

CHAIRMAN'S STATEMENT



The PRC economy sustained steady and rapid growth in 2005. The reform in the finance industry achieved remarkable results and the insurance sector showed healthy and well-coordinated development. In 2005, Ping An continued to achieve its strategic objectives and deliver excellent results with a growth rate that was above the industry average. This was the result of our proactive reform and transformation which was at the forefront of the industry during the past 3 years. For the year ended December 31, 2005, Ping An recorded a net profit of RMB4,265 million, representing an increase of 35.6% from the previous year, while our total assets reached RMB319,706 million, and our total equity increased to RMB33,522 million. Sufficient capital and steady profit growth has provided Ping An with a favorable head-start position for accelerated development. In addition, the Group became one of Forbes Global top 2000's and was ranked 10th among the listed Chinese companies in 2005.

Inspired by the steady build-up of the Group's overall strength, together with the optimistic market outlook for the Chinese finance industry, Ping An's stock price performed well, and the market value of Ping An reached HKD100 billion for the first time at closing on January 9, 2006. This puts Ping An at an unprecedented height in terms of market value, ranking among the top 20 listed companies on Hong Kong Stock Exchange.

BUSINESS REVIEW

In 2005, the Group recorded a total revenue of RMB64,590 million, among which gross written premiums and policy fees accounted for RMB59,021 million and total investment income accounted for RMB9,655 million. Our consolidated net investment yield and total investment yield both increased from last year. The embedded value of the Group reached RMB48,363 million. Our core insurance business has laid a solid profit-generating foundation, our business in transformation has achieved its periodic objectives and our new business has set up its infrastructure.

Core business laid a solid profit-generating foundation and regained premium growth momentum

Our life insurance business recorded total gross written premiums, policy fees and premium deposits of RMB58,691 million, representing an increase of 7.2% from the previous year and taking up 16.1% of the PRC life insurance market. The value of one year's new business was RMB4,539 million, representing an increase of 16.0% from the previous year; net profit for 2005 totaled RMB3,551 million, representing an increase of 31.3% from the previous year. In particular, total premium income from our individual life insurance totaled RMB46,169 million, representing an increase of 15.0% from the previous year. Quality of our business was maintained and our 13-month and 25-month persistency ratios were 85.9% and 81.9%, respectively. The sales team was maintained at a stable scale with improved productivity.

Our property and casualty insurance business experienced strong growth together with improved profitability. Gross written premiums and net profit reached RMB12,076 million and RMB422 million, representing an increase of 19.0% and 94.5% respectively from the previous year, both were higher than the industry's average growth rate. We witnessed growth from business segments by product types, by distribution channels, by geographic regions and by customer types. Our market share was 9.9%, an increase of 0.4% from the previous year, while the combined ratio improved to 95.3%. Meanwhile, cross-selling from our life insurance agents continued to grow, and new sales channels such as direct telemarketing showed promising development. Our newly implemented sales and service support platform would substantially boost the business development into the next stage.



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The key performance indicators of our core insurance business remained healthy. Although, the entire insurance industry went through restructuring, our life and property and casualty insurance business managed to reach new historic highs in net profit. This success was made possible as a result of our proactive reform and transformation over the past few years, laying a solid foundation for accelerated growth in the future.

Transformed business ready to launch, and new business accomplished its infrastructure set up

In 2005, the Group carried out initiatives to transform our group life insurance, bancassurance, securities and trust businesses. Though the scale of these businesses did not increase, their operational models and business structures continued to optimize, and quality improvements were obvious.

After one year's strategic transformation, our group insurance business has gradually transformed into a group sales channel that offers comprehensive financial services, and has achieved positive results in product structuring, team quality and back-office support management. The productivity of the sales team has also improved steadily and the future growth potential of the corporate pension and welfare security market will bring new development opportunities to our group insurance business.

Throughout the transformation process of the industry, our bancassurance business has effectively maintained its business platform, team scale and core branch network. In addition, we continued to explore innovative business models of cooperation with other banks.

In 2005, the capital market was under continuous restructuring, the stock market experienced another bear market year, and the whole industry suffered big loss. Nevertheless, our security business achieved profits for 3 consecutive years, gained market share in brokerage business and secured a market-leading position in the investment bank business.

Our trust operation has been proactively recruiting professionals and talents from outside to build property and infrastructure investment teams with international experience. The total assets under its custody increased to RMB3,330 million by the end of 2005.

In our newly developed business sector, Ping An Bank accelerated its business deployment and steadily rolled out its structure building after moving its headquarter to Shanghai in mid 2005. The Group has also tapped into a new market with the launch of its small-amount consumer financing business. Ping An Asset Management Co., Ltd. and Ping An Health Insurance Company of China, Ltd. were established in mid 2005, and Ping An Annuity Insurance Company of China, Ltd., established in 2004, was later granted both trustee and investment management licenses. With the development of these new businesses, the Group's integrated financial service platform has gradually materialized.

Upgraded nation-wide back-office center providing strong support to business development

The Group has sped up the pace of our nation-wide back-office centralization process and proactively pushed on the construction of IT platform for integrated financial service. At the same time, the Group kicked off its "Olympic project", a project which aims to enhance the Group's operation through utilizing its strong individual and corporate customer bases, integrating its internal resources and channels, and maximizing intra-group's synergy so as to provide efficient, fast and well-oriented comprehensive financial services.

Internationally recognized management platform

Under the leadership of the Group's experienced management team, both our corporate governance structure and risk management system have continued to improve, and internal compliance management has been enhanced. Supported by our highly centralized finance, risk and HR management systems, Ping An's operation remained solid, with the aim at maximizing shareholders' value through the best corporate governance. In 2005, Ping An was ranked third for "Best Corporate Governance in Global Emerging Markets' Insurance Industry 2005" by *Euromoney* Magazine, and third in the China region for "Asia's Best Managed Companies 2005" with both rankings being among the top of all insurance companies in PRC.

PROSPECTS

In 2006, the PRC economy is expected to continue its growth at a fast and healthy pace, and with the improvement in purchasing power and living standard of the Chinese citizens, the demand for finance services will develop towards comprehensive wealth management. As per the provisions governing China's admission to the WTO, by the end of 2006, the finance industry in China will be completely open to the world, thus signaling the end of the transitional period. By that time, it is expected that more foreign financial institutions will enter into China. With the increase in market competitors, domestic financial institutions will have to speed up their reform and restructuring process in order to compete in the international financial services market.



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Facing the huge market potential and increasingly fierce competition, we will rely on our solid foundation built in the past and follow the government's direction and policy of "Encouraging financial innovation, promoting trials of integrated financial services" closely. We will capitalize on our clear and mature strategic advantages to speed up the development of our integrated financial services platform.

Regarding business development, the Group will make strong efforts to improve the economy of scale and profitability of our core businesses, enhance the margin and profit contribution from the transformed business, and set up solid platform and high industry standards for our new business.

Regarding back-office construction, the businesses of the Group will coordinate and grow with each other through a robust resources sharing platform, together with the back-office center, which has been put into use, to provide the distribution channels with customer-oriented support.

Regarding investment, the Group will seek to broaden its investment channels, such as infrastructure investment projects to diversify investment risks, enhance investment return and improve our asset-liability management, so as to increase the competitiveness of our financial products.

My colleagues and I have never been more confident of our future. We are well positioned to achieve profitable growth. Ping An will definitely adhere to its pioneering spirit, strive with perseverance, pool our wisdom and efforts, face the challenge with confidence and capture business opportunities, so as to repay the long-term support and trust of our shareholders.

Ma Mingzhe

Chairman and Chief Executive Officer

Shenzhen, PRC
March 29, 2006