

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, 2005.

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 life and property and casualty insurance products. 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 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 79 to 158.

On March 29, 2006, the directors proposed 2006 special interim dividend distribution of RMB0.20 per share totaling RMB1,239 million, which will be paid by the Company subject to the Company's receipt of dividends amounting to RMB4,364 million from one of its subsidiaries in early May 2006. This proposal is subject to shareholders' approval on May 25, 2006.

3. Use of proceeds from the Company's initial public offering

The net proceeds from the Company's issue of new shares at the time of its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in June 2004, after deduction of related issuance expenses, amounted to approximately RMB13,279 million. As at December 31, 2005, the net proceeds were used, as stated in the prospectus of the Company, for general corporate purposes and improvement of business operations. The proceeds form part of the Group's liquid capital and were invested in accordance with the relevant PRC regulations.

4. 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 below:

Profit and loss

For the year ended December 31, (in RMB million)

	2001	2002	2003	2004	2005
Total Revenue	41,834	58,748	66,623	63,193	64,590
Net Profit	2,954	2,005	2,327	3,146	4,265

Balance sheet

As at December 31, (in RMB million)

	2001	2002	2003	2004	2005
Total Assets	108,714	162,596	206,044	264,439	319,706
Total Liabilities	103,342	150,796	192,755	235,812	286,184
Total Equity	5,372	11,800	13,289	28,627	33,522

* The comparative figures for 2001, 2002 and 2003 are not retrospectively adjusted for the changes in accounting policies made in 2005.

5. Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

6. Charitable donations

Charitable donations made by the Company during 2005 totaled RMB3 million.

7. Property, plant and equipment and investment properties

Details of movements in property, plant and equipment and investment properties of the Group during the year are set out in notes 26 and 20, respectively, to the consolidated financial statements.

8. Share capital

There were no movements in either the Company's authorized or issued share capital during the year.

9. 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.

10. Purchase, redemption or sale of listed securities of the Company

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

11. Accumulated losses and distributable reserves

As at December 31, 2005, the Company's reserves available for distribution, calculated in accordance with the relevant regulations, represent accumulated losses totaling RMB1,652 million. As at the same date, the Group had a consolidated retained profits of RMB5,308 million. On March 23, 2006, dividends were proposed by one of the Company's subsidiaries, in respect of which the Company will receive a sum of RMB4,364 million in early May 2006. The Company's receipt of such dividends will then result in retained profits in the Company's reserves available for distribution.

12. 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 30% 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.

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13. 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
Non-Executive Directors:	
Henry CORNELL	October 26, 1998
HUANG Jianping	May 30, 2002
LIU Haifeng David	May 30, 2002
LIN Yu Fen	October 8, 2002
CHEUNG Lee Wah	October 8, 2002
Anthony Philip HOPE	November 25, 2002
YIP Dicky Peter (resigned with effect from May 1, 2005)	November 25, 2002
DOU Wenwei	May 16, 2003
FAN Gang	May 16, 2003
LIN Lijun	May 16, 2003
SHI Yuxin	October 10, 2003
HU Aimin	March 9, 2004
CHEN Hongbo	June 23, 2005
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

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
CHEN Shangwu	Independent Supervisor	August 3, 1994
SUN Fuxin	Independent Supervisor	May 16, 2003
DUAN Weihong	Supervisor	May 16, 2003
ZHOU Fulin	Supervisor	May 16, 2003
CHEN Bohai	Supervisor	May 16, 2003
HE Peiquan	Supervisor	April 30, 1998
SONG Liankun	Supervisor	May 16, 2003
HE Shi	Supervisor	May 16, 2003

There were no changes to the Directors and Supervisors from January 1, 2006 to the date of the annual report.

The Company has received annual confirmations of independence from Messrs. BAO Youde, KWONG Che Keung Gordon, CHEUNG Wing Yui and CHOW Wing Kin Anthony, and as at the date of the annual report continues to consider them to be independent as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

14. Biographical details of directors, supervisors and members of the senior management

Biographical details of Directors, Supervisors and members of the senior management as at the date of the annual report are set out from page 11 to page 17 of this annual report.

15. Directors' and supervisors' service contracts and remuneration

On May 10, 2004, our Company entered into a service contract with each of the Executive Directors 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 shareholders' general meetings.

Apart from the foregoing, no Director or Supervisor proposed for re-election at the forthcoming annual general meeting 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, 2005 are set out in note 44 to the consolidated financial statements.

16. Directors' and supervisors' interests in material contracts

None of the Directors or the 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 2005.

17. Directors' and supervisors' interests and short positions in shares

As at December 31, 2005, none of the Directors or Supervisors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the Hong Kong Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules (the "Model Code").

18. 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 minor children, or 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.

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19. Directors' and supervisors' interests in a competing business

During 2005 and up to the date of this annual report, the following director is 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. Anthony Philip HOPE, a Non-executive Director of the Company, is also a director of HSBC Life (International) Limited and HSBC Insurance (Asia) Limited, which are authorized by the Hong Kong Insurance Authority to conduct long term, property and casualty and composite insurance business in Hong Kong, respectively.

As China Ping An Insurance (Hong Kong) Company Limited, 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 (International) Limited and HSBC Insurance (Asia) Limited has, to a certain extent, overlapped and thus may compete with those of China Ping An Insurance (Hong Kong) Company Limited.

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

20. Disclosure of interests

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at December 31, 2005, the following persons (other than the Directors and Supervisors of the Company) had interests in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

- Interests and short positions of substantial shareholders who were 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/Domestic ("D") shares	Capacity	Notes	No. of H/D Shares	Nature of interest	Percentage of	Percentage of
						total number of H/D Shares in issue (%)	total shares in issue (%)
HSBC Holdings plc	H	Interest of controlled corporations	1,2,3	1,233,870,388	Long position	48.22	19.92

2. Interests and short positions of other substantial shareholders

Name of Substantial Shareholder	H/Domestic ("D") shares	Capacity	Notes	No. of H/D Shares	Nature of interest	Percentage of total number of H/D Shares in issue (%)	Percentage of total shares in issue (%)
HSBC Insurance Holdings Limited	H	Beneficial owner	1	618,886,334	Long position	24.19	9.99
The Hongkong and Shanghai Banking Corporation Limited	H	Beneficial owner	3	614,099,279	Long position	24.00	9.91
Shenzhen Jingao Industrial Development Co., Ltd.	D	Interest of controlled corporations Beneficial Owner	4	148,000,000	Long position	4.07	2.39
				331,117,788	Long position	9.11	5.34
				479,117,788		13.18	7.73
Ping An Securities Company, Ltd. Labor Union	D	Interest of controlled corporations	4	479,117,788	Long position	13.18	7.73
China Ping An Trust & Investment Co., Ltd. Labor Union	D	Interest of controlled corporations	4	479,117,788	Long position	13.18	7.73
Shenzhen New Horse Investment Development Co., Ltd.	D	Beneficial Owner	5	389,592,366	Long position	10.71	6.29
Ping An Insurance (Group) Company of China, Ltd. Labor Union	D	Interest of controlled corporations	5	389,592,366	Long position	10.71	6.29
Guangzhou Hengde Trade Development Co., Ltd.	D	Beneficial Owner	6	200,000,000	Long position	5.50	3.23
Li Siu Nam	D	Interest of controlled corporations	6	200,000,000	Long position	5.50	3.23
Shenzhen Investment Holdings Co., Ltd.	D	Beneficial Owner		543,181,445	Long position	14.94	8.77
Shenzhen Shum Yip Investment Development Company Ltd.	D	Beneficial Owner		301,585,684	Long position	8.29	4.87
Yuan Trust Investment Company Ltd.	D	Beneficial Owner		380,000,000	Long position	10.45	6.13
Capital China Group Company Limited	D	Beneficial Owner		332,526,844	Long position	9.14	5.37
Wuhan Wuxin Industrial Co., Ltd.*	D	Beneficial Owner		195,455,920	Long position	5.37	3.16

* Name changed to Shenzhen Wuxin Yufu Industrial Co., Ltd. on June 10, 2005.

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Notes:

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

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 owned as to 84.19% 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. The remaining 15.81% of The Hongkong and Shanghai Banking Corporation Limited was owned by HSBC Finance (Netherlands), a wholly-owned subsidiary of HSBC Holdings plc. HSBC Finance (Netherlands) owned 100% interest in HSBC Holdings BV.
- (4) Shenzhen Jiangnan Industrial Development Co., Ltd., holding 148,000,000 shares, was owned as to 69.11% by Shenzhen Jingao Industrial Development Co., Ltd., which in turn 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 479,117,788 shares relates to the same block of shares in the Company.
- (5) 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 shares relates to the same block of shares in the Company.
- (6) Guangzhou Hengde Trade Development Co., Ltd. was 90% owned by Li Siu Nam. The interest in 200,000,000 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, 2005 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Interests and short positions of directors and supervisors

As at December 31, 2005, none of the Directors or Supervisors of the Company held or was deemed to hold interests or short positions in the shares, 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 Hong Kong 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.

21. Continuing connected transactions

In 2005, the Company and the Group had the following continuing connected transactions:

1. *Bank Deposits Arrangements with HSBC*

The Group maintains bank balances with the Hongkong and Shanghai Banking Corporation Limited ("HSBC") on normal commercial terms in the ordinary course of business. Interest is accrued on such bank balances at normal commercial rates. HSBC is a connected person of the Company as it is a substantial shareholder of Ping An Bank Limited, a 72.65% owned subsidiary of the Company.

As at December 31, 2005, the aggregate bank balances maintained by the Group with HSBC was approximately US\$29 million.

2. *Bancassurance Arrangement with ICBC*

The Company and Industrial and Commercial Bank of China Limited ("ICBC") entered into a cooperation agreement in respect of insurance agency services (the "Bancassurance Agreement") on August 6, 2001 on normal commercial terms in the ordinary course of business. Pursuant to the Bancassurance Agreement, (i) ICBC agreed to provide insurance agency services to the Group through its branches and other channels for the insurance products of the Group, which include marketing insurance products and collecting premiums, and (ii) specific agreements have been and will continue to be entered into between the respective branches of the Company and ICBC in respect of the particular terms of the bancassurance products, the implementation of the services and the determination and payment of the agency fees. ICBC was a promoter of the Company at the time when the Company was established.

In 2005, the aggregate agency fees, which were determined at a fixed percentage of the net premiums, paid by the Group to ICBC in respect of the insurance agency services pursuant to the specific agreements entered into between the respective branches of the Group and ICBC was approximately RMB53 million.

3. *Bank Deposits Arrangements with ICBC*

The Group maintains term deposits and bank balances in Renminbi, Hong Kong dollars and US dollars with ICBC or Industrial and Commercial Bank of China (Asia) Limited ("ICBC (Asia)"), a subsidiary of ICBC, on normal commercial terms in the ordinary course of business in order to generate interest returns.

As at December 31, 2005, the aggregate bank deposits maintained by the Group with ICBC and ICBC (Asia) in all kinds of currencies amounted to approximately RMB10,141 million.

In respect of the above continuing connected transactions entered into by the Group, the Stock Exchange, on application by the Company, granted the Company a waiver from strict compliance with the announcement and independent shareholders' approval requirements of the Listing Rules in respect of continuing connected transactions.

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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 (the "Board of Directors");
2. have been entered into in accordance with the relevant agreements governing such transactions; and
3. have not exceeded the upper limits set out below in 2005:
 - i. bank deposits arrangements with HSBC: US\$2,336 million on any given day;
 - ii. bancassurance arrangements with ICBC: RMB150 million; and
 - iii. bank deposits with ICBC and its associate: RMB24,900 million on any given day.

22. Connected transactions

In 2005, the Company and the Group had the following connected transactions:

1. *The First Capital Increase Agreement*

On April 4, 2005, the Company announced that China Ping An Trust & Investment Co., Ltd. ("Ping An Trust"), then an approximately 99.26% owned subsidiary of the Company established in the PRC, had on the same date entered into a capital increase agreement (the "First Capital Increase Agreement") with Ping An Securities Company, Ltd. ("Ping An Securities"), then an approximately 74.44% owned subsidiary of the Company established in the PRC, pursuant to which the registered capital of Ping An Securities would be increased from RMB1 billion to RMB1.3 billion by RMB300 million contributed wholly by Ping An Trust, subject to approval of the relevant PRC authorities.

Approval of the China Securities Regulatory Commission (the "CSRC") was obtained on May 8, 2005 and the First Capital Increase Agreement was completed on July 22, 2005. The additional capital contribution of RMB300 million in Ping An Securities was paid in cash at completion of the First Capital Increase Agreement. The capital increase in Ping An Securities provided additional working capital to Ping An Securities and strengthened its operation.

At the time of entering into the First Capital Increase Agreement, as Shenzhen New Horse Investment Development Co., Ltd. ("New Horse Development"), which held approximately 6.29% of the issued share capital of the Company, is one of the promoters of the Company, New Horse Development is a connected person of the Company under Rule 14A.11(3).

Further, Ping An Trust and Ping An Securities were then approximately 99.26% and 74.44% owned subsidiaries of the Company respectively. Since New Horse Development held approximately 18% of the equity interests in Ping An Securities then, it was also a substantial shareholder of Ping An Securities. Ping An Securities was thus a connected person of the Company under Rule 14A.11(5).

The First Capital Increase Agreement therefore constituted a connected transaction of the Company.

Following completion of the First Capital Increase Agreement, Ping An Trust's interest in Ping An Securities increased from approximately 75% to approximately 80.77% and Ping An Securities became an approximately 80.38% owned subsidiary of the Company. New Horse Development's interest in Ping An Securities was reduced from approximately 18% to approximately 13.85%.

2. *The Second Capital Increase Agreement*

On November 4, 2005, the Company announced that Ping An Trust had on the same date entered into the second capital increase agreement (the "Second Capital Increase Agreement") with Ping An Securities, pursuant to which the registered capital of Ping An Securities would be further increased from RMB1.3 billion to RMB1.8 billion by RMB500 million contributed wholly by Ping An Trust, subject to approval of the relevant PRC authorities. The second capital increase in Ping An Securities provided additional working capital to Ping An Securities and strengthened its operation.

Approval of the CSRC was obtained on December 14, 2005 and the change of business registration is in progress. The additional capital contribution of RMB500 million in Ping An Securities was paid in cash.

3. *The Equity Interests Transfer Agreement*

On November 4, 2005, the Company also announced that Ping An Trust had on the same date entered into an equity interests transfer agreement (the "Equity Interests Transfer Agreement") with New Horse Development, pursuant to which New Horse Development agreed to transfer 0.1% of the equity interests in Ping An Securities (as enlarged by the Second Capital Increase Agreement) held by it to Ping An Trust, subject to approval of the relevant PRC authorities, at the consideration of RMB1.8 million. The consideration was determined after arm's length negotiation between the parties and based on the proportionate registered capital of Ping An Securities (as enlarged by the Second Capital Increase Agreement).

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Approval of the CSRC was obtained on December 14, 2005 and the change of business registration is in progress. The consideration for the equity interests transfer was paid in cash.

Ping An Trust and Ping An Securities were then approximately 99.52% and 80.38% owned subsidiaries of the Company respectively. Since New Horse Development then held approximately 13.85% of the equity interests in Ping An Securities, it was also a substantial shareholder of Ping An Securities. Ping An Securities was thus a connected person of the Company under Rule 14A.11(5).

Each of the Second Capital Increase Agreement and the Equity Interests Transfer Agreement therefore constituted a connected transaction of the Company.

Following the second capital increase and transfer of equity interests, Ping An Trust's interest in Ping An Securities increased from approximately 80.77% to approximately 86.21% and Ping An Securities became an approximately 85.80% owned subsidiary of the Company. New Horse Development's interest in Ping An Securities was reduced from approximately 13.85% to approximately 9.90%.

23. 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 46 to 49 of this annual report.

24. Post balance sheet events

Details of the significant post balance sheet events of the Group are set out in note 50 to the consolidated financial statements.

25. 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 (the "Code on Corporate Governance Practices") contained in Appendix 14 to the Listing Rules for any part of the period from January 1, 2005 to December 31, 2005 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 42 to 43 of this annual report.

26. Auditors

Ernst & Young and Ernst & Young Hua Ming were the international and PRC auditors, respectively, to the Company for the year ended December 31, 2005. 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 May 25, 2006.

27. 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 March 22, 2006, 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.

28. Disclosure of information on the Stock Exchange's website

All information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>) in due course.

By order of the Board of Directors

Ma Mingzhe

Chairman and Chief Executive Officer

Shenzhen, PRC

March 29, 2006