

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, 2006. This report sets out information in respect of the Company's compliance with the Code on Corporate Governance Practices and the Code of Conduct 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 8 to 13 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 Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. However, as mentioned above, Mr. Ma Mingzhe has been serving as the Chairman of the Board of Directors and the Chief Executive Officer of the Company since the initial listing of the Company's H shares on the Stock Exchange on June 24, 2004.

Nevertheless, 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 opinion that although the Chairman of the Board has a casting vote in the event of an equality of votes at Board meetings, Board decisions are nevertheless collective decisions of all Directors made by way of voting and not decisions of the Chairman of the Board alone. The Board of Directors comprises of 19 members. Each Board meeting was attended by not less than two-thirds of all the Directors entitled to attend. Further, as set out in more details in the sub-section headed "The Board of Directors and Board meetings held during the year" in the section headed "The Board of Directors" below, there is a clear division of the responsibilities between the management of the Board, which is a collective decision reached by way of majority voting, and the day-to-day management of the Company's business, which relies on the support of the Group's senior management. As such, the management power of the Company is not concentrated in any one individual. Further details as to the functions reserved for the Board and those delegated to management are set out in the sub-section headed "The Board of Directors and Board meetings held during the year" under the section headed "The Board of Directors" below.

In addition, as 16 members of the Board are Non-executive Directors, the role of the Chairman of the Board who is also the Chief Executive Officer of the Company is very important as he can:

1. maintain a close communication channel between the Board and the day-to-day management;
2. ensure the Board's direction and opinion can be fully and accurately carried out by the day-to-day management; and
3. maintain a balance of power and authority between the management of the Board and the day-to-day management.

As can be seen from the management history of the Company, the Board and management structure has proved to be able to provide the Company with efficient management and, at the same time protection of all the shareholders' rights to the greatest extents. The Company therefore does not currently intend to separate the roles of the Chairman and the Chief Executive Officer.

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

On May 28, 2004, the Company adopted the Code of Conduct 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 for the period from January 1, 2006 to December 31, 2006.

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.

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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, 2006, members of the Board of Directors include three Executive Directors, sixteen Non-executive Directors, four of whom are Independent Non-executive Directors. Biographies of each of them, are set out on pages 8 to 11 of this annual report.

During 2006, the Board of Directors held 7 full Board meetings. All such meetings were convened in accordance with the Articles of Association, attended in person or by proxy, by all Directors entitled to be present, and at which the Directors actively participated either in person or through electronic means of communication.

DIRECTORS

Members	Meetings attended/held			
	Board meetings attended in person/held	% of attendance in person	Board meetings attended by proxy/held	% of attendance by proxy
Executive Directors				
MA Mingzhe (Chairman)	7/7	100%	0/7	0%
SUN Jianyi	7/7	100%	0/7	0%
CHEUNG Chi Yan Louis (appointed on May 25, 2006)	6/6	100%	0/6	0%
Non-executive Directors				
HUANG Jianping	7/7	100%	0/7	0%
LIU Haifeng David (retired on May 25, 2006)	0/1	0%	1/1	100%
Henry CORNELL (retired on May 25, 2006)	0/1	0%	1/1	100%
LIN Yu Fen	7/7	100%	0/7	0%
CHEUNG Lee Wah	7/7	100%	0/7	0%
Anthony Philip HOPE	4/7	57%	3/7	43%
LIN Lijun	6/7	86%	1/7	14%
FAN Gang	7/7	100%	0/7	0%
DOU Wenwei	7/7	100%	0/7	0%
SHI Yuxin	3/7	43%	4/7	57%
HU Aimin	3/7	43%	4/7	57%
CHEN Hongbo	6/7	86%	1/7	14%
WONG Tung Shun Peter (appointed on May 25, 2006)	2/6	33%	4/6	67%
NG Sing Yip (appointed on May 25, 2006)	4/6	67%	2/6	33%
Independent Non-executive Directors				
BAO Youde	6/7	86%	1/7	14%
KWONG Che Keung Gordon	7/7	100%	0/7	0%
CHEUNG Wing Yui	6/7	86%	1/7	14%
CHOW Wing Kin Anthony	6/7	86%	1/7	14%

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 are 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 2006, 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's appointment, the external auditor's 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.

The audit committee comprises 4 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.

During 2006, the audit committee held 4 meetings. All these meetings were convened in accordance with the Articles of Association. In particular, the audit committee reviewed the Company's yearly financial statements for the year ended December 31, 2005 and the half-yearly financial results for the six months ended June 30, 2006. At the same time, the audit committee convened the first meeting of the audit committee in 2007 on April 10, 2007, and has reviewed the financial report for the year ended December 31, 2006 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 2006 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	Fees paid/payable in RMB thousand
Audit services – annual audit fees	13,650
Audit services – A Share IPO fees	9,000
Non-audit services – financial due diligence review	3,147
Non-audit services – capital verification and agreed upon procedures fees	553
Total	26,350

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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 from time to time. 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.

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 2006, the remuneration committee held 3 meetings. As general matters, performance and remuneration packages of all Directors and senior management were reviewed and performance-based remuneration by reference to corporate goals and objectives as determined by the Board of Directors during 2006 were considered. Moreover, information regarding the execution of the long term incentive plan during the year 2005 was reported to the remuneration committee. As specific matters, remuneration packages for Directors and the new incoming senior management during 2006 were considered and recommendations made to the Board of Directors.

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 2006, the nomination committee held 3 meetings. During the year, the terms of office of Mr. Liu Haifeng David and Mr. Henry CORNELL as Non-executive Directors expired and both of them, for personal reasons did not offer themselves for re-appointment. Other changes in the Board of Directors included the appointment of Mr. Cheung Chi Yan Louis as Executive Director and the appointment of Mr. Wong Tung Shun Peter and Mr. Ng Sing Yip as Non-executive Directors. The nomination committee passed resolutions in relation to nominations for Directors of the 7th Board of Directors, Chairman, Vice Chairman, Secretary of the Board of Directors and Vice President. Apart from the specific nominations of new incoming Directors, 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 www.pingan.com.cn.

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
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Non-executive Director

Anthony Philip HOPE	3/4	75%	1/4	25%
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Independent Non-executive Directors

BAO Youde	4/4	100%	0/4	0%
KWONG Che Keung Gordon (Chairman)	4/4	100%	0/4	0%
CHEUNG Wing Yui	4/4	100%	0/4	0%
CHOW Wing Kin Anthony	4/4	100%	0/4	0%

Remuneration Committee

Members	Meetings attended in person/held	% of attendance in person	Meetings attended by proxy/held	% of attendance by proxy
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Non-executive Directors

Anthony Philip HOPE	2/3	67%	1/3	33%
CHEUNG Lee Wah	3/3	100%	0/3	0%

Independent Non-executive Directors

BAO Youde	3/3	100%	0/3	0%
KWONG Che Keung Gordon	3/3	100%	0/3	0%
CHEUNG Wing Yui (Chairman)	3/3	100%	0/3	0%

Nomination Committee

Members	Meetings attended in person/held	% of attendance in person	Meetings attended by proxy/held	% of attendance by proxy
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Executive Directors

MA Mingzhe	3/3	100%	0/3	0%
SUN Jianyi	3/3	100%	0/3	0%

Independent Non-executive Directors

BAO Youde (Chairman)	3/3	100%	0/3	0%
CHEUNG Wing Yui	3/3	100%	0/3	0%
CHOW Wing Kin Anthony	2/3	67%	1/3	33%

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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 our Company and monitors the investment risk and prepares the relevant internal policies. The investment management committee is also responsible for preparing the Group's investment management policy and investment strategies. The investment management committee also formulates the Group's investment risk management policy and reviews the pricing policy of new products. The investment management committee is currently composed of 11 members with the chairman also being a member 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 9 members with the chairman being 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 between shareholders; supervising and organizing road shows and meetings between investors and financial analysts; providing guidance on communicating with the Hong Kong Stock Exchange; organizing quarterly general 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 9 members with the chairman being the President of the Company.

The Risk Management Committee

The risk management committee is responsible for identifying and reviewing the major areas of risk across the Group and all of our operating principals, and for approving, and ensuring compliance with key financial, insurance, investment and operational risk management policies. The risk management committee is currently composed of 6 members with the chairman being 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 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 providing for the grant of share appreciation rights to eligible participants.

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 46 to the financial statements.

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, 2006 set out above.

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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.

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.

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.

COMPANY'S APPLICATION OF CODE PRINCIPLE

The Company is headed by a dedicated, professional and accountable Board of Directors comprising of 19 outstanding individuals. Information on their backgrounds and experiences has been set out on pages 8 to 11 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 37 to 39 of this annual report.

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, 2006. Details of Mr. Ma's roles and reasons for non-separation of the roles have been set out on pages 36 to 37 of this annual report.

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 China Insurance Regulatory Commission, the regulatory body responsible for the supervision and regulation of the PRC insurance industry.

During the year, the terms of office of two Directors expired and were not renewed and there were three new appointments to the Board of Directors, which transition was carried out smoothly.

Throughout the year ended December 31, 2006, 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 40 of this annual report.

According to the Articles of Association of the Company, each Director shall be appointed for 3 years and subject to retirement and re-election thereafter.

During the year, the 6th Board of Directors, having served the term of 3 years, was subjected to re-election. Two of the Directors did not offer themselves for re-appointment, which retirement was promptly announced in accordance with the requirements of the Listing Rules. The 7th Board of Directors was appointed at the 2006 annual general meeting, which transition was carried out smoothly and in an orderly fashion.

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.

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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.

C.1 Financial reporting

The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

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.

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.

COMPANY'S APPLICATION OF CODE PRINCIPLE

The Company has established a remuneration committee with written terms of reference. Further information regarding the remuneration committee is set out on page 40 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 43 and 142 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 137 to 138 of this annual report. The remuneration packages of all Directors were considered and recommended by the remuneration committee and reviewed and approved by and the shareholders at the general meeting.

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.

During the reporting period, the Board has reviewed the internal controls, risk controls and regulations compliance of the Company in order to ensure the Company maintains an efficient and sound internal control system. 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 and internal control safeguards of the Company and to demonstrate to shareholders the value of such practices.

The Company has established an audit committee with written terms of reference. Further information regarding the audit committee is set out on page 39 of this annual report.

CODE PRINCIPLE**COMPANY'S APPLICATION OF CODE PRINCIPLE****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 37 to 39 of this annual report. The Company's management is informed and educated of 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.

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 39 to 41 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.cn 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 five general meetings of the Company held during the year ended December 31, 2006 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 regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Exchange Listing Rules and the constitutional documents of the issuer.

The procedure for demanding a poll at the Company's general meetings was set out in all circulars relating to general meetings issued by the Company during the year ended December 31, 2006.

Voting by poll, though not required by either the Listing Rules or the Company's Articles of Association, was demanded by the Chairman of the general meeting on all five occasions as a matter of fairness 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 11, 2007