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In 2005, we continued to focus on providing multiple financial products and services to our customers through our multi-channel distribution network. With our principal operating subsidiaries, namely Ping An Life, Ping An Property & Casualty, Ping An Trust, Ping An Securities, Ping An Bank, Ping An Annuity, Ping An Health and Ping An Asset Management, we offer our customers a wide range of financial products and services under a single brand name. We are growing profitability across our broad portfolio of businesses. In particular, our core life insurance and property and casualty insurance business reached new historic highs in net profit. Our life insurance and property and casualty insurance businesses accounted for approximately 84.5% and 13.9%, respectively, of our total revenue in 2005.

Being one of the largest insurance companies in the PRC in terms of gross written premiums and policy fees, we had gross written premiums and policy fees of RMB59,021 million in 2005, of which RMB46,945 million, or approximately 79.5%, was from our life insurance business and RMB12,076 million, or approximately 20.5%, was from our property and casualty insurance business.

LIFE INSURANCE

The following tables set forth certain financial and operating data for our life insurance business:

For the year ended December 31, (in RMB million, except percentages)	2005	2004
Gross written premiums and policy fees	46,945	49,883
Individual life insurance	38,758	35,949
Bancassurance	1,133	5,836
Group insurance	7,054	8,098
Premium deposits	11,746	4,846
Individual life insurance	7,411	4,215
Bancassurance	4,091	81
Group insurance	244	550
Gross written premiums, policy fees and premium deposits	58,691	54,729
Market share of gross written premiums, policy fees and premium deposits ⁽¹⁾	16.1%	17.2%

(1) Based on our PRC GAAP financial data and PRC insurance industry data calculated in accordance with PRC GAAP and published by the National Bureau of Statistics of China.

As at or for the year ended December 31,	2005	2004
Number of customers:		
Individual (in thousands)	30,312	28,362
Corporate (in thousands)	267	177
Total (in thousands)	30,579	28,539
Persistency ratio:		
13-month	85.9%	87.5%
25-month	81.9%	80.3%
Agent productivity:		
First year premiums, policy fees and premium deposits per agent per month	4,446	3,245
New life insurance policies per agent per month	2.3	2.3

We are the second largest life insurance company in the PRC in terms of gross written premiums, policy fees and premium deposits. In 2005, our life insurance business accounted for approximately 16.1% of the gross written premiums, policy fees and premium deposits received by PRC life insurance companies, based on our PRC GAAP financial data and PRC insurance industry data calculated in accordance with PRC GAAP and published by the National Bureau of Statistics of China. Through our extensive distribution network, we sell a full range of risk and savings products that address the needs of our customers at every stage of their lives.

We are one of the most profitable life insurance companies in the PRC. During 2005, we continued to focus on our core strategies emphasizing financial strength, agency development, product innovation and service enhancement. As a result, gross written premiums, policy fees and premium deposits from our individual life insurance products accounted for approximately 78.7% of the gross written premiums, policy fees and premium deposits for our life insurance business in 2005, compared to approximately 73.4% in 2004. In particular, most of individual life insurance first year premiums were from regular premium products in 2005. Our focus on regular premium individual life insurance products provides us with a stable revenue stream that enables us to generate sustainable longer term profits. In addition, the value of one year's new business was RMB4,539 million, representing an increase of 16.0% from the previous year.

In 2005, our group life insurance business focused on employer welfare benefit program. We continued to rationalize our group insurance business model and achieved positive results from our business transformation. We will also capitalize on the new opportunity of selling pension products to our corporate customers. These products will be offered through our newly established subsidiary, Ping An Annuity.

Regarding our bancassurance business, we continued to manage the sales of our bancassurance products with a view towards maintaining profitability. In addition, we are also exploring innovative partnership programs with other banks to sell more sophisticated insurance products to our customers.

Quality Improvements

Through the continued refinement of our sales agents training system, we enhanced the productivity and professionalism of our sales agents. We have also continued our efforts in enhancing customer service. As a result, the 13-month and 25-month persistency ratios for our individual life insurance customers maintained at a satisfactory level of above 85% and 80%, respectively, as at December 31, 2005.

Legacy High Guaranteed Return Products

Like other major PRC life insurance companies, we offered life insurance products with relatively high guaranteed rates of return equal to or in excess of 5% from 1995 to 1999, primarily as a result of the then prevailing high market interest rates in that period. In June 1999, the China Insurance Regulatory Commission ("CIRC") imposed a cap of 2.5% with respect to the guaranteed rate of return a life insurance company may 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 policyholders' reserves for life insurance policies with high guaranteed rates of return as calculated based on our PRC GAAP financial data represented 40.0% of our total policyholders' reserves as at December 31, 2005 compared to 42.0% as at December 31, 2004. The average pricing rate for all of our guaranteed return life insurance products decreased to 4.7% in 2005 from 4.8% in 2004. We expect these high guaranteed return life insurance policies to decline as a percentage of our total in-force life insurance policies as our new policies with lower or no guaranteed rates of return continue to grow.

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Distribution Network

Our life insurance products are primarily distributed through a distribution network that includes a sales force of approximately 200,000 individual life insurance sales agents, approximately 1,600 group insurance sales representatives and approximately 27,200 branch offices of China Post and commercial banks in the PRC that have bancassurance arrangements with us.

The following table sets forth certain information of our life insurance distribution channels as at the dates indicated:

As at December 31,	2005	2004
Number of individual life sales agents	200,193	199,997
Number of group sales representatives	1,644	1,605
Bancassurance outlets	27,222	20,023

Customers

For the year ended December 31, 2005, approximately 47.9% of the gross written premiums, policy fees and premium deposits received by our life insurance business were attributable to customers located in or near Shanghai, Guangdong, Beijing, Jiangsu and Shandong, which are among the more economically developed areas in the PRC. We believe these and other more economically developed areas will continue to offer greater potential for further profitable growth. As at December 31, 2005, we had approximately 30 million individual customers and approximately 267,000 corporate customers.

PROPERTY AND CASUALTY INSURANCE

The following tables set forth certain financial and operating data for our property and casualty insurance business:

For the year ended December 31, (in RMB million, except percentages)	2005	2004
Gross written premiums	12,076	10,150
Automobile	7,497	6,232
Non-automobile	4,044	3,545
Accident and health	535	373
Market share of gross written premiums ⁽¹⁾	9.9%	9.5%

(1) Based on our PRC GAAP financial data and PRC insurance industry data calculated in accordance with PRC GAAP and published by the National Bureau of Statistics of China.

As at or for the year ended December 31,	2005	2004
Combined Ratio:		
Expense ratio	23.3%	20.2%
Loss ratio	72.0%	77.0%
Combined ratio	95.3%	97.2%
Number of customers:		
Individual (in thousands)	6,006	5,519
Corporate (in thousands)	1,680	613
Total (in thousands)	7,686	6,132

We are the third largest property and casualty insurance company in the PRC in terms of gross written premiums. In 2005, our property and casualty insurance business accounted for approximately 9.9% of the gross written premiums received by PRC property and casualty insurance companies, based on our PRC GAAP financial data and PRC insurance industry data calculated in accordance with PRC GAAP and published by the National Bureau of Statistics of China.

In 2005, the property and casualty industry became more competitive with more new companies set up for business. While the new companies gained significant market share with aggressive strategies, our main competitors lost market share due to restructuring. Ping An Property & Casualty experienced strong premium growth together with improved underwriting results. This is the result of our financial strength, underwriting skills, outstanding services and operation efficiency. These capabilities will drive future growth and success.

Gross written premiums and net profit for our property and casualty business reached RMB12,076 million and RMB422 million in 2005, representing an increase of 19.0% and 94.5% respectively from the previous year, both were higher than the industry's average growth rate. The growth came from business segments by product types, by distribution channels, by geographic regions and by customer types. As a result, our market share improved to 9.9% in 2005 from 9.5% in 2004.

Quality Improvements

We continued to focus on disciplined underwriting and service enhancement. This strategy has enabled us to improve our loss ratio very significantly. As a result, our combined ratio improved to 95.3% in 2005 from 97.2% in 2004.

Distribution Network

The distribution network for our property and casualty insurance products includes 39 branch offices located in substantially all of the PRC's provinces, autonomous regions and municipalities, together with over 1,000 sub-branches located throughout the PRC. We distribute our property and casualty insurance products primarily through our in-house sales representatives and through various intermediaries, such as banks and automobile dealerships, and insurance brokers.

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The following table sets forth certain information of our property and casualty insurance distribution channels as at the dates indicated:

As at December 31,	2005	2004
Number of direct sales representatives	7,708	6,975
Number of insurance agents	6,176	6,168

Customers

For the year ended December 31, 2005, approximately 49.4% of the gross written premiums received by our property and casualty insurance business were attributable to customers located in or near Guangdong, Shanghai, Beijing, Zhejiang and Jiangsu, which are among the more economically developed areas in the PRC. We believe these and other more economically developed areas will continue to offer greater potential for further profitable growth. As at December 31, 2005, we had approximately 6 million individual customers and approximately 1.68 million corporate customers.

PING AN TRUST

We provide asset management services to our customers through Ping An Trust. In addition, Ping An Trust acts as an investment holding company for some of our long-term equity investments and provides real estate development, management and leasing services to our other subsidiaries. Assets held in trust increased to RMB3,330 million as at December 31, 2005 from RMB1,084 million as at December 31, 2004. In 2005, our trust business developed several new product lines, such as property trust funds and small-amount consumer finance. These new product lines will provide our trust operation with new opportunity of revenue growth.

PING AN SECURITIES

We conduct our securities business through Ping An Securities, and provide securities services to customers through 22 branch offices nationwide and through our PA18 Internet financial portal. The principal services that we provide to our customers are brokerage services, investment banking services, asset management services and research and consulting services. Brokerage services consist of executing stock and bond trades on the Shanghai and Shenzhen stock exchanges for customers, holding physical securities on behalf of customers and facilitating the payment of dividends and interest repayment of outstanding principal amounts to customers. Investment banking services include securities underwriting, financial advice for mergers and acquisitions and restructurings, securities business training and the provision of market and trading information. Asset management services consist of managing securities portfolios of clients and providing asset management advice. Despite the poor market conditions, Ping An Securities achieved a net profit of RMB6 million in 2005.

PING AN BANK

In February 2005, Ping An Bank received approval from the China Banking Regulatory Commission ("CBRC") to relocate its headquarter from Fujian to Shanghai. We are currently applying for the Renminbi business license and expect to receive it in the near future. Ping An Bank experienced significant growth in 2005. The balance of Ping An Bank's outstanding loans increased to RMB252 million as at December 31, 2005 from RMB71 million as at December 31, 2004. Ping An Bank's net profit increased to RMB7 million in 2005.

PING AN ANNUITY

Ping An Annuity was set up on December 13, 2004. With the change in the PRC's retirement fund management system, the market potential for annuity business is very large and attractive. Ping An Annuity has obtained the trustee and investment management licenses to operate in the pension business. We expect to leverage our broad corporate customer base from our insurance operation to capture future growth.

PING AN HEALTH

Ping An Health was set up on June 13, 2005. We are currently building up our health insurance business model. We see great potential in this line of business and have recruited a team with international expertise to create innovative products and services to explore growth opportunities.

PING AN ASSET MANAGEMENT

Ping An Asset Management was set up on May 27, 2005. With the setting up of our asset management subsidiary, we are able to build a dedicated team of investment specialists to explore new investment opportunities. One important new investment channel that we are focusing is infrastructure investments. This form of investment will allow us to receive a steady and high return over a longer duration. This will enhance our capability in matching the duration of our life insurance liabilities.

BACK-OFFICE CENTRALIZATION

We have made substantial progress in the back-office support centralization project and have completed a significant portion of the premises for the Integrated Operating Center (IOC) in Zhangjiang, Shanghai. The IOC consists of a document processing unit, an accounting unit, a customer service unit and business processing units based on different business lines. The IOC aims to centrally process all back-office business operations and remote customer service activities.

Specifically, we have made the following progress at the release of this report:

- Centralized nearly 70% underwriting and document processing of individual life insurance and bancassurance;
- Centralized approximately 70% and 20% claims processing of life insurance and property and casualty insurance respectively;
- Centralized close to 50% accounting activities of operating expenses;
- Built a national call center that serves all life insurance customers and 40% property and casualty customers.

Upon completion, the IOC will become one of the largest financial back-office support centers in Asia and will help us raise the quality and service efficiency of our Group to international standards. In particular, we believe that the new IOC will enhance our marketing capabilities, improve and centralize our management of underwriting and claims for both life insurance and property and casualty insurance, enhance our internal controls and risk management system, increase our management efficiency through proper division of responsibilities among different levels of management, and reduce operating costs and improve our overall profitability.

REGULATORY DEVELOPMENTS

In 2005, the National People's Congress, the CIRC and other relevant PRC regulatory authorities promulgated a series of new or amended laws and regulations, including the Company Law (amended in 2005) and the Securities Law (amended in 2005).

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The Company Law of the PRC (amended in 2005)

On October 27, 2005, the 18th meeting of the Standing Committee of the 10th National People's Congress passed the amended Company Law of the PRC ("Company Law"). The new Company Law lowers the minimum registered capital requirement for establishing a company to a great extent; loosens the restriction on methods of shareholders' capital contribution; accepts shareholders' capital contribution by installments; lifts the restraints of amounts on shift in investment; allows a company to repurchase more of its own shares; grants to minority shareholders the right to call for, convene and preside over a general meeting; allows a company to practise an accumulated voting system; restricts the rights of connected shareholders and directors to vote; stipulates the right of shareholders who object to certain shareholders' resolutions to request the company to purchase the shares they own, and establishes the right of shareholders to initiate a litigation against the directors and supervisors who fail to perform their duties. The new Company Law became effective on January 1, 2006.

The Securities Law of the PRC (amended in 2005)

On October 27, 2005, the amended Securities Law of the PRC ("Securities Law") was reviewed and approved by the 18th meeting of the Standing Committee of the 10th National People's Congress. The new Securities Law made some major adjustments and supplements to the basic regulations governing the capital market, and broadened the scope of application, which now includes the issuance and trading of securities derivatives. While holding on to the prerequisite of specific management of specific sectors, adequate room has been provided for the mixed operation of the securities, banking, trust and insurance businesses; the protection of the lawful rights of investors is emphasized; the governance and regulation of listed companies are improved, which has led securities companies into regulated and accelerated development; the regulations on issuance and listing of securities are also improved. Also, the new Securities Law has adjusted the securities registration and settlement systems, strengthened the enforcement power and measures of securities regulatory authorities, while further detailed the penalties on the violating conducts in the securities market. The new Securities Law became effective on January 1, 2006.

Provisional Measures Governing Information Disclosure of Trust and Investment Companies

On January 18, 2005, the CBRC promulgated the Provisional Measures Governing Information Disclosure of Trust and Investment Companies ("Provisional Measures"). The Provisional Measures set out the principles and details of information disclosure and state that the principal disclosure methods include annual reports and provisional reports. According to the Provisional Measures, the information disclosure of trust companies shall be carried out in stages during a period of 3 years from January 1, 2005 to January 1, 2008.

The Guidelines for Corporate Governance of Foreign-bank Legal Persons

On April 20, 2005, the CBRC promulgated the Guidelines for Corporate Governance of Foreign-bank Legal Persons, which set out regulatory details on the legal person governance structure of foreign-bank in seven aspects: shareholder structure, board composition, election and appointment of senior management, supervision and internal audit, connected transactions, incentive scheme and information disclosure.

The Notice Regarding Issues on Stock Investment with Insurance Funds

On February 17, 2005, the CIRC promulgated the Notice Regarding Issues on Stock Investment with Insurance Funds, which expressly sets out the general ratio and individual ratio of stock investment by insurance companies, and requires the insurance companies to establish a practicable risk control system.

The Provisional Measures on Management of Debenture Investment by Insurance Companies

On August 17, 2005, the CIRC promulgated the Provisional Measures on Management of Debenture Investment by Insurance Companies, which reclassifies the bond types with new investment products added, such as financial debentures issued by commercial banks, Renminbi denominated debentures issued by international development institutions and short-term financing debentures, and prescribes specific investment ratios according to investment products with different credit ratings.

The Implementing Measures of the Provisional Regulations on Management of Overseas Use of Foreign Exchange Funds of Insurance Companies

On September 1, 2005, the CIRC promulgated the Implementing Measures of the Provisional Regulations on Management of Overseas Use of Foreign Exchange Funds of Insurance Companies, which further expand the channels for overseas use of insurance companies' foreign exchange funds, and set out stipulations in respect of investment products, investment ratio, currency and investment management. According to the regulations, the foreign exchange funds of insurance companies can be invested in certain investment products such as structural deposits, mortgage backed securities (MBS), currency market fund and stocks issued overseas by PRC enterprises.

The Rules Governing Reinsurance Business

On October 14, 2005, the CIRC promulgated the Rules Governing Reinsurance Business, which firstly require that property and casualty reinsurance should be offered preemptively to at least two professional reinsurance companies within the PRC, and total share ceded by the offer should not be less than 50% of the ceded business. Secondly, the rules stipulate restrictive ratio in relation to the level of risk concentration, i.e., the business volume ceded to the same reinsurance company by each risk unit should not exceed 80% of the direct insurance business. The Rules Governing Reinsurance Business became effective on December 1, 2005.