from RMB491 million in 2007. As described above, there were one-off positive impacts of NPA disposal and litigation reserve reversal in 2007.

GENERAL, ADMINISTRATIVE AND OTHER EXPENSE

(in RMB million)	2008	2007
General and administrative expenses	**1,828**	1,490
Business tax and surcharges	**273**	179
Other expenses and non-operating expenses	**177**	100
Total general, administrative and other expenses	**2,278**	1,769
Cost/income ratio(1)	**47.0%**	41.0%

(1) Cost/income ratio refers to general and administrative expenses/ operating income (excluding non-operating income).

General, administrative and other expenses increased 28.8% to RMB2,278 million in 2008 from RMB1,769 million in 2007 and cost/income ratio increased to 47.0% in 2008 from 41.0% in 2007. These were due to additional resources for developing credit card businesses, setting up new branches/outlets, IT infrastructure establishment, and strengthening of the audit and compliance functions. Additional resources are necessary for sustainable business growth in future and establish a solid foundation for developing into a nationwide bank.

ASSET IMPAIRMENT LOSSES

Asset impairment losses increased 64.0% to RMB269 million in 2008 from RMB164 million in 2007, reflecting the impact of NPA impairment provision reversal as a result of NPA disposal in 2007.

INCOME TAX

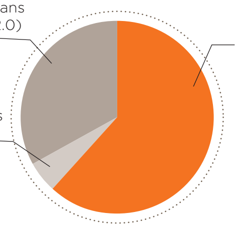
	2008	2007
Effective tax rate	**-4.9%**	28.6%

Income tax decreased significantly to RMB-67 million in 2008 from RMB616 million in 2007. The effective tax rate decreased to -4.9% in 2008 from 28.6% in 2007, as income tax amounting to RMB300 million accrued in 2007 was reversed in 2008 under the approval of tax authority. Excluding this impact, the effective tax rate in 2008 was 16.9%.

LOAN MIX

(in RMB million)	December 31, 2008	December 31, 2007
Corporate loans	**44,754**	36,142
Discounted bills	**3,784**	5,976
Retail loans	**23,948**	19,782
Total loans	**72,486**	61,900

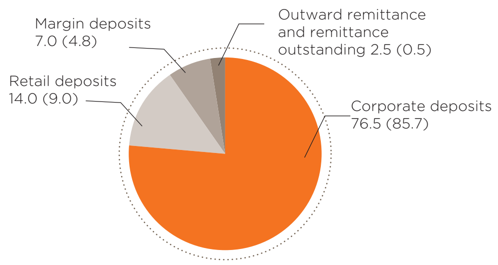
Loan mix
(%)
2008 (2007)



Total loans increased 17.1% to RMB72,486 million in 2008 from RMB61,900 million in 2007. Corporate loans increased 23.8% to RMB44,754 million, contributing 61.8% (2007: 58.4%) to total loans in 2008. Retail loans increased 21.1% to RMB23,948 million, contributing 33.0% (2007: 32.0%) to total loans. Due to the restructuring of loan mix and asset and liability management, discounted bills decreased 36.7% to RMB3,784 million in 2008.

DEPOSIT MIX

(in RMB million)	December 31, 2008	December 31, 2007
Corporate deposits	**81,758**	96,941
Retail deposits	**14,962**	10,184
Margin deposits	**7,417**	5,397
Outward remittance and remittance outstanding	**2,677**	531
Total customer deposits and margin deposits	**106,814**	113,053



Total customer deposits and margin deposits decreased 5.5% to RMB106,814 million in 2008 from RMB113,053 million in 2007. Excluding the impact of Group's short-term deposit withdrawal (RMB18,412 million), total customer deposits increased by RMB12,173 million compared with that of 2007. Various customer deposits (including corporate deposits, retail deposits, margin deposits, outward remittance and remittance outstanding) experienced steady growth.

LOAN QUALITY

(in RMB million)	December 31, 2008	December 31, 2007
Pass	**69,210**	58,370
Special mention	**2,885**	3,019
Substandard	**176**	296
Doubtful	**180**	167
Loss	**35**	48
Total loans	**72,486**	61,900
Total non-performing loans	**391**	511
Non-performing loan ratio	**0.54%**	0.83%
Impairment provision balance	**601**	420
Provision coverage ratio	**153.7%**	82.2%

Loan quality improved in 2008. Non-performing loan balance decreased 23.5% to RMB391 million in 2008 from RMB511 million in 2007, and the non-performing loan ratio decreased to 0.54% in 2008 from 0.83% in 2007. This was primarily due to the successful collection of bad loans of RMB300 million in 2008 and low migration rate from the normal category to non-performing category.

Given the current economic situation, in spite of lower non-performing loan balance, additional loan impairment provisions were made in 2008 for the purpose of maintaining stable operation. As a result, provision coverage ratio increased to 153.7% in 2008 from 82.2% in 2007.

CAPITAL ADEQUACY RATIO (CAR)

(in RMB million)	December 31, 2008	December 31, 2007
Net capital	**8,510**	6,209
Net risk weighted asset	**79,573**	68,466
CAR (regulatory requirement >=8%)	**10.7%**	9.1%
Core CAR (regulatory requirement >=4%)	**10.5%**	9.1%

As at December 31, 2008, Ping An Bank's CAR and Core CAR were comfortably above regulatory requirement level of 8% and 4%, at 10.7% and 10.5% respectively.

Management discussion and analysis
Investment business

- While maintaining its leading position in the SME underwriting market, Ping An Securities has made a successful breakthrough in underwriting big projects
- Ping An Trust enriched its product line in response to market demand – assets held in trust under its management amounted to RMB48,514 million
- Ping An Asset Management took the lead in investing insurance funds into Beijing-Shanghai High-Speed Railway – a noteworthy example of direct investment business that broadened our investment channel

SECURITIES BUSINESS

We conduct our securities business through Ping An Securities, which provides brokerage, investment banking, asset management and financial advisory services. Ping An Securities became an innovative securities company in 2006 and was rated Category A, Grade A in the regulatory rating for the category of securities companies by the CSRC in 2008. As at December 31, 2008, Ping An Securities had a registered capital of RMB1,800 million.

In 2008, China's domestic stock market plunged deeply. As a result, turnover in the secondary market decreased significantly, which had an impact on Ping An Securities' brokerage and proprietary trading businesses. However, its investment banking underwriting businesses continued to do well. Ping An Securities had underwritten eight IPO projects as lead underwriter and five refinancing projects in the stock market, and six corporate bond issuance in the bond market. While maintaining its competitive edge in the SME stock underwriting market, it has made a significant breakthrough in underwriting big projects by successfully underwriting the RMB11.5 billion CONCH refinancing project. Ping An Securities has also obtained approval for its pilot implementation of direct investment business from the CSRC and has set up a wholly-owned subsidiary, Ping An Caizhi, to take up the direct investment business.

Results of operation

(in RMB million)	2008	2007
Net fee and commission income	**1,229**	1,998
Investment income	**233**	1,257
Other income	**9**	16
Total operating income	**1,471**	3,271
Foreign currency losses	**(4)**	(4)
General, administrative and other expenses	**(781)**	(1,379)
Total operating expenses	**(785)**	(1,383)
Income tax	**(136)**	(396)
Net profit	**550**	1,492

As a result of the negative impact of the volatile domestic stock market, the net profit of the securities business decreased significantly to RMB550 million in 2008 from RMB1,492 million in 2007.

Net fees and commission income

(in RMB million)	2008	2007
Fees and commission income		
Brokerage fees	**796**	1,556
Underwriting commission income	**511**	505
Others	**14**	102
Total fees and commission income	**1,321**	2,163
Fees and commission expenses		
Brokerage fees paid	**(92)**	(165)
Total fees and commission expenses	**(92)**	(165)
Net fees and commission income	**1,229**	1,998

Brokerage fees income decreased 48.8% to RMB796 million in 2008 from RMB1,556 million in 2007. This was a result of a significant decrease in the turnover in the domestic stock market.

The decrease in the brokerage fees expenses was in line with the decrease in the brokerage fees income.

As a result of the foregoing, net fees and commission income decreased 38.5% to RMB1,229 million in 2008 from RMB1,998 million in 2007.

Investment income

(in RMB million)	2008	2007
Net investment income	**113**	106
Net realized and unrealized gains	**127**	1,151
Impairment losses	**(7)**	–
Total investment income	**233**	1,257

Total investment income decreased significantly to RMB233 million in 2008 from RMB1,257 million in 2007. This was primarily due to fluctuations in the stock market resulting in significant decrease in the net realized and unrealized gains.

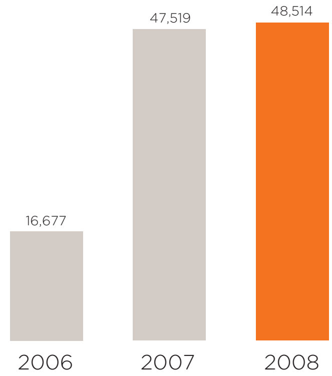
TRUST BUSINESS

We provide asset management service to our customers through Ping An Trust. In addition, Ping An Trust also provides non-capital market investment services, such as infrastructure, properties and PE, to other Ping An subsidiaries. To accomplish our long-term plan of healthy and stable development and to support our business development, Ping An Trust has secured a capital contribution of RMB5,000 million in 2008, which brought its registered capital from RMB4,200 million to RMB6,988 million.

Facing the changes in the market in 2008, Ping An Trust closely focused on customers' demands and adjusted its product structure accordingly. At the same time, Ping An Trust strengthened its product R&D and released a series of new products such as PE investment and asset securitization, and obtained from the CBRC approval for QDII qualification on handling entrusted overseas wealth management. As at December 31, 2008, the assets held in trust under the management of Ping An Trust amounted to RMB48,514 million. In addition, with the growth of its investment team and perfection of investment platform, Ping An Trust's non-capital market investment has fared well. All investment projects are progressing steadily, and should contribute to the Group's overall profit growth in future.

Management discussion and analysis
Investment business

Assets held in trust
(in RMB million)



Results of operation

(in RMB million)	2008	2007
Net fees and commission income	**342**	380
Investment income	**1,319**	832
Other income	**–**	4
Total operating income	**1,661**	1,216
Asset impairment losses	**(9)**	(77)
Foreign currency losses	**(1)**	(1)
General, administrative and other expenses	**(242)**	(283)
Total operating expenses	**(252)**	(361)
Income taxes	**(202)**	(111)
Net profit	**1,207**	744

(1) The above figures are presented at company level, where interests in subsidiaries are accounted for at cost.

Net profit increased 62.2% to RMB1,207 million in 2008 from RMB744 million in 2007. This was primarily due to the increase in realized investment gains resulting from the disposal of certain equity investments in 2008.

Net fees and commission income

(in RMB million)	2008	2007
Fees and Commission Income		
Management fees of trust products	**391**	511
Commission income from custodian and other fiduciary services	**31**	118
Others	**50**	27
Total fees and commission income	**472**	656
Fees and commission expenses		
Handling charges of trust products	**(85)**	(245)
Others	**(45)**	(31)
Total fees and commission expenses	**(130)**	(276)
Net fees and commission income	**342**	380

Management fees of trust products decreased 23.5% to RMB391 million in 2008 from RMB511 million in 2007. This was primarily due to cuts in the floating management fees, as a result of a significant reduction in the securities trust products under new issue as compared to last year, as well as the result of decrease in the net asset value of securities trust products resulting from the plunged stock market. Commission income from custodian and other fiduciary services decreased significantly to RMB31 million in 2008 from RMB118 million in 2007. This was primarily due to a significant decrease in the service fees received from investment projects as compared to last year as a result of adopting tighter risk control, a voluntary slowdown in the pace of investment and scaling back of investments.

Handling charges of trust products decreased 65.3% to RMB85 million in 2008 from RMB245 million in 2007. This was primarily due to a significant decrease in floating investment consultation fees rising from the securities trust products as a result of stock market fluctuations.

As a result of the foregoing, net fees and commission income decreased 10.0% to RMB342 million in 2008 from RMB380 million in 2007.

Investment income
(in RMB million)

	2008	2007
Net investment income	**280**	165
Net realized and unrealized gains	**1,039**	667
Total investment income	**1,319**	832

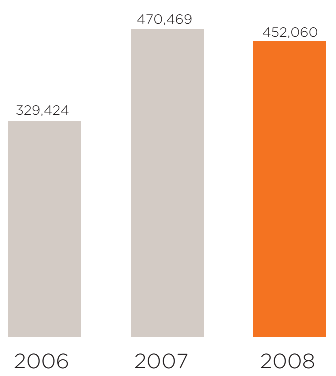
Total investment income from our trust business increased 58.5% to RMB1,319 million in 2008 from RMB832 million in 2007. This was primarily due to the dividends received by Ping An Trust of RMB232 million from Ping An Securities, its subsidiary, and the investment gains from the disposal of certain equity investments.

INVESTMENT MANAGEMENT BUSINESS

We provide investment management services mainly through our subsidiaries, Ping An Asset Management and Ping An Asset Management (Hong Kong).

Ping An Asset Management is responsible for our domestic investment management business. It is entrusted to manage insurance funds as well as investment assets of other subsidiaries of the Company and provides investment products and third-party asset management services for other investors through various channels. As at end of 2008, Ping An Asset Management had a registered capital of RMB500 million.

Assets under investment management
(in RMB million)



As at December 31, 2008, assets under the management of Ping An Asset Management was RMB452,060 million, a slight decrease compared to December 31, 2007. This decrease was primarily due to a decrease in the fair value of assets under investment management, as a result of a deep plunge in the domestic stock market.

In 2008, Ping An Asset Management strengthened its internal policies and processes, responded sensibly to the downturn in domestic stock markets and optimized asset allocation by increasing allocation to fixed income assets and decreasing the proportion of equity assets to less than 10%. Direct investment business in non-capital markets also progressed well. The investment in the Beijing-Shanghai High-Speed Railway provided a valuable experience in direct investment of insurance funds while strengthening our brand presence. This deal represented a promising start for Ping An Asset Management in the direct investment sector.

At the same time, Ping An Asset Management is strengthening its research capabilities and honing its ability to spot the trends of macroeconomic environments and the overall direction of investment flows – while enhancing asset allocations and optimizing risk control. We will continue to construct advanced platforms for investment and management in order to enhance the competitiveness of our investment activities and build up a brand for the investment business of Ping An.

Ping An Asset Management (Hong Kong) is mainly responsible for the overseas investment management business. Apart from being entrusted to manage investment assets for other subsidiaries of Ping An, it will also deliver overseas investment products and third-party asset management services for investors both at home and abroad. To that end, we have set up a team with broad experience and expertise in international investment to enhance capabilities in asset allocation and investment management while optimizing our operation platforms. As at December 31, 2008, Ping An Asset Management (Hong Kong) had registered capital of HK$65 million.

Management discussion and analysis
Synergy

- Greatly increased depth and scope of our cross-selling activities
- The refinement of an efficient, stable, cost-effective and multitask sharing operating platform
- The launch of One Account Management Services and Wanlitong Loyalty Points Program – another new initiatives in the financial industry of China

In 2008, to match the strategic development of the Group, we restructured and established Ping An Technology, Ping An Processing & Technology, Ping An Channel Development and Ping An Marketing Services based on the Company's original divisions including our information management center, operational management center, channel development department and wanlitong business division. Through these reforms, we have further improved our integrated financial structure and corporate governance structure. While the use of a market-based operating mechanism also enhances our resource efficiency and reduces our cost of service.

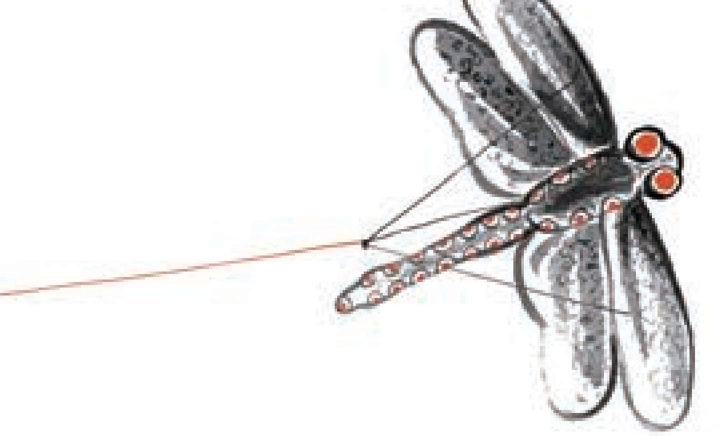
CROSS-SELLING

Through years of hard work, we have greatly increased the depth and scope of our cross-selling activities. Cross-selling has achieved remarkable results with increasingly visible synergies. The following table sets out the Company's cross-selling performance:

New business acquired through cross-selling

(In RMB million)	2008 Amount	2008 Business Contribution Percentage (%)	2007 Amount	2007 Business Contribution Percentage (%)
Property and casualty insurance business				
Premium income	**3,867**	**14.3**	2,835	13.1
Annuity business				
Entrusted assets	**1,161**	**13.2**	180	3.7
Assets under investment management	**1,383**	**14.9**	359	7.9
Trust business				
Trust schemes	**1,872**	**3.1**	2,900	7.3
Banking business				
Corporate deposits (increase of daily average size) (1)	**475**	**5.3**	–	–
Corporate loans (increase of daily average size) (1)	**1,298**	**12.3**	–	–
Credit cards (in ten thousands)	**69**	**50.5**	19	83.3

(1) For corporate deposits and loans business, there was no new business acquired through cross-selling during 2007.



CENTRALIZATION

As at December 31, 2008, we have made great strides in expanding our centralized operation platform as follows.

Specialized operation

- Centralization of individual life insurance underwriting and claims functions was fully completed. Centralization for policyholder services was 72% completed;
- Centralization of claims processing of automobile insurance and property and casualty insurance, and manual underwriting of automobile insurance through call center was fully completed;
- Centralization of claims, underwriting and policyholder services in the pension insurance business was 99%, 50% and 55% completed respectively. In the annuity business, centralization of investment management, account management and fiduciary management was 100%, 93% and 88% completed respectively.

Shared operation

- 90% of accounting processing of the major subsidiaries of the Company was done under shared-service basis;
- 60% of call operations was done through call center, among which centralization of Ping An Property & Casualty, Ping An Life, Ping An Annuity, Ping An Health, Ping An Securities and Ping An Marketing Services was almost fully completed;
- 30% of documentation processing was done under shared-services, among which centralization of Ping An Property & Casualty, Ping An Life, Ping An Annuity, Ping An Health and Ping An Bank was almost fully completed.

With the targets of the first stage of centralization basically achieved, an efficient, stable, cost-effective and multitask sharing operating platform is now in place. Meanwhile, with the aim of achieving cost-optimization and greater support for cross-selling, a second stage of centralization is proceeding in a more extensive way. Through our resources sharing system covering customer, platform and service, the synergistic impact across the Group will be fully demonstrable, providing enhanced support for our integrated financial strategy.

PING AN ONE ACCOUNT MANAGEMENT SERVICES AND WANLITONG LOYALTY POINTS PROGRAM

In 2008 we launched three initiatives – Ping An One Account Management Services, Wanlitong Loyalty Points Program and Ping An VIP Club – all new initiatives in the financial industry of China. These services are helping us to implement our integrated financial strategy while fullfilling the business model of “one customer, one account, multiple products, one-stop services”, and making the most of Ping An’s unique advantages across every sector of the business.

Ping An One Account Management Services provides convenient and efficient account management services to our customers through packing-up multiple accounts. That builds a bridge between Ping An and our customers.

Wanlitong Loyalty Points Program and Ping An VIP Club enable the subsidiaries of Ping An to screen, attract and retain high-value customers. Long-term benefits such as bonus points, discount and value-added services are provided to our customers in the form of Wanlitong Loyalty Points and VIP club membership. With Ping An VIP Club founded and Wanlitong Loyalty Points Program launched successfully in 2008, merchants acquisition came into shape in Shenzhen and Shanghai.

Management discussion and analysis
Reconciliation

The material GAAP differences between CAS and IFRS in preparing financial statements are as follows:

RECONCILIATION OF GAAP DIFFERENCES FOR NET PROFIT AND EQUITY

Consolidated net profit (in RMB million)	Notes	2008	2007
Prepared in accordance with CAS		**662**	15,086
Unearned premium reserves	(1)	**(199)**	113
Policyholders' reserves	(2)	**(9,658)**	(4,988)
Deferred policy acquisition costs	(3)	**9,294**	9,373
Deferred tax	(4)	**130**	(883)
Minority interests and others		**39**	(13)
Prepared in accordance with IFRS		**268**	18,688

Consolidated equity (in RMB million)	Notes	December 31, 2008	December 31, 2007
Prepared in accordance with CAS		**78,757**	107,234
Unearned premium reserves	(1)	**—**	199
Policyholders' reserves	(2)	**(44,920)**	(35,262)
Deferred policy acquisition costs	(3)	**50,599**	41,305
Deferred tax	(4)	**(1,417)**	(1,547)
Minority interests and others		**(68)**	(107)
Prepared in accordance with IFRS		**82,951**	111,822

Minority interests have been deducted from the above amounts.

Notes:

(1) Before July 1, 2008, under CAS, unearned premium reserves of the Group are provided using actuarial valuation results (1/365 method), and should be no less than 50% of the retained premium for the current period (1/2 method) as for life insurance subsidiaries of the Group. Under IFRS, unearned premium reserves are provided using actuarial valuation results (1/365 method). According to the CIRC's new actuarial regulations effective from July 1, 2008, life insurance subsidiaries used the same actuarial valuation results (1/365 method) for provision of unearned premium reserves under both CAS and IFRS.

(2) Under CAS, policyholders' reserves are provided in accordance with related actuarial regulations promulgated by CIRC. Under IFRS, policyholders' reserves are provided in accordance with IFRS 4 Insurance Contracts and by reference to US GAAP.

(3) Under CAS, 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 expected life of the insurance contracts at a constant percentage of expected premiums or at a constant percentage of the present value of estimated gross profits expected to be realized over the life of the insurance contracts by product type, in accordance with IFRS 4 Insurance Contracts and by reference to US GAAP.

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

RECONCILIATION OF GAAP DIFFERENCES FOR PREMIUM INCOME

(in RMB million)	2008	2007
Prepared in accordance with CAS	**129,383**	100,945
Less: Premium deposits allocated to policyholder contract deposits (universal life)	**(25,339)**	(15,090)
Premium deposits allocated to policyholder (investment-linked)	**(6,034)**	(4,180)
Prepared in accordance with IFRS	**98,010**	81,675

RECONCILIATION OF GAAP DIFFERENCES FOR INVESTMENT INCOME

(in RMB million)	2008	2007
Prepared in accordance with CAS	**10,580**	65,067
Including: Investment income	**28,248**	58,182
Gains/(losses) from changes in fair value	**(17,668)**	6,885
Add: Rental income of investment properties	**367**	299
Impairment losses of investment assets	**(25,960)**	(98)
Less: Share of profits of associates	**(25)**	(4)
Policyholder account investment income in respect of insurance contracts (investment-linked)	**7,622**	(12,422)
Prepared in accordance with IFRS	**(7,416)**	52,842

RECONCILIATION OF GAAP DIFFERENCES FOR GENERAL AND ADMINISTRATIVE EXPENSES

(in RMB million)	2008	2007
Prepared in accordance with CAS	**14,025**	15,524
Add: Business tax and surcharges	**2,576**	3,656
Impairment losses of assets other than investment assets and loans	**(60)**	309
Other operating expenses	**1,931**	585
Non-operating expenses	**260**	253
Less: Business tax and surcharges, general and administrative expenses of policyholder account in respect of insurance contracts (investment-linked)	**319**	(442)
Prepared in accordance with IFRS	**19,051**	19,885

Management discussion and analysis
Regulation developments

In 2008, the State Council of PRC, the CIRC and other relevant PRC governing authorities promulgated a series of new laws, regulations and regulatory documents. The Stock Exchange has also made a number of amendments to the Listing Rules relating to corporate governance issues and continuing listing obligations.

On January 1, 2008, the “Guidelines for Compliance Management of Insurance Companies” promulgated by the CIRC on September 10, 2007 was officially put into effect. The Guidelines set out the compliance obligations of the Board of Directors, the Supervisory Committee and the general manager, and define the respective duties of the compliance officer and the compliance management department. The Guidelines also set out details in respect of compliance management and external regulations.

On April 23, 2008, the State Council of PRC promulgated and implemented the “Regulations on Risk Control by Securities Companies”, which will play an important role in the control and resolving of risks relating to securities companies, the protection of investors’ lawful interests and social and public interests as well as ensuring the healthy development of the securities industry.

On the same day, the State Council of PRC promulgated the “Regulations on Supervision and Management of Securities Companies”, which further specifies the conditions for establishment and transformation of a securities company, the setup of organizational institution and its duties, as well as the operating rules and risk control measures. The Regulations took effect on June 1, 2008.

On April 30, 2008, the CIRC promulgated the “Rules on the Preparation of Insurance Company Solvency Reports No. 14 – Insurance Group and Its Implementation Guidelines”, which sets out the methods for assessing the solvency status of an insurance group and the details essential to an assessment report. It provides the substantive guidelines for assessing the solvency status of an insurance group in a scientific manner. The document took effect on the date of promulgation.

On July 8, 2008, the CIRC issued the “Guidelines on the Operation of the Board of Directors of Insurance Companies” and the “Opinions on Regulating the Articles of Association of Insurance Companies”; the “Guidelines on the Operation of the Board of Directors of Insurance Companies” plays an important role in regulating the operation of the board of directors, improving their decision-making efficiency and enhancing the corporate governance of insurance companies, while the “Opinions on Regulating the Articles of Association of Insurance Companies” sets out specific and detailed rules on the basic contents of the articles of association of an insurance company, and the procedures in respect of the formulation, amendment, review and approval, as well as registration of such articles of association. Both documents came into force on October 1, 2008.

On July 10, 2008, the CIRC promulgated the “Administrative Provisions on Solvency of Insurance Companies”, which specifies that insurance companies should establish a solvency management system and ensure an adequate solvency ratio (i.e. the capital adequacy ratio) of not less than 100%. The Provisions set out detailed methods for assessing and managing the solvency status and the regulatory measures. The Provisions came into force on September 1, 2008.

On the same day, the Ministry of Finance of PRC, together with the CSRC, the National Audit Office of PRC, the CBRC and the CIRC, jointly formulated and promulgated the “Internal Controls of Enterprises – Basic Principles”, which specify the detailed requirements in respect of the internal control environment, risk assessment systems, risk control measures, information communications and supervision of listed companies. The Basic Principles will come into force on July 1, 2009.

On September 4, 2008, the Shanghai Stock Exchange published the “Listing Rules of the Shanghai Stock Exchange (Revision 2008)”. The amendments focused on the importance of information disclosure, specifying fair disclosure of information, strengthening regulations on securities transactions by substantial shareholders, directors, supervisors and senior management of listed companies, reforming the system of trading suspension and launching delisting mechanism in respect of companies with unfair shareholding distribution or companies which are insolvent. The Revised Listing Rules came into force on October 1, 2008.

On September 11, 2008, the CIRC, the Ministry of Finance of PRC and the PBOC jointly formulated and issued the "Measures for the Administration of Insurance Protection Fund", which bears great significance on regulating the raising of, management and use of the insurance protection fund, ensuring the healthy growth of the insurance industry and maintaining the stability of the financial sector. The Measures came into effect on the date of promulgation.

On October 9, 2008, the CSRC promulgated and implemented the "Decision in relation to the amendments to Certain Regulations Governing the Distribution of Cash Dividend by Listed Companies", which specifies that a listed company should prescribe in its articles of association the policy on cash dividends, and should disclose details and the implementation status of its profit distribution scheme, the scheme on capitalisation of capital reserve and the scheme on issuance of new shares in periodic reports. The Decisions came into effect on the date of promulgation.

On October 14, 2008, the CIRC promulgated the "Notice on Issues concerning the Implementation of Interim Measures for the Administration of Connected Transactions of Insurance Companies", which tackles issues arising from the implementation of such "Interim Measures" and further specifies the method of calculation of the transaction amount of connected transaction, review and examination of specific connected transactions and their reporting procedures. The Notice took effect on the date of promulgation.

On December 4, 2008, the CBRC promulgated and implemented the "Guidelines on Business Cooperation between Banks and Trust Companies", which has great importance in regulating operation of business cooperation and development between banks and trust companies, guiding banks and trust companies on business innovations according to laws, and thus enhancing the healthy and orderly development of their business cooperation.

On December 11, 2008, the CIRC promulgated the "Administrative Provisions on the Eligibility of the Persons-in-charge of Finance of Insurance Companies", which specifies the qualifications, duties and rights, and the approval procedures and external supervision of the persons-in-charge of finance of insurance companies. The Provisions took effect on February 1, 2009.

In December 2008, the Stock Exchange announced the latest amendments to the Listing Rules, which include, among other things, such 15 amendments as the use of websites for communication with Shareholders, removal of the requirement for qualified accountants, review of the Stock Exchange's approach to pre-vetting public documents of listed issuers, the disclosure of the changes of issued share capital and the information disclosure made by directors and supervisors. Save for the amendment in relation to "the "Black Out" Period Extension" that came into force on April 1, 2009, all the other amendments came into force on January 1, 2009.

Embedded value

As at December 31, 2008, the embedded value of the Company was RMB122,859 million, and the value of one year's new business of life insurance sold during 2008 was RMB8,541 million.

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON THE EMBEDDED VALUE DISCLOSURES

To the directors of
Ping An Insurance (Group) Company of China, Ltd.

We have reviewed the accompanying Embedded Value disclosures of Ping An Insurance (Group) Company of China, Ltd. ("the Company") as set out in the Company 2008 Year-end annual report ("the Disclosures"). The Disclosures comprise: the Economic Value, which is the Embedded Value as at December 31, 2008 and the Value of one year's new business after the cost of solvency ("the New Business Value"); the Methodology and Assumptions; New Business Volumes and Business Mix; Embedded Value Movement; and Sensitivity Analysis.

The Embedded Value and the New Business Value have been prepared in accordance with Embedded Value Principles specified in the "Guideline on Preparing the Life Insurance Embedded Value" published by the Chinese Insurance Regulatory Commission in September 2005 as described on, and using the methodology and assumptions ("the Embedded Value basis") as set out in the Disclosures.

The components of the Economic Value are calculated, prepared and presented by the Company. Our responsibility, as independent actuaries, is to express an opinion as to whether the Economic Value in the Disclosures has been properly determined in accordance with the Embedded Value basis.

Basis of Our Opinion

In conducting our review, we have carried out a combination of reasonableness checks, analytical reviews and tests of computational accuracy as we considered necessary to provide reasonable assurance that the Economic Value has been properly determined in accordance with the Embedded Value basis. We have relied upon audited and unaudited data supplied to us by the Company.

The calculation of the Economic Value requires numerous assumptions and projections about future experience, including economic and other financial conditions, many of which are outside the Company's control. Therefore actual experience is likely to deviate from that assumed and variances from the projected Economic Value are to be expected.

Opinion

In our opinion:

- The assumptions used to assess the value of the in-force business, the cost of holding the required solvency margin and the value of one year's new business as of the year ended December 31, 2008 are reasonable, and

- The calculations have been carried out in accordance with the Embedded Value basis, the sample calculations which we checked were satisfactory and overall results are reasonable.

We also confirm that the embedded value information disclosed in the Company's 2008 Year-end annual report is consistent with the information we have reviewed.

Ernst & Young (China)
Advisory Limited

Xiaojing Zhao, *Actuary*
April 8, 2009

EMBEDDED VALUE REPORT OF PING AN INSURANCE (GROUP) COMPANY OF CHINA, LTD. 2008

In order to provide investors with an additional tool to understand our economic value and business performance results, the Company has disclosed information regarding embedded value in this section. The embedded value represents the shareholders' adjusted net asset value plus the value of the Company's in-force life insurance business adjusted for the cost of regulatory solvency margin deployed to support this business. The embedded value excludes the value of future new business sales.

In accordance with the related provisions of the Rules for the Compilation of Information Disclosures by the Companies Offering Securities to the Public (No. 4) – Special Provisions on Information Disclosures by Insurance Companies, the Company has engaged Ernst & Young (China) Advisory Limited to review the reasonableness of the methodology, the assumptions and the calculation results of the Company's embedded value as at December 31, 2008.

The calculation of embedded value necessarily makes a number of assumptions with respect to future experience. As a result, future experience may vary from that assumed in the calculation, and these variations may be material. The market value of the Company is measured by the value of the Company's shares on any particular day. In valuing the Company's shares, investors take into account a variety of information available to them and their own investment criteria. Therefore, these calculated values should not be construed as a direct reflection of the actual market value.

Embedded value

Components of economic value

(in RMB million)	December 31, 2008	December 31, 2007
Risk discount rate	**Earned Rate/ 11.5%**	Earned Rate/ 11.5%
Adjusted net asset value	**79,016**	107,032
Adjusted net asset value of life insurance business	**25,800**	30,128
Value of in-force insurance business written prior to June 1999	**(11,340)**	(9,058)
Value of in-force insurance business written since June 1999	**66,859**	61,921
Cost of holding the required solvency margin	**(11,676)**	(9,585)
Embedded value	**122,859**	150,311
Embedded value of life insurance business	**69,643**	73,407

(in RMB million)	December 31, 2008	December 31, 2007
Risk discount rate	**11.5%**	11.5%
Value of one year's new business	**10,039**	8,254
Cost of holding the required solvency margin	**(1,498)**	(1,067)
Value of one year's new business after cost of solvency	**8,541**	7,187

Note: Figures may not match totals due to rounding.

The adjusted net asset value is based on the audited shareholders net assets of the Company and the relative life insurance business as measured on the PRC statutory basis. The relative life insurance business includes business conducted through Ping An Life, Ping An Annuity and Ping An Health. The values placed on certain assets have been adjusted to the market value.

Key assumptions

The assumptions used in the embedded value calculation in 2008 have been made on a "going concern" basis, assuming continuation of the economic and legal environment currently prevailing in China. The statutory reserving basis and solvency margin requirement were assumed in the calculation. Certain portfolio assumptions were based on the Company's own recent experience as well as considering the more general China market and other life insurance markets' experience. The principal bases and assumptions used in the calculation are described below:

1. Risk discount rate

The non investment-linked fund's earned rate or 11.5% has been assumed in each future year as the discount rate for the in-force life insurance business. The earned rate is the investment return adjusted for tax paid. This specific discount rate approach for the in-force business is to avoid understating the effect of losses arising from those high-interest-rate-guaranteed products we sold prior to June 1999. A level of 11.5% has been assumed in each future year for the calculation of one year's new business value.

2. Investment returns

Future investment returns have been assumed to be 4.25% in 2009 and to increase by 0.25% every year to 5.5% in 2014 and thereafter for the non-investment-linked fund. For the investment-linked fund, future investment returns have been assumed to be slightly higher than the above non-investment-linked fund investment returns assumption. These returns have been derived by consideration of the current capital market condition, the Company's current and expected future asset allocations and associated investment returns for a range of major asset classes.

3. Taxation

A 25% average income tax rate has been assumed. It is also assumed that 18% of investment returns can be exempted from income tax. In addition, a 5.5% business tax rate has been applied to the gross written premiums of the short-term accident insurance business.

4. Mortality

The experience mortality rates have been based on 65% and 65% of China Life (2000-2003) table for male and female respectively for non annuitants. For annuitants, the experience mortality rates since the grant period have been based on 45% and 40% of China Life Annuity (2000-2003) table for male and female respectively.

5. Morbidity

Morbidity assumptions have been based on the Company's own pricing table. The loss ratios have been assumed to be in the range of 15% and 85% for short-term accident and health insurance business.

6. Discontinuances

Policy discontinuance rates have been based on the Company's recent experience studies. The discontinuance rates are dependent on the pricing interest rate and the product type.

7. Expenses

Expenses assumptions have been based on the Company's most recent expenses investigation. For calendar year 2008, the assumed expenses and commissions equated to around 85% of the expenses allowance priced into the products. The unit maintenance expenses were assumed to increase at 2% per annum.

8. Policyholder dividends

Policyholder dividends have been based on 80% of the interest and mortality surplus for individual life and bancassurance participating business. For group life participating business, dividends have been based on 80% of interest surplus only.

New business volumes and business mix

The volume of new business sold and modeled during 2008 to calculate the value of one year's new business was RMB43,530 million in terms of first year premium. The mix of the new business measured by first year premium was:

	Percentage
Individual life	**46.2%**
Long-term business	45.6%
Short-term business	0.6%
Group life	**20.7%**
Long-term business	13.0%
Short-term business	7.7%
Bancassurance	**33.1%**
Long-term business	33.1%
Short-term business	0.0%
Total	**100.0%**

Note: Figures may not match totals due to rounding.

Embedded value

Embedded value movement

The table below shows how the embedded value changed to RMB122,859 million as at December 31, 2008.

(in RMB million)	2008	Description
Embedded value of life insurance business as at December 31, 2007	**73,407**	
Expected return on year-start embedded value	6,107	Expected growth of embedded value occurred in 2008
Value of one-year new business	9,348	The contribution came from new business sold during 2008 and discounted at earned rate/11.5%
Assumption and modeling changes	(6,547)	Assumption changes, such as investment return changes decreased embedded value on an aggregate basis
Market value adjustment	(13,634)	The market value adjustment of relative investments decreased due to unrealized capital losses
Investment return variance	(16,308)	Actual investment return in 2008 was lower than the assumed return
Other experience variances	1,832	Other variances between actual experience and assumptions
Embedded value of life insurance business before capital changes	**54,205**	Embedded value of life insurance business before impact of capital change decreased by 26.2%
Shareholder dividends	(4,940)	Dividends paid to shareholders by Ping An Life
Capital injection	20,379	Capital injection to Ping An Life from the Company was RMB19,879 million; capital injection to Ping An Annuity from the Company was RMB500 million
Embedded value of life insurance business as at December 31, 2008	**69,643**	
Adjusted net asset value of other businesses as at December 31, 2007	**76,904**	
Net profit of other businesses	3,009	
Market value adjustment and other variances	(6,068)	
Adjusted net asset value of other businesses as at December 31, 2008 before capital changes	**73,845**	
Dividends received from Ping An Life	4,891	Dividends paid to the Company by Ping An Life
Capital injection	5,985	Capital injection to Ping An Property & Casualty from the Company was RMB991 million; capital injection to Ping An Trust from the Company was RMB4,994 million
Shareholder dividends	(5,142)	Dividends paid to shareholders
Capital investment	(26,364)	Capital injection to Ping An Life was RMB19,879 million; capital injection to Ping An Annuity was RMB500 million; capital injection to Ping An Property & Casualty was RMB991 million; capital injection to Ping An Trust was RMB4,994 million
Adjusted net asset value of other businesses as at December 31, 2008	**53,216**	
Embedded value as at December 31, 2008	**122,859**	
Embedded value per share as at December 31, 2008 (in RMB)	**16.7**	

Note: Figures may not match totals due to rounding.

Sensitivity analysis

The Company has investigated the effect, on the value of in-force business and the value of one year's new business, of certain independently varying assumptions regarding future experience. Specifically, the following changes in assumptions have been considered:

- Risk discount rate
- Assumptions used in 2007 valuation
- Investment return increased by 50 basis points every year
- Investment return decreased by 50 basis points every year
- A 10% reduction in mortality and morbidity for assured lives
- A 10% reduction in policy discontinuance rates
- A 10% reduction in maintenance expenses
- A 5% increase in the policyholders' dividend payout ratio
- Solvency margin at 150% of the regulatory level

(in RMB million)	Risk Discount Rate			
	Earned Rate/11.0%	Earned Rate/11.5%	Earned Rate/12.0%	11.5%
Value of in-force business	45,751	43,843	42,026	45,440
	11.0%	11.5%	12.0%	Earned Rate/11.5%
Value of one year's new business	9,046	8,541	8,071	9,348

Assumptions (in RMB million)	Value of in-force business	Value of one year's new business
Central case	43,843	8,541
Assumptions used in 2007 valuation	49,972	8,971
Investment return increased by 50bp every year	54,300	9,028
Investment return decreased by 50bp every year	31,556	8,063
10% reduction in mortality and morbidity rates	44,241	8,761
10% reduction in policy discontinuance rates	45,408	8,942
10% reduction in maintenance expense	44,773	8,701
5% increase in the policyholders' dividend payout ratio	41,949	8,338
Solvency margin at 150% of the regulatory level	37,739	7,792

Note: Risk discount rates were earned rate/11.5% and 11.5% for in-force business and new business respectively.

Liquidity and financial resources

The Company manages its liquidity and financial resources from the perspective of the Group as a whole.

As at December 31, 2008, the solvency of the Group was adequate.

GENERAL PRINCIPLES

Adequate liquidity and financial resources are crucial to a company's continuous development, and its operating, investment and financing activities.

The Company manages its liquidity and financial resources from the perspective of the Group as a whole. The Budget Committee, Risk Management Committee and Investment Committee under the Executive Committee oversee these essential functions of the Group. In addition, as the Group's executive unit, the Treasury Department is responsible for the management of cash account, liquidity, funding and capital. This involves meeting the liquidity requirements of the Group while continuously refining its financial resources allocation and capital structure in order to maximize shareholder return with the best financial resource allocation and capital structure.

Liquidity refers to the availability of cash assets or cash supply to meet the financial requirements of the Company whenever needed. The liquidity management of the Group comprises capital planning and cash flow management. The Company has put in place a comprehensive capital management and decision-making mechanism. As part of this process, the Group's subsidiaries put forward their capital requirements based on their own business development needs. The Company then submits its recommendations on the overall capital planning of the Group, based on the overall business development conditions of the subsidiaries. The Group Executive Committee then determines a final capital planning proposal based on the strategic planning of the entire Group. In 2008, the Company contributed:

- RMB19,879 million to Ping An Life
- RMB4,994 million to Ping An Trust
- RMB991 million to Ping An Property & Casualty
- RMB500 million to Ping An Annuity

Ping An manages its operating cash inflow and outflow independently. Through pooling of cash inflow and outflow, allocation and deployment of funds are centralized. The Company is therefore able to detect any cash flow funding gap in a timely manner. In 2008, the Group maintained net cash inflows from operating activities.

The Group manages its investment assets through strategic asset allocation. All subsidiaries maintain a certain proportion of high liquidity asset to meet their liquidity requirements as part of their individual strategic asset allocation.

The Company is a holding company and, with the exception of investment activities, does not conduct any substantive business operations on its own. As a result, it depends upon dividends and distributions from its subsidiaries and the revenues from its investment assets for substantially all of its operating cash inflows. Ping An's liquidity management focuses on the allocation status and liquidation ability of the assets other than the Company's investments in subsidiaries. The Company maintains its liquidity by asset liquidation management. Short-term borrowings and assets sold under agreements to repurchase also constitute part of the source of the Company's liquidity in the ordinary course of business.

The Company's financing ability also contributes to its liquidity and financial resources. The Group centrally manages all financing activities.

CAPITAL STRUCTURE

As at December 31, 2008, the Group's total equity was RMB85,696 million, representing a decrease of 24.7% as compared to December 31, 2007. This decrease was mainly due to the decrease in fair value of available-for-sale assets resulting from the global financial crisis in 2008.

As at the end of 2008, the Group's capital structure mainly comprised contribution from shareholders as well as proceeds from H shares and A shares listing. Ping An did not issue any form of debt securities.

GEARING RATIO

	December 31, 2008	December 31, 2007
Gearing ratio	**89.0%**	83.8%

The gearing ratio is computed by dividing the sum of total liabilities and minority interests by total assets.

CASH FLOW ANALYSIS

(in RMB million)	2008	2007
Net cash flows from operating activities	**61,990**	31,561
Net cash flows from investing activities	**(115,660)**	(2,775)
Net cash flows from financing activities	**22,021**	24,066

Net cash inflows from operating activities increased significantly to RMB61,990 million in 2008 from RMB31,561 million in 2007. This was mainly due to the healthy increase of cash premiums from insurance businesses and the growth of customer deposits and funds due from banks and other financial institutions in the Group's banking business. Despite the slight increase of cash outflow from insurance businesses in claims, benefits, payments for surrenders, fees and commission, all of this was in line with the expansion of the insurance businesses, yet the increase was relatively small compared to the increase of cash inflows.

Net cash outflows from investing activities increased significantly to RMB115,660 million in 2008 from RMB2,775 million in 2007. This was mainly due to the fact that we increased investment in bonds and term deposits substantially.

Net cash inflows from financing activities decreased to RMB22,021 million in 2008 from RMB24,066 million in 2007. This was mainly due to the cash inflows from the proceeds raised from the listing of A shares in 2007. Despite the fact that the cash inflows from assets sold under agreements to repurchase increased significantly in 2008 as compared to 2007, the net cash inflows from financing activities still declined as compared to 2007.

CASH AND CASH EQUIVALENTS

(in RMB million)	December 31, 2008	December 31, 2007
Cash	**33,148**	44,201
Money market funds	**16,271**	13,107
Bond investment with original maturity less than 3 months	**50**	7,620
Asset purchased under agreements to resell with original maturity less than 3 months	**12,206**	29,130
Total cash and cash equivalents	**61,675**	94,058

The Group believes that the liquid assets currently held, together with net cash generated from future operations, and the availability of short-term borrowings, can sufficiently meet the expected liquidity requirements of the Group.

GROUP SOLVENCY MARGIN

The group solvency margin represents the consolidated solvency margin calculated as if the company and its subsidiaries, joint ventures and associates were a single reporting entity. The group solvency margin ratio is an important regulatory measure of an insurance group's capital adequacy, calculated by dividing the actual capital of the insurance group by its minimum capital requirement.

The following table sets out the relevant data in relation to the solvency of the Group:

(in RMB million)	December 31, 2008	December 31, 2007
Actual capital	**88,270**	121,104
Minimum capital	**28,663**	24,883
Solvency margin ratio (%)	**308.0**	486.7

The above figures indicate that the solvency of the Group was adequate as at December 31, 2008.

Risk management

The Group strives to gradually institute an effectively centralized risk management platform, the one modelled on global top-tier integrated financial groups.

The Group conducted on-going risk identification, evaluation and control to support its decision-making processes and maximize interests with regard to well-defined risk criteria.

Risk Management is vital to Ping An's businesses and operations. Consequently, the Group is committed to maintaining a highly effective risk management system to regulate the Group's overall operations. To that end, Ping An has established a comprehensive and integrated risk management framework to regulate the process guided by the Group's business goals. This framework entails on-going identification, evaluation and control of the risks associated with various subsidiaries and operating divisions. Specifically, sophisticated risk management approaches and methodologies are deployed within the framework to support the Group's decision-making processes and maximize shareholder value with regard to well-defined risk criteria.

RISK MANAGEMENT SYSTEM

The Group has established comprehensive risk management systems and functionalities to further define the duties of each risk management position and related departments, and to continuously refine the overall risk management systems that are governed by the Groups' Risk Management Committee. The ultimate goal that the Group has strived to accomplish is to institute an effectively centralized risk management platform, the one modelled on global top-tier integrated financial groups, in order to advance our risk management expertise to a global standard.

The Group's Risk Management Committee, being one of the professional management committees under the Executive Committee, is the Group's highest decision-making unit of risk management. The Risk Management Committee comprises the Vice Chief Executive Officer, the President, the Chief Actuarial Officer, the Chief Internal Auditor, the Chief Legal Officer, the Chief Information Officer and the Vice Chief Financial Officer. The Risk Management Committee is responsible for the Group's critical strategic decisions such as solvency management, utilization of insurance funds, and strategic planning of back office operations. The Risk Management Committee also guides and oversees the compliance and implementation of mission-critical policies and systems in finance, insurance, banking, investment, and operation risk management. Under the central leadership of the Risk Management Committee, each of the three core businesses – insurance, banking and investment – has one risk management officer, who is specifically responsible for supervising insurance subsidiaries (Ping An Property & Casualty, Ping An Life, Ping An Annuity and Ping An Health), banking subsidiaries (Ping An Bank) and investment subsidiaries (Ping An Asset Management, Ping An Securities and Ping An Trust).

Risk Management Department reports directly to the Risk Management Committee. By formulating unified risk management policies, consistent risk indicators and robust implementation standards, the department monitors any abnormality exhibited by risk indicators and takes decisive actions to mitigate the risks indentified during the process.

The Group adopts the following risk management practice to govern its subsidiaries:

- Each subsidiary must implement the unified risk management strategies and policies adopted by the Committee;
- The Committee regularly considers and reviews each subsidiary's risk management processes and the submitted risk reports;
- The Committee supervises the risk management practice employed by each subsidiary and coordinates cross-subsidiary risk management activities.

MAJOR RISK MANAGEMENT

Insurance product risk

Insurance product risk is the risk of loss due to the discrepancy between the expected claim payment, defined in the stage of product design, and the actual claim payment which is a function of investment returns, expenses, taxes, claim and policyholders' behaviors.

The Group's objective is to manage insurance product risks and reduce the volatility of operating profit. The mechanisms adopted by the Group to manage the insurance product risks are as follows:

- Using management information systems to provide up-to-date, accurate, and reliable risk exposure data at any point in time;
- Applying actuarial models and statistical techniques to assist the pricing decisions and to monitor the pattern of claim payment;
- Issuing guidelines to direct the practice of underwriting insurance contracts and assuming insurance risks;
- Following proactive procedures to investigate and process claims, thereby preventing dubious or fraudulent claim payment;
- Limiting the Group's exposure to large claims and catastrophe claims by transferring risks to reinsurance companies with high credit-ratings;
- Reducing the variability of expected outcomes by purchasing large amounts of risk insurance to diversify risks. Ping An's diversification strategy seeks to ensure that the underwriting risk is appropriately diversified in terms of risk types, risk amount, business lines, and geographic areas;
- The composition of the insurance asset portfolio is dominated by the nature and duration of insurance liabilities. The Group closely monitors the management of assets and liabilities to match assets' maturity dates with the expected claim payments.

Asset and liability mismatching risk

Asset and liability mismatching risk is the risk of loss due to the Group's inability to match its assets with its liabilities on the basis of both duration and investment returns.

The Group's asset and liability management employs quantitative methodologies and models to measure the sensitivity of net income and shareholders' equity under various deterministic interest rate scenarios. The scenarios and assumptions used are reviewed and updated periodically. The analytical insights gained through the analysis help to measure the Group's risk exposures and capital positions.

Under the current regulatory and market environment, Ping An is unable to invest in assets with long enough duration to match that of its life insurance liabilities. When the regulatory and market environment permits, the Group intends to gradually lengthen the duration of its assets.

Market risk

Market risk is the potential for loss resulting from the changes in the market value of a financial instrument, which could occur as a result of changes in interest rates, market prices, foreign currency exchange rates and other related risk factors. Under the current PRC regulatory and market environment, there is a lack of financial instruments available for the Group to hedge its market risk exposures. Therefore, the Group controls its market risk exposures by defining a maximum risk tolerance level for each asset class. When setting these risk limits, Ping An places significant consideration on the Group's risk appetite and possible impacts on the Group's financial stabilities. These limits also take into account Ping An's asset liability management strategy.

The Group applies various techniques to quantify the market risk exposure, including sensitivity analysis and Value-at-Risk (VaR) computation. VaR is a widely used statistical measure that utilizes historical market prices to estimate a threshold value over a target horizon with a pre-specified probability that the actual loss will be larger than the estimated threshold. However, the application of the VaR technique under the current PRC market environment has its limitations due to the lack of reliable historical financial data.

Market risk – interest rates

Fixed-income securities held by the Group are exposed to interest rate risks. These investments are substantially represented by bond investments that are recorded at fair value on the balance sheet.

The Group uses sensitivity analysis to estimate its risk exposure. Interest rate sensitivity is estimated by assuming a 50 basis points parallel shift of the government bond yield curve.

Risk measures related to banking business will be quantified and disclosed in the following table.

December 31, 2008 (in RMB million)	Change in interest rate	Decrease in profit	Decrease in equity
Bond investments held-for-trading and available-for-sale	+50 basis point	280	6,269

Market risk – market price

Exchange-listed equity investments held by the Group are exposed to market price risks. These investments are substantially represented by equity securities and equity investment funds.

The Group uses the 10-day market price VaR technique to estimate its risk exposure. Market price VaR is computed as (equity securities/equity investment funds valued at market price x 10-day price volatility x the Z value that corresponds to a 99% confidence interval).

Risk measures related to banking business will be quantified and disclosed in the following table.

December 31, 2008 (in RMB million)	Impact on equity
Equity securities and equity investment funds held-for-trading and available-for-sale	6,245

Market risk – foreign currency

Assets denominated in foreign currency held by the Group are exposed to foreign currency risks. These assets include monetary assets, such as deposits and bonds held in foreign currency, and non-monetary assets measured at fair value, such as stocks and funds held in foreign currency. The Group's foreign currency denominated liabilities are also exposed to the fluctuations in exchange rates. These liabilities include monetary liabilities, such as borrowings, customers' deposits, and claim reserves denominated in foreign currency, and non-monetary liabilities measured at fair value. The exposures to fluctuations in exchange rates which relate to the aforementioned assets and liabilities offset each other.

The Group uses sensitivity analysis to estimate its risk exposure. The sensitivity of foreign currency risk is estimated by assuming a simultaneous and uniform 5% depreciation, against the Renminbi, of all foreign currency denominated monetary assets and liabilities as well as non-monetary assets and liabilities measured at fair value.

Risk measures related to banking business will be quantified and disclosed in the following table.

December 31, 2008 (in RMB million)	Decrease in profit	Decrease in equity
Net exposure to the fluctuations in exchange rates assuming a simultaneous and uniform 5% depreciation of all foreign currency denominated monetary assets and liabilities and non-monetary assets and liabilities measured at fair value against the Renminbi	411	821

Credit risk

Credit risk is the risk that one party to a financial transaction will cause a monetary loss to the other party by failing to fulfil its obligation. The Group is exposed to credit risks that are primarily associated with its deposit arrangements with commercial banks, loans and advances to customers, investments in bonds, equity investments, reinsurance arrangements with reinsurers and insurance policy loans. The Group mitigates its credit risk by using a variety of controls including applying credit control policies, undertaking credit analysis on potential investments, and imposing limits on aggregate counterparty exposure.

The Group's banking business carries out credit assessment before granting credit to individual customers and monitors the granted credit on a regular basis. Credit risk is also managed through obtaining collateral and guarantees. In the case of off-balance sheet credit-related commitments, guarantee deposits are in general received by the Group to reduce credit risk.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding receivable. In general, the Group does not occupy repossessed properties for business use.

December 31, 2008	As percentage of corporate bonds
Corporate bonds held by the Group which have credit rating of AA or above	100%

Concentration risk

Concentration risk refers to the possibility that the Group will become insolvent due to losses attributed by its concentrated investment with a particular entity under an uneven spread of concentration in terms of business segments, geographical regions, and transaction counterparties.

The Group controls its concentration risk through the following mechanisms:

- Establishing retention risk limits that are conditional on the risk profile of insured entities. In addition, excess risks are shifted to highly qualified reinsurers through reinsurance agreements. This prudent practice minimizes the impact of concentrated insurance risk on the financial stabilities of the Group.

- Establishing amount and allocation limits on a single investment to minimize the impact of its deteriorating fair value on the Group's financial stabilities.

- Establishing credit limits granted to an individual entity to minimize the impact of its credit deterioration on the financial stabilities of the Group.

Operational risk

Operational risk is the potential for losses resulting from internal operational failures or uncontrollable external events. Internal operational failures occur due to inadequate or failed internal processes (process risks), system failure (system risks), and human performance failure (personnel risks). Uncontrollable external events that contribute to operational risks mainly refer to legal events or changes in regulatory requirements, such as adjustments in accounting standards and tax laws.

With regard to internal operational risks, the Group has taken proactive approaches to institute an effective compliance management mechanism. These include:

- Conducting preemptive risk detection and response by reviewing new products, new businesses and new systems.

- Continually identifying and monitoring any changes in operational risks by implementing the management of systems and the inspection of processes.

- Conducting risk-tracking through the compliance department to refine and rectify the operational processes and systems, implementing appropriate and sufficient preventive controls, detective controls, and damage limitation controls, establishing an effective risk reporting mechanism and a compliance management platform to improve efficiency in risk prevention, detection and controls.

These controls are embedded into the business processes and system operations, which also guide personnel performance. The Group's Internal and external audit functions perform rigorous checks on the reliability of the controls. The Group's Audit Committee reviews the reports from these internal and external auditors to ensure that appropriate measures are taken to address any detected control weaknesses.

For the uncontrollable external events, the Group's Legal, Compliance, Finance, and Planning departments closely monitor changes in regulatory requirements, accounting standards and tax laws.

Corporate social responsibility

Ping An continuously keeps its social commitments: to serve its shareholders, to win the trust of its clients, to nurture its staff and to contribute to society.

1. Following the May 12 Wenchuan earthquake, under the joint efforts of the staff from our Sichuan Branch, teachers and students of Beichuan Ping An hope primary school finally settled in a safe place and released a smile on their face.

2. Scene of the final competition of the “Smiling and Charming Ping An” etiquette promotion events in 2008.

3. In 2008, voluntary teaching campaigns were rolled out in 12 Ping An hope primary schools. The photo shows the inauguration ceremony of volunteers.

Ping An has always lived up to its corporate social responsibilities and has won the title of “Best Corporate Citizen” several times. Our commitments extend to a variety of stakeholders. For our shareholders, we are committed to producing stable returns and boosting asset values. For our customers, we are committed to total integrity and providing the best services. For our employees we are committed to providing career development opportunities and enabling better living conditions. And more widely, our commitment to society is based on Ping An’s desire to give back society and make contribution to the country. In 2008, we lived up to all of these commitments and continued the refinement of our corporate social responsibility processes.

SHAREHOLDER COMMITMENT: PRODUCE STABLE RETURNS AND BOOST ASSET VALUES

We must rely on high-standard corporate governance in order to achieve stable returns and boost asset values.

Sound corporate governance and operational transparency have always been our priorities. In 2008, based on Ping An’s existing corporate governance, we improved the Group’s organisation structure and operation model. We also enhanced our risk management function by establishing a comprehensive pre-/mid-/post-risk management system. The establishment of a standardisation committee improved our ability to implement a specific set of insurance standards that are practical, feasible and core to our business development, and raised our performance levels across the board in insurance technology, product, business operation, management and services.

CUSTOMER COMMITMENT: TOTAL INTEGRITY IN PROVIDING THE BEST SERVICES

Integrity is the foundation of customer service and our success relies on total customer satisfaction.

We provide customers with full range of personalised and professional products and services. By improving our product innovation and service modes in 2008, Ping An laid the foundations for an integrated financial products and service platform. As a result, we can now offer customers one-stop integrated financial services with one account and multiple products.

In 2008, we launched a E-Policy service for our insurance customers. This enables them to learn about and choose from a range of products at their convenience either online or on the telephone. Customers can receive 11 E-policy correspondences via email and directly access online services such as reviewing and re-sending of correspondences. We have also made marketing breakthroughs on new products for small and medium enterprises that combine guarantee and loan, credit insurance financing, equipment financing and “Quick and Easy Loan” on properties. Meanwhile, the Group has strengthened customer data security. Now, our professional technical support can secure information management while our front line customer service staff guarantee reliable customer service.

EMPLOYEE COMMITMENT: CAREER DEVELOPMENT OPPORTUNITIES AND BETTER LIVING CONDITIONS

Employees are the lifeblood of our business.

Employees are the most precious treasures of an enterprise. The employees play a very important role in the implementation of value chains, such as operation and development, strategy management and business expansion. The realization of the values of the employees is the foundation and driving force for the creation and realization of the values of stakeholders.

In 2008, we strengthened Ping An’s flexible and competitive salary and welfare systems. We also provided continuous and broader development for our employees through continuously improved promotional and appraisal processes and expanded opportunities for programmes offering further study and training. Organised recreational activities also promoted harmonious working conditions throughout Ping An. In the aftermath of the May 12th Sichuan Wenchuan earthquake, we organised earthquake relief work and provided emergency supplies and psychiatrists for employees working at front lines of the disaster area. We also provided special funding for earthquake-stricken employees and their families as well as special paid leave to help them overcome the difficulties of the disaster.

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SOCIAL COMMITMENT: MAKING A CONTRIBUTION TO THE NATION

Every enterprise, as part of society, should contribute to society's well-being and sustainability as a part of its normal business operations.

The natural eco-system and social environment are the basic habitat of enterprises, and the soil where they grow their social value. From the perspective of long-term development, how long we can live in an ecological environment depends on how well we can preserve it. In 2008, Ping An became a party to the Self-disciplinary Convention on Environment Protection for Listed Companies in Shenzhen. Since then, we have saved more than 250,000 kilowatt-hours of energy by revamping the lighting system in our nine properties. We have also reduced communications costs by over RMB200,000 by widely adopting VOIP technology and promoted e-business and the paperless office concept. We have been pioneers in promoting environmental pollution liability insurance and were the first to settle a compensation claim.

Charitable contributions play an important part in Ping An's commitment to society. We have important links with organisations such as the China Youth Development Fund, the China Soong Ching Ling Foundation, the Red Cross Society of China and the China Education Development Foundation. Our public welfare programmes, such as "Ping An with Hope" and "Ping An strive for excellence program" enjoy considerable community recognition. More than 600 customers and employees participated in the "Ping An Volunteer Teaching Program for hope primary schools", with an average term of volunteer services exceeding 200 hours. In response to the May 12th Sichuan Wenchuan earthquake, Ping An employees contributed over RMB35 million to disaster relief funds. Combined donations from employees and the Group were above RMB75 million.

COMMITMENT TO PARTNERS: TO CREATE MUTUAL BENEFITS AND WIN-WIN SITUATION

Our partners' decisions are essential to our results.

Ping An's partners include individual life insurance agents, reinsurers, partnership banks, designated hospitals and suppliers. We require our partners to provide sustainable products, be aware of environmental protection, effectively control pollution risks, and not mislead the consumers, so as to impact and inspire the partners to create a harmonious society.

OUR ON-GOING COMMITMENT

In 2009, we are continuing to integrate corporate social responsibility management into Ping An's overall corporate governance. As part of this effort, we are introducing Principals for Responsible Investment (PRI) and taking Environmental, Social and Governance (ESG) factors into account during the process of investment analysis and decision making.

In future, we plan to focus our efforts on building a long-term capacity and management platform to carry out corporate social responsibility, thereby ensuring corporate social responsibility is internalised throughout Ping An's operations. By ensuring that theory becomes everyday practice, we will deliver long-term, stable and reliable returns to our shareholders and achieve the strategic objectives essential to the Group's continuing success.

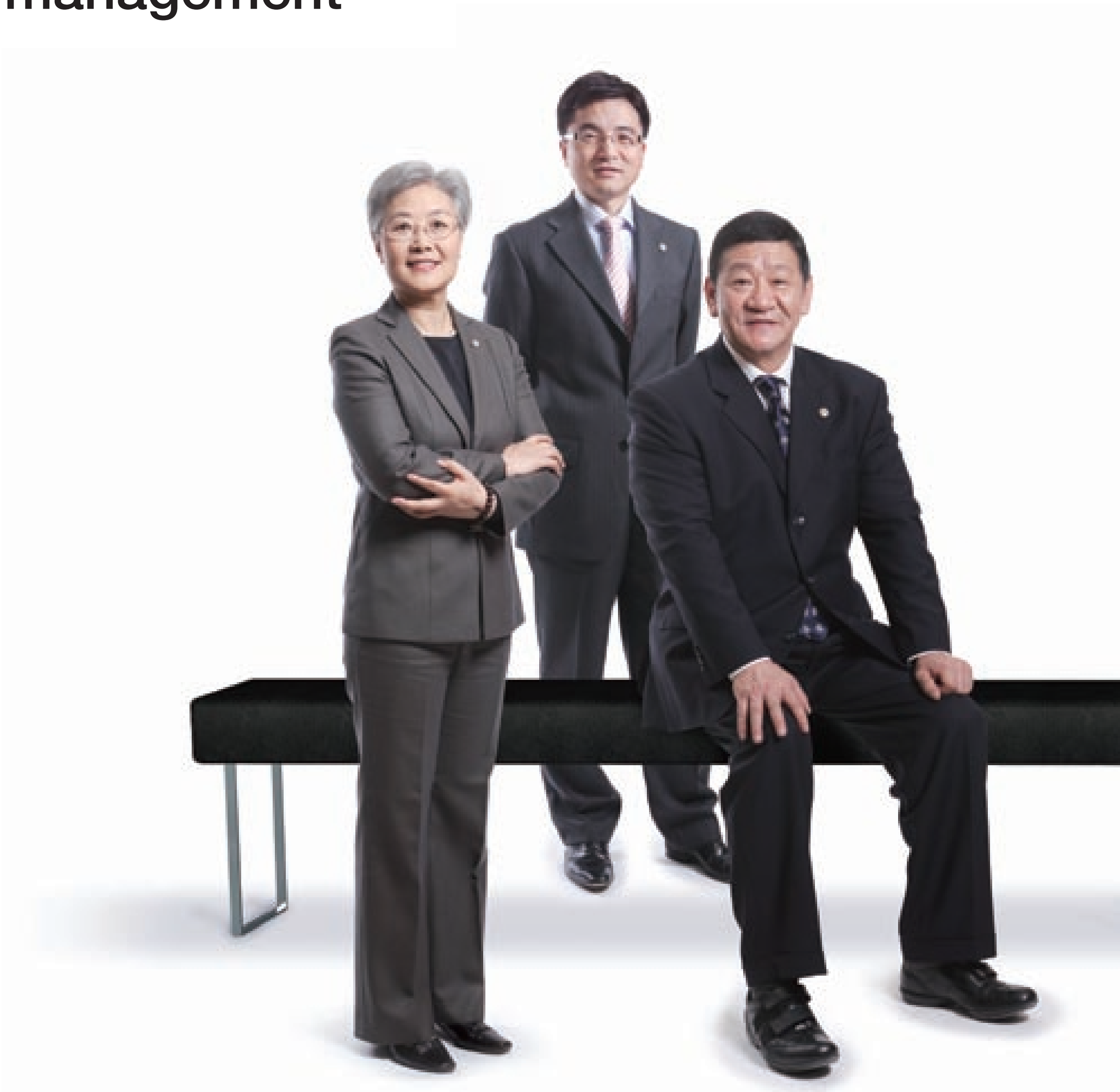
All statements and information disclosed herein are quoted from Social Responsibility Report 2008 of Ping An China. The report has been considered and approved by the Board of Directors of the Company. The full text has been released on Shanghai Stock Exchange and Ping An's official website.

4. Ping An staff prayed that the victims of the May 12 Wenchuan earthquake could return home as soon as possible.

5. In 2008, Ping An launched charity walk events under the theme of "Growing Hand-in-hand and Walking Side-by-side". Ping An has undertaken to donate in the name of each participant to build Ping An hope primary schools. The photo shows the charity walk held in Hubei.

6. For the purpose of enriching the social lives of its staff, the Trade Union of Ping An Group organized the "Ping An Union Cup" staff basketball competition in Shenzhen in 2008.

Directors, supervisors and senior management



DIRECTORS

Executive Directors

MA Mingzhe, 53, has been the Chief Executive Officer of our Company and Chairman of the Board of Directors (the "Board") since April 2001 and April 1994 respectively. He is a member of the 11th National Committee of the Chinese People's Political Consultative Conference. Since the establishment of Ping An Insurance Company in March 1988, he has held various positions, including President, Director and Chairman of the Board, and has throughout been fully involved in the operation and management of our Company. Prior to that, Mr. Ma was the Deputy Manager of China Merchants Shekou Industrial Zone Social Insurance Company. Mr. Ma has a Doctorate degree in Money and Banking from Zhongnan University of Economics and Law (previously Zhongnan University of Economics).

CHEUNG Chi Yan Louis, 45, has been an Executive Director since May 2006 and has been serving as our President since October 2003. He joined our Company in February 2000 and previously served as Senior Advisor to the Chairman, Chief Information Officer, Senior Vice President and Chief Financial Officer. From 1993 to 2000, Mr. Cheung was a Management Consultant and later became a global partner of McKinsey & Company, advising mainly financial services clients throughout Asia. Mr. Cheung has a Ph.D. degree in Business Information Systems from the University of Cambridge.

SUN Jianyi, 56, has been the Vice Chief Executive Officer and Executive Vice President of our Company since February 2003 and October 1994 respectively. Mr. Sun has been serving as an Executive Director since March 1995 and serving as Vice Chairman of the Board since October 2008. Mr. Sun is also an Independent Non-executive Director of Shenzhen Vanke Co., Ltd. and a Non-executive Director of Xuji Group Corporation Limited. Since joining our Company in July 1990, he has been the General Manager of the Management Department, Senior Vice President and Executive Vice President. Prior to joining our Company, Mr. Sun was the Head of the Wuhan Branch of the People's Bank of China and the Deputy General Manager of the

From left to right
Ms. WANG Liping
Mr. Jason Bo YAO
Mr. SUN Jianyi
Mr. LEUNG Ka Kui Dominic
Mr. MA Mingzhe
Mr. Richard JACKSON
Mr. CHEUNG Chi Yan Louis

Wuhan Branch Office of the People's Insurance Company of China and the General Manager of Wuhan Securities Company. He has a Diploma in Finance from Zhongnan University of Economics and Law (previously Zhongnan University of Economics).

Non-executive Directors

LIN Yu Fen, 38, has been a Non-executive Director of the Company since October 2002. He is also a Director of Capital China Group Company Limited. He graduated from City University of Hong Kong with an Honor degree in Finance. Mr. Lin is also a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants.

CHEUNG Lee Wah, 62, has been a Non-executive Director of the Company since October 2002. He has served as the General Manager for Wuhan Huachuang Enterprise Management Consulting Company Limited since 2001. Mr. Cheung was previously a Manager of Hilichamp Company Limited. He has a Bachelor's degree from McMaster University in Canada.

Anthony Philip HOPE, 62, was a Non-executive Director of the Company from November 2002 to May 2008. Mr. HOPE served as Vice Chairman of the Board of the Company from August 2005 to May 2008. Mr. HOPE was appointed as Chairman of HSBC Insurance Holdings Limited in 1987 and Group General Manager of Insurance of HSBC Holdings plc in 1996, but he resigned from these positions with effect from October 31, 2006. Mr. HOPE retired from HSBC Insurance Holding Limited on February 27, 2007. Mr. HOPE was appointed as a Director of AIG Europe (UK) Limited from December 1, 2007 and as an Independent Non-executive Director of Paris Re Holdings, Zug, Switzerland (formerly Paris Re, Bermuda) from March 14, 2007. Mr. Hope resigned as Non-executive Director and Vice Chairman of the Company in May 2008.

Directors, supervisors and senior management

Clive BANNISTER, 50, has been a Non-executive Director of the Company since May 2008. He has been the Group Managing Director of Insurance of HSBC Holdings plc since November 2006. Mr. Bannister was appointed as the General Manager and Chief Executive responsible for Private Banking of HSBC Holdings plc from July 2001 to November 2006. Mr. Bannister was appointed as the Chief Executive of Private Banking of HSBC Holdings plc from June 1998 to May 2001. During the period, Mr. Bannister was appointed as Director of HSBC Insurance Holdings Limited, the Chairman of HSBC Private Bank (UK) Limited and HSBC Private Bank (Monaco) Limited, Director of HSBC Guyerzeller Bank AG Switzerland, HSBC Private Bank (Suisse) SA, HSBC Private Bank (France) and HSBC Private Bank (Suisse) Holdings AG. In 1998, Mr. Bannister also acted as Special Adviser to the HSBC group's Chairman, developing strategies for HSBC. Between 1996 and 1998, Mr. Bannister was Head of Investment Banking and Deputy CEO of HSBC Securities Inc in New York, overseeing debt and equity securities business in America and worked as Director, Head of Planning and Strategy of HSBC Investment Banking. Prior to joining HSBC Holdings plc in 1994, Mr. Bannister was a partner in the financial consulting practice of Booz Allen & Hamilton. He obtained a Master's degree of Arts in Politics, Philosophy and Economics from Exeter College, Oxford University in 1982.

LIN Lijun, 46, has been a Non-executive Director of the Company since May 2003 and is currently the Vice Chairman of the Company Union. Ms. Lin has served as the Chairman of the Board of Directors of Shenzhen New Horse Investment Development Co., Ltd. since 2000. Ms. Lin previously served as the Deputy General Manager of the Human Resources Department at the property & casualty insurance business of our Company from 1997 to 2000. She has a Bachelor's degree in Chinese Language and Literature from South China Normal University.

FAN Gang, 54, has been a Non-executive Director of the Company since May 2003. Mr. Fan is also a Director of Shenzhen Jiangnan Industrial Development Co., Ltd. and has been the General Manager of the Chairman's Office of our Company since 2002. Mr. Fan joined our Company in 1988. Mr. Fan served as the General Manager of the Shenzhen Branch (Property & Casualty) of our Company from 1998 to 2000. Mr. Fan was previously Deputy Director of the Insurance Management Committee of our Company. Mr. Fan has a diploma in History from Hubei University.

HU Aimin, 60, has been a Non-executive Director of the Company since March 2004. Mr. Hu has served as the Chairman of the Board of Directors of Shum Yip Group Limited previously named as Shenzhen Shum Yip Investment Development Company Limited since November 2003. Mr. Hu has also served as the Chairman of the Board of Directors of Hongkong Shum Yip Holdings Company Limited and Shenzhen Investment Limited since April 2003 and June 2003 respectively. Mr. Hu previously served as the Secretariat to the People's Government of Shenzhen and the Director of the General Office of the People's Government of Shenzhen concurrently. Mr. Hu has a Master's degree in Management from Hunan University.

CHEN Hongbo, 57, has been a Non-executive Director of the Company since June 2005. Mr. Chen has also been serving as Vice Chairman of the Board since August 2005. Mr. Chen is the Chairman and the Secretary of the Party Committee of Shenzhen Investment Holdings Co., Ltd. since September 2004 and was the Deputy Director of Shenzhen State-owned Assets Supervision and Administration Commission from April 2004 to September 2004 and the Assistant Director, the Deputy General Director of the Economic System Restructuring Office of Shenzhen Municipal Government from December 1992 to April 2004. Mr. Chen graduated from Zhongnan University of Economics and Law (previously Zhongnan University of Economics) with a Master's degree in Economics.

WONG Tung Shun Peter, 57, has been a Non-executive Director of the Company since May 2006. Mr. Wong has been HSBC Group General Manager and Executive Director of the Hongkong and Shanghai Banking Corporation Limited since April 2005, being responsible for the Hong Kong and mainland China businesses. Mr. Wong is currently also a Deputy Chairman of HSBC Bank (China) Company Limited, Chairman of Hubei Suizhou Cengdu HSBC Rural Bank Company Limited, Chongqing Dazu HSBC Rural Bank Company Limited, Fujian Yongan HSBC Rural Bank Company Limited, Beijing Miyun HSBC Rural Bank Company Limited, HSBC Insurance (Asia) Limited and HSBC Life (International) Limited. A Director of Hang Seng Bank Limited and Bank of Communications Co., Ltd.. Mr. Wong's banking career started in 1980 when he joined Citibank as Assistant Financial Controller, and was Director of Business Development, Deputy Managing Director and Director of Banking, Director of Sales, Services and Distribution Channels for Citibank's North Asian operations in 1996. Mr. Wong was appointed Head of Consumer Banking of Standard Chartered Bank in 1997 for its Hong Kong and China operations. In 2000, he was appointed Chief Executive and General Manager for Hong Kong, while simultaneously overseeing its China operations. In 2002, he was appointed a Director of Standard Chartered Bank, overseeing its Greater China operations. Mr. Wong was educated at Indiana University in the USA and holds a Bachelor's degree in Computer Science, a MBA in Marketing and Finance and a MSc in Computer Science.

NG Sing Yip, 58, has been a Non-executive Director of the Company since May 2006. Mr. Ng has been the Head of Legal and Compliance of the Hongkong and Shanghai Banking Corporation Limited since January 1998. Mr. Ng is admitted as a solicitor to the Supreme Courts of England, Hong Kong and Victoria, Australia. He previously worked as a Crown Counsel in the Attorney General's Chambers before going into private practice. Mr. Ng joined the Hongkong and Shanghai Banking Corporation Limited in June 1987 as Assistant Group Legal Consultant, and was later appointed as Deputy Head of the Legal and Compliance Department in February 1993. Mr. Ng has a Bachelor's degree and a Master's degree in Laws (L.L.B. and L.L.M.) from the University of London, and also has a Bachelor's degree in Laws (L.L.B.) from Beijing University.

Independent Non-executive Directors

BAO Youde, 77, has been an Independent Non-executive Director of the Board since 2003 and previously has been a Non-executive Director of the Company since September 1995. Prior to retiring in 1999, he was a Deputy Chairman of the board of directors and the General Manager of the Shanghai International Trust Investment Company. In both 1988 and 1993, he was selected to serve as a representative in the Shanghai People's Congress. In 1987, Mr. Bao was selected to serve as a representative in the Chinese Communist Party's 13th Congress. He graduated from Shanghai University of Finance and Economics with a Diploma in Accounting.

KWONG Che Keung Gordon, 59, has been an Independent Non-executive Director of the Company since May 2003. Mr. Kwong is also Independent Non-executive Director of a number of companies listed on the Stock Exchange, namely Cosco International Holdings Limited, Tianjin Development Holdings Limited, Beijing Capital International Airport Company Limited, Frasers Property (China) Limited, NWS Holdings Limited, China Oilfield Services Limited, OP Financial Investments Limited, China Chengtong Development Group Limited, Global Digital Creations Holdings Limited, Quam Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Property Holdings Limited and CITIC 1616 Holdings Limited. From 1984 to 1998, Mr. Kwong was a partner of the Pricewaterhouse and was a council member of the Stock Exchange from 1992 to 1997. He has a Bachelor of Social Science degree from the University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales.

CHEUNG Wing Yui, 59, has been an Independent Non-executive Director of the Company since May 2003. He received a Bachelor of Commerce degree in Accountancy from the University of New South Wales, Australia. Mr. Cheung is a member of CPA Australia. He has been a Practising Solicitor in Hong Kong since 1979 and is a Consultant of the law firm Woo, Kwan, Lee & Lo. He has been admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore. Mr. Cheung is also Independent Director or Non-executive Director of a number of companies listed on the Stock Exchange, namely SmarTone Telecommunications Holdings Limited, SUNeVision Holdings Limited, Tianjin Development Holdings Limited, SRE Group Limited, Tai Sang Land Development Limited, Hop Hing Holdings Limited and Agile Property Holdings Limited. In addition, he is a director of the Community Chest, a director of the Hong Kong Institute of Directors Limited, a Deputy Chairman of the Open University of Hong Kong, a member of the Appeal Board established under the Accreditation of Academic and Vocational Qualifications Ordinance and a member of the Board of Review (Inland Revenue Ordinance).

CHOW Wing Kin Anthony, 58, has been an Independent Non-executive Director of the Company since June 2005. Mr. Chow is a partner of the law firm, Peter C. Wong, Chow & Chow. Mr. Chow has been serving as an Independent Non-executive Director of Fountain Set (Holdings) Limited since September 2004 and an Independent Non-executive Director of Kingmaker Footwear Holdings Limited since May 1994 and subsequently a Non-executive Director. Mr. Chow has been appointed as an Independent Non-executive Director of The Link Management Limited and Evergro Properties Limited (formerly Dragonland Limited), a company listed on the Singapore Stock Exchange since May 2006 and April 2006 respectively. Mr. Chow was the Vice Chairman of the Estate Agents Authority until October 31, 2006 and a member of the Hong Kong Housing Authority until May 8, 2006, and was a member of the Law Reform Commission of Hong Kong until October 31, 2007. Mr. Chow is the Chairman of the Process Review Panel of the Securities and Futures Commission, and a Council Member of The Hong Kong Institute of Education. Mr. Chow is also a member of National Committee of the Chinese People's Political Consultative Conference and a member of the Board of Stewards of the Hong Kong Jockey Club. Mr. Chow has been practicing as a solicitor in Hong Kong, he is also a China-appointed attesting officer.

Directors, supervisors and senior management

ZHANG Hongyi, 63, Mr. Zhang has been an Independent Non-executive Director of the Company since March 2007. He is currently a Director of Henderson (China) Investment Co. Ltd. since March 2008. In addition, Mr. Zhang is a council member of China Development Institute (Shenzhen, PRC), an Independent Non-executive Director of OCT Holdings Co., an Independent Non-executive Director of Shenzhen Rural Commercial Bank Ltd., a Non-executive Director of the Bank of East Asia (China) Ltd. and a Non-executive Director of Inter-Citic Minerals Inc.. He previously served as the President of Shenzhen branch of Bank of China, Vice Mayor of Shenzhen Municiple Government, Deputy C.E.O. of Hong Kong & Macau Regional Office of Bank of China, Chairman of Nanyang Commercial Bank Ltd., Chairman of Hua Chiao Commercial Bank Ltd., Vice Chairman of Bank of China Credit Card (International) Co. Ltd., General Manager of Macau branch of Bank of China, Managing Director of BANCO TAI FUNG, Chairman of Nam Tung Trust & Investment Co. Ltd., Chairman of Nantong Bank Ltd. (Zhuhai), Chairman of the Macau Bankers Association, Executive Vice President of China Development Institute (Shenzhen, PRC) etc. Mr. Zhang is a Senior Economist, a fellow of the Hong Kong Institute of Bankers and a guest professor at the Graduate School of the People's Bank of China.

CHEN Su, 51, has been an Independent Non-executive Director of the Company since March 2007. Mr. Chen is currently the Joint Secretary to the Committee of the Communist Party of China at the Institute of Law at the Chinese Academy of Social Science, the Deputy Director of the Research Department of the Institute of Law and the Deputy Director of the Research Department of the Institute of International Law and the Deputy Chairman of the Business Law Research Department of the Chinese Law Association. Mr. Chen has ever been a member of the Special Committee for Company Law Amendments of the Legality Office of the State Council and a member of the Special Committee for Securities Law Amendments of the Financial and Economics Affairs Committee of the National People's Congress.

XIA Liping, 71, has been an Independent Non-executive Director of the Company since June 2007. Mr. Xia has served in various positions since 1963, including the Administrator of the Credit Administration Department and the Deputy Director of the General Administration Department of the People's Bank of China, the Director of the State Economy Commission's Finance and Treasury Department and the Deputy Director-General of the Financial Management Department, the Deputy Director-General of the Internal Auditing Department and the Director-General of the Currency, Gold and Silver Bureau of the People's Bank of China. Mr. Xia retired in 1999 and was appointed as the Secretary-General of the China Banking Association from May 2000 to December 2005.

SUPERVISORS

XIAO Shaolian, 75, has been an Independent Supervisor of our Company and the Chairman of our Supervisory Committee since August 1994 and May 2003 respectively. Mr. Xiao previously served as the Deputy Governor of the Shenzhen Branch of the People's Bank of China and Deputy Director of Shenzhen Foreign Exchange Administration Bureau concurrently.

SUN Fuxin, 70, has been an Independent Supervisor of our Company since May 2003. Mr. Sun is currently the Chairman of the Board of Directors of Tian Yi Investment Guarantee Company and the Deputy Director of Dalian Credit Ranking Commission. Prior to his retirement in April 2003, Mr. Sun served as the Deputy Governor of the Dalian Branch of Industrial and Commercial Bank of China Limited, the Deputy Secretariat of the People's Government of Dalian in charge of budget, finance, real estate and tax. Mr. Sun also previously served as the Director of the Management Committee of Bank of Communication's Dalian Branch, the Securities Regulatory Office of Dalian, the General Office of Financial Management of Dalian, Head of Dalian Real Estate Development Administration Office and the Resource Allocation of Underdeveloped Areas of Dalian and the Chairman of the Board of Directors of Dalian Commercial Bank.

DONG Likun, 66, has been an Independent Supervisor of our Company since May 2006. Mr. Dong is currently the Professor of Hong Kong Law Research Institute of Shenzhen University, Senior Researcher of Hong Kong-Macau Research Center of Development Research Center of the State Council of the People's Republic of China, Standing Director of the Chinese International Law Society, Deputy President of the Chinese International Private Law Society, Chief Secretary of the Hong Kong-Macau Research Center of the Guangdong Law Society, Arbitrator at the China International Economic and Trade Arbitration Commission and Independent Non-executive Director of Fangda (Group) Co., Ltd.. Mr. Dong was previously the Head of the International Law Center of Shanghai Academy of Social Sciences, Dean of the School of Law of Shenzhen University, a representative of the Shanghai People's Congress and a member of the Guangdong Political Consultative Committee. Mr. Dong graduated from the School of Law of Peking University.

DUAN Weihong, 40, has been a Supervisor representing the shareholders of our Company since May 2003. Ms. Duan was the Chairperson of the Board of Shenzhen Deng Feng Investment Group Company, Limited. She has an EMBA degree from the School of Economics & Management, Tsinghua University.

LIN Li, 45, has been a Supervisor representing the shareholders of our Company since May 2006. Mr. Lin is currently the Chairman of Shenzhen Liye Group Company Limited. Mr. Lin previously served at Bank of China Shenzhen Branch. Mr. Lin is a graduate of the School of Finance and Accounting of Hubei Technical Institute.

CHE Feng, 39, has been a Supervisor representing the shareholders of our Company since May 2006. Mr. Che is currently the Chairman of Beijing Worthope Sathen Network Technology Co., Ltd. and is the Standing Director of the Institute of International Relations at Peking University. Mr. Che was previously the Deputy Manager of Hainan Haiboh Enterprises Company Limited, Chairman of Hainan Hengye Real Property Development Company Limited and Chairman of Shanghai Tianjian Real Property Development Company Limited. Mr. Che graduated from the Graduate School of Chinese Academy of Social Sciences.

HU Jie, 53, has been a Supervisor representing the employees of our Company since May 2006. Ms. Hu served as the Chairman of Ping An Property & Casualty. Ms. Hu has a Master's degree in Banking from Nankai University and is a qualified senior accountant.

WANG Wenjun, 41, has been a Supervisor representing the employees of our Company since May 2006. Ms. Wang is also currently serving as the Deputy Dean of group general office of the Company. Ms. Wang holds a Bachelor's degree from Shanghai Foreign Languages University and a Master's degree in Public Administration from Xi'an Communication University.

DU Jiangyuan, 39, has been a Supervisor representing the employees of our Company since July 2007. Mr. Du is currently the General Manager of Talent Management Department of the Company. Since he joined the Company in 1996, he has ever been Assistant to the General Manager of Ping An Property & Casualty branch, Deputy Manager and Manager of Human Resource Department of Ping An Property & Casualty, the assistant to the General Manager of the Human Resource Department of the Company and Deputy General Manager of Talent Management Department of the Company. Mr. Du holds a Master's degree of Currency and Banking from Shanghai University of Finance & Economics.

SENIOR MANAGEMENT OF OUR COMPANY

See "DIRECTORS" for resumes of MA Mingzhe, CHEUNG Chi Yan Louis and SUN Jianyi.

LEUNG Ka Kui Dominic, 61, has been Executive Vice President and Chief Insurance Business Officer of our Company since June 2006 and March 2006 respectively. Mr. Leung joined our Company in January 2004 and served as Chairman and Chief Executive Officer of Ping An Life. From 1996 to 2003, he worked in Prudential Corporation Asia Ltd. as the Managing Director, Greater China. From 1989 to 1996, he worked in Taiwan Nanshan Life Insurance Company, Ltd. and his last position was the General Manager of the company. From 1975 to 1989, he worked in American International Assurance Company and his last position was Senior Vice President. Mr. Leung has a Bachelor's degree in Science from the Chinese University of Hong Kong.

Richard JACKSON, 53, Chief Finance Business Officer of our Company since November 2005, and President of Ping An Bank Co., Ltd (previously named Shenzhen Ping An Bank) since March 2007 respectively. Mr. JACKSON joined our Company in November 2005. From 1985 to 2005, Mr. JACKSON served in various positions at Citibank, including Head of International Business for Citigroup Insurance International, and Financial Institutions Head for Asia Pacific, Chairman and CEO of Citibank Hungary, Director of Bank Handlowy in Poland and Country Manager and Consumer Business Head of Citibank Korea. From 1974 to 1985, Mr. JACKSON served as Deputy Manager for Hong Kong and Regional Marketing Manager for Asia in Commercial Union Assurance Corporation. Mr. JACKSON is the Fellow of the Chartered Insurance Institute.

WANG Liping, 52, Senior Vice President of our Company since January 2004. Ms. Wang joined our Company in June 1989 and served as Vice Chief Insurance Business Officer from July 2006 to January 2007. From August 2005 to July 2006, Ms. Wang was the Chairman and President of Ping An Annuity. From 2002 to 2004, she served as the Chairman and Chief Executive Officer of Ping An Life. From 1998 to 2002, she served as Vice President and Senior Vice President of our Company successively. From 1995 to 1997, she served as the General Manager of the Management Department and Vice President of the life insurance business of our Company. From 1994 to 1995, she served as the President of the Securities Department of our Company. Ms. Wang has a Master's degree in Monetary & Banking from Nankai University.

KU Min-shen, 52, Senior Vice President of our Company since February 2003 and Chief Service & Operation Officer since April 2007, and President and Chief Executive Officer of Ping An Processing & Technology since September 2008. Mr. Ku joined our Company in May 2001. From February 2003 to January 2007, he served as Chief Human Resources Officer of our Company and from June 2001 to February 2003 he served as the Head of Human Resources of our Company. From 1995 to 2001, Mr. Ku served as Vice Chairman and President of Shanghai Van Den Bergh Company, Ltd., a joint venture between Unilever and Shanghai Sugar Cigarette and Wine (Group) Company, Ltd. and the Human Resources Director of Unilever HPC China. Mr. Ku has a Bachelor's degree in Educational Psychology from Fu Jen Catholic University of Taiwan.

CAO Shifan, 53, Senior Vice President of our Company since April 2007. Mr. Cao joined our Company in November 1991. From March 2004 to April 2007, he was the Chairman of Ping An Property & Casualty. From December 2002 to April 2007, he served as the Chief Executive Officer of Ping An Property & Casualty. From December 2002 to June 2005, he was President of Ping An Property & Casualty. From April to December 2002, he was Senior Vice President of Ping An Insurance Company of China. Ltd. Mr. Cao has a Master's degree in Economics from Zhongnan University of Economics and Law (previously Zhongnan University of Economics).

GOH Yethun, 39, Senior Vice President and Chief Marketing Officer of our Company since January 2007 and August 2005, and President and Chief Executive Officer of Shenzhen Ping An Cai Fu Tong Advisory Co., Ltd. since October 2008. Mr. Goh joined our Company in February 2000 to take part in the group's e-commerce initiative, then served as Chief Operating Officer of Ping An Securities. From December 2004 to January 2007, Mr. Goh was the Vice President of our Company. From September 2003 to January 2007, he served as Head of Strategic Development of our Company. From September 2003 to December 2008, he served as Head of Development and Reform Center of the Company. Before joining our Company, Mr. Goh was an engagement manager in McKinsey & Company. Mr. Goh has a Bachelor's degree in Economics from Hamilton College, USA.

LO Sai Lai, 46, Senior Vice President and Chief Information Officer of our Company since January 2007 and February 2006, and President and Chief Executive Officer of Ping An Technology since August 2008. Mr. Lo joined our Company in June 2002. From February 2006 to January 2007, he served as the Vice President of our Company. From October 2003 to February 2006, he served as Head of Information Technology. From 2002 to 2008, he served as General Manager of the Data Center and General Manager of the Information Management Center of our Company. From 2001 to 2002, Mr. Lo worked as Senior Consultant of our Systems Development Center. From 1993 to 2001, Mr. Lo worked as a researcher at the University of Cambridge, a research engineer at the Olivetti Research Laboratory, a senior researcher at the Olivetti and Oracle Research Laboratories and a senior researcher at AT&T Laboratories – Cambridge. Mr. Lo has a Ph.D. in Computer Science from the University of Cambridge.

CHEN Kexiang, 51, Senior Vice President of our Company since January 2007. Mr. Chen joined our Company in December 1992. From February 2003 to January 2007, Mr. Chen served as Vice President of our Company. From June 2002 to May 2006, he served as General Secretary of the Board of our Company, and General Manager of the General Office from June 2002 to April 2007. From 1999 to 2002, Mr. Chen served as Senior Vice President and then President of Ping An Trust. From 1996 to 1999, Mr. Chen served as the Deputy Manager and General Manager of the General Office of our Company. From 1995 to 1996, Mr. Chen served as the General Manager of Ping An Building Management Company. From 1993 to 1995, he served as Assistant to General Manager and Assistant General Manager of the General office of the Parent Company. Mr. Chen has a Master's degree in Finance from Zhongnan University (previously Zhongnan University of Economics).

YAO Jun, 43, Secretary of the Board of the Company since October 2008, Chief Legal Officer since September 2003, Company Secretary since May 2008, Compliance Officer of the Group since November 2006, General Manager of Legal Department of the Company since April 2007, and Joint Company Secretary from June 2004 to May 2008. Mr. Yao joined the Company in September 2003. He was previously a partner of Commerce & Finance Law Offices. Mr. Yao is a Fellow of The Institute of Chartered Secretaries and Administrators (FCIS) and Fellow of The Hong Kong Institute of Chartered Secretaries (FCS), and has an L.L.M. degree from Peking University.

John PEARCE, 46, Senior Vice President and Chief Investment Officer of our Company since January 2007, and chairman of Ping An Asset Management (Hong Kong) since June 2007. Mr. PEARCE joined our Company in January 2007. From 2003 to 2006, he served as Chief Executive Officer of Colonical First State Investments Limited, and from 2000 to 2003 served as the General Manager of that company, responsible for investment business. From 1991 to 2000, Mr. PEARCE took various positions within the Australian Colonial Limited Group (now Commonwealth Bank Group), including Head of Funding, Head of Risk Management, Head of Financial Market and Head of Treasury Division. Mr. PEARCE has a Master Degree in Applied Finance from Macquarie University. Mr. PEARCE resigned as the Senior Vice President of our Company for the expiration of the term of his contract.

COMPANY SECRETARY

See "SENIOR MANAGEMENT" for the resume of Mr. Yao Jun.

Corporate governance report

The Board of Directors is pleased to report to the shareholders on the corporate governance undertakings and performance of the Company for the year ended December 31, 2008.

This report sets out information in respect of the Company's compliance with the Code on Corporate Governance Practices and the Model Code for Securities Transactions by Directors and Supervisors of the Company as respectively contained in Appendix 14 and Appendix 10 to the Listing Rules, the specific undertakings and corporate governance structure of the Company, followed lastly by a summary of the Company's application of the principles in the Code on Corporate Governance Practices, which will allow shareholders to evaluate how those principles have been applied.

The Company is committed to continually achieving high standards of corporate governance and believes that sound corporate governance enhances the effective and reliable management of the Company and is essential for the Company to maximize shareholders' value.

In order to uphold a high standard of corporate governance, the Company has continued to maintain a dedicated, professional and accountable Board of Directors and an internationally recognized senior management team. Information on their backgrounds and experiences has been set out on pages 62 to 68 of this annual report.

The Company's corporate governance is implemented via a structured hierarchy, which includes the Board of Directors, the supervisory committee and three committees established under the Board of Directors, namely the audit committee, the remuneration committee and the nomination committee. In addition, we have also established a number of management committees including, among others, an investment management committee, a budget committee, an investor-relations management committee and a risk management committee under the executive committee which is established under the Board of Directors.

CODE ON CORPORATE GOVERNANCE PRACTICES CONTAINED IN APPENDIX 14 TO THE LISTING RULES

General

Throughout the period under review and save that Mr. Ma Mingzhe has occupied the positions of both the Chairman of the Board of Directors and the Chief Executive Officer of the Company, none of the Directors is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the Code on Corporate Governance Practices. Further details of Mr. Ma's roles and reasons for non-separation of the roles are set out further below.

Chairman of the Board of Directors and the Chief Executive Officer of the Company

Code Provision A.2.1 of the Code on Corporate Governance Practices provides that the roles of the Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. However, after considering the relevant principle of Code Provision A.2.1 of the Code on Corporate Governance Practices and examining the management structure of the Company, the Board is of the view that:

1. Since the Company introduced international strategic investors (The Goldman Sachs Group, Inc and Morgan Stanley) in 1994, the Company has built up a board structure of international standard. In terms of the composition of the Board, we have reached an international, diversified and professional level, and we have established a very structured and strict operation system and a set of meeting procedural rules. The Chairman, as a convener and chair person of the Board meeting, does not have any special power different from that of other directors on the decision making process.

2. In the day-to-day operation of the Company, the Company has in place an established management system and structure, and have appointed various roles and committees such as the President, Executive Committee and other professional committees. Decisions on all material matters will be subject to complete and stringent deliberation and decision making procedures in order to ensure that the Chief Executive Officer can perform his duties diligently and effectively.

3. Since the establishment of the Company, our business and operating results have maintained a continuous, steady and fast growth, and our management model has been widely recognized in the industry. All along, our Chairman of the Board of Directors has assumed the role of Chief Executive Officer of the Company and this model has proven to be reliable, efficient and successful, therefore the continuous adoption of this model will be beneficial to the future development of the Company.

4. There is clear delineation in the responsibilities of the Board and the management set out in the Articles of Association of the Company.

In light of the above, the Board of Directors and management structure have proved to be able to provide the Company with efficient management and, at the same time maximize protection of shareholders' rights. Accordingly the Company does not intend to separate the roles of the Chairman and the Chief Executive Officer at the moment.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS OF THE COMPANY

On May 28, 2004, the Company adopted the Code of Conduct, which was amended on July 3, 2007, regarding securities transactions by Directors and Supervisors of the Company on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all Directors and Supervisors of the Company who have confirmed that they complied with the required standard set out in the Model Code and the Code of Conduct during the period from January 1, 2008 to December 31, 2008.

THE BOARD OF DIRECTORS

The Board of Directors and Board meetings held during the year

The Board of Directors is responsible for the management of the Company and accountable to the shareholders for their entrusted assets and resources. They represent and owe a duty to act in the interests of the shareholders as a whole. The principal responsibilities of the Board of Directors and the types of decisions to be taken by the Board of Directors include, among others:

- formulating the Group's overall direction, objectives and strategies, business plans and investment proposals as well as monitoring and supervising the management's performance;
- formulating the Company's annual budgets, financial statements and monitoring the Company's performance;
- formulating the Company's profit distribution and loss recovery proposals;
- formulating plans for mergers or disposals and deciding on major investments, pledging of assets and other giving of other forms of security (in accordance with shareholders' approval);
- formulating proposals for the increase or decrease in our registered capital and the issuance of corporate bonds or other securities, and listing plans;
- engaging or dismissing the senior management staff of the Company, and determining their remuneration and award and reprimand matters; and
- monitoring, evaluating and ensuring the effectiveness of the Company's internal control systems and compliance with relevant laws and regulations.

On the other hand, responsibilities and functions and types of decisions delegated to the management include, among others:

- implementation of the Company's overall direction, objectives and strategies, business plans and investment proposals as determined by the Board of Directors from time to time; and
- the day-to-day management of the Company's business.

For the year ended December 31, 2008, members of the Board include three Executive Directors and sixteen Non-executive Directors, seven of whom are Independent Non-executive Directors. Biographies of each of them, are set out on pages 62 to 66 of this annual report.

During 2008, the Board of Directors held 8 full Board meetings. All such meetings were convened in accordance with the Articles of Association, and were attended in person or by proxy by all Directors entitled to be present, at which the Directors actively participated either in person or through electronic means of communication.

DIRECTORS

	Meetings attended/held			
Members	Board meetings attended in person/held	% of attendance in person	Meetings attended by proxy/held	% of attendance by proxy
Executive Directors				
MA Mingzhe (Chairman)	8/8	100%	0/8	0%
CHEUNG Chi Yan Louis	8/8	100%	0/8	0%
SUN Jianyi	8/8	100%	0/8	0%
Non-executive Directors				
Anthony Philip HOPE (resigned on May 13, 2008)	2/3	66.7%	1/3	33.3%
LIN Yu Fen	8/8	100%	0/8	0%
CHEUNG Lee Wah	8/8	100%	0/8	0%
Clive BANNISTER (appointed on May 13, 2008)	5/5	100%	0/5	0%
LIN Lijun	8/8	100%	0/8	0%
FAN Gang	7/8	87.5%	1/8	12.5%
HU Aimin	5/8	62.5%	3/8	37.5%
CHEN Hongbo	8/8	100%	0/8	0%
WONG Tung Shun Peter	6/8	75%	2/8	25%
NG Sing Yip	7/8	87.5%	1/8	12.5%
Independent Non-executive Directors				
BAO Youde	7/8	87.5%	1/8	12.5%
KWONG Che Keung Gordon	8/8	100%	0/8	0%
CHEUNG Wing Yui	7/8	87.5%	1/8	12.5%
CHOW Wing Kin Anthony	8/8	100%	0/8	0%
ZHANG Hongyi	7/8	87.5%	1/8	12.5%
CHEN Su	5/8	62.5%	3/8	37.5%
XIA Liping	8/8	100%	0/8	0%

Independent Non-executive Directors

Each of our Independent Non-executive Directors meets the independence guidelines set out in Rule 3.13 of the Listing Rules and has given to the Company his annual confirmation as to his independence. None of our Independent Non-executive Directors has any business or financial interests with the Company or its subsidiaries and they continued to be considered by the Company to be independent. Furthermore, these individuals are precluded from assuming executive positions in the Company. Independent Non-executive Directors owe a fiduciary duty to the Company and its shareholders and, in particular, are entrusted with the responsibility of protecting the interests of minority shareholders. They serve as an important balancing factor in the policy making process of the Board of Directors and represent a crucial element of corporate governance. In addition, their broad experience in business and finance is vital to the successful development of the Company. During 2008, the Independent Non-executive Directors expressed their views and opinions at meetings of the Board of Directors in relation to a number of matters which were of concern to the shareholders and the Company as a whole.

BOARD COMMITTEES

The Company has established an audit committee, a remuneration committee and a nomination committee. Further details of the roles and functions and the composition of each of these committees are set out below.

Audit Committee

The primary duties of the audit committee are to review and supervise the Company's financial reporting process. The audit committee is also responsible for reviewing the external auditor appointment, the external auditor remuneration and any matters relating to the termination of the appointment or resignation of the external auditors. In addition, the audit committee also examines the effectiveness of the Company's internal controls, which involves regular reviews of the internal controls of various corporate structures and business processes on a continuous basis, and takes into account their respective potential risk and urgency, to ensure the effectiveness of the Company's business operations and the realization of its corporate objectives and strategies. The scope of such examinations and reviews includes finance, operations, regulatory compliance and risk management. The audit committee also reviews the Company's internal audit plan, and submits relevant reports and recommendations to the Board of Directors on a regular basis.

In 2008, the composition of the audit committee has changed. Mr. Anthony Philip HOPE resigned as Non-executive Director and a member of the audit committee on May 13, 2008. Mr. NG Sing Yip, being a Non-executive Director, was appointed in place of Mr. Anthony Philip HOPE as a member of the audit committee on the same date. The audit committee comprises 5 Independent Non-executive Directors and 1 Non-executive Director, all of whom are not involved in the day-to-day management of the Company. The audit committee is chaired by an Independent Non-executive Director who also possesses the appropriate professional qualifications or accounting or related financial management expertise.

In 2008, the audit committee held 5 meetings. All these meetings were convened in accordance with the Articles of Association. In particular, the audit committee reviewed the Company's annual financial statements for the year ended December 31, 2007 and the interim financial results for the six months ended June 30, 2008. Furthermore, the audit committee convened the meeting, reviewed the unaudited financial report and agreed to deliver it to the auditor for auditing, the audit committee also convened the first meeting of the audit committee in 2009 and reviewed the audited financial report for the year ended December 31, 2008 in the meeting and was satisfied with their basis of preparation, including the appropriateness of assumptions and accounting policies and standards adopted, and made recommendations to the Board of Directors for their consideration.

Further, in order to enable the members of the committee to better evaluate the financial reporting systems and internal control procedures of the Company, they also met with the Company's qualified accountant and external auditors during the year.

The audit committee also considered and was satisfied with the performance, independence and objectivity of the Company's auditors and recommended their reappointment at the Company's 2008 annual general meeting.

During the year under review, the remuneration paid to the Company's auditors, Messrs. Ernst & Young, is set out as follows:

Services rendered (in RMB million)	Fees paid/payable
Audit services – audits and reviews of financial statements	32
Other assurance services	7
Non-assurance services	14
Total	53

Remuneration Committee

The primary duty of the remuneration committee is to determine the specific remuneration packages of the Company's Directors and senior management, including benefits in kind, pension rights and compensation payments and advise the Board of Directors in relation to establishing a formal and transparent procedure for developing remuneration policy in respect of these individuals, and to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board. In particular, the remuneration committee is delegated with the specific task of ensuring that no Director or any of his associates is involved in deciding his own remuneration. Where the remuneration of a member of the remuneration committee is to be considered, that member's remuneration should be determined by the other members of the committee. Meetings of the remuneration committee are to be held at least twice a year.

In 2008, the composition of the remuneration committee changed. Mr. Anthony Philip HOPE resigned as Non-executive Director and a member of the remuneration committee on May 13, 2008. Mr. Clive BANNISTER was appointed a Non-executive Director and replaced Mr. Anthony Philip HOPE as a member of the remuneration committee on the same date. The remuneration committee comprises 3 Independent Non-executive Directors and 2 Non-executive Directors, all of whom are not involved in the day-to-day management of the Company. The remuneration committee is chaired by an Independent Non-executive Director.

During 2008, the remuneration committee held 2 meetings, the attendance of which met the minimum requirements of the Article of Association and Rules of the Remuneration Committee. The performance and remuneration packages of all Directors and senior management and the management of the Company's Long-term Incentive Plan for 2008 were reviewed with reference to the results of the Company. The remuneration committee prepared a "Remuneration Market Comparison Report" based on the respective in responsibilities of each of the Executive Directors and members of the senior management. Moreover, it engaged Ernst & Young to certify and supervise on the Settlement of the Executive Directors' Annual Awards Plan for 2007.

Nomination Committee

The primary duty of the nomination committee is to review, advise and make recommendations to the full Board of Directors regarding candidates to fill vacancies on our Board and to senior executives of deputy general manager or above. Meetings of the nomination committee are held when necessary but at least once a year.

Nominations of Directors are considered with reference to, among other things, an individual's business acumen and undertakings, academic and professional achievements and qualifications, experience, independence (where applicable), having regard to the Company's activities, assets and management portfolio. The nomination committee is delegated with the task of actively considering the needs of the Company at the Directors' level and senior executives' (senior vice-president or above) level, studying the criteria and procedure for selecting directors and senior executives, first considering and identifying appropriate candidates, then making recommendations to the full Board and implementing any decisions and recommendations of the Board in the execution of appointments. The aim and principal objective of the nomination committee is to ensure that there be maintained a dedicated, professional and accountable Board of Directors to serve the Company and its shareholders.

The nomination committee comprises 3 Independent Non-executive Directors and 2 Executive Directors. The nomination committee is chaired by an Independent Non-executive Director.

During 2008, the nomination committee held 2 meetings. Changes in the Board of Directors included the appointment of Mr. Clive BANNISTER as a Non-executive Director of the 7th Session of the Board of Directors. Apart from the specific nomination of new incoming Director, the nomination committee also met to review the structure, size and composition of the Board of Directors having regard to the Company's activities, assets and management portfolio.

Written terms of reference of each of the Company's audit committee, remuneration committee and nomination committee are available on request and are also available on the Company's website at http://www.pingan.com.

Composition of the committees of the Board of Directors and attendance of meetings

Audit Committee

Members	Meetings attended in person/held	% of attendance in person	Meetings attended by proxy/held	% of attendance by proxy
Non-executive Director				
Anthony Philip HOPE*	2/2	100%	0/2	0%
NG Sing Yip*	2/3	66.7%	1/3	33.3%
Independent Non-executive Directors				
KWONG Che Keung Gordon (Chairman)	5/5	100%	0/5	0%
CHEUNG Wing Yui	5/5	100%	0/5	0%
CHOW Wing Kin Anthony	5/5	100%	0/5	0%
ZHANG Hong Yi	4/5	80%	1/5	20%
CHEN Su	2/5	40%	3/5	60%

* Mr. Anthony Philip HOPE resigned as Non-executive Director and a member of the audit committee on May 13, 2008 and Mr. NG Sing Yip was appointed as a member of the audit committee on the same day.

Remuneration Committee

Members	Meetings attended in person/held	% of attendance in person	Meetings attended by proxy/held	% of attendance by proxy
Non-executive Director				
CHEUNG Lee Wah	2/2	100%	0/2	0%
Anthony Philip HOPE*	1/1	100%	0/1	0%
Clive BANNISTER*	1/1	100%	0/1	0%
Independent Non-executive Directors				
BAO Youde	2/2	100%	0/2	0%
KWONG Che Keung Gordon	2/2	100%	0/2	0%
CHEUNG Wing Yui (Chairman)	2/2	100%	0/2	0%

* Mr. Anthony Philip HOPE resigned as Non-executive Director and a member of the remuneration committee on May 13, 2008 and Mr. Clive BANNISTER was appointed as a member of the remuneration committee on the same day.

Nomination Committee

Members	Meetings attended in person/held	% of attendance in person	Meetings attended by proxy/held	% of attendance by proxy
Executive Director				
MA Mingzhe	2/2	100%	0/2	0%
SUN Jianyi	2/2	100%	0/2	0%
Independent Non-executive Directors				
BAO Youde (Chairman)	2/2	100%	0/2	0%
CHOW Wing Kin Anthony	2/2	100%	0/2	0%
XIA Liping	2/2	100%	0/2	0%

MANAGEMENT COMMITTEES

The Executive Committee

In addition to the three board committees, the Company has also established an executive committee, which is the highest execution authority under the Board of Directors. The primary duty of the executive committee is to review the Company's internal business reports, the Company's policies in relation to investment and profit distribution and the Company's management policies, development plans and resources allocation plans. The executive committee is also responsible for making management decisions in relation to matters such as the material development strategies, business plans, financial systems and major promotions. In addition, the executive committee is also responsible for reviewing the business plans of the subsidiaries of the Company and to evaluate the financial performance of the subsidiaries. The Company has also established four special management committees under the executive committee, namely, an investment management committee, a budget committee, an investor relations management committee and a risk management committee.

The Investment Management Committee

The investment management committee oversees the investment-related operations of the Group, makes decisions on important investments relating to the day to day management of the Group, and generally approves, manages and reviews the Group's investment and related activities, as well as its risk control. The investment management committee is also responsible for improving the Group's Investment Management Monitoring System. The investment management committee is currently composed of 11 members, which is chaired by the deputy director of the executive committee of the Company.

The Budget Committee

The budget committee leads and provides guidance on our strategic planning and conducts the overall budget management. The budget committee is responsible for determining our strategic planning, formulating the guidelines on strategic planning and approving the operating budgets prepared by each of our business units. In addition, the budget committee also monitors the implementation of our development strategy, annual budget and business plan. The budget committee is currently composed of 7 members, and is chaired by the President of the Company.

The Investor Relations Management Committee

The investor relations management committee is responsible for formulating and amending guidelines for the Company's investor relations management; coordinating, providing guidance to and inspecting the operations of the investor relations department; supervising the collating and organizing of material information in relation to investor relations, and scrutinizing material information that is to be disclosed to the public; scrutinizing the external publication of news, and providing guidance as to responding to any adverse publicity by the media in relation to the Company's operations and activities; providing guidance on communications with shareholders; supervising and organizing road shows and meetings with investors and financial analysts; providing guidance on communicating with the stock exchanges where the company is listed, organizing regular meetings for the investor relations management committee; calling extraordinary meetings to deal with contingency matters; providing guidance on tracking unusual fluctuations in share price; and providing guidance on responding to assessments of the Company given by any assessment authority. The investor relations management committee is currently composed of 12 members, which is chaired by the President of the Company.

The Risk Management Committee

The risk management committee is responsible for the Company's material risk management, which includes the solvency management, the use of insurance funds, strategic planning of backgrounds operators and other important strategy decision. The risk management committee is also responsible for guiding and supervising the implementation and compliance of important Systems and policies relating to finance, insurance, banking, investment and operating risk management, etc. The risk management committee is currently composed of 7 members, which is chaired by the Chief Internal Auditor of the Company.

THE SUPERVISORY COMMITTEE

The primary functions and powers of the supervisory committee include, among others,

- verifying financial reports and other financial information which have been prepared by the Board of Directors and which are proposed to be presented at the shareholders' meetings;
- examining the Company's financial affairs; and
- monitoring compliance of Directors, Chief Executive Officer and other members of senior management of the Company with applicable laws, administrative regulations and the Articles of Association.

There are currently 9 Supervisors, 3 of whom are Independent Supervisors.

EMOLUMENT POLICY OF THE GROUP

The emolument policy of the Group is aimed at attracting, retaining and motivating talented individuals and achieving the Group's operational targets. The principle is to have clearly set incentive and performance-based remuneration which reflects market standards and is cost effective. The salary element of our employee's remuneration packages is generally determined based on the their job nature and position with reference to market standards; and any bonus element is generally determined based on performance so as to highlight achievements. Apart from salary and bonuses, employees also receive certain welfare benefits. However, given the different operational models, stages of development and market standards applicable to the sectors in which our several subsidiaries and units operate, the remuneration packages may be structured differently.

In addition, the Company also has in place a long term incentive plan mainly for the senior management personnel and certain key employees of outstanding performance.

The Group's emolument policy and objectives are aimed at the long run and being consistent, but will be adjusted depending on a number of factors, including changes to the market practice and stages of the Group's business development, so as to achieve the Group's operational targets.

As regards Directors, Executive Directors will receive remuneration determined according to the Group's emolument policy for rendering executive services to the Group; Independent Non-executive Directors will receive a Director's fee determined with reference to market standards in mainland and Hong Kong respectively; Non-executive Directors nominated by shareholders of the Company do not receive a Director's fee. Directors' fees are considered and recommended by the remuneration committee of the Board, and approved by shareholders in general meeting. Further details of Directors' remuneration are set out in note 45 to the financial statements.

Corporate governance report

SUMMARY OF THE COMPANY'S APPLICATION OF THE PRINCIPLES IN THE CODE ON CORPORATE GOVERNANCE PRACTICES

In order to better enable shareholders to evaluate how the Company has applied the principles in the Code on Corporate Governance Practices, below is a summary table setting forth a side-by-side comparison of the Code principles and the Company's application of them, in addition to the specific undertakings, corporate governance structure and endeavours of the Company for the year ended December 31, 2008 set out above.

Code Principle	Company's Application of Code Principle
A.1 The Board	
An issuer should be headed by an effective board which should assume responsibility for leadership and control of the issuer and be collectively responsible for promoting the success of the issuer by directing and supervising the issuer's affairs. Directors should take decisions objectively in the interests of the issuer.	The Company is headed by a dedicated, professional and accountable Board of Directors comprising of 19 outstanding individuals. Information on their background and experience has been set out on pages 62 to 66 of this annual report. The Board is responsible for the overall management of the Company and the Directors are under a duty to act in the interest of the Company and the shareholders. Details of the principal responsibilities of the Board have been set out on pages 70 to 71 of this annual report.
A.2 Chairman and Chief Executive Officer	
There are two key aspects of the management of every issuer – the management of the board and the day-to-day management of the issuer's business. There should be a clear division of these responsibilities at the board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.	Mr. Ma Mingzhe has occupied the positions of the Chairman of the Board and the Chief Executive Officer of the Company throughout the year ended December 31, 2008. Details of Mr. Ma's roles and reasons for non-separation of the roles have been set out on pages 69 to 70 of this annual report.
A.3 Board composition	
The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should ensure that changes to its composition can be managed without undue disruption. The board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgment. Non-executive directors should be of sufficient calibre and number for their views to carry weight. Under Rule 3.10, every board of directors of a listed issuer must include at least three independent non-executive directors. Guidelines on independence of independent non-executive directors are set out in Rule 3.13.	Each of the Directors, apart from being outstanding individuals with a wealth of experience in their respective fields, meets the qualifications required of a member of the senior management set by the CIRC, the regulatory body responsible for the supervision and regulation of the PRC insurance industry. Throughout the year ended December 31, 2008, the Board of Directors satisfied the requirements under the Listing Rules regarding the appointment of at least three Independent Non-executive Directors and complied with the requirement that at least one of these Directors should possess the appropriate professional qualifications or accounting or related financial management expertise. Each of our Independent Non-executive Directors meets the independence guidelines set out in Rule 3.13 of the Listing Rules.

Code Principle	Company's Application of Code Principle
A.4 Appointments, re-election and removal	
There should be a formal, considered and transparent procedure for the appointment of new directors to the board. There should be plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.	The Company has established a nomination committee and a remuneration committee with written terms of reference. Details of the approach and procedure for appointment of new Directors have been set out on page 73 of this annual report. According to the Article 134 of the Company's Articles of Association, each Director shall be appointed for 3 years and subject to retirement and re-election thereafter.
A.5 Responsibilities of directors	
Every director is required to keep abreast of his responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.	The Board of Directors meets regularly and each Director is avail of the assistance of the Company Secretaries. The same standard of care, skill and fiduciary duties are required of and expected from all Directors, executive or non-executive. The duties of the Directors as set out in the Company's Articles of Association are not differentiated between executive and non-executive Directors. Each Director fully understands and appreciates the same.
A.6 Supply of and access to information	
Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as directors of an issuer.	The Articles of Association of the Company prescribes that all Directors must be given at least 14 days notice of a Board meeting, which notice shall include, among other things, the businesses to be considered and the agenda. Further, at the Board meetings, each item on the agenda was discussed and considered following a briefing in detail on the relevant matter by an appropriate individual closely supervising or handling that matter. Full minutes of each Board meeting were kept as a matter of proper record.

Code Principle	Company's Application of Code Principle
B.1 The level and make-up of remuneration and disclosure	
An issuer should disclose information relating to its directors' remuneration policy and other remuneration related matters. There should be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors. Levels of remuneration should be sufficient to attract and retain the directors needed to run the company successfully, but companies should avoid paying more than is necessary for this purpose. No director should be involved in deciding his own remuneration.	The Company has established a remuneration committee with written terms of reference. Further information regarding the remuneration committee is set out on pages 72 to 73 of this annual report. In particular, the remuneration committee is delegated with the specific task of ensuring that no Director or any of his associates is involved in deciding his own remuneration. It is also a specific term of reference that where the remuneration of a member of the remuneration committee is to be considered, that member's remuneration should be determined by the other members of the committee. A description of the emolument policy and long-term incentive schemes of the Group as well as the basis of determining the emolument payable to the Directors as required by paragraph 24B of Appendix 16 to the Listing Rules have been set out on pages 75 and 184 to 185 of this annual report. In addition, Directors' fees and any other reimbursement or emolument payable as required by paragraph 24 of Appendix 16 to the Listing Rules have been disclosed in full on an individual and named basis on pages 177 to 180 of this annual report. The remuneration packages of all Directors were considered and recommended by the remuneration committee and reviewed and approved by the shareholders at the general meeting.
C.1 Financial reporting	
The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.	The annual and interim results of the Company and other financial information were published in accordance with the requirements of the Listing Rules and other applicable regulations and industry best standards. When preparing the Company's financial reports, the Board of Directors had in mind the shareholders of the Company as the recipient and end-user and endeavoured to present such information in a comprehensible, informative and user-friendly manner.

Code Principle	Company's Application of Code Principle
C.2 Internal controls The board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets.	Throughout this corporate governance report, the Board of Directors seeks to set out the Company's corporate governance structure and policies, advice shareholders of the corporate governance undertakings of the Company and to demonstrate to shareholders value of such practices. The directors had conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries covering financial, operational and compliance controls and risk management functions of the group on April 8, 2009 and were satisfied with the level of internal control over these aspects.
C.3 Audit Committee The board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors. The audit committee established by an issuer pursuant to the Exchange Listing Rules should have clear terms of reference.	The Company has established an audit committee with written terms of reference. Further information regarding the audit committee is set out on page 72 of this annual report.
D.1 Management functions An issuer should have a formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the issuer.	Certain responsibilities and types of decisions are reserved for the Board of Directors as set out in the Company's Articles of Association. A summary of these matters have been included on pages 70 to 71 of this annual report. The Company's management is informed of and educated about this separation of powers and authority and actively implements and preserves this corporate governance structure. In particular, Mr. Ma Mingzhe, being the Chairman of the Board of Directors and the Chief Executive Officer of the Company, is in a position to maintain a close communication channel between the Board and the management and to ensure that the separation of power and authority is maintained.

Code Principle	Company's Application of Code Principle
D.2 Board Committees	
Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.	The Company has established an audit committee, a nomination committee and a remuneration committee with written terms of reference. Details of the roles and functions and the composition of these committees have been set out on pages 72 to 74 of this annual report.
E.1 Effective communication	
The board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.	Apart from the information published and the announcements and circulars issued by the Company, the Company also maintains an "Investor Relations" section on its website at www.pingan.com where materials relating to the Company's corporate governance structure, the Company's announcements, information regarding share performance and other financial information are available to shareholders. The Company has an investor relations team which reports ultimately to the Board of Directors. The Board welcomes and values shareholders' input. The three general meetings of the Company held during the year ended December 31, 2008 were attended by Directors at which shareholders were invited and encouraged to participate in discussions with the Directors.
E.2 Voting by Poll	
The issuer should ensure that shareholders are familiar with the procedure for conducting a poll.	Voting by poll is required under the Company's Articles of Association and the results of such polling were announced in accordance with the Listing Rules.

By order of the Board of Directors

Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC
April 8, 2009

Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended December 31, 2008.

1. PRINCIPAL ACTIVITIES

The principal activities of the Group comprise the provision of a wide range of financial products and services with a focus on the three core businesses namely, insurance, banking and investment. There were no significant changes in the nature of the Group's principal activities during the year.

2. RESULTS AND DIVIDENDS

The Group's net profit in 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 94 to 185.

On August 15, 2008, the Directors declared an interim dividend of RMB0.20 per share for the six months ended June 30, 2008, which was paid to the shareholders on October 10, 2008.

The Board does not recommend the payment of a final dividend for the year ended December 31, 2008.

3. SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out as follows:

Profit and loss (in RMB million)	2004	2005	2006	2007	**2008**
Total Income	63,193	64,995	88,198	138,213	**95,192**
Net Profit	3,146	4,265	8,000	19,219	**477**

Balance sheet (in RMB million)	2004	2005	2006	2007	**2008**
Total Assets	264,439	319,706	494,435	692,222	**754,718**
Total Liabilities	235,812	286,184	446,685	578,371	**669,022**
Total Equity	28,627	33,522	47,750	113,851	**85,696**

* Certain comparative figures have been reclassified or restated.

4. RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

5. CHARITABLE DONATIONS

Charitable donations made by the Company during 2008 totalled RMB59 million.

6. PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in property and equipment and investment properties of the Group during the year are set out in notes 28 and 27 to the consolidated financial statements.

7. SHARE CAPITAL

In 2008, there was no change in the share capital structure of the Company. The share capital structure of the Company as at December 31, 2008 is as follows:

	as at January 1, 2008		Increase in the year		as at December 31, 2008	
	Number	Percentage (%)	Number	Percentage (%)	Number	Percentage (%)
A shares	4,786,409,636	65.17	–	–	**4,786,409,636**	**65.17**
H shares	2,558,643,698	34.83	–	–	**2,558,643,698**	**34.83**
Total	7,345,053,334	100.00	–	–	**7,345,053,334**	**100.00**

8. PRE-EMPTIVE RIGHTS

There are no provisions regarding pre-emptive rights under the PRC Company Law or the Articles of Association, which would oblige the Company to issue new shares to its existing shareholders in proportion to their existing shareholdings.

9. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed shares during the year.

10. DISTRIBUTABLE RESERVES

As at December 31, 2008, the Company's reserves available for distribution, calculated in accordance with the relevant regulations, totaled RMB4,678 million. No final dividend has been proposed for the year. All the retained profits (including unrealized gains arising from the fair value changes of the financial assets carried at fair value through profit or loss) were carried forward to 2009. In addition, the Company's capital reserve and surplus reserve fund, in the amount of RMB58,032 million, may be distributed by a future capitalization issue.

11. MAJOR CUSTOMERS

In the year under review, gross written premiums, policy fees and premium deposits from the Group's five largest customers accounted for less than 1% of the total gross written premiums, policy fees and premium deposits for the year.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

12. DIRECTORS AND SUPERVISORS

The Directors of the Company during the year were as follows:

Name	Date of Appointment as Director
Executive Directors:	
MA Mingzhe	March 21, 1988
SUN Jianyi	March 29, 1995
CHEUNG Chi Yan Louis	May 25, 2006
Non-executive Directors:	
Anthony Philip HOPE (resigned on May 13, 2008)	November 25, 2002
LIN Yu Fen	October 8, 2002
CHEUNG Lee Wah	October 8, 2002
LIN Lijun	May 16, 2003
FAN Gang	May 16, 2003
HU Aimin	March 9, 2004
CHEN Hongbo	June 23, 2005
WONG Tung Shun Peter	May 25, 2006
NG Sing Yip	May 25, 2006
Clive BANNISTER	May 13, 2008
Independent Non-executive Directors:	
BAO Youde	September 27, 1995
KWONG Che Keung Gordon	May 16, 2003
CHEUNG Wing Yui	May 16, 2003
CHOW Wing Kin Anthony	June 23, 2005
ZHANG Hongyi	March 19, 2007
CHEN Su	March 19, 2007
XIA Liping	June 7, 2007

The supervisors of the Company during the year were as follows:

Name	Position	Date of Appointment as Supervisor
XIAO Shaolian	Independent Supervisor	August 3, 1994
SUN Fuxin	Independent Supervisor	May 16, 2003
DONG Likun	Independent Supervisor	May 25, 2006
DUAN Weihong	Supervisor	May 16, 2003
LIN Li	Supervisor	May 25, 2006
CHE Feng	Supervisor	May 25, 2006
HU Jie	Supervisor	May 25, 2006
WANG Wenjun	Supervisor	May 25, 2006
DU Jiangyuan	Supervisor	July 10, 2007

There were no changes to the Directors and Supervisors from January 1, 2009 to the date of this annual report.

The Company has received annual confirmations of independence from Mr. Bao Youde, Kwong Che Keung Gordon, Cheung Wing Yui, Chow Wing Kin Anthony, Zhang Hongyi, Chen Su and Xia Liping and, as of the date of this annual report, continues to consider them to be independent as defined under the Listing Rules.

13. BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND MEMBERS OF THE SENIOR MANAGEMENT

Biographical details of Directors, Supervisors and members of the senior management are set out from page 62 to page 68 of this annual report.

14. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATION

On May 10, 2004, our Company entered into a service contract with each of Mr. MA Mingzhe and Mr. SUN Jianyi being Executive Directors for a term of three years. On May 25, 2006, our Company has reappointed Mr. MA Mingzhe and Mr. SUN Jianyi as Executive Directors for a term of further three years and on the same day, our Company also entered into a service contract with Mr. CHEUNG Chi Yan Louis, as our Executive Director for a term of three years. The service contracts for the Executive Directors are subject to termination by either party giving not less than six months' written notice to the other party. Pursuant to the Articles of Association, the remuneration of the Directors and Supervisors will be determined by the shareholders of the Company in general meetings.

Apart from the foregoing, no Director or Supervisor has a service contract with the Company which is not terminable by the Company within one year without payment of compensation other than statutory compensation.

Details of remuneration of the Directors and Supervisors for the year ended December 31, 2008 are set out in note 45 to the financial statements.

15. DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS

None of the Directors or Supervisors had a material interest, directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during 2008.

16. DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at December 31, 2008, the interests and short positions of the Directors and Supervisors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and Supervisors of the Company are taken or deemed to have under such provisions of the SFO, or which were required to be and were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified by the Directors or Supervisors to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules or which were recorded in the register of A shares of the Company maintained at Shanghai Branch of China Securities Depository and Clearing Corporation Limited, were as follows:

Interests in ordinary shares of the Company

Name of Director/ Supervisor	Position	H/A Shares	Capacity	No. of H/A Shares	Nature of interest	Percentage of total number of H/A Shares in issue (%)	Percentage of total shares in issue (%)
Cheung Chi Yan Louis	Executive Director	H	Beneficial owner	248,000	Long position	0.01	0.003
Chow Wing Kin Anthony	Independent Non-executive Director	H	Interest held jointly with another person*	7,500	Long position	0.00029	0.000
Lin Li	Supervisor	A	Interest of controlled corporations**	146,693,000	Long position	3.065	1.997

* Chow Wing Kin Anthony jointly held these H Shares with Chow Suk Han Anna.

** Lin Li was interested in the Company by virtue of his control over 93.33% shareholding of Shenzhen Liye Group Company Limited, which held a direct interest in 146,693,000 A Shares in the Company.

Save as disclosed above, as at December 31, 2008, none of the Directors or Supervisors held or was deemed to hold any interests or short positions in the shares and underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors or Supervisors to the Company and the Stock Exchange pursuant to the Model Code nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

17. DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, Supervisors or their respective spouse or under age children, nor were any such rights exercised by them, or was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors or Supervisors to acquire such rights in any other body corporate.

18 DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS

During 2008 and up to the date of this annual report, the following Directors are considered to have interests in a business which competes or is likely to compete, directly or indirectly, with the business of the Group, as defined in the Listing Rules, as set out below:

Mr. Wong Tung Shun Peter, a Non-executive Director of the Company, is currently an Executive Director of HSBC, and a Deputy Chairman of HSBC Bank (China) Company Limited which is the largest among foreign banks in mainland China and offers a wide range of banking and financial services by an ever-expanding network. As Ping An Bank, a subsidiary of the Company, is primarily engaged in commercial banking business in the PRC as approved by the CBRC, the authorized banking business of HSBC has, to a certain extent, overlapped and thus may compete with that of Ping An Bank.

Mr. Wong Tung Shun Peter is also the Chairman of HSBC Insurance (Asia) Limited and HSBC Life (International) Limited. Further, Mr. Clive Bannister, Non-executive Director of the Company, is currently the Group Managing Director of Insurance of HSBC Holding plc, responsible for all aspects of insurance in the HSBC group. As Ping An Hong Kong, a subsidiary of the Company, is authorized by the Hong Kong Insurance Authority to conduct property and casualty insurance business, the respective authorized insurance business of HSBC Life (Insurance) Limited and HSBC Insurance (Asia) Limited has, to a certain extent, overlapped that thus may compete with those of Ping An Hong Kong.

Save as disclosed, as far as the Directors are aware, none of the Directors and Supervisors had any competing interest in a business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

19. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2008, the following persons (other than the Directors and Supervisors of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

(i) Interests and short positions of substantial shareholders who are entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of the Company:

Name of substantial shareholder	H/A Shares	Capacity	Notes	No. of H/A Shares	Nature of interest	Percentage of total number of H/A Shares in issue (%)	Percentage of total shares in issue (%)
HSBC Holdings plc	H	Interest of controlled corporations	1,2,3	1,233,870,388	Long position	48.22	16.80

(ii) Interests and short positions of other substantial shareholders:

Name of substantial shareholder	H/A Shares	Capacity	Notes	No. of H/A Shares	Nature of interest	Percentage of total number of H/A Shares in issue (%)	Percentage of total shares in issue (%)
HSBC Insurance Holdings Limited	H	Beneficial owner	1	618,886,334	Long position	24.19	8.43
The Hongkong and Shanghai Banking Corporation Limited	H	Beneficial owner	3	614,099,279	Long position	24.00	8.36
JPMorgan Chase & Co.	H	Beneficial owner		23,825,231	Long position	0.93	0.32
		Investment Manager		28,115,500	Long position	1.10	0.38
		Custodian		101,713,531	Long position	3.98	1.38
			4	153,654,262		6.01	2.08
		Beneficial owner	4	15,150,329	Short position	0.59	0.21
Shenzhen Investment Holdings Co., Ltd.	A	Beneficial owner		546,672,967	Long position	11.42	7.44
Shenzhen Jingao Industrial Development Co., Ltd.	A	Beneficial owner	5	331,117,788	Long position	6.92	4.51

Name of substantial shareholder	H/A Shares	Capacity	Notes	No. of H/A Shares	Nature of interest	Percentage of total number of H/A Shares in issue (%)	Percentage of total shares in issue (%)
Ping An Securities Company, Ltd. Labor Union	A	Interest of controlled corporations	5	331,117,788	Long position	6.92	4.51
China Ping An Trust & Investment Co., Ltd. Labor Union	A	Interest of controlled corporations	5	331,117,788	Long position	6.92	4.51
Shenzhen New Horse Investment Development Co., Ltd.	A	Beneficial owner	6	389,592,366	Long position	8.14	5.30
Ping An Insurance (Group) Company of China, Ltd. Labor Union	A	Interest of controlled corporations	6	389,592,366	Long position	8.14	5.30
Yuan Trust Investment Company Ltd.	A	Beneficial owner		380,000,000	Long position	7.94	5.17
Shum Yip Group Limited*	A	Beneficial owner		271,271,633	Long position	5.67	3.69

* Shum Yip Group Limited was previously known as Shenzhen Shum Yip Investment Development Company Ltd. The change of name took effect on April 22, 2008.

Notes:

(1) HSBC Insurance Holdings Limited is a wholly-owned subsidiary of HSBC Holdings plc and its interest in 618,886,334 H shares of the Company was deemed to be the interest of HSBC Holdings plc.

(2) Besides (1) above, HSBC Holdings plc was also interested in the Company by virtue of its control over HSBC CCF Financial Products (France) SNC ("CCF SNC") which held a direct interest in 884,775 H shares in the Company. The interest in 884,775 H shares of the Company was held through cash settled unlisted securities.

CCF SNC was 100% owned by CCF S.A. which was owned as to 99.99% by HSBC Bank plc. HSBC Holdings plc owned 100% interest in HSBC Bank plc.

(3) The Hongkong and Shanghai Banking Corporation Limited was wholly-owned by HSBC Asia Holdings BV, a wholly-owned subsidiary of HSBC Asia Holdings (UK), which in turn was a wholly-owned subsidiary of HSBC Holdings BV. HSBC Finance (Netherlands), a wholly-owned subsidiary of HSBC Holdings plc., owned 100% interest in HSBC Holdings BV.

(4) JPMorgan Chase & Co. held interest in a total of 153,654,262 H shares (Long position) and 15,150,329 H shares (Short position) in the Company by virtue of its control over the following corporations:

(i) JPMorgan Chase Bank, N.A. held 102,786,531 H shares (Long position) in the Company. JPMorgan Chase Bank, N.A. was a wholly-owned subsidiary of JPMorgan Chase & Co..

(ii) J.P. Morgan Whitefriars Inc. held 17,776,645 H shares (Long position) and 9,383,653 H shares (Short position) in the Company. J.P. Morgan Whitefriars Inc. was a wholly-owned subsidiary of J.P. Morgan Overseas Capital Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Finance Limited. J.P. Morgan International Finance Limited was wholly-owned by Bank One International Holdings Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Inc. JPMorgan Chase Bank, N.A., referred to in (i) above, owned 100% interest in J.P. Morgan International Inc.

(iii) J.P. Morgan Securities Ltd. held 3,749,844 H shares (Long position) and 3,524,000 H shares (Short position) in the Company. J.P. Morgan Securities Ltd. was owned as to 98.95% by J.P. Morgan Chase International Holdings Limited, which in turn was wholly-owned by J.P. Morgan Chase (UK) Holdings Limited. J.P. Morgan Chase (UK) Holdings Limited was wholly-owned by J.P. Morgan Capital Holdings Limited, which in turn was wholly-owned by J.P. Morgan International Finance Limited, referred to in (ii) above.

(iv) J.P. Morgan Investment Management Inc. held 4,482,000 H shares (Long position) in the Company. J.P. Morgan Investment Management Inc. was a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc. JPMorgan Asset Management Holdings Inc. was wholly-owned by JPMorgan Chase & Co.

(v) JF Asset Management Limited held 12,718,000 H shares (Long position) in the Company. JF Asset Management Limited was wholly-owned by JPMorgan Asset Management (Asia) Inc., a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc., referred to in (iv) above.

(vi) JPMorgan Asset Management (UK) Limited held 9,842,500 H shares (Long position) in the Company. JPMorgan Asset Management (UK) Limited was wholly-owned by JPMorgan Asset Management Holdings (UK) Limited, which was a wholly-owned subsidiary of JPMorgan Asset Management International Limited. JPMorgan Asset Management International Limited was a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc., referred to in (iv) above.

(vii) Bear, Stearns International Limited held 2,298,742 H shares (Long position) and 2,242,676 H shares (Short position) in the Company. Bear, Stearns International Limited was a wholly-owned subsidiary of Bear Stearns Holdings Limited, which in turn was a wholly-owned subsidiary of Bear Stearns UK Holdings Limited. Bear Stearns UK Holdings Limited was wholly-owned by The Bear Stearns Companies LLC, which in turn was wholly-owned by JPMorgan Chase & Co..

The entire interest of JPMorgan Chase & Co. in the Company included a lending pool of 101,713,531 H shares (Long position). Besides, 8,583,199 H shares (Long position) and 9,383,653 H shares (Short position) were held through derivatives as follows:

78,000 H shares (Short position)	–	through physically settled listed securities
8,583,199 H shares (Long position) and 6,505,653 H shares (Short position)	–	through physically settled unlisted securities
2,800,000 H shares (Short position)	–	through cash settled unlisted securities

(5) Shenzhen Jingao Industrial Development Co., Ltd. was owned as to 80% and 20% by Ping An Securities Company, Ltd. Labor Union and China Ping An Trust & Investment Co., Ltd. Labor Union respectively. The interest in 331,117,788 A shares relates to the same block of shares in the Company.

(6) Shenzhen New Horse Investment Development Co., Ltd. was owned as to 95% by Ping An Insurance (Group) Company of China, Ltd. Labor Union. The interest in 389,592,366 A shares relates to the same block of shares in the Company.

Save as disclosed above, the Company is not aware of any other person (other than the Directors and Supervisors of the Company) having any interests or short positions in the shares and underlying shares of the Company as at December 31, 2008 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

20. CONTINUING CONNECTED TRANSACTIONS

On March 19, 2007, the independent Shareholders of the Company approved the following continuing connected transactions of the Company at the extraordinary general meeting:

(1) Bank Deposits Arrangements with HSBC

The Group maintains bank balances with HSBC on normal commercial terms in the ordinary course of business. The relevant banking documents executed by the Group with HSBC do not provide for the bank accounts with HSBC to be maintained for any fixed period of time. Interests are accrued on such bank balances at prevailing market rates.

As at December 31, 2008, the aggregate bank balances maintained by the Group with HSBC was approximately USD 10 million.

HSBC Insurance Holdings Limited is a wholly-owned subsidiary of HSBC Holdings plc. and its interest in 618,886,334 H shares of the Company is deemed to be the interest of HSBC Holdings plc.. In addition, HSBC CCF Financial Products (France) SNC, a wholly owned subsidiary of CCF S.A. which is in turn 99% held by HSBC Bank plc., has a direct interest in 884,775 shares in the Company, which is also deemed to be the interest of HSBC Holdings plc.. As HSBC is an indirect subsidiary of HSBC Holdings plc,. HSBC is therefore a connected person of the Company under Rule 14A.11(4) of the Listing Rules.

(2) Bank Deposits Arrangements with ICBC and ICBC (Asia)

The Group maintains bank balances with ICBC and ICBC (Asia), a subsidiary of ICBC, on normal commercial terms in the ordinary course of business. The relevant banking documents executed by the Group with ICBC and ICBC (Asia) do not provide for the bank accounts with ICBC and ICBC (Asia) to be maintained for any fixed period of time. Interests are accrued on such bank balances at prevailing market rates.

ICBC is a promoter of the Company and thus a connected person of the Company under Rule 14A.11(3). Further, as ICBC (Asia), a non-wholly owned subsidiary of ICBC, is a substantial shareholder of China Ping An Insurance (Hong Kong) Company Limited, a 75% owned subsidiary of the Company, both ICBC (Asia) and ICBC are connected persons of the Company under Rule 14A.11(5).

As at December 31, 2008, the aggregate bank deposits maintained by the Group with ICBC and ICBC (Asia) in all kinds of currencies amounted to approximately RMB10,633 million.

(3) Foreign Exchange Swap Agreement with ICBC

On July 21, 2006, the Company entered into an arrangement with ICBC Shanghai Branch whereby ICBC Shanghai Branch may provide RMB/USD foreign exchange swap services to the Company. The Company may purchase US dollars from ICBC Shanghai Branch for RMB at an exchange rate to be agreed at the time of purchase, which exact amount of US dollars purchased will be sold back to ICBC Shanghai Branch after a certain period of time at an exchange rate also to be agreed at the time of purchase.

As at December 31, 2008, the Group did not have any open foreign exchange swap transaction with ICBC Shanghai Branch under the Master Foreign Exchange Swap Agreement.

In the opinion of the Independent Non-executive Directors, after having reviewed the above continuing connected transactions, such transactions were entered into by the Group:

(1) in the ordinary and usual course of its business;

(2) on normal commercial terms or on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the terms of agreements governing them on terms that are fair and reasonable so far as the shareholders of the Company are concerned and in the interests of the shareholders of the Company as a whole.

The Company has received a letter from the auditors stating that the above connected transactions:

(1) have received the approval of the Board of Directors of the Company;

(2) have been entered into in accordance with the relevant agreements governing such transactions; and

(3) have not exceeded the respective annual caps set out below in 2008:

(i) bank deposits arrangements with HSBC: US$2,336 million on any given day;

(ii) bank deposit arrangements with ICBC and ICBC (Asia): RMB24,900 million on any given day; and

(iii) foreign exchange swaps with ICBC Shanghai Branch: US$300 million.

21. BOARD COMMITTEES

The Company has established an audit committee, a remuneration committee and a nomination committee. For details regarding these Board committees, please see the relevant sections in the Corporate Governance Report on pages 72 to 74 of this annual report.

22. POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 51 to the consolidated financial statements on page 185 of this annual report.

23 COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES CONTAINED IN APPENDIX 14 TO THE LISTING RULES

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the Code on Corporate Governance Practices for any part of the period from January 1, 2008 to December 31, 2008 except that Mr. Ma Mingzhe has occupied the positions of both the Chairman of the Board of Directors and Chief Executive Officer of the Company. Further details of the Company's arrangements and considered reasons for the Company's intention not to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer of the Company are set out under the paragraph headed "Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules" in the Corporate Governance Report on pages 69 to 70 of this annual report.

24. AUDITORS

Ernst & Young and Ernst & Young Hua Ming were the international and PRC auditors, respectively, to the Company for the year ended December 31, 2008. A resolution for the re-appointment of Ernst & Young as the international auditors and Ernst & Young Hua Ming as the PRC auditors to the Company will be proposed at the forthcoming Annual General Meeting on Wednesday, June 3, 2009.

25. SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, being April 8, 2009, at all times during the year ended December 31, 2008, not less than 20% of the issued share capital of the Company (being the minimum public float applicable to the shares of the Company) was held in public hands.

26. DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE AND THE COMPANY'S WEBSITE

All information required by paragraphs 45(1) to 45(8) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.pingan.com) respectively in due course.

By order of the Board of Directors

Ma Mingzhe
Chairman & Chief Executive Officer

Shenzhen, PRC
April 8, 2009

Report of the supervisory committee

To all Shareholders,

During the reporting period, the Supervisory Committee has duly carried out its supervisory duties in a stringent manner and adhered to the principles of fairness and honesty to effectively protect the interests of the Company and its employees and shareholders in accordance with the relevant provisions of the Company Law of the PRC (the "Company Law") and the Company's Articles of Association.

THE WORK OF THE SUPERVISORY COMMITTEE

On March 18 2008, the Eighth Meeting of the Fifth Supervisory Committee was held in Shenzhen Guanlan Ping An School of Financial Services. During the meeting, the Supervisory Committee considered and approved: the 2007 Report of the Supervisory Committee, the Resolution Relating to Considering the Annual Report and its Summary of the Company for the Year 2007, the Resolution Relating to the Changes of Accounting Estimate of the Company, and the Resolution Relating to Special Audit on Connected Transaction.

From April 23 to April 29, 2008, the Ninth Meeting of the Fifth Supervisory Committee was held through written communication and voting. During the meeting, the Resolution Relating to Considering the Quarterly Report (Draft) of the Company for the First Quarter of the Year 2008 was considered and approved unanimously.

On August 15, 2008, the Tenth Meeting of the Fifth Supervisory Committee was held in Shanghai Zhangjiang Ping An's Integrated Operating Center. During the meeting, the Resolution Relating to Considering the Interim Report (Draft) of the Company for the Year 2008, the Self-Inspection Report Relating to the Appropriation of Capital by Substantial Shareholders of the Company and its Associates, and the Audit Report Relating to the Resignation of Mr. Sun Jianyi as Secretary of the Board were considered and approved.

From October 21 to October 27, 2008, the Eleventh Meeting of the Fifth Supervisory Committee was held through written communication and voting. During the meeting, the Resolution Relating to Considering the Quarterly Report (Draft) of the Company for the Third Quarter of the Year 2008 was considered and approved unanimously.

Details of members' attendance at the Supervisory Committee meetings by the members are set out as follows:

Class of Supervisors	Name	No. of Supervisory Committee meetings attended/held	Percentage of attendance
Independent Supervisors	XIAO Shaolian (Chairman)	4/4	100%
	SUN Fuxin	4/4	100%
	DONG Likun	4/4	100%
Supervisors as representatives of shareholders	CHE Feng	4/4	100%
	LIN Li	4/4	100%
	DUAN Weihong	4/4	100%
Supervisors as representatives of employees	HU Jie	4/4	100%
	DU Jiangyuan	4/4	100%
	WANG Wenjun	4/4	100%

In September 2008, certain members of the Supervisory Committee and the representatives of Independent Non-executive Directors of the Company conducted an inspection and review of the Company's secondary organization located in Changchun, Shenyang and Shijiazhuang. During the reporting period, members of the Supervisory Committee attended the 2007 Annual General Meeting, and two Extraordinary General Meetings, one H Shareholders Class Meeting, one Domestic Shareholders Class Meeting and five on-the-spot meetings of the Board of Directors in 2008.

Report of the supervisory committee

INDEPENDENT OPINION ON THE RELEVANT ISSUES FROM THE SUPERVISORY COMMITTEE

(1) Lawful operation

During the reporting period, the Company operated and managed its businesses in accordance with the laws and regulations. Its operational results were objective and true. There was greater development and improvement in the depth and scope of internal control management. The internal control system is complete, reasonable and effective. Its operational decision-making processes were lawful. The Directors and other senior management staff were cautious, serious and diligent in the business operations and management processes. They had never breached any laws, regulations, and the Articles of Associations of the Company or harmed the interests of the shareholders.

(2) Authenticity of the financial statement

Ernst & Young Hua Ming and Ernst & Young have issued the standard unqualified auditor's reports in accordance with the PRC and international accounting principles respectively for the Company's financial statements of the year. The financial statements truly, fairly and accurately reflected the financial condition and results of operations of the Company.

(3) Use of proceeds from the Company's latest public offering

The net proceeds from the Company's issue of A shares at the time of its listing on the Shanghai Stock Exchange in February, 2007, amounted to RMB38,222 million. The proceeds were completely used, as stated in the prospectus of the Company, for general corporate purposes. The actual application of the proceeds was in accordance with the commitment made in the prospectus. The Company applied the proceeds reasonably and strictly according to the proposed use of proceeds.

(4) Company's acquisition and asset disposal

In accordance with the Resolution of the Eighteenth Meeting of the Seventh Board of Directors resolved on March 19, 2008, the Company entered into the Sale and Purchase Agreement and other related agreement on April 2, 2008 with Fortis Bank NV/SA to acquire 50% equity of Fortis Investment Management NV/SA at a price of €2.15 billion. The Company announced on October 2, 2008 that through negotiation between the parties, it was anticipated that in light of the then market environment and condition, the precedent conditions of completion could not be fulfilled, and the Sale and Purchase Agreement and all other related agreement entered into on April 2, 2008 would be terminated. The Supervisory Committee considered that the above-mentioned share subscription is fair and reasonable to the shareholders, and is also in the interests of the Company and the shareholders as a whole.

(5) Connected transactions

During the reporting period, the Company's connected transactions have not harmed the rights of the shareholders and the interests of the Company.

(6) Internal Control System

The Company has set up a more complete, reasonable and effective internal control system.

(7) Implementation of the resolutions approved in the shareholders' general meetings

The members of the Supervisory Committee attended the meetings of the Board of Directors and the shareholders' general meetings, and did not have any objection on the reports and proposals which were submitted to the shareholders' general meetings by the Board of Directors. The Supervisory Committee has monitored the implementation of the resolutions approved in the shareholders' general meetings and is of the opinion that the Board of Directors can duly implement the resolutions approved in the shareholders' general meetings.

In the coming year, the Supervisory Committee will further enhance its work principles and fully implement a scientific perspective for its development. It will continue to carry out its duties in accordance with the relevant provisions of the Company Law, the Articles of Association of the Company and the Listing Rules. It will adhere to the principles of diligence, fairness and honesty, maximize its supervisory efforts with the aim of protecting the interests of the Company and its shareholders as a whole and commit to performing supervisory duties honestly and diligently, so as to achieve the best results in all respects.

By order of the Supervisory Committee

Xiao Shaolian
Chairman of the Supervisory Committee

Shenzhen, PRC
April 8, 2009

Independent auditors' report

To the shareholders of
Ping An Insurance (Group) Company of China, Ltd.

We have audited the consolidated financial statements of Ping An Insurance (Group) Company of China, Ltd. (the "Company") and its subsidiaries (collectively the "Group") set out on pages 94 to 184 which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
8 April 2009

Consolidated income statement

For the year ended 31 December 2008

(in RMB million)	Notes	2008	2007
Gross written premiums and policy fees	7	**98,010**	81,675
Less: Premiums ceded to reinsurers		**(5,813)**	(4,298)
Net written premiums and policy fees	7	**92,197**	77,377
Change in unearned premium reserves		**(1,979)**	(2,502)
Net earned premiums		**90,218**	74,875
Reinsurance commission income		**1,456**	1,167
Interest income of banking operations	8	**7,020**	5,314
Fees and commission income of non-insurance operations	9	**1,980**	2,814
Investment income	10	**(7,416)**	52,842
Share of profits of associates and joint ventures		**25**	4
Other income	11	**1,909**	1,197
Total income		**95,192**	138,213
Change in deferred policy acquisition costs	26	**9,294**	9,372
Claims and policyholders' benefits	12	**(70,188)**	(92,392)
Commission expenses of insurance operations		**(14,660)**	(10,854)
Interest expenses of banking operations	8	**(2,677)**	(1,565)
Fees and commission expenses of non-insurance operations	9	**(204)**	(502)
Loan loss provisions, net of reversals	22	**(220)**	118
Foreign exchange losses		**(465)**	(501)
General and administrative expenses		**(19,051)**	(19,885)
Total expenses		**(98,171)**	(116,209)
Profit/(loss) before tax	13	**(2,979)**	22,004
Income tax	14	**3,456**	(2,785)
Net profit		**477**	19,219
Attributable to:			
– Equity holders of the parent		**268**	18,688
– Minority interests		**209**	531
		477	19,219
		RMB	RMB
Earnings per share attributable to equity holders of the parent:			
– Basic	16	**0.04**	2.61
– Diluted	16	**0.04**	2.61

The accompanying notes form an integral part of these financial statements.

Consolidated balance sheet

As at 31 December 2008

(in RMB million)	Notes	31 December 2008	31 December 2007
ASSETS			
Balances with central bank and statutory deposits	17	**25,963**	20,794
Cash and amounts due from banks and other financial institutions	18	**105,279**	87,859
Fixed maturity investments	19	**344,449**	274,241
Equity investments	20	**54,599**	128,931
Derivative financial assets	21	**17**	177
Loans and advances to customers	22	**74,160**	63,125
Investments in associates and joint ventures	23	**5,468**	1,472
Premium receivables	24	**4,412**	4,434
Reinsurers' share of insurance liabilities	25	**8,872**	4,880
Policyholder account assets in respect of insurance contracts		**30,749**	34,871
Policyholder account assets in respect of investment contracts		**3,979**	4,622
Deferred policy acquisition costs	26	**50,599**	41,305
Investment properties	27	**6,389**	3,882
Property and equipment	28	**8,287**	8,165
Intangible assets	29	**10,279**	4,400
Deferred tax assets	38	**6,876**	87
Other assets	30	**14,341**	8,977
Total assets		**754,718**	692,222
EQUITY AND LIABILITIES			
Equity			
Share capital	31	**7,345**	7,345
Reserves	32	**54,277**	81,322
Retained profits	32	**21,329**	23,155
Equity attributable to equity holders of the parent		**82,951**	111,822
Minority interests		**2,745**	2,029
Total equity		**85,696**	113,851
Liabilities			
Due to banks and other financial institutions	33	**24,192**	14,644
Assets sold under agreements to repurchase	34	**41,124**	13,556
Derivative financial liabilities	21	**265**	189
Customer deposits and payables to brokerage customers	35	**94,991**	91,925
Insurance contract liabilities	36	**462,341**	416,474
Investment contract liabilities for policyholders	37	**6,636**	5,421
Policyholder dividend payable		**12,012**	7,006
Income tax payable		**2,274**	807
Deferred tax liabilities	38	**998**	6,369
Other liabilities	39	**24,189**	21,980
Total liabilities		**669,022**	578,371
Total equity and liabilities		**754,718**	692,222

The accompanying notes form an integral part of these financial statements.

MA Mingzhe	**CHEUNG Chi Yan Louis**	**SUN Jianyi**
Director	*Director*	*Director*

Consolidated statement of changes in equity

For the year ended 31 December 2008

		Equity attributable to equity holders of the parent								
			Reserves							
(in RMB million)	Notes	Share capital	Capital reserve	Surplus reserve fund	General reserve	Net unrealized gains/ (losses)	Foreign currency translation differences	Retained profits	Minority interests	Total
As at 1 January 2008		7,345	51,907	7,629	1,939	19,889	(42)	23,155	2,029	113,851
Net profit for 2008		–	–	–	–	–	–	268	209	477
Net losses on available-for-sale investments		–	–	–	–	(47,547)	–	–	(321)	(47,868)
Net gains on available-for-sale investments removed from equity and reported in net profit		–	–	–	–	(10,358)	–	–	(70)	(10,428)
Impairment charges reclassified to the income statement	10	–	–	–	–	25,786	–	–	174	25,960
Deferred tax recognized, net	38	–	–	–	–	6,047	–	–	41	6,088
Dividends declared	15	–	–	–	–	–	–	(5,142)	(86)	(5,228)
Appropriations to surplus reserve fund	32	–	–	470	–	–	–	(470)	–	–
Transfer of surplus reserve fund		–	–	(1,974)	–	–	–	1,974	–	–
Transfer of general reserve		–	–	–	(1,544)	–	–	1,544	–	–
Changes in subsidiaries		–	–	–	–	–	–	–	755	755
Foreign currency translation differences		–	–	–	–	–	19	–	–	19
Shadow accounting adjustment	36	–	–	–	–	2,056	–	–	14	2,070
As at 31 December 2008		7,345	51,907	6,125	395	(4,127)	(23)	21,329	2,745	85,696

		Equity attributable to equity holders of the parent								
			Reserves							
(in RMB million)	Notes	Share capital	Capital reserve	Surplus reserve fund	General reserve	Net unrealized gains/ (losses)	Foreign currency translation differences	Retained profits	Minority interests	Total
As at 1 January 2007		6,195	14,835	6,126	517	8,250	(25)	10,477	1,375	47,750
Issue of new shares in the PRC		1,150	37,720	–	–	–	–	–	–	38,870
Share issue expenses		–	(648)	–	–	–	–	–	–	(648)
Net profit for 2007		–	–	–	–	–	–	18,688	531	19,219
Net gains on available-for-sale investments		–	–	–	–	37,906	–	–	379	38,285
Net gains on available-for-sale investments removed from equity and reported in net profit		–	–	–	–	(20,676)	–	–	(207)	(20,883)
Impairment charges reclassified to the income statement	10	–	–	–	–	97	–	–	1	98
Deferred tax recognized, net	38	–	–	–	–	(3,403)	–	–	(34)	(3,437)
Dividends declared	15	–	–	–	–	–	–	(3,085)	(43)	(3,128)
Appropriations to surplus reserve fund	32	–	–	1,509	–	–	–	(1,509)	–	–
Appropriations to general reserve		–	–	–	1,422	–	–	(1,422)	–	–
Transfer of surplus reserve fund		–	–	(6)	–	–	–	6	–	–
Changes in subsidiaries		–	–	–	–	–	–	–	50	50
Foreign currency translation differences		–	–	–	–	–	(17)	–	–	(17)
Shadow accounting adjustment	26,36	–	–	–	–	(2,285)	–	–	(23)	(2,308)
As at 31 December 2007		7,345	51,907	7,629	1,939	19,889	(42)	23,155	2,029	113,851

The accompanying notes form an integral part of these financial statements.

Consolidated cash flow statement

For the year ended 31 December 2008

(in RMB million)	Notes	2008	2007
Net cash from operating activities	44	**61,990**	31,561
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investment properties, items of property and equipment, and intangible assets		**(6,377)**	(4,646)
Proceeds from disposal of investment properties, items of property and equipment, and intangible assets		**1,389**	1,153
Purchases of investments, net		**(87,792)**	(36,773)
Term deposits withdrawal/(placed), net		**(39,742)**	20,447
Acquisition of subsidiaries	5	**(739)**	(741)
Acquisition of minority interests in a subsidiary		**(499)**	–
Interest received		**15,838**	11,847
Dividends received		**4,253**	5,845
Rentals received		**367**	299
Others		**(1,314)**	–
Net cash outflow from investing activities for policyholders' accounts		**(1,044)**	(206)
Net cash used in investing activities		**(115,660)**	(2,775)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares issued		**–**	38,222
Cash inflow/(outflow) from sales in assets sold under agreements to repurchase		**28,994**	(11,301)
Proceeds from borrowed funds		**3,848**	5,101
Repayment of borrowed funds		**(4,703)**	(2,643)
Interest paid		**(818)**	(1,521)
Capital injected into subsidiaries by minority interests		**133**	–
Dividends paid		**(5,219)**	(3,080)
Net cash outflow from financing activities for policyholders' accounts		**(214)**	(712)
Net cash from financing activities		**22,021**	24,066
Net increase/(decrease) in cash and cash equivalents		**(31,649)**	52,852
Net foreign exchange differences		**(158)**	(207)
Cash and cash equivalents at beginning of the year		**96,296**	43,651
Cash and cash equivalents at end of the year	43	**64,489**	96,296

The accompanying notes form an integral part of these financial statements.

Balance sheet

As at 31 December 2008

(in RMB million)	Notes	31 December 2008	31 December 2007
ASSETS			
Cash and amounts due from banks and other financial institutions		**7,604**	41,148
Fixed maturity investments		**15,449**	9,389
Equity investments		**7,955**	4,798
Investments in subsidiaries	5	**44,234**	17,868
Property and equipment		**117**	85
Other assets		**996**	160
Total assets		**76,355**	73,448
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	31	**7,345**	7,345
Reserves	32	**56,951**	58,245
Retained profits	32	**5,025**	5,934
Total equity		**69,321**	71,524
Liabilities			
Assets sold under agreements to repurchase		**6,400**	–
Other liabilities		**634**	1,924
Total liabilities		**7,034**	1,924
Total equity and liabilities		**76,355**	73,448

The accompanying notes form an integral part of these financial statements.

Notes to financial statements

As at 31 December 2008

1. CORPORATE INFORMATION

Ping An Insurance (Group) Company of China, Ltd. (the "Company") was incorporated in Shenzhen, the People's Republic of China (the "PRC") on 21 March 1988. Its business scope includes investing in financial and insurance enterprises, supervising and managing domestic and overseas businesses of subsidiaries and utilizing funds. The Company's principal subsidiaries are mainly engaged in the provision of life insurance, property and casualty insurance, banking and other financial services. The Company and its subsidiaries are collectively named as the Group.

The registered address of the Company is Ping An Building, Ba Gua No.3 Road, Shenzhen, the PRC.

2. IMPACT OF ISSUED BUT NOT YET EFFECTIVE ACCOUNTING STANDARDS

2.1 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has not applied the following key new and revised IFRSs, those have been issued but are not yet effective, in these financial statements.

(1) IFRS 1 (Revised 2008) *First – time Adoption of International Financial Reporting Standards*

IFRS 1 (Revised 2008) was issued in November 2008 and becomes effective for entities applying IFRSs for the first time for annual periods beginning on or after 1 July 2009. The amendment corrects a potential technical problem arising from the interaction of IFRS 1 and the revised IFRS 3 Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements, both published in January 2008. The amendment does not affect the application of IFRS 1 by first-time adopters.

(2) Amendments to IFRS 1 and IAS 27 – *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

Amendments to IFRS 1 and IAS 27 were issued in May 2008 and become effective for annual periods beginning on or after 1 January 2009, with earlier application permitted. The amendment to IFRS 1 allows first-time adopters, in their separate financial statements, to use a deemed cost option for determining the cost of an investment in a subsidiary, jointly controlled entity or associate. The amendment to IAS 27 removes the definition of "cost method" from that standard and, additionally, when an entity reorganizes the structure of its group by establishing a new entity as its parent (subject to specific criteria), the amendment requires the new parent to measure cost as the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the reorganization.

(3) Amendments to IFRS 2 *Vesting Conditions and Cancellations*

This amendment was published in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The amendment restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation.

(4) IFRS 3 (Revised) *Business Combinations* and IAS 27 (Revised) *Consolidated and Separate Financial Statements*

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3 (revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurred and future reported results. IAS 27 (revised) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. The revised standards also change the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

(5) Amendments to IFRS 7 *Improving disclosures about Financial Instruments*

Amendments to IFRS 7 were issued in March 2009 and become effective for annual periods beginning or after 1 January 2009, with earlier adoption permitted. However, it currently will not be required to provide comparative disclosures in the first year of application. The main change is to add disclosure of any change in the method for determining fair value and the reasons for the change. It also adds disclosure for a three-level hierarchy for fair value measurements.

(6) IFRS 8 *Operating Segments*

IFRS 8 was issued in November 2006 and becomes effective for annual periods beginning on or after 1 January 2009 and will replace the existing IAS 14 *Segment Reporting*. IFRS 8 specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers.

2. IMPACT OF ISSUED BUT NOT YET EFFECTIVE ACCOUNTING STANDARDS (CONTINUED)

2.1 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

(7) IAS 1 (Amendment) *Presentation of Financial Statements*

The revised IAS 1 was issued in September 2007 and becomes effective for annual periods beginning on or after 1 January 2009. This standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income: it presents all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense, either in one single statement, or in two linked statements.

(8) IAS 23 (Amendment) *Borrowing Costs*

The revised IAS 23 was issued in March 2007 and becomes effective for annual periods beginning on or after 1 January 2009. The main change is the removal of the option to immediately recognize as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset.

(9) Amendments to IAS 32 and IAS 1 *Puttable Financial Instruments*

Amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity.

(10) Amendment to IAS 39 *Financial Instruments Eligible Hedged Items*

These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item.

(11) Amendments to IAS 39 and IFRIC 9 – *Embedded Derivatives*

Amendments to IAS 39 and IFRIC 9 were issued in March 2009 and become effective for annual periods ending on or after 30 June 2009. The amendments requires an entity to assess whether to separate an embedded derivative from a host contract in the case where the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. Such assessment shall be made either when the entity first became party to the contract or when a change in the terms of the contract significantly modifies expected cash flows.

(12) IFRIC 13 *Customer Loyalty Programmes*

IFRIC 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled.

(13) IFRIC 15 *Agreements for the Construction of Real Estate*

IFRIC Interpretation 15 was issued in July 2008 and becomes effective for annual periods beginning on or after 1 January 2009. This interpretation addresses the divergence in construction of real estate accounting treatment and clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18.

(14) IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

IFRIC Interpretation 16 was issued in July 2008 and becomes effective for annual periods beginning on or after 1 October 2008. This interpretation provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment; where within the group the hedging instrument(s) can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

2. IMPACT OF ISSUED BUT NOT YET EFFECTIVE ACCOUNTING STANDARDS (CONTINUED)

2.1 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

(15) IFRIC 17 *Distributions of Non-Cash Assets to Owners*

IFRIC Interpretation 17 was issued in December 2008 and becomes effective for annual periods beginning on or after 1 July 2009 prospectively. The interpretation standardizes practice in the accounting treatment of distribution of non-cash assets to owners.

(16) IFRIC 18 *Transfers of Assets from Customers*

IFRIC Interpretation 18 was issued in January 2009 and becomes effective on transfers of assets from customers received on or after 1 July 2009 prospectively. The Interpretation provides additional guidance on the accounting for transfers of assets from customers where the entity must then use the assets either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

(17) Other improvements to IFRSs

In May 2008, improvements to IFRSs were issued. There are separate transitional provisions for each standard. None of these amendments are expected to have a material effect on the Group. The Group has not yet adopted the following amendments:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:*

Clarified that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest.

- IFRS 7 *Financial Instruments: Disclosures:*

Removal of the reference to “total interest income” as a component of finance costs.

- IAS 1 *Presentation of Financial Statements:*

Clarified that assets and liabilities which are classified as held for trading in accordance with IAS 39 are not automatically classified as current in the balance sheet.

- IAS 8 *Accounting Policies, Change in Accounting Estimates and Errors:*

Clarification that only guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

- IAS 10 *Events after the Reporting Period:*

Clarification that dividends declared after the end of the reporting period are not obligations.

- IAS 16 *Property, Plant and Equipment:*

Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

Replaced the term “net selling price” with “fair value less costs to sell” and the recoverable amount of property, plant and equipment is calculated as the higher of an asset’s fair value less costs to sell and its value in use.

- IAS 18 *Revenue:*

Replacement of the term “direct costs” with “transaction costs” as defined in IAS 39.

- IAS 19 *Employee Benefits:*

Revised the definition of “past service costs”, “return on plan assets” and “short term” and “other long-term” employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment. Deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37.

2. IMPACT OF ISSUED BUT NOT YET EFFECTIVE ACCOUNTING STANDARDS (CONTINUED)

2.1 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

(17) Other improvements to IFRSs (Continued)

- IAS 20 *Accounting for Government Grants and Disclosures of Government Assistance:*

Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other IFRSs.

- IAS 23 *Borrowing Costs:*

Revises the definition of borrowing costs to consolidate the types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method as described in IAS 39. This will emphasize the relationship between IAS 23 and IAS 39.

- IAS 27 *Consolidated and Separate Financial Statements:*

When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

- IAS 28 *Investments in Associates:*

Clarified that an investment in an associate is a single asset for the purpose of conducting the impairment test and that no impairment is separately allocated to goodwill included in the investment balance.

- IAS 29 *Financial Reporting in Hyperinflationary Economies:*

Revised the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Also, revised various terms used to be consistent with other IFRSs.

- IAS 31 *Interests in Joint Ventures:*

If a joint venture is accounted for at fair value, in accordance with IAS 39 (as it is exempt from the requirements of IAS 31), only the requirements of IAS 31 to disclose the commitments of the venture and the joint venture, as well as summary financial information about the assets, liabilities, income and expenses will apply.

- IAS 34 *Interim Financial Reporting:*

Earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.

- IAS 36 *Impairment of Assets:*

When discounted cash flows are used to estimate "fair value less cost to sell", additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate "value in use".

- IAS 38 *Intangible Assets:*

Expenditure on advertising and promotional activities is recognised as an expense when the entity either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed.

2. IMPACT OF ISSUED BUT NOT YET EFFECTIVE ACCOUNTING STANDARDS (CONTINUED)

2.1 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

(17) Other improvements to IFRSs (Continued)

- IAS 39 *Financial Instruments: Recognition and Measurement:*

Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the "fair value through profit or loss" classification after initial recognition. Removed the reference in IAS 39 to a "segment" when determining whether an instrument qualifies as a hedge. Also, required the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.

- IAS 40 *Investment Property:*

Revision of the scope such that property under construction for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is completed. Also, revised the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under a lease is the valuation obtained increased by any recognised liability.

- IAS 41 *Agriculture:*

Removed the reference to the use of a pre-tax discount rate to determine fair value. Removed the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Also, replaced the term "point-of-sale costs" with "costs to sell".

The Group is in the process of making an assessment of the impact of the above new and revised IFRSs upon initial application. So far, it has concluded that the adoption of the above new or revised IFRSs unlikely to have a significant impact on the Group's results of operations and financial position.

2.2 APPLYING PRC ACCOUNTING STANDARDS AND IFRS IN 2009

On 5 January 2009, the China Insurance Regulatory Commission (the "CIRC") issued "Circular on Insurance Industry's Implementation of Interpretation No.2 to New China Accounting Standards" (Baojianfa【2009】 No.1) which requires a PRC insurance company to modify its existing accounting policies, such that there would be no material GAAP differences in its PRC and IFRS (or Hong Kong Financial Reporting Standards) financial statements since the year ending 31 December 2009. The major changes would be:

- Acquisition costs for new policies are expensed in the income statement instead of deferral and amortization;
- New reserving standards based on best estimates should be used; and
- Recognition of premium income should be based on testing "significant insurance risk" and unbundling.

It is expected that more detailed requirement would be issued by the relevant authorities in due course.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. The financial statements have been prepared under the historical cost convention other than those financial instruments that have been measured at fair values and insurance contract liabilities that have been measured based on actuarial methods. The above basis of preparing financial statements differs from that used in the statutory accounts of the Group and the Company, which are prepared in accordance with the prevailing PRC Accounting Standards. The major adjustments made include restating insurance contract liabilities and deferred policy acquisition costs, related deferred tax and others.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

To the extent that a topic is not covered explicitly by IFRSs, the IFRS framework permits reference to another comprehensive body of accounting principles, and therefore:

- The Group has chosen to use the revenue accounting practices currently adopted by insurance companies reporting under the Companies Ordinance and Insurance Companies Ordinance of Hong Kong; and

- The Group has made reference to specific accounting principles generally accepted in the United States for guidance on the measurement of its insurance liabilities and associated deferred policy acquisition costs, specifically, the measurement guidance provisions contained within Statements of Financial Accounting Standards No. 60 and 97.

(2) CHANGES IN ACCOUNTING POLICIES

The Group has revised certain accounting policies following the adoption of below revised IFRSs which management considers being most relevant to its current operations:

(a) Amendments to IAS 39 and IFRS 7 – *Reclassification of Financial Assets*

The amendments to IAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable. The amendments to IFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments during 2008, the amendments have had no impact on the financial position or results of operations of the Group.

(b) IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*

This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The adoption of this interpretation did not have significant impact on the financial position or performance of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) IFRIC 12 *Service Concession Arrangements*

This interpretation requires an operator under public-to-private service concession arrangements to recognize the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. This interpretation also addresses how an operator shall apply existing IFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. The adoption of this interpretation did not have significant impact on the financial position or performance of the Group.

(d) IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 *Employee Benefits*. As the Group had no significant defined benefit schemes currently, this interpretation had no significant impact on the financial position or performance of the Group.

The above revised accounting policies have no significant impact on these financial statements, and the Group considers other new or revised IFRSs and related pronouncements effective during the reporting period do not have significant impact on these financial statements either.

(3) BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition accounting method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring costs) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Where goodwill forms part of a cash generating unit (or group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortized goodwill is recognized in the income statement.

(4) PRINCIPLES OF CONSOLIDATION

The Group's consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2008. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The acquisition of subsidiaries during the year has been accounted for using the acquisition accounting method. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) PRINCIPLES OF CONSOLIDATION (CONTINUED)

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as goodwill.

(5) SUBSIDIARIES

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

(6) ASSOCIATES

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are stated at cost less any impairment losses.

(7) FOREIGN CURRENCY TRANSLATION

The Group's presentation currency is Renminbi ("RMB"). This is also the functional currency of the Company and its domestic subsidiaries.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the income statement, except when it relates to items when gains or losses are recognized directly in equity, the gain or loss is then recognized net of the exchange component in equity.

The functional currency of the overseas subsidiaries is Hong Kong dollars. As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Company at the exchange rate ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences, if material, arising on the retranslation are taken directly to a separate component of equity.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

(8) CASH AND CASH EQUIVALENTS

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits, current accounts with central bank and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

(9) FINANCIAL INSTRUMENTS

The Group classifies its investments into financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(9) FINANCIAL INSTRUMENTS (CONTINUED)

The classification depends on the purpose for which the investments were acquired or originated. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders' funds) are relatively passively managed and/or carried at amortized cost. Financial assets are classified as at fair value through profit or loss when, for example, the Group acquires such assets to cover certain insurance and investment contract liabilities measured at fair value.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date the Group commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial instruments at fair value through profit or loss has two sub categories namely financial instruments held for trading and those designated at fair value through profit or loss at inception. Financial instruments typically bought with the intention to sell in the near future are classified as held for trading. For financial instruments designated at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on a different basis; or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial asset contains an embedded derivative that needs to be separately recorded.

These financial instruments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value. Fair value adjustments and realized gains and losses are recognized in the income statement.

Financial assets at fair value through profit or loss include derivative financial instruments.

Held-to-maturity financial assets are non-derivative financial assets that comprise fixed or determinable payments and maturities of which the Group has the positive intention and ability to hold until maturity. Investments intended to be held for an undefined period are not included in this classification. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortized cost using the effective interest method and less any provision for impairment. The cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortized cost, using the effective interest method and less any provision for impairment. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or which are not classified in any of the above categories. These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value gains and losses are reported as a separate component of equity until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred to the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(10) FINANCIAL GUARANTEE CONTRACTS

The Group's banking operation issues letters of credit and letters of guarantee. These financial guarantee contracts provide specified payments to reimburse the holder for a loss it incurs when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or other obligation. The Group initially measures such contracts at fair value. This amount is recognized ratably over the period of the contract to fees and commission income. Subsequently, the liabilities are measured as the higher of the initial fair value less cumulative amortization and the fair value of the provision related to the Group's obligation under the contract.

Apart from the above financial guarantee contracts issued by the Group's banking operations which are accounted for under IAS 39, the Group has previously regarded certain contracts it issued with financial guarantee element as insurance contracts and has used accounting method applicable to insurance contracts, and accordingly has elected to apply IFRS 4 to account for such contracts.

(11) DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments mainly include interest rate swaps, options embedded in convertible bonds purchased by the Group, equity warrants, forward currency contracts and credit related derivatives. Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Embedded derivatives are treated as separate derivatives and are recorded at fair value if their economic characteristics and risks are not closely related to those of the related host contract and the host contract is not itself recorded at fair value through the income statement. Embedded derivatives that meet the definition of insurance contracts are treated and measured as insurance contracts.

Derivative financial instruments held for trading are typically entered into with the intention to settle in the near future. These instruments are initially recorded at fair value. Subsequent to initial recognition, these instruments are remeasured at fair value. Fair value adjustments and realized gains and losses are recognized in the income statement.

(12) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the balance sheet date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar instruments. Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the balance sheet date.

If the fair value cannot be measured reliably, financial instruments are measured at cost (being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability), less impairment losses. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(13) IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the balance sheet date the carrying amount of financial assets. If there is any objective evidence that a financial asset is impaired, the Group provides for such impairment losses. The objective evidence which indicates impairment of financial assets represents events actually occurring after initial recognition of financial assets which have an impact on financial assets' estimated future cash flows, and the impact can be reliably measured.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Available-for-sale financial assets

As of each balance sheet date, the Group evaluates each of the available-for-sale equity instruments to determine whether the investments need to be impaired. If objective evidence of impairment exists, the Group records an impairment loss in the income statement equal to the difference between the cost of the instrument and the fair value, adjusted for losses recorded in previous periods. Any unrealized gains or losses previously recorded within equity is removed from equity and recognized in the income statement as part of the calculation of impairment loss described above. The impairment analysis and amounts recorded are based the functional currency of the group entity holding the investment.

For equity securities, a significant or prolonged decline in the fair value of an equity instrument is objective evidence of impairment. In conducting an impairment analysis, the Group considers quantitative and qualitative evidence. More specifically, the Group collectively considers the magnitude of the decline in fair value relative to the cost, volatility, and the duration of the decline in evaluating whether a decline in fair value is significant. The Group considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. In general , the larger the magnitude of the decline in fair value relative to cost, the lower the volatility, the longer the duration of the decline or the more consistent the magnitude of decline, the more likely objective evidence of impairment of an equity instrument exists.

The Group also considers qualitative evidence that include, but is not necessarily limited to the following:

- Significant financial difficulty of the investee, including failure to comply with contractual obligations, financial restructuring, deterioration of going concern expectations;

- Adverse changes relative to the investee's technology, market, customer base, macro economic indicators relative to the business, significant legal or regulatory matters.

Impairments do not establish a new cost basis and, accordingly, to the extent an impairment loss has been previously recorded due to the significant or prolonged criteria described above, any subsequent losses, including any portion attributable to foreign currency changes, are also recognized in profit or loss until the asset is derecognized.

If after an impairment loss has been recognized on an available-for-sale debt instrument, and the fair value of the debt instrument increases in a subsequent period whereby the increase can be objectively related to an event occurring after the impairment losses were recognized, the impairment loss is reversed which is recognized in profit or loss. Impairment losses recognized for equity instruments classified as available-for-sale are not reversed through profit or loss.

Financial assets carried at amortized cost

If financial assets carried at amortized cost are impaired, the carrying amount of the financial assets is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and the reduction is recognized as an impairment loss in the income statement. The present value of estimated future cash flows shall be calculated with the financial asset's original effective interest rate and the related collateral value shall also be taken into account.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment, and recognizes the amount of impairment in profit or loss. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognized are not included in the collective assessment for impairment.

After the Group recognizes impairment loss of financial assets carried at amortized cost, if there is objective evidence that the financial assets' value restores and the restoration can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed and recognized in profit or loss. However the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Financial assets carried at cost

If financial assets carried at cost are impaired, the impairment loss will be recognized in profit or loss and measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed. For equity investments which are measured at cost method and do not have either active market quotation or reliably measurable fair values, their impairments also follow the aforementioned principle.

(14) DERECOGNITION OF FINANCIAL INSTRUMENTS

A financial asset (or, when applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

(a) the rights to receive cash flows from the asset have expired;

(b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

(c) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

If the obligation of a financial liability has been fulfilled, cancelled or expired, the financial liability is derecognized. If the present financial liability is substituted by the same debtor with another liability differing in substance, or the terms of the present liability have been substantially modified, this substitution or modification is treated as derecognition of a present liability and recognition of a new liability with any arising difference recognized in profit or loss.

(15) ASSETS PURCHASED UNDER AGREEMENTS TO RESELL

The Group enters into purchases of assets under agreements to resell substantially identical assets. These agreements are classified as loans and receivables. Assets purchased under agreements to resell are recorded at the cost of the amounts advanced. The amounts advanced under these agreements are reflected as assets in the balance sheet. The Group may not take physical possession of assets purchased under agreements to resell. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying assets.

(16) ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Assets sold under repurchase agreements continue to be recognized but a liability is established for the consideration received. The Group may be required to provide additional collateral based on the fair value of the underlying assets and such collateral assets continue to be carried on the balance sheet.

(17) DEFERRED POLICY ACQUISITION COSTS

(a) Deferred policy acquisition costs for long term traditional insurance, investment-linked and universal life insurance contracts

The costs of acquiring new business, including commissions, underwriting, marketing and policy issue expenses, which vary with and are directly related to the production of the new business, are deferred. Deferred policy acquisition costs are subject to recoverability testing at the time of the issue of the policy and at the end of each accounting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(17) DEFERRED POLICY ACQUISITION COSTS (CONTINUED)

(a) Deferred policy acquisition costs for long term traditional insurance, investment-linked and universal life insurance contracts (continued)

Deferred policy acquisition costs for traditional life insurance and annuity policies are amortized over the expected life of the insurance contracts as a constant percentage of expected premiums, which are estimated at the date of the issue of the policy and are consistently applied throughout the life of the contract unless a premium deficiency occurs, in which case the deferred policy acquisition costs will be written down.

Deferred policy acquisition costs for long term investment-linked and universal life insurance contracts are amortized over the expected life of the contracts based on a constant percentage of the present value of estimated gross profits that are expected to be realized over the life of the contract. Estimated gross profits include expected amounts to be assessed for mortality, administration, investment and surrender, less benefit claims in excess of policyholder balances, administrative expenses and interest credited. Estimated gross profits are revised regularly and the interest rate used to compute the present value of revised estimates of expected gross profits is the latest revised rate applied to the remaining benefit period. Deviations of actual results from estimated experience are reflected in the consolidated income statement.

(b) Deferred policy acquisition costs for property and casualty and short term life insurance policies

Acquisition costs, being primarily commissions and premium taxes, which vary with and are directly related to the acquisition of business, are deferred and amortized over the period in which the related written premiums are earned. Deferred policy acquisition costs are periodically reviewed to determine that they do not exceed recoverable amounts, after considering expected future investment income. Contributions received from reinsurers towards acquisition costs are deferred in an identical manner.

(18) INVESTMENT PROPERTIES

Investment properties are interests in buildings that are held to earn rental income rather than for the supply of services or for administrative purposes.

Investment properties are initially measured at cost, which is the fair value of the consideration given to acquire them, including transaction costs. Subsequently, all investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis, after taking into account the estimated residual value (5% of original cost), over the estimated useful lives. The estimated useful lives of investment properties vary from 30 to 35 years.

The useful life and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the individual investment properties.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Transfers to, or from, investment properties are made when, and only when, there is evidence of a change in use.

(19) PROPERTY AND EQUIPMENT

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(19) PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

	Estimated residual values	Estimated useful lives
Leasehold improvements	–	Over the shorter of economic useful lives and terms of the leases
Buildings	5%	30-35 years
Office equipment, furniture and fixtures	5%	5 years
Motor vehicles	5%	5-8 years

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

(20) CONSTRUCTION-IN-PROGRESS

Construction-in-progress mainly represents costs incurred in the construction of building premises, as well as the cost of equipment pending installation.

No provision for depreciation is made on construction-in-progress until such time the relevant assets are completed and put into use.

(21) INTANGIBLE ASSETS

(a) Prepaid land premiums

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognized on a straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and the buildings as a finance lease in property and equipment.

(b) Expressway operating rights

Expenditures on acquiring the expressway operating rights are capitalized as intangible assets and subsequently depreciated on a straight-line basis over the contract terms.

(22) SETTLED ASSETS

Settled assets are tangible assets or properties that borrowers, guarantors or other third parties use to exercise their debtors' or guarantors' rights. Settled assets are initially recognized at their fair value.

(23) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that a non-financial asset other than deferred tax assets may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, the Group makes an estimate of the asset's recoverable amount. A non-financial asset's recoverable amount is the higher of the asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of a non-financial asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(23) IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

For non-financial assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash generating unit (or group of cash generating units), to which the goodwill relates. The recoverable amount is the higher of its fair value less costs to sell and its value-in-use, determined on an individual asset (or cash generating unit) basis, unless the individual asset (or cash generating unit) does not generate cash flows that are largely independent from those of other assets or groups of assets (or groups of cash generating units). Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Intangible assets with indefinite useful lives are tested for impairment annually at each year end either individually or at the cash generating unit level, as appropriate.

(24) INSURANCE GUARANTEE FUND

According to "Administrative Regulations on the Insurance Guarantee Fund" (Baojianhuiling【2004】No.16), the Group calculates for the insurance guarantee fund as follows:

(a) For property insurance, accident insurance and short term health insurance, insurance guarantee fund is provided at 1% of net premiums.

(b) For long term life insurance and long term health insurance with guaranteed interest rate, insurance guarantee fund is provided at 0.15% of net premiums.

(c) For long term life insurance without guaranteed interest rate, insurance guarantee fund is provided at 0.05% of net premiums.

No additional provision is required when the accumulated insurance guarantee fund balances of Ping An Life Insurance Company of China, Ltd. ("Ping An Life"), Ping An Annuity Insurance Company of China, Ltd ("Ping An Annuity") and Ping An Health Insurance Company of China, Ltd. reach 1% of their respective total assets. For Ping An Property & Casualty Insurance Company of China, Ltd. ("Ping An Property & Casualty"), no additional provision is required when the accumulated balance reaches 6% of its total assets.

(25) INSURANCE PRODUCT CLASSIFICATION

(a) Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contracts, or those where at the inception of the contracts there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk as determined by the Group is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

(b) Investment contracts

Insurance policies not considered insurance contracts under IFRS 4 are classified as investment contracts. Investment contracts are classified into with and without discretionary participation features ("DPF"). Deposits collected under investment contracts without DPF are not accounted for through the income statement but are accounted for directly through the balance sheet as an adjustment to investment contract liabilities. Deposits collected under investment contracts with DPF are accounted for through the income statement as if they are insurance contracts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(26) INSURANCE CONTRACT LIABILITIES

(a) Long term life insurance policyholders' reserves

Long term life insurance contracts are intended to be of greater than twelve months duration, are not subject to unilateral changes in the contract terms and require the performance of various functions and services (including, but not limited to, insurance protection) for an extended period.

Policyholders' reserves represent the estimated future benefit liability payable to policyholders for long term life insurance policies, other than policyholders' account balances in respect of investment-linked and universal life insurance contracts. Liabilities for contractual benefits that are expected to be incurred in the future are recorded when the related premiums are recognized. Such liabilities for life insurance policies are calculated using a net level premium valuation method based on actuarial assumptions as to mortality, persistency, expenses, policyholder dividends and investment return, including a margin for adverse deviation. The assumptions are established at the time of the issue of the policy and remain unchanged except where loss recognition occurs.

For participating life insurance policies, under current PRC insurance regulations, not less than 70% of the distributable surplus would be allocated for the benefit of policyholders (the exact percentage is estimated based on the Group's distribution basis, contract terms and prevailing regulations), and this obligation is provided for within total liabilities; after the respective amounts allocated to participating policyholders and to the Group have been deducted from distributable surplus, any unallocated portion at the end of the reporting period is held within liabilities. Also included in liabilities is a reserve held for the future benefit of universal life policies, as allowed by PRC reserving regulations mainly to smooth the credit rate for such policyholders. Therefore, the Group's insurance contract liabilities include estimated policyholders' share of realized and unrealized gain on investments payable to participating and universal life policyholders in the future (shadow accounting will apply if part of the unrealized gain is captured within equity).

For applicable policies like where the premium payment period is less than the policy term, an extra reserve, often known as deferred profit liability, is also included in policyholders' reserves. The deferred profit liability ensures a profit emergence in a constant relationship to the amount of insurance in force.

(b) Claim reserves

These comprise a best estimate of insurance contract provisions for the ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Significant delays can be experienced in the notification and settlement of claims and therefore, the ultimate cost cannot be known with certainty at the balance sheet date. The methods of determining such estimates and establishing the resulting liabilities are continually reviewed and updated. Resulting adjustments are reflected in the income statement for the period. The Group does not discount its claim reserves.

(c) Unearned premium reserves

Upon inception of property and casualty and short term life insurance contracts, premiums are recorded as written and are earned on a pro-rata basis over the term of the related policy coverage. The unearned premium reserves represent the portions of premiums written relating to unexpired periods of coverage.

(d) Liability adequacy test

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of the related deferred policy acquisition costs. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses, as well as investment income from assets backing such liabilities, are used. Any deficiency is immediately charged to the income statement initially by writing off deferred policy acquisition costs and subsequently by establishing a provision for losses arising from the liability adequacy tests. As mentioned above, long term life insurance contracts with fixed terms are measured based on assumptions set out at the inception of the policies. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions used for the subsequent measurement of these liabilities. For short term life and property and casualty insurance contracts, a provision is assessed on the basis of estimates of future claims, costs, premiums earned, etc..

(27) INVESTMENT CONTRACT LIABILITIES

Those insurance policies that do not meet the definition of an insurance contract are investment contracts and carried at amortized cost or estimated fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(28) INVESTMENT-LINKED BUSINESS

The assets and liabilities related to investment-linked contracts which are regarded as insurance contracts are presented as policyholder account assets and liabilities in respect of insurance contracts. For assets and liabilities related to investment-linked contracts regarded as investment contracts, they are presented as policyholder account assets and liabilities in respect of investment contracts. Policyholder account assets and liabilities represent funds maintained to meet specific investment objectives of policyholders who bear the investment risk. The net investment income on policyholder account assets accrues directly to the policyholders and is not credited to the Group's income statement. The assets and liabilities of each investment-linked fund are carried at estimated market value based on applicable requirements and are segregated from each other and from the rest of the Group's invested assets for recording purposes. As the investment risks of investment-linked contracts were fully undertaken by policyholders, the assets and liabilities related to investment-linked contracts were not included in the analysis of risk management in Note 41.

Revenue from an investment-linked business consists of policy fees which are used to cover the insured risks and associated costs. Policy fees include fees for the cost of insurance, administration fees and gains on surrenders. Amounts received other than policy fees collected as premiums and administration fees from these contracts are reported as policyholder account liabilities. Policy benefits and claims incurred in the period are charged to claim expenses in the consolidated income statement, to the extent such amounts are not covered by the said liabilities.

(29) UNIVERSAL LIFE BUSINESS

Revenue for these contracts consists of policy fees which are used to cover the insured risks and associated costs, as well as related investment income. Policy fees include fees for the cost of insurance, administration fees and surrender charges. These fees collected with respect to future services are deferred and recognized in a manner similar to the deferred policy acquisition costs related to such contracts. Expenses include interest credited to policyholder contract deposits and benefit payments made in excess of policyholder contract deposits.

(30) PROVISIONS

Contingent liabilities are recognized as provisions if the following conditions are met:

- An entity has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the balance sheet date with the consideration of risks, uncertainties and present value. Provisions shall be reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(31) REVENUE RECOGNITION

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. The Group's main revenue is recognized on the following bases:

(a) Gross premium

Premiums from long term, traditional and participating life insurance contracts are recognized as revenue when premiums as stated in the contracts are considered collectible from the policyholders. Premiums from long term property and casualty insurance contracts are recognized as revenue when due from policyholders. Short term property and casualty and life insurance premiums, net of endorsements, are recorded as written at the inception of risk.

(b) Investment-linked business

Policy fees from an investment-linked business are the difference between premiums received for investment-linked contracts and the amounts of premiums allocated to policyholder account liabilities.

Administration fees are computed at the predetermined contract rate and are charged at the end of each month.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(31) REVENUE RECOGNITION (CONTINUED)

(c) Universal life business

Policy fees used to cover the insured risks and associated costs are treated as premium income. These include fees for the cost of insurance, administration fees, surrender charges, etc..

(d) Interest income

Interest income for interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, is recognized in the income statement using the effective interest rate method. When a financial asset is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(e) Fees and commission income of non-insurance operations

The Group earns fees and commission income of non-insurance operations from a diverse range of services it provided to its customers. Fees income can be divided into the following main categories:

Fees income earned from services that are provided over a certain period of time

Fees earned from the provision of services over a period of time are accrued over that period. These fees include investment fund administration fees, custodian fees, fiduciary fees, credit related fees, asset management fees, portfolio and other management fees, advisory fees, etc.. However, loan commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

Fees income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on the completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees may include underwriting fees, corporate finance fees, brokerage fees, etc.. Loan syndication fees are recognized in the income statement when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same effective interest rate as for the other participants.

(f) Dividend income

Dividend income is recognized when the right to receive dividend payment is established.

(g) Expressway toll fee income

Expressway toll fee income is recognized upon the completion of services.

(32) REINSURANCE

The Group cedes insurance risk in the normal course of business for its insurance businesses. Reinsurers' share of insurance liabilities represents balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the income statement.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts when applicable. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurers' share of insurance liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(32) REINSURANCE (CONTINUED)

Gains or losses on buying reinsurance are recognized in the income statement immediately at the date of purchase and are not amortized.

(33) POLICYHOLDER DIVIDENDS

Policyholder dividends represent dividends paid by the Group to policyholders in accordance with the terms of direct insurance contracts. The dividends are calculated and provided based on the dividend allocation method and the results of actuarial valuation.

(34) OPERATING LEASES

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

Where the Group is the lessor, assets leased by the Group under operating leases are included in investment properties and rentals receivable under such operating leases are credited to the consolidated income statement on a straight-line basis over the lease terms.

Where the Group is the lessee, rentals payable under operating leases are charged to the consolidated results on a straight-line basis over the lease terms. The aggregate benefit of incentives provided by the lessor is recognized as a reduction of rental expenses over the lease terms on a straight-line basis.

(35) EMPLOYEE BENEFITS

(a) Pension obligations

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred. Certain employees are also provided with group life insurance but the amounts involved are insignificant.

(b) Housing benefits

The employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Medical benefits

The Group makes contributions for medical benefits to the local authorities in accordance with the relevant local regulations.

(36) SHARE-BASED PAYMENT TRANSACTIONS

Certain employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for share appreciation rights which are settled in cash.

The cost of share appreciation rights is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments are granted. The liability is remeasured at each balance sheet date up to and including the settlement date with changes in fair value recognized in the income statement.

(37) TAX

Income tax comprises current and deferred tax. Income tax is recognized in the income statement, or in equity if it relates to items that are recognized in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(37) TAX (CONTINUED)

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Conversely, previously unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(38) FIDUCIARY ACTIVITIES

Where the Group acts in a fiduciary capacity such as nominee, trustee or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the balance sheet.

The Group's banking operation grants entrusted loans on behalf of third-party lenders, which are recorded off-balance sheet. The Group, as an agent, grants such entrusted loans to borrowers under the direction of those third-party lenders who fund these loans. The Group has been contracted by those third-party lenders to manage the administration and collection of these loans on their behalf. Those third-party lenders determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with entrusted loan which is recognized ratably over the period in which the service is provided. The risk of loss is borne by those third-party lenders.

(39) RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, in these financial statements. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(1) JUDGMENTS

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the financial statements.

(a) Classification of financial assets

Management shall make significant judgments on classification of financial assets. Different classifications would affect the accounting treatment and the Group's financial position and operating results. If the Group's classification is subsequently proved to be wrong, reclassification may be required for certain categories as a whole.

(b) Classification of insurance contracts

Management shall make significant judgments on classification of insurance contracts. Different classifications would affect the accounting treatment and the Group's financial position and operating results.

(2) ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period are discussed below.

(a) Valuation of insurance contract liabilities

Life insurance contract liabilities

The liability for life insurance contracts (including investment contracts with DPF) is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

Certain acquisition costs related to the sale of new policies are recorded in deferred policy acquisition costs and are amortized to the income statement over time. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and may require additional write-offs to the income statement.

The main assumptions used relate to mortality, morbidity, investment returns, expenses, lapse and surrender rates. The Group base mortality and morbidity tables on standard industry tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation adjustments if appropriate.

Lapse and surrender rates depend on product features, policy duration and external circumstance, such as sale trends. Credible own experience is used in establishing these assumptions.

Property and casualty and short term life insurance contract liabilities

For property and casualty and short term life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date ("IBNR"). It may take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies. IBNR claims form the majority of the balance sheet liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(2) ESTIMATES AND ASSUMPTIONS (CONTINUED)

(a) Valuation of insurance contract liabilities (continued)

Property and casualty and short term life insurance contract liabilities (continued)

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident year, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future (for example to reflect one-off occurrences, changes in external or maker factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures), so as to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

(b) Valuation of investment contract without DPF liabilities

Unitized investment contract fair values are determined by reference to the values of the assets backing the liabilities, which are based on the value of the investment-linked funds.

Non-unitized investment contract fair values are approximated by the account value held by the relevant policyholders.

(c) Fair value of financial assets and derivative financial instruments determined using valuation techniques

Fair value, in the absence of an active market, is estimated by using valuation techniques, such as recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, and by using the discounted cash flow analysis and/or option pricing model. For reference to similar instruments, instruments should have similar credit ratings.

For the discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk-free interest rates and credit risk.

Option pricing models incorporate all factors that market participants would consider and are based on observable market data when available. These models consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions.

The valuation techniques described above are calibrated annually.

(d) Impairment of available-for-sale equity investments

The Group considers that impairment provision is needed for an available-for-sale equity investment when there is significant or prolonged decline in fair value of that security below its cost. Management shall exercise judgment to determine "significant or prolonged". Please refer to Note 3. (13) for the factors the Group considers when making such judgment.

(e) Impairment losses of loans and advances

The Group reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant loans and advances, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(2) ESTIMATES AND ASSUMPTIONS (CONTINUED)

(f) Deferred tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred income tax assets are recognized for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Significant management judgment is required to estimate the amount and timing of future taxable profit as well as the applicable tax rates so as to determine, together with the tax planning strategies, the amount of deferred income tax assets and liabilities to be recognized. In this regard, the Group has formulated feasible tax planning strategies to facilitate recognition of deferred tax asset in the amount of approximately RMB5,700 million.

5. SCOPE OF CONSOLIDATION

The major changes in the subsidiaries of the Group during 2008:

(1) In March 2008, Ping An Life completed the acquisition of 60% equity interest in Shanxi Changjin Expressway Co., Ltd. ("Shanxi Changjin"). The share capital of Shanxi Changjin is RMB750 million.

The fair values and carrying values of the identifiable assets and liabilities acquired as at the date of acquisition were:

(in RMB million)	Fair value recognized on acquisition	Carrying value
Cash and amounts due from banks	181	181
Intangible assets	2,659	1,920
Other assets	147	147
Sub-total	2,987	2,248
Deferred tax liabilities	185	–
Other liabilities	1,582	1,582
Sub-total	1,767	1,582
Net identifiable assets and liabilities	1,220	666
Less: Minority interests	(488)	
Fair value of net assets acquired attributable to Ping An Life	732	
Satisfied by cash	732	

The fair values of the above identifiable assets and liabilities acquired as at the date of acquisition were determined by reference to book values and an independent appraisal report.

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Shanxi Changjin is as follows:

(in RMB million)	
Cash consideration	(732)
Cash and bank balances acquired	181
Net outflow of cash and cash equivalents	(551)
Less: cash consideration paid in 2007	220
Net outflow of cash and cash equivalents in 2008	(331)

5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) (Continued)

The operating results and cash flow of Shanxi Changjin from the date of acquisition to 31 December 2008 were as follows:

(in RMB million)	
Operating income	267
Net profit	44
Net cash flows	115

From the date of acquisition to 31 December 2008, Ping An Life did not dispose of and did not intend to dispose of any assets or liabilities of Shanxi Changjin.

(2) In March 2008, Ping An Life completed the acquisition of 60% equity interest in Shanxi Jinjiao Expressway Co., Ltd. ("Shanxi Jinjiao"). The share capital of Shanxi Jinjiao is RMB504 million.

The fair values and carrying values of the identifiable assets and liabilities acquired as at the date of acquisition were:

(in RMB million)	Fair value recognized on acquisition	Carrying value
Cash and amounts due from banks	166	166
Intangible assets	1,913	1,303
Other assets	20	20
Sub-total	2,099	1,489
Due to banks – long term borrowings	857	857
Deferred tax liabilities	152	–
Other liabilities	221	221
Sub-total	1,230	1,078
Net identifiable assets and liabilities	869	411
Less: Minority interests	(348)	
Fair value of net assets acquired attributable to Ping An Life	521	
Satisfied by cash	521	

The fair values of the above identifiable assets and liabilities acquired as at the date of acquisition were determined by reference to book values and an independent appraisal report.

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Shanxi Jinjiao is as follows:

(in RMB million)	
Cash consideration	(521)
Cash and bank balances acquired	166
Net outflow of cash and cash equivalents	(355)
Less: cash consideration paid in 2007	157
Net outflow of cash and cash equivalents in 2008	(198)

5. SCOPE OF CONSOLIDATION (CONTINUED)

(2) (Continued)

The operating results and cash flow of Shanxi Jinjiao from the date of acquisition to 31 December 2008 were as follows:

(in RMB million)	
Operating income	257
Net profit	75
Net cash flows	(61)

From the date of acquisition to 31 December 2008, Ping An Life did not dispose of and did not intend to dispose of any assets or liabilities of Shanxi Jinjiao.

(3) In November 2008, China Ping An Trust & Investment Co., Ltd. ("Ping An Trust")'s subsidiary Beijing Ping An Wanqi Shangdi Hotel Management Co., Ltd. ("Ping An Wanqi") completed the acquisition of 100% equity interest in Beijing Huaxia Hotel Co., Ltd. ("Huaxia Hotel"). The share capital of Huaxia Hotel is RMB39 million.

The fair values and carrying values of the identifiable assets and liabilities acquired as at the date of acquisition were:

(in RMB million)	Fair value recognized on acquisition	Carrying value
Cash and amounts due from banks	1	1
Property and equipment	19	19
Intangible assets	144	60
Sub-total	164	80
Deferred tax liabilities	21	–
Other liabilities	52	52
Sub-total	73	52
Net identifiable assets and liabilities	91	28
Fair value of net assets acquired attributable to Ping An Wanqi	91	
Satisfied by cash	91	

The fair values of the above identifiable assets and liabilities acquired as at the date of acquisition were determined by reference to book values and an independent appraisal report.

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Huaxia Hotel is as follows:

(in RMB million)	
Cash consideration	(91)
Cash and bank balances acquired	1
Net outflow of cash and cash equivalents	(90)

The operating results and cash flows of Huaxia Hotel from the date of acquisition to 31 December 2008 were not significant.

From the date of acquisition to 31 December 2008, Ping An Wanqi did not dispose of and did not intend to dispose of any assets or liabilities of Huaxia Hotel.

5. SCOPE OF CONSOLIDATION (CONTINUED)

(4) Particulars of the Company's principal subsidiaries as at 31 December 2008 are set out below:

Name	Place of incorporation	Attributable equity interest Direct	Attributable equity interest Indirect	Registered/ authorized capital (RMB unless otherwise stated)	Paid-up capital (RMB unless otherwise stated)	Principal activities
Ping An Life Insurance Company of China, Ltd. (i)	The PRC	99.33%	–	23,800,000,000	23,800,000,000	Life insurance
Ping An Property & Casualty Insurance Company of China, Ltd. (ii)	The PRC	99.08%	–	3,000,000,000	4,000,000,000	Property and casualty insurance
Shenzhen Ping An Bank Co., Ltd.	The PRC	90.04%	–	5,460,940,138	5,460,940,138	Banking
China Ping An Trust & Investment Co., Ltd. (iii)	The PRC	99.88%	–	6,988,000,000	6,988,000,000	Investment and trust
Ping An Securities Company, Ltd.	The PRC	–	86.66%	1,800,000,000	1,800,000,000	Security investment and brokerage
Ping An Annuity Insurance Company of China, Ltd. (iv)	The PRC	98.50%	1.49%	1,000,000,000	1,000,000,000	Annuity insurance
Ping An Asset Management Co., Ltd.	The PRC	96.00%	3.97%	500,000,000	500,000,000	Asset management
Ping An Health Insurance Company of China, Ltd.	The PRC	95.00%	4.97%	500,000,000	500,000,000	Health insurance
China Ping An Insurance Overseas (Holdings) Limited	Hong Kong	100.00%	–	HKD4,000,000,000	HKD555,000,000	Investment holding
China Ping An Insurance (Hong Kong) Company Limited	Hong Kong	–	75.00%	HKD110,000,000	HKD110,000,000	Property and casualty insurance
Ping An Futures Co., Ltd. (v)	The PRC	–	89.47%	120,000,000	120,000,000	Futures brokerage
Shenzhen Ping An New Capital Investment Co., Ltd. (vi)	The PRC	–	99.88%	4,000,000,000	4,000,000,000	Investment
Shenzhen Ping An Property Investment Management Co., Ltd. (vii)	The PRC	–	99.88%	20,000,000	20,000,000	Property management
Shenzhen Ping An Real Estate Investment Co., Ltd.	The PRC	–	99.88%	800,000,000	800,000,000	Real estate investment
Shenzhen Xin An Investment Consultant Co., Ltd.	The PRC	–	99.88%	3,000,000	3,000,000	Investment consulting
Ping An of China Asset Management (Hong Kong) Company Limited	Hong Kong	–	100.00%	HKD80,000,000	HKD65,000,000	Asset management
Yuxi Ping An Real Estate Co., Ltd.	The PRC	–	79.90%	38,500,000	38,500,000	Property leasing
Yuxi Meijiahua Business Management Co., Ltd.	The PRC	–	79.90%	500,000	500,000	Property management
Ping An Meijiahua (Jingzhou) Business Management Co., Ltd.	The PRC	–	50.94%	USD9,700,000	USD9,700,000	Real estate investment
Nanning Ping An Meijiahua Real Estate Co., Ltd.	The PRC	–	50.94%	100,000,000	55,000,000	Property leasing
Shenzhen CITIC City Plaza Investment Co., Ltd.	The PRC	–	98.88%	20,000,000	20,000,000	Real estate investment

5. SCOPE OF CONSOLIDATION (CONTINUED)

(4) (Continued)

Name	Place of incorporation	Attributable equity interest Direct	Attributable equity interest Indirect	Registered/ authorized capital (RMB unless otherwise stated)	Paid-up capital (RMB unless otherwise stated)	Principal activities
Anseng Investment Company Limited	British Virgin Islands	–	100.00%	USD50,000	USD2	Project investment
Rich All Investments Company Limited	British Virgin Islands	–	100.00%	USD36,000,001	USD36,000,001	Project investment
Profaith International Investment Limited	British Virgin Islands	–	100.00%	USD50,000	USD1	Project investment
Portfield Limited	Hong Kong	–	100.00%	HKD10,000	HKD10	Project investment
Ningbo Beilun Port Expressway Co., Ltd.	The PRC	–	100.00%	USD77,800,000	USD77,800,000	Operating expressway
Shanxi Changjin Expressway Co., Ltd. (viii)	The PRC	–	59.60%	750,000,000	750,000,000	Operating expressway
Shanxi Jinjiao Expressway Co., Ltd. (viii)	The PRC	–	59.60%	504,000,000	504,000,000	Operating expressway
Beijing Ping An Wanqi Shangdi Hotel Management Co., Ltd.	The PRC	–	69.92%	140,000,000	140,000,000	Hotel management
Beijing Jingan Shihua Shangdi Hotel Management Co., Ltd.	The PRC	–	69.92%	130,000,000	130,000,000	Hotel management
Beijing Huaxia Hotel Co., Ltd. (viii)	The PRC	–	69.92%	39,399,030	39,399,030	Hotel management
Shenzhen Ping An Marketing Services Co., Ltd. (ix)	The PRC	–	99.88%	10,000,000	10,000,000	Financial services
Shenzhen Pingan Decheng Investment Co., Ltd. (ix)	The PRC	–	99.88%	300,000,000	300,000,000	Project investment and investment consulting
Ping An Tradition International Money Broking Company Ltd. (ix)	The PRC	–	66.92%	50,000,000	50,000,000	Money broking
Ping An Caizhi Investment Management Company Limited (ix)	The PRC	–	86.66%	300,000,000	300,000,000	Equity investment
Ping An Technology (Shenzhen) Co., Ltd. (ix)	The PRC	–	100.00%	USD30,000,000	USD6,000,000	IT services
Ping An Processing & Technology (Shenzhen) Co., Ltd. (ix)	The PRC	–	100.00%	USD30,000,000	USD6,000,000	IT and business process outsourcing services
Ping An Channel Development Consultation Service Company of Shenzhen, Ltd. (ix)	The PRC	–	99.88%	3,000,000	3,000,000	Information consulting
Ping An of China Securities (Hong Kong) Company Limited (x)	Hong Kong	–	86.66%	HKD1,000	HKD1,000	Financial services

5. SCOPE OF CONSOLIDATION (CONTINUED)

(4) (Continued)

Remarks:

(i) During 2008, Ping An Life's paid-up capital was increased to RMB23.8 billion.

(ii) During 2008, Ping An Property & Casualty's paid-up capital was increased to RMB4 billion, but the update of its business registration was still in progress as at 31 December 2008.

(iii) During 2008, Ping An Trust's paid-up capital was increased to RMB6,988 million.

(iv) During 2008, Ping An Annuity's paid-up capital was increased to RMB1 billion.

(v) Shenzhen Ping An Futures Brokerage Co., Ltd. was renamed as Ping An Futures Co., Ltd. during 2008.

(vi) Shenzhen Ping An Industries Co., Ltd. was renamed as Shenzhen Ping An New Capital Investment Co., Ltd. during 2008. Its paid-up capital was increased to RMB4 billion.

(vii) Shenzhen Ping An Property & Facilities Management Co., Ltd. was renamed as Shenzhen Ping An Property Investment Management Co., Ltd. during 2008.

(viii) These subsidiaries were acquired during 2008 through business combinations without involving entities under common control. Please refer to Note 5. (1) – (3) for details.

(ix) The subsidiaries were newly set up during 2008.

(x) China Ping An Insurance Overseas (Holdings) Limited transferred its equity interest in Ping Bao Securities Company Limited ("Ping Bao Securities") to Ping An Securities Company, Ltd. during 2008. After the transaction was completed, Ping Bao Securities was renamed as Ping An of China Securities (Hong Kong) Company Limited.

Except for new subsidiaries mentioned above, there are no significant changes to the scope of consolidation as at 31 December 2008 from that as at 31 December 2007.

6. SEGMENT REPORTING

The Group's business segment information is currently divided into life insurance business, property and casualty insurance business, banking business, securities business, corporate and other businesses. Segment net profit represents revenue less expenses directly attributable to a segment and the relevant portion of enterprise revenue less expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other segments of the Group.

Segment assets and liabilities mainly comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related allowances that are reported as direct offsets in the Group's consolidated balance sheet. The Group's revenue and net profit for the year were mainly derived from the above activities in the PRC. Accordingly, no further segment analysis by geographical area is provided.

6. SEGMENT REPORTING (CONTINUED)

The segment analysis for the year ended 31 December 2008 is as follows:

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Income statement								
Gross written premiums and policy fees	70,996	27,014	–	–	–	–	–	98,010
Less: Premiums ceded to reinsurers	(980)	(4,833)	–	–	–	–	–	(5,813)
Change in unearned premium reserves	(272)	(1,707)	–	–	–	–	–	(1,979)
Net earned premiums	69,744	20,474	–	–	–	–	–	90,218
Reinsurance commission income	171	1,285	–	–	–	–	–	1,456
Interest income of banking operations	–	–	7,020	–	–	–	–	7,020
Fees and commission income of non-insurance operations	–	–	242	1,321	–	454	(37)	1,980
Investment income	(9,436)	1,659	(231)	233	(253)	1,210	(598)	(7,416)
Share of profits of associates and joint ventures	25	–	–	–	–	–	–	25
Other income	1,323	88	44	9	1	1,052	(608)	1,909
Total income	61,827	23,506	7,075	1,563	(252)	2,716	(1,243)	95,192
Change in deferred policy acquisition costs	8,732	562	–	–	–	–	–	9,294
Claims and policyholders' benefits	(56,576)	(13,612)	–	–	–	–	–	(70,188)
Commission expenses of insurance operations	(11,811)	(3,052)	–	–	–	–	203	(14,660)
Interest expenses of banking operations	–	–	(3,206)	–	–	–	529	(2,677)
Fees and commission expenses of non-insurance operations	–	–	(36)	(92)	–	(80)	4	(204)
Loan loss provisions, net of reversals	–	–	(212)	–	–	(8)	–	(220)
Foreign exchange losses	(374)	(40)	18	(4)	(66)	1	–	(465)
General and administrative expenses	(8,786)	(6,207)	(2,262)	(781)	96	(1,618)	507	(19,051)
Total expenses	(68,815)	(22,349)	(5,698)	(877)	30	(1,705)	1,243	(98,171)
Profit/(loss) before tax	(6,988)	1,157	1,377	686	(222)	1,011	–	(2,979)
Income tax	4,032	(323)	67	(136)	34	(218)	–	3,456
Net profit/(loss)	(2,956)	834	1,444	550	(188)	793	–	477
Balance sheet								
Segment assets	520,958	43,457	146,072	13,730	31,945	19,368	(20,812)	754,718
Segment liabilities	492,339	35,320	137,283	9,885	7,034	7,909	(20,748)	669,022
Other segment information								
Capital expenditure	2,270	2,061	529	180	84	397	–	5,521
Depreciation and amortization (Excluding: amortization of deferred acquisition costs)	676	200	119	23	39	227	–	1,284
Total other non-cash expenses charged to consolidated results	6	(52)	196	–	–	10	–	160

6. SEGMENT REPORTING (CONTINUED)

The segment analysis for the year ended 31 December 2007 is as follows:

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Income statement								
Gross written premiums and policy fees	60,009	21,666	–	–	–	–	–	81,675
Less: Premiums ceded to reinsurers	(710)	(3,588)	–	–	–	–	–	(4,298)
Change in unearned premium reserves	(219)	(2,283)	–	–	–	–	–	(2,502)
Net earned premiums	59,080	15,795	–	–	–	–	–	74,875
Reinsurance commission income	175	992	–	–	–	–	–	1,167
Interest income of banking operations	–	–	5,314	–	–	–	–	5,314
Fees and commission income of non-insurance operations	–	–	145	2,163	–	741	(235)	2,814
Investment income	43,756	2,534	(93)	1,257	4,450	1,263	(325)	52,842
Share of profits of associates and joint ventures	–	–	–	–	–	4	–	4
Other income	702	38	456	16	2	267	(284)	1,197
Total income	103,713	19,359	5,822	3,436	4,452	2,275	(844)	138,213
Change in deferred policy acquisition costs	8,820	552	–	–	–	–	–	9,372
Claims and policyholders' benefits	(82,741)	(9,651)	–	–	–	–	–	(92,392)
Commission expenses of insurance operations	(9,004)	(2,003)	–	–	–	–	153	(10,854)
Interest expenses of banking operations	–	–	(1,836)	–	–	–	271	(1,565)
Fees and commission expenses of non-insurance operations	–	–	(33)	(165)	–	(304)	–	(502)
Loan loss provisions, net of reversals	–	–	116	–	–	2	–	118
Foreign exchange losses	(510)	(10)	35	(4)	(4)	(8)	–	(501)
General and administrative expenses	(8,872)	(5,486)	(1,951)	(1,379)	(1,558)	(972)	333	(19,885)
Total expenses	(92,307)	(16,598)	(3,669)	(1,548)	(1,562)	(1,282)	757	(116,209)
Profit before tax	11,406	2,761	2,153	1,888	2,890	993	(87)	22,004
Income tax	(523)	(688)	(616)	(396)	(354)	(208)	–	(2,785)
Net profit	10,883	2,073	1,537	1,492	2,536	785	(87)	19,219
Balance sheet								
Segment assets	459,388	33,351	141,976	23,516	55,404	21,155	(42,568)	692,222
Segment liabilities	426,102	26,102	135,351	19,786	1,924	11,587	(42,481)	578,371
Other segment information								
Capital expenditure	3,989	264	308	69	62	78	–	4,770
Depreciation and amortization (Excluding: amortization of deferred acquisition costs)	342	161	72	24	22	203	–	824
Total other non-cash expenses charged to consolidated results	(6)	51	164	3	–	77	–	289

7. GROSS AND NET WRITTEN PREMIUMS AND POLICY FEES

(in RMB million)	2008	2007
Gross written premiums, policy fees and premium deposits (as reported in accordance with PRC Accounting Standards)	**129,383**	100,945
Less: Premium deposits allocated to policyholder contract deposits	**(25,339)**	(15,090)
Premium deposits allocated to policyholder accounts	**(6,034)**	(4,180)
Gross written premiums and policy fees	**98,010**	81,675
Long term life business gross written premiums and policy fees	**65,575**	55,371
Short term life business gross written premiums	**5,421**	4,638
Property and casualty business gross written premiums	**27,014**	21,666
Gross written premiums and policy fees	**98,010**	81,675
Gross		
Life insurance		
Individual life insurance	**60,414**	51,596
Bancassurance	**2,144**	707
Group life insurance	**8,438**	7,706
	70,996	60,009
Property and casualty insurance		
Automobile insurance	**19,377**	15,241
Non-automobile insurance	**6,185**	5,277
Accident and health insurance	**1,452**	1,148
	27,014	21,666
Gross written premiums and policy fees	**98,010**	81,675
Net of reinsurance premiums ceded		
Life insurance		
Individual life insurance	**60,381**	51,564
Bancassurance	**2,141**	706
Group life insurance	**7,494**	7,029
	70,016	59,299
Property and casualty insurance		
Automobile insurance	**17,473**	14,006
Non-automobile insurance	**3,287**	2,946
Accident and health insurance	**1,421**	1,126
	22,181	18,078
Net written premiums and policy fees	**92,197**	77,377

8. NET INTEREST INCOME OF BANKING OPERATIONS

(in RMB million)	2008	2007
Interest income of banking operations		
Loans and advances to customers	**4,839**	3,200
Balances with central bank	**319**	163
Bonds	**1,331**	1,305
Amounts due from banks and other financial institutions	**531**	646
	7,020	5,314
Interest expenses of banking operations		
Customer deposits	**2,031**	1,228
Due to banks and other financial institutions	**646**	337
	2,677	1,565
Net interest income of banking operations	**4,343**	3,749

9. NET FEES AND COMMISSION INCOME OF NON-INSURANCE OPERATIONS

(in RMB million)	2008	2007
Fees and commission income of non-insurance operations		
Brokerage fees	**796**	1,556
Underwriting commission income	**511**	505
Trust service fees	**387**	511
Others	**286**	242
	1,980	2,814
Fees and commission expenses of non-insurance operations		
Brokerage fees paid	**92**	165
Other fees paid	**112**	337
	204	502
Net fees and commission income of non-insurance operations	**1,776**	2,312

10. INVESTMENT INCOME

(in RMB million)	2008	2007
Net investment income	**18,629**	16,453
Realized gains	**7,421**	33,987
Unrealized gains/(losses)	**(7,506)**	2,500
Impairment losses	**(25,960)**	(98)
Total investment income	**(7,416)**	52,842

10. INVESTMENT INCOME (CONTINUED)

(1) NET INVESTMENT INCOME

(in RMB million)	2008	2007
Interest income of non-banking operations on fixed maturity investments		
Bonds		
– Held-to-maturity	**5,038**	5,064
– Available-for-sale	**5,011**	2,592
– Carried at fair value through profit or loss	**622**	473
Term deposits		
– Loans and receivables	**2,717**	2,191
Current accounts		
– Loans and receivables	**841**	1,196
Others		
– Loans and receivables	**278**	222
Dividend income on equity investments		
Equity investment funds		
– Available-for-sale	**2,510**	3,653
– Carried at fair value through profit or loss	**659**	1,874
Equity securities		
– Available-for-sale	**993**	251
– Carried at fair value through profit or loss	**91**	67
Operating lease income from investment properties	**367**	299
Interest expenses on assets sold under agreements to repurchase	**(498)**	(1,429)
Total	**18,629**	16,453

(2) REALIZED GAINS

(in RMB million)	2008	2007
Fixed maturity investments		
– Available-for-sale	**1,231**	(1,538)
– Carried at fair value through profit or loss	**156**	10
Equity investments		
– Available-for-sale	**9,197**	22,421
– Carried at fair value through profit or loss	**(3,412)**	12,896
Derivative financial instruments		
– Carried at fair value through profit or loss	**249**	494
Others		
– Loans and receivables	**–**	(296)
Total	**7,421**	33,987

10. INVESTMENT INCOME (CONTINUED)

(3) UNREALIZED GAINS/(LOSSES)

(in RMB million)	2008	2007
Fixed maturity investments		
– Carried at fair value through profit or loss	**641**	(258)
Equity investments		
– Carried at fair value through profit or loss	**(7,742)**	2,518
Derivative financial instruments		
– Carried at fair value through profit or loss	**(405)**	240
Total	**(7,506)**	2,500

(4) IMPAIRMENT LOSSES

(in RMB million)	2008	2007
Bonds		
– Available-for-sale	**(73)**	(98)
Equity investments		
– Available-for-sale	**(25,887)**	–
Total	**(25,960)**	(98)

As at 31 December 2008, Ping An Life held 121 million Fortis shares, the accumulated cost of which amounted to approximately RMB23,874 million. The investment was classified as available-for-sale financial assets. Because of the financial crisis, share price of Fortis plummeted significantly. Ping An Life provided impairment losses amounting to approximately RMB22,790 million for Fortis investment in income statement based on fair market value of Fortis share as at 31 December 2008.

11. OTHER INCOME

(in RMB million)	2008	2007
Administrative fees for investment contracts and investment-linked contracts	**485**	418
Expressway toll fee income	**756**	12
Others	**668**	767
Total	**1,909**	1,197

12. CLAIMS AND POLICYHOLDERS' BENEFITS

(1)

	2008		
(in RMB million)	**Gross**	**Reinsurers' share**	**Net**
Claims and claim adjustment expenses	**21,847**	**(3,894)**	**17,953**
Surrenders	**8,552**	**–**	**8,552**
Annuities	**3,388**	**–**	**3,388**
Maturities and survival benefits	**11,414**	**–**	**11,414**
Policyholder dividends	**6,276**	**–**	**6,276**
Interest credited to policyholder contract deposits	**2,501**	**–**	**2,501**
Subtotal	**53,978**	**(3,894)**	**50,084**
Increase in policyholders' reserves	**22,496**	**(2,392)**	**20,104**
Total	**76,474**	**(6,286)**	**70,188**

12. CLAIMS AND POLICYHOLDERS' BENEFITS (CONTINUED)

(1) (CONTINUED)

(in RMB million)	2007 Gross	2007 Reinsurers' share	2007 Net
Claims and claim adjustment expenses	16,121	(3,024)	13,097
Surrenders	9,464	–	9,464
Annuities	2,894	–	2,894
Maturities and survival benefits	9,327	–	9,327
Policyholder dividends	3,514	–	3,514
Interest credited to policyholder contract deposits	1,175	–	1,175
Subtotal	42,495	(3,024)	39,471
Increase in policyholders' reserves	52,933	(12)	52,921
Total	95,428	(3,036)	92,392

(2)

(in RMB million)	**2008 Gross**	**2008 Reinsurers' share**	**2008 Net**
Long term life insurance contracts benefits	**56,680**	**(2,410)**	**54,270**
Short term life insurance claims	**3,258**	**(952)**	**2,306**
Property and casualty insurance claims	**16,536**	**(2,924)**	**13,612**
Total	**76,474**	**(6,286)**	**70,188**

(in RMB million)	2007 Gross	2007 Reinsurers' share	2007 Net
Long term life insurance contracts benefits	80,925	(19)	80,906
Short term life insurance claims	2,349	(514)	1,835
Property and casualty insurance claims	12,154	(2,503)	9,651
Total	95,428	(3,036)	92,392

Please refer to Note 25 for the gain recognized upon inception of the reinsurance contract with Munich Reinsurance Company Beijing Branch in 2008.

13. PROFIT BEFORE TAX

(1) PROFIT BEFORE TAX IS ARRIVED AT AFTER CHARGING/(CREDITING) THE FOLLOWING ITEMS:

(in RMB million)	2008	2007
Employee costs (Note 13. (2))	**4,418**	8,993
Provision for insurance guarantee fund	**409**	331
Depreciation of investment properties	**169**	119
Depreciation of property and equipment	**660**	609
Amortization of intangible assets	**455**	96
Losses/(gains) on disposal of settled assets	**87**	(267)
Loss on disposal of investment properties, property and equipment	**8**	10
Impairment losses on property and equipment, and intangible assets	**–**	20
Provision for doubtful debts, net	**(81)**	93
Auditor's remuneration-annual and interim audit and agreed upon procedures	**32**	23
Operating lease payments in respect of land and buildings	**965**	614

(2) EMPLOYEE COSTS

(in RMB million)	2008	2007
Wages, salaries and bonuses	**3,385**	7,846
Retirement benefits, social security contributions and welfare benefits	**1,033**	1,147
Total	**4,418**	8,993

The employee costs reversed for the scheme of share appreciation rights during the year amount to RMB2,202 million due to the decrease in stock price of the Company's H-share (2007: expense accrued of RMB2,127 million).

14. INCOME TAX

(in RMB million)	2008	2007
Current income tax	**2,840**	1,488
Deferred income tax	**(6,296)**	1,297
Total	**(3,456)**	2,785

On 16 March 2007, the National People's Congress approved the *Corporate Income Tax Law of the People's Republic of China* (the new "CIT Law"). The new CIT Law unifies domestic corporate income tax rate at 25% with effect from 1 January 2008. For subsidiaries and branches of the Group located in Special Economic Zones that were entitled to preferential income tax rates, the applicable CIT rate will be transited to 25% over five years. During the transitional period, the applicable CIT rate for applicable subsidiaries and branches will be 18%, 20%, 22%, 24% and 25% for year 2008, 2009, 2010, 2011 and 2012, respectively. For other subsidiaries and branches of the Group, the CIT rates are reduced from 33% to 25% from 1 January 2008.

Subsidiaries of the Group located in the Hong Kong Special Administrative Region are subject to Hong Kong profits tax. The tax rate of Hong Kong profits tax is reduced from 17.5% to 16.5% for the period from 1 April 2008 to 31 March 2009.

14. INCOME TAX (CONTINUED)

Reconciliation between tax expense and the product of accounting profit multiplied by the main applicable tax rate of 18% (2007:15%) is as follows:

(in RMB million)	2008	2007
Profit/(loss) before tax	**(2,979)**	22,004
Tax computed at the main applicable tax rate of 18% (2007: 15%)	**(536)**	3,301
Tax effect of expenses not deductible in determining taxable income	**426**	712
Tax effect of income not taxable in determining taxable income	**(1,988)**	(1,762)
Tax effect of different tax rates in current year and future years	**(1,150)**	180
Tax effect of higher tax rate on branches and entities (in the PRC) located outside Special Economic Zones	**(103)**	354
Tax refund	**(105)**	–
Income tax per consolidated income statement	**(3,456)**	2,785

The Group's tax position is subject to assessment and inspection of the tax authorities.

15. DIVIDENDS

(in RMB million)	2008	2007
Interim dividends on ordinary shares declared during the year:		
Interim dividend for 2008: RMB0.20 per share (2007: RMB0.20 per share)	**1,469**	1,469
Dividends on ordinary shares proposed for approval at the annual general meeting (not recognized as a liability as at 31 December):		
Final dividend for 2008: nil (2007: RMB0.50 per share)	**–**	3,673

16. EARNINGS PER SHARE

Earnings per share is calculated by dividing the Company's net profit attributable to ordinary shareholders by the weighted average number of outstanding shares.

	2008	2007
Net profit attributable to ordinary shareholders (in RMB million)	**268**	18,688
Weighted average number of outstanding shares of the Company (million shares)	**7,345**	7,153
Basic earnings per share (in RMB)	**0.04**	2.61
Diluted earnings per share (in RMB)	**0.04**	2.61

17. BALANCES WITH CENTRAL BANK AND STATUTORY DEPOSITS

(in RMB million)	31 December 2008	31 December 2007
Mandatory deposits with central bank for banking operations	**12,829**	14,265
Other deposits with central bank	**7,274**	4,969
Statutory deposits for insurance operations	**5,860**	1,560
Total	**25,963**	20,794

In accordance with relevant regulations, Shenzhen Ping An Bank Co, Ltd. ("Shenzhen Ping An Bank") placed mandatory deposits with The People's Bank of China in both RMB and foreign currencies. As at 31 December 2008, the mandatory deposits are calculated at 13.5% (31 December 2007: 14.5%) for eligible RMB deposits and 5% (31 December 2007: 5%) for foreign currencies deposits.

17. BALANCES WITH CENTRAL BANK AND STATUTORY DEPOSITS (CONTINUED)

Statutory deposits for insurance operations are made with PRC banks in accordance with the PRC Insurance Law and related regulations based on not less than 20% of the respective registered capital of the insurance subsidiaries of the Group.

18. CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	31 December 2008	31 December 2007
Cash on hand	**574**	382
Term deposits	**74,458**	57,384
Due from banks and other financial institutions	**29,943**	28,901
Loans and advances	**304**	1,192
Total	**105,279**	87,859

Of the above, none of the cash and amounts due from banks and other financial institutions has been designated at fair value.

As at 31 December 2008, cash and amounts due from banks and other financial institutions with restricted use due to pledge or freeze amounted to RMB14 million (31 December 2007: RMB14 million).

As at 31 December 2008, cash and amounts due from overseas banks and other financial institutions amounted to RMB839 million (31 December 2007: RMB2,042 million).

19. FIXED MATURITY INVESTMENTS

(in RMB million)	31 December 2008	31 December 2007
Bonds	**327,650**	235,373
Policy loans	**3,725**	2,411
Assets purchased under agreements to resell	**13,074**	36,457
Total	**344,449**	274,241

(1) BONDS

(in RMB million)	31 December 2008	31 December 2007
Held-to-maturity, at amortized cost	**126,502**	127,736
Available-for-sale, at fair value	**180,544**	83,411
Carried at fair value through profit or loss		
Held-for-trading	**20,604**	24,226
Total	**327,650**	235,373
Government bonds	**97,326**	88,365
Central bank bills	**26,351**	23,440
Finance bonds	**105,208**	69,657
Corporate bonds	**98,765**	53,911
Total	**327,650**	235,373
Listed	**57,579**	47,961
Unlisted	**270,071**	187,412
Total	**327,650**	235,373

19. FIXED MATURITY INVESTMENTS (CONTINUED)

(1) BONDS (CONTINUED)

As at 31 December 2008, bonds with par value of RMB40,983 million (31 December 2007: RMB12,044 million) were pledged as assets sold under agreements to repurchase. Up to the approval date of these financial statements, the above amount has been released from such pledge.

(2) ASSETS PURCHASED UNDER AGREEMENTS TO RESELL

(in RMB million)	31 December 2008	31 December 2007
Securities-bonds	**9,159**	27,173
Bills	**3,915**	7,959
Loans	**–**	1,325
Total	**13,074**	36,457
Less: Provision for impairment losses	**–**	–
Net	**13,074**	36,457

The fair value of the assets held as collateral for assets purchased under agreements to resell approximates their carrying value.

20. EQUITY INVESTMENTS

(in RMB million)	31 December 2008	31 December 2007
Equity investment funds	**30,096**	28,899
Equity securities	**24,503**	100,032
Total	**54,599**	128,931

(1) EQUITY INVESTMENT FUNDS

(in RMB million)	31 December 2008	31 December 2007
Available-for-sale, at fair value	**11,312**	9,481
Held-for-trading	**18,784**	19,418
Total	**30,096**	28,899
Listed	**8,743**	2,721
Unlisted	**21,353**	26,178
Total	**30,096**	28,899

(2) EQUITY SECURITIES

(in RMB million)	31 December 2008	31 December 2007
Available-for-sale, at fair value	**20,937**	86,381
Carried at fair value through profit or loss	**3,566**	13,651
Total	**24,503**	100,032
Listed	**23,876**	99,297
Unlisted	**627**	735
Total	**24,503**	100,032

21. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2008			
	Assets		Liabilities	
(in RMB million)	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	**18**	**1**	**223**	**15**
Currency forwards and swaps	**215**	**1**	**194**	**1**
Equity warrants	**54**	**5**	**–**	**–**
Credit default swaps	**137**	**10**	**547**	**249**
Total	**424**	**17**	**964**	**265**

	31 December 2007			
	Assets		Liabilities	
(in RMB million)	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	3,187	4	1,001	18
Currency forwards and swaps	315	10	419	10
Equity warrants	65	159	606	99
Credit default swaps	365	4	584	62
Total	3,932	177	2,610	189

None of the above derivatives has been designated as a hedging instrument.

22. LOANS AND ADVANCES TO CUSTOMERS

(1) LOANS AND ADVANCES BY INDIVIDUAL AND CORPORATE CUSTOMERS

(in RMB million)	31 December 2008	31 December 2007
Individual customers		
Credit card loans	**2,592**	389
Mortgage loans	**18,000**	16,259
Others	**3,874**	3,340
Corporate customers		
Loans	**46,635**	37,696
Discounted bills	**3,784**	5,977
Total	**74,885**	63,661
Loan loss provision		
Individually assessed	**(215)**	(289)
Collectively assessed	**(510)**	(247)
Net	**74,160**	63,125

As at 31 December 2008, loans of RMB220 million (31 December 2007: nil) were pledged as assets sold under agreements to repurchase. Up to the approval date of these financial statements, such loans have not been released from this pledge.

22. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(2) LOANS AND ADVANCES BY INDUSTRIES

(in RMB million)	31 December 2008	Percentage	31 December 2007	Percentage
Agriculture, forestry and fishing	156	0.21%	96	0.15%
Mining	419	0.56%	175	0.27%
Manufacturing	10,278	13.73%	13,055	20.51%
Energy	3,807	5.08%	2,137	3.36%
Transportation and communications	5,759	7.69%	4,009	6.30%
Commercial	8,926	11.93%	6,440	10.12%
Real estate	5,589	7.46%	6,173	9.70%
Construction	3,964	5.29%	3,332	5.23%
Individual customers	24,466	32.67%	19,988	31.40%
Others	11,521	15.38%	8,256	12.96%
Total	74,885	100.00%	63,661	100.00%

(3) LOANS AND ADVANCES BY REGION

(in RMB million)	31 December 2008	Percentage	31 December 2007	Percentage
Southern China region	52,603	70.25%	50,427	79.21%
Eastern China region	22,009	29.39%	12,889	20.25%
Other regions	273	0.36%	345	0.54%
Total	74,885	100.00%	63,661	100.00%

(4) LOANS AND ADVANCES BY GUARANTEE TYPE

(in RMB million)	31 December 2008	31 December 2007
Unsecured loans	19,563	14,284
Guaranteed loans	16,978	12,972
Secured loans		
Loans secured by mortgages	30,053	25,273
Loans secured by other collateral	8,291	11,132
Total	74,885	63,661

(5) ANALYSIS OF OVERDUE LOANS

	31 December 2008				
(in RMB million)	Within 3 months	3 months to 1 year	1-3 years	More than 3 years	Total
Unsecured loans	296	56	17	88	457
Guaranteed loans	56	200	19	9	284
Secured loans					
Loans secured by mortgages	1,067	240	60	22	1,389
Loans secured by other collateral	96	241	8	–	345
Total	1,515	737	104	119	2,475

22. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(5) ANALYSIS OF OVERDUE LOANS (CONTINUED)

	31 December 2007				
(in RMB million)	Within 3 months	3 months to 1 year	1-3 years	More than 3 years	Total
Unsecured loans	88	8	9	99	204
Guaranteed loans	46	3	130	11	190
Secured loans					
Loans secured by mortgages	895	102	57	26	1,080
Loans secured by other collateral	72	200	56	–	328
Total	1,101	313	252	136	1,802

(6) CREDIT QUALITY ANALYSIS

	31 December 2008		31 December 2007	
(in RMB million)	Amount	Percentage	Amount	Percentage
Pass	**70,900**	**94.68%**	59,186	92.97%
Special Mention	**3,477**	**4.64%**	3,863	6.07%
Performing loans	**74,377**	**99.32%**	63,049	99.04%
Substandard	**184**	**0.25%**	299	0.47%
Doubtful	**187**	**0.25%**	172	0.27%
Loss	**137**	**0.18%**	141	0.22%
Non-performing loans	**508**	**0.68%**	612	0.96%
Total	**74,885**	**100.00%**	63,661	100.00%

(7) LOAN LOSS PROVISION

(in RMB million)	Individually assessed	Collectively assessed	Total
As at 1 January 2007	2,250	181	2,431
Charge for the year	28	108	136
Transfer out during the year	(1,735)	(42)	(1,777)
Write-backs during the year			
Accreted interest on impaired loans	(24)	–	(24)
Write-backs due to other reasons	(230)	–	(230)
As at 31 December 2007	289	247	536
Charge for the year	8	263	271
Write-off during the year	(20)	–	(20)
Write-backs during the year			
Accreted interest on impaired loans	(10)	–	(10)
Write-backs due to other reasons	(52)	–	(52)
As at 31 December 2008	**215**	**510**	**725**

23. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investments in principal associates and joint ventures as at 31 December 2008 are as follows:

(in RMB million) Name of the invested entity	31 December 2008	31 December 2007
Veolia Water (Kunming) Investment Co., Ltd. ("Veolia Kunming")	**185**	169
Veolia Water (Yellow River) Investment Co., Ltd. ("Veolia Yellow River")	**495**	541
Veolia Water (Liuzhou) Investment Co., Ltd. ("Veolia Liuzhou")	**86**	105
Shanxi Taichang Expressway Co., Ltd. ("Shanxi Taichang")	**1,102**	–
Hubei Shumyip Huayin Traffic Development Co., Ltd. ("Hubei Shumyip Huayin")	**568**	618
Beijing-Shanghai High-speed Railway Equity Investment Scheme ("Beijing-Shanghai Railway")	**2,432**	–
Hangzhou Sundy Real Estate Group Co., Ltd. ("Hangzhou Sundy")	**473**	–
Ping An Cai Fu Jinkang Trust Schemes of Aggregate Funds ("Jinkang Trust")	**100**	–
Shaoxing Pingan New Capital Co., Ltd. ("Shaoxing Pingan New Capital")	**27**	–
Others	**–**	39
Total	**5,468**	1,472

Name of the invested entity	Place of incorporation	Registered (authorized) capital/ paid-up capital	Percentage of holding	Principal activities
Veolia Kunming	Hong Kong	USD95,000,000/ USD91,875,208	24%	Water investment
Veolia Yellow River	Hong Kong	USD250,000,000/ USD151,195,839	49%	Water investment
Veolia Liuzhou	Hong Kong	USD32,124,448/ USD32,124,448	45%	Water investment
Shanxi Taichang (i)	The PRC	RMB2,600,190,000 RMB2,600,190,000	30%	Operating expressway
Hubei Shumyip Huayin	The PRC	RMB110,000,000/ RMB110,000,000	49%	Expressway investment
Beijing-Shanghai Railway (ii)	Not applicable	RMB16,000,000,000/ RMB6,176,000,000	39.375%	Railway investment
Ping An Roosevelt Holdings Ltd.	Hong Kong	USD10,000/ USD10,000	30%	Retail investment
Hangzhou Sundy	The PRC	RMB75,000,000/ RMB75,000,000	20%	Real estate development
Shaoxing Pingan New Capital	The PRC	RMB300,000,000/ RMB90,000,000/	30%	Investment holding
Jinkang Trust	The PRC	RMB100,000,000/ RMB100,000,000	50%	Medical institutions investment and management

23. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Remarks:

(i): As at 31 December 2007, Ping An Life's equity interest in Shanxi Taichang was 9% and accounted for it using the cost method. During 2008, Ping An Life's equity interest increased to 30% and started to use the equity method of accounting.

(ii): The Group's capital commitment in respect of Beijing-Shanghai Railway is disclosed in Note 48. (1).

24. PREMIUM RECEIVABLES

(in RMB million)	31 December 2008	31 December 2007
Premium receivables	**4,573**	4,613
Less: Provision for doubtful receivables	**(161)**	(179)
Premium receivables, net	**4,412**	4,434
Life insurance	**2,694**	2,626
Property and casualty insurance	**1,718**	1,808
Premium receivables, net	**4,412**	4,434

Provision is made on a periodic basis for those amounts that are considered uncollectible. The credit terms are generally for a period of one to five months. Overdue balances are reviewed regularly by management.

An aging analysis of premium receivables is as follows:

(in RMB million)	31 December 2008	31 December 2007
Within 3 months	**4,059**	4,263
Over 3 but within 1 year	**240**	168
Over 1 year	**113**	3
Total	**4,412**	4,434

25. REINSURERS' SHARE OF INSURANCE LIABILITIES

(in RMB million)	31 December 2008	31 December 2007
Reinsurers' share of unearned premium reserves	**3,230**	2,564
Reinsurers' share of claim reserves	**3,238**	2,304
Reinsurers' share of policyholders' reserves	**2,404**	12
Total	**8,872**	4,880

In 2008, Ping An Life entered into reinsurance contract with no expiry terms with Munich Reinsurance Company Beijing Branch in order to reinsure 100% of the retained sum at risk on 47 types of in force traditional non-participating life insurance policies as at 31 December 2008. This contract is not cancellable by the reinsurer. Management believes that this reinsurance arrangement would transfer mortality risk for the said policies, lock in the related mortality profit for future years. Upon inception of the said reinsurance contract, the amount of recognized gain before tax is RMB2.39 billion which has been reflected in the income statement for 2008.

26. DEFERRED POLICY ACQUISITION COSTS

(in RMB million)	Life	Property and casualty	Total
As at 1 January 2007	30,061	1,805	31,866
Deferred	10,248	3,997	14,245
Amortized	(1,428)	(3,445)	(4,873)
Effect of net unrealized gains on investments through equity (shadow accounting adjustment)	67	–	67
As at 31 December 2007	38,948	2,357	41,305
Deferred	13,674	5,210	18,884
Amortized	(4,942)	(4,648)	(9,590)
As at 31 December 2008	**47,680**	**2,919**	**50,599**

27. INVESTMENT PROPERTIES

(in RMB million)	2008	2007
Cost		
As at 1 January	**4,506**	1,918
Acquisition of subsidiaries	**–**	2,046
Additions	**1,704**	454
Transfer from/(to) property and equipment, net	**(135)**	126
Transfer from construction in progress	**1,367**	–
Disposals	**(299)**	(38)
As at 31 December	**7,143**	4,506
Accumulated depreciation and impairment losses		
As at 1 January	**624**	390
Acquisition of subsidiaries	**–**	91
Charge for the year	**169**	119
Transfer from/(to) property and equipment, net	**(31)**	55
Disposals	**(8)**	(10)
Provision for impairment losses	**–**	(21)
As at 31 December	**754**	624
Net book value		
As at 31 December	**6,389**	3,882
As at 1 January	**3,882**	1,528
Fair value	**8,478**	5,846

The fair value of the investment properties as at 31 December 2008 was estimated by the directors of the Company having regard to valuations performed by independent valuers.

The rental income arising from investment properties during the year amounted to RMB367 million (2007: RMB299 million), which is included in net investment income.

Gains on disposal of investment properties during the year amounted to RMB7 million (2007: RMB2 million).

As at 31 December 2008, investment properties with net book value of RMB1,970 million (31 December 2007: RMB2,041 million) were used to secure long term borrowings with an aggregate carrying amount of RMB1,560 million (31 December 2007: RMB1,612 million).

27. INVESTMENT PROPERTIES (CONTINUED)

The Group was still in the process of applying for title certificates for investment properties with a net book value of RMB2,983 million as at 31 December 2008 (31 December 2007: RMB192 million).

28. PROPERTY AND EQUIPMENT

(in RMB million)	Leasehold improvements	Buildings	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at 1 January 2008	691	4,040	2,412	491	3,472	11,106
Acquisition of subsidiaries	–	–	2	–	17	19
Additions	355	108	782	122	1,777	3,144
Transfer of construction in progress	189	4	32	–	(1,592)	(1,367)
Transfer from investment properties, net	–	135	–	–	–	135
Disposals	(226)	(52)	(424)	(47)	(998)	(1,747)
As at 31 December 2008	1,009	4,235	2,804	566	2,676	11,290
Accumulated depreciation and impairment losses						
As at 1 January 2008	405	946	1,305	274	11	2,941
Charge for the year	145	163	301	51	–	660
Transfer from investment properties, net	–	31	–	–	–	31
Disposals	(223)	(11)	(354)	(41)	–	(629)
As at 31 December 2008	327	1,129	1,252	284	11	3,003
Net book value						
As at 31 December 2008	682	3,106	1,552	282	2,665	8,287
As at 1 January 2008	286	3,094	1,107	217	3,461	8,165

28. PROPERTY AND EQUIPMENT (CONTINUED)

(in RMB million)	Leasehold improvements	Buildings	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at 1 January 2007	532	3,705	2,131	421	644	7,433
Acquisition of subsidiaries	47	–	17	2	–	66
Additions	100	–	515	101	3,381	4,097
Transfer of construction in progress	50	503	–	–	(553)	–
Transfer to investment properties, net	–	(126)	–	–	–	(126)
Disposals	(38)	(42)	(251)	(33)	–	(364)
As at 31 December 2007	691	4,040	2,412	491	3,472	11,106
Accumulated depreciation and impairment losses						
As at 1 January 2007	303	836	1,263	254	11	2,667
Acquisition of subsidiaries	–	–	4	1	–	5
Charge for the year	133	171	260	45	–	609
Transfer to investment properties, net	–	(55)	–	–	–	(55)
Disposals	(31)	(13)	(222)	(26)	–	(292)
Impairment losses	–	7	–	–	–	7
As at 31 December 2007	405	946	1,305	274	11	2,941
Net book value						
As at 31 December 2007	286	3,094	1,107	217	3,461	8,165
As at 1 January 2007	229	2,869	868	167	633	4,766

The Group is still in the process of applying for the title certificates for its buildings with a net book value of RMB544 million as at 31 December 2008 (31 December 2007: RMB1,009 million).

29. INTANGIBLE ASSETS

(in RMB million)	Goodwill	Expressway operating rights	Prepaid land premiums	Software and others	Total
Cost					
As at 1 January 2008	610	2,754	1,026	450	4,840
Acquisition of subsidiaries	–	4,672	144	–	4,816
Additions	53	–	1,307	304	1,664
Disposals	(46)	–	–	(3)	(49)
As at 31 December 2008	617	7,426	2,477	751	11,271
Accumulated amortization and impairment losses					
As at 1 January 2008	–	104	136	200	440
Acquisition of subsidiaries	–	100	–	–	100
Charge for the year	–	263	57	135	455
Disposals	–	–	–	(3)	(3)
As at 31 December 2008	–	467	193	332	992
Net book value					
As at 31 December 2008	617	6,959	2,284	419	10,279
As at 1 January 2008	610	2,650	890	250	4,400

(in RMB million)	Goodwill	Expressway operating rights	Prepaid land premiums	Software and others	Total
Cost					
As at 1 January 2007	409	–	1,026	384	1,819
Acquisition of subsidiaries	160	2,754	–	–	2,914
Additions	54	–	–	118	172
Disposals	(13)	–	–	(52)	(65)
As at 31 December 2007	610	2,754	1,026	450	4,840
Accumulated amortization and impairment losses					
As at 1 January 2007	–	–	110	225	335
Acquisition of subsidiaries	–	101	–	–	101
Charge for the year	–	3	26	67	96
Disposals	–	–	–	(92)	(92)
As at 31 December 2007	–	104	136	200	440
Net book value					
As at 31 December 2007	610	2,650	890	250	4,400
As at 1 January 2007	409	–	916	159	1,484

(1) EXPRESSWAY OPERATING RIGHTS

Expressway operating rights are amortized on a reasonable basis. As at 31 December 2008, the expressway operating rights were used to secure long term borrowings with the carrying amount of RMB3,830 million (31 December 2007: RMB1,606 million).

(2) GOODWILL

The recoverable amount of goodwill has been estimated based on value in use calculation using cash flow projections and financial plans approved by management and pretax, company specific, risk adjusted discount rates. Projected cash flows beyond five years are extrapolated using a steady growth rate. The projected cash flows are determined by future estimated profits based on management expectations for market development.

29. INTANGIBLE ASSETS (CONTINUED)

(3) PREPAID LAND PREMIUMS

Prepaid land premiums are acquired under PRC laws for fixed periods, and the related costs are amortized on the straight-line basis. All of the Group's prepaid land premiums are related to lands located in the PRC. The net book value of the prepaid land premiums as at 31 December 2008 is expected to be amortized over lease terms ranging from 50 to 70 years (2007: 50 to 70 years).

The Group is still in the process of applying for title certificates for prepaid land premiums with a net book value of RMB1,807 million as at 31 December 2008 (31 December 2007: RMB483 million). This amount as at 31 December 2008 represents costs incurred to acquire land in Shanghai and Shenzhen for the construction of new properties. In the opinion of the Company's management, where necessary, adequate provision for impairment losses has been made for prepaid land premiums without title certificates as at 31 December 2008.

30. OTHER ASSETS

(in RMB million)	31 December 2008	31 December 2007
Prepaid claims	**1,075**	221
Other receivables	**3,287**	1,627
Due from reinsurers	**2,733**	2,452
Interest receivables	**6,435**	3,962
Settled assets	**131**	538
Others	**680**	177
Total	**14,341**	8,977

31. SHARE CAPITAL

(in million)	31 December 2008	31 December 2007
Number of shares registered, issued and fully paid at RMB1 each	**7,345**	7,345

32. RESERVES AND RETAINED PROFITS

GROUP

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity of the financial statements.

Out of the Group's retained profits, RMB3,109 million as at 31 December 2008 represents the Company's share of its subsidiaries' surplus reserve fund which cannot be used for profit distribution.

Out of the Group's retained profits, RMB2,214 million as at 31 December 2008 represents the Company's share of its subsidiaries' general reserve which cannot be used for profit distribution.

32. RESERVES AND RETAINED PROFITS (CONTINUED)

COMPANY

(in RMB million)	Notes	Capital reserve	Surplus reserve fund	General reserve	Net unrealized gains/ (losses)	Retained profits	Total
As at 1 January 2008		**51,907**	**5,655**	**395**	**288**	**5,934**	**64,179**
Net profit for 2008		**–**	**–**	**–**	**–**	**4,703**	**4,703**
Net losses on available-for-sale investments		**–**	**–**	**–**	**(2,471)**	**–**	**(2,471)**
Net gains on available-for-sale investments removed from equity and reported in net profit		**–**	**–**	**–**	**(184)**	**–**	**(184)**
Impairment charges reclassified to the income statement		**–**	**–**	**–**	**409**	**–**	**409**
Deferred tax recognized, net		**–**	**–**	**–**	**482**	**–**	**482**
Dividends declared	15	**–**	**–**	**–**	**–**	**(5,142)**	**(5,142)**
Appropriations to surplus reserve fund		**–**	**470**	**–**	**–**	**(470)**	**–**
As at 31 December 2008		**51,907**	**6,125**	**395**	**(1,476)**	**5,025**	**61,976**
As at 1 January 2007		14,835	6,126	395	585	1,686	23,627
Issue of new shares in the PRC		37,720	–	–	–	–	37,720
Share issue expenses		(648)	–	–	–	–	(648)
Net profit for 2007		–	–	–	–	6,862	6,862
Net losses on available-for-sale investments		–	–	–	438	–	438
Net gains on available-for-sale investments removed from equity and reported in net profit		–	–	–	(782)	–	(782)
Deferred tax recognized, net		–	–	–	47	–	47
Dividends declared	15	–	–	–	–	(3,085)	(3,085)
Transfer of surplus reserve fund		–	(1,157)	–	–	1,157	–
Appropriations to surplus reserve fund		–	686	–	–	(686)	–
As at 31 December 2007		51,907	5,655	395	288	5,934	64,179

According to the Company's Articles of Association, the Company shall set aside 10% of its net profit determined in its statutory financial statements, prepared in accordance with PRC Accounting Standards, to a statutory surplus reserve fund. The Company can cease such profit appropriation to this fund if its balance reaches 50% of the Company's registered share capital. The Company may also make appropriations from its net profit to the discretionary surplus reserve fund provided the appropriation is approved by a resolution of the shareholders. These reserves cannot be used for purposes other than those for which they are created. Profits are used against prior year losses before allocations to such reserves.

Capital reserve mainly represents share premiums arising from the issuance of shares.

Subject to resolutions passed in shareholders' meetings, the statutory surplus reserve fund, discretionary surplus reserve fund and capital reserve can be transferred to share capital. The balance of the statutory surplus reserve fund after transfers to share capital should not be less than 25% of the registered capital.

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance, banking, trust, securities and futures business. The Group's respective entities in such business would need to make appropriations for such reserve based on their respective year end profit or risk assets determined in accordance with PRC Accounting Standards, and based on the applicable PRC financial regulations, in the annual financial statements. Such reserve is not available for profit distribution or transfer to capital.

32. RESERVES AND RETAINED PROFITS (CONTINUED)

COMPANY (CONTINUED)

In accordance with the relevant regulations, the net profit after tax of the Company for profit distribution is deemed to be the lower of (i) the retained profits determined in accordance with PRC Accounting Standards and (ii) the retained profits determined in accordance with IFRSs. The profit appropriation for the year ended 31 December 2007 was approved in the shareholders' meeting held on 13 May 2008.

33. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	31 December 2008	31 December 2007
Deposits from other banks and financial institutions	**17,204**	7,532
Short term borrowings	**3,104**	3,894
Long term borrowings	**3,884**	3,218
Total	**24,192**	14,644

The Group has not had significant defaults of principal, interest or other significant breaches with respect to its liabilities during the year.

34. ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

(in RMB million)	31 December 2008	31 December 2007
Bills	**–**	1,676
Securities – bonds	**40,904**	11,880
Loans	**220**	–
Total	**41,124**	13,556

35. CUSTOMER DEPOSITS AND PAYABLES TO BROKERAGE CUSTOMERS

(in RMB million)	31 December 2008	31 December 2007
Current and saving accounts		
– Corporate customers	**33,827**	32,769
– Individual customers	**7,342**	6,160
Term deposits		
– Corporate customers	**39,255**	34,297
– Individual customers	**7,638**	4,305
Payables to brokerage customers		
– Corporate customers	**736**	5,135
– Individual customers	**6,193**	9,259
Total	**94,991**	91,925

36. INSURANCE CONTRACT LIABILITIES

(in RMB million)	31 December 2008	31 December 2007
Policyholders' reserves	**344,170**	323,744
Policyholder contract deposits	**59,557**	34,734
Policyholder account liabilities in respect of insurance contracts	**30,749**	34,871
Unearned premium reserves	**18,125**	15,480
Claim reserves	**9,740**	7,645
Total	**462,341**	416,474

	31 December 2008			31 December 2007		
(in RMB million)	Insurance contract liabilities	Reinsurers' share	Net	Insurance contract liabilities	Reinsurers' share	Net
Long term life insurance contracts and investment contracts with DPF	**434,476**	**(2,404)**	**432,072**	393,349	(12)	393,337
Short term life insurance contracts	**3,632**	**(713)**	**2,919**	2,853	(445)	2,408
Property and casualty insurance contracts	**24,233**	**(5,755)**	**18,478**	20,272	(4,423)	15,849
Total	**462,341**	**(8,872)**	**453,469**	416,474	(4,880)	411,594

(in RMB million)	31 December 2008	31 December 2007
Current gross insurance contract liabilities*		
Long term life	**11,737**	14,726
Short term life	**3,568**	2,810
Property and casualty	**18,871**	15,189
Non-current gross insurance contract liabilities		
Long term life	**422,739**	378,623
Short term life	**64**	43
Property and casualty	**5,362**	5,083
Total	**462,341**	416,474

* Expected settlement within 12 months from the balance sheet date.

36. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(1) LONG TERM LIFE INSURANCE CONTRACTS AND INVESTMENT CONTRACTS WITH DPF

(in RMB million)	31 December 2008	31 December 2007
Policyholders' reserves	344,170	323,744
Policyholder contract deposits	59,557	34,734
Policyholder account liabilities in respect of insurance contracts	30,749	34,871
Total	434,476	393,349

The policyholders' reserves are analyzed as follows:

(in RMB million)	2008	2007
As at 1 January	323,744	268,436
New business	15,406	13,040
Inforce change, net, including changes in participating special dividend reserve arising from changes in fair value of investments, etc.	7,090	39,893
Effect of net unrealized gain/(losses) on investments through equity (shadow accounting adjustment)	(2,070)	2,375
As at 31 December	344,170	323,744

(2) SHORT TERM LIFE INSURANCE CONTRACTS

(in RMB million)	31 December 2008	31 December 2007
Unearned premium reserves	2,449	2,098
Claim reserves	1,183	755
Total	3,632	2,853

The unearned premium reserves of short term life insurance are analyzed as follows:

	2008			2007		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	2,098	(262)	1,836	1,890	(273)	1,617
Premiums written during the year	5,421	(950)	4,471	4,639	(683)	3,956
Premiums earned during the year	(5,070)	871	(4,199)	(4,431)	694	(3,737)
As at 31 December	2,449	(341)	2,108	2,098	(262)	1,836

The claim reserves of short term life insurance are analyzed as follows:

	2008			2007		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	755	(183)	572	629	(193)	436
Claims incurred during the year	3,258	(952)	2,306	2,349	(514)	1,835
Claims paid during the year	(2,830)	763	(2,067)	(2,223)	524	(1,699)
As at 31 December	1,183	(372)	811	755	(183)	572

36. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(3) PROPERTY AND CASUALTY INSURANCE CONTRACTS

(in RMB million)	31 December 2008	31 December 2007
Unearned premium reserves	**15,676**	13,382
Claim reserves	**8,557**	6,890
Total	**24,233**	20,272

The unearned premium reserves of property and casualty insurance are analyzed as follows:

	2008			2007		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**13,382**	**(2,302)**	**11,080**	10,930	(2,133)	8,797
Premiums written during the year	**27,014**	**(4,833)**	**22,181**	21,666	(3,588)	18,078
Premiums earned during the year	**(24,720)**	**4,246**	**(20,474)**	(19,214)	3,419	(15,795)
As at 31 December	**15,676**	**(2,889)**	**12,787**	13,382	(2,302)	11,080

The claim reserves of property and casualty insurance are analyzed as follows:

	2008			2007		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**6,890**	**(2,121)**	**4,769**	5,851	(1,531)	4,320
Claims incurred during the year	**16,536**	**(2,924)**	**13,612**	12,154	(2,503)	9,651
Claims paid during the year	**(14,869)**	**2,179**	**(12,690)**	(10,915)	1,913	(9,002)
Portfolio transfer	**–**	**–**	**–**	(200)	–	(200)
As at 31 December	**8,557**	**(2,866)**	**5,691**	6,890	(2,121)	4,769

37. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

(in RMB million)	31 December 2008	31 December 2007
Policyholder account liabilities in respect of investment contracts	**3,979**	4,622
Investment contract reserves	**2,657**	799
Total	**6,636**	5,421
Current portion*	**548**	471
Non-current portion	**6,088**	4,950
Total	**6,636**	5,421

* Expected settlement within 12 months from the balance sheet date.

The investment contract liabilities are analyzed as follows:

(in RMB million)	2008	2007
As at 1 January	**5,421**	4,233
Premiums received	**3,023**	1,211
Accretion of investment income/(loss)	**(853)**	883
Liabilities released for benefits paid	**(966)**	(840)
Policy administration fees and surrender charges deducted	**(74)**	(66)
Others	**85**	–
As at 31 December	**6,636**	5,421

The benefits offered under the policyholders' investment contracts are based on the return of selected assets.

The liabilities originated from policyholders' investment contracts are measured by reference to their respective underlying assets of these contracts.

38. DEFERRED TAX ASSETS AND LIABILITIES

(in RMB million)	31 December 2008	31 December 2007
Deferred tax assets	**6,876**	87
Deferred tax liabilities	**(998)**	(6,369)
Net	**5,878**	(6,282)

	2008				
(in RMB million)	**As at 1 January**	**Charged to profit and loss**	**Charged to equity**	**Others changes**	**As at 31 December**
Fair value adjustment on financial assets and liabilities carried at fair value through profit or loss	**(1,067)**	**1,367**	**–**	**–**	**300**
Fair value adjustment and impairment loss on available-for-sale investments	**(5,942)**	**6,012**	**6,343**	**–**	**6,413**
Insurance contract liabilities	**10,714**	**1,396**	**(251)**	**–**	**11,859**
Deferred policy acquisition costs	**(10,326)**	**(2,319)**	**–**	**–**	**(12,645)**
Others	**339**	**(160)**	**(4)**	**(224)**	**(49)**
Total	**(6,282)**	**6,296**	**6,088**	**(224)**	**5,878**

38. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(in RMB million)	2007				
	As at 1 January	Charged to profit and loss	Charged to equity	Others changes	As at 31 December
Fair value adjustment on financial assets and liabilities carried at fair value through profit or loss	(514)	(553)	–	–	(1,067)
Fair value adjustment and impairment loss on available-for-sale investments	(2,023)	(26)	(3,893)	–	(5,942)
Insurance contract liabilities	5,852	4,406	456	–	10,714
Deferred policy acquisition costs	(5,093)	(5,233)	–	–	(10,326)
Others	538	109	–	(308)	339
Total	(1,240)	(1,297)	(3,437)	(308)	(6,282)

The Group considers it is probable that sufficient taxable profit will be available in the future to offset the deductible temporary differences and hence deferred tax assets are recognized.

39. OTHER LIABILITIES

(in RMB million)	**31 December 2008**	31 December 2007
Annuity and other insurance payable	**6,222**	5,161
Premiums received in advance	**2,210**	2,981
Salaries and welfare payable	**2,156**	4,732
Commission payable	**1,243**	1,104
Due to reinsurers	**3,571**	2,656
Insurance guarantee fund	**159**	126
Interest payable	**975**	574
Dividend payable	**95**	86
Long-term payable	**1,506**	–
Other payables	**5,667**	4,441
Others	**385**	119
Total	**24,189**	21,980

40. FIDUCIARY ACTIVITIES

(in RMB million)	**31 December 2008**	31 December 2007
Assets under trust schemes	**43,765**	43,520
Assets under corporate annuity schemes	**12,402**	4,983
Entrusted loans	**1,233**	1,654
Assets under asset management schemes	**6,974**	1,317
Total	**64,374**	51,474

All of above are off-balance sheet items.

41. RISK AND CAPITAL MANAGEMENT

(1) INSURANCE RISK

The risk under an insurance contract is the possibility of occurrence of an insured event and uncertainty of the amount and timing of the resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This could occur due to any of the following factors:

Occurrence risk – the possibility that the number of insured events will differ from those expected.

Severity risk – the possibility that the cost of the events will differ from those expected.

Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategies and guidelines.

The business of the Group mainly comprises long term life insurance contracts, property and casualty and short term life insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continuing improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc..

These risks currently do not vary significantly in relation to the location of the risk insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. However, for contracts with DPF, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

Insurance risk is also affected by the policyholders' rights to terminate the contract, pay reduced premiums, refuse to pay premiums or exercise annuity conversion option, etc.. Thus, the resultant insurance risk is subject to policyholders' behavior and decisions.

The Group's concentration of insurance risk is reflected by its major lines of business as analyzed by insurance contract liabilities in Note 36.

(a) Long term life insurance contracts and investment contracts with DPF

Assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions relating to both long term life insurance contracts and investment contracts. Such assumptions are determined as appropriate and prudent estimates at the date of valuation.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality, morbidity and lapse rates

Mortality and morbidity rates, varying by age of the insured, and lapse rates, varying by contract type, are based upon expected experience at the date of contract issue plus, where applicable, a margin for adverse deviation. The mortality, morbidity and lapse assumptions are based on experience studies of the Group's actual experience.

For long term life insurance policies, increased mortality rates will lead to a larger number of claims and claims will occur sooner than anticipated, which will increase the expenditure and reduce profits for the shareholders.

For annuity contracts, a high mortality will decrease payments, thereby reducing expenditure and increase profits.

The impact of an increase in lapse rates at early duration of the policy would tend to reduce profits for the shareholders but lapse rates at later policy durations is broadly neutral in effect.

41. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

(a) Long term life insurance contracts and investment contracts with DPF (continued)

Assumptions (continued)

Investment return

Investment return for non-investment-linked life insurance contracts has been revised to be 4.25% in 2009 and to increase by 0.25% every year to 5.5% by 2014 and thereafter. These rates have been derived by consideration of the current market condition and the Group's current and expected future asset allocation. They are the best estimate rates used in gross premium reserve valuation and liability adequacy test on a portfolio basis.

An increase in investment return assumption may lead to a decrease in policyholders' liabilities.

Expenses

Maintenance expense assumptions reflect the projected costs of maintaining and servicing in force policies. The assumption for policy administration expenses is determined based on expected unit costs. Unit costs have been based on an analysis of actual experience.

Others

Other assumptions include taxation, future bonus rates, etc..

The assumptions used to estimate the liabilities of the Group's long term life insurance contracts and investment contracts with DPF require judgment and are subject to uncertainty.

Sensitivities

The Group has investigated the impact on long term life insurance contract liabilities, of varying independently certain assumptions regarding future experience. For most insurance contracts, the assumptions are established at the inception of the policies and remain unchanged. The impact of assumption changes to liabilities mainly comes from the potential reserve increase due to failing the liability adequacy test. The following changes in assumptions have been considered:

- investment return assumption increased by 25 basis points every year;
- investment return assumption decreased by 25 basis points every year;
- a 10% increase in maintenance expense rates;
- a 10% decrease in mortality or morbidity rates; and
- a 10% decrease in policy lapse rates.

41. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

(a) Long term life insurance contracts and investment contracts with DPF (continued)

Sensitivities (continued)

		31 December 2008			
(in RMB million)	Change in assumptions	Impact on gross policyholders' reserves* Increase/ (decrease)	Impact on net policyholders' reserves* Increase/ (decrease)	Impact on profit before tax Increase/ (decrease)	Impact on equity before tax Increase/ (decrease)
Investment return	+25bps	(109)	(109)	109	109
Investment return	-25bps	127	127	(127)	(127)
Maintenance expense rates	+10%	(16)	(16)	16	16
Morbidity/mortality rates	-10%	46	46	(46)	(46)
*Policy lapse rates	-10%	190	190	(190)	(190)

		31 December 2007			
(in RMB million)	Change in assumptions	Impact on gross policyholders' reserves* Increase/ (decrease)	Impact on net policyholders' reserves* Increase/ (decrease)	Impact on profit before tax Increase/ (decrease)	Impact on equity before tax Increase/ (decrease)
Investment return	+25bps	(1,353)	(1,353)	1,353	1,353
Investment return	-25bps	1,468	1,468	(1,468)	(1,468)
Maintenance expense rates	+10%	20	20	(20)	(20)
Morbidity/mortality rates	-10%	343	343	(343)	(343)
*Policy lapse rates	-10%	207	207	(207)	(207)

* Including investment contracts with DPF.

The sensitivity analysis also does not take into account the fact that the assets and liabilities are actively managed and may vary at the time that any actual market movement occurs.

Other limitations in the above analysis include the use of hypothetical market movements to demonstrate potential risk and the assumption that interest rates move in identical fashion.

41. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

(b) Property and casualty and short term life insurance contracts

Assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include delays in settlement, etc..

Sensitivities

The property and casualty and short term life insurance claim reserves are sensitive to the above key assumptions. The sensitivity of certain variables like legislative change, uncertainty in the estimation process etc., is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim reserves are not known with certainty at the balance sheet date.

Reproduced below is an exhibit that shows the development of claim reserves:

	Property and casualty insurance (accident year) – gross					
(in RMB million)	2004	2005	2006	2007	**2008**	Total
Estimated cumulative claims paid as of:						
End of current year	5,955	7,171	9,317	10,700	**16,056**	
One year later	5,948	7,172	10,305	10,904	**–**	
Two years later	5,397	6,953	9,805	–	**–**	
Three years later	5,259	6,797	–	–	**–**	
Four years later	5,186	–	–	–	**–**	
Estimated cumulative claims	5,186	6,797	9,805	10,904	**16,056**	48,748
Cumulative claims paid	(5,161)	(6,725)	(9,064)	(9,880)	**(9,594)**	(40,424)
Sub-total						8,324
Prior year adjustments and unallocated loss adjustment expenses						233
Unpaid claim expenses						8,557

41. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

(b) Property and casualty and short term life insurance contracts (continued)

Sensitivities (continued)

	Property and casualty insurance (accident year) – net					
(in RMB million)	2004	2005	2006	2007	**2008**	Total
Estimated cumulative claims paid as of:						
End of current year	4,181	5,266	7,219	8,875	**12,812**	
One year later	4,228	5,280	7,362	9,061	**–**	
Two years later	3,833	5,129	7,104	–	**–**	
Three years later	3,732	5,005	–	–	**–**	
Four years later	3,675	–	–	–	**–**	
Estimated cumulative claims	3,675	5,005	7,104	9,061	**12,812**	37,657
Cumulative claims paid	(3,656)	(4,951)	(6,912)	(8,341)	**(8,327)**	(32,187)
Sub-total						5,470
Prior year adjustments and unallocated loss adjustment expenses						221
Unpaid claim expenses						5,691

	Short term life insurance (accident year) – gross					
(in RMB million)	2004	2005	2006	2007	**2008**	Total
Estimated cumulative claims paid as of:						
End of current year	1,571	1,767	2,039	2,316	**3,233**	
One year later	1,577	1,960	1,983	2,335	**–**	
Two years later	1,582	1,935	1,990	–	**–**	
Three years later	1,582	1,935	–	–	**–**	
Four years later	1,582	–	–	–	**–**	
Estimated cumulative claims	1,582	1,935	1,990	2,335	**3,233**	11,075
Cumulative claims paid	(1,582)	(1,935)	(1,990)	(2,291)	**(2,125)**	(9,923)
Sub-total						1,152
Prior year adjustments and unallocated loss adjustment expenses						31
Unpaid claim expenses						1,183

41. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

(b) Property and casualty and short term life insurance contracts (continued)

Sensitivities (continued)

	Short term life insurance (accident year) – net					
(in RMB million)	2004	2005	2006	2007	**2008**	Total
Estimated cumulative claims paid as of:						
End of current year	1,053	1,156	1,616	1,790	**2,265**	
One year later	1,057	1,482	1,555	1,682	**–**	
Two years later	1,086	1,538	1,461	–	**–**	
Three years later	1,086	1,538	–	–	**–**	
Four years later	1,086	–	–	–	**–**	
Estimated cumulative claims	1,086	1,538	1,461	1,682	**2,265**	8,032
Cumulative claims paid	(1,086)	(1,538)	(1,461)	(1,651)	**(1,516)**	(7,252)
Sub-total						780
Prior year adjustments and unallocated loss adjustment expenses						31
Unpaid claim expenses						811

To illustrate the sensitivities of ultimate claims costs, for example, a respective percentage change in average claim costs alone results in a similar percentage change in claim reserves:

	31 December 2008				
(in RMB million)	**Change in assumptions**	**Impact on gross liabilities Increase/ (decrease)**	**Impact on net liabilities Increase/ (decrease)**	**Impact on profit before tax Increase/ (decrease)**	**Impact on equity before tax Increase/ (decrease)**
Average claim costs					
Property and casualty insurance	**+5%**	**428**	**285**	**(285)**	**(285)**
Short term life insurance	**+5%**	**59**	**41**	**(41)**	**(41)**

	31 December 2007				
(in RMB million)	Change in assumptions	Impact on gross liabilities Increase/ (decrease)	Impact on net liabilities Increase/ (decrease)	Impact on profit before tax Increase/ (decrease)	Impact on equity before tax Increase/ (decrease)
Average claim costs					
Property and casualty insurance	+5%	345	238	(238)	(238)
Short term life insurance	+5%	38	29	(29)	(29)

41. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

(c) Reinsurance

The Group limits its exposure to losses from insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on quota share basis and surplus basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the balance sheet as reinsurers' share of insurance liabilities.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

(2) MARKET RISK

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), such change in market price may be caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

(a) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial condition and results of operations. The foreign currency risk facing the Group mainly comes from movements in the USD/RMB, HKD/RMB and EUR/RMB exchange rates. The Group seeks to limit its exposure to foreign currency risk by minimizing its net foreign currency position.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the pre-tax impact on profit (due to changes in fair value of foreign currency denominated non-monetary assets and liabilities measured at fair value, as well as monetary assets and liabilities) and equity. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

		31 December 2008		31 December 2007	
(in RMB million)	Change in variables	Decrease/ (increase) in profit before tax	Decrease/ (increase) in equity before tax	Decrease/ (increase) in profit before tax	Decrease/ (increase) in equity before tax
USD	-5%	**546**	**546**	571	588
HKD	-5%	**(135)**	**221**	(107)	369
Other currencies	-5%	**–**	**54**	46	1,061
Total		**411**	**821**	510	2,018

41. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(a) Foreign currency risk (continued)

The main monetary assets and liabilities of the Group (excluding balances of investment-linked contracts) and non-monetary assets and liabilities measured at fair value are analyzed as follows by currency:

	31 December 2008					
(in million)	RMB	USD (Original)	HKD (Original)	EUR (Original)	Others (RMB equivalent)	RMB equivalent total
Assets						
Balances with central bank and statutory deposits	25,624	45	36	–	–	25,963
Cash and amounts due from banks and other financial institutions	98,447	790	1,614	–	9	105,279
Fixed maturity investments	343,826	68	180	–	–	344,449
Equity investments	38,376	1,072	8,150	112	–	53,972
Loans and advances to customers	73,196	101	310	–	–	74,160
Premium receivables	4,072	48	14	–	–	4,412
Reinsurers' share of insurance liabilities	5,040	88	1	–	–	5,642
Other assets	10,852	78	31	–	–	11,412
Total	599,433	2,290	10,336	112	9	625,289
Liabilities						
Due to banks and other financial institutions	18,758	235	4,341	–	–	24,192
Assets sold under agreements to repurchase	41,124	–	–	–	–	41,124
Customer deposits and payables to brokerage customers	93,546	187	189	–	–	94,991
Investment contract liabilities for policyholders	2,657	–	–	–	–	2,657
Policyholder dividend payable	12,012	–	–	–	–	12,012
Insurance contract liabilities	443,410	110	55	–	6	444,216
Other liabilities	18,980	160	749	–	–	20,734
Total	630,487	692	5,334	–	6	639,926

41. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(a) Foreign currency risk (continued)

	31 December 2007					
(in million)	RMB	USD (Original)	HKD (Original)	EUR (Original)	Others (RMB equivalent)	RMB equivalent total
Assets						
Balances with central bank and statutory deposits	20,571	18	97	–	–	20,794
Cash and amounts due from banks and other financial institutions	84,252	235	2,000	1	5	87,859
Fixed maturity investments	272,522	209	205	–	–	274,241
Equity investments	87,345	1,340	10,539	1,987	3	128,197
Loans and advances to customers	61,206	243	156	–	–	63,125
Premium receivables	4,148	37	16	–	–	4,434
Reinsurers' share of insurance liabilities	1,230	148	5	–	–	2,316
Other assets	6,775	67	126	1	–	7,393
Total	538,049	2,297	13,144	1,989	8	588,359
Liabilities						
Due to banks and other financial institutions	8,393	262	4,631	–	–	14,644
Assets sold under agreements to repurchase	13,556	–	–	–	–	13,556
Customer deposits and payables to brokerage customers	90,200	201	271	–	–	91,925
Investment contract liabilities for policyholders	799	–	–	–	–	799
Policyholder dividend payable	7,006	–	–	–	–	7,006
Insurance contract liabilities	364,940	157	34	–	4	366,123
Other liabilities	17,077	66	327	–	–	17,865
Total	501,971	686	5,263	–	4	511,918

Major currencies' exchange rates as of respective balance sheet date are as follows:

	31 December 2008			31 December 2007		
	USD	**HKD**	**EUR**	USD	HKD	EUR
Exchange rate	**6.8346**	**0.8819**	**9.6590**	7.3046	0.9364	10.6669

(b) Price risk

The Group's price risk exposure relates to financial assets and whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include listed equity securities and equity investment funds classified as available-for-sale financial assets and financial assets at fair value through profit or loss.

The above investments are exposed to price risk because of changes in market prices, where changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group managed price risks by diversification of investments, setting limits for investments in different securities, etc..

The Group uses a 10-day market price value-at-risk ("VaR") technique to estimate its risk exposure for listed equity securities and equity investments funds. The Group adopts 10-day as the holding period on the assumption that not all the investments can be sold in one day. Moreover, the VaR calculation is made based on normal market condition and a 99% confidence interval.

41. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(b) Price risk (continued)

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under or over estimated due to the assumption placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level.

In practice the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

The analysis below is the estimated impact for listed stock and equity investment funds with 10-day reasonable market fluctuation in using risk value module in the normal market.

(in RMB million)	31 December 2008	31 December 2007
Listed stocks and equity investment funds	**6,245**	14,495

The Group expected that current listed stocks and equity investments funds will not lose more than RMB6,245 million due to market price movements in a 10-trading-day holding period on 99% occasions.

(c) Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on floating rate instruments is repriced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments (excluding the balances of investment-linked contacts), showing the pre-tax impact on profit (fair value change on held-for-trading bonds) and equity (fair value change on held-for-trading bonds combined with fair value change on available-for-sale bonds).

		31 December 2008		31 December 2007	
(in RMB million)	Change in interest rate	Decrease in profit before tax	Decrease in equity before tax	Decrease in profit before tax	Decrease in equity before tax
Bonds held-for-trading and available-for-sale	+50 basis points	**280**	**6,269**	153	2,728

The following sensitivity analysis is based on the assumption that the floating rate bonds, floating rate term deposits, loans and advances and customer deposits have static structure of interest rate risk. The analysis only measured interest rate changes within one year, reflecting the impact on profits and losses from the re-pricing of financial assets and liabilities within a year with following assumptions: First, interest rate of the floating rate bonds, floating rate term deposits/loans and advances is re-priced since the first re-pricing date after balance sheet date while the interest rate of customer deposits is re-priced at the balance sheet date. Second, the yield curve moved in parallel with the changes in the interest rate. Third, there are no other changes in the portfolio of financial assets and liabilities. Regarding to the above assumptions, the effect on the income statement as a result of actual increases or decreases in interest rates may differ from that of the above sensitivity analysis.

41. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk (continued)

(in RMB million)	Change in interest rate	31 December 2008 Increase/ (decrease) in profit before tax	31 December 2008 Increase/ (decrease) in equity before tax	31 December 2007 Increase/ (decrease) in profit before tax	31 December 2007 Increase/ (decrease) in equity before tax
Floating interest rate bonds	+50 basis points	87	87	55	55
Floating rate term deposits	+50 basis points	156	156	116	116
Loans and advances to customers	+50 basis points	265	265	273	273
Customer deposits and payables to brokerage customers	+50 basis points	(449)	(449)	(380)	(380)

The following table sets out the Group's term deposits by maturity:

((in RMB million)	31 December 2008	31 December 2007
Fixed interest rate		
Less than 3 months (including 3 months)	3,768	25,036
3 months to 1 year (including 1 year)	799	381
1-2 years (including 2 years)	250	400
2-3 years (including 3 years)	14,770	250
3-4 years (including 4 years)	1,900	4,170
4-5 years (including 5 years)	19,670	1,900
More than 5 years	2,044	2,082
Floating interest rate	31,257	23,165
Total	74,458	57,384

The following table sets out the Group's bonds by maturity:

	31 December 2008			
(in RMB million)	Held-to-maturity	Available-for-sale	Carried at fair value through profit or loss	Total
Fixed interest rate				
Less than 3 months (including 3 months)	107	1,031	2,160	3,298
3 months to 1 year (including 1 year)	7,695	9,308	7,168	24,171
1-2 years (including 2 years)	1,645	4,101	242	5,988
2-3 years (including 3 years)	20,113	17,838	3,832	41,783
3-4 years (including 4 years)	4,099	3,909	294	8,302
4-5 years (including 5 years)	11,563	13,804	1,943	27,310
More than 5 years	73,925	114,733	3,757	192,415
Floating interest rate	7,355	15,820	1,208	24,383
Total	126,502	180,544	20,604	327,650

41. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk (continued)

(in RMB million)	31 December 2007 Held-to-maturity	Available-for-sale	Carried at fair value through profit or loss	Total
Fixed interest rate				
Less than 3 months (including 3 months)	49	7,518	14,120	21,687
3 months to 1 year (including 1 year)	4,862	6,425	5,686	16,973
1-2 years (including 2 years)	7,804	5,140	393	13,337
2-3 years (including 3 years)	1,639	3,833	512	5,984
3-4 years (including 4 years)	19,621	3,286	188	23,095
4-5 years (including 5 years)	3,898	3,252	111	7,261
More than 5 years	82,336	47,068	1,912	131,316
Floating interest rate	7,527	6,889	1,304	15,720
Total	127,736	83,411	24,226	235,373

Interest rates on floating rate term deposits and floating rate bonds are repriced at intervals of less than one year. Interest rates on fixed rate term deposits and fixed rate bonds are fixed before maturity.

(3) FINANCIAL RISK

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, loans and advances to customers, investments in bonds, equity investments, reinsurance arrangements with reinsurers, policy loans, etc.. The Group mitigates credit risk by using a variety of controls including credit control policies, credit analysis on potential investments, and imposing aggregate counterparty exposure limits.

The Group's banking business carries out credit assessment before granting credit to customers and monitors the credit granted on a regular basis. Credit risk is also managed through obtaining collateral and guarantees. In the case of off-balance sheet credit related commitments, guarantee deposits are in general received by the Group to reduce credit risk.

41. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) FINANCIAL RISK (CONTINUED)

(a) Credit risk (continued)

Credit quality

The following table sets forth amounts due from banks and other financial institutions placed with central bank and major commercial banks in the PRC in terms of aggregates held by the Group.

(in RMB million)	31 December 2008	31 December 2007
Central bank	**20,103**	19,234
Top five commercial banks		
China Minsheng Banking Corp., Ltd.	**14,109**	11,243
Bank of China Limited	**11,268**	5,137
Industrial and Commercial Bank of China Limited	**10,633**	10,859
Agricultural Bank of China	**9,798**	3,230
Industrial Bank Co., Ltd.	**9,298**	4,131
Other banks and financial institutions		
China Construction Bank Corporation	**7,813**	25,045
Guangdong Development Bank	**4,154**	4,505
Bank of Communication Co., Ltd	**5,476**	567
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	**70**	153
Others	**32,086**	22,607
Total	**124,808**	106,711

The Group's debt securities investment mainly includes domestic government bonds, central bank bills, financial institution bonds and corporate bonds. As at 31 December 2008, 100% (31 December 2007: 100%) of the financial institution bonds held by the Group either have a credit rating of A or above, or were issued by national commercial banks. As at 31 December 2008, 100% (31 December 2007: 89.14%) of the common corporate bonds and short-term corporate financing bonds held by the Group have a credit rating of AA and A-1 or above. The bond credit ratings are assigned by qualified appraisal institutions in the PRC.

The credit risk associated with securities purchased under agreements to resell and policy loans will not cause a material impact on the Group's consolidated financial statements taking into consideration their collateral held and a maturity term of no more than one year as at 31 December 2008 and 31 December 2007.

The Group's banking business classifies the credit asset risks based on the five-tier loan classification system promulgated by the China Banking Regulatory Commission (the "CBRC"). The bank applies different management policies to the loans in accordance with their respective loan category. Please refer to Note 22. (6) for credit quality analysis.

41. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) FINANCIAL RISK (CONTINUED)

(a) Credit risk (continued)

Credit exposure

The table below shows the maximum exposure to credit risk for the financial assets and off balance sheet items such as credit commitments. The maximum exposure is shown gross, before the effect of mitigation through any collateral held or other credit enhancements.

(in RMB million)	31 December 2008	31 December 2007
Balances with central bank and statutory deposits	**25,963**	20,794
Cash and amounts due from banks and other financial institutions	**105,279**	87,859
Fixed maturity investments	**344,449**	274,241
Equity investments	**54,599**	128,931
Derivative financial assets	**17**	177
Loans and advances to customers	**74,160**	63,125
Premium receivables	**4,412**	4,434
Other assets	**11,412**	6,881
Total	**620,291**	586,442
Credit Commitments (Note 48. (3))	**63,911**	35,704
Total credit risk exposure	**684,202**	622,146

Where financial instruments are recorded at fair value, the amounts shown above represent the current risk exposure but not the maximum risk exposure that could arise in the future as a result of the change in fair values.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters.

The main types of collateral obtained are as follows:

- for reverse repurchase transactions, cash or securities;
- for commercial lending, charges over real estate properties, inventories and trade receivables etc.;
- for policy loans, cash value of policies, and
- for retail lending, residential properties over mortgages.

Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding balance. In general, the Group does not occupy repossessed properties for business use.

41. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) FINANCIAL RISK (CONTINUED)

(a) Credit risk (continued)

Aging analysis of financial assets past due

	31 December 2008						
		Past due but not impaired					
(in RMB million)	In due	Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired	Past due and impaired	Total
Cash and amounts due from banks and other financial institutions	**105,279**	**–**	**–**	**–**	**–**	**9**	**105,288**
Loans and advances to customers	**72,410**	**845**	**363**	**159**	**1,367**	**1,108**	**74,885**
Premium receivables	**3,528**	**287**	**237**	**360**	**884**	**161**	**4,573**
Due from reinsurers	**2,592**	**–**	**78**	**63**	**141**	**17**	**2,750**
Gross total	**183,809**	**1,132**	**678**	**582**	**2,392**	**1,295**	**187,496**
Less: Impairment provision	**(414)**	**–**	**–**	**–**	**–**	**(498)**	**(912)**
Net	**183,395**	**1,132**	**678**	**582**	**2,392**	**797**	**186,584**

	31 December 2007						
		Past due but not impaired					
(in RMB million)	In due	Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired	Past due and impaired	Total
Cash and amounts due from banks and other financial institutions	87,858	–	–	–	–	45	87,903
Loans and advances to customers	61,859	769	256	78	1,103	699	63,661
Premium receivables	3,475	508	305	146	959	179	4,613
Due from reinsurers	1,861	102	81	408	591	49	2,501
Gross total	155,053	1,379	642	632	2,653	972	158,678
Less: Impairment provision	(185)	–	–	–	–	(624)	(809)
Net	154,868	1,379	642	632	2,653	348	157,869

Of the aggregate amount of gross past due but not impaired loans and advances to customers, the fair value of collateral that the Group held as at 31 December 2008 was RMB2,180 million (31 December 2007: RMB1,295 million).

Of the aggregate amount of gross past due and impaired loans and advances to customers, the fair value of collateral that the Group held as at 31 December 2008 was RMB1,515 million (31 December 2007: RMB1,057 million).

Financial assets whose terms have been renegotiated

(in RMB million)	31 December 2008	31 December 2007
Loans and advances to customers	**841**	795

41. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) FINANCIAL RISK (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet the Group's obligations as they become due.

The Group is exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. The Group seeks to manage its liquidity risk by matching to the extent possible the duration of its investment assets with the duration of its insurance policies and to ensure that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis. The banking business of the Group is exposed to potential liquidity risk. The Group seeks to mitigate the liquidity risk of the banking business by optimizing the assets and liabilities structure, maintaining stable deposits, etc..

The table below summarizes the remaining contractual maturity profile of the financial liabilities of the Group based on undiscounted contractual cash flows.

	31 December 2008					
(in RMB million)	Past due	Less than 3 months	3 to 12 months	Over 1 year	Investment -linked	Total
Due to banks and other financial institutions	–	13,970	2,882	8,420	–	25,272
Derivative financial liabilities	–	1	8	296	–	305
Assets sold under agreements to repurchase	–	40,372	786	–	–	41,158
Customer deposits and payables to brokerage customers	–	64,443	19,546	12,969	–	96,958
Investment contract liabilities for policyholders	–	30	259	2,368	3,979	6,636
Policyholder dividend payable	–	1,324	10,688	–	–	12,012
Other liabilities	–	17,009	1,799	3,499	–	22,307
Total	–	137,149	35,968	27,552	3,979	204,648

	31 December 2007					
(in RMB million)	Past due	Less than 3 months	3 to 12 months	Over 1 year	Investment -linked	Total
Due to banks and other financial institutions	–	8,102	3,486	4,115	–	15,703
Derivative financial liabilities	–	5	101	82	–	188
Assets sold under agreements to repurchase	–	13,595	–	–	–	13,595
Customer deposits and payables to brokerage customers	–	68,741	16,999	7,709	–	93,449
Investment contract liabilities for policyholders	–	–	–	799	4,622	5,421
Policyholder dividend payable	–	7,006	–	–	–	7,006
Other liabilities	–	7,172	8,943	1,750	–	17,865
Total	–	104,621	29,529	14,455	4,622	153,227

41. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) FINANCIAL RISK (CONTINUED)

(b) Liquidity risk (continued)

The table below summarizes the expected recovery or settlement of assets.

	31 December 2008			
(in RMB million)	Current*	Non-current	Investment -linked	Total
Balances with central bank and statutory deposits	7,274	18,689	–	25,963
Cash and amounts due from banks and other financial institutions	35,943	69,336	–	105,279
Fixed maturity investments	55,797	288,652	–	344,449
Equity investments	22,534	32,065	–	54,599
Derivative financial assets	17	–	–	17
Loans and advances to customers	39,898	34,262	–	74,160
Investments in associates and joint ventures	–	5,468	–	5,468
Premium receivables	4,053	359	–	4,412
Reinsurers' share of insurance liabilities	4,673	4,199	–	8,872
Policyholder account assets in respect of insurance contracts	–	–	30,749	30,749
Policyholder account assets in respect of investment contracts	–	–	3,979	3,979
Deferred policy acquisition costs	8,305	42,294	–	50,599
Investment properties	–	6,389	–	6,389
Property and equipment	–	8,287	–	8,287
Intangible assets	–	10,279	–	10,279
Deferred tax assets	–	6,876	–	6,876
Other assets	13,775	566	–	14,341
Total	192,269	527,721	34,728	754,718

41. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) FINANCIAL RISK (CONTINUED)

(b) Liquidity risk (continued)

	31 December 2007			
(in RMB million)	Current*	Non-current	Investment -linked	Total
Balances with central bank and statutory deposits	4,969	15,825	–	20,794
Cash and amounts due from banks and other financial institutions	66,198	21,661	–	87,859
Fixed maturity investments	82,183	192,058	–	274,241
Equity investments	33,069	95,862	–	128,931
Derivative financial assets	174	3	–	177
Loans and advances to customers	34,024	29,101	–	63,125
Investments in an associate	–	1,472	–	1,472
Premium receivables	4,254	180	–	4,434
Reinsurers' share of insurance liabilities	3,106	1,774	–	4,880
Policyholder account assets in respect of insurance contracts	–	–	34,871	34,871
Policyholder account assets in respect of investment contracts	–	–	4,622	4,622
Deferred policy acquisition costs	6,555	34,750	–	41,305
Investment properties	–	3,882	–	3,882
Property and equipment	–	8,165	–	8,165
Intangible assets	–	4,400	–	4,400
Deferred tax assets	–	87	–	87
Other assets	8,447	530	–	8,977
Total	242,979	409,750	39,493	692,222

* Expected recovery within 12 months from the balance sheet date.

(4) MISMATCHING RISK OF ASSETS AND LIABILITIES

The objective of the Group's asset and liability management is to match assets with liabilities on the basis of both duration and interest rate. In the current regulatory and market environment, however, the Group is unable to invest in assets that have duration of sufficient length to match the duration of its insurance and investment contract liabilities. When the current regulatory and market environment permits, however, the Group will lengthen the duration of its assets by matching the new liabilities of lower guarantee rates, while narrowing the gap of existing liabilities of higher guarantee rates.

41. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(5) OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failure of proper internal controls on business processes, people and systems or from uncontrollable external events. The Group is exposed to many types of operational risks in the conduct of its business from inadequate or failure to obtain proper authorizations, supporting documentation and ensuring operational and informational security procedures as well as from fraud or errors by employees. The Group attempts to manage operational risk by establishing clear policies and requiring well-documented business processes to ensure transactions are properly authorized, supported and recorded.

(6) CAPITAL MANAGEMENT

The Group's capital requirements are primarily dependent on the scale and the type of business that it undertakes, as well as the industry and geographic location in which it operates. The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital requirements by assessing shortfalls, if any, between the reported and the required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to ordinary shareholders or issue capital securities.

The Group complied with the externally imposed capital requirements as at 31 December 2008 and no changes were made to its capital base, objectives, policies and processes from the previous year.

The table below summarizes the minimum regulatory capital for the Group and its major insurance subsidiaries and the regulatory capital held against each of them.

	31 December 2008			31 December 2007		
(in RMB million)	Regulatory capital held	Minimum regulatory capital	Solvency margin ratio	Regulatory capital held	Minimum regulatory capital	Solvency margin ratio
The Group	**88,270**	**28,663**	**308.0%**	121,104	24,883	486.7%
Ping An Life	**33,752**	**18,371**	**183.7%**	45,218	15,704	287.9%
Ping An Property & Casualty	**5,047**	**3,293**	**153.3%**	4,895	2,695	181.6%

The Group's solvency ratio is calculated based on relevant regulations promulgated by the CIRC, which is an indicator of the overall solvency position of a financial conglomerate.

The regulatory capital of the Shenzhen Ping An Bank is analyzed below.

	31 December 2008		31 December 2007	
(in RMB million)	Regulatory capital held	Minimum regulatory capital	Regulatory capital held	Minimum regulatory capital
Core capital	**8,381**	**3,183**	6,238	2,739
Capital	**8,510**	**6,366**	6,209	5,477
Risk weighted assets	**79,573**		68,466	
Core capital adequacy ratio	**10.5%**		9.1%	
Capital adequacy ratio	**10.7%**		9.1%	

The above regulatory ratios are calculated based on "Measures for the Management of Capital Adequacy Ratios of Commercial Banks" and relevant regulations promulgated by the CBRC. The CBRC requires that commercial bank's capital adequacy ratio is no less than 8% and core capital adequacy ratio is no less than 4%.

42. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments mainly consist of cash and amounts due from banks and other financial institutions, bonds, funds, stocks, loans, customer deposits and payables to brokerage customers, etc.. These financial assets are mainly for the Group's financing for operation. The Group held various other financial assets and liabilities which directly arose from insurance operation, such as premium receivables, reinsurers' share of insurance liabilities, annuity and other insurance payable, etc..

(1) CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table sets out the Group's major financial instruments by classification:

(in RMB million)	31 December 2008	31 December 2007
Financial assets		
Available-for-sale		
Bonds	**180,544**	83,411
Funds	**11,312**	9,481
Stocks	**20,937**	86,381
Held-for-trading		
Bonds	**20,604**	24,226
Funds	**18,784**	19,418
Stocks	**3,566**	13,651
Derivative financial assets	**17**	177
Held-to-maturity		
Bonds	**126,502**	127,736
Loans and receivables		
Balances with central bank and statutory deposits	**25,963**	20,794
Cash and amounts due from banks and other financial institutions	**105,279**	87,859
Loans and advances to customers	**74,160**	63,125
Policy loans	**3,725**	2,411
Assets purchased under agreements to resell	**13,074**	36,457
Premium receivables	**4,412**	4,434
Other assets	**11,412**	7,393
Total financial assets	**620,291**	586,954

(in RMB million)	31 December 2008	31 December 2007
Financial liabilities		
Derivative financial liabilities	**265**	189
Other financial liabilities		
Due to banks and other financial institutions	**24,192**	14,644
Assets sold under agreements to repurchase	**41,124**	13,556
Customer deposits and payables to brokerage customers	**94,991**	91,925
Investment contract liabilities for policyholders	**6,636**	5,421
Policyholder dividend payable	**12,012**	7,006
Other liabilities	**20,734**	17,865
Total financial liabilities	**199,954**	150,606

42. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of the financial instruments held by the Group, except for held-to-maturity investments long duration term deposits and loans and advances to customers, approximate the estimated fair values.

The principal methods and assumptions used by the Group in estimating the fair values of the financial instruments are:

(1) Fixed maturity investments (mainly including bond investments and securities purchased under agreements to resell): Fair values are generally based upon quoted market prices. Where quoted market prices are not readily available, fair values are estimated using either prices observed in recent transactions or values obtained from discounted cash flow models using current market yield rates of comparable investments. When discounted cash flow model is used, market yield and discounting rate is obtained from www.ChinaBond.com.cn which is the official website of China Government Securities Depository Trust & Clearing Co., Ltd..

(2) Equity investments: Fair values are based on quoted market prices except for certain unlisted equity investments, which are carried at cost as a reasonable estimate of their fair value.

(3) Derivative financial instruments: Fair values are determined by counterparty quotes or independent appraiser's reports.

(4) Others (Loans and receivables and other financial liabilities): Loans, customer deposits, assets sold under agreements to repurchase and other short-term (usually within one year) or periodically revalued according to market quotes financial instruments, its interest rate is amended according to announced rate by People's Bank of China or market rate on revaluation date, carrying amounts of these assets and liabilities would approximate their fair values.

43. CASH AND CASH EQUIVALENTS

(in RMB million)	31 December 2008	31 December 2007
Balances with central bank	**7,274**	4,969
Cash and amounts due from banks and other financial institutions		
– Cash on hand	**574**	382
– Term deposits	**2,368**	25,036
– Due from banks and other financial institutions	**22,929**	13,760
– Placements with banks and other financial institutions	**3**	54
Equity investments		
– Money-market placements	**16,271**	13,107
Fixed maturity investments		
– Bonds within 3 months	**50**	7,620
– Assets purchased under agreements to resell	**12,206**	29,130
Sub-total	**61,675**	94,058
Investment-linked	**2,814**	2,238
Total	**64,489**	96,296

The carrying amounts disclosed above approximate fair values at year end.

44. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit/(loss) before tax to net cash from operating activities:

(in RMB million)	2008	2007
Profit/(loss) before tax	(2,979)	22,004
Adjustments for:		
Charge of impairment losses on investment properties, property and equipment, and intangible assets	–	41
Depreciation	829	728
Amortization of intangible assets	455	96
Loss on disposal of investment properties, property and equipment, and intangible assets	8	10
Investment income	9,921	(53,049)
Foreign exchange losses	465	501
Provision for doubtful debts, net	(81)	93
Loan loss provisions, net of reversals	220	(118)
Operating profit/(loss) before working capital changes	8,838	(29,694)
Changes in operational assets and liabilities:		
Increase in balances with central bank and statutory deposits	(2,864)	(8,518)
Decrease/(increase) in amounts due from banks and other financial institutions	7,319	(7,478)
Decrease/(increase) in premium receivables	22	(1,495)
Increase in reinsurers' share of insurance liabilities	(3,992)	(750)
Increase in loans and advances to customers	(11,035)	(13,973)
Increase in deferred policy acquisition costs	(9,294)	(9,372)
Decrease/(increase) in policyholder account assets in respect of insurance contracts	4,122	(13,910)
Decrease/(increase) in policyholder account assets in respect of investment contracts	643	(651)
Increase in other assets	(5,364)	(10,338)
Increase in insurance contract liabilities	47,937	84,337
Increase/(decrease) in investment contract liabilities for policyholders	1,215	(86)
Increase in due to banks and other financial institutions	9,530	4,070
Increase in customer deposits and payables to brokerage customers	6,241	15,965
Increase in derivative financial liabilities	76	11
Increase in policyholder dividend payable	5,006	2,899
Increase in other liabilities	3,129	20,123
Net cash inflow from operating activities for policyholders' accounts	1,834	1,793
Cash generated from operations	63,363	32,933
Income tax paid	(1,373)	(1,372)
Net cash from operating activities	61,990	31,561

45. COMPENSATION OF KEY MANAGEMENT PERSONNEL

(1) Key management personnel comprise the Company's directors, supervisors, and senior officers as defined in the Company's articles of association. The summary of compensation of key management personnel for the year is as follows:

(in RMB million)	2008	2007
Salaries and other short term employee benefits	68	286

Apart from the above, the key management personnel were also eligible for a long-term incentive plan in the form of share appreciation rights. During 2008, no share appreciation rights were issued by the Group and no due share appreciation rights were exercised. Please refer to Note 49 for further details.

(2) Directors' and supervisors' remuneration

	2008					
(in RMB thousand)	Fees before tax	Salaries, allowances and other benefits before tax	Bonus before tax (including annual bonus and payment for share appreciation rights)	Contributions to pension schemes	Total before tax	Total after tax
Current directors						
MA Mingzhe	–	–	–	–	–	–
CHEUNG Chi Yan Louis	–	9,547	–	2	9,549	5,463
SUN Jianyi	–	2,366	–	67	2,433	1,581
LIN Yu Fen	–	–	–	–	–	–
CHEUNG Lee Wah	–	–	–	–	–	–
Clive BANNISTER	–	–	–	–	–	–
LIN Lijun	–	395	–	53	448	381
FAN Gang	–	546	–	65	611	506
HU Aimin	–	–	–	–	–	–
CHEN Hongbo	–	–	–	–	–	–
WONG Tung Shun Peter	–	–	–	–	–	–
NG Sing Yip	–	–	–	–	–	–
BAO Youde	200	–	–	–	200	160
KWONG Che Keung Gordon	300	–	–	–	300	232
CHEUNG Wing Yui	300	–	–	–	300	232
CHOW Wing Kin Anthony	300	–	–	–	300	232
ZHANG Hongyi	200	–	–	–	200	160
CHEN Su	200	–	–	–	200	160
XIA Liping	200	–	–	–	200	160
CHEUNG Chi Yan Louis-remuneration used for donation	–	450	–	–	450	Not applicable
SUN Jianyi-remuneration used for donation	–	55	–	–	55	Not applicable
LIN Lijun-remuneration used for donation	–	10	–	–	10	Not applicable
FAN Gang-remuneration used for donation	–	6	–	–	6	Not applicable
Sub-total	1,700	13,375	–	187	15,262	9,267

45. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(2) Directors' and supervisors' remuneration (continued)

	2008					
(in RMB thousand)	Fees before tax	Salaries, allowances and other benefits before tax	Bonus before tax (including annual bonus and payment for share appreciation rights)	Contributions to pension schemes	Total before tax	Total after tax
Past director						
Anthony Philip HOPE	113	–	–	–	113	89
Sub-total	113	–	–	–	113	89
Current supervisors						
XIAO Shaolian	250	–	–	–	250	198
SUN Fuxin	60	–	–	–	60	50
DONG Likun	60	–	–	–	60	50
DUAN Weihong	–	–	–	–	–	–
LIN Li	–	–	–	–	–	–
CHE Feng	–	–	–	–	–	–
HU Jie	–	356	–	22	378	321
WANG Wenjun	–	294	–	39	333	291
DU Jiangyuan	–	515	–	63	578	481
WANG Wenjun – remuneration used for donation	–	1	–	–	1	Not applicable
DU Jiangyuan – remuneration used for donation	–	1	–	–	1	Not applicable
Sub-total	370	1,167	–	124	1,661	1,391
Total	2,183	14,542	–	311	17,036	10,747

1. Mr. Ma Mingzhe waived all his emoluments of 2008.

2. As at 13 May 2008, Mr. Anthony Philip HOPE resigned from his position as director, and is succeeded by Mr. Clive BANNISTER.

45. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(2) Directors' and supervisors' remuneration (continued)

	2007					
(in RMB thousand)	Fees before tax	Salaries, allowances and other benefits before tax	Bonus before tax (including annual bonus and first payment for share appreciation rights granted at the first time	Contributions to pension schemes	Total before tax	Total after tax
Current directors						
MA Mingzhe	–	4,819	41,320	22	46,161	25,794
CHEUNG Chi Yan Louis	–	10,005	37,698	1	47,704	26,648
SUN Jianyi	–	2,427	22,988	22	25,437	14,410
LIN Yu Fen	–	–	–	–	–	–
CHEUNG Lee Wah	–	–	–	–	–	–
Anthony Philip HOPE	170	–	–	–	170	133
LIN Lijun	–	360	61	23	444	372
FAN Gang	–	479	1,431	23	1,933	1,399
HU Aimin	–	–	–	–	–	–
CHEN Hongbo	–	–	–	–	–	–
WONG Tung Shun Peter	–	–	–	–	–	–
NG Sing Yip	–	–	–	–	–	–
BAO Youde	189	–	–	–	189	152
KWONG Che Keung Gordon	300	–	–	–	300	232
CHEUNG Wing Yui	300	–	–	–	300	232
CHOW Wing Kin Anthony	300	–	–	–	300	232
ZHANG Hongyi	157	–	–	–	157	126
CHEN Su	157	–	–	–	157	126
XIA Liping	113	–	–	–	113	91
MA Mingzhe – bonus used for donation	–	–	20,000	–	20,000	Not applicable
Sub-total	1,686	18,090	123,498	91	143,365	69,947

45. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(2) Directors' and supervisors' remuneration (continued)

	2007					
(in RMB thousand)	Fees before tax	Salaries, allowances and other benefits before tax	Bonus before tax (including annual bonus and first payment for share appreciation rights granted at the first time	Contributions to pension schemes	Total before tax	Total after tax
Past directors						
DOU Wenwei	–	57	23	5	85	75
HUANG Jianping	–	–	–	–	–	–
SHI Yuxin	–	–	–	–	–	–
Sub-total	–	57	23	5	85	75
Current supervisors						
XIAO Shaolian	250	–	–	–	250	198
SUN Fuxin	60	–	–	–	60	50
DONG Likun	60	–	–	–	60	50
DUAN Weihong	–	–	–	–	–	–
LIN Li	–	–	–	–	–	–
CHE Feng	–	–	–	–	–	–
HU Jie	–	356	–	23	379	320
WANG Wenjun	–	261	27	23	311	271
DU Jiangyuan	–	198	39	11	248	202
Sub-total	370	815	66	57	1,308	1,091
Past supervisor						
HE Shi	–	299	2,164	12	2,475	1,649
Sub-total	–	299	2,164	12	2,475	1,649
Total	2,056	19,261	125,751	165	147,233	72,762

1. Bonuses of Mr. Ma Mingzhe, Mr. Cheung Chi Yan Louis and Mr. Sun Jianyi include the pre-paid bonuses for 2007 and the retroactive bonuses for 2006 (which incurred in 2006 and was paid in 2007). Mr. Ma Mingzhe's 20 million bonus was not withdrawn but donated to China Soong Ching Ling Foundation in 2007.

2. Mr. Anthony Philip Hope got his fees from 7 June 2007 and Mr. Xia Liping was newly elected on 7 June 2007. The table presents their compensation in the period from 7 June 2007 to 31 December 2007.

3. Mr. Du Jiangyuan was newly elected on 10 July 2007. The table presents his compensation from 10 July 2007 to 31 December 2007.

4. "First payment for share appreciation rights granted at the first time" is the actual received compensation of 2007.

During 2008, no emoluments were paid by the Group to the directors and the supervisors as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office.

45. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) Compensation of key management personnel other than directors and supervisors is as follows:

(in RMB million)	2008	2007
Salaries and other short term employee benefits	**51**	138

The number of key management personnel other than directors and supervisors whose compensation fell within the following bands is as follows:

	2008	2007
Nil – RMB1,000,000	**1**	–
RMB1,000,001 – RMB1,500,000	**2**	–
RMB1,500,001 – RMB2,000,000	**1**	–
RMB4,000,001 – RMB4,500,000	**1**	–
RMB4,500,001 – RMB5,000,000	**1**	–
RMB5,500,001 – RMB6,000,000	**1**	–
RMB6,000,001 – RMB6,500,000	**–**	1
RMB7,000,001 – RMB7,500,000	**1**	–
RMB7,500,001 – RMB8,000,000	**–**	1
RMB8,000,001 – RMB8,500,000	**1**	–
RMB8,500,001 – RMB9,000,000	**–**	1
RMB9,000,001 – RMB9,500,000	**–**	1
RMB10,500,001 – RMB11,000,000	**–**	1
RMB11,500,001 – RMB12,000,000	**–**	1
RMB15,500,001 – RMB16,000,000	**–**	1
RMB16,000,001 – RMB16,500,000	**1**	–
RMB19,500,001 – RMB20,000,000	**–**	1
RMB48,000,001 – RMB48,500,000	**–**	1

Under PRC tax regulations, individual income tax is calculated at progressive rates with a cap of 45%. The effective income tax rates of the above key management personnel other than directors and supervisors of the Group were approximately 26.30%-42.73% (2007: 37.87%-44.15%) for 2008 and the average effective tax rate was approximately 39.05% (2007: 42.55%).

Apart from the above, the key management personnel were also eligible for a long-term incentive plan in the form of share appreciation rights. During 2008, no share appreciation rights were issued by the Group and no due share appreciation rights were exercised. Please refer to Note 49 for further details.

During 2008, no emoluments were paid by the Group to the above key management personnel other than directors and supervisors as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office.

46. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group include three key management members whose emolument is reflected in the analysis presented in Note 45.

Details of emoluments of the remaining highest paid individuals are as follows:

(in RMB million)	2008	2007
Salaries and other short term employee benefits	**28**	86

The number of non-key management personnel whose emoluments fell within the following bands is as follows:

	2008	2007
Nil – RMB1,000,000	**–**	–
RMB13,000,001 – RMB13,500,000	**1**	–
RMB14,500,001 – RMB15,000,000	**1**	–
RMB36,000,001 – RMB36,500,000	**–**	1
RMB49,000,001 – RMB49,500,000	**–**	1

Under PRC tax regulations, individual income tax is calculated at progressive rates with a cap of 45%.The effective income tax rates of the five highest paid individuals in the Group were approximately 39.17%-43.40% (2007: 30.79%-44.36%) for 2008 and the average effective tax rate was approximately 41.52% (2007: 39.73%).

Apart from the above compensation items, certain non-key management personnel were also eligible for a long-term incentive plan in the form of share appreciation rights. During 2008, no share appreciation rights were issued by the Group and no due share appreciation rights were exercised. Please refer to Note 49 for further details.

During 2008, no emoluments were paid by the Group to the above highest paid, non-key management personnel as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office.

47. SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) The Company's related parties where control exists are mainly subsidiaries of the Company. For details, please refer to Note 5.

(2) The Company's related parties where significant influence exists include associates and joint ventures (refer to Note 23) and certain shareholders set out below:

Name of related parties	Relationship with the Company
HSBC Holdings plc ("HSBC Holdings")	Parent of shareholders
HSBC Insurance Holdings Limited ("HSBC Insurance")	Shareholder
HSBC	Shareholder

In late August 2005, HSBC Holdings through its wholly owned subsidiaries, HSBC Insurance and HSBC, held 19.90% of the Company's shares. Since then, HSBC Holdings and its subsidiaries became the Company's related parties who had significant influence over the Group.

As at 31 December 2008, HSBC Holdings held, through its subsidiaries, over 16% equity interest in the Company.

As at 31 December 2008, the Group's aggregate bank balances with HSBC were approximately RMB70 million (31 December 2007: RMB246 million). Interest income earned by the Group on these bank balances for the year was approximately RMB1 million (2007: RMB13 million).

(3) Please refer to Note 45 for compensation of key management personnel.

48. COMMITMENTS

(1) CAPITAL COMMITMENTS

The Group had the following capital commitments relating to property development projects and investments:

(in RMB million)	31 December 2008	31 December 2008
Contracted but not provided for	**7,052**	7,992
Including: Contracted but not fulfilled at all	**529**	1,784
Contracted but not fulfilled completely	**6,523**	6,208
Including: Beijing-Shanghai Railway	**3,868**	–
Authorized but not contracted for	**1,688**	456
Total	**8,740**	8,448

In June 2008, the CIRC approved Ping An Asset Management Co., Ltd, Pacific Asset Management Co., Ltd., Taikang Asset Management Co., Ltd. and Taiping Asset Management Co., Ltd. to jointly establish Beijing-Shanghai High-speed Railway Equity Investment Scheme and to raise RMB16 billion for acquisition of 13.913% equity interest in Beijing-Shanghai High-speed Railway Corporation Limited. Ping An Life subscribed for 39.375% of this investment scheme which amounted to RMB6.3 billion. As at 31 December 2008, the cumulative subscription amount paid by Ping An Life was RMB2,432 million and the unpaid portion amounting to RMB3,868 million was presented as a capital commitment.

(2) OPERATING LEASE COMMITMENTS

The Group leases office premises and staff quarters under various rental agreements. Future minimum lease payments under non-cancelable operating leases are as follows:

(in RMB million)	31 December 2008	31 December 2007
Within 1 year	**902**	420
1 – 5 years	**1,684**	708
More than 5 years	**404**	32
Total	**2,990**	1,160

(3) CREDIT COMMITMENTS

	31 December 2008	31 December 2007
Irrevocable loan commitments		
– Within one year under original maturity	**19,026**	11,537
– One year or above under original maturity	**1,773**	3,274
– Credit limit of credit cards	**20,741**	3,866
Subtotal	**41,540**	18,677
Financial guarantee contracts		
– Letters of credit issued	**12,006**	8,453
– Guarantees issued	**9,773**	7,953
– Bank acceptance	**592**	621
Subtotal	**22,371**	17,027
Total	**63,911**	35,704

48. COMMITMENTS (CONTINUED)

(3) CREDIT COMMITMENTS (CONTINUED)

Irrevocable loan commitments represent contractual amount to grant loans to customers in future. Irrevocable loan commitments contain unused credit card facilities. Since the commitment amount and credit card facilities are the maximum amount that could be used by customers, the total contract amounts do not necessarily represent future cash outflow requirements.

Financial guarantee contracts commit the Group to make payments on behalf of customers upon the failures of the customers to perform under the terms of the contract.

(4) OPERATING LEASE RENTAL RECEIVABLES

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancelable operating leases are as follows:

(in RMB million)	31 December 2008	31 December 2007
Within 1 year	**407**	199
1 – 5 years	**1,060**	564
More than 5 years	**305**	595
Total	**1,772**	1,358

49. EMPLOYEE BENEFITS

(1) PENSION

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues on a monthly basis contributions to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred. Certain employees are also provided with group life insurance but the amounts involved are insignificant.

(2) HOUSING BENEFITS

The employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(3) MEDICAL BENEFITS

The Group makes contributions for medical benefits to the local authorities in accordance with the relevant local regulations.

(4) SHARE APPRECIATION RIGHTS SCHEME

On 5 February 2004, the Company's board of directors approved a scheme of share appreciation rights for the senior executives and certain key employees of the Group. No shares will be issued under this scheme. The rights are granted in units with each unit representing one H share of the Company. The rights to the units were issued from 2004 to 2008. Upon exercise of these rights, the participants will receive a cash payment, subject to the restrictions that the annual amount of aggregate benefit to all participants shall not exceed a percentage of the estimated net profits in the year in which the rights are exercised, which is equal to the product of the number of units exercised and the difference between the exercise price and market price of an H share at the time of exercise.

The employee costs reversed for the scheme of share appreciation rights during the year are RMB2,202 million due to the decrease in stock price of the Company's H-share (2007: expense accrued of RMB2,127 million).

49. EMPLOYEE BENEFITS (CONTINUED)

(4) SHARE APPRECIATION RIGHTS SCHEME (CONTINUED)

The fair value of share appreciation rights is measured using the Black-Scholes option pricing model. The following table lists the inputs to the model used for the year.

	31 December 2008	31 December 2007
Risk-free interest rate (%)	**0.7%**	2.6%
Expected dividend yield (%)	**1.0%**	1.0%
Expected volatility (%)	**49.4%**	36.1%
Expected residual life (in years)	**1**	1-2

The services received and liabilities to pay for those services are recognized over the expected vesting period. Until the liability is settled, it is remeasured at each reporting date with changes in fair value recognized in the income statement. The carrying amount of the liability relating to the share appreciation rights as at 31 December 2008 is RMB541 million (31 December 2007: RMB2,743 million).

50. CONTINGENT LIABILITIES

(1) LITIGATION

Owing to the nature of the insurance and financial service business, the Group is involved in estimates, contingencies and legal proceedings in the ordinary course of business, including but not limited to being the plaintiff or the defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies and other claims. Provision has been made for probable losses to the Group, including those claims where management can reasonably estimate the outcome of the lawsuits taking into account any legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability is low or remote. For pending lawsuits, management also believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group or any of its subsidiaries.

(2) TAX INSPECTION

In March 2008, the State Administration of Taxation commenced a regular inspection of certain Group companies' tax filing positions for fiscal years ended 31 December 2004, 2005 and 2006. The Group has made relevant tax provisions based on preliminary results of the said inspection. However, the inspection results may not be finalized shortly and, currently, it is not feasible to make a reliable estimate of all under-provisions for the said fiscal years.

51. POST BALANCE SHEET EVENTS

(1) On 8 April 2009, the directors proposed not to distribute 2008 final dividend as stated in Note 15.

(2) On 6 January 2009, Ping An Trust completed acquisition of 100% equity interest of Xuji Group Corporation ("Xuji Group") at a consideration of RMB960 million. Since the valuation of Xuji Group's identifiable net assets as of the acquisition date was still in progress as at the approval date of the financial statements, the fair values of the said net assets and other relevant information were not disclosed in these financial statements.

52. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

53. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved and authorized for issue by the Company's directors on 8 April 2009.

Auditor's report

Ernst & Young Hua Ming (2009) Shen Zi No. 60468101_B43

To the shareholders of
Ping An Insurance (Group) Company of China, Ltd.

We have audited the accompanying financial statements of Ping An Insurance (Group) Company of China, Ltd. (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated and company balance sheets as at 31 December 2008, the consolidated and company income statements, statements of changes in equity and cash flow statements for the year then ended and notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management is responsible for preparing financial statements in accordance with Accounting Standards for Business Enterprises. This responsibility includes (1) designing, implementing and maintaining internal controls relevant to the preparation of the financial statements that are free from material misstatement whether due to fraud or error; (2) selecting and applying appropriate accounting policies; and (3) making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal controls relevant to the entity's preparation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting polices used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements have been prepared in accordance with Accounting Standards for Business Enterprises and present fairly, in all material aspects, the financial position of the Group and the Company as at 31 December 2008 and the results of their operations and their cash flows for the year then ended.

Ernst & Young Hua Ming

Chinese Certified Public Accountant
Wu Zhiqiang

Chinese Certified Public Accountant
Huang Yuedong

Beijing, The People's Republic of China

8 April 2009

Consolidated balance sheet

As at 31 December 2008
(in RMB million)

	Notes VII	31 December 2008	31 December 2007
ASSETS			
Cash on hand and at bank	1	**52,445**	72,740
Balances with clearing companies	2	**1,177**	2,027
Placements with banks and other financial institutions	3	**304**	1,192
Held-for-trading financial assets	4	**65,486**	84,938
Derivative financial assets	5	**17**	177
Financial assets purchased under agreements to resell	6	**13,084**	36,457
Interest receivables	7	**6,931**	4,187
Premium receivables	8	**4,554**	4,568
Due from reinsurers	9	**2,733**	2,452
Reinsurers' share of insurance contract liabilities	10	**11,354**	4,931
Policy loans	11	**3,725**	2,411
Loans and advances to customers	12	**74,160**	63,125
Refundable deposits		**108**	887
Term deposits		**83,003**	41,731
Available-for-sale financial assets	13	**212,236**	178,539
Held-to-maturity investments	14	**126,502**	127,736
Long-term equity investments	15	**6,025**	2,207
Goodwill	16	**617**	610
Statutory deposits	17	**5,860**	1,560
Investment properties	18	**6,551**	4,051
Fixed assets	19	**7,641**	7,894
Intangible assets	20	**9,500**	3,621
Deferred tax assets	21	**7,767**	87
Other assets	22	**5,860**	3,216
Total assets		**707,640**	651,344

The accompanying notes on pages 200 to 310 form an integral part of these financial statements.

Consolidated balance sheet

As at 31 December 2008
(in RMB million)

	Notes VII	31 December 2008	31 December 2007
LIABILITIES AND EQUITY			
LIABILITIES			
Short-term borrowings	24	**3,071**	3,719
Due to banks and other financial institutions	25	**17,204**	7,532
Guarantee deposits	26	**7,413**	5,398
Placements from banks and other financial institutions	27	**33**	175
Derivative financial liabilities	5	**265**	189
Financial assets sold under agreements to repurchase	28	**41,334**	13,980
Customer deposits	29	**80,649**	72,133
Payables to brokerage customers	30	**6,929**	14,394
Premiums received in advance	31	**2,210**	2,981
Commission payable		**1,243**	1,104
Due to reinsurers	32	**3,571**	2,656
Salaries and welfare payable	33	**2,156**	4,732
Taxes payable	34	**3,073**	1,907
Interest payable		**975**	574
Claims payable	35	**6,222**	5,161
Policyholder dividends payable	36	**12,012**	7,006
Investment contract liabilities for policyholders	37	**6,420**	5,287
Insurance contract liabilities	38	**420,064**	380,947
Long-term borrowings	39	**3,884**	3,218
Deferred tax liabilities	21	**472**	4,822
Other liabilities	40	**6,971**	4,211
Total liabilities		**626,171**	542,126

The accompanying notes on pages 200 to 310 form an integral part of these financial statements.

	Notes VII	31 December 2008	31 December 2007
LIABILITIES AND EQUITY (CONTINUED)			
EQUITY			
Share capital	41	**7,345**	7,345
Capital reserve	42	**48,095**	72,111
Surplus reserve fund	43	**6,125**	5,655
General reserve	44	**395**	395
Retained profits		**16,820**	21,770
Foreign currency translation differences		**(23)**	(42)
Equity attributable to equityholders of the parent		**78,757**	107,234
Minority interests	46	**2,712**	1,984
Total equity		**81,469**	109,218
Total liabilities and equity		**707,640**	651,344

The financial statements on pages 187 to 310 have been signed by:

MA Mingzhe	**Jason Bo YAO**	**MAK, Wai Lam William**
Legal Representative	*Chief Financial Officer*	*Deputy Chief Financial Officer*

The accompanying notes on pages 200 to 310 form an integral part of these financial statements.

Consolidated income statement

For the year ended 31 December 2008
(in RMB million)

	Notes VII	2008	2007
Operating income			
Premium income	47	**129,383**	100,945
Including: reinsurance premium income	47	**119**	85
Less: Premium ceded to reinsurers		**(5,813)**	(4,298)
Change in unearned premium reserves	48	**(1,780)**	(2,615)
Net earned premiums		**121,790**	94,032
Interest income of banking operations	49	**7,020**	5,314
Interest expenses of banking operations	49	**(2,677)**	(1,565)
Net interest income from banking operations	49	**4,343**	3,749
Fees and commission income of non-insurance operations	50	**1,980**	2,814
Fees and commission expense of non-insurance operations	50	**(204)**	(502)
Net fees and commission income of non-insurance operations	50	**1,776**	2,312
Investment income	51	**28,248**	58,182
Fair value gains and losses	52	**(17,668)**	6,885
Foreign exchange losses		**(465)**	(501)
Other income	53	**1,779**	604
Total operating income	54	**139,803**	165,263
Operating expenses			
Surrenders		**(13,362)**	(13,333)
Claims paid	55	**(34,592)**	(26,998)
Less: Reinsurers' share of claims paid		**2,960**	2,443
Change in insurance contract liabilities	56	**(38,792)**	(77,545)
Less: Reinsurers' share of insurance contract liabilities	57	**5,808**	592
Policyholder dividends		**(6,276)**	(3,514)
Expenses for reinsurance accepted		**(23)**	(16)
Commission expenses of insurance operations		**(14,637)**	(10,838)
Business tax and surcharges		**(2,576)**	(3,656)
General and administrative expenses	58	**(14,025)**	(15,524)
Less: Reinsurers' share of expenses		**1,456**	1,167
Other expenses	58	**(1,931)**	(585)
Impairment losses	59	**(26,120)**	(289)
Total operating expenses		**(142,110)**	(148,096)

The accompanying notes on pages 200 to 310 form an integral part of these financial statements.

	Notes VII	2008	2007
Operating profit		**(2,307)**	17,167
Add: Non-operating income		**114**	569
Less: Non-operating expenses		**(260)**	(253)
Profit/(loss) before tax		**(2,453)**	17,483
Less: Income taxes	60	**3,326**	(1,902)
Net profit		**873**	15,581
Attributable to:			
Equity holders of the parent		**662**	15,086
Minority interests		**211**	495
		873	15,581
Earnings per share		**RMB**	RMB
Basic earnings per share	61	**0.09**	2.11
Diluted earnings per share	61	**0.09**	2.11

The accompanying notes on pages 200 to 310 form an integral part of these financial statements.

Consolidated cash flow statement

For the year ended 31 December 2008
(in RMB million)

	Notes VII	2008	2007
I. Cash flows from operating activities:			
Premiums received from direct insurance		**128,616**	100,901
Net increase in customer deposits and due to banks and other financial institutions		**20,203**	9,428
Net decrease in balances with central bank and other financial institutions		**1,487**	–
Net increase in investment contract liabilities for policyholders		**2,083**	–
Cash received from interest, fees and commission income		**7,621**	6,678
Net increase in placements from banking and securities operations		**694**	275
Net decrease in financial assets purchased under agreements to resell from banking and securities operations		**6,460**	–
Tax refund		**105**	11,414
Cash received from other operating activities	64	**3,362**	1,438
Sub-total of cash inflows		**170,631**	130,134
Claims paid for direct insurance		**(34,684)**	(25,940)
Net cash paid for reinsurance business		**(674)**	(376)
Policyholder dividends paid		**(1,472)**	(615)
Net increase in loans and advances to customers		**(11,255)**	(13,885)
Net increase in balances with central bank and other financial institutions		**–**	(8,220)
Net decrease in investment contract liabilities for policyholders		**–**	(248)
Interest, fees and commission paid		**(17,099)**	(12,816)
Cash paid to and for employees		**(6,994)**	(6,114)
Cash paid for taxes and surcharges		**(4,483)**	(4,516)
Net increase in financial assets purchased under agreements to resell from banking and securities operations		**–**	(6,807)
Net decrease in financial assets sold under agreements to repurchase from banking and securities operations		**(1,426)**	–
Cash paid for other operating activities	64	**(30,187)**	(18,737)
Sub-total of cash outflows		**(108,274)**	(98,274)
Net cash flows from operating activities	64	**62,357**	31,860
II. Cash flows from investing activities:			
Cash received from sales and redemption of investments		**498,278**	337,743
Cash received from returns on investments		**16,448**	16,984
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		**1,389**	1,153
Sub-total of cash inflows		**516,115**	355,880
Cash paid for acquisition of investments		**(623,213)**	(352,537)
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**(6,377)**	(4,646)
Policy loans drawn		**(1,314)**	(1,030)
Net cash paid for acquisition of subsidiaries		**(739)**	(741)
Net cash paid for acquisition of minority interests of subsidiaries		**(499)**	–
Sub-total of cash outflows		**(632,142)**	(358,954)
Net cash flows from investing activities		**(116,027)**	(3,074)

The accompanying notes on pages 200 to 310 form an integral part of these financial statements.

	Notes VII	2008	2007
III. Cash flows from financing activities:			
Cash received from capital contributions		**133**	38,222
Cash received from borrowings		**3,848**	5,101
Net increase in financial assets sold under agreements to repurchase from insurance operations		**28,780**	–
Sub-total of cash inflows		**32,761**	43,323
Repayments of borrowings		**(4,703)**	(1,823)
Cash paid for distribution of dividends and interest		**(6,037)**	(4,601)
Including: dividends paid to minority equityholders		**(86)**	(43)
Net decrease in placement from other financial institutions-insurance business		**–**	(820)
Net decrease in financial assets sold agreements to repurchase from insurance operations		**–**	(12,013)
Sub-total of cash outflows		**(10,740)**	(19,257)
Net cash flows from financing activities		**22,021**	24,066
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		**(158)**	(207)
V. Net increase/(decrease) in cash and cash equivalents	64	**(31,807)**	52,645
Add: Cash and cash equivalents at the beginning of the year	64	**96,296**	43,651
VI. Cash and cash equivalents at end of the year	64	**64,489**	96,296

The accompanying notes on pages 200 to 310 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2008
(in RMB million)

	For the year ended 31 December 2008							
	Equity attributable to equityholders of the parent							
Item	Share capital	Capital reserve	Surplus reserve fund	General reserve	Retained profits	Foreign currency translation differences	Minority interests	Total
I. Beginning of year	7,345	72,111	5,655	395	21,770	(42)	1,984	109,218
II. Changes during the year								
1. Net profit	–	–	–	–	662	–	211	873
2. Gains and losses recognized directly in equity								
(1) Net fair value gains and losses of available-for-sale financial assets								
a. Recognized directly in equity	–	(47,547)	–	–	–	–	(321)	(47,868)
b. Transferred to income statement	–	(10,358)	–	–	–	–	(70)	(10,428)
(2) Impairment losses on available-for-sale financial assets	–	25,786	–	–	–	–	174	25,960
(3) Related tax effect of items recognized directly in equity	–	6,047	–	–	–	–	41	6,088
(4) Others	–	2,056	–	–	–	19	14	2,089
Sub-total of 1 and 2	–	(24,016)	–	–	662	19	49	(23,286)
3. Profit appropriation								
(1) Appropriation to surplus reserve fund	–	–	470	–	(470)	–	–	–
(2) Distribution to equityholders	–	–	–	–	(5,142)	–	(86)	(5,228)
4. Others	–	–	–	–	–	–	765	765
III. End of year	7,345	48,095	6,125	395	16,820	(23)	2,712	81,469

The accompanying notes on pages 200 to 310 form an integral part of these financial statements.

Item	Share capital	Capital reserve	Surplus reserve fund	General reserve	Retained profits	Foreign currency translation differences	Minority interests	Total
	For the year ended 31 December 2007							
	Equity attributable to equityholders of the parent							
I. Beginning of year	6,195	23,246	4,969	395	10,455	–	1,366	46,626
II. Changes during the year								
1. Net profit	–	–	–	–	15,086	–	495	15,581
2. Gains and losses recognized directly in equity								
(1) Net fair value gains and losses of available-for-sale financial assets								
a. Recognized directly in equity	–	37,902	–	–	–	–	379	38,281
b. Transferred to income statement	–	(20,676)	–	–	–	–	(207)	(20,883)
(2) Impairment losses on available-for-sale financial assets	–	97	–	–	–	–	1	98
(3) Related tax effect of items recognized directly in equity	–	(3,426)	–	–	–	–	(34)	(3,460)
(4) Others	–	(2,104)	–	–	–	(42)	(20)	(2,166)
Sub-total of 1 and 2	–	11,793	–	–	15,086	(42)	614	27,451
3. Capital injection from equityholders	1,150	37,072	–	–	–	–	–	38,222
4. Profit appropriation								
(1) Appropriation to surplus reserve fund	–	–	686	–	(686)	–	–	–
(2) Distribution to equityholders	–	–	–	–	(3,085)	–	(43)	(3,128)
5. Others	–	–	–	–	–	–	47	47
III. End of year	7,345	72,111	5,655	395	21,770	(42)	1,984	109,218

The accompanying notes on pages 200 to 310 form an integral part of these financial statements.

Balance sheet

As at 31 December 2008
(in RMB million)

	Notes XV	31 December 2008	31 December 2007
ASSETS			
Cash on hand and at bank	1	**7,383**	40,858
Held-for-trading financial assets	2	**5,623**	8,176
Financial assets purchased under agreements to resell		**–**	1,700
Interest receivables		**371**	75
Term deposits		**220**	289
Available-for-sale financial assets	3	**17,781**	4,311
Long-term equity investments	4	**44,234**	17,868
Fixed assets		**88**	85
Intangible assets		**34**	24
Deferred tax assets	5	**527**	10
Other assets		**58**	16
Total assets		**76,319**	73,412
LIABILITIES AND EQUITY			
LIABILITIES			
Financial assets sold under agreements to repurchase	6	**6,400**	–
Salaries and welfare payable	7	**345**	1,325
Taxes payable	8	**114**	380
Other liabilities		**175**	219
Total liabilities		**7,034**	1,924
EQUITY			
Share capital		**7,345**	7,345
Capital reserve		**50,742**	52,506
Surplus reserve fund		**6,125**	5,655
General reserve		**395**	395
Retained profits		**4,678**	5,587
Total equity		**69,285**	71,488
Total liabilities and equity		**76,319**	73,412

The accompanying notes on pages 200 to 310 form an integral part of these financial statements.

Income statement

For the year ended 31 December 2008
(in RMB million)

	Notes XV	2008	2007
Operating income			
Investment income	9	**5,809**	8,452
Fair value gains and losses	10	**(762)**	324
Foreign exchange losses		**(66)**	(4)
Other income		**1**	2
Total operating income		**4,982**	8,774
Operating expenses			
Business tax and surcharges		**(36)**	(142)
General and administrative expenses	11	**180**	(1,414)
Impairment losses	12	**(409)**	–
Total operating expenses		**(265)**	(1,556)
Operating profit		**4,717**	7,218
Less: Non-operating expenses		**(48)**	(2)
Profit before tax		**4,669**	7,216
Less: Income taxes	13	**34**	(354)
Net profit		**4,703**	6,862

The accompanying notes on pages 200 to 310 form an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2008
(in RMB million)

	2008	2007
I. Cash flows from operating activities		
Cash received from other operating activities	8	339
Sub-total of cash inflows	8	339
Cash paid to and for employees	(272)	(411)
Cash paid for taxes and surcharges	(302)	(247)
Cash paid for other operating activities	(621)	(156)
Sub-total of cash outflows	(1,195)	(814)
Net cash flows from operating activities	(1,187)	(475)
II. Cash flows from investing activities		
Cash received from sales and redemption of investments	75,599	18,758
Cash received from returns on investments	5,999	4,753
Net cash received from disposals of fixed assets, intangible assets and other long-term assets	–	17
Sub-total of cash inflows	81,598	23,528
Cash paid for acquisition of investments	(116,139)	(17,039)
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	(82)	(62)
Cash paid for other investing activities	(14)	–
Sub-total of cash outflows	(116,235)	(17,101)
Net cash flows from investing activities	(34,637)	6,427
III. Cash flows from financing activities		
Cash received from capital contributions	–	38,222
Cash received from other financing activities	6,400	–
Sub-total of cash inflows	6,400	38,222
Cash paid for distribution of dividends and interest	(5,146)	(3,080)
Cash paid for other financing activities	–	(939)
Sub-total of cash outflows	(5,146)	(4,019)
Net cash flows from financing activities	1,254	34,203
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	(12)	99
V. Net increase/(decrease) in cash and cash equivalents	(34,582)	40,254
Add: Cash and cash equivalents at beginning of the year	43,702	3,448
VI. Cash and cash equivalents at end of the year	9,120	43,702

The accompanying notes on pages 200 to 310 form an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2008
(in RMB million)

Item	For the year ended 31 December 2008					
	Share capital	Capital reserve	Surplus reserve fund	General reserve	Retained profits	Total
I. Beginning of year	**7,345**	**52,506**	**5,655**	**395**	**5,587**	**71,488**
II. Changes during the year						
1. Net profit	**–**	**–**	**–**	**–**	**4,703**	**4,703**
2. Gains and losses recognized directly in equity						
(1) Net fair value gains and losses of available-for-sale financial assets						
a. Recognized directly in equity	**–**	**(2,471)**	**–**	**–**	**–**	**(2,471)**
b. Transferred to the income statement	**–**	**(184)**	**–**	**–**	**–**	**(184)**
(2) Impairment losses on available-for-sale assets	**–**	**409**	**–**	**–**	**–**	**409**
(3) Related tax effect of items recognized directly in equity	**–**	**482**	**–**	**–**	**–**	**482**
Sub-total of 1 and 2	**–**	**(1,764)**	**–**	**–**	**4,703**	**2,939**
3. Profit appropriation						
(1) Appropriation to surplus reserve fund	**–**	**–**	**470**	**–**	**(470)**	**–**
(2) Distribution to equityholders	**–**	**–**	**–**	**–**	**(5,142)**	**(5,142)**
III. End of year	**7,345**	**50,742**	**6,125**	**395**	**4,678**	**69,285**

Item	For the year ended 31 December 2007					
	Share capital	Capital reserve	Surplus reserve fund	General reserve	Retained profits	Total
I. Beginning of year	6,195	15,731	4,969	395	2,496	29,786
II. Changes during the year						
1. Net profit	–	–	–	–	6,862	6,862
2. Gains and losses recognized directly in equity						
(1) Net fair value gains and losses of available-for-sale financial assets						
a. Recognized directly in equity	–	438	–	–	–	438
b. Transferred to the income statement	–	(782)	–	–	–	(782)
(2) Related tax effect of items recognized directly in equity	–	47	–	–	–	47
Sub-total of 1 and 2	–	(297)	–	–	6,862	6,565
3. Capital injection from equityholders	1,150	37,072	–	–	–	38,222
4. Profit appropriation						
(1) Appropriation to surplus reserve fund	–	–	686	–	(686)	–
(2) Distribution to equityholders	–	–	–	–	(3,085)	(3,085)
III. End of year	7,345	52,506	5,655	395	5,587	71,488

The accompanying notes on pages 200 to 310 form an integral part of these financial statements.

Notes to the financial statements

As at 31 December 2008
(in RMB million)

I. CORPORATE INFORMATION

Ping An Insurance (Group) Company of China, Ltd. (the "Company") was incorporated in Shenzhen, the People's Republic of China (the "PRC") on 21 March 1988 as Shenzhen Ping An Insurance Company, and was engaged primarily in property and casualty insurance business in Shenzhen. With the expansion of business, the Company was renamed as Ping An Insurance Company of China in 1992. The Company started to be engaged in life insurance business from July 1994 and subsequently changed its name to Ping An Insurance Company of China, Ltd. in January 1997.

China Insurance Regulatory Commission (the "CIRC") issued the "Approval of Separation of Business Operations of Ping An Insurance Company of China, Ltd." (Baojianfu【2002】No. 32) on 2 April 2002 and agreed with the Company's proposal on the "Separation of Business Operations of Ping An Insurance Company of China, Ltd.". According to the proposal, the Company would be renamed as Ping An Insurance (Group) Company of China, Ltd.. The Company would also establish Ping An Property and Casualty Insurance Company of China, Ltd. ("Ping An Property & Casualty") and Ping An Life Insurance Company of China, Ltd. ("Ping An Life"), and control China Ping An Trust & Investment Co., Ltd. ("Ping An Trust") which holds shares of Ping An Securities Company, Ltd. ("Ping An Securities").

Based on "Approval of Changes in Ping An Insurance Company of China, Ltd." (Baojianbianshen【2002】No. 98), "Approval of Establishment of Ping An Property & Casualty Insurance Company of China, Ltd." (Baojianjishen【2002】No. 350) and "Approval of Establishment of Ping An Life Insurance Company of China, Ltd." (Baojianjishen【2002】No. 351) issued by the CIRC on 28 October 2002, the Company was renamed as Ping An Insurance (Group) Company of China, Ltd., and Ping An Property & Casualty and Ping An Life were established. The Company obtained its revised business license on 24 January 2003 while Ping An Property & Casualty and Ping An Life obtained their revised business licenses on 24 December 2002 and 17 December 2002, respectively.

Based on "Approval of Ping An Insurance (Group) Company of China, Ltd. to List Overseas and Issue H Shares," (Baojianfu【2003】No. 228) issued by the CIRC and "Approval of Overseas Share Issuance by Ping An Insurance (Group) Company of China, Ltd.", (Zhengjianguohezi【2004】No. 18) issued by the China Securities Regulatory Commission (the "CSRC"), the Company was allowed to issue 1,261,720,000 H shares. The H shares were listed on the Hong Kong Stock Exchange on 24 June 2004.

Based on "Approval of Ping An Insurance (Group) Company of China, Ltd. to Issue A Shares," (Zhengjianfaxingzi【2007】No. 29) issued by the CSRC, the Company was allowed to issue 1,150,000,000 A shares. The A shares were listed on the Shanghai Stock Exchange on 1 March 2007.

The business scope of the Company includes investing in financial and insurance enterprises, supervising and managing domestic and overseas businesses of subsidiaries and utilizing funds. The Group mainly provides integrated financial products and services, including life insurance, property and casualty insurance, trust business, securities business, banking business and other services.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared in accordance with the "Accounting Standards for Business Enterprises-Basic Standard", 38 Specific Standards, implementation guidelines and explanation and other relevant regulations (refer to as "ASBE") which were promulgated by the Ministry of Finance (the "MOF") of the PRC in February, 2006.

STATEMENT OF COMPLIANCE WITH ASBE

The financial statements truly and completely reflect the Company's and the Group's financial position as at 31 December 2008 and operating results and cash flows for 2008.

The financial statements are prepared on a going concern basis.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. ACCOUNTING YEAR

The accounting year of the Group is from 1 January to 31 December of each calendar year.

2. FUNCTIONAL CURRENCY

The functional currency of the Company's domestic subsidiaries is Renminbi ("RMB"), and the functional currency of its overseas subsidiaries is Hong Kong dollars ("HKD"). The financial statements adopt RMB as the presentation currency and are expressed in RMB million unless otherwise stated.

3. BASIS OF ACCOUNTING AND MEASUREMENT BASIS

The Group's accounts have been prepared on an accrual basis. Assets and liabilities are recorded using historical cost as the basis of measurement except for those financial instruments measured at fair value and certain insurance contract liabilities. Impairment provision is made according to the relevant regulations if the assets are impaired.

4. BUSINESS COMBINATIONS

Business combinations represent transactions which combine two or more separate businesses into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The absorbing party is the entity that obtains control of the other entities participating in the combination at the combination date, and the other entities participating in the combination are the parties being absorbed. The combination date is the date on which the absorbing party effectively obtains control of the parties being absorbed.

Assets and liabilities obtained by absorbing party in the business combination are recognized at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the consideration paid for the combination (or aggregate face values of the shares issued) and the carrying amount of the net assets obtained is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings.

Any costs directly attributable to the combination are recognized as expenses when incurred by the absorbing party.

Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. The acquirer is the entity that obtains control of the other entities participating in the combination at the acquisition date, and the other entities participating in the combination are the acquirees. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The cost of acquisition is measured as the aggregate of the fair values of the assets given, liabilities incurred or assumed, equity instruments issued by the acquirer at the acquisition date, and all the costs incurred directly attributable to the acquisition, in exchange for control of the acquiree.

The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition date.

Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill. Where the cost of a business combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer reassesses the measurement of the fair values of the acquiree's identifiable net assets, liabilities and contingent liabilities and the measurement of the cost of combinations. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the remaining difference is recognized in the profit or loss for the current year.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. CONSOLIDATED FINANCIAL STATEMENTS

The consolidation scope for consolidated financial statements is determined based on concept of control, including the Company and all subsidiaries' financial statements for the year ended 31 December 2008. Subsidiaries are those entities which the Company has control over.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All intra-group transactions and balances are eliminated in consolidation.

The consolidated portion of shareholders' equity of the subsidiaries not held by the Group is presented separately as minority interests in the consolidated financial statements.

For subsidiaries obtained through a business combination not involving entities under common control, the operating results and cash flows of the acquiree will be recognized in consolidated financial statements from the date the Group effectively obtains the control until the date that control is terminated. When consolidated financial statements are prepared, the subsidiaries' financial statements will be adjusted based on the fair values of the identifiable assets, liabilities and contingent liabilities at the acquisition date.

For subsidiaries obtained through a business combination involving entities under common control, the operating results and cash flows of the party being absorbed will be recognized in consolidated financial statements from the beginning of the year during which the combination occurs. When consolidated financial statements are prepared, relevant items of prior years' financial statements will be adjusted, just as the reporting entity formed by consolidation exits as at the date when the final controller exercises control.

6. LONG-TERM EQUITY INVESTMENTS

Long-term equity investments include investments in subsidiaries, joint ventures and associates, long-term equity investments that the Group does not have control or joint control or have significant influence over the invested enterprises, and long-term equity investments without quotation in active markets. Long-term equity investments are initially accounted for at cost on acquisition.

The cost method is used when the Group does not jointly control or have significant influence over the invested enterprise, and the long-term equity investments are not quoted in active markets, and have no reliably measurable fair values. The cost method is used in individual financial statements of the Company when the Company can control the invested entity.

When the cost method is used, long-term equity investments are initially accounted for at cost upon acquisition, profit distributions or cash dividends declared by the invested enterprise are recognized as investment income in the current year. The amount of investment income recognized is limited to the amount distributed out of accumulated net profit of the invested enterprise that arises after the investment was made. The amount of profit distributions or cash dividends declared by the invested enterprise in excess of the above threshold is treated as a recovery of initial investment cost.

The equity method is used to account for long-term equity investments when the Group can jointly control or has significant influence over the invested entity. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Under the equity method, any excess of the initial investment cost over the Company's share of the net fair value of the investment's identifiable assets and liabilities is included in the initial investment cost of the long-term equity investment. Any excess of the Company's share of the investment's identifiable assets and liabilities over the cost of investment is excluded from the carrying amount of the investment and recognized in profit and loss for the current year.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

Under the equity method, after a long-term equity investment is acquired, investment gains or losses are recognized and the carrying amount of the long-term equity investment is adjusted to reflect the Company's share of the investee's net profit or loss. When recognizing the Company's share of the net profit or loss of the investee, the Group makes adjustments based on fair values of the investee's identifiable assets and liabilities at the acquisition date and in accordance with the Group's accounting policy and accounting year to investee's net profits which also eliminates profit or loss from inter-transactions with associates and joint ventures attributed to investor which is calculated pro rata on the basis of share percentage (for loss from inter-transactions belonging to impairment loss, it shall be wholly recognized). When the invested enterprise declares profit appropriations or cash dividends, the carrying amount of investment is adjusted down by the Company's share of the profit appropriations and dividends. The Company shall discontinue recognizing its share of the losses of the investee after the long-term equity investment together with any long-term interest that in substance forms part of the Company's net investment in the investee are reduced to zero, except to the extent that the Company has incurred obligations to assume additional losses. The Company also adjusts the carrying amount of the long-term equity investment for other changes in owner's equity of the investee (other than net profits or losses), and include the corresponding adjustment in equity.

On disposal of the long-term equity investment, the difference between book value and the consideration received is recognized in profit or loss for the current year. On disposal of the long-term equity investment measured at equity method, the portion originally recognized in equity is transferred to profit of loss proportionally.

7. FOREIGN CURRENCY TRANSLATION

For foreign currency transactions, the Group translates the foreign currency into its functional currency.

Upon initial recognition, foreign currency transactions are translated into the functional currency using the average exchange rate for the year when transactions occur. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. The exchange differences arising from the above translation, except the ones relating to foreign currency borrowings for acquisition, construction or production of assets eligible for capitalization which shall be dealt with according to the principle of borrowing cost capitalization, are recognized in profit or loss. Also at the balance sheet date, foreign currency non-monetary items measured at historical cost continue to be translated using the spot exchange rate at the dates of the transactions and it does not change its carrying amount in functional currency. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The resulting foreign exchange differences are taken to the income statement or capital reserve.

The Group translates the functional currencies of foreign operations into Renminbi when preparing the financial statements. Asset and liability items in the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date. Shareholders' equity items, except for retained earnings, are translated at the spot exchange rates at the date when such items arose. Income and expense items in the income statement are translated using the average exchange rate for the year when transactions occur. Translation differences arising from the above translation are presented as a separate line item under shareholders' equity in the balance sheet. When a foreign operation is disposed of, the translation differences relating to translation of the financial statements of that foreign operation are transferred to profit or loss in the year in which the disposal occurs, or are calculated based on disposal ratio in case of a partial disposal.

Cash flows denominated in foreign currencies and oversea subsidiaries' cash flows are translated using the average exchange rate for the year when cash flows occur. The impact on cash caused by the fluctuation of exchange rates is presented as a separate line item in the cash flow statement.

8. CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments held by the Group which are readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. DEPOSITS HELD FOR BROKERAGE CUSTOMERS

Deposits held for brokerage customers are placed in bank accounts designated by the Group. These deposits are recognized as a liability when received for the purpose of settlement with customers.

The Group acts on behalf of customers to purchase and sell securities through stock exchanges. If the total amount of securities purchased is greater than that of securities sold on each settlement date, customer deposits are reduced for the net purchases of securities on the settlement day plus withholding stamp duty and commission expenses due from customers. If the total amount of securities purchased is less than that of securities sold, customer deposits are increased for the net sales of securities less withholding stamp duty and commission expenses due from customers.

The customers' futures margin deposits are placed in segregated accounts and booked by individual customers. The standard warehouse receipts collateralized by customers are managed and calculated as customer margin. Daily unrealized profit and loss is calculated based on customers' initial price and closing price on that day; customers' realized profit or loss, calculated based on the initial price and settlement price, and the transaction commission fees on that day are transferred in or out of the margin deposits according to the relevant regulations.

10. SECURITIES UNDERWRITING BUSINESS

The Group accounts for securities underwriting business on the following basis according to the underwriting methods agreed with the issuers:

(1) Where the Group undertakes to purchase all underwritten securities unsold to investors by the end of the underwriting year, the Group keeps a specific record of the underwritten securities on the issue date in accordance with the issued amount and price determined in the underwriting contract. The unsold securities if any by the end of the underwriting year are recognized as the Group's financial assets according to the financial instruments classification stated in Note III. 11.

(2) Where the Group does not undertake to purchase any underwritten securities unsold at the end of the underwriting year, the Group keeps a specific record of the underwritten securities on the issue date in accordance with the issued amount and price determined in the underwriting contract. By the end of the underwriting year, the Group returns the unsold underwritten securities if any to the issuer.

11. FINANCIAL INSTRUMENTS

Financial instruments refer to the contracts which give rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the financial instrument.

The Group classifies its financial assets into four categories at initial recognition: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. The Group classifies its financial liabilities into two categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. Financial assets and financial liabilities are initially recognized at fair value. For financial assets or liabilities at fair value through profit or loss, the relevant transaction costs are directly recognized in profit or loss; for other financial assets or financial liabilities, relevant transaction costs are recognized in their initial recognition amount.

Financial assets or financial liabilities at fair value through profit or loss comprise held-for-trading financial assets or financial liabilities and those designated at fair value through profit or loss at inception. Financial assets or financial liabilities are classified as held-for-trading if they satisfy one of the following conditions: they are acquired or incurred principally for the purpose of selling or repurchasing in the near term; they are part of a portfolio of identified financial instruments that are managed together, and for which there is objective evidence of a recent pattern of short-term profit taking; they are derivative financial instruments, except for derivatives that are designated and effective hedging instruments, or financial guarantee contracts, or derivatives that are linked to and must be settled by delivery of unquoted equity instruments (without quoted price from an active market) whose fair value cannot be reliably measured. These financial assets or financial liabilities are subsequently measured at fair value, and gain or loss from changes in fair value and derecognition are recognized in current year's profit and loss.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. FINANCIAL INSTRUMENTS (CONTINUED)

For financial assets or financial liabilities designated as at fair value through profit or loss at inception, one of the following criteria must be met:

- the designation eliminates or significantly reduces recognition or measurement inconsistency of the related gains or losses that would otherwise arise from measuring the assets or liabilities on a different basis; or

- the group of financial instruments are managed and their performance is evaluated on a fair value basis, in accordance with the formal documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

- the financial assets or liabilities are hybrid instruments containing one or multiple embedded derivatives, except the embedded derivatives will not cause significant changes to the cash flow of the hybrid instruments, or it is obvious that separation of the embedded derivatives from the related hybrid instruments is prohibited; or

- the financial assets or liabilities are hybrid instruments containing embedded derivatives which need separation but cannot be measured separately either at acquisition or at a subsequent balance sheet date.

Equity investments that are not quoted in an active market and whose fair value cannot be reliably measured cannot be designated as financial assets at fair value through profit or loss.

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments for which the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, these financial assets are carried at amortized cost using the effective interest method. Gains or losses are recognized in profit or loss when such financial assets are derecognized or impaired, as well as through the amortization process.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, these financial assets are carried at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or those financial assets that are not classified in any of the above categories. Subsequent to initial recognition, these financial assets are measured at fair value. Gains and losses arising from fair value changes in available-for-sale financial assets, except for impairment losses and foreign currency monetary items' translation differences which are recognized in profit or loss, are recognized as a separate part of capital reserve until the financial assets are derecognized or impaired upon which the cumulative gains or losses are transferred out from capital reserve to profit or loss. Dividend or interest income derived from available-for-sale financial assets is recognized in profit or loss. Gains and losses arising from their derecognition are recognized in current year's profit or loss.

Equity investments that are not quoted in an active market and whose fair value cannot be reliably measured are carried at cost.

Other financial liabilities are carried at amortized cost using the effective interest rate method.

12. FINANCIAL GUARANTEE CONTRACTS

The Group's banking operation issues letters of credit and letters of guarantee. These financial guarantee contracts provide specified payments to be made to reimburse the holder for a loss it incurs when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or other obligation. The Group initially measures such contracts at fair value. This amount is recognized ratably over the year of the contract to fees and commission income. Subsequently, the liabilities are measured as the higher of the initial fair value less cumulative amortization and the fair value of the provision related to the Group's obligation under the contract.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments include interest rate swaps, credit default swaps, currency swaps, forward currency contracts, and equity warrants, etc.. Derivative financial instruments are initially measured at fair value as at the date when the derivative contracts are signed, and subsequently measured at fair value. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. While, a derivative that is linked to an investment in equity instrument that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and must be settled by delivery of such unquoted instruments, shall be measured at cost.

Any gains or losses due to the change in fair value which do not qualify as hedging accounting are directly recognized into current year's profit and loss.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

If there is an active market for a financial asset or financial liability, the Group uses quoted prices in the active market to establish its fair value. For financial instruments where there is no active market, the fair value is established by using valuation techniques. Valuation techniques include reference to most recent market prices used by knowledgeable and willing parties, reference to current fair value of other financial instrument with similar nature, discounted cash flow method and option valuation models.

15. IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the balance sheet date the carrying amount of financial assets. If there is any objective evidence that a financial asset is impaired, the Group provides for such impairment losses. The objective evidence which indicates impairment of financial assets represents events actually occurring after initial recognition of financial assets which have an impact on financial assets' estimated future cash flows, and the impact can be reliably measured.

Available-for-sale financial assets

As of each balance sheet date, the Group evaluates each of the available-for-sale equity instruments to determine whether the investments need to be impaired. If objective evidence of impairment exists, the Group records an impairment loss in the income statement equal to the difference between the cost of the instrument and the fair value, adjusted for losses recorded in previous periods. Any unrealized gains or losses previously recorded within equity is removed from equity and recognized in the income statement as part of the calculation of impairment loss described above. The impairment analysis and amounts recorded are based the functional currency of the group entity holding the investment.

For equity securities, a significant or prolonged decline in the fair value of an equity instrument is objective evidence of impairment. In conducting an impairment analysis, the Group considers quantitative and qualitative evidence. More specifically, the Group collectively considers the magnitude of the decline in fair value relative to the cost, volatility, and the duration of the decline in evaluating whether a decline in fair value is significant. The Group considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. In general , the larger the magnitude of the decline in fair value relative to cost, the lower the volatility, the longer the duration of the decline or the more consistent the magnitude of decline, the more likely objective evidence of impairment of an equity instrument exists.

The Group also considers qualitative evidence that include, but is not necessarily limited to the following:

- Significant financial difficulty of the investee, including failure to comply with contractual obligations, financial restructuring, deterioration of going concern expectations;

- Adverse changes relative to the investee's technology, market, customer base, macro economic indicators relative to the business, significant legal or regulatory matters.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Available-for-sale financial assets (Continued)

Impairments do not establish a new cost basis and, accordingly, to the extent an impairment loss has been previously recorded due to the significant or prolonged criteria described above, any subsequent losses, including any portion attributable to foreign currency changes, are also recognized in profit or loss until the asset is derecognized.

If after an impairment loss has been recognized on an available-for-sale debt instrument, and the fair value of the debt instrument increases in a subsequent period whereby the increase can be objectively related to an event occurring after the impairment losses were recognized, the impairment loss is reversed which is recognized in profit or loss. Impairment losses recognized for equity instruments classified as available-for-sale are not reversed through profit or loss.

Financial assets carried at amortized cost

If financial assets carried at amortized cost are impaired, the carrying amount of the financial assets is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and the reduction is recognized as an impairment loss in the income statement. The present value of estimated future cash flows shall be calculated with the financial asset's original effective interest rate and the related collateral value shall also be taken into account.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment, and recognizes the amount of impairment in profit or loss. For a financial asset that is not individually significant, the Group assess the asset individually for impairment or include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognized are not included in the collective assessment for impairment.

After the Group recognizes impairment loss of financial assets carried at amortized cost, if there is objective evidence that the financial assets' value restores and the restoration can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed and recognized in profit or loss. However the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

Financial assets carried at cost

If financial assets carried at cost are impaired, the impairment loss will be recognized in profit or loss and measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed. For equity investments which are measured with the cost method and have neither active market quotation nor reliably measurable fair values regulated in "ASBE No. 2 – Long-term equity investments ", their impairment also follows the aforementioned principle.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. DERECOGNITION OF FINANCIAL INSTRUMENTS

A financial asset is derecognized when one of the following criteria is met:

- The contractual right of receiving the cash flows generated from the financial asset is expired;
- Retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay those cash flows in full without material delay to a third party under a "pass-through" arrangement; or
- The contractual right of receiving the cash flows generated from the financial asset has been transferred, and transferred substantially all the risks and rewards associated with the ownership of a financial asset to the transferee in substance, or neither transferred nor retained substantially all the risk and rewards of ownership of the financial asset, but has not retained control of the financial asset.

If the Group has transferred substantially all the risks and rewards associated with the ownership of a financial asset to the transferee, the asset should be derecognized. If the Group retains substantially all the risks and rewards of ownership of a financial asset, the asset should not be derecognized.

When the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, the situation is divided into the following: if the Group has relinquished control of the financial asset, the financial asset is derecognized. If the Group has control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability.

If the obligation of financial liability has been fulfilled, cancelled or expired, the financial liability is extinguished. If the present financial liability is substituted by the same debtor with another liability differing in substance, or the terms of the present liability have been substantially modified, this substitution or modification is treated as derecognition of a present liability and recognition of a new liability, any difference arising therefrom is recognized in profit or loss.

17. FINANCIAL ASSETS PURCHASED UNDER AGREEMENTS TO RESELL

Financial assets purchased under agreements to resell are recorded as the amount actually paid when the transactions occur, and are recognized in the balance sheet. The underlying assets of the agreements to resell are recorded off balance sheet. The differences between purchase and sale considerations of the financial assets purchased under agreements to resell are recognized using effective interest rate method as interest income during the agreement period.

18. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Financial assets sold under agreements to repurchase are recorded as the amount actually received when the transactions occur, and are recognized in the balance sheet. The underlying assets of the repurchase agreements continue to be recorded in the balance sheet. The differences between purchase and sale considerations of the financial assets sold under agreements to repurchase are recognized using effective interest rate method as interest expenses during the agreement period.

19. INVESTMENT PROPERTIES

Investment properties are properties that are held to earn rental income or capital gain or both, including land-use-rights that are for leased out, buildings that are for leased out and etc..

Investment properties are initially measured at cost. As to their subsequent expenditures, if the future economic benefits associated with them will probably flow into the Group and the cost can be measured reliably, it is recognized as the cost of investment properties, otherwise it is recognized in profit or loss as incurred.

The Group's investment properties are subsequently measured by using the cost model. Investment properties are depreciated on a straight-line basis. For details, please refer to Note III. 20 Fixed assets for depreciation method of properties and Note III. 22 Intangible assets for amortization of land-use-rights.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. FIXED ASSETS

Fixed assets are tangible assets held for service provision, rental or administrative purposes that are used for more than one accounting year.

A fixed asset is recognized when, and only when, it is probable that future economic benefits that are associated with the fixed asset will flow to the Group and the cost can be measured reliably. Subsequent expenditures related to a fixed asset are recognized in the carrying amount of the fixed asset if the above recognition criteria are met, and the book value of replaced part is derecognized; otherwise, those expenditures are recognized in profit or loss as incurred.

Fixed assets are initially recognized at cost taking into account the impact of expected future disposal expenditure. Cost of purchased fixed assets includes purchasing price, relevant taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use.

Fixed assets are depreciated on a straight-line basis, and the respective estimated useful lives, estimated residual values and annual depreciation rate are as follows:

	Estimated useful lives	Estimated residual values	Annual depreciation rate
Buildings	30 – 35 years	5%	2.71% – 3.16%
Office equipments, furnitures and fixtures	5 years	5%	19%
Motor vehicles	5 – 8 years	5%	11.88% – 19%

The Group reviews, at least at each year end, the useful lives and the estimated residual values and the depreciation methods of fixed assets, with changes made accordingly if necessary.

21. CONSTRUCTION-IN-PROGRESS

Construction-in-progress is measured at the actual construction expenditure, including the necessary costs incurred for fixed assets before they can be put into use and other related costs. Construction-in-progress is transferred into fixed assets when put in use.

22. INTANGIBLE ASSETS

The Group's intangible assets are initially measured at actual cost.

Useful life of an intangible asset is determined by the period over which it is expected to bring economic benefits to the Group. For the intangible asset with no foreseeable limit to the year over which it is expected to bring economic benefits to the Group, it is treated as intangible assets with indefinite life.

Expenditures on acquiring expressway operating rights are capitalized as intangible assets and subsequently depreciated on a straight-line basis over the contract terms.

The useful life of respective intangible asset is as follows:

	Estimated useful lives
Expressway operating rights	20 – 30 years
Land-use-rights	50 – 70 years
Computer software system	3 – 5 years

The Group classifies the land-use-rights obtained through purchases or transfers by paying the land use fees and those reasonably allocated to land-use-rights from the price of the purchased properties as intangible assets.

Straight line amortization method is used over the useful life period for intangible assets with definite useful lives. The Group reviews, at least at each year end, the useful life and amortization method for intangible assets with definite lives and makes adjustment when necessary.

Impairment test should be performed each year for intangible assets with indefinite useful lives, no matter whether there is evidence indicating impairment or not. This kind of intangible assets are not amortized. Their useful lives are reviewed in every accounting period and if any evidence indicates that useful lives are limited, they shall be dealt with as the aforementioned intangible assets with definite useful lives.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. SETTLED ASSETS

Settled assets are tangible assets or properties that borrowers, guarantors or other third parties use to discharge their debtors' or guarantors' obligations. Settled assets are initially recognized at their fair value.

24. IMPAIRMENT OF ASSETS

The Group assesses impairment of assets other than deferred tax assets and financial assets using the methods described as follows:

The Group assesses at each balance sheet date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount and performs a test of impairment for the asset. For goodwill generated from business combinations and intangible assets with indefinite useful lives, impairment test is performed annually regardless whether there are indications of impairment.

Recoverable amount is the higher of the asset's fair value less costs to sell and its present value of estimated future cash flows. The Group estimates recoverable value for individual assets. When it is difficult to estimate individually, the recoverable amount of the cash generating unit which the asset belongs to will be estimated. Cash generating unit is determined on the basis of whether the cash generating unit generates cash flows which are largely independent of those from other cash generating units.

Where the carrying amount of an asset or a cash generating unit exceeds its recoverable amount, the asset or cash generating unit is considered impaired and is written down to its recoverable amount. The difference between the carrying amount and recoverable amount is recognized in the current year's profit or loss and provision for impairment is made accordingly.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the related cash-generating units on a reasonable basis; if it is difficult to be allocated to a related cash-generating unit, it will be allocated to the related groups of cash-generating units. The related groups of cash-generating units refer to the ones that are expected to benefit from the synergies of the combination and also not greater than the segment determined by the Group.

When impairment is tested, if there is indication that a cash generating unit or a group of cash generating units with related goodwill may be impaired, the unit without goodwill allocated is first tested for impairment by comparing the unit's carrying amount, excluding any goodwill, with its recoverable amount and any related impairment loss is recognized accordingly. Then, the unit to which goodwill has been allocated is tested for impairment by comparing the carrying amount of the unit, including goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit or group of units is less than the carrying amount of the unit or group of units, the impairment loss shall first reduce the carrying amount of any goodwill allocated to the unit or group of units; and then to the other assets of the unit or group of units on a pro rata basis according to the carrying amount of each asset in the unit or group of units.

The above mentioned impairment losses recognized are not reversed in future years.

25. INSURANCE GUARANTEE FUND

According to "Administrative Regulations on the Insurance Guarantee Fund" (Baojianhuiling【2004】No. 16), the Group calculates the insurance guarantee fund as follows:

- For property insurance, accident insurance and short-term health insurance, insurance guarantee fund is provided at 1% of net premiums.
- For long-term life insurance and long-term health insurance with guaranteed interest rate, insurance guarantee fund is provided at 0.15% of net premiums.
- For long-term life insurance without guaranteed interest rate, insurance guarantee fund is provided at 0.05% of net premiums.

No additional provision is required when the accumulated insurance guarantee fund balances of Ping An Life, Ping An Annuity Insurance Company of China, Ltd. ("Ping An Annuity") and Ping An Health Insurance Company of China, Ltd. ("Ping An Health") reaches 1% of their respective total assets. For Ping An Property & Casualty, no additional provision is required when the accumulated balance reaches 6% of its total assets.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. DIRECT INSURANCE CONTRACTS

Direct insurance contracts are contracts entered into by the Group and policyholders where the Group undertakes insurance risks. The Group undertakes insurance risks when the occurrence of an accident within the scope of an insurance contract is likely to cause the Group to undertake the insurance claim liability. Contracts entered into by the Group and policyholders that cause the Group to accept both insurance risk and other risks are insurance contracts in their entirety with no separation of insurance risk and other risks.

When direct insurance contracts are terminated prior to their expiration dates, the Group transfers the balance of unearned premium reserves, policyholders' reserves for life insurance, and long-term reserves for health insurance to current year's profit or loss together with the corresponding surrenders.

27. UNEARNED PREMIUM RESERVES

Unearned premium reserves are reserves made for the unexpired portion of in-force non-life insurance policies. Unearned premium reserves are provided based on actuarial valuation results (1/365 method).

The Group performs the following tests on the balance sheet date, and makes additional provision for unearned premium reserves for the difference between the unearned premium reserves provided and the greater of the following two bases:

- Balance of estimated future claims and expenses after deduction of relevant investment income;
- Surrender amount on the date of premium reserve valuation assuming all insurance policies were surrendered.

28. CLAIM RESERVES

The Group, as the insurer, provides claim reserves for non-life insurance accidents claims incurred but not settled, which include reserves for claims reported but not settled, claims incurred but not reported, and claim adjustment expenses.

Reserves for claims incurred and reported are reserves for which the non-life insurance accidents have occurred and the claims have been reported to the Group but are not yet settled. Reserves for claims reported are prudently provided on the basis of the estimated claim not more than the maximum insured amount of the insurance policy using the Average Incurred Claim Projection, Average Paid Claim Projection and other methods on a reasonable basis.

Reserves for claims incurred but not reported are reserves for non-life insurance accidents incurred but not yet reported to the Group. Reserves for claims incurred but not reported are prudently provided using at least two of the following methods: the Chain-ladder method, the Average Paid Claim Projection, Loss Development method and the Bornhuetter-Ferguson method.

Reserves for claim adjustment expenses are reserves for expenses incurred for claims reported but not yet settled such as lawyer fees, litigation fees, loss inspection expenses and salaries of related claims handling staff. The Group uses the Average Case Projection method and Proportional Allocation method to provide for this reserve.

29. POLICYHOLDERS' RESERVES FOR LIFE INSURANCE

Policyholders' reserves for life insurance are reserves provided to meet future insurance obligations arising from life insurance business and are provided using actuarial valuation methods. In accordance with the CIRC's regulations, policyholders' reserves for life insurance provided by the Group are no lower than the statutory minimum reserve. The statutory policyholders' reserves are calculated in accordance with "Actuarial Regulations on Life Products", "Actuarial Regulations on Interest-Dividend-Only Products" (Baojianfa【1999】No. 90), "Actuarial Regulations on Individual Participating Products" (Baojianfa【2003】No. 67), "Actuarial Regulations for Universal Life Products", "Actuarial Regulations for Investment-linked Products" (Baojianfa【2007】No. 335),"Notice on preparation of Actuarial report" (Baojianshouxian【2007】No. 119), "Notice on Usage of Mortality Table in Actuarial Regulations" (Baojianfa【2005】No. 118) and other regulations and approvals of the CIRC.

The main basis of measuring the policyholders' reserves for life insurance of the Group is as follows:

(1) Use the prospective method on a seriatim basis or use the retrospective method on a seriatim basis if it has obtained the approval of the CIRC.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. POLICYHOLDERS' RESERVES FOR LIFE INSURANCE (CONTINUED)

(2) The valuation interest rate used for life insurance should be capped at the lower of:

- 7.5% set by the CIRC; or
- Pricing interest rate that is used in determining the insurance premium of the product.

(3) The mortality rates used for life insurance valuation are based on the China Life Insurance Mortality Table (2000-2003).

(4) The policyholders' reserves for life insurance valuation method (excluding universal life insurance and investment-linked life insurance) are as follows:

- The one-year term Full Preliminary Term is adopted for non-participating life insurance contracts, other than whole life annuities, while participating life insurance products are calculated according to "Amendment for the Actuarial Regulation on Individual Participating Life Insurance";
- For non-participating whole life annuities, a modified net level premium method is adopted, while participating whole life annuities are calculated according to "Amendment for the Actuarial Regulation on Individual Participating Life Insurance";
- Premium deficiency reserve is required if the renewal year valuation premium, calculated by modified method, is higher than the gross premium;
- Amount of policyholders' reserves for life insurance should be no less than the cash value of policies at valuation date.

(5) The reserve valuation method for universal life insurance, which includes account reserve and non-account reserve, is as follows:

- Account reserve is calculated on a seriatim basis and equals to the policy's account value at the valuation date;
- Non-account reserve is calculated by using discounted cash flow method on the basis of generally accepted actuarial principles and the discount rate used is based on expected rate of return and should not exceed 5%;
- The Group makes provision for non-account reserve for guaranteed benefits of universal insurance according to the related rules;
- The Group sets up smoothing reserves for universal account in order to smooth settlement interest rates of different settlement years. Smoothing reserves should not be negative and should only be derived from the accumulated difference between the actual investment return and the settlement interest. The Group will maintain the smoothness nature of the settlement interest rates.

(6) The reserves for investment-linked life insurance are the sum of unit reserve and non-unit reserve. The calculation method is as follows:

- Unit reserve is calculated on a seriatim basis and should be equal to the value of the unit investment account as at valuation date;
- Non-unit reserve is calculated by using discounted cash flow method on the basis of generally accepted actuarial principles and the discount rate used is based on expected rate of return and should not exceed 5%;
- The Group makes provision for non-unit reserve for guaranteed benefits of investment-linked insurance according to the related rules.

(7) The changes in fair values of financial assets at fair value through profit and loss for both participating insurance and universal life insurance are recorded in policyholders' reserves for life insurance for those portions reasonably attributable to the policyholders and in profit and loss for the year for those that are attributable to the shareholders. For available-for-sale financial assets, fair value changes are recorded in policyholders' reserves for insurance for those portions reasonably attributable to the policyholders and in capital reserve for those attributable to the shareholders.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. RESERVES FOR LONG-TERM HEALTH INSURANCE

Reserves for long-term health insurance are provided to meet future obligations arising from long-term health insurance business and is recorded based on actuarial valuation results. According to the CIRC's regulations, reserves for long-term health insurance are provided at a level not less than the statutory minimum reserve. The statutory reserve is calculated in accordance with "Actuarial Regulations on Health Products" (Baojianfa【1999】No. 90), other regulations and approvals promulgated by the CIRC. The expected loss rates and expected morbidity rates that are used to calculate reserves for long-term health insurance are based on the exiting experience tables of the reinsurance companies as well as the experience data of the Company. Others are by reference to the requirements on death insurance in Actuarial Regulation on Life Products (Baojianfa【1999】No. 90).

31. LIABILITY ADEQUACY TEST

The Group performs adequacy tests on claim reserves, policyholders' reserves for life insurance and reserves for long-term health insurance on each balance sheet date. If the reserves recalculated by using actuarial methods exceed the balance of the relevant reserves on the date of adequacy test, the Group will provide for additional reserves to top up the reserve deficiency and recognize it in current profit and loss, if any, and if the related reserve is adequate, no adjustment is made.

When performing liability adequacy tests on policyholders' reserves for life insurance and reserves for long-term health insurance, the Group applies actuarial models on the basis of best estimate hypothesis in order to estimate the future cash flows of the policies. The actuarial hypothesis parameters includes premium receipts, benefit expenditure, surrender expenditures, commission and handling fees, operating expenses, policyholder dividends and other non-beneficial expenditures. The discount rates used for discounting future cash flows takes into account those assets related to reserves and the yield rates of expected future cash flows for investments.

32. PROVISIONS

Contingent liabilities are recognized if the following conditions are met:

- an entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the balance sheet date with the consideration of risks, uncertainties and present value. Provisions shall be reviewed at each balance sheet date and adjusted to reflect the current best estimate.

33. REVENUE RECOGNITION

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group, the amount of the revenue can be measured reliably and also meets the following conditions:

Premium income

Premium income and reinsurance premium income is recognized when the insurance contracts are issued, related insurance risk is undertaken by the Group, related economic benefits will most likely flow to the Group and related net income can be reliably measured. Premiums from direct non-life insurance contracts are recognized as revenue based on the amount of total premium stated in the contracts. Premiums from direct life insurance contracts with installment or single payments are recognized as revenue when due. Reinsurance premiums are recognized as revenue in accordance with the terms stated in reinsurance contracts.

Interest income

Interest income is recognized in income statement as it accrues and is calculated by using the effective interest rate method.

Fee and commission income

Fee income comprises of commission income from securities and futures brokerage business and is recognized when the services are provided. The Group recognizes securities underwriting labor cost in current profit and loss, and recognizes the premium income upon completion of securities underwriting service.

Other income

Expressway toll fee income is acquired from running expressway and is recognized upon the completion of services.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. REINSURANCE

Reinsurance outwards

The Group cedes insurance risk in the normal course of business for its insurance businesses. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group calculates, in accordance with the terms of relevant reinsurance contracts, premiums ceded to reinsurers and expenses recoverable from reinsurers and recognizes them in income statement. The Group determines, in accordance with the terms of the relevant reinsurance contracts, and recognizes as assets the reserves to be recovered from reinsurers in the year in which the Group recognizes the unearned premium reserves, claim reserves, policyholders' reserves for life insurance and reserves for long-term health insurance of the direct insurance contracts. When the Group reduces the balance of the corresponding reserves as the amounts of claims and benefits payments are ascertained or actual claim handling expenses are incurred for the direct insurance contracts, it also reduces the balance of the corresponding reserves attributable to the outward reinsurance contracts. At the same time, the Group also determines the costs of claims and benefits recoverable from reinsurers according to the terms of the reinsurance contracts and recognizes the amount in income statement for the year. When early termination of the direct insurance contracts occurs, the Group determines the adjustments required for the premium ceded to reinsurers and commissions recoverable in accordance with the terms of the related reinsurance contracts and recognizes these amounts in income statement for the period. At the same time, the Group adjusts the relevant reserves attributable to the outward reinsurance contracts.

Gains or losses on buying reinsurance are recognized in the income statement immediately at the date of purchase and are not amortized.

As the cedant, the Group does not offset but presents separately in the balance sheet the assets and liabilities, as well as in the income statement the income and expenses arising from the reinsurance contracts and their related direct insurance contracts.

Reinsurance inwards

The Group calculates and recognizes reinsurance expenses in current year's income statement in the same year the reinsurance premium income is recognized according to the terms of the related reinsurance contracts. Profit commission expenses are recognized in current year's income statement when the Group is able to calculate and determine the expenses according to the terms of the reinsurance contracts.

The Group adjusts and recognizes in current year's income statement the related reinsurance premium income and expenses according to the actual amounts stated on the reinsurance statement of accounts when received.

35. POLICYHOLDER DIVIDENDS

Policyholder dividends represent dividends paid by the Group to policyholders in accordance with the terms of direct insurance contracts. The dividends are calculated and provided based on dividends allocation method and results of actuarial valuation.

36. OPERATING LEASE

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rental income and expenses applicable to such operating leases are charged to profit or loss on a straight-line basis over the lease terms.

37. EMPLOYEE BENEFITS

Employee benefits represent all kinds of benefits and other relevant expenditure offered by the Group to obtain employees' services. During the accounting year when employees provide services, employee benefit payable is recognized as liability. If it will expire after one year or more from the balance sheet date and the discounting effect is significant, it is presented at its present value.

The employees of the Group are entitled to participate in government-managed social insurance schemes, including pension plans, medical benefits, unemployment benefits, housing funds and other social insurance schemes. The associated expenditure is recognized as the costs of the related assets or expenses when incurred. Certain employees are also provided with group life insurance, but the amount involved is insignificant. The Group has no other significant legal or constructive obligations for employee benefits beyond the said contributions.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

38. SHARE-BASED PAYMENT TRANSACTIONS

Senior management and some of the key employees of the Group receive remuneration in the form of share-based payment transactions (i.e. share appreciation rights) whereby the above mentioned employees render services as consideration for share appreciation rights which are settled in cash.

Share appreciation rights are settled in cash after completion of services by the above mentioned employees in the vesting year. At each balance sheet date during the vesting year, on the basis of the best estimate of future settlement the fair value of share appreciation rights is expensed over the year until vesting with recognition of a corresponding liability. The fair value of share appreciation rights is measured using the Black-Scholes formula.

The liability is re-measured at each balance sheet date up to and including the settlement date with changes in fair value recognized in the income statement.

39. ACCOUNTING FOR INCOME TAX

Income tax includes current and deferred tax. Income tax are recognized in current year's profit and loss as income tax expense or income except for the adjustment made for goodwill in a business consolidation and income tax from transactions or items that directly related to equity.

Current tax represents current income tax payable calculated on current taxable income. Taxable income is current year's accounting profit before tax as adjusted according to the related tax regulations.

For current year's deferred tax assets and liabilities arising in current and prior years, the Group measures them using the expected payment or refund amount according to the relevant tax regulations.

The Group recognizes deferred tax liabilities or assets based on temporary differences using balance sheet liability method. Temporary differences are differences between the carrying amount of assets or liabilities in the balance sheet and their tax base. Temporary differences also include the differences between the book values and tax bases of items not recognized as assets or liabilities where the tax base can be calculated according to the relevant tax regulations.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from: goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry-forward of unused tax losses and unused tax credits can be utilized except where the transaction is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income.

In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax asset is recognized where the temporary differences are likely to be reversed in the foreseeable future and taxable income will be available in the future to utilize the temporary differences.

The Group re-assesses carrying amount of deferred tax assets at each balance sheet date. The Group reduces the carrying amount of deferred tax assets if future taxable profit may not be sufficient to offset the benefits from the assets. When future taxable profit is sufficient, the reduction is reversed.

40. FIDUCIARY BUSINESS

The Group acts as a trustee, custodian or agent in fiduciary business. Assets held under trust on behalf of third parties arising from fiduciary business and the corresponding obligation to return such assets are not shown in the balance sheet because the risk and return are borne by the customers.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

41. RELATED PARTIES

Parties are considered to be related if the Group has the ability to control the other party or to exercise joint control or significant influence over the other party. Two or more parties are also regarded as related parties if they are subject to control, joint control or significant influence from the same party.

42. APPROACHING CHANGES IN SIGNIFICANT ACCOUNTING POLICY

On 5 January 2009, the PRC insurance regulator issued “Circular on Insurance Industry’s Implementation of Interpretation No. 2 to New China Accounting Standards” (Baojianfa【2009】No. 1) which requires a PRC insurance company to modify its existing accounting policies, such that there would be no material GAAP differences in its PRC and IFRS (or Hong Kong Financial Reporting Standards) financial statements since the year ending 31 December 2009. The major changes would be:

- Acquisition costs for new policies are expensed in the income statement instead of deferral and amortization;
- New reserving standards based on best estimates should be used;
- Recognition of premium income should be based on testing “significant insurance risk” and unbundling.

It is expected that more detailed requirement would be issued by the relevant authorities in due course.

43. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

Preparing the financial statement require management to make judgments and estimates, which affect the reported amounts of revenues, expenses, assets and liabilities as well as disclosures of contingent liabilities as at balance sheet date. However, results led by the uncertainty of these estimates may lead to significant adjustments on carrying amounts of affected assets and liabilities in the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group’s accounting policies, management has made the following judgments, which has the most significant effect on the amounts recognized in the financial statements:

(1) Classification of financial assets

Management shall make significant judgments on classification of financial assets. Different classifications would affect the accounting treatment and the Group’s financial position and operating results. If the Group’s classification is subsequently proved to be wrong, reclassification may be required for certain categories as a whole.

(2) Classification of insurance contracts

Management shall make significant judgments on classification of insurance contracts. Different classifications would affect the accounting treatment and the Group’s financial position and operating results.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

43. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) Valuation of insurance contract liabilities

Policyholders' reserves for life insurance and reserves for long-term health insurance

Policyholders' reserves for life insurance and reserves for long-term health insurance are valued according to the regulations of the CIRC, using the main assumptions which include interest rates and mortality rates.

Every year the Group performs a liability adequacy test on the aforementioned reserves, which reflects management's current best estimate of future cash flows. The main assumptions used are mortality, morbidity, investment returns, expenses, lapse and surrender rates. The Group base their mortality and morbidity tables on standard industry and national tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. The Group's assumptions of investment returns are based on current and expected future investment portfolio, current market returns as well as expectations about future economic and financial developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation adjustments when appropriate. As lapse and surrender rates depend on product features, policy duration and etc, historical experience is used in choosing these assumptions.

The reserves for investment-linked policies, where the Group undertakes both insurance risks and other risks, are determined with reference to the fair values of the assets supporting such liabilities.

Claims reserves

For property and casualty and short-term life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date ("IBNR"). The ultimate cost of outstanding claims is estimated by using at least two of the actuarial claims projection techniques, such as Chain Ladder Method, Average Claim Method, Reserve Development Method and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or maker factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the most likely outcome from the range of possible outcomes, taking into account all the uncertainties involved. Every year the Group performs a liability adequacy test on claim reserves.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

43. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Estimates and assumptions (continued)

(2) Fair value of financial instruments determined using valuation techniques

Fair value of financial instruments, in the absence of an active market, is estimated by counterparty quotes or using valuation techniques, such as the price used in recent arm's length transactions, reference to the current fair value of another instrument which is substantially the same, discounted cash flow analysis and option pricing model etc..

When using valuation techniques to determine the fair value of financial instruments, the Group makes use of all factors, whenever possible, considered by market participants in pricing financial instruments including risk-free rates, credit risk, foreign currency exchange rates, commodity prices, stock price or stock index, magnitude of future changes in price of the financial instruments and prepayment and surrender risk. However, when no sufficient market data is available, management needs to make estimate based on counterparty and the entity's credit risk, and market volatility etc..

Using different valuation techniques or reference assumptions may result in the existence of relatively significant differences in fair value estimations.

(3) Provision for Impairment of available-for-sales equity investments

The Group considers that impairment provision is needed for an available-for-sale equity investment when there is significant or prolonged decline in fair value of that security below its cost. Management shall exercise judgment to determine “significant or prolonged”. When making such judgment, the Group considers factors in Note III.15.

(4) Impairment losses of loans and advances

The Group reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of present value of future cash flows when determining the level of allowance required. Such estimates are based on a number of assumptions and actual results may differ.

(5) Deferred tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred income tax assets are recognized for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Significant management judgment is required to estimate the amount and timing of future taxable profit as well as the applicable tax rates so as to determine, together with the tax planning strategies, the amount of deferred income tax assets and liabilities to be recognized. In this regard, the Group has formulated feasible tax planning strategies to facilitate recognition of deferred tax asset in the amount of approximately RMB5,700 million.

44. CHANGES IN SIGNIFICANT ACCOUNTING ESTIMATES

In compliance with Baojianfa【1999】No. 90 that reserves provided for the year should not be less than the statutory minimum reserves, and valuation interest rate should not be higher than the pricing interest rate or the determined rate of 7.5%, the Group uses a more prudent valuation interest rate for insurance policies with pricing interest rate equal to or higher than 7.5%. As at 31 December 2007, valuation interest rates of the above high interest rate policies were reduced to 6%-6.5%.

In the six months ended 30 June 2008, the Group once further reduced the valuation interest rates of the above high interest rate policies to 6% based on the objective investment environment and relevant macroeconomic upturn forecast, which resulted in a decrease in profit before tax for the period ended 30 June 2008 of approximately RMB3,811 million. Thereafter, the Group verified that there was comparatively large difference between annual forecast made in the first half year and actual circumstances due to international financial crisis, after systematically following up relevant forecast factors and judgments. After making adjustment based on the objective factors, the Group resumed the valuation interest rates as that of 31 December 2007 during the 4th quarter. Therefore, valuation interest rates of the above high interest rate policies were the same as that of 31 December 2007(6%-6.5%). As compared to 31 December 2007, there were no changes in accounting estimates in this regard.

IV. TAXATION

The major types of taxes and related tax rates applicable to the Group are as follows:

BUSINESS TAX AND SURCHARGES

Business tax is levied on 5% of taxable premium income, other income and investment income. Business tax surcharges, comprising city maintenance and construction tax and education surcharges are calculated at a pre-determined percentage of business tax.

According to "Circular on exempting from the business tax on certain items" (Caishui【1994】No. 2), "Circular on exempting Ping An Insurance Company of China, Ltd. from the business tax on refundable life insurance businesses with a term of more than one year" (Caishui【1998】No. 95), "Circular on exempting Ping An Insurance Company of China, Ltd. from the business tax on new refundable life insurance products with a term of more than one year" (Guoshuihan【1999】No. 181), "Approval regarding exempting Ping An Insurance Company of China, Ltd. Urumqi Branch from the business tax on specific insurance products" (Guoshuihan【1998】No. 746), "Circular on exempting insurance companies from the business tax on refundable life insurance products with a term of more than one year" (Caishui【2000】No. 59), "Circular on certain issues concerning exempting from the business tax on life insurance businesses" (Caishui【2001】No. 118), "Circular on exempting insurance companies from the business tax on refundable life insurance products with a term of more than one year" (Caishui【2002】No. 94), "Circular on exempting insurance companies from the business tax on refundable life insurance products with a term of more than one year" (Caishui【2002】No. 156), "Circular on exempting insurance companies from the business tax on refundable life insurance businesses with a term of more than one year" (Caishui【2004】No. 71), "Circular on exempting insurance companies from the business tax on refundable life insurance businesses with a term of more than one year" (Caishui【2005】No. 21), "Circular on exempting insurance companies from the business tax on refundable life insurance businesses with a term of more than one year" (Caishui【2005】No. 76), "Circular on publishing refundable life insurance products' list (16th batch) with more than one year term exempted from business tax" (Caishui【2006】No. 115), "Circular of the Ministry of Finance and the State Administration of Taxation on publishing the list (17th batch) of refundable life insurance products with a term of more than one year exempted from the business tax" (Caishui【2007】No. 43), "Circular of the Ministry of Finance and the State Administration of Taxation on publishing the list (18th batch) of refundable life insurance products with a term of more than one year exempted from the business tax" (Caishui【2007】No. 117), "Circular of the Ministry of Finance and the State Administration of Taxation on publishing the list (19th batch) of refundable life insurance products with a term of more than one year exempted from the business tax" (Caishui【2007】No. 158), "Circular of the Ministry of Finance and the State Administration of Taxation on publishing the list (20th batch) of refundable life insurance products with a term of more than one year exempted from the business tax" (Caishui【2008】No. 88), "Circular of the Ministry of Finance and the State Administration of Taxation on the list (21st batch) refundable life insurance products with a term of more than one year exempted from the business tax" (Caishui【2008】No. 166) etc., common life insurance with principal and interest refundable and a term of more than one year (one year is included), pension annuity insurance and health insurance products with a term of more than one year (one year is included) of Ping An Life, common life insurance and pension annuity insurance with a term of more than one year (one year is included) of Ping An Annuity, health insurance products with a term of more than one year (one year is included) of Ping An Health, and health insurance products with a term of more than one year (one year is included) of Ping An Property & Casualty are exempted from the business tax since the aforementioned documents were published.

INCOME TAX

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"). The new CIT Law unifies the domestic corporate income tax rate to 25% with effect from 1 January 2008. Therefore, for subsidiaries and branches of the Group located in Special Economic Zones that were entitled to preferential income tax, the applicable CIT rate will be transited to 25% in 5 years. During the transitional year, the applicable CIT rate for those subsidiaries and branches will be 18%, 20%, 22%, 24% and 25% for year 2008, 2009, 2010, 2011 and 2012 respectively. For other subsidiaries and branches of the Group, the CIT rates are reduced from 33% to 25% from 1 January 2008.

Subsidiaries of the Group located in Hong Kong Special Administrative Region are subject to Hong Kong profit tax. The tax rate of Hong Kong profit tax is reduced from 17.5% to 16.5% for the period from 1 April 2008 to 31 March 2009.

(in RMB million)

V. SCOPE OF CONSOLIDATION

The major changes in the subsidiaries of the Group during 2008 are as follows:

(1) In March 2008, Ping An Life completed the acquisition of 60% equity interest in Shanxi Changjin Expressway Co., Ltd. ("Shanxi Changjin"). The share capital of Shanxi Changjin is RMB750 million.

The fair values and carrying values of the identifiable assets and liabilities acquired by Ping An Life as at the date of acquisition were:

	Fair value recognized on acquisition	Carrying value
Cash on hand and at bank	181	181
Intangible assets	2,659	1,920
Other assets	147	147
Sub-total	2,987	2,248
Deferred tax liabilities	185	–
Other liabilities	1,582	1,582
Sub-total	1,767	1,582
Net identifiable assets	1,220	666
Less: Minority interests	(488)	
Fair value of net assets acquired attributable to Ping An Life	732	
Satisfied by cash	732	

The fair values of the above identifiable assets and liabilities acquired as at the date of acquisition were determined by reference to book values and an independent appraisal report.

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiary:

Cash consideration	(732)
Cash and bank balances acquired	181
Net outflow of cash and cash equivalents	(551)
Less: cash consideration in 2007	220
Net outflow of cash and cash equivalents in 2008	(331)

The operating results and cash flow of Shanxi Changjin from the date of acquisition to current year end were as follows:

Operating income	267
Net profit	44
Net cash flows	115

From the date of acquisition to current year end, Ping An Life did not dispose of and did not intend to dispose of any assets or liabilities of Shanxi Changjin.

V. SCOPE OF CONSOLIDATION (CONTINUED)

(2) In March 2008, Ping An Life completed the acquisition of 60% equity interest in Shanxi Jinjiao Expressway Co., Ltd. ("Shanxi Jinjiao"). The share capital of Shanxi Jinjiao is RMB504 million.

The fair values and carrying values of the identifiable assets and liabilities acquired by Ping An Life as at the date of acquisition were:

	Fair value recognized on acquisition	Carrying value
Cash on hand and at bank	166	166
Intangible assets	1,913	1,303
Other assets	20	20
Sub-total	2,099	1,489
Long-term loans	857	857
Deferred tax liabilities	152	–
Other liabilities	221	221
Sub-total	1,230	1,078
Net identifiable assets	869	411
Less: Minority interests	(348)	
Fair value of net assets acquired attributable to Ping An Life	521	
Satisfied by cash	521	

The fair values of the above identifiable assets and liabilities acquired as at the date of acquisition were determined by reference to book values and an independent appraisal report.

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiary:

Cash consideration	(521)
Cash and bank balances acquired	166
Net outflow of cash and cash equivalents	(355)
Less: cash consideration in 2007	157
Net outflow of cash and cash equivalents in 2008	(198)

The operating results and cash flow of Shanxi Jinjiao from the date of acquisition to 31 December 2008 were as follows:

Operating income	257
Net profit	75
Net cash flows	(61)

From the date of acquisition to 31 December 2008, Ping An Life did not dispose of and did not intend to dispose of any assets or liabilities of Shanxi Jinjiao.

(in RMB million)

V. SCOPE OF CONSOLIDATION (CONTINUED)

(3) In November 2008, Ping An Trust's subsidiary Beijing Ping An Wanqi Shangdi Hotel Management Co., Ltd. ("Ping An Wanqi") completed the acquisition of 100% equity interest in Beijing Huaxia Hotel Co., Ltd. ("Huaxia Hotel"). The share capital of Huaxia Hotel is RMB39 million.

The fair values and carrying values of the identifiable assets and liabilities acquired as at the date of acquisition were:

	Fair value recognized on acquisition	Carrying value
Cash on hand and at bank	1	1
Fixed assets	19	19
Intangible assets	144	60
Sub-total	164	80
Deferred tax liabilities	21	–
Other liabilities	52	52
Sub-total	73	52
Net identifiable assets	91	28
Fair value of net assets acquired attributable to Ping An Wanqi	91	
Satisfied by cash	91	

The fair values of the above identifiable assets and liabilities acquired as at the date of acquisition were determined by reference to book values and an independent appraisal report.

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Huaxia Hotel is as follows:

Cash consideration	(91)
Cash and bank balances acquired	1
Net outflow of cash and cash equivalents	(90)

The operating results and cash flows of Huaxia Hotel from the date of acquisition to 31 December 2008 were not significant.

From the date of acquisition to 31 December 2008, Ping An Wanqi did not dispose of and did not intend to dispose of any assets or liabilities of Huaxia Hotel.

V. SCOPE OF CONSOLIDATION (CONTINUED)

(4) Particulars of the Company's principal subsidiaries as at 31 December 2008 are set out below:

Name	Place of incorporation	Organizational code	Attributable equity interest Direct	Attributable equity interest Indirect	Proportion of voting right	Registered/ Authorized capital (RMB unless otherwise stated)	Paid-up capital (RMB unless otherwise stated)	Principal activities
Ping An Life Insurance Company of China, Ltd. (i)	Shenzhen	71093073-9	99.33%	–	99.33%	23,800,000,000	23,800,000,000	Life insurance
Ping An Property & Casualty Insurance Company of China, Ltd. (ii)	Shenzhen	71093072-0	99.08%	–	99.08%	3,000,000,000	4,000,000,000	Property and casualty insurance
Shenzhen Ping An Bank Co., Ltd.	Shenzhen	19236558-0	90.04%	–	90.04%	5,460,940,138	5,460,940,138	Banking
China Ping An Trust & Investment Co., Ltd. (iii)	Shenzhen	10002000-9	99.88%	–	99.88%	6,988,000,000	6,988,000,000	Investment and trust
Ping An Securities Company, Ltd.	Shenzhen	100323453	–	86.66%	86.66%	1,800,000,000	1,800,000,000	Security investment and brokerage
Ping An Annuity Insurance Company of China, Ltd. (iv)	Shanghai	77021249-9	98.50%	1.49%	99.99%	1,000,000,000	1,000,000,000	Annuity insurance
Ping An Asset Management Co., Ltd.	Shanghai	71093344-6	96.00%	3.97%	99.97%	500,000,000	500,000,000	Asset management
Ping An Health Insurance Company of China, Ltd.	Shanghai	71093349-7	95.00%	4.97%	99.97%	500,000,000	500,000,000	Health insurance
China Ping An Insurance Overseas (Holdings) Limited	Hong Kong	Not applicable	100.00%	–	100.00%	HKD4,000,000,000	HKD555,000,000	Investment holding
China Ping An Insurance (Hong Kong) Company Limited	Hong Kong	Not applicable	–	75.00%	75.00%	HKD110,000,000	HKD110,000,000	Property and casualty insurance
Ping An Futures Co., Ltd. (v)	Guangzhou	10002318-8	–	89.47%	89.47%	120,000,000	120,000,000	Futures brokerage
Shenzhen Ping An New Capital Investment Co., Ltd. (vi)	Shenzhen	19221023-9	–	99.88%	99.88%	4,000,000,000	4,000,000,000	Investment
Shenzhen Ping An Property Investment Management Co., Ltd. (vii)	Shenzhen	19230555-3	–	99.88%	99.88%	20,000,000	20,000,000	Property management
Shenzhen Ping An Real Estate investment Co., Ltd.	Shenzhen	77270613-4	–	99.88%	99.88%	800,000,000	800,000,000	Real estate investment
Shenzhen Xin An Investment Consultant Co., Ltd.	Shenzhen	77985608-X	–	99.88%	99.88%	3,000,000	3,000,000	Investment consulting

(in RMB million)

V. SCOPE OF CONSOLIDATION (CONTINUED)

(4) Particulars of the Company's principal subsidiaries as at 31 December 2008 are set out below: (continued)

Name	Place of incorporation	Organizational code	Attributable equity interest Direct	Attributable equity interest Indirect	Proportion of voting right	Registered/ Authorized capital (RMB unless otherwise stated)	Paid-up capital (RMB unless otherwise stated)	Principal activities
Ping An of China Asset Management (Hong Kong) Company Limited	Hong Kong	Not applicable	–	100.00%	100.00%	HKD80,000,000	HKD65,000,000	Asset management
Yuxi Ping An Real Estate Co., Ltd.	Yuxi	79028553-X	–	79.90%	79.90%	38,500,000	38,500,000	Property leasing
Yuxi Meijiahua Business management, Co., Ltd.	Yuxi	78735955-0	–	79.90%	79.90%	500,000	500,000	Property management
Ping An Meijiahua (Jingzhou) Business Management Co., Ltd.	Jingzhou	77076569-1	–	50.94%	50.94%	USD9,700,000	USD9,700,000	Real estate Investment
Nanning Ping An Meijiahua Real Estate Co., Ltd.	Nanning	79974132-7	–	50.94%	50.94%	100,000,000	55,000,000	Property leasing
Shenzhen CITIC City Plaza Investment Co., Ltd.	Shenzhen	73207232-5	–	98.88%	98.88%	20,000,000	20,000,000	Real estate investment
Anseng Investment Company Limited	British Virgin Islands	Not applicable	–	100.00%	100.00%	USD50,000	USD2	Project investment
Rich All Investments Company Limited	British Virgin Islands	Not applicable	–	100.00%	100.00%	USD36,000,001	USD36,000,001	Project investment
Profaith International Investment Limited	British Virgin Islands	Not applicable	–	100.00%	100.00%	USD50,000	USD1	Project investment
Profield Limited	Hong Kong	Not applicable	–	100.00%	100.00%	HKD10,000	HKD10	Project investment
Ningbo Beilun Port Expressway Co., Ltd.	Ningbo	739490888	–	100.00%	100.00%	USD77,800,000	USD77,800,000	Operating expressway
Shanxi Changjin Expressway Co., Ltd. (viii)	Taiyuan	73190971-X	–	59.60%	59.60%	750,000,000	750,000,000	Operating expressway
Shanxi Jinjiao Expressway Co., Ltd. (viii)	Taiyuan	780101033-2	–	59.60%	59.60%	504,000,000	504,000,000	Operating expressway
Beijing Ping An Wanqi Shangdi Hotel Management Co., Ltd.	Beijing	66690678-1	–	69.92%	69.92%	140,000,000	140,000,000	Hotel management
Beijing Jingan Shihua Shangdi Hotel Management Co., Ltd.	Beijing	66910233-2	–	69.92%	69.92%	130,000,000	130,000,000	Hotel management
Beijing Huaxia Hotel Co., Ltd. (viii)	Beijing	10129520-7	–	69.92%	69.92%	39,399,030	39,399,030	Hotel management
Shenzhen Ping An Marketing Services Co., Ltd. (ix)	Shenzhen	67299862-7	–	99.88%	99.88%	10,000,000	10,000,000	Financial services

V. SCOPE OF CONSOLIDATION (CONTINUED)

(4) Particulars of the Company's principal subsidiaries as at 31 December 2008 are set out below: (continued)

Name	Place of incorporation	Organizational code	Attributable equity interest Direct	Attributable equity interest Indirect	Proportion of voting right	Registered/ Authorized capital (RMB unless otherwise stated)	Paid-up capital (RMB unless otherwise stated)	Principal activities
Shenzhen Pingan Decheng Investment Co., Ltd. (ix)	Shenzhen	68037400-5	–	99.88%	99.88%	300,000,000	300,000,000	Project investment & investment consulting
Ping An Tradition International Money Broking Company Ltd. (ix)	Shenzhen	71093529-X	–	66.92%	66.92%	50,000,000	50,000,000	Money broking
Ping An Caizhi Investment Management Company Limited (ix)	Shenzhen	68039626-3	–	86.66%	86.66%	300,000,000	300,000,000	Equity investment
Ping An Technology (Shenzhen) co, Ltd. (ix)	Shenzhen	67297503-8	–	100.00%	100.00%	USD30,000,000	USD6,000,000	IT services
Ping An Processing & Technology (Shenzhen) Co., Ltd. (ix)	Shenzhen	67297264-6	–	100.00%	100.00%	USD30,000,000	USD6,000,000	IT and business process outsourcing services
Ping An Channel Development Consultation Service Company of Shenzhen, Ltd. (ix)	Shenzhen	67483282-3	–	99.88%	99.88%	3,000,000	3,000,000	Information consulting
Ping An of China Securities (Hong Kong) Company Limited (x)	Hong Kong	Not applicable	–	86.66%	86.66%	HKD1,000	HKD1,000	Financial services

Remarks:

(i) Up to 31 December 2008, Ping An Life's paid-up capital was increased to RMB23.8 billion.

(ii) Up to 31 December 2008, Ping An Property & Casualty's paid-up capital was increased to RMB4 billion, but the update of its business registration was still in progress.

(iii) Up to 31 December 2008, Ping An Trust's paid-up capital was increased to RMB6.988 billion.

(iv) Up to 31 December 2008, Ping An Annuity's paid-up capital was increased to RMB1 billion.

(v) Shenzhen Ping An Futures Brokerage Co., Ltd was renamed as Ping An Futures Co., Ltd. during the year 2008.

(vi) Shenzhen Ping An Industries Co., Ltd. was renamed as Shenzhen Ping An New Capital Investment Co., Ltd. ("Ping An New Capital") during the year 2008. Its paid-up capital was increased to RMB4 billion.

(vii) Shenzhen Ping An Property & Facilities Management Co., Ltd. was renamed as Shenzhen Ping An Property Investment Management Co., Ltd. ("Ping An Property") during the year 2008.

(viii) These subsidiaries were acquired during the year 2008 through business combinations without involving entities under common control. Please refer to Note V. (1) to (3) for details.

(ix) The subsidiaries were newly set up during the year 2008.

(x) China Ping An Insurance Overseas (Holdings) Limited ("Ping An Overseas") transferred its shares of Ping Bao Securities Company Limited ("Ping Bao Securities") to Ping An Securities during the year 2008. After the transaction completed, Ping Bao Securities was renamed as Ping An of China Securities (Hong Kong) Company Limited.

Except for the new subsidiaries mentioned above, the scope of consolidation for the year 2008 is the same as that of last year.

(in RMB million)

VI. SEGMENT REPORT

The Group's business segment is divided into five business segments: life insurance business, property and casualty insurance business, banking business, security business, corporate business and other businesses. Segment net profit represents revenue less expenses directly attributable to a segment and the relevant portion of enterprise revenue less expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other segments of the Group.

Segment assets and liabilities mainly comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related allowances that are reported as direct offsets in the Group's consolidated balance sheet. The Group's revenue and net profit for this year are mainly derived from the above activities in the PRC. Accordingly, no further segment analysis by geographical area is provided.

	2008							
	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Income statement								
Premium income	102,369	27,014	–	–	–	–	–	129,383
Less: Premiums ceded to reinsurers	(980)	(4,833)	–	–	–	–	–	(5,813)
Change in unearned premium reserves	(73)	(1,707)	–	–	–	–	–	(1,780)
Net earned premiums	101,316	20,474	–	–	–	–	–	121,790
Net interest income from banking operations	–	–	3,814	–	–	–	529	4,343
Including: inter-segmental interest income from banking operations	–	–	(529)	–	–	–	529	–
Net fees and commission income of non-insurance operations	–	–	206	1,229	–	374	(33)	1,776
Including: Inter-segmental fees and commission income of non-insurance operations	–	–	–	7	–	26	(33)	–
Investment income	24,023	1,976	32	370	918	1,458	(529)	28,248
Including: Inter-segmental investment income	416	9	–	(12)	98	18	(529)	–
Fair value losses	(16,114)	(20)	(196)	(130)	(762)	(446)	–	(17,668)
Foreign exchange gains/(losses)	(374)	(40)	18	(4)	(66)	1	–	(465)
Other income	1,069	110	19	6	1	1,251	(677)	1,779
Including: Inter-segmental other income	284	4	–	–	–	389	(677)	–
Total operating income	109,920	22,500	3,893	1,471	91	2,638	(710)	139,803

VI. SEGMENT REPORT (CONTINUED)

	2008							
	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Income statement (Continued)								
Surrenders	(13,362)	–	–	–	–	–	–	(13,362)
Claims paid	(19,723)	(14,869)	–	–	–	–	–	(34,592)
Less: Reinsurers' share of claims paid	781	2,179	–	–	–	–	–	2,960
Change in insurance contract liabilities	(37,125)	(1,667)	–	–	–	–	–	(38,792)
Less: Reinsurers' share of insurance contract liabilities	5,063	745	–	–	–	–	–	5,808
Policyholder dividends	(6,276)	–	–	–	–	–	–	(6,276)
Expenses for reinsurance accepted	–	(23)	–	–	–	–	–	(23)
Commission expenses of insurance operations	(11,811)	(3,029)	–	–	–	–	203	(14,637)
Including: Inter-segmental commission expenses of insurance operations	(4)	(199)	–	–	–	–	203	–
Business tax and surcharges	(498)	(1,538)	(273)	(82)	(36)	(149)	–	(2,576)
General and administrative expenses	(6,901)	(4,660)	(1,828)	(688)	180	(613)	485	(14,025)
Including: Inter-segmental general and administrative expenses	(326)	(35)	(12)	(6)	(86)	(20)	485	–
Less: Reinsurers' share of expenses	171	1,285	–	–	–	–	–	1,456
Other expenses	(1,037)	(47)	(16)	–	–	(853)	22	(1,931)
Including, Inter-segmental other expenses	(14)	(7)	–	–	–	(1)	22	–
Impairment losses	(25,113)	(286)	(269)	(9)	(409)	(34)	–	(26,120)
Total operating expenses	(115,831)	(21,910)	(2,386)	(779)	(265)	(1,649)	710	(142,110)
Operating profit	(5,911)	590	1,507	692	(174)	989	–	(2,307)
Add: Non-operating income	36	20	31	3	–	24	–	114
Less: Non-operating expenses	(25)	(15)	(161)	(9)	(48)	(2)	–	(260)
Profit/(loss) before tax	(5,900)	595	1,377	686	(222)	1,011	–	(2,453)
Less: Income taxes	3,766	(187)	67	(136)	34	(218)	–	3,326
Net profit/(loss)	(2,134)	408	1,444	550	(188)	793	–	873
Other segment information								
Capital expenditure	2,270	2,061	529	180	84	397	–	5,521
Depreciation and amortization expense	685	200	119	23	39	227	–	1,293
Non-cash expenses other than depreciation and amortization	6	(52)	196	–	–	10	–	160

(in RMB million)

VI. SEGMENT REPORT (CONTINUED)

	31 December 2008							
	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Balance sheet								
Segment assets	**476,519**	**40,854**	**146,072**	**13,730**	**31,909**	**19,368**	**(20,812)**	**707,640**
Segment liabilities	**450,013**	**34,795**	**137,283**	**9,885**	**7,034**	**7,909**	**(20,748)**	**626,171**

	2007							
	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Income statement								
Premium income	79,279	21,666	–	–	–	–	–	100,945
Less: Premiums ceded to reinsurers	(710)	(3,588)	–	–	–	–	–	(4,298)
Change in unearned premium reserves	(332)	(2,283)	–	–	–	–	–	(2,615)
Net earned premiums	78,237	15,795	–	–	–	–	–	94,032
Net interest income from banking operations	–	–	3,478	–	–	–	271	3,749
Including: inter-segmental interest income from banking operations	–	–	(271)	–	–	–	271	–
Net fees and commission income of non-insurance operations	–	–	112	1,998	–	437	(235)	2,312
Including: Inter-segmental fees and commission income of non-insurance operations	–	–	–	117	–	118	(235)	–
Investment income	49,595	2,575	65	1,111	4,126	981	(271)	58,182
Including: Inter-segmental investment income	110	16	–	(107)	243	9	(271)	–
Fair value gains/(losses)	6,395	(45)	(60)	146	324	125	–	6,885
Foreign exchange gains/(losses)	(510)	(10)	35	(4)	(4)	(8)	–	(501)
Other income	465	33	7	15	2	420	(338)	604
Including: Inter-segmental other income	199	–	–	–	–	139	(338)	–
Total operating income	134,182	18,348	3,637	3,266	4,448	1,955	(573)	165,263

VI. SEGMENT REPORT (CONTINUED)

	2007							
	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Income statement (Continued)								
Surrenders	(13,333)	–	–	–	–	–	–	(13,333)
Claims paid	(16,083)	(10,915)	–	–	–	–	–	(26,998)
Less: Reinsurers' share of claims paid	530	1,913	–	–	–	–	–	2,443
Change in insurance contract liabilities	(76,306)	(1,239)	–	–	–	–	–	(77,545)
Less: Reinsurers' share of insurance contract liabilities	2	590	–	–	–	–	–	592
Policyholder dividends	(3,514)	–	–	–	–	–	–	(3,514)
Expenses for reinsurance accepted	–	(16)	–	–	–	–	–	(16)
Commission expenses of insurance operations	(9,004)	(1,987)	–	–	–	–	153	(10,838)
Including: Inter-segmental commission expenses of insurance operations	–	(153)	–	–	–	–	153	–
Business tax and surcharges	(1,808)	(1,278)	(179)	(160)	(142)	(89)	–	(3,656)
General and administrative expenses	(7,109)	(4,093)	(1,490)	(1,213)	(1,414)	(507)	302	(15,524)
Including: Inter-segmental general and administrative expenses	(256)	(19)	(2)	–	(23)	(2)	302	–
Less: Reinsurers' share of expenses	175	992	–	–	–	–	–	1,167
Other expenses	(302)	(16)	(1)	–	–	(297)	31	(585)
Including: Inter-segmental other expenses	(31)	–	–	–	–	–	31	–
Impairment losses	6	(51)	(164)	(3)	–	(77)	–	(289)
Total operating expenses	(126,746)	(16,100)	(1,834)	(1,376)	(1,556)	(970)	486	(148,096)
Operating profit	7,436	2,248	1,803	1,890	2,892	985	(87)	17,167
Add: Non-operating income	101	10	449	1	–	8	–	569
Less: Non-operating expenses	(102)	(47)	(99)	(3)	(2)	–	–	(253)
Profit before tax	7,435	2,211	2,153	1,888	2,890	993	(87)	17,483
Less: Income taxes	396	(727)	(616)	(396)	(354)	(205)	–	(1,902)
Net profit	7,831	1,484	1,537	1,492	2,536	788	(87)	15,581
Other segment information								
Capital expenditure	3,678	260	230	80	64	581	–	4,893
Depreciation and amortization expense	483	159	81	26	24	94	–	867
Non-cash expenses other than depreciation and amortization	(6)	51	164	3	–	77	–	289

(in RMB million)

VI. SEGMENT REPORT (CONTINUED)

	31 December 2007							
	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Balance sheet								
Segment assets	420,566	31,331	141,976	23,516	55,368	21,155	(42,568)	651,344
Segment liabilities	390,247	25,733	135,351	19,786	1,924	11,566	(42,481)	542,126

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CASH ON HAND AND AT BANK

	31 December 2008	31 December 2007
Cash on hand	**574**	382
Cash at bank	**29,040**	51,701
Including: Brokerage customers	**5,782**	12,845
Balances with central bank		
Including: Mandatory reserve deposits	**12,829**	14,265
Surplus reserve deposits	**7,274**	4,969
Due from banks and other financial institutions	**2,266**	884
Other monetary assets	**462**	539
Total	**52,445**	72,740

In accordance with relevant regulations, the Group's subsidiaries in the banking business placed mandatory deposits with the People's Bank of China in both RMB and foreign currencies. As at 31 December 2008, the mandatory deposits are calculated at 13.5% (31 December 2007: 14.5%) for eligible RMB deposits and 5% (31 December 2007: 5%) for foreign currencies deposits.

As at 31 December 2008, cash on hand and at bank with restricted use due to pledge or freeze amounted to RMB14 million (31 December 2007: RMB14 million).

As at 31 December 2008, cash and amounts due from overseas banks and other financial institutions amounted to RMB839 million (31 December 2007: RMB2,042 million).

2. BALANCES WITH CLEARING COMPANIES

	31 December 2008	31 December 2007
Company-owned	**51**	668
Brokerage customers	**1,126**	1,359
Total	**1,177**	2,027

As at 31 December 2008, balances with clearing companies of the Group are mainly deposits placed by Ping An Securities with China Securities Depository and Clearing Corporation.

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2008	31 December 2007
Placements with banks	**3**	591
Placements with other financial institutions	**310**	646
Total	**313**	1,237
Less: Provision for loan losses	**(9)**	(45)
Placements with banks and other financial institutions, net value	**304**	1,192

4. HELD-FOR-TRADING FINANCIAL ASSETS

	31 December 2008	31 December 2007
Bonds		
Government bonds	**4,573**	1,330
Central bank bills	**8,629**	15,295
Financial bonds	**9,773**	3,151
Corporate bonds	**6,689**	9,772
Equity instruments		
Equity investment funds	**31,445**	39,825
Equity securities	**4,377**	15,565
Total	**65,486**	84,938
Listed	**15,714**	23,957
Unlisted	**49,772**	60,981
Total	**65,486**	84,938

As at 31 December 2008, bond investments classified as held-for-trading financial assets with par value of RMB32,418 million (31 December 2007: RMB1,824 million) were pledged as collateral for assets sold under agreements to repurchase by the Group. Up to the approval date of the financial statements, the above amount has been released from such pledge.

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2008			
	Assets		Liabilities	
	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	**18**	**1**	**223**	**15**
Currency forwards and swaps	**215**	**1**	**194**	**1**
Equity warrants	**54**	**5**	**–**	**–**
Credit default swaps	**137**	**10**	**547**	**249**
Total	**424**	**17**	**964**	**265**

	31 December 2007			
	Assets		Liabilities	
	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	3,187	4	1,001	18
Currency forwards and swaps	315	10	419	10
Equity warrants	65	159	606	99
Credit default swaps	365	4	584	62
Total	3,932	177	2,610	189

6. FINANCIAL ASSETS PURCHASED UNDER AGREEMENTS TO RESELL

	31 December 2008	31 December 2007
Securities – Bonds	**9,169**	27,173
Bills	**3,915**	7,959
Loans	**–**	1,325
Total	**13,084**	36,457
Less: Provision for impairment losses	**–**	–
Net	**13,084**	36,457

The fair value of the assets held as collateral for financial assets purchased under agreements to resell approximates the carrying value of the collateral.

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INTEREST RECEIVABLES

	31 December 2008	31 December 2007
Interest receivables from banking operations	**1,764**	757
Interest receivables from loans	**296**	232
Interest receivables from bonds	**4,919**	3,223
Others	**1**	24
Total	**6,980**	4,236
Less: Bad debt provision	**(49)**	(49)
Net	**6,931**	4,187

As at 31 December 2008, the Group's interest receivables with aging over 1 year amounting to RMB49 million (31 December 2007: nil) were fully provided.

8. PREMIUM RECEIVABLES

	31 December 2008	31 December 2007
Life insurance	**2,836**	2,760
Property and casualty insurance	**1,718**	1,808
Total	**4,554**	4,568

There are no premium receivables from shareholders who individually hold no less than 5% of the Company's voting share capital.

Aging analysis is set out as follows:

Aging	31 December 2008	31 December 2007
Within 3 months (including 3 months)	**4,201**	4,397
3 months to 1 year (including 1 year)	**240**	168
More than 1 year	**113**	3
Total	**4,554**	4,568

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. PREMIUM RECEIVABLES (CONTINUED)

The bad debt provision of premium receivable of the Group is set out as follows:

	31 December 2008			
	Amount	Percentage	Bad debt provision	Provision percentage
Individually significant	128	2.7%	(15)	11.7%
Individually insignificant but with significant risk in collective credit risk portfolio	4,587	97.3%	(146)	3.2%
Other insignificant	–	–	–	–
Total	4,715	100.0%	(161)	3.4%

	31 December 2007			
	Amount	Percentage	Bad debt provision	Provision percentage
Individually significant	–	–	–	–
Individually insignificant but with significant risk in collective credit risk portfolio	4,736	99.8%	(179)	3.8%
Other insignificant	11	0.2%	–	–
Total	4,747	100.0%	(179)	3.8%

Provision is made on a periodic basis for those amounts that are considered uncollectible. The credit terms are generally for a period of one to five months. Overdue balances are reviewed regularly by management.

Top 5 premium receivables of the Group are set out as follows:

	31 December 2008	31 December 2007
Sum of top 5 premium receivables	152	39
Percentage in total premium receivables	3.3%	0.9%
Aging	0-3.5 years	0.67-2.33 years

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. DUE FROM REINSURERS

Aging	31 December 2008	31 December 2007
Within 9 months (including 9 months)	**2,591**	2,359
More than 9 months	**142**	93
Total	**2,733**	2,452

There are no due from reinsurers from shareholders who individually hold no less than 5% of the Company's voting share capital.

The bad debt provision of due from reinsurers of the Group is set out as follows:

	31 December 2008			
	Amount	Percentage	Bad deb provision	Provision percentage
Individually significant	**2,090**	**76.0%**	**(4)**	**0.2%**
Individually insignificant but with significant risk in collective credit risk portfolio	**660**	**24.0%**	**(13)**	**2.0%**
Other insignificant	**–**	**–**	**–**	**–**
Total	**2,750**	**100.0%**	**(17)**	**0.6%**

	31 December 2007			
	Amount	Percentage	Bad debt provision	Provision percentage
Individually significant	1,878	75.1%	(34)	1.8%
Individually insignificant but with significant risk in collective credit risk portfolio	623	24.9%	(15)	2.4%
Other insignificant	–	–	–	–
Total	2,501	100.0%	(49)	2.0%

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. DUE FROM REINSURERS (CONTINUED)

Details of top 5 due from reinsurers/brokers of the Group are as follows:

Reinsurance company/Brokers	31 December 2008	31 December 2007
China Property & Casualty Reinsurance Company Ltd.	**1,004**	716
China Life Reinsurance Company Ltd.	**467**	303
Allianz SE Reinsurance	**245**	91
Aon Limited	**182**	310
Munich Reinsurance Co.	**132**	163
Sum of top 5 due from reinsurers	**2,030**	1,583
Percentage of total due from reinsurers	**74.3%**	64.6%
Aging	**0-5 years**	0-6.17 years

10. REINSURERS' SHARE OF INSURANCE CONTRACT LIABILITIES

	31 December 2008	31 December 2007
Reinsurers' share of unearned premium reserves	**3,230**	2,615
Reinsurers' share of claim reserves	**3,238**	2,304
Reinsurers' share of policyholders' reserves	**1,443**	6
Reinsurers' share of long-term health reserves	**3,443**	6
Total	**11,354**	4,931

In 2008, Ping An Life entered into reinsurance contract with no expiry terms with Munich Reinsurance Company Beijing Branch in order to reinsure 100% of the retained sum at risk on 47 types of in force traditional non-participating life insurance policies as at 31 December 2008. This contract is not cancellable by the reinsurer. Management believes that this reinsurance arrangement would transfer mortality risk for the said policies, lock in the related mortality profit for future years. Upon inception of the said reinsurance contract, the amount of recognized gain before tax is RMB4,871 million which has been reflected in the income statement for 2008.

11. POLICY LOANS

The term of the Group's policy loans is within 6 months. The interest rate on policy loans of the Group is 5.85% to 9.00% (31 December 2007: 5.22% to 6.50%).

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. LOANS AND ADVANCES TO CUSTOMERS

(1) Loans and advances by individual and corporate customers

	31 December 2008	31 December 2007
Individual customers		
Credit card loans	**2,592**	389
Mortgages loans	**18,000**	16,259
Others	**3,874**	3,340
Corporate customers		
Loans	**46,635**	37,696
Discounted bills	**3,784**	5,977
Total	**74,885**	63,661
Less: Loan loss provision		
Including: Individually assessed	**(215)**	(289)
Collectively assessed	**(510)**	(247)
Net	**74,160**	63,125

As at 31 December 2008, RMB220 million (31 December 2007: nil) of loans and advances by individual and corporate customers was pledged as assets sold under agreements to repurchase. Up to the approval date of these financial statements, such loans have not been released from this pledge.

(2) Loans and advances by industries

Industry	31 December 2008	Percentage	31 December 2007	Percentage
Agriculture, forestry and fishing	**156**	**0.21%**	96	0.15%
Mining	**419**	**0.56%**	175	0.27%
Manufacturing	**10,278**	**13.73%**	13,055	20.51%
Energy	**3,807**	**5.08%**	2,137	3.36%
Transportation and communications	**5,759**	**7.69%**	4,009	6.30%
Commercial	**8,926**	**11.93%**	6,440	10.12%
Real estate	**5,589**	**7.46%**	6,173	9.70%
Construction	**3,964**	**5.29%**	3,332	5.23%
Individual customers	**24,466**	**32.67%**	19,988	31.40%
Others	**11,521**	**15.38%**	8,256	12.96%
Total	**74,885**	**100.00%**	63,661	100.00%

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(3) Loans and advances by region

Region	31 December 2008	Percentage	31 December 2007	Percentage
Southern China region	**52,603**	**70.25%**	50,427	79.21%
Eastern China region	**22,009**	**29.39%**	12,889	20.25%
Other regions	**273**	**0.36%**	345	0.54%
Total	**74,885**	**100.00%**	63,661	100.00%

(4) Loans and advances by guarantee type

	31 December 2008	31 December 2007
Unsecured loans	**19,563**	14,284
Guaranteed loans	**16,978**	12,972
Secured loans		
Including: Loans secured by mortgages	**30,053**	25,273
Loans secured by other collateral	**8,291**	11,132
Total	**74,885**	63,661

(5) Analysis of overdue loans

	31 December 2008				
	Within 3 months	3 months to 1 year	1-3 years	More than 3 years	Total
Unsecured loans	**296**	**56**	**17**	**88**	**457**
Guaranteed loans	**56**	**200**	**19**	**9**	**284**
Secured loans					
Including: Loans secured by mortgages	**1,067**	**240**	**60**	**22**	**1,389**
Loans secured by other collateral	**96**	**241**	**8**	**–**	**345**
Total	**1,515**	**737**	**104**	**119**	**2,475**

	31 December 2007				
	Within 3 months	3 months to 1 year	1-3 years	More than 3 years	Total
Unsecured loans	88	8	9	99	204
Guaranteed loans	46	3	130	11	190
Secured loans					
Including: Loans secured by mortgages	895	102	57	26	1,080
Loans secured by other collateral	72	200	56	–	328
Total	1,101	313	252	136	1,802

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(6) Credit quality analysis

Loan grading	31 December 2008	Percentage	31 December 2007	Percentage
Pass	**70,900**	**94.68%**	59,186	92.97%
Special Mention	**3,477**	**4.64%**	3,863	6.07%
Performing loans subtotal	**74,377**	**99.32%**	63,049	99.04%
Substandard	**184**	**0.25%**	299	0.47%
Doubtful	**187**	**0.25%**	172	0.27%
Loss	**137**	**0.18%**	141	0.22%
Non-performing loans subtotal	**508**	**0.68%**	612	0.96%
Total loans and advances to customers	**74,885**	**100.00%**	63,661	100.00%

(7) Loan loss provision

	2008			2007		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Beginning of year	**289**	**247**	**536**	2,250	181	2,431
Charge for the year	**8**	**263**	**271**	28	108	136
Transfer out during the year	**–**	**–**	**–**	(1,735)	(42)	(1,777)
Write-off during the year	**(20)**	**–**	**(20)**	–	–	–
Write-backs during the year						
Accredited interest on impairment loans	**(10)**	**–**	**(10)**	(24)	–	(24)
Write-backs due to other reasons	**(52)**	**–**	**(52)**	(230)	–	(230)
End of year	**215**	**510**	**725**	289	247	536

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2008	31 December 2007
Bonds		
Government bonds	**18,124**	10,427
Central bank bills	**18,401**	9,257
Financial bonds	**63,905**	30,541
Corporate bonds	**80,114**	33,186
Equity investment		
Equity investment funds	**11,312**	9,481
Equity securities	**20,380**	85,647
Total	**212,236**	178,539
Listed	**45,881**	100,704
Unlisted	**166,355**	77,835
Total	**212,236**	178,539

As at 31 December 2008, bond investments classified as available-for-sale financial assets with par value of RMB6,945 million (31 December 2007: RMB8,830 million) were pledged for financial assets sold under agreements to repurchase. Up to the approval date of the financial statements, the above amount has been released from such pledge.

14. HELD-TO-MATURITY INVESTMENTS

	31 December 2008	31 December 2007
Bonds		
Government bonds	**75,542**	77,707
Central bank bills	**440**	440
Financial bonds	**36,800**	36,367
Corporate bonds	**13,720**	13,222
Less: Impairment provision of held-to-maturity investments	**–**	–
Net	**126,502**	127,736
Listed	**31,655**	35,149
Unlisted	**94,847**	92,587
Total	**126,502**	127,736
Fair Value	**135,621**	122,378

The Group reviewed the intention and capability for holding the investment asset and did not note any change.

As at 31 December 2008, bond investments classified as held-to-maturity financial assets with par value of RMB1,830 million (31 December 2007: RMB1,814 million) were pledged for financial assets sold under agreements to repurchase. Up to the approval date of the financial statements, the above amount has been released from such pledge.

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. LONG-TERM EQUITY INVESTMENTS

	2008					
	Initial amount	Beginning of year	Increase during current year	Decrease during current year	Equity method adjustment during current year and changes in foreign exchange rate	End of year
Equity method:						
Veolia Water (Kunming) Investment Co., Ltd. ("Veolia Kunming")	176	169	–	–	16	185
Veolia Water (Yellow river) Investment Co., Ltd. ("Veolia Yellow river")	557	541	–	–	(46)	495
Veolia Water (Liuzhou) Investment Co., Ltd. ("Veolia Liuzhou")	113	105	–	–	(19)	86
Shanxi Taichang Expressway Co, Ltd. ("Shanxi Taichang")	1,026	308	718	–	76	1,102
Hubei Shumyip Huayin Traffic Development Co., Ltd. ("Hubei Shumyip Huayin")	618	618	–	–	(50)	568
Beijing-Shanghai High-speed Railway Equity Investment Scheme	2,432	–	2,432	–	–	2,432
Hangzhou Sundy Real Estate Group Co., Ltd. ("Hangzhou Sundy")	452	–	452	–	21	473
Beijing Jingan Shihua Shangdi Hotel Management Co., Ltd ("Jing an Shihua")	39	39	–	(39)	–	–
Ping An Cai Fu Jinkang Trust Schemes of Aggregate Funds ("Jinkang Trust")	100	–	100	–	–	100
Shaoxing Ping An New Capital Co., Ltd. ("Shaoxing Pingan New Capital")	27	–	27	–	–	27
Cost method:						
Shanxi Changjin (i)	220	220	–	(220)	–	–
Shanxi Jinjiao (i)	157	157	–	(157)	–	–
Yunnan Luqiao Co., Ltd.	86	–	86	(86)	–	–
Taizhou Commercial Bank	461	–	461	–	–	461
Ciming Health and Body Examination Management Group Co., Ltd.	39	–	78	(39)	–	39
Others	57	50	7	–	–	57
Total	6,560	2,207	4,361	(541)	(2)	6,025

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

	2007					
	Initial amount	Beginning of year	Increase during current year	Decrease during current year	Equity method adjustment during current year and changes in foreign exchange rate	End of year
Equity method:						
Veolia Kunming	176	176	–	–	(7)	169
Veolia Yellow river	557	–	557	–	(16)	541
Veolia Liuzhou	113	–	113	–	(8)	105
Hubei Shumyip Huayin	618	–	618	–	–	618
Jingan Shihua	39	–	39	–	–	39
Cost method:						
Industrial Bank Co., Ltd.	–	113	–	(113)	–	–
Bank of Communications Co., Ltd.	–	92	–	(92)	–	–
Shanxi Changjin	220	–	220	–	–	220
Shanxi Taichang	308	–	308	–	–	308
Shanxi Jinjiao	157	–	157	–	–	157
Others	50	34	20	(4)	–	50
Total	2,238	415	2,032	(209)	(31)	2,207

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

The Group's major long-term equity investments measure at equity method as at 31 December 2008 are as follows:

Name of the invested entity	Place of incorporation	Registered (authorized) capital/ paid-up capital	Percentage of holding and voting rights	Business scope
Veolia Kunming	Hong Kong	USD95,000,000/ USD91,875,208	24%	Water investment
Veolia Yellow river	Hong Kong	USD250,000,000/ USD151,195,839	49%	Water investment
Veolia Liuzhou	Hong Kong	USD32,124,448/ USD32,124,448	45%	Water investment
Shanxi Taichang (ii)	Taiyuan	RMB2,600,190,000/ RMB2,600,190,000	30%	Operating expressway
Hubei Shumyip Huayin	Wuhan	RMB110,000,000/ RMB110,000,000	49%	Expressway investment
Beijing-Shanghai High-speed Railway Equity Investment Scheme (iii)	Not applicable	RMB16,000,000,000/ RMB6,176,000,000	39.375%	Railway investment
Ping An Roosevelt Holdings Ltd.	Hong Kong	USD10,000/ USD10,000	30%	Retail investment
Hangzhou Sundy	Hangzhou	RMB75,000,000/ RMB75,000,000	20%	Real estate development
Shaoxing Pingan New Capital	Shaoxing	RMB300,000,000/ RMB90,000,000	30%	Investment holdings
Jinkang Trust	Guangzhou	RMB100,000,000/ RMB100,000,000	50%	Medical institutions investment and management

(i) As at 31 December 2007, Ping An Life's equity interest in Shanxi Changjin and Shanxi Jinjiao was 18% respectively and accounted for it using cost method. During 2008, Ping An Life's equity interest in Shanxi Changjin and Shanxi Jinjiao both increased to 60%. As at 31 December 2008, Shanxi Changjin and Shanxi Jinjiao were consolidated into consolidated financial statements as subsidiaries. Please refer to Note V. (1) and (2).

(ii) As at 31 December 2007, Ping An Life's equity interest in Shanxi Taichang was 9% and accounted for it using cost method. During 2008, Ping An Life's equity interest increased to 30% and started to use the equity method of accounting.

(iii) The Group's capital commitment in respect of Beijing-Shanghai High-speed Railway Equity Investment Scheme is disclosed in Note XII. 1.

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. GOODWILL

	2008			
	Beginning of year	Increase during the year	Decrease during the year	End of year
Ping An Securities	**313**	**15**	**–**	**328**
Shenzhen Ping An Bank Co., Ltd. ("Shenzhen Ping An Bank")	**137**	**–**	**–**	**137**
Shenzhen CITIC City Plaza Investment Co., Ltd. ("Shenzhen CITIC Plaza")	**66**	**–**	**–**	**66**
Portfield Limited ("Portfield")	**94**	**–**	**(46)**	**48**
Others	**–**	**38**	**–**	**38**
Total	**610**	**53**	**(46)**	**617**
Less: Impairment provision	**–**	**–**	**–**	**–**
Net	**610**	**53**	**(46)**	**617**

	2007			
	Beginning of year	Increase during the year	Decrease during the year	End of year
Ping An Securities	313	–	–	313
Ping An Bank Limited	13	–	(13)	–
Shenzhen Ping An Bank	83	54	–	137
Shenzhen CITIC City Plaza	–	66	–	66
Portfield	–	94	–	94
Total	409	214	(13)	610
Less: Impairment provision	–	–	–	–
Net	409	214	(13)	610

The recoverable amount of goodwill has been estimated based on value in use, calculation using cash flow projections and financial plans approved by management and pretax, company specific, risk adjusted discount rates. Projected cash flows beyond five years are extrapolated using a steady growth rate. The projected cash flows are determined by future estimated profits based on management expectations for market development.

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. STATUTORY DEPOSITS

	31 December 2008	31 December 2007
Ping An Life	**4,760**	760
Ping An Property and Casualty	**800**	600
Ping An Annuity	**200**	100
Ping An Health	**100**	100
Total	**5,860**	1,560

According to related regulations of the "Insurance Law", subsidiaries operating insurance business should propose 20% of registered capital as statutory deposits, which must be deposited in a Chinese invested commercial bank approved by the CIRC. The statutory deposit is only used for debt discharge upon liquidation of the Company.

18. INVESTMENT PROPERTIES

	2008		
	Buildings	Land use rights	Total
Cost			
Beginning of year	4,506	205	4,711
Additions	1,704	–	1,704
Transfer from construction in progress	1,367	–	1,367
Transfer to fixed assets, net	(135)	–	(135)
Transfer to intangible assets, net	–	(4)	(4)
Disposals	(299)	–	(299)
End of year	7,143	201	7,344
Accumulated depreciation and amortization			
Beginning of year	593	36	629
Charges for the year	169	4	173
Transfer to fixed assets, net	(26)	–	(26)
Transfer to intangible assets, net	–	(1)	(1)
Disposals	(8)	–	(8)
End of year	728	39	767
Impairment losses			
Beginning of year	31	–	31
Transfer to fixed assets, net	(5)	–	(5)
End of year	26	–	26
Net value			
End of year	6,389	162	6,551
Beginning of year	3,882	169	4,051
Fair value			
End of year	8,478	162	8,640
Beginning of year	5,846	169	6,015

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. INVESTMENT PROPERTIES (CONTINUED)

	2007		
	Buildings	Land use rights	Total
Cost			
Beginning of year	1,918	154	2,072
Acquisition of subsidiaries	2,046	–	2,046
Additions	454	–	454
Transfer of fixed assets, net	126	–	126
Transfer to intangible assets, net	–	51	51
Disposals	(38)	–	(38)
End of year	4,506	205	4,711
Accumulated depreciation and amortization			
Beginning of year	339	22	361
Acquisition of subsidiaries	91	–	91
Charge for the year	119	8	127
Transfer of fixed assets, net	55	–	55
Transfer to intangible assets, net	–	6	6
Disposals	(11)	–	(11)
End of year	593	36	629
Impairment losses			
Beginning of year	51	–	51
Additions	21	–	21
Disposals	(41)	–	(41)
End of year	31	–	31
Net value			
End of year	3,882	169	4,051
Beginning of year	1,528	132	1,660

The fair value of the investment properties as at 31 December 2008 was estimated by the directors of the Company having regard to valuations performed by independent valuers.

The rental income arising from investment properties during the year amounted to RMB367 million (2007: RMB299 million).

Gains on disposal of investment properties during the year amounted to RMB7 million (2007: RMB2 million).

As at 31 December 2008, investment properties with net book value of RMB1,970 million (31 December 2007: RMB2,041 million) was used to secure long-term borrowings with aggregate carrying amount of RMB1,560 million (31 December 2007: RMB1,612 million).

The Group is in the process of applying for title certificates for investment properties with a net book value of RMB2,983 million as at 31 December 2008 (31 December 2007: RMB192 million).

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. FIXED ASSETS

	2008				
	Buildings	Office equipments	Motor vehicles	Construction in progress	Total
Cost					
Beginning of year	4,055	2,412	491	3,472	10,430
Acquisition of subsidiaries	–	2	–	17	19
Additions	108	782	122	1,777	2,789
Transfer from/to construction in progress	4	32	–	(1,592)	(1,556)
Transfer from investment properties, net	135	–	–	–	135
Disposals	(22)	(424)	(47)	(998)	(1,491)
End of year	4,280	2,804	566	2,676	10,326
Accumulated depreciation					
Beginning of year	798	1,305	274	–	2,377
Charge for the year	172	301	51	–	524
Transfer from investment properties, net	26	–	–	–	26
Disposals	(4)	(354)	(41)	–	(399)
End of year	992	1,252	284	–	2,528
Impairment losses					
Beginning of year	148	–	–	11	159
Transfer from investment properties, net	5	–	–	–	5
Disposals	(7)	–	–	–	(7)
End of year	146	–	–	11	157
Net value					
End of year	3,142	1,552	282	2,665	7,641
Beginning of year	3,109	1,107	217	3,461	7,894

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. FIXED ASSETS (CONTINUED)

	2007				
	Buildings	Office equipments	Motor vehicles	Construction in progress	Total
Cost					
Beginning of year	3,720	2,131	421	644	6,916
Acquisition of subsidiaries	–	17	2	–	19
Additions	–	515	101	3,381	3,997
Transfer from/to construction in progress	503	–	–	(553)	(50)
Transfer to investment properties, net	(126)	–	–	–	(126)
Disposals	(42)	(251)	(33)	–	(326)
End of year	4,055	2,412	491	3,472	10,430
Accumulated depreciation					
Beginning of year	695	1,263	254	–	2,212
Acquisition of subsidiaries	–	4	1	–	5
Charge for the year	171	260	45	–	476
Transfer to investment properties, net	(55)	–	–	–	(55)
Disposals	(13)	(222)	(26)	–	(261)
End of year	798	1,305	274	–	2,377
Impairment losses					
Beginning of year	141	–	–	11	152
Additions	20	–	–	–	20
Disposals	(13)	–	–	–	(13)
End of year	148	–	–	11	159
Net value					
End of year	3,109	1,107	217	3,461	7,894
Beginning of year	2,884	868	167	633	4,552

The Group is in the process of applying for title certificates for its buildings with a net book value of RMB544 million as at 31 December 2008 (31 December 2007: RMB1,009 million).

As at 31 December 2008, the group has no significant fixed assets ready for the disposal.

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. FIXED ASSETS (CONTINUED)

Construction in progress of the Group is as follows:

	2008							
	Budget	Beginning of year	Addition	Transfer to fixed assets	Transfer to investment properties	Other disposal	End of year	Progress percentage in budget
Beijing Meibang International Center	2,730	2,115	15	–	(1,276)	–	854	78.02%
Pudong Ping An Building	3,200	299	292	–	–	–	591	18.47%
Xuhui Noble Garden	711	–	585	–	–	–	585	82.28%
Apartment No.9	441	–	281	–	–	–	281	63.72%
Shanghai national supporting management center	402	–	146	–	–	–	146	36.32%
Jingzhou Wal-mart Shopping center	286	134	83	–	(91)	(126)	–	–
Others		913	392	(36)	–	(1,061)	208	
Total		3,461	1,794	(36)	(1,367)	(1,187)	2,665	

	2007							
	Budget	Beginning of year	Addition	Transfer to fixed assets	Transfer to investment properties	Other disposal	End of year	Progress percentage in budget
Beijing Meibang International Center	2,685	–	2,115	–	–	–	2,115	78.77%
Zhangjiang Bank Card Industry Park	1,064	333	139	(472)	–	–	–	87.24%
Pudong Ping An Building	3,200	196	102	–	–	–	298	9.34%
Jingzhou Wal-mart Shopping center	286	80	54	–	–	–	134	46.85%
Others		24	971	(31)	–	(50)	914	
Total		633	3,381	(503)	–	(50)	3,461	

All the funds in the construction in process of the Group are sourced internally.

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. INTANGIBLE ASSETS

	2008			
	Expressway operating rights	Land-use-rights	Computer software and others	Total
Cost				
Beginning of year	2,754	818	453	4,025
Acquisition of subsidiaries	4,672	144	–	4,816
Additions	–	1,310	301	1,611
Transfer to investment properties	–	4	–	4
Disposals	–	–	(3)	(3)
End of year	7,426	2,276	751	10,453
Accumulated amortization				
Beginning of year	104	104	193	401
Acquisition of subsidiaries	100	–	–	100
Charges for the year	263	46	142	451
Transfer to investment properties	–	1	–	1
Disposals	–	–	(3)	(3)
End of year	467	151	332	950
Provision for impairments				
End of year	–	3	–	3
Beginning of year	–	3	–	3
Net value				
End of year	6,959	2,122	419	9,500
Beginning of year	2,650	711	260	3,621

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. INTANGIBLE ASSETS (CONTINUED)

	2007			
	Expressway operating rights	Land-use-rights	Computer software and others	Total
Cost				
Beginning of year	–	871	382	1,253
Acquisition of subsidiaries	2,754	–	–	2,754
Additions	–	–	188	188
Transfer to investment properties	–	(51)	–	(51)
Disposals	–	(2)	(117)	(119)
End of year	2,754	818	453	4,025
Accumulated amortization				
Beginning of year	–	85	225	310
Acquisition of subsidiaries	101	–	–	101
Charge for the year	3	25	81	109
Transfer to investment properties	–	(6)	–	(6)
Disposals	–	–	(113)	(113)
End of year	104	104	193	401
Provision for impairments				
End of year	–	3	–	3
Beginning of year	–	3	–	3
Net value				
End of year	2,650	711	260	3,621
Beginning of year	–	783	157	940

As at 31 December 2008, the expressway operating rights with the carrying amount of RMB3,830 million (31 December 2007: RMB1,606 million) were used to secure long-term borrowings and long-term payables

The Group is in the process of applying for title certificates of the land-use-rights with a net book value of RMB1,807 million as at 31 December 2008 (31 December 2007: RMB483 million).

Details of intangible assets measured at fair value are as follows:

Name	Valuations	Valuers	Valuation Method
Shanxi Changjin expressway operating rights	2,659	China Enterprise Appraisals Co., Ltd.	Income approach
Shanxi Jinjiao expressway operating rights	1,913	China Enterprise Appraisals Co., Ltd.	Income approach

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. DEFERRED TAX ASSETS AND LIABILITIES

Details of deferred tax assets and liabilities of the Group are as follows:

	31 December 2008	31 December 2007
Deferred tax assets	**7,767**	87
Deferred tax liabilities	**(472)**	(4,822)
Net	**7,295**	(4,735)

	2008					
	Beginning of year	Charged to the profit and loss	Charged to equity	Others	End of year	Temporary difference as at 31 December 2008
Fair value adjustment on financial assets and liabilities carried at fair value through profit or loss	**(1,067)**	**1,367**	**–**	**–**	**300**	**(1,493)**
Fair value adjustment and impairment losses on available-for-sale financial assets	**(5,981)**	**6,051**	**6,343**	**–**	**6,413**	**(25,958)**
Policyholders' reserves	**1,935**	**(1,053)**	**(251)**	**–**	**631**	**(3,042)**
Others	**378**	**(199)**	**(4)**	**(224)**	**(49)**	**197**
Total	**(4,735)**	**6,166**	**6,088**	**(224)**	**7,295**	**(30,296)**

	2007					
	Beginning of year	Charged to the profit and loss	Charged to equity	Others	End of year	Temporary difference as at 31 December 2007
Fair value adjustment on financial assets and liabilities carried at fair value through profit or loss	(514)	(553)	–	–	(1,067)	5,928
Fair value adjustment and impairment losses on available-for-sale financial assets	(2,023)	(42)	(3,916)	–	(5,981)	29,931
Policyholders' reserves	1,381	98	456	–	1,935	(10,032)
Others	603	83	–	(308)	378	(2,894)
Total	(553)	(414)	(3,460)	(308)	(4,735)	22,933

The Group considers it is probable that sufficient taxable profit will be available in the future to offset aforementioned temporary differences, hence the above mentioned deferred tax assets are recognized.

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. OTHER ASSETS

	31 December 2008	31 December 2007
Prepaid claims	**1,075**	221
Subrogation receivable	**108**	47
Other receivable		
– Prepayment for investment projects	**1,172**	627
– External parties receivables	**1,126**	304
– Interest rate swap guarantee receivables	**259**	147
– Others	**821**	627
Dividend receivable	**56**	73
Settled assets	**262**	906
Long-term deferred expense	**764**	412
Others	**439**	303
Total	**6,082**	3,667
Less: Provision for impairment losses	**(222)**	(451)
Net	**5,860**	3,216

There are no balance of these accounts due from shareholders who individually hold no less than 5% of the Company's voting share capital.

The aging analysis of subrogation receivable is set out as follows:

Aging	31 December 2008	31 December 2007
Within 1 month (including 1month)	**56**	2
1-3 months (including 3 months)	**4**	31
3 months-1 year (including 1 year)	**11**	14
More than 1 year	**37**	–
Total	**108**	47

The aging analysis of other receivables is set out as follows:

Aging	31 December 2008	31 December 2007
Within 1 year (including 1 year)	**2,923**	1,299
1-2 years (including 2 years)	**120**	178
2-3 years (including 3 years)	**120**	78
More than 3 years	**124**	72
Total	**3,287**	1,627

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. OTHER ASSETS (CONTINUED)

The Group's bad debt provision of other receivables is set out as follows:

	31 December 2008			
	Amount	Percentage	Bad debt provision	Provision percentage
Individually significant	**1,960**	**58.0%**	**(83)**	**4.2%**
Individually insignificant but with significant risk in collective credit risk portfolio	**1,028**	**30.4%**	**(5)**	**0.5%**
Other insignificant	**390**	**11.6%**	**(3)**	**0.8%**
Total	**3,378**	**100.0%**	**(91)**	**2.7%**

	31 December 2007			
	Amount	Percentage	Bad debt provision	Provision percentage
Individually significant	1,044	61.2%	(73)	7.0%
Individually insignificant but with significant risk in collective credit risk portfolio	270	15.8%	(5)	1.9%
Other insignificant	391	23.0%	–	–
Total	1,705	100.0%	(78)	4.6%

Top 5 of other receivables of the Group are set out as follows:

	31 December 2008	31 December 2007
Sum of top 5 of other receivables	**1,375**	687
Percentage in total other receivables	**41.8%**	42.2%
Aging	**Within 1 year**	Within 2 years

The aging of dividend receivable of the Group is within 1 year.

Details of settled assets held by the Group are set out as follows:

	31 December 2008	31 December 2007
Buildings	**175**	778
Others	**87**	128
Total	**262**	906
Less: provision for impairment losses	**(131)**	(368)
Net	**131**	538

Losses on disposal of settled assets during the year are RMB87 million (2007: Gains on disposal RMB71 million).

The Group has no significant salvage assets for both the year 2008 and 2007.

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. PROVISION FOR IMPAIRMENT LOSSES

Movement of provision for impairment losses is as follows:

	2008					
			Reversal during the year			
Item	Beginning of year	Addition during the year	Write-back	Write-off and others	Total	End of year
Provision for bad debts	322	–	(81)	(5)	(86)	236
Provision for impairment on available-for-sale financial assets						
– Bonds	98	87	(14)	(62)	(76)	109
– Equity instruments	–	25,887	–	(1,400)	(1,400)	24,487
Provision for impairment on long-term investments	119	–	–	(19)	(19)	100
Loan loss provision	536	271	(51)	(31)	(82)	725
Provision for impairment on investment properties	31	–	–	(5)	(5)	26
Provision for impairment on fixed assets	159	–	–	(2)	(2)	157
Provision for impairment on intangible assets	3	–	–	–	–	3
Provision for impairment on other assets	451	27	(6)	(250)	(256)	222
Total	1,719	26,272	(152)	(1,774)	(1,926)	26,065

	2007					
			Reversal during the year			
Item	Beginning of year	Addition during the year	Write-back	Write-off and others	Total	End of year
Provision for bad debts	586	93	–	(357)	(357)	322
Provision for impairment on available-for-sale financial assets-bonds	–	98	–	–	–	98
Provision for impairment on long-term investments	154	–	–	(35)	(35)	119
Loan loss provision	2,431	136	(254)	(1,777)	(2,031)	536
Provision for impairment on investment properties	51	21	–	(41)	(41)	31
Provision for impairment on fixed assets	152	20	–	(13)	(13)	159
Provision for impairment on intangible assets	3	–	–	–	–	3
Provision for impairment on other assets	529	198	(23)	(253)	(276)	451
Total	3,906	566	(277)	(2,476)	(2,753)	1,719

As at 31 December 2008, Ping An Life held 121 million Fortis shares, the accumulated cost of which amounted to approximately RMB23,874 million. The investment was classified as available-for-sale financial assets. Because of the financial crisis, share price of Fortis plummeted significantly. Ping An Life provided impairment losses amounting to approximately RMB22,790 million for Fortis investment in income statement based on fair market value of Fortis share as at 31 December 2008.

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. SHORT-TERM BORROWINGS

All short-term borrowings of the Group are credit borrowings.

25. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2008	31 December 2007
Amounts due to banks	**10,172**	2,470
Amounts due to other financial institutions	**7,032**	5,062
Total	**17,204**	7,532

Due to banks and other financial institutions are all placed domestically.

26. GUARANTEE DEPOSITS

	31 December 2008	31 December 2007
Guaranteed deposits for acceptances	**6,079**	3,517
Guarantee deposits	**491**	656
Guaranteed deposits for letter of guarantee	**490**	531
Guaranteed deposits for letter of credit	**285**	254
Others	**68**	440
Total	**7,413**	5,398
Current deposits		
Individual client	**1,356**	1,073
Corporate client	**3**	281
Term deposits		
Individual client	**6,039**	4,044
Corporate client	**15**	–
Total	**7,413**	5,398

27. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

The Group's placements from banks and other financial institutions are all placements from banks.

28. FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2008	31 December 2007
Bills	**–**	1,676
Securities-bonds	**41,114**	12,304
Loans	**220**	–
Total	**41,334**	13,980

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. CUSTOMER DEPOSITS

	31 December 2008	31 December 2007
Current deposits		
Corporate client	**32,471**	31,696
Individual client	**7,339**	5,879
Term deposits (including call deposits)		
Corporate client	**33,216**	30,253
Individual client	**7,623**	4,305
Total	**80,649**	72,133

30. PAYABLES TO BROKERAGE CUSTOMERS

	31 December 2008	31 December 2007
Individual client	**6,193**	9,259
Corporate client	**736**	5,135
Total	**6,929**	14,394

31. PREMIUMS RECEIVED IN ADVANCE

As at the balance sheet date, there is no balance of this account due to shareholders who individually hold no less than 5% of the Company's voting share capital, or no significant account with the aging of more than one year.

32. DUE TO REINSURERS

Aging	31 December 2008	31 December 2007
Within 9 months (including 9 months)	**3,246**	2,428
More than 9 month	**325**	228
Total	**3,571**	2,656

Details of top 5 due to reinsurers/brokers of the Group are as follows:

Reinsurance company/Brokers	31 December 2008	31 December 2007
China P&C Reinsurance Co., Ltd.	**1,056**	690
China Life Reinsurance Company Ltd.	**339**	206
Allianz SE Reinsurance	**272**	106
Aon Limited	**194**	231
Munich Reinsurance Co.	**114**	89
Sum of top 5 due to reinsurers	**1,975**	1,322
Percentage of total due to reinsurers	**55.3%**	49.8%
Aging	**0-5 years**	0-4 years

There is no balance of this account due to shareholders who individually hold no less than 5% of the Company's voting share capital.

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. SALARIES AND WELFARE PAYABLE

Details of salaries and welfare payable of the Group are as follows:

	2008			
	Beginning of year	**Accruals/(reversal)**	**Payments**	**End of year**
Salary, bonus and allowance	**1,378**	**5,587**	**(5,648)**	**1,317**
Cash-settled shares-based payments	**2,743**	**(2,202)**	**–**	**541**
Staff welfare	**271**	**–**	**(271)**	**–**
Social insurance	**34**	**756**	**(821)**	**(31)**
Labor union fund and employee education fund	**288**	**155**	**(132)**	**311**
Compensation on termination of contracts	**18**	**2**	**(2)**	**18**
Total	**4,732**	**4,298**	**(6,874)**	**2,156**

	2007			
	Beginning of year	Accruals	Payments	End of year
Salary, bonus and allowance	608	5,719	(4,949)	1,378
Cash-settled shares-based payments	1,109	2,127	(493)	2,743
Staff welfare	295	–	(24)	271
Social insurance	4	849	(819)	34
Labor union fund and employee education fund	117	279	(108)	288
Compensation on termination of contracts	–	19	(1)	18
Total	2,133	8,993	(6,394)	4,732

34. TAXES PAYABLE

	31 December 2008	31 December 2007
Corporate income tax	**2,274**	807
Business tax	**309**	581
Others	**490**	519
Total	**3,073**	1,907

35. CLAIMS PAYABLE

Except for some annuities payable and maturities payable in accordance with relevant contractual agreement, gengerally claims payable is calculated without interest attached, and will be settled within 12 months.

As at the balance sheet date, there is no balance of this account due to shareholders who individually hold no less than 5% of the Company's voting share capital or no significant account with the aging of more than one year.

36. POLICYHOLDER DIVIDENDS PAYABLE

As at the balance sheet date, there is no balance of this account due to shareholders who individually hold no less than 5% of the Company's voting share capital or no significant account with the aging of more than one year.

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

Aging	31 December 2008	31 December 2007
Within 1 year (including 1 year)	**332**	230
More than 1 year	**6,088**	5,057
Total	**6,420**	5,287

38. INSURANCE CONTRACT LIABILITIES

	2008					
			Reduction during the year			
	Beginning of year	Addition	Claim payments	Terminated prior to expiration dates	Others	End of year
Unearned premium reserves						
Direct insurance contracts	**15,696**	**32,161**	**–**	**–**	**(29,810)**	**18,047**
Reinsurance contracts	**34**	**118**	**–**	**–**	**(74)**	**78**
Claim reserves						
Direct insurance contracts	**7,602**	**19,706**	**(17,649)**	**–**	**–**	**9,659**
Reinsurance contracts	**43**	**45**	**(7)**	**–**	**–**	**81**
Policyholders' reserves for life insurance						
Direct insurance contracts	**320,359**	**64,895**	**(16,000)**	**(12,639)**	**(7,901)**	**348,714**
Reserves for long-term health insurance						
Direct insurance contracts	**37,213**	**11,371**	**(1,557)**	**(785)**	**(2,757)**	**43,485**
Total	**380,947**	**128,296**	**(35,213)**	**(13,424)**	**(40,542)**	**420,064**

	2007					
			Reduction during the year			
	Beginning of year	Addition	Claim payments	Terminated prior to expiration dates	Others	End of year
Unearned premium reserves						
Direct insurance contracts	12,927	26,218	–	–	(23,449)	15,696
Reinsurance contracts	10	85	–	–	(61)	34
Claim reserves						
Direct insurance contracts	6,465	14,073	(12,736)	–	(200)	7,602
Reinsurance contracts	15	40	(12)	–	–	43
Policyholders' reserves for life insurance						
Direct insurance contracts	248,574	102,424	(13,271)	(13,416)	(3,952)	320,359
Reserves for long-term health insurance						
Direct insurance contracts	30,694	10,807	(1,166)	(674)	(2,448)	37,213
Total	298,685	153,647	(27,185)	(14,090)	(30,110)	380,947

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. INSURANCE CONTRACT LIABILITIES (CONTINUED)

Due terms of insurance contract liabilities are as follows:

	31 December 2008		31 December 2007	
	Within 1 year (Including 1 year)	More than 1 year	Within 1 year (Including 1 year)	More than 1 year
Unearned premium reserves				
Direct insurance contracts	**14,458**	**3,589**	12,133	3,563
Reinsurance contracts	**33**	**45**	6	28
Claim reserves				
Direct insurance contracts	**7,884**	**1,775**	6,077	1,525
Reinsurance contracts	**64**	**17**	34	9
Policyholders' reserves for life insurance				
Direct insurance contracts	**10,652**	**338,062**	13,962	306,397
Reserves for long-term health insurance				
Direct insurance contracts	**1,081**	**42,404**	763	36,450
Total	**34,172**	**385,892**	32,975	347,972

Details of claim reserves of direct insurance contracts of the Group are as follows:

	31 December 2008	31 December 2007
Incurred and reported claim reserves	**6,982**	5,522
Incurred but not reported claim reserves	**2,166**	1,549
Loss adjustment expenses reserve	**511**	531
Total	**9,659**	7,602

Analysis of the Group's gross and net insurance contract liabilities is as follows:

	31 December 2008			31 December 2007		
	Insurance contract liabilities	Reinsurers' share	net	Insurance contract liabilities	Reinsurers' share	net
Long-term life insurance contracts	**392,199**	**(4,886)**	**387,313**	357,822	(63)	357,759
Short-term life insurance contracts	**3,632**	**(713)**	**2,919**	2,853	(445)	2,408
Property and casualty insurance contracts	**24,233**	**(5,755)**	**18,478**	20,272	(4,423)	15,849
Total	**420,064**	**(11,354)**	**408,710**	380,947	(4,931)	376,016

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. LONG-TERM BORROWINGS

	31 December 2008	31 December 2007
Borrowings secured by pledge	**1,560**	1,612
Borrowings secured by other collateral	**2,324**	1,606
Total	**3,884**	3,218

Lenders	Loan conditions	Interest rate	Due date	Balance as at 31 December 2008	Balance as at 1 January 2008
Ping An Trust & Investment Co. Ltd.					
Wal-Mart loan in trust	pledge	8.97%	2010	**155**	155
Industrial Bank Co. Ltd.	pledge	5.35%	2016	**375**	386
Hangseng Bank	pledge	5.35%	2016	**374**	385
Industrial and Commercial Bank of China Shanghai Changning sub-branch	collateral	7.43%	2018	**1,547**	1,606
Shenzhen Development Bank	pledge	6.97%	2022	**656**	686
Industrial and Commercial Bank of China Jincheng branch	collateral	5.94%	2024	**777**	–
Total				**3,884**	3,218

For details of the above borrowings' pledges and collateral, please refer to Note VII. 18 and 20.

40. OTHER LIABILITIES

	31 December 2008	31 December 2007
Insurance guarantee fund	**159**	126
Dividend payable	**95**	86
Other payable	**4,832**	3,870
Long-term payable	**1,506**	–
Others	**379**	129
Total	**6,971**	4,211

As at 31 December 2008, the Group's long-term payable was within 10 years, for details of the above payable's collateral, please refer to Note VII. 20.

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. SHARE CAPITAL

The registered and paid-up share capital of the Company is RMB7,345,053,334 (with a par value of RMB1 per share). Details of share capital are as follows:

	31 December 2008		31 December 2007	
(in million)	No. of shares	Percentage holding	No. of shares	Percentage holding
Shares subject to trading moratorium:				
State-owned shares	**–**	**0.00%**	589	8.02%
State-owned legal-person shares	**–**	**0.00%**	367	5.00%
Domestic non state-owned legal-person shares	**860**	**11.71%**	3,025	41.19%
Sub-total	**860**	**11.71%**	3,981	54.21%
Shares not subject to trading moratorium:				
A shares	**3,926**	**53.46%**	805	10.96%
H shares	**2,559**	**34.83%**	2,559	34.83%
Sub-total	**6,485**	**88.29%**	3,364	45.79%
Total	**7,345**	**100.00%**	7,345	100.00%

The registered share capital mentioned above has been verified by Certified Public Accountant of China.

42. CAPITAL RESERVE

		31 December 2008	31 December 2007
Share premium	(1)	**51,907**	51,907
Fair value gains and losses of available-for-sale financial assets		**(1,327)**	30,847
Shadow accounting adjustment of policyholders' reserves	(2)	**(3,918)**	(5,988)
Other capital reserve	(3)	**311**	311
Related tax effect of above items		**1,122**	(4,966)
Total		**48,095**	72,111

(1) The share premium was due to the initial public offering of A shares and H shares.

(2) In accordance with the Opinion of the Expert Task Force issued by Accounting Standards Committee of MOF on 1 February 2007, the Group's accounting treatment on the fair value gains and losses of available-for-sale financial assets of participating insurance and universal life insurance is as follows: the said fair value gains and losses attributable to policyholders are recognized as policyholders' reserves and those attributable to equityholders of the Company are recognized as capital reserve based on reasonable proportion method.

(3) The Company arranged revaluation on its life insurance and property and casualty insurance business prior to its capital injections into Ping An Life and Ping An Property & Casualty. In accordance with asset valuation reports Zhonghuapingbaozi【2002】No.039 and【2002】No.038 issued by Chinese Finance Appraisal Co., Ltd., the net valuation surplus amounted to RMB311 million.

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. SURPLUS RESERVE FUND

	2008			
	Beginning of year	Addition	Deduction	End of year
Statutory surplus reserve fund	**2,631**	**470**	**–**	**3,101**
Discretionary surplus reserve fund	**3,024**	**–**	**–**	**3,024**
Total	**5,655**	**470**	**–**	**6,125**

	2007			
	Beginning of year	Addition	Deduction	End of year
Statutory surplus reserve fund	1,945	686	–	2,631
Discretionary surplus reserve fund	3,024	–	–	3,024
Total	4,969	686	–	5,655

According to the Company Law and the Company's Articles of Association, 10% of the company's net profit was allocated to statutory reserve. No further provision for the statutory surplus reserve fund is required when its balance reaches 50% of the registered share capital. Subject to resolutions approved in the shareholders' meeting, the statutory surplus reserve fund can offset losses in prior years and can be converted to share capital which is delivered to shareholders in proportion to their shareholding. The balance of the statutory surplus reserve fund after such conversion to share capital should not be less than 25% of the registered share capital.

The Company can allocate discretionary surplus reserve fund can be allocated when the statutory surplus reserve fund is allocated. Once approved, the discretionary surplus reserve fund can be used to offset the losses in prior years.

As at 31 December 2008, out of the Group's consolidated retained profits, RMB3,109 million (31 December 2007: RMB2,846 million) represents the Company's share of its subsidiaries' surplus reserve fund which cannot be used for profit distribution.

44. GENERAL RESERVE

In accordance with relevant PRC regulations, insurance companies, banking companies, trust companies, securities companies and futures companies should provide general reserve for catastrophes or business losses. The Group's subsidiaries, in accordance with the relevant regulations of the PRC, individually provided for general reserves in their annual financial statements based on their current year profit or risk based assets as profit appropriation. The above mentioned general reserves cannot be used for dividends or appropriation to capital.

As at 31 December 2008, out of the Group's consolidated retained profits, RMB2,214 million (31 December 2007: RMB1,456 million) represents the Company's share of its subsidiaries' general reserve which cannot be used for profit distribution.

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. PROFITS APPROPRIATION

According to the Article of the Company and other relevant provisions, the company's profits distributable shareholders are the lower of the amount stated in financial statements prepared in accordance with International Financial Reporting Standards and that with PRC Accounting Standards.

According to the articles of the Company and the relevant regulations, the Company makes appropriations from net profit according to the following order:

(1) To offset accumulated losses brought forward from prior years;

(2) To allocate 10% of profit after tax, after offsetting accumulated losses, to statutory surplus reserve fund;

(3) To provide for discretionary surplus reserve fund in accordance with the resolutions of the shareholders' meeting. The usage of the discretionary surplus reserve fund is determined in accordance with the articles of the Company or the resolutions of the shareholders' meeting;

(4) To distribute dividends to shareholders.

	2008	2007
Interim dividends on ordinary shares declared during the year:		
Interim dividend for 2008: RMB0.20 per share (2007: RMB0.20 per share)	**1,469**	1,469
Dividends on ordinary shares proposed for approval at the annual general meeting (not recognized as a liability as at 31 December):		
Final dividend for 2008: Nil (2007: RMB0.50 per share)	**–**	3,673

46. MINORITY INTERESTS

	31 December 2008	31 December 2007
Ping An Life	**1,048**	294
Ping An Property and Casualty	**55**	51
Ping An Securities	**505**	511
Shenzhen Ping An Bank	**875**	659
Portfield	**–**	154
Others	**229**	315
Total	**2,712**	1,984

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. PREMIUM INCOME

(1) Details of premium income by insurance contracts of the Group are as follows:

	2008	2007
Direct insurance contracts	**129,264**	100,860
Reinsurance contracts	**119**	85
Total	**129,383**	100,945

(2) Details of premium income by products of the Group are as follows:

	2008	2007
Life insurance		
Individual	**79,104**	64,310
Bancassurance	**14,827**	7,263
Group insurance	**8,438**	7,706
Sub-total of life insurance	**102,369**	79,279
Property and casualty insurance		
Automobile insurance	**19,377**	15,241
Non-automobile insurance	**6,185**	5,277
Accident and health insurance	**1,452**	1,148
Sub-total of property and casualty insurance	**27,014**	21,666
Total	**129,383**	100,945

48. CHANGE IN UNEARNED PREMIUM RESERVES

	2008	2007
Direct insurance contracts	**1,736**	2,601
Reinsurance contracts	**44**	14
Total	**1,780**	2,615

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. NET INTEREST INCOME OF BANKING OPERATIONS

	2008	2007
Interest income of banking operations		
Due from banks and other financial institutions	**18**	90
Balances with central bank	**319**	163
Placements with banks and other financial institutions	**78**	221
Loans and advances to customers	**4,839**	3,200
Including: Individual loans	**1,471**	1,015
Corporate loans	**3,023**	1,720
Discounted bills	**345**	465
Financial assets purchased under agreements to resell	**435**	335
Bond investments	**1,331**	1,305
Subtotal	**7,020**	5,314
Interest expenses of banking operations		
Due to banks and other financial institutions	**332**	192
Placements from banks and other financial institutions	**9**	131
Customers deposits	**2,031**	1,228
Financial assets sold under agreements to repurchase	**305**	14
Subtotal	**2,677**	1,565
Net interest income of banking operations	**4,343**	3,749

Accreted interest on impaired financial assets during 2008 amounted to RMB10 million (2007: RMB24 million).

50. NET FEES AND COMMISSION INCOME OF NON-INSURANCE OPERATIONS

	2008	2007
Fees and commission income of non-insurance operations		
Brokerage fees	**796**	1,556
Underwriting commission income	**511**	505
Trust service fees	**387**	511
Others	**286**	242
Subtotal	**1,980**	2,814
Fees and commission expenses of non-insurance operations		
Brokerage fees paid	**92**	165
Other fees paid	**112**	337
Subtotal	**204**	502
Net fees and commission income of non-insurance operations	**1,776**	2,312

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. INVESTMENT INCOME

	2008	2007
Interest income of non-banking operations		
Bonds		
Held-to-maturity	**5,038**	5,064
Available-for-sale	**5,011**	2,592
At fair value through profit or loss	**967**	579
Term deposits		
Loans and receivables	**3,147**	2,482
Current deposits		
Loans and receivables	**847**	1,232
Others		
Loans and receivables	**294**	300
Dividend income		
Funds		
Available-for-sale	**2,510**	3,653
At fair value through profit or loss	**3,318**	5,478
Stocks		
Available-for-sale	**993**	251
At fair value through profit or loss	**102**	72
Realized gains		
Bonds		
Available-for-sale	**1,231**	(1,538)
At fair value through profit or loss	**473**	88
Funds		
Available-for-sale	**(1,673)**	4,915
At fair value through profit or loss	**(1,984)**	5,840
Stocks		
Available-for-sale	**10,870**	17,506
At fair value through profit or loss	**(2,657)**	10,899
Derivative financial instruments	**252**	494
Others	**8**	(294)
Share of profits and losses of associates	**25**	4
Interest expenses on financial assets sold under agreements to repurchase and placement from banks and other financial institutions	**(524)**	(1,435)
Total	**28,248**	58,182

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. FAIR VALUE GAINS AND LOSSES

	2008	2007
Held-for-trading financial assets		
Bonds	**1,003**	(348)
Funds	**(10,469)**	4,232
Stocks	**(7,797)**	3,078
Financial assets designated at fair value through profit or loss	**–**	(317)
Derivative financial instruments	**(405)**	240
Total	**(17,668)**	6,885

53. OTHER INCOME

	2008	2007
Expressway toll fee income	**756**	12
Operating lease income from investment properties	**367**	299
Administrative fees for investment contracts	**101**	100
Administrative fees for corporate annuity schemes	**39**	3
Others	**516**	190
Total	**1,779**	604

54. OPERATING INCOME

	2008	2007
Total operating income amount of top 5 customers	**889**	955
Percentage of total operating income	**0.64%**	0.58%

55. CLAIMS PAID

(1) Details of claims paid by insurance contracts of the Group are as follows:

	2008	2007
Direct insurance contracts	**34,585**	26,986
Reinsurance contracts	**7**	12
Total	**34,592**	26,998

(2) Details of claims paid by types of payments of the Group are as follows:

	2008	2007
Claims	**17,699**	13,137
Payments on maturities	**11,414**	9,327
Payments on annuities	**3,388**	2,894
Payments on death and medical claims	**2,091**	1,640
Total	**34,592**	26,998

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. CHANGE IN INSURANCE CONTRACT LIABILITIES

(1) Details of change in insurance contract liabilities by insurance contracts of the Group are as follows:

	2008	2007
Change in claim reserves		
Direct insurance contracts	**2,057**	1,337
Reinsurance contracts	**38**	28
Change in policyholders' reserves for life insurance		
Direct insurance contracts	**30,425**	69,661
Change in reserves for long-term health insurance		
Direct insurance contracts	**6,272**	6,519
Total	**38,792**	77,545

(2) Details of change in claim reserve of direct insurance contracts by type are as follows:

	2008	2007
Incurred and reported claim reserves	**1,460**	2,367
Incurred but not reported claim reserves	**617**	(1,103)
Loss adjustment expense reserves	**(20)**	73
Total	**2,057**	1,337

57. REINSURERS' SHARE OF INSURANCE CONTRACT LIABILITIES

	2008	2007
Reinsurers' share of claim reserves	**934**	580
Reinsurers' share of policyholders' reserves for life insurance	**1,437**	6
Reinsurers' share of reserves for long-term health insurance	**3,437**	6
Total	**5,808**	592

Please refer to Note VII. 10 for the gain recognized upon inception of the reinsurance contract with Munich Reinsurance Company Beijing Branch in 2008.

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. GENERAL AND ADMINISTRATIVE EXPENSES AND OTHER EXPENSES

General and administrative expenses and other expenses of the Group include following expenses:

	2008	2007
Wages, salaries and bonuses	**3,385**	7,846
Retirement benefits, social security contributions and welfare benefits	**1,033**	1,147
Depreciation and amortization of investment properties	**173**	127
Depreciation of fixed assets	**524**	476
Amortization of intangible assets	**451**	109
Insurance guarantee funds	**409**	331
Auditor's remuneration-annual, interim audit and agreed upon procedures	**32**	23

The employee costs reversed for the scheme of share appreciation rights during the year amount to RMB2,202 million due to the decrease in stock price of the Company's H-share (2007: expense accrued of RMB2,127 million).

59. IMPAIRMENT LOSSES

	2008	2007
Bad debt provisions	**(81)**	93
Impairment losses for available-for-sale financial assets		
– Bonds	**73**	98
– Equity instruments	**25,887**	–
Impairment losses for loans	**220**	(118)
Impairment losses for investment properties	**–**	21
Impairment losses for fixed assets	**–**	20
Impairment losses for other assets	**21**	175
Total	**26,120**	289

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. INCOME TAXES

	2008	2007
Current income tax expenses	**2,840**	1,488
Deferred income tax expenses/(income)	**(6,166)**	414
Total	**(3,326)**	1,902

The relationship between income tax and accounting profit of the Group is as follows:

	2008	2007
Profit/(loss) before tax	**(2,453)**	17,483
Tax computed at the main applicable tax rate of 18% (2007: 15%)	**(442)**	2,622
Tax effect of expenses not deductible in determining taxable income	**426**	712
Tax effect of income not taxable in determining taxable income	**(1,988)**	(1,762)
Tax effect of different tax rates in current year and future years	**(1,114)**	(24)
Tax effect of higher tax rate on branches and entities (in the PRC) that are located outside the Special Economic Zones	**(103)**	354
Tax refund	**(105)**	–
Total	**(3,326)**	1,902

The Group's corporate income tax is calculated based on the understanding of current tax laws and the estimated taxable income earned in China using the applicable tax rates. For tax items involving taxable income generated from abroad, they are calculated using the applicable tax rates in accordance with the current effective laws, explanatory notices and practices of the jurisdiction where the Group's foreign operations are located.

The Group's tax position is subject to assessment and inspection of the tax authorities.

61. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the Company's net profit attributable to ordinary shareholders by the weighted average number of outstanding shares.

	2008	2007
Net profit attributable to ordinary shareholders for current year (in RMB million)	**662**	15,086
Weighted average number of outstanding shares of the Company (million shares)	**7,345**	7,153
Basic earnings per share (in RMB)	**0.09**	2.11
Diluted earnings per share (in RMB)	**0.09**	2.11

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. SHARE APPRECIATION RIGHTS SCHEME

On 5 February 2004, the Company's board of directors approved a scheme of share appreciation rights for the senior executives and certain key employees of the Group. The rights to the units are issued from 2004 to 2008. No shares will be issued under this scheme. The rights were granted in units with each unit representing one H share of the Company. Upon exercise of these rights, the participants will receive a cash payment, subject to the restrictions that the annual amount of aggregate benefit to all participants shall not exceed a percentage of the estimated net profits in the year in which the rights are exercised, which is equal to the product of the number of units exercised and the difference between the exercise price and market price of an H share at the time of exercise.

The fair value of share appreciation rights is measured using Black-Scholes option pricing model. The following table lists the inputs to the model used for the year.

	31 December 2008	31 December 2007
Risk-free interest rate (%)	**0.7%**	2.6%
Expected dividend yield (%)	**1.0%**	1.0%
Expected volatility (%)	**49.4%**	36.1%
Expected residual life (year)	**1**	1-2

The services received and liabilities to pay for those services are recognized over the expected vesting year. Until the liability is settled, it is remeasured at each reporting date and with changes in fair value recognized in the income statement. The carrying amount of the liability relating to the share appreciation rights as at 31 December 2008 is RMB541 million (31 December 2007: RMB2,743 million).

63. INVESTMENT-LINKED INSURANCE

(1) Investment accounts for investment-linked insurance

Investment-linked insurance products of the Group include Ping An Century Wealth Management Investment-linked Insurance, Ping An Century Talent Investment-linked Insurance, Ping An Yingdingjinsheng Investment-linked Insurance, Ping An Jufububugao Investment-linked Insurance, Ping An Jufuniannian Investment-linked Insurance, Ping An Huiyingrensheng group Investment-linked Insurance and Ping An Group Pension Investment-linked Insurance. The Group has established nine separate portfolios for the above investment-linked products: the Ping An Development Portfolio (the "Development portfolio"), the Ping An Guaranteed Return Portfolio (the "Guaranteed portfolio"), the Ping An Fund Portfolio (the "Fund portfolio"), the Ping An Value Portfolio (the "Value portfolio"), the Ping An Equity Portfolio (the "Equity portfolio"), the Ping An Money Market Portfolio (the "Money Market portfolio"), the Ping An Conservative Portfolio (the "Conservative portfolio"), the Ping An Balanced Portfolio (the "Balanced portfolio"), the Ping An Growth Portfolio (the "Growth portfolio"). The above portfolios are established in accordance with the terms in the policies, "Provisional Measures on Management of Investment-linked Insurance" and other regulations issued by the CIRC, and approved by the CIRC. The above portfolios invest in bank deposits, placements with banks, security investment funds, bonds, stocks and other financial instruments permitted by the CIRC.

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. INVESTMENT-LINKED INSURANCE (CONTINUED)

(2) Number of units and net asset value for each investment unit of investment-linked portfolio for December 2008 and December 2007

		December 2008		December 2007	
	Launch date	Number of unit Million	Net asset value per each investment unit RMB	Number of unit Million	Net asset value per each investment unit RMB
Development portfolio	10/23/2000	**7,223**	**2.3277**	6,585	2.7891
Guaranteed portfolio	4/30/2001	**301**	**1.2943**	214	1.2428
Fund portfolio	4/30/2001	**3,367**	**2.4565**	3,155	3.5896
Value portfolio	9/4/2003	**2,229**	**1.6049**	2,089	1.5746
Conservative portfolio	3/31/2001	**1,865**	**1.5998**	2,124	1.6725
Balanced portfolio	3/31/2001	**126**	**2.4749**	119	2.8787
Growth portfolio	3/31/2001	**176**	**2.5310**	143	4.0649
Equity portfolio	9/13/2007	**2,145**	**0.6413**	787	1.0294
Money market portfolio	12/17/2007	**282**	**1.0457**	1	1.0071

(3) Separate account (investment-linked) assets and liabilities

	31 December 2008	31 December 2007
Separate account (investment-linked) assets:		
Cash at bank	**742**	2,101
Held-for-trading financial assets	**22,532**	27,644
Financial assets purchased under agreements to resell	**10**	–
Interest receivables	**496**	225
Term deposit	**10,913**	9,383
Other assets	**35**	141
Total	**34,728**	39,494
Separate account (investment-linked) liabilities:		
Financial assets sold under agreements to repurchase	**210**	424
Unit reserves for life insurance	**34,489**	38,622
Other payables	**29**	448
Total	**34,728**	39,494

The investment risks of investment-linked insurance were fully undertaken by policy holders. Thus, the above investment-linked assets and liabilities were not included in the analysis of Note VIII. RISK MANAGEMENT.

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. INVESTMENT-LINKED INSURANCE (CONTINUED)

(4) Management fees of investment-linked insurance

Investment-linked account management fees are the management fees charged by the Group from policyholders in accordance with the terms of the investment-linked insurance policies. For Development portfolio, Guaranteed portfolio, Fund portfolio and Value portfolio, the management fees are collected on every valuation date capped at 0.2% of the highest value of the account's asset per month and 2% per annum. For Equity portfolio, the Group charges management fees every valuation date for 1.2% per annum of the account net assets. For Money Market portfolio, the management fees are collected on every valuation date capped at 1% per annum of the account assets. For Conservative portfolio, Balanced portfolio and Growth portfolio, the administrative fees and investment management fees are collected on every valuation date with both capped at 1.5% per annum, of the account's assets.

(5) Main accounting policies of investment-linked insurance

Ping An Century Wealth Management Investment-linked Insurance, Ping An Century Talent Investment-linked Insurance, Ping An Yingdingjinsheng Investment-linked Insurance, Ping An Jufububugao Investment-linked Insurance and Ping An Jufuniannian Investment-linked Insurance, which undertake both insurance risk and other risks, are regarded as direct insurance contracts with no separation between the insurance risk and other risks and are accounted for as direct insurance contracts. Ping An Huiyingrensheng group Investment-linked Insurance and Ping An Group Pension Investment-linked Insurance, which does not undertake any insurance risk, are regarded as investment contracts, and are accounted for as financial instruments.

(6) Valuation method of investment-linked insurance account

Assets related to investment-linked contracts are carried at market value. Marketable securities excluding open ended funds are valued using the closing price at the valuation date or the most recent closing price if there are no transactions of the securities on the valuation date. Open ended funds are valued using the published net asset value. Equity investment funds within the subscription year are valued at cost. Inter-bank bonds are valued using valuation methods.

64. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(1) Reconciliation of the net profit to cash flows from operating activities

	2008	2007
Net profit	**873**	15,581
Add: Provision for impairment losses	**26,120**	289
Depreciation of investment properties	**173**	127
Depreciation of fixed assets	**524**	476
Amortization of intangible assets	**451**	109
Amortization of long-term deferred expenses	**237**	155
Losses/(gains) from disposal of fixed assets, intangible assets and other long-term assets	**5**	(212)
Fair value gains and losses	**17,668**	(6,885)
Investment income	**(29,699)**	(59,487)
Foreign exchange losses	**465**	501
Change in insurance contract liabilities	**34,764**	79,568
Decrease/(increase) of deferred tax assets and liabilities, net	**(6,166)**	414
Net increase in operating receivables	**(10,751)**	(32,921)
Net increase in operating payables	**27,693**	34,145
Net cash flows from operating activities	**62,357**	31,860

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(2) Net increase/(decrease) in cash and cash equivalents

	2008	2007
Cash at the end of year	**33,888**	46,301
Less: Cash at the beginning of year	**(46,301)**	(34,007)
Add: Cash equivalents at the end of year	**30,601**	49,995
Less: Cash equivalents at the beginning of year	**(49,995)**	(9,644)
Net increase/(decrease) in cash and cash equivalents	**(31,807)**	52,645

(3) For information on acquisition of subsidiaries by the Group, please refer to Note V. (1) to (3).

(4) Significant amount in cash received from other operating activities

	2008	2007
Expressway toll fee income	**756**	12
Cash inflow from disposal of settled assets	**408**	573

(5) Significant amount in cash paid in other operating activities

	2008	2007
Statutory deposits	**4,300**	40
Cash outflow for surrenders	**13,362**	13,333

(6) Cash and cash equivalents

	31 December 2008	31 December 2007
Cash		
Cash on hand	**574**	382
Cash at bank readily available for payments	**23,258**	38,856
Other monetary funds readily available for payments	**462**	539
Balance with central bank available for payment	**7,274**	4,969
Balances with clearing companies	**51**	668
Balances with other financial institutions	**2,266**	833
Placements with other financial institutions	**3**	54
Subtotal	**33,888**	46,301
Cash equivalents		
Bonds with original maturity within 3 months	**50**	7,620
Money market funds	**18,335**	13,245
Financial assets purchased under agreements to resell with original maturity within 3 months	**12,216**	29,130
Subtotal	**30,601**	49,995
Cash and cash equivalents at the end of year	**64,489**	96,296

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments mainly consist of cash on hand and at bank, term deposits, bonds, funds, stocks, loans, borrowings, due to bank and other financial institutions and customer deposits, etc.. These financial assets are mainly for the Group's financing for operation. The Group held various other financial assets and liabilities which directly arose from insurance operation, such as premium receivables, due from reinsurers and claims payable, etc..

(1) Classification of financial instruments

Carrying amounts of financial instruments as at balance sheet date are as follows:

	31 December 2008		
	Balance excluding investment-linked contracts	Balance of investment-linked contracts	Total
Financial assets			
Held-for-trading financial assets	42,954	22,532	65,486
Derivative financial assets	17	–	17
Available-for-sale financial assets	212,236	–	212,236
Held-to-maturity investments	126,502	–	126,502
Loans and receivables:			
Cash on hand and at bank	51,703	742	52,445
Balances with clearing companies	1,177	–	1,177
Placements with banks and other financial institutions	304	–	304
Financial assets purchased under agreements to resell	13,074	10	13,084
Interest receivables	6,435	496	6,931
Premium receivables	4,554	–	4,554
Due from reinsurers	2,733	–	2,733
Policy loans	3,725	–	3,725
Loans and advances to customers	74,160	–	74,160
Refundable deposits	108	–	108
Term deposits	72,090	10,913	83,003
Statutory deposits	5,860	–	5,860
Other assets	2,244	35	2,279
Sub-total of loans and receivables	238,167	12,196	250,363
Total	619,876	34,728	654,604

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(1) Classification of financial instruments (Continued)

	31 December 2007		
	Balance excluding investment-linked contracts	Balance of investment-linked contracts	Total
Financial assets			
Held-for-trading financial assets	57,294	27,644	84,938
Derivative financial assets	177	–	177
Available-for-sale financial assets	178,539	–	178,539
Held-to-maturity investments	127,736	–	127,736
Loans and receivables:			
Cash on hand and at bank	70,639	2,101	72,740
Balances with clearing companies	2,027	–	2,027
Placements with banks and other financial institutions	1,192	–	1,192
Financial assets purchased under agreements to resell	36,457	–	36,457
Interest receivables	3,962	225	4,187
Premium receivables	4,568	–	4,568
Due from reinsurers	2,452	–	2,452
Policy loans	2,411	–	2,411
Loans and advances to customers	63,125	–	63,125
Refundable deposits	887	–	887
Term deposits	32,348	9,383	41,731
Statutory deposits	1,560	–	1,560
Other assets	979	141	1,120
Sub-total of loans and receivables	222,607	11,850	234,457
Total	586,353	39,494	625,847

(in RMB million)

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(1) Classification of financial instruments (Continued)

	31 December 2008		
	Balance excluding investment-linked contracts	Balance of investment-linked contracts	Total
Financial liabilities			
Derivative financial liabilities	265	–	265
Other financial liabilities			
Short-term borrowings	3,071	–	3,071
Due to banks and other financial institutions	17,204	–	17,204
Guarantee deposits	7,413	–	7,413
Placements from banks and other financial institutions	33	–	33
Financial assets sold under agreements to repurchase	41,124	210	41,334
Customer deposits	80,649	–	80,649
Payables to brokerage customers	6,929	–	6,929
Commission payable	1,243	–	1,243
Due to reinsurers	3,571	–	3,571
Salaries and welfare payable	2,156	–	2,156
Interest payable	975	–	975
Claims payable	6,222	–	6,222
Policyholder dividends payable	12,012	–	12,012
Investment contract liabilities for policyholders	2,656	3,764	6,420
Long-term borrowings	3,884	–	3,884
Other liabilities	6,567	29	6,596
Sub-total of other financial liabilities	195,709	4,003	199,712
Total	195,974	4,003	199,977

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(1) Classification of financial instruments (Continued)

	31 December 2007		
	Balance excluding investment-linked contracts	Balance of investment-linked contracts	Total
Financial liabilities			
Derivative financial liabilities	189	–	189
Other financial liabilities			
Short-term borrowings	3,719	–	3,719
Due to banks and other financial institutions	7,532	–	7,532
Guarantee deposits	5,398	–	5,398
Placements from banks and other financial institutions	175	–	175
Financial assets sold under agreements to repurchase	13,556	424	13,980
Customer deposits	72,133	–	72,133
Payables to brokerage customers	14,394	–	14,394
Commission payable	1,104	–	1,104
Due to reinsurers	2,656	–	2,656
Salaries and welfare payable	4,732	–	4,732
Interest payable	574	–	574
Claims payable	5,161	–	5,161
Policyholder dividends payable	7,006	–	7,006
Investment contract liabilities for policyholders	799	4,488	5,287
Long-term borrowings	3,218	–	3,218
Other liabilities	3,638	448	4,086
Sub-total of other financial liabilities	145,795	5,360	151,155
Total	145,984	5,360	151,344

(2) Fair value of financial instruments

The carrying value of the financial instruments held by the Group, except for held-to-maturity investments long duration term deposits and loans and advances to customers, approximate the estimated fair values.

The principal methods and assumptions used by the Group in estimating the fair values of the financial instruments are:

(1) Fixed maturity investments (mainly including bond investments and securities purchased under agreements to resell): Fair values are generally based upon quoted market prices. Where quoted market prices are not readily available, fair values are estimated using either prices observed in recent transactions or values obtained from discounted cash flow models using current market yield rates of comparable investments. When discounted cash flow model is used, market yield and discounting rate is obtained from www.ChinaBond.com.cn which is the official website of China Government Securities Depository Trust & Clearing Co., Ltd..

(2) Equity investments: Fair values are based on quoted market prices except for certain unlisted equity investments, which are carried at cost as a reasonable estimate of their fair value.

(3) Derivative financial instruments: Fair values are determined by counterparty quotes or independent appraiser's reports.

(4) Others (Loans and receivables and other financial liabilities): Loans, customer deposits, financial assets sold under agreements to repurchase and other short-term (usually within one year) or periodically revalued according to market quotes financial instruments, its interest rate is amended according to announced rate by People's Bank of China or market rate on revaluation date, carrying amounts of these assets and liabilities would approximate their fair values.

VIII. RISK MANAGEMENT

1. INSURANCE RISK

(1) Insurance risk types

The risk under an insurance contract is the possibility of occurrence of an insured event and uncertainty of the amount and timing of the resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This could occur due to any of the following factors:

Occurrence risk – the possibility that the number of insured events will differ from those expected.

Severity risk – the possibility that the cost of the events will differ from those expected.

Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract year.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategies and guidelines.

The business of the Group mainly comprises long-term life insurance contracts, property and casualty and short-term life insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc..

These risks currently do not vary significantly in relation to the location of the risk insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. However, for contracts with discretionary participation features, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

Insurance risk is also affected by the policyholders' rights to terminate the contract, pay reduced premiums, refuse to pay premiums or annuity conversion rights etc.. Thus, the resultant insurance risk is subject to policyholders' behavior and decisions.

(2) Concentration of Insurance risk

The Group runs its insurance business primarily within the PRC. Hence the geographical insurance risk is concentrated primarily within the PRC.

The Group's concentration of insurance risk by major lines of business is reflected by its major lines of business as analyzed by insurance contract provisions in Note VII. 38.

VIII. RISK MANAGEMENT (CONTINUED)

1. INSURANCE RISK (CONTINUED)

(3) Assumption and sensitivity analysis

Long-term life insurance contracts

Assumptions

The policyholders' reserves for life insurance and reserves for long-term health insurance are calculated in accordance with related actuarial regulations promulgated by the CIRC. Moreover, the policyholders' reserves for life insurance and reserves for long-term health insurance provided by the Group should meet the requirements of liability adequacy test. Unless the reserves are inadequate under liability adequacy test, no adjustment is needed for the policyholders' reserves for life insurance and reserves for long-term health insurance. In liability adequacy test: other variables held constant, if mortality rate, morbidity rate, lapse rate or expense rate assumptions increase or decrease by 10% based on the current best assumptions, the reserves would not be inadequate; other variables held constant, the investment return assumptions increase or decrease 50 basis points based on the current best assumptions, the accrued reserves also would not be inadequate.

Base on the historical experience, the Group changed the assumptions for renewal expense, cost of total disability and administrative fees of investment-linked contracts used in the non-unit reserve calculation of Ping An Century Wealth Management Investment-linked Insurance product in order to reflect its actual experience during the year 2008. This change in actuarial assumption results in an increase in profit before tax for the year ended 31 December 2008 amounting to RMB715 million.

Property and casualty and short-term life insurance contracts

Assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include delays in settlement, etc..

Sensitivity analysis

The above mentioned principal assumptions affect claims reserves of property and casualty and short-tem life insurance. Sensitivity of some variables, including changes in legislation, uncertainty of estimation process, etc. can not be quantified. Besides, due to timing difference between accident date, claims report date and claims closing date, there is uncertainty in measurement of the amount of claims reserves as at balance sheet date.

The claim development of the Group's property and casualty business gross of reinsurance is as follows:

Item	2004	2005	2006	2007	**2008**	Total
Estimated cumulative claims paid as of:						
End of current year	5,955	7,171	9,317	10,700	**16,056**	
1 year later	5,948	7,172	10,305	10,904	**–**	
2 years later	5,397	6,953	9,805	–	**–**	
3 years later	5,259	6,797	–	–	**–**	
4 years later	5,186	–	–	–	**–**	
Estimated cumulative claims	5,186	6,797	9,805	10,904	**16,056**	48,748
Cumulated claims paid	(5,161)	(6,725)	(9,064)	(9,880)	**(9,594)**	(40,424)
Sub-total						8,324
Prior year adjustments and unallocated loss adjustment expenses						233
Unpaid claim expenses						8,557

(in RMB million)

VIII. RISK MANAGEMENT (CONTINUED)

1. INSURANCE RISK (CONTINUED)

(3) Assumption and sensitivity analysis (Continued)

Property and casualty and short-term life insurance contracts (Continued)

Sensitivity analysis (Continued)

The claim development of the Group's property and casualty business net of reinsurance is as follows:

Item	2004	2005	2006	2007	2008	Total
Estimated cumulative claims paid as of:						
End of current year	4,181	5,266	7,219	8,875	**12,812**	
1 year later	4,228	5,280	7,362	9,061	**–**	
2 years later	3,833	5,129	7,104	–	**–**	
3 years later	3,732	5,005	–	–	**–**	
4 years later	3,675	–	–	–	**–**	
Estimated cumulative claims	3,675	5,005	7,104	9,061	**12,812**	37,657
Cumulated claims paid	(3,656)	(4,951)	(6,912)	(8,341)	**(8,327)**	(32,187)
Sub-total						5,470
Prior year adjustments and unallocated loss adjustment expenses						221
Unpaid claim expenses						5,691

The claim development of the Group's short-term life insurance business gross of reinsurance is as follows:

Item	2004	2005	2006	2007	2008	Total
Estimated cumulative claims paid as of:						
End of current year	1,571	1,767	2,039	2,316	**3,233**	
1 year later	1,577	1,960	1,983	2,335	**–**	
2 years later	1,582	1,935	1,990	–	**–**	
3 years later	1,582	1,935	–	–	**–**	
4 years later	1,582	–	–	–	**–**	
Estimated cumulative claims	1,582	1,935	1,990	2,335	**3,233**	11,075
Cumulated claims paid	(1,582)	(1,935)	(1,990)	(2,291)	**(2,125)**	(9,923)
Sub-total						1,152
Prior year adjustments and unallocated loss adjustment expenses						31
Unpaid claim expenses						1,183

VIII. RISK MANAGEMENT (CONTINUED)

1. INSURANCE RISK (CONTINUED)

(3) Assumption and sensitivity analysis (continued)

Property and casualty and short-term life insurance contracts (continued)

Sensitivity analysis (continued)

The claim development of the Group's short-term life insurance business net of reinsurance is as follows:

Item	2004	2005	2006	2007	2008	Total
Estimated cumulative claims paid as of:						
End of current year	1,053	1,156	1,616	1,790	**2,265**	
1 year later	1,057	1,482	1,555	1,682	**–**	
2 years later	1,086	1,538	1,461	–	**–**	
3 years later	1,086	1,538	–	–	**–**	
4 years later	1,086	–	–	–	**–**	
Estimated cumulative claims	1,086	1,538	1,461	1,682	**2,265**	8,032
Cumulated claims paid	(1,086)	(1,538)	(1,461)	(1,651)	**(1,516)**	(7,252)
Sub-total						780
Prior year adjustments and unallocated loss adjustment expenses						31
Unpaid claim expenses						811

A percentage change in average claim costs alone results in a similar percentage change in claim reserves. Analysis is as follows:

	31 December 2008				
	Change in assumptions	**Impact on gross liabilities Increase/(decrease)**	**Impact on net liabilities Increase/(decrease)**	**Impact on profit before tax Increase/(decrease)**	**Impact on equity before tax Increase/(decrease)**
Average claim cost					
Property and casualty insurance	**+5%**	**428**	**285**	**(285)**	**(285)**
Short-term life insurance	**+5%**	**59**	**41**	**(41)**	**(41)**

	31 December 2007				
	Change in assumptions	Impact on gross liabilities Increase/(decrease)	Impact on net liabilities Increase/(decrease)	Impact on profit before tax Increase/(decrease)	Impact on equity before tax Increase/(decrease)
Average claim cost					
Property and casualty insurance	+5%	345	238	(238)	(238)
Short-term life insurance	+5%	38	29	(29)	(29)

Reinsurance

The Group limits its exposure to losses from insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on quota share basis and surplus basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the balance sheet as reinsurers' share of insurance liabilities.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

VIII. RISK MANAGEMENT (CONTINUED)

2. MARKET RISK

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), such change in market price may be caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

(1) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial condition and results of operations. The foreign currency risk faced by the Group mainly comes from movements in the USD/RMB, HKD/RMB and EUR/RMB exchange rates. The Group seeks to limit its exposure to foreign currency risk by minimizing its net foreign currency position.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the pre-tax impact on profit (due to changes in fair value of foreign currency denominated non-monetary assets and liabilities measured at fair value, as well as monetary assets and liabilities) and equity. The correlation of variables will have a significant effect in determining the ultimate impact on market risks, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

		31 December 2008		31 December 2007	
	Change in variables	Decrease/(increase) in profit before tax	Decrease/(increase) in equity before tax	Decrease/(increase) in profit before tax	Decrease/(increase) in equity before tax
USD	-5%	**546**	**546**	571	588
HKD	-5%	**(135)**	**221**	(107)	369
Other currencies	-5%	**–**	**54**	46	1,061
Total		**411**	**821**	510	2,018

The main non-monetary assets and liabilities measured at fair value, as well as monetary assets and liabilities of the Group, excluding balances of investment-linked contracts, are analyzed as follows by currency:

	31 December 2008					
(in million)	RMB	USD (Original)	HKD (Original)	EUR (Original)	Other (RMB equivalent)	RMB equivalent total
Cash on hand and at bank	**44,846**	**791**	**1,635**	**–**	**9**	**51,703**
Balances with clearing companies	**1,160**	**1**	**12**	**–**	**–**	**1,177**
Placements with banks and other financial institutions	**304**	**–**	**–**	**–**	**–**	**304**
Held-for-trading financial assets	**35,346**	**1,086**	**211**	**–**	**–**	**42,954**
Financial assets purchased under agreement to resell	**13,074**	**–**	**–**	**–**	**–**	**13,074**
Interest receivables	**6,396**	**5**	**5**	**–**	**–**	**6,435**
Premium receivables	**4,214**	**48**	**14**	**–**	**–**	**4,554**
Due from reinsurers	**2,525**	**29**	**11**	**–**	**–**	**2,733**
Reinsurers' share of insurance liabilities	**7,522**	**88**	**1**	**–**	**–**	**8,124**
Policy loans	**3,725**	**–**	**–**	**–**	**–**	**3,725**
Loans and advances to customers	**73,196**	**101**	**310**	**–**	**–**	**74,160**
Refundable deposits	**105**	**–**	**3**	**–**	**–**	**108**
Term deposits	**71,796**	**43**	**–**	**–**	**–**	**72,090**
Available-for-sale financial assets	**203,625**	**54**	**8,119**	**112**	**–**	**212,236**
Held-to-maturity investments	**126,502**	**–**	**–**	**–**	**–**	**126,502**
Statutory deposits	**5,860**	**–**	**–**	**–**	**–**	**5,860**
Other assets	**1,930**	**44**	**15**	**–**	**–**	**2,244**
Total	**602,126**	**2,290**	**10,336**	**112**	**9**	**627,983**

VIII. RISK MANAGEMENT (CONTINUED)

2. MARKET RISK (CONTINUED)

(1) Foreign currency risk (Continued)

	31 December 2008					
(in million)	RMB	USD (Original)	HKD (Original)	EUR (Original)	Other (RMB equivalent)	RMB equivalent total
Short-term borrowings	718	–	2,668	–	–	3,071
Due to banks and other financial institutions	15,632	230	–	–	–	17,204
Guarantee deposits	7,372	6	–	–	–	7,413
Placements from banks and other financial institutions	–	5	–	–	–	33
Financial assets sold under agreements to repurchase	41,124	–	–	–	–	41,124
Customer deposits	79,480	171	–	–	–	80,649
Payables to brokerage customers	6,694	10	189	–	–	6,929
Commission payable	1,243	–	–	–	–	1,243
Due to reinsurers	3,172	57	11	–	–	3,571
Salaries and welfare payable	2,156	–	–	–	–	2,156
Interest payable	933	4	17	–	–	975
Claims payable	6,201	3	1	–	–	6,222
Policyholder dividends payable	12,012	–	–	–	–	12,012
Investment contract liabilities for policyholders	2,656	–	–	–	–	2,656
Insurance contract liabilities	370,408	110	55	–	6	371,214
Long-term borrowings	2,409	–	1,673	–	–	3,884
Other liabilities	5,276	96	720	–	–	6,567
Total	557,486	692	5,334	–	6	566,923

	31 December 2007					
(in million)	RMB	USD (Original)	HKD (Original)	EUR (Original)	Other (RMB equivalent)	RMB equivalent total
Cash on hand and at bank	68,110	81	2,050	1	5	70,639
Balances with clearing companies	1,999	1	22	–	–	2,027
Placements with banks and other financial institutions	1,123	7	19	–	–	1,192
Held-for-trading financial assets	46,405	1,321	375	83	3	57,294
Financial assets purchased under agreement to resell	36,457	–	–	–	–	36,457
Interest receivable	3,903	8	3	–	–	3,962
Premium receivables	4,283	37	16	–	–	4,568
Due from reinsurers	2,228	20	80	–	–	2,452
Reinsurers' share of insurance liabilities	1,230	148	5	–	–	2,316
Policy loans	2,411	–	–	–	–	2,411
Loans and advances to customers	61,206	243	156	–	–	63,125
Refundable deposits	881	–	6	–	–	887
Term deposits	31,151	164	–	–	–	32,348
Available-for-sale financial assets	146,858	228	10,369	1,904	–	178,539
Held-to-maturity investments	127,736	–	–	–	–	127,736
Statutory deposits	1,560	–	–	–	–	1,560
Other assets	641	39	43	1	–	979
Total	538,182	2,297	13,144	1,989	8	588,492

VIII. RISK MANAGEMENT (CONTINUED)

2. MARKET RISK (CONTINUED)

(1) Foreign currency risk (Continued)

	31 December 2007					
(in million)	RMB	USD (Original)	HKD (Original)	EUR (Original)	Other (RMB equivalent)	RMB equivalent total
Short-term borrowings	990	–	2,915	–	–	3,719
Due to banks and other financial institutions	5,792	238	–	–	–	7,532
Guarantee deposits	5,398	–	–	–	–	5,398
Placements from banks and other financial institutions	–	24	–	–	–	175
Financial assets sold under agreements to repurchase	13,556	–	–	–	–	13,556
Customer deposits	70,778	186	(4)	–	–	72,133
Payables to brokerage customers	14,024	15	275	–	–	14,394
Commission payable	1,104	–	–	–	–	1,104
Due to reinsurers	2,344	41	14	–	–	2,656
Salaries and welfare payable	4,732	–	–	–	–	4,732
Interest payable	503	4	42	–	–	574
Claims payable	5,138	3	2	–	–	5,161
Policyholder dividends payable	7,006	–	–	–	–	7,006
Investment contract liabilities for policyholders	798	–	–	–	–	798
Insurance contract liabilities	329,904	157	34	–	4	331,083
Long-term borrowings	1,611	–	1,716	–	–	3,218
Other liabilities	3,255	18	269	–	–	3,638
Total	466,933	686	5,263	–	4	476,877

Major currencies' exchange rates as of respective balance sheet dates are as follows:

	31 December 2008			31 December 2007		
	USD	**HKD**	**EUR**	USD	HKD	EUR
Exchange rate	**6.8346**	**0.8819**	**9.6590**	7.3046	0.9364	10.6669

VIII. RISK MANAGEMENT (CONTINUED)

2. MARKET RISK (CONTINUED)

(2) Price risk

The Group's price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include listed equity securities and equity investment funds classified as available-for-sale financial assets and financial assets at fair value through profit or loss.

The above investments are exposed to price risk because of change in market price, whether changes are caused by factors specific to the individual financial instruments or its issuers, or factors affecting all similar financial instruments traded in the market.

The Group managed price risks by diversification of investments, setting limits for investments in different securities, etc..

The Group uses a 10-day market price value-at-risk ("VaR") technique to estimate its risk exposure for listed equity securities and equity investments funds. The Group adopts 10-day as the holding period on the assumption that not all the investments can be sold in one day. Moreover, the VaR calculation is made based on normal market condition and a 99% confidence interval.

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under or over estimated due to the assumption placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level.

In practice the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

The analysis below is the estimated impact for listed stocks and equity investment funds with 10-day reasonable market fluctuation in using VaR module in the normal market.

	31 December 2008	31 December 2007
Listed stocks and equity investment funds	**6,245**	14,495

The Group expected that the current trading and available-for-sale equity investments will not lose more than RMB6,245 million due to market price movements in a 10-trading-day holding period on 99% occasions.

(in RMB million)

VIII. RISK MANAGEMENT (CONTINUED)

2. MARKET RISK (CONTINUED)

(3) Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on floating rate instruments is repriced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments (excluding the balances of investment-linked contacts), showing the pre-tax impact on profit (fair value change on held-for-trading bonds) and equity (fair value change on held-for-trading bonds combined with fair value change on available-for-sale bonds).

		31 December 2008		31 December 2007	
	Change in interest rate	Decrease in profit before tax	Decrease in equity before tax	Decrease in profit before tax	Decrease in equity before tax
Bonds held-for-trading and available-for-sale	+50 basis points	**280**	**6,269**	153	2,728

The following sensitivity analysis is based on the assumption that the floating rate bonds, floating rate term deposits, loans and advances and customer deposits have static structure of interest rate risk. The analysis only measured interest rate changes within one year, reflecting the impact on profits and losses from the re-pricing of financial assets and liabilities within a year with following assumptions: First, interest rate of the floating rate bonds, floating rate term deposits/loans and advances is re-priced since the first re-pricing date after balance sheet date while the interest rate of customer deposits is re-priced at the balance sheet date. Second, the yield curve moved in parallel with the changes in the interest rate. Third, there are no other changes in the portfolio of financial assets and liabilities. Regarding to the above assumptions, the effect on the income statement as a result of actual increases or decreases in interest rates may differ from that of the above sensitivity analysis.

		31 December 2008		31 December 2007	
	Change in interest rate	Increase/(decrease) in profit before tax	Increase/(decrease) in equity before tax	Increase/(decrease) in profit before tax	Increase/(decrease) in equity before tax
Floating interest rate bonds	+50 basis points	**87**	**87**	55	55
Floating rate term deposits	+50 basis points	**156**	**156**	116	116
Loans and advances to customers	+50 basis points	**265**	**265**	273	273
Customer deposits	+50 basis points	**(449)**	**(449)**	(380)	(380)

VIII. RISK MANAGEMENT (CONTINUED)

2. MARKET RISK (CONTINUED)

(3) Interest rate risk (Continued)

The following table sets out the Group's term deposits (excluding investment-linked contracts) exposed to interest rate risk based on the earlier of maturing date and repricing date:

	31 December 2008	31 December 2007
Fixed interest rate		
Within 3 months (including 3 months)	**1,400**	–
3 months to 1 year (including 1 year)	**799**	381
1-2 years (including 2 years)	**250**	400
2-3 years (including 3 years)	**14,770**	250
3-4 years (including 4 years)	**1,900**	4,170
4-5 years (including 5 years)	**19,670**	1,900
More than 5 years	**2,044**	2,082
Floating interest rate	**31,257**	23,165
Total	**72,090**	32,348

The following table sets out the Group's bonds (excluding investment-linked contracts) exposed to interest rate risk based on the earlier of maturing date and repricing date:

	31 December 2008			
	Held-to-maturity	Available-for-sale	Carried at fair value through profit or loss	Total
Fixed interest rate				
Within 3 months (including 3 months)	**107**	**1,031**	**2,160**	**3,298**
3 months to 1 year (including 1 year)	**7,695**	**9,308**	**7,168**	**24,171**
1-2 years (including 2 years)	**1,645**	**4,101**	**242**	**5,988**
2-3 years (including 3 years)	**20,113**	**17,838**	**3,832**	**41,783**
3-4 years (including 4 years)	**4,099**	**3,909**	**294**	**8,302**
4-5 years (including 5 years)	**11,563**	**13,804**	**1,943**	**27,310**
More than 5 years	**73,925**	**114,733**	**3,757**	**192,415**
Floating interest rate	**7,355**	**15,820**	**1,208**	**24,383**
Total	**126,502**	**180,544**	**20,604**	**327,650**

(in RMB million)

VIII. RISK MANAGEMENT (CONTINUED)

2. MARKET RISK (CONTINUED)

(3) Interest rate risk (continued)

	31 December 2007			
	Held-to-maturity	Available-for-sale	Carried at fair value through profit or loss	Total
Fixed interest rate				
Within 3 months (including 3 months)	49	7,518	14,120	21,687
3 months to 1 year (including 1 year)	4,862	6,425	5,686	16,973
1-2 years (including 2 years)	7,804	5,140	393	13,337
2-3 years (including 3 years)	1,639	3,833	512	5,984
3-4 years (including 4 years)	19,621	3,286	188	23,095
4-5 years (including 5 years)	3,898	3,252	111	7,261
More than 5 years	82,336	47,068	1,912	131,316
Floating interest rate	7,527	6,889	1,304	15,720
Total	127,736	83,411	24,226	235,373

Interest rates on floating rate term deposits and floating rate bonds are re-priced at intervals of less than one year. Interest rates on fixed rate term deposits and fixed rate bonds are fixed before maturity.

3. FINANCIAL RISK

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, loans and advances to customers, investment in bonds, equity investment, reinsurance arrangements with reinsurers, policy loans, etc.. The Group mitigates credit risk by using a variety of controls including credit control policies, credit analysis on potential investments, and imposing aggregate counter party exposure limits.

The Group's banking business carries out credit assessment before granting credit to customers and monitors the credit granted on a regular basis. Credit risk is also managed through obtaining collateral and guarantees. In the case of off-balance sheet credit related commitments, guarantee deposits are in general received by the Group to reduce credit risk.

VIII. RISK MANAGEMENT (CONTINUED)

3. FINANCIAL RISK (CONTINUED)

(1) Credit risk (Continued)

Credit quality

The following table sets forth amounts due from banks and other financial institutions placed with central bank and major commercial banks in the PRC in terms of aggregates held by the Group (excluding investment-linked contracts).

	31 December 2008	31 December 2007
Central Bank	**20,103**	19,234
Top five banks		
China Minsheng Banking Corp., Ltd.	**14,109**	11,243
Bank of China Limited	**11,268**	5,137
Industrial and Commercial Bank of China Limited	**10,633**	10,859
Agricultural Bank of China	**9,798**	3,230
Industrial Bank Co., Ltd.	**9,298**	4,131
Other banks and financial institutions		
China Construction Bank Corporation	**7,813**	25,045
Guangdong Development Bank	**4,154**	4,505
Bank of Communication Co., LTD	**5,476**	567
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	**70**	153
Others	**32,086**	22,607
Total	**124,808**	106,711

The Group's debt securities investment mainly includes domestic government bonds, central bank bills, financial institution bonds and corporate bonds. As at 31 December 2008: 100% (31 December 2007: 100%) of the financial institution bonds held by the Group either have a credit rating of A or above, or were issued by national commercial banks. As at 31 December 2008, 100% (31 December 2007: 89.14%) of the common corporate bonds and short-term corporate financing bonds held by the Group have a credit rating of AA and A-1 or above. The bond credit rating is assigned by a qualified appraisal institution in the PRC.

The credit risk associated with securities purchased under agreements to resell and policy loans will not cause a material impact on the Group's consolidated financial statements taking into consideration their collateral held and a maturity term of no more than one year as at 31 December 2008 and 31 December 2007.

The Group's banking business classifies the credit asset risks based on the five-tier loan classification system promulgated by the China Banking Regulatory Commission ("CBRC"). The bank applies different management policies to the loans in accordance with their respective loan category. Please refer to Note VII. 12.(6) for credit quality analysis.

(in RMB million)

VIII. RISK MANAGEMENT (CONTINUED)

3. FINANCIAL RISK (CONTINUED)

(1) Credit risk (continued)

Credit exposure

The table below shows the maximum exposure to credit risk for the financial assets and off balance sheet items such as credit commitments. The maximum exposure is shown gross, before the effect of mitigation through any collateral held or other credit enhancements.

	31 December 2008	31 December 2007
Cash on hand and at bank	**51,703**	70,639
Balances with clearing companies	**1,177**	2,027
Placements with banks and other financial institutions	**304**	1,192
Held-for-trading financial assets	**42,954**	57,294
Derivative financial assets	**17**	177
Financial assets purchased under agreement to resell	**13,074**	36,457
Interest receivables	**6,435**	3,962
Premium receivables	**4,554**	4,568
Due from reinsurers	**2,733**	2,452
Policy loans	**3,725**	2,411
Loans and advances to customers	**74,160**	63,125
Refundable deposits	**108**	887
Term deposits	**72,090**	32,348
Available-for-sale financial assets	**212,236**	178,539
Held-to-maturity investments	**126,502**	127,736
Statutory deposits	**5,860**	1,560
Other assets	**2,244**	979
Sub-total	**619,876**	586,353
Credit commitments (Note XII. 3)	**63,911**	35,704
Total credit risk exposure	**683,787**	622,057

Above assets are already deducted for investment-linked account balances.

Where financial instruments are recorded at fair value, the amounts shown above represents the current risk exposure but not the maximum risk exposure that could arise in the future as a result of the change in fair values.

VIII. RISK MANAGEMENT (CONTINUED)

3. FINANCIAL RISK (CONTINUED)

(1) Credit risk (continued)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters.

The main types of collateral obtained are as follows:

- for reverse repurchase transactions, cash or securities;
- for commercial lending, charges over real estate properties, inventories and trade receivables, etc.;
- for policy loans, cash value of policies; and
- for retail lending, residential properties over mortgages.

Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding balance. In general, the Group does not occupy repossessed properties for business use.

Aging analysis of financial assets past-due

	31 December 2008						
		Past-due but not impaired					
	In due	Within 30 days	31-90 days	More than 90 days	Total past-due but not impaired	Past-due and impaired	Total
Placements with banks and other financial institutions	304	–	–	–	–	9	313
Premium receivables	3,670	287	237	360	884	161	4,715
Due from reinsurers	2,592	–	78	63	141	17	2,750
Loans and advances to Customers	72,410	845	363	159	1,367	1,108	74,885
Sub-total	78,976	1,132	678	582	2,392	1,295	82,663
Less: Impairment provision	(414)	–	–	–	–	(498)	(912)
Net	78,562	1,132	678	582	2,392	797	81,751

(in RMB million)

VIII. RISK MANAGEMENT (CONTINUED)

3. FINANCIAL RISK (CONTINUED)

(1) Credit risk (continued)

Aging analysis of financial assets past-due (continued)

	31 December 2007						
		Past-due but not impaired					
	In due	Within 30 days	31-90 days	More than 90 days	Total past-due but not impaired	Past-due and impaired	Total
Placements with banks and other financial institutions	1,192	–	–	–	–	45	1,237
Premium receivables	3,609	508	305	146	959	179	4,747
Due from reinsurers	1,861	102	81	408	591	49	2,501
Loans and advances to customers	61,859	769	256	78	1,103	699	63,661
Sub-total	68,521	1,379	642	632	2,653	972	72,146
Less: Impairment provision	(185)	–	–	–	–	(624)	(809)
Net	68,336	1,379	642	632	2,653	348	71,337

Of the aggregate amount of gross past-due but not impaired loans and advances to customers, the fair value of collateral that the Group held as at 31 December 2008 was RMB2,180 million (31 December 2007: RMB1,295 million).

Of the aggregate amount of gross past-due and impaired loans and advances to customers, the fair value of collateral that the Group held as at 31 December 2008 was RMB1,515 million (31 December 2007: RMB1,057 million).

Financial assets of which terms have been renegotiated

	31 December 2008	31 December 2007
Loans and advances to customers	**841**	795

VIII. RISK MANAGEMENT (CONTINUED)

3. FINANCIAL RISK (CONTINUED)

(2) Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet the Group's obligations as they become due.

The Group is exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. The Group seeks to manage its liquidity risk by matching to the extent possible the duration of its investment assets with the duration of its insurance policies and to ensure that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis. The banking business of the Group is exposed to potential liquidity risk. The Group seeks to mitigate the liquidity risk of the banking business by optimizing the assets and liabilities structure, maintaining stable deposits, etc..

The table below summarizes the remaining contractual maturity profile of the financial liabilities of the Group based on undiscounted contractual cash flows.

	31 December 2008					
	Past-due	Within 3 months	3-12 Months	Over 1 year	Investment-linked	Total
Short-term borrowings	–	2,236	938	–	–	3,174
Due to banks and other financial institution	–	11,665	1,584	4,195	–	17,444
Guarantee deposits	–	5,204	2,219	28	–	7,451
Placements from banks and other financial institutions	–	33	–	–	–	33
Derivative financial liabilities	–	1	8	296	–	305
Financial assets sold under agreements to repurchase	–	40,372	786	–	210	41,368
Customer deposits	–	52,310	17,327	12,941	–	82,578
Payables to brokerage customers	–	6,929	–	–	–	6,929
Commission payable	–	1,243	–	–	–	1,243
Due to reinsurers	–	2,981	560	30	–	3,571
Salaries and welfare payable	–	1,576	231	349	–	2,156
Interest payable	–	391	598	342	–	1,331
Claims payable	–	6,222	–	–	–	6,222
Policyholder dividends payable	–	1,324	10,688	–	–	12,012
Investment contract liabilities for policyholders	–	30	258	2,368	3,764	6,420
Long-term borrowings	–	36	360	4,225	–	4,621
Other liabilities	–	4,596	410	2,778	29	7,813
Total	–	137,149	35,967	27,552	4,003	204,671

(in RMB million)

VIII. RISK MANAGEMENT (CONTINUED)

3. FINANCIAL RISK (CONTINUED)

(2) Liquidity risk (continued)

	31 December 2007					
	Past-due	Within 3 months	3-12 Months	Over 1 year	Investment-linked	Total
Short-term borrowings	–	515	3,204	–	–	3,719
Due to banks and other financial Institutions	–	7,513	23	–	–	7,536
Guarantee deposits	–	3,685	1,724	43	–	5,452
Placements from banks and other financial institutions	–	74	104	–	–	178
Derivative financial liabilities	–	5	101	82	–	188
Financial assets sold under agreements to repurchase	–	13,595	–	–	424	14,019
Customer deposits	–	50,662	15,275	7,666	–	73,603
Payables to brokerage customers	–	14,394	–	–	–	14,394
Commission payable	–	1,104	–	–	–	1,104
Due to reinsurers	–	2,204	452	–	–	2,656
Salaries and welfare payable	–	2,028	1,634	1,070	–	4,732
Interest payable	–	225	248	101	–	574
Claims payable	–	643	4,518	–	–	5,161
Policyholder dividends payable	–	7,006	–	–	–	7,006
Investment contract liabilities for policyholders	–	–	–	799	4,488	5,287
Long-term borrowings	–	–	155	4,115	–	4,270
Other liabilities	–	968	2,091	579	448	4,086
Total	–	104,621	29,529	14,455	5,360	153,965

VIII. RISK MANAGEMENT (CONTINUED)

3. FINANCIAL RISK (CONTINUED)

(2) Liquidity risk (continued)

The table below summarizes the expected recovery or settlement of assets.

	31 December 2008			
	Current*	Non-current	Investment–linked	Total
Cash on hand and at bank	38,874	12,829	742	52,445
Balances with clearing companies	1,177	–	–	1,177
Placements with banks and other financial institutions	3	301	–	304
Held-for-trading financial assets	42,954	–	22,532	65,486
Derivative financial assets	17	–	–	17
Financial assets purchased under agreements to resell	13,074	–	10	13,084
Interest receivables	6,435	–	496	6,931
Premium receivables	4,195	359	–	4,554
Due from reinsurers	2,733	–	–	2,733
Reinsurers' share of insurance liabilities	4,888	6,466	–	11,354
Policy loans	3,725	–	–	3,725
Loans and advances to customers	39,898	34,262	–	74,160
Refundable deposits	108	–	–	108
Term deposits	3,056	69,034	10,913	83,003
Available-for-sale financial assets	10,576	201,660	–	212,236
Held-to-maturity investments	8,126	118,376	–	126,502
Long-term equity investments	–	6,025	–	6,025
Goodwill	–	617	–	617
Statutory deposits	–	5,860	–	5,860
Investment properties	–	6,551	–	6,551
Fixed assets	–	7,641	–	7,641
Intangible assets	–	9,500	–	9,500
Deferred tax assets	–	7,767	–	7,767
Other assets	4,577	1,248	35	5,860
Total assets	184,416	488,496	34,728	707,640

* Expected recovery within 12 months from the balance sheet date.

(in RMB million)

VIII. RISK MANAGEMENT (CONTINUED)

3. FINANCIAL RISK (CONTINUED)

(2) Liquidity risk (continued)

	31 December 2007			
	Current*	Non-current	Investment–linked	Total
Cash on hand and at bank	56,374	14,265	2,101	72,740
Balances with clearing companies	2,027	–	–	2,027
Placements with banks and other financial institutions	891	301	–	1,192
Held-for-trading financial assets	57,294	–	27,644	84,938
Derivative financial assets	174	3	–	177
Financial assets purchased under agreement to resell	36,457	–	–	36,457
Interest receivables	3,962	–	225	4,187
Premium receivables	4,388	180	–	4,568
Due from reinsurers	2,452	–	–	2,452
Reinsurers' share of insurance liabilities	3,157	1,774	–	4,931
Policy loans	2,411	–	–	2,411
Loans and advances to customers	34,024	29,101	–	63,125
Refundable deposits	887	–	–	887
Term deposits	10,988	21,360	9,383	41,731
Available-for-sale financial assets	13,977	164,562	–	178,539
Held-to-maturity investments	5,112	122,624	–	127,736
Long-term equity investments	–	2,207	–	2,207
Goodwill	–	610	–	610
Statutory deposits	–	1,560	–	1,560
Investment properties	–	4,051	–	4,051
Fixed assets	–	7,894	–	7,894
Intangible assets	–	3,621	–	3,621
Deferred tax assets	–	87	–	87
Other assets	2,275	800	141	3,216
Total assets	236,850	375,000	39,494	651,344

* Expected recovery within 12 months from the balance sheet date.

4. MISMATCHING RISK OF ASSET AND LIABILITY

The objective of the Group's asset and liability management is to match assets with liabilities on the basis of both duration and interest rate. In the current regulatory and market environment, however, the Group is unable to invest in assets that have duration of sufficient length to match the duration of its insurance and investment contract liabilities. When the current regulatory and market environment permits, however, the Group will lengthen the duration of its assets by matching the new liabilities of lower guarantee rates, while narrowing the gap of existing liabilities of higher guarantee rates.

5. OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failure of proper internal controls on business processes, people and systems or from uncontrollable external events. The Group is exposed to many types of operational risks in the conduct of its business from inadequate or failure to obtain proper authorizations, supporting documentation and ensuring operational and informational security procedures as well as from fraud or errors by employees. The Group attempts to manage operational risk by establishing clear policies and requiring well-documented business processes to ensure transactions are properly authorized, supported and recorded.

VIII. RISK MANAGEMENT (CONTINUED)

6. CAPITAL MANAGEMENT

The Group's capital requirements are primarily dependent on the scale and the type of business that it undertakes, as well as the industry and geographic location in which it operates. The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital requirements by assessing shortfalls, if any, between the reported and the required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to ordinary shareholders or issue capital securities.

The Group complied with the externally imposed capital requirements as at 31 December 2008 and no changes were made to its capital base, objectives, policies and processes from the previous year.

The table below summarizes the minimum regulatory capital for the Group and its major insurance subsidiaries and the regulatory capital held against each of them.

	31 December 2008			31 December 2007		
	Regulatory capital held	Minimum regulatory capital	Solvency margin ratio	Regulatory capital held	Minimum regulatory capital	Solvency margin ratio
The Group	**88,270**	**28,663**	**308.0%**	121,104	24,883	486.7%
Ping An Life	**33,752**	**18,371**	**183.7%**	45,218	15,704	287.9%
Ping An Property & Casualty	**5,047**	**3,293**	**153.3%**	4,895	2,695	181.6%

The Group's solvency ratio is calculated based on relevant regulations promulgated by the CIRC which is an indicator of the overall solvency position of a financial conglomerate.

The regulatory capital of the Shenzhen Ping An Bank is analyzed as follows:

	31 December 2008		31 December 2007	
	Regulatory capital held	Minimum regulatory capital	Regulatory capital held	Minimum regulatory capital
Core capital	**8,381**	**3,183**	6,238	2,739
Capital	**8,510**	**6,366**	6,209	5,477
Risk weighted assets	**79,573**		68,466	
Core capital adequacy ratio	**10.5%**		9.1%	
Capital adequacy ratio	**10.7%**		9.1%	

The above regulatory ratios are calculated based on "Measures for the Management of Capital Adequacy Ratios of Commercial Banks" and relevant regulations promulgated by the CBRC. The CBRC requires that commercial bank's capital adequacy ratio is no less than 8% and core capital adequacy ratio is no less than 4%.

(in RMB million)

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

1. RELATED PARTY RELATIONSHIP

(1) During the year, related parties of the Company comprise:

(i) subsidiaries;

(ii) investors having significant influence on the Company;

(iii) associates;

(iv) key management personnel, as well as their close family members;

(v) corporations which are controlled, or under common control, or significantly influenced by the Company's key management personnel or their close family members.

(2) Subsidiaries and associates

For details of the Company's subsidiaries and the Group's associates and their relationship with the Company, please refer to Note V and Note VII. 15.

(3) Other related parties

Name of related parties	Relationship with the Company
HSBC Holdings Limited ("HSBC Holdings")	Parent of shareholders
HSBC Insurance Holdings Limited ("HSBC Insurance")	Shareholder
HSBC	Shareholder

In late August 2005, HSBC Holdings through its wholly owned subsidiaries, HSBC Insurance and HSBC, held 19.90% of the Company's shares. Since then, HSBC Holdings and its subsidiaries became the Company's related parties with significant influence over the Group. As at 31 December 2008, HSBC Holdings holds over 16% share of the Company through its subsidiaries.

(4) Shareholders who hold more than 5% shares of the Company as at 31 December 2008:

Name of the shareholders	Number of shares held	Type of share	Percentage of total shares (%)
HSBC Insurance	618,886,334	H-share	8.43%
HSBC	613,929,279	H-share	8.36%
Shenzhen Investment Holdings Co., Ltd.	546,672,967	A-Share	7.44%
Shenzhen New Horse Investment Development Co., Ltd. & Shenzhen Jingao Industrial Development Co., Ltd.	720,710,154	Non-tradable A-Share	9.81%
Yuan Trust Investment Co., Ltd.	380,000,000	A-Share	5.17%

(5) According to the regulations of the CSRC, from 1 March 2007 Bank of Communications Co., Ltd. ("Bank of Communications") was defined as a related legal person of the Company, because one of its directors also held the position of director in the Company.

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (CONTINUED)

2. RELATED PARTY TRANSACTIONS

(1) Significant transactions

Interest income earned by the Group from related parties and related legal persons is as follows:

	2008	2007
HSBC		
– Bank deposits	**1**	13
Bank of Communications		
– Bank deposits	**61**	76
– Statutory deposits	**2**	–

The banks mentioned above pay the Group deposit interest based on the market rate. The bank deposit interest income mentioned above is 1.6% of total bank deposit interest income of the Group during the year (2007: 2.4%).

Interest expense paid by the Group to related parties and related legal persons is as follows:

	2008	2007
HSBC		
– Placement with banks and other financial institutions	**1**	–
Bank of Communications		
– Due to banks and other financial institutions	**45**	–
– Financial assets sold under agreements to repurchase	**14**	71

(2) Balances with related parties and related legal persons

	31 December 2008	31 December 2007
HSBC		
– Cash at bank	**32**	153
– Balance with banks and other financial institutions	**38**	93
Bank of Communications		
– Cash at bank	**1,292**	395
– Term deposits	**4,315**	–
– Statutory deposits	**3,000**	–
– Balance with banks and other financial institutions	**18**	–
– Due to banks and other financial institutions	**1,760**	1,422
– Financial assets sold under agreements to repurchase	**2,347**	–

(3) Compensation for key management personnel is as follows:

	2008	2007
Salaries and other short-term employee benefits	**68**	286

Key management personnel comprise the Company's directors, supervisors and senior officers as defined in the Company's articles of association. Besides the above compensation items, the Group established a scheme of share appreciation rights for key management personnel. During the year, no share appreciation rights were issued by the Group and no due share appreciation rights were exercised. For details please refer to Note VII. 62.

(in RMB million)

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (CONTINUED)

2. RELATED PARTY TRANSACTIONS (CONTINUED)

(4) Related party transactions between the Company and the subsidiaries of the Company for the current year are as follows:

	2008	2007
Interest income from bank deposits		
Shenzhen Ping An Bank	**93**	254
Ping An Securities	**6**	4
Dividend income		
Ping An Life	**4,891**	4,326
Interest expenses on placements		
Ping An Life	**–**	7
Ping An Property & Casualty	**–**	8
Asset management fees		
Ping An Asset Management Co., Ltd. ("Ping An Asset Management")	**22**	4
Ping An of China Asset Management (Hong Kong) Company Limited ("Ping An Asset Management (Hong Kong)")	**3**	–
Investment consultation fees		
Ping An Asset Management (Hong Kong)	**4**	–
Property management fees		
Ping An Property	**21**	18
Rental fees		
Ping An Life	**35**	20

(5) Balances with the subsidiaries of the Company:

	31 December 2008	31 December 2007
Cash at bank		
Shenzhen Ping An Bank	**1,017**	34,332
Brokerage deposits		
Ping An Securities	**23**	233
Other receivables		
Ping An Life	**25**	–
Ping An Property & Casualty	**–**	1
Other payables		
Ping An Life	**–**	14
Ping An Property & Casualty	**–**	2

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (CONTINUED)

2. RELATED PARTY TRANSACTIONS (CONTINUED)

(6) Guarantees provided by the Company to its subsidiaries:

	31 December 2008	31 December 2007
Shenzhen Ping An Real Estate investment Co., Ltd.	**2,800**	890
Ping An Overseas	**2,221**	2,856
Ping An New Capital	**3,000**	–
Total	**8,021**	3,746

X. FIDUCIARY BUSINESS

	31 December 2008	31 December 2007
Assets under trust schemes	**43,765**	43,520
Assets under corporate annuity schemes	**12,402**	4,983
Entrusted loans	**1,233**	1,654
Assets under asset management schemes	**6,974**	1,317
Total	**64,374**	51,474

All of above are off-balance sheet items.

XI. CONTINGENCIES

1. LITIGATION

Owing to the nature of insurance and financial service business, the Group is involved in estimates, contingencies and legal proceedings in the ordinary course of business, including but not limited to being the plaintiff or the defendant in litigation and arbitration. The adverse effect of above mentioned events mostly involve claims on the Group's insurance policies and other claims. Provision has been made for the probable losses to the Group, where management can reasonably estimate the outcome of the lawsuits taking into account any legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability of losing the lawsuit is low or remote. For pending lawsuits, management also believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group or any of its subsidiaries.

2. TAX INSPECTION

In March 2008, the State Administration of Taxation commenced a regular inspection of certain Group companies' tax filing positions for fiscal years ended 31 December 2004, 2005 and 2006. The Group has made relevant tax provisions based on preliminary result of the said inspection. However, the inspection results may not be finalized shortly and, currently, it is not feasible to make a reliable estimate of all under-provisions for the said fiscal years.

(in RMB million)

XII. COMMITMENTS

1. CAPITAL COMMITMENTS

The Group has the following capital commitments relating to property development projects and investments:

	31 December 2008	31 December 2007
Contracted but not provided for	**7,052**	7,992
Including: Contracted but not fulfilled at all	**529**	1,784
Contracted but not fulfilled completely	**6,523**	6,208
Including: Beijing-Shanghai High Speed Railway	**3,868**	–
Authorized but not contracted for	**1,688**	456
Total	**8,740**	8,448

In June 2008, the CIRC approved Ping An Asset Management Co., Ltd, Pacific Asset Management Co., Ltd., Taikang Asset Management Co., Ltd. and Taiping Asset Management Co., Ltd. to jointly establish Beijing-Shanghai High-speed Railway Equity Investment Scheme and to raise RMB16 billion for acquisition of 13.913% equity interest in Beijing-Shanghai High-speed Railway Corporation Limited. Ping An Life subscribed for 39.375% of this investment scheme which amounted to RMB6.3 billion. As at 31 December 2008, the cumulative subscription amount paid by Ping An Life was RMB2,432 million and the unpaid portion amounting to RMB3,868 million was presented as a capital commitment.

2. OPERATING LEASE COMMITMENTS

Future minimum lease payments under non-cancelable operating leases are as follows:

	31 December 2008	31 December 2007
Within 1 year (including 1 year)	**902**	420
1-2 years (including 2 years)	**695**	328
2-3 years (including 3 years)	**467**	202
More than 3 years	**926**	210
Total	**2,990**	1,160

3. CREDIT COMMITMENTS

	31 December 2008	31 December 2007
Irrevocable loan commitments		
Within one year under original maturity	**19,026**	11,537
One year or above under original maturity	**1,773**	3,274
Credit limit of credit cards	**20,741**	3,866
Subtotal	**41,540**	18,677
Financial guarantee contracts		
Letters of credit issued	**12,006**	8,453
Guarantees issued	**9,773**	7,953
Bank acceptance	**592**	621
Subtotal	**22,371**	17,027
Total	**63,911**	35,704

Irrevocable loan commitments represent contractual amount to grant loans to customers in future, including unused credit card facilities. Since the commitment amount and credit card facilities are the maximum amount that could be used by customers, the total contract amounts do not necessarily represent future cash outflow requirements.

Financial guarantee contracts commit the Group to make payments on behalf of customers upon the failures of the customers to perform under the terms of the contract.

XIII. NON-RECURRING GAINS OR LOSSES

After deducting non-recurring gains or losses, net profits attributable to Company's ordinary shareholders are calculated as follows:

	2008	2007
Net profit attributable to company's ordinary shareholders	**662**	15,086
Add/(less) non-recurring gains or losses items:		
Losses/(gains) from disposal of non-current assets	**77**	(397)
Government grants charged for the year	**(44)**	–
Non-operating income and expenditure except above items	**113**	82
Tax effect of non-recurring gains or losses	**19**	88
Net profit after deducting non-recurring gains or losses	**827**	14,859
Deduct: Non-recurring gains or losses attributed to minority interests	**(14)**	(2)
Net profits attributable to the Company's ordinary shareholders after deducting non-recurring gains or losses	**813**	14,857

The Group's recognition of the non-recurring items gains or losses is in accordance with the requirements of Explanatory Notices Regarding the Rules on Information Disclosure for Companies that Have Publicly Offered Securities No.1– Non-Recurring Gains or Losses (CSRC Announcement【2008】No. 43) issued by the China Securities Regulatory Commission.

As a financial conglomerate, investment arm is one of the main businesses of the Group, unrealized gains or losses from holding, and realized gains or losses through disposal of held-for-trading and available-for-sale financial assets are recurring gains or losses.

XIV. POST BALANCE SHEET EVENTS

1. On 8 April 2009, the directors propose not to distribute 2008 final dividend as stated in Note VII. 45.

2. On 6 January 2009, Ping An Trust completed acquisition of 100% equity interest of Xuji Group Corporation ("Xuji Group") at a consideration of RMB960 million and the update of its business registration. Since the valuation of Xuji Group's identifiable net assets as of the acquisition date was still in progress as at the approval date of the financial statements, the fair values of the said net assets and other relevant information were not disclosed in these financial statements.

Notes to the financial statements

As at 31 December 2008
(in RMB million)

XV. NOTES TO FINANCIAL STATEMENTS OF PARENT COMPANY

1. CASH ON HAND AND CASH AT BANK

	31 December 2008	31 December 2007
Cash at bank	**7,360**	40,625
Other monetary assets	**23**	233
Total	**7,383**	40,858

As at 31 December 2008, the company had no significant cash on hand and at bank with restricted use.

As at 31 December 2008, the Group has no cash on hand and at bank abroad.

2. HELD-FOR-TRADING FINANCIAL ASSETS

	31 December 2008	31 December 2007
Bonds		
Government bonds	**1,100**	–
Central bank bills	**982**	1,953
Financial bonds	**99**	1,004
Corporate bonds	**795**	2,086
Equity instruments		
Equity investment funds	**2,611**	27
Equity securities	**36**	3,106
Total	**5,623**	8,176

As at 31 December 2008, bond investments classified as held-for-trading financial assets with par value of RMB6,400 million (31 December 2007: nil) were pledged as collateral for assets sold under agreements to repurchase by the Company. Up to the approval date of the financial statements, the above amount has been released from such pledge.

3. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2008	31 December 2007
Bonds:		
Government bonds	**1,311**	1,661
Central bank bills	**8,487**	400
Financial bonds	**1,176**	379
Corporate bonds	**1,498**	206
Equity instruments:		
Equity investment funds	**3,153**	760
Equity securities	**2,156**	905
Total	**17,781**	4,311

XV. NOTES TO FINANCIAL STATEMENTS OF PARENT COMPANY (CONTINUED)

4. LONG-TERM EQUITY INVESTMENTS

	31 December 2008	31 December 2007
Ping An Life	**23,641**	3,762
Ping An Property & Casualty	**3,964**	2,973
Ping An Trust	**9,191**	4,195
Shenzhen Ping An Bank	**4,937**	4,937
Ping An Overseas	**561**	561
Ping An Annuity	**985**	485
Ping An Health	**475**	475
Ping An Asset Management	**480**	480
Total	**44,234**	17,868

5. DEFERRED TAX ASSETS

	2008				
	Beginning of year	Charged to the profit and loss	Charged to equity	End of year	Temporary difference as at 31 December 2008
Fair value adjustment on financial assets and liabilities carried at fair value through profit or loss	**(137)**	**138**	**–**	**1**	**5**
Fair value adjustment and impairment losses on available-for-sale financial assets	**(58)**	**57**	**482**	**481**	**2,189**
Others	**205**	**(160)**	**–**	**45**	**214**
Total	**10**	**35**	**482**	**527**	**2,408**

	2007				
	Beginning of year	Charged to the profit and loss	Charged to equity	End of year	Temporary difference as at 31 December 2008
Fair value adjustment on financial assets and liabilities carried at fair value through profit or loss	(67)	(70)	–	(137)	(757)
Fair value adjustment and impairment losses on available-for-sale financial assets	(105)	–	47	(58)	(323)
Others	79	126	–	205	1,078
Total	(93)	56	47	10	(2)

6. FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

All the financial assets sold under agreements to repurchase of the Company are bonds.

(in RMB million)

XV. NOTES TO FINANCIAL STATEMENTS OF PARENT COMPANY (CONTINUED)

7. SALARIES AND WELFARE PAYABLE

	2008			
	Beginning of Year	**Accruals/(reversals)**	**Payments**	**End of year**
Salary, bonus and allowance	**147**	**177**	**(235)**	**89**
Cash-settled shares-based payments	**1,084**	**(870)**	**–**	**214**
Staff welfare	**30**	**–**	**(30)**	**–**
Social insurance	**8**	**16**	**–**	**24**
Labor-union fund and employee educational fund	**56**	**(31)**	**(7)**	**18**
Total	**1,325**	**(708)**	**(272)**	**345**

	2007			
	Beginning of Year	Accruals	Payments	End of year
Salary, bonus and allowance	32	302	(187)	147
Cash-settled shares-based payments	508	772	(196)	1,084
Staff welfare	37	–	(7)	30
Social insurance	–	7	1	8
Labor-union fund and employee educational fund	9	55	(8)	56
Total	586	1,136	(397)	1,325

8. TAXES PAYABLE

	31 December 2008	31 December 2007
Corporate income tax	**1**	247
Business tax	**11**	32
Personal income tax buttoned up to pay	**102**	101
Total	**114**	380

XV. NOTES TO FINANCIAL STATEMENTS OF PARENT COMPANY (CONTINUED)

9. INVESTMENT INCOME

	2008	2007
Interest income		
Bonds		
Available-for-sale	**493**	92
At fair value through profit or loss	**341**	96
Term deposits		
Loans and receivables	**20**	11
Current deposits		
Loans and receivables	**249**	344
Others		
Loans and receivables	**27**	3
Dividend income		
Funds		
Available-for-sale	**908**	128
At fair value through profit or loss	**75**	235
Stocks		
Long-term equity investments	**4,891**	4,326
Available-for-sale	**37**	21
At fair value through profit or loss	**22**	13
Realized gains		
Bonds		
Available-for-sale	**730**	–
At fair value through profit or loss	**(51)**	25
Funds		
Available-for-sale	**(343)**	122
At fair value through profit or loss	**9**	(9)
Stocks		
Available-for-sale	**(203)**	660
At fair value through profit or loss	**(1,383)**	2,504
Derivative financial instruments	**1**	–
Interest expenses on financial assets sold under agreements to repurchase and placements from bank and other financial institutions	**(14)**	(119)
Total	**5,809**	8,452

10. FAIR VALUE GAINS AND LOSSES

	2008	2007
Held-for-trading financial instruments		
Bonds	**169**	(132)
Funds	**33**	(39)
Stocks	**(964)**	485
Derivative financial instruments	**–**	10
Total	**(762)**	324

(in RMB million)

XV. NOTES TO FINANCIAL STATEMENTS OF PARENT COMPANY (CONTINUED)

11. GENERAL AND ADMINISTRATIVE EXPENSES

The Company's general and administrative expenses are as follows:

	2008	2007
Wages, salaries and bonuses	**(693)**	1,074
Retirement benefits, social security contributions and welfare benefits	**(15)**	62
Depreciation of fixed assets	**23**	15
Amortization of intangible assets	**14**	7

12. IMPAIRMENT LOSSES

All impairment losses of the Company were impairment losses of available-for-sale financial assets.

13. INCOME TAXES

	2008	2007
Current income tax	**1**	410
Deferred income tax	**(35)**	(56)
Total	**(34)**	354

The relationship of the Company's income tax expenses and the accounting profit is as follow:

	2008	2007
Profit before tax	**4,669**	7,216
Tax computed at the main applicable tax rate of 18% (2007: 15%)	**840**	1,082
Tax effect of change in tax rate	**(1)**	(14)
Tax effect of expenses not deductible in determining taxable income	**8**	1
Tax effect of income not taxable in determining taxable income	**(881)**	(715)
Total	**(34)**	354

XVI. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to current year's presentation.

XVII. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved by the Company's board of directors on 8 April 2009.

According to the Company's articles, this financial statement will be proposed to the annual general meeting.

Appendix: supplementary information to financial statements

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

The material GAAP differences between PRC Accounting Standards and International Financial Reporting Standards ("IFRS") in preparing financial statements are as follows.

CONSOLIDATED NET PROFIT

	Notes	2008 in RMB million	2007 In RMB million
Financial statements prepared in accordance with ASBE		**662**	15,086
Unearned premium reserves	(i)	**(199)**	113
Policyholders' reserves for life insurance	(ii)	**(9,658)**	(4,988)
Deferred policy acquisition costs	(iii)	**9,294**	9,373
Deferred tax	(iv)	**130**	(883)
Minority interests and others		**39**	(13)
Financial statements prepared in accordance with IFRS		**268**	18,688

CONSOLIDATED EQUITY

	Notes	31 December 2008 in RMB million	31 December 2007 in RMB million
Financial statements prepared in accordance with ASBE		**78,757**	107,234
Unearned premium reserves	(i)	**–**	199
Policyholders' reserves for life insurance	(ii)	**(44,920)**	(35,262)
Deferred policy acquisition costs	(iii)	**50,599**	41,305
Deferred tax	(iv)	**(1,417)**	(1,547)
Minority interests and others		**(68)**	(107)
Financial statements prepared in accordance with IFRS		**82,951**	111,822

Minority interests have been deducted from the above amounts.

Ernst & Young is the Company's foreign auditor.

Notes:

(i) Before 1 July 2008, under PRC Accounting Standards, unearned premium reserves of the Group are provided using actuarial valuation results (1/365 method), and should be no less than 50% of the retained premium for the current period (1/2 method) as for life insurance subsidiaries of the Group. Under IFRS, unearned premium reserves are provided using actuarial valuation results (1/365 method). According to the CIRC's actuarial regulations effective from 1 July 2008, life insurance subsidiaries used the same actuarial valuation results (1/365 method) for provision of unearned premium reserves under both PRC Accounting Standards and IFRS.

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

(iii) Under PRC Accounting Standards, handing costs and commission expenses of acquiring new policies are recognized in the income statement when incurred. Under IFRS, handing costs and commission expenses of acquiring new policies are deferred and amortized over the expected life of the insurance contracts at a constant percentage of expected premiums or at a constant percentage of the present value of estimated gross profits expected to be realized over the life of the insurance contracts by product type, in accordance with IFRS 4 Insurance Contracts and by reference to US GAAP.

(iv) 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 and liabilities on the basis of the above differences and the tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Appendix: supplementary information to financial statements

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Yield of net asset			
	Fully diluted		Weighted average	
	2008	2007	**2008**	2007
Net profits attributable to company's ordinary shareholders	**0.84%**	14.08%	**0.71%**	16.88%
Net profits after deducting non-recurring gains or losses attributable to company's ordinary shareholders	**1.03%**	13.86%	**0.87%**	16.63%

	Earning per share (RMB)			
	Basic		Diluted	
	2008	2007	**2008**	2007
Net profits attributable to company's ordinary shareholders	**0.09**	2.11	**0.09**	2.11
Net profits after deducting non-recurring gains or losses attributable to company's ordinary shareholders	**0.11**	2.08	**0.11**	2.08

The Company has no potential diluted ordinary share.

Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of Ping An Insurance (Group) Company of China, Ltd. (the "Company") will be held at 10:00 a.m. on Wednesday, June 3, 2009 at Ping An School of Financial Services, Kukeng, Guanlan, Shenzhen, PRC for the purposes of considering and, if thought fit, passing the following resolutions:

AS ORDINARY RESOLUTIONS

1. To consider and approve the report of the board of directors of the Company (the "Board of Directors") for the year ended December 31, 2008.

2. To consider and approve the report of the supervisory committee of the Company (the "Supervisory Committee") for the year ended December 31, 2008.

3. To consider and approve the annual report of the Company and its summary for the year ended December 31, 2008.

4. To consider and approve the report of the auditors and the audited financial statements of the Company for the year ended December 31, 2008.

5. To consider and approve the profit distribution plan for the year ended December 31, 2008.

6. To consider and approve the re-appointment of Ernst & Young Hua Ming as the PRC auditors and Ernst & Young as the international auditors of the Company to hold office until the conclusion of the next annual general meeting and to authorize the Board of Directors to fix their remuneration.

7. To consider and approve the re-election of Mr. Ma Mingzhe as an Executive Director of the Company to hold office until the expiry of the term of the 8th Session of the Board of Directors.

8. To consider and approve the re-election of Mr. Sun Jianyi as an Executive Director of the Company to hold office until the expiry of the term of the 8th Session of the Board of Directors.

9. To consider and approve the re-election of Mr. Cheung Chi Yan Louis as an Executive Director of the Company to hold office until the expiry of the term of the 8th Session of the Board of Directors.

10. To consider and approve the appointment of Ms. Wang Liping as an Executive Director of the Company to hold office until the expiry of the term of the 8th Session of the Board of Directors.

11. To consider and approve the appointment of Mr. Jason Bo Yao as an Executive Director of the Company to hold office until the expiry of the term of the 8th Session of the Board of Directors.

12. To consider and approve the re-election of Ms. Lin Lijun as a Non-executive Director of the Company to hold office until the expiry of the term of the 8th Session of the Board of Directors.

13. To consider and approve the re-election of Mr. Hu Aimin as a Non-executive Director of the Company to hold office until the expiry of the term of the 8th Session of the Board of Directors.

14. To consider and approve the re-election of Mr. Chen Hongbo as a Non-executive Director of the Company to hold office until the expiry of the term of the 8th Session of the Board of Directors.

15. To consider and approve the re-election of Mr. Wong Tung Shun Peter as a Non-executive Director of the Company to hold office until the expiry of the term of the 8th Session of the Board of Directors.

16. To consider and approve the re-election of Mr. Ng Sing Yip as a Non-executive Director of the Company to hold office until the expiry of the term of the 8th Session of the Board of Directors.

17. To consider and approve the re-election of Mr. Clive Bannister as a Non-executive Director of the Company to hold office until the expiry of the term of the 8th Session of the Board of Directors.

18. To consider and approve the appointment of Ms. Li Zhe as a Non-executive Director of the Company to hold office until the expiry of the term of the 8th Session of the Board of Directors.

19. To consider and approve the re-election of Mr. Chow Wing Kin Anthony as an Independent Non-executive Director of the Company to hold office until the expiry of the term of the 8th Session of the Board of Directors.

20. To consider and approve the re-election of Mr. Zhang Hongyi as an Independent Non-executive Director of the Company to hold office until the expiry of the term of the 8th Session of the Board of Directors.

21. To consider and approve the re-election of Mr. Chen Su as an Independent Non-executive Director of the Company to hold office until the expiry of the term of the 8th Session of the Board of Directors.

22. To consider and approve the re-election of Mr. Xia Liping as an Independent Non-executive Director of the Company to hold office until the expiry of the term of the 8th Session of the Board of Directors.

23. To consider and approve the appointment of Mr. Tang Yunwei as an Independent Non-executive Director of the Company to hold office until the expiry of the term of the 8th Session of the Board of Directors.

24. To consider and approve the appointment of Mr. Lee Ka Sze Carmelo as an Independent Non-executive Director of the Company to hold office until the expiry of the term of the 8th Session of the Board of Directors.

25. To consider and approve the appointment of Mr. Chung Yu-wo Danny as an Independent Non-executive Director of the Company to hold office until the expiry of the term of the 8th Session of the Board of Directors.

26. To consider and approve the Directors' emolument plan for the Board of Directors.

27. To consider and approve the appointment of Mr. Gu Liji as an Independent Supervisor of the Company to hold office until the expiry of the term of the 6th Session of the Supervisory Committee.

28. To consider and approve the re-election of Mr. Sun Fuxin as an Independent Supervisor of the Company to hold office until the expiry of the term of the 6th Session of the Supervisory Committee.

29. To consider and approve the appointment of Mr. Song Zhijiang as a Supervisor of the Company representing the shareholders of the Company to hold office until the expiry of the term of the 6th Session of the Supervisory Committee.

30. To consider and approve the Supervisors' emolument plan for the Supervisory Committee.

AS SPECIAL RESOLUTIONS

31. To consider and approve the proposed amendments to the Articles of Association of the Company as set out in Appendix III to the circular to be despatched to shareholders of the Company on April 17, 2009, and to authorize the Board of Directors to make further amendments which in its opinion may be necessary, desirable and expedient in accordance with the applicable laws and regulations, and as may be required by the China Insurance Regulatory Commission ("CIRC") and other relevant authorities.

    The amended Articles of Association of the Company as referred to in this special resolution shall come into effect following the relevant approvals from CIRC are obtained.

32. To give a general mandate to the Board of Directors to issue, allot and deal with additional H shares not exceeding 20% of the H shares of the Company in issue and authorize the Board of Directors to make corresponding amendments to the Articles of Association as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares:

"**THAT**

(A) (a) subject to paragraph (c) and in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Articles of Association of the Company and the applicable laws and regulations of the People's Republic of China, the exercise by the Board of Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with, either separately or concurrently, additional H shares of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be hereby generally and unconditionally approved;

(b) the approval in paragraph (a) shall authorize the Board of Directors during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of H shares allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with (whether pursuant to an option or otherwise) by the Board of Directors pursuant to the approval granted in paragraph (a) shall not exceed 20% of the aggregate nominal amount of H shares of the Company in issue on the date of passing this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) any scrip dividend or similar arrangement providing for allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association; and

(d) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or other applicable laws to be held; or (iii) the revocation or variation of the authority given under this resolution by a special resolution of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong) and an offer, allotment or issue of shares by way of rights shall be construed accordingly.

(B) The Board of Directors be authorized to make corresponding amendments to the Articles of Association of the Company as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares as provided in sub-paragraph (a) of paragraph (A) of this resolution."

AS REPORTING DOCUMENTS

33. To consider and review the "Performance Report of the Directors for the Year 2008 of the Company".

34. To consider and review the "Report on Connected Transactions and Implementation of Management System of Connected Transactions for 2008".

By order of the Board of Directors

Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC
April 17, 2009

As at the date of this notice, the Executive Directors of the Company are Ma Mingzhe, Sun Jianyi and Cheung Chi Yan Louis, the Non-executive Directors are Lin Yu Fen, Cheung Lee Wah, Clive Bannister, Lin Lijun, Fan Gang, Hu Aimin, Chen Hongbo, Wong Tung Shun Peter and Ng Sing Yip, the Independent Non-executive Directors are Bao Youde, Kwong Che Keung Gordon, Cheung Wing Yui, Chow Wing Kin Anthony, Zhang Hongyi, Chen Su and Xia Liping.

Notice of annual general meeting

Notes:

1. According to the Articles of Association of the Company, the resolutions will be determined by poll.

2. In order to determine the list of shareholders who are entitled to attend the annual general meeting of the Company, the H share register of members will be closed from Thursday, April 30, 2009 to Wednesday, June 3, 2009, both days inclusive, during which period no transfer of shares will be effected. Holders of the Company's H shares whose names appear on the register of members on Thursday, April 30, 2009 are entitled to attend the meeting. In order to attend and vote at the meeting, holders of H shares of the Company whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Wednesday, April 29, 2009. The address of the transfer office of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The registration date and arrangements in relation to the rights of holders of A shares of the Company to attend the annual general meeting of the Company will be separately announced in the PRC.

3. A shareholder entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.

4. The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorized in writing. If the shareholder is a corporation, that instrument must be either under its common seal or under the hand of its director(s) or duly authorized attorney(s). If that instrument is signed by an attorney of the shareholder, the power of attorney authorizing that attorney to sign or other authorization document must be notarized.

5. In order to be valid, the form of proxy together with the power of attorney or other authorization document (if any) must be deposited at the H share registrar of the Company for holders of H shares not less than 24 hours before the time fixed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the meeting if he so wishes. The H share registrar of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

6. Shareholders who intend to attend the meeting in person or by proxy should return the reply slip to the Company's principal place of business in the PRC or Hong Kong on or before Wednesday, May 13, 2009 by hand, by post or by fax. The Company's principal place of business in the PRC is at 15-18th Floor, Galaxy Development Center, Fuhua 3rd Road, Futian District, Shenzhen, PRC (Tel: (86 755) 400 8866 338, Fax: (86 755) 8243 1029). The contact persons are LIU Cheng (劉程) (Tel: (86 755) 2262 2101) and WANG Xiaoli (王小利) (Tel: (86 755) 2262 2828). The Company's principal place of business in Hong Kong is at 11th Floor, Dah Sing Financial Center, 108 Gloucester Road, Wan Chai, Hong Kong (Tel: (852) 2827 1883, Fax: (852) 2802 0018).

7. The meeting is expected to be concluded within half a day. Shareholders (in person or by proxy) attending the meeting are responsible for their own transportation and accommodation expenses. Shareholders or their proxies attending the meeting shall produce the identity documents.

8. Concerning the proposed resolution no.32, the purpose of seeking approval of such mandate is to give directors flexibility and discretion to issue new H shares in the event that it comes desirable for the Company and the directors have no present plan to issue new H Shares pursuant to such mandate.

Organization structure

PING AN

Insurance · Banking · Investment

Ping An Insurance (Group) Company of China, Ltd.

INSURANCE

- Ping An Life
- Ping An Property & Casualty
- Ping An Annuity
- Ping An Health
- Ping An Hong Kong

BANKING

- Ping An Bank

INVESTMENT

- Ping An Trust
- Ping An Securities
- Ping An Asset Management
- Ping An Overseas Holdings
- Ping An Asset Management (Hong Kong)

SHARED PLATFORM

- Ping An Technology
- Ping An Processing and Technology
- Ping An Marketing Services
- Ping An Channel Development

Definition

In this report, unless the context otherwise indicated, the following expressions shall have the following meanings:

Ping An, Company, the Company, Group, the Group	Ping An Insurance (Group) Company of China, Ltd.
Ping An Life	Ping An Life Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Property & Casualty	Ping An Property & Casualty Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Health	Ping An Health Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Annuity	Ping An Annuity Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Trust	China Ping An Trust & Investment Co., Ltd., a subsidiary of the Company
Ping An Securities	Ping An Securities Company, Ltd., a subsidiary of Ping An Trust
Ping An Asset Management	Ping An Asset Management Co., Ltd., a subsidiary of the Company
Shenzhen Ping An Bank	Shenzhen Ping An Bank Co., Ltd., renamed as Ping An Bank Limited Co., Ltd. in January 2009
Ping An Bank	Ping An Bank Co., Ltd., a subsidiary of the Company
Ping An Overseas Holdings	China Ping An Insurance Overseas (Holdings) Limited, a subsidiary of the Company
Ping An Hong Kong	China Ping An Insurance (Hong Kong) Company Limited, a subsidiary of Ping An Overseas Holdings
Ping An Asset Management (Hong Kong)	Ping An of China Asset Management (Hong Kong) Company Limited, a subsidiary of Ping An Overseas Holdings
Ping An Futures	Ping An Futures Co., Ltd., a subsidiary of Ping An Securities
Ping An Caizhi	Ping An Caizhi Investment Management Company Limited, a subsidiary of Ping An Securities
Ping An New Capital	Shenzhen Ping An New Capital Investment Co., Ltd., a subsidiary of Ping An Trust
Ping An Technology	Ping An Technology (Shenzhen) Co., Ltd., a subsidiary of Ping An Overseas Holdings
Ping An Processing & Technology	Ping An Processing & Technology (Shenzhen) Co., Ltd., a subsidiary of Ping An Overseas Holdings
Ping An Channel Development	Ping An Channel Development Consultation Service Company of Shenzhen, Ltd., a subsidiary of Ping An New Capital

Ping An Marketing Services	Shenzhen Ping An Marketing Services Co., Ltd., a subsidiary of Ping An New Capital
CAS	The Accounting Standards for Business Enterprises and the other relevant regulations issued by the Ministry of Finance of the People's Republic of China
IFRS	International Financial Reporting Standards issued by International Accounting Standards Board
Premium Income	Gross written premiums, policy fees and premium deposits
CSRC	China Securities Regulatory Commission
CIRC	China Insurance Regulatory Commission
CBRC	China Banking Regulatory Commission
PBOC	The People's Bank of China
Stock Exchange	The Stock Exchange of Hong Kong Limited
HSBC	The Hongkong and Shanghai Banking Corporation Limited
ICBC	Industrial and Commercial Bank of China
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
China Life	China Life Insurance Company Limited
PICC	PICC Property & Casualty Insurance Company Limited
Pacific Life	China Pacific Life Insurance Co., Ltd.
Pacific Property	China Pacific Property Insurance Co., Ltd.,
Fortis	Fortis SA/NV and Fortis N.V.
Fortis Bank NV/SA	a wholly owned subsidiary of Fortis
Fortis Investment	Fortis Investment Management NV/SA
Listing Rules	the Rules Governing the list of Securities of The Stock Exchange of Hong Kong Limited
Code on Corporate Governance Practices	the Code on Corporate Governance Practices as contained in Appendix 14 to the Listing Rules
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules

Corporate information

REGISTERED NAMES

Chinese name
中國平安保險（集團）股份有限公司

English name
Ping An Insurance (Group) Company of China, Ltd.

REGISTERED ADDRESS

Ping An Building,
Ba Gua No. 3 Road,
Shenzhen, PRC

PLACE OF BUSINESS

15/F to 18/F,
Galaxy Development Centre,
Fu Hua 3rd Road,
Futian District,
Shenzhen, PRC

LEGAL REPRESENTATIVE

MA Mingzhe

AUTHORIZED REPRESENTATIVES

SUN Jianyi
YAO Jun

COMPANY SECRETARY

YAO Jun

AUDITORS

Ernst & Young

CONSULTING ACTUARIES

Ernst & Young (China) Advisory Limited

LEGAL ADVISORS

DLA Piper Hong Kong

TYPE OF STOCK AND LISTING PLACE

H share	The Stock Exchange of Hong Kong Limited
A share	The Shanghai Stock Exchange

STOCK CODE

H share	2318
A share	601318

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AMERICAN DEPOSITARY SHARES

The Bank of New York

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