

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

I. CORPORATE INFORMATION

Ping An Insurance (Group) Company of China, Ltd. (the "Company") was incorporated in Shenzhen, the People's Republic of China (the "PRC") on March 21, 1988 as Shenzhen Ping An Insurance Company, and was engaged primarily in property & casualty insurance business in Shenzhen. With the expansion of business, the Company was renamed as Ping An Insurance Company of China in 1992. The Company started to be engaged in life insurance business from July 1994 and subsequently changed its name to Ping An Insurance Company of China, Ltd. in January 1997.

China Insurance Regulatory Commission (the "CIRC") issued the "Approval of separation of business operations of Ping An Insurance Company of China, Ltd (Baojianfu [2002] No.32)" on April 2, 2002 and agreed with the Company's proposal on the "Separation of business operations of Ping An Insurance Company of China, Ltd". According to the proposal, the Company will be renamed as Ping An Insurance (Group) Company of China, Ltd. The Company will also establish Ping An Property & Casualty Insurance Company of China, Ltd. (the "Ping An Property & Casualty") and Ping An Life Insurance Company of China, Ltd. (the "Ping An Life") and hold 99% shares in each of the two companies. China Ping An Trust & Investment Co., Ltd. (the "Ping An Trust") which holds shares of Ping An Securities Company, Ltd (the "Ping An Securities") will also be held by the Company.

Based on "Approval of changes in Ping An Insurance Company of China"(Baojianbiashen [2002] No.98), "Approval of establishment of Ping An Property & Casualty Insurance Company of China, Ltd."(Baojianjishen [2002] No.350) and "Approval of establishment of Ping An Life Insurance Company of China, Ltd."(Baojianjishen [2002] No.351) issued by CIRC on October 28, 2002, the Company was renamed as Ping An Insurance (Group) Company of China, Ltd., and Ping An Property & Casualty and Ping An Life were established. The Company obtained its revised business license on January 24, 2003 while Ping An Property & Casualty and Ping An Life obtained their revised business licenses on December 24, 2002 and December 17, 2002, respectively.

Based on "Approval of Ping An Insurance (Group) Company of China, Ltd. to list overseas and issue H Shares," (Baojianfu [2003] No.228) issued by CIRC and "Approval of Overseas Share Issuance by Ping An Insurance (Group) Company of China, Ltd.," (Zhengjianguohezi [2004] No.18) issued by China Securities Regulatory Commission (the "CSRC"), the Company was allowed to issue 1,261,720,000 H shares. The H shares were listed on the Hong Kong Stock Exchange on June 24, 2004.

Based on "Approval of Ping An Insurance (Group) Company of China, Ltd. to issue A shares," (Zhengjianfaxingzi [2007] No.29) issued by CSRC, the Company was allowed to issue 1,150,000,000 A shares. The A shares were listed on the Shanghai Stock Exchange on March 1, 2007.

The business scope of the Company includes investing in insurance and authorized financial enterprises, supervising and managing domestic and overseas business of subsidiaries and utilizing insurance funds. The Company is also approved to carry out domestic and overseas insurance and other businesses. The Group mainly provides integrated financial products and services, including life insurance, property and casualty insurance, trust business, securities business, banking business and other services.

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND BASIS OF PREPARING CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

The financial statements of the Company and its subsidiaries (the "Group") are prepared in accordance with the "Accounting Standards for Business Enterprises" and the "Accounting System for Financial Institutions".

2. Accounting year

The accounting year is from January 1 to December 31 of each calendar year.

3. Reporting currency

The reporting currency for the Company and its domestic subsidiaries is Renminbi ("RMB"), and the reporting currency for its oversea subsidiaries is Hong Kong dollars ("HKD"). The financial statements adopt RMB as presentation currency and are expressed in RMB thousand unless otherwise stated.

4. Basis of accounting and measurement basis

The Group's accounts have been prepared on an accrual basis. Assets are recorded at actual cost when they are acquired. Subsequently, if the assets are impaired, impairments are made in accordance with the "Accounting Systems for Financial Institutions".

5. Principles of consolidation

The subsidiaries of which the Company owns more than 50% interests are included in consolidation. Consolidated financial statements are prepared using the following basis:

- (1) Differences due to adoption of different accounting policies by the parent company and its subsidiaries are adjusted;
- (2) Material transactions between the parent company and its subsidiaries and transactions among the subsidiaries are eliminated;
- (3) Equity investments, intra-group balances and unrealized profits of the parent company and its subsidiaries are eliminated. Balances resulting from the elimination of equity investment is treated as "consolidation surplus" and is included in long-term investments in the consolidated balance sheet.

6. Foreign currency transactions

The Company and its domestic subsidiaries keep separate books and accounting records for foreign currency transactions, and these transactions are initially recorded in the original currencies. Exchange gains or losses arising from foreign currencies transactions are dealt with in the income statement for the year. Items in the balance sheet and income statement, other than those relating to shareholders' equity, are translated into the reporting currency using the applicable exchange rates quoted by the People's Bank of China ("PBOC") at year end. Items related to shareholders' equity are translated into the reporting currency using historical exchange rates. Significant exchange differences are recorded as a separate item in the income statement.

The subsidiaries in Hong Kong and overseas locations adopt HKD as their reporting currency. Transactions in foreign currencies are recorded at the exchange rates ruling at the transaction date. Monetary assets and liabilities in foreign currencies are translated using the exchange rates ruling at the balance sheet date. All foreign currencies differences are taken to the income statement, except for exchange differences arising from loans and interest expenses in relation to acquisition or construction of fixed assets which are capitalized.

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND BASIS OF PREPARING CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Translation of financial statements prepared in foreign currencies

When preparing consolidated financial statements, the financial statements of subsidiaries presented in foreign currency are translated into RMB as follows: assets and liabilities are translated into RMB using exchange rates ruling at the balance sheet date; shareholders' equity, other than retained profits, is translated into RMB using the applicable exchange rates ruling at the transaction date. The translated profit appropriation figure is accounted for in retained profits. Significant differences between translated assets less translated liabilities and shareholders' equity would be accounted for in equity as part of the foreign currency translated reserves. Items in income statement and profit appropriation statement are translated into RMB using the average exchange rates for the year. Items in the cash flow statement are translated into RMB using exchange rates ruling at the balance sheet date. All opening balances and comparative figures are presented using the figures translated in the prior year.

8. Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value. They include balances with central bank (excluding mandatory reserve deposits with central bank), balances with banks and other financial institutions and placements with banks and other financial institutions with original maturities of less than three months.

9. Short-term investments

Short-term investments refer to those investments that can be realized at any time and that are intended to be held for less than one year (inclusive of one year). They include stocks, bonds and investment funds. Short-term investments are carried at the lower of cost and market value. Cost comprises its purchase price and related expenses such as taxes and commission expenses. Declared but unpaid cash dividends and interest on bonds, which have been accrued at the time of acquisition, are separately accounted for as receivables and are not included in the cost of short-term investments. Provision for impairment in the value of short-term investments are determined on a category basis and the resulting gains or losses are recognized in the current year. Dividends on short-term investments, bond interest income and fund dividend income are netted off against the book value of investments (as a reduction against cost) upon receipt.

10. Loans and loan loss provisions

Short-term and medium to long-term loans

Loans are classified as short-term loans or medium to long-term loans in accordance with their maturities. Except for non-accrual loans, loans maturing within one year (inclusive of one year) are classified as short-term loans. Medium to long-term loans are loans with maturities greater than one year.

Overdue loans

Overdue loans are loans of which either principal or interest is overdue for less than 90 days. These loans include advances on discounted bills unsettled on due date and advances resulting from letters of credit and guarantees issued by the Group with insufficient collateralized deposits.

Bills negotiation of export and import L/C

Bills negotiation of export and import L/C refer to letters of credit issued by overseas banks that are accepted by the Group to finance exporting parties for the delivery of goods, or letters of credit issued by the Group to make an advance payment to overseas banks after receiving negotiation notice from importing parties.

Discounted bills

Discounted bills are granted by the Group to its clients and other financial institutions based on the bank acceptance held which has not matured.

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND BASIS OF PREPARING CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Loans and loan loss provisions (Continued)

Accrual and non-accrual loans

Non-accrual loans are loans of which either principal or interest is overdue for more than 90 days (inclusive of 90 days). Accrual loans are loans other than non-accrual loans.

Self-support loans and designated loans

Self-support loans are those loans funded by the Group itself for which the credit risk is borne by the Group. The Group is responsible for the collection of principal and interest. Designated loans are those loans funded by entrusting parties. In accordance with the terms of the entrusting parties, such as the designated borrowing party, purpose, amount, duration and interest rate of the loans, the Group acts as an agent to grant loans to borrowers and monitor the usage and repayment of the loans. The Group collects fee incomes from granting designated loans and the credit risk remains with the entrusting parties as the Group does not fund these loans. Self-support loans, as part of the credit assets of the Group, are presented on the face of the balance sheet. Designated loans are accounted for as an off balance sheet item.

In accordance with the loan risk classification guidelines issued by the PBOC, loans are classified as "Pass", "Special-mention", "Substandard", "Doubtful" and "Loss". Loans classified as "Substandard", "Doubtful" and "Loss" are collectively referred to as non-performing loans.

Accounting treatment of loan loss provisions

The Group would make loan loss provisions based on the probable estimated losses and the recoverability of the loans at year end. The Group uses individual and collective assessments to estimate loan loss provisions:

- For significant loans with objective evidence of impairment, loan loss provisions would be made for the difference between the carrying value and the present value of expected future cash flow discounted using the original effective interest rate of the loans.
- For insignificant loans or loans with no objective evidence of impairment when individually assessed, the Group will group loans with similar credit risk characteristics and estimate loan loss provision in accordance with its historical loss experience.

The loan loss provisions are recognized in the income statement for the year. When the credit quality of the loan improves, the previously recognized loss impairments are reversed. Loans are written off against the provisions when they are not recoverable. Upon the recoveries of bad loans previously written off, the amount of the loan loss provisions written off shall be reversed.

11. Repurchase and reverse repurchase agreements

Reverse repurchase agreements refer to the purchase of assets with commitments to resell the same assets at a future date. Assets purchased under agreements to resell are recorded at the cost of the borrowings. Interests earned on reverse repurchase agreements are recognized in the current year on a straight line basis.

Repurchase agreements are the sales of assets under agreements to repurchase the same assets at a future date. Assets sold under repurchase agreements are recorded at the cost of the amounts advanced. Interests incurred on the repurchase agreements are recognized as expense in the current year on a straight line basis.

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND BASIS OF PREPARING CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Provision for bad debts

Provision for bad debts is made for placements with banks and other financial institutions, interest receivables, premium receivables, receivables from reinsurers, accounts receivable and other receivables based on their recoverability at the balance sheet date. Management makes provision based on aging analysis, previous experience and the financial positions and operations of the debtors. Provision for bad debts is classified into specific provision and general provision.

A specific provision is made for bad debt losses on significant accounts receivables and loans, based on aging analysis, the financial positions, operational positions and cash flow status of the debtors, and the recoverability of current and subsequent settlement.

A general provision is set up on the remaining balances of receivables, based on the aging analysis.

13. Customer deposits held for securities trading

Customer deposits held for securities trading are deposited in designated bank accounts by the Group. These deposits are recognized as a liability when received for the purpose of settlement with customers.

The Group acts on behalf of customers to purchase and sell securities through Stock Exchanges. If the total amount of securities purchased is greater than that of securities sold on each settlement date, customer deposits are deducted together with withholding stamp duty and commission expense. If the total amount of securities purchased is less than that of securities sold, customer deposits are increased after deduction of withholding stamp duty and commission expense.

14. Securities underwriting business

The Group accounts for securities underwriting business on the following basis according to respective underwriting strategy:

- (1) Where the Group undertakes to purchase all underwritten securities upfront, the Group recognizes an asset at cost upon purchase of the underwritten securities. When the securities are sold to investors, underwriting commission income is recognized as the difference between the sales and purchase price of the securities. Unsold securities are transferred into proprietary investments or long-term investments at cost after the underwriting period.
- (2) Where the Group undertakes to purchase all underwritten securities not sold to investors at the end of the underwriting period, the Group will not recognize an asset or a liability upon receipt of the underwritten securities, but will keep a specific record of these securities. Unsold securities are transferred into proprietary investments or long-term investments at underwriting price after the underwriting period.
- (3) Where the Group does not undertake to purchase any underwritten securities unsold at the end of the underwriting period, the Group does not recognize an asset or a liability upon receipt of the underwritten securities, but will keep a specific record of these securities.
- (4) Underwriting commission income is recognized upon completion of underwriting service.

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND BASIS OF PREPARING CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Long-term investments

Long-term equity investments

Long-term equity investments are initially accounted for at cost on acquisition. It is accounted for using either the cost method or the equity method as appropriate under the following circumstances.

- (1) The cost method is used when the Company does not control, jointly control or have significant influence over the invested enterprise. The carrying amount of long-term equity investments remains unchanged, unless there are additions or disposals of investments. Profit or cash dividends declared by the invested enterprise are recognized as investment income for the current period. The amount of investment income recognized is limited to the amount distributed out of accumulated net profit of the invested enterprise that arises after the investment is made. The amount of profit or cash dividends declared by the invested enterprise in excess of the above threshold is treated as return on investment cost, and netted off against the carrying amount of investments.
- (2) The equity method is used to account for long-term equity investments when the Company can control, jointly control or has significant influence over the invested enterprise. The carrying amount of the investment is adjusted to reflect the Company's attributable share of the invested enterprise's net profit or loss, which is recognized as investment income or loss. When the invested enterprise declares profit appropriation or cash dividends, the carrying amount of investment is adjusted down by the Company's share of the profit appropriation and dividends. The Company recognizes net losses incurred by the invested enterprise to the extent that the carrying amount of the investment is reduced to zero. If the invested enterprise realizes net profits in subsequent years, the profit is netted off against accumulated losses, before it is recognized as carrying amount of investment.
- (3) When the equity method is adopted, the excess of the initial investment cost over the Company's share of owner's equity of the invested enterprise is referred to as "equity investment differences" and should be amortized evenly over the investment period stipulated in the contract or over a period of not more than 10 years if the investment period is not stipulated in the contract. Any excess of the Company's share of equity interest in the invested enterprise over the initial cost of investment is credited to capital reserve.

Long-term bond investments

Long-term bond investments are initially accounted for at investment cost on acquisition. The difference between par value and cost (as reduced by any bond interest due but unpaid and any related expenses included therein) is treated as a premium or discount, and is amortized over the period between the acquisition date and maturity date on the straight-line basis when the relevant bond interest is recognized. Interest receivables from bond investments are accrued periodically. Interest income from bond investments, after adjustments for the amortization of premium and discount, is recognized as investment income.

Long-term fund investments

Long-term fund investments are initially accounted for at investment cost on acquisition less dividend which was declared but not withdrawn. Dividends received during the holding period are recognized as investment income in the current year.

Impairment on long-term investments

Impairment on long-term investments is reviewed on an individual item basis. If the recoverable amount is lower than the carrying amount as a result of a continuing decline in market value or changes in operating conditions of the invested enterprise or other reasons, the impairment loss is recognized in current year's profit and loss. The Group intends to hold the majority of long-term bond investments to maturity.

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND BASIS OF PREPARING CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Fixed assets

Fixed assets are tangible assets with high unit costs held for use in the supply of services, or for rental and administrative purposes and are expected to be used for more than one year.

Fixed assets are initially accounted for at cost on acquisition. The acquisition cost comprises purchase price, import duties and other taxes, expenses necessary to bring the asset to its working condition for its intended use, such as transportation, installation and other expenses. Expenditures incurred after the assets have been put into operation is capitalized when the future economic benefits are higher than originally expected.

Depreciation is calculated using the straight-line method. The respective estimated useful lives and estimated residual values of fixed assets are as follows:

	Estimated useful life	Estimated residual value
Leasehold improvements	Over the shorter of economic useful lives and lease terms	–
Buildings	30-35 years	5%
Office equipments and telecommunication equipments	5 years	5%
Motor vehicles	5-8 years	5%

Fixed assets are carried at the lower of book value and recoverable amount at the end of the accounting period. A provision for impairment losses on fixed assets is made when the recoverable amount is lower than the book value and recognized in the income statement. The recoverable amount of the fixed assets is the higher of the net selling price and the value in use. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

17. Construction in progress

Construction in progress (“CIP”) includes all costs incurred during the preparation period before commencement of construction and until the asset is ready for its intended use. These costs include direct materials, direct labor, equipment for installation, construction and installation charges, management fees, gain or loss on trial run production and borrowing costs which are qualified for capitalization.

CIP is transferred to fixed assets when the asset is ready for its intended use.

At the end of the year, CIP is examined on an individual project basis and impairments are made for those projects which have been suspended for a long period of time and the construction of which is not expected to resume within three years; or for any project under construction but considered obsolete in terms of its technology and functionality and there exists significant uncertainty as to whether it will bring future economic benefits to the Group.

18. Intangible assets

Intangible assets mainly represents computer software and membership fees. Intangible assets are initially accounted for at actual cost on acquisition. Intangible assets are amortized on a straight-line basis evenly over its estimated useful lives, starting from the date of acquisition. Computer software is amortized over three years and membership fees are amortized over ten years.

Intangible assets are carried at the lower of book value and recoverable amount at the end of the accounting period. If the recoverable amount is lower than the book value, a provision for impairment losses on intangible assets is made for the difference.

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND BASIS OF PREPARING CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Long-term deferred expenses

Long-term deferred expenses are those expenses with an amortization period of more than one year and are recorded at actual cost on acquisition.

Pre-commenced expenditure are initially accounted for as long-term deferred expenses and then subsequently charged in one lump sum to the income statement in the first month of commencement of operations.

20. Repossessed assets

Repossessed assets are assets that the borrowers and guarantors use to settle the principal and interest of loans and other debts when the borrowers fail to repay the debts. Repossessed assets are recorded at an amount equal to the aggregate of principal and interest as presented on the face of the balance sheet.

The Group reviews the carrying amount of the repossessed assets periodically. Repossessed assets are carried at the lower of book value and recoverable amount, and provision for impairment of repossessed assets is made for any difference between the book value and the lower recoverable amount.

21. Insurance guarantee fund

According to "Administrative Regulations on the Insurance Guarantee Fund" (Baojianhuiling [2004] No.16), the Group calculates the insurance guarantee fund as follows:

- (1) For property insurance, accident insurance and short-term health insurance, insurance guarantee fund is provided at 1% of net premiums respectively.
- (2) For long-term life insurance and long-term health insurance with guaranteed interest rate, insurance guarantee fund is provided at 0.15% of net premiums respectively.
- (3) For long-term life insurance without guaranteed interest rate, insurance guarantee fund is provided at 0.05% of net premiums.

No additional provision is required when the accumulated insurance guarantee fund balances of Ping An Life, Ping An Annuity Insurance Company of China, Ltd. ("Ping An Annuity") and Ping An Health Insurance Company of China, Ltd. ("Ping An Health") reaches 1% of their respective total assets. For Ping An Property & Casualty, no additional provision is required when the accumulated balance reaches 6% of its total assets.

22. Unearned premium reserves

Unearned premium reserves are made for future insurance liabilities on policies with terms of less than one year (inclusive of one year). Unearned premium reserves are recorded based on actuarial valuation results (1/365 method). In accordance with the regulation issued by the CIRC (Baojianfa [1999] No.90), unearned premium reserves for life insurance should be no less than 50% of net premiums for the current period.

23. Claim reserves

Claim reserves are provided for claims reported but not settled, and claims incurred but not reported at the balance sheet date. Reserves for claims reported but not settled are provided on the basis of the estimated claim losses but not more than the amount calculated based on the claims reported. Reserves for claims incurred but not reported is calculated as 4% of actual gross claims paid for the year. From July 1, 2006, in accordance with the "Regulations on claim reserves for compulsory motor insurance" (Baojianchanfa [2006] No.680), the Chain-ladder method, Average cost per claim method, Loss development method and the Bornhuetter-Ferguson method are used for the valuation of reserves for compulsory motor insurance to derive the best estimates figures. From September 1, 2006, in accordance with the "Regulations on health insurance" (Baojianhuiling [2006] No.8), the Chain-ladder method and the Bornhuetter-Ferguson method are used to calculate the reserves for health insurance business. The higher of the two results calculated using the two methods will be the best estimates.

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND BASIS OF PREPARING CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Claim reserves (Continued)

(Note: From January 1, 2007, reserves for claims incurred but not reported are calculated using actuarial methods in accordance with the relevant actuarial regulations, instead of using 4% of actual gross claims paid for the year.)

Claim reserves also includes liabilities for policies matured but not settled and undue annuities at the balance sheet date. Reserves for policies matured but not settled are provided based on the amounts due at maturity. Reserves for undue annuities are provided on the basis of the policy's outstanding liability.

24. Long-term unearned premium reserves

Long-term unearned premium reserves are provided for future insurance liabilities of non-life insurances and reinsurances with terms over one year (one year excluded). Long-term unearned premium reserves are calculated using a systematic and reasonable method (1/365 method).

25. Policyholders' reserves for life insurance

Policyholders' reserves are reserves provided to meet future insurance obligations arising from life insurance business and are provided using actuarial valuation methods. In accordance with the CIRC's regulations, the Group provides for policyholders' reserves for life insurance in excess of the statutory minimum standard. The statutory policyholders' reserves is calculated in accordance with "Actuarial Regulations on Life Products", "Actuarial Regulations on Interest-Dividend-Only Products" (Baojianfa [1999] No. 90), "Actuarial Regulations on Individual Participating Products", "Actuarial Regulations for Universal Life Products", "Actuarial Regulations for Individual Investment-linked Products" (Baojianfa [2003] No. 67), "Notice on Actuarial report" (Baojianshouxian [2005] No. 8), "Notice on usage of mortality table in actuarial regulations" (Baojianfa [2005] No. 188) and other regulations promulgated by the CIRC.

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of life insurance policyholders' reserves. Current best estimates of future contractual cash flows, claims handling and policy administration expenses are discounted using the future investment yield of assets backing such liabilities in performing such tests.

26. Long-term reserves for health insurance

Long-term reserves for health insurance is provided to meet future obligations arising from long-term health insurance business in accordance with statutory regulations, and is recorded based on actuarial valuation results. According to the CIRC's regulations, long-term reserves for health insurance are provided at a level not less than the statutory minimum standard. The statutory standard is calculated in accordance with "Actuarial Regulations on Health Products" (Baojianfa [1999] No.90), other regulations and approvals promulgated by the CIRC.

At each balance sheet date, the Group performs liability adequacy tests for both the long-term reserves for health insurance and policyholders' reserves for life insurance. The testing method is consistent with that of policyholders' reserves for life insurance as in Note II 25.

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND BASIS OF PREPARING CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Revenue recognition

Revenue is recognized when economic benefits associated with the transaction will flow to the Group and the relevant amount of revenue can be measured reliably. It is recognized using the following basis:

Underwriting income

Premium income and reinsurance premium income is recognized when the insurance contracts are issued, related insurance risk is undertaken by the Group, related economic benefits will flow to the Group and related net income and cost can be reliably measured. Premiums from life, long-term health and property and casualty insurance contracts are recognized as revenue when due from policyholders, while single premiums are recognized as revenue when the premiums are received. Premiums from short-term health and accident insurance contracts are recognized in accordance with the amounts stated in the contracts. Reinsurance premiums are recognized as revenue in accordance with the terms of the reinsurance contracts. Subrogation income is recognized when the right of subrogation is entitled.

Interest income

Interest income is recognized on an accrual basis according to the duration and applicable interest rates.

Interest income from loans

Interest income on loans granted by the Group is accrued and recognized as revenue periodically. The accrued interest income on loans of which the principal or interest has been overdue (including rescheduled loans) and remains uncollected for more than 90 days shall cease to be recognized as interest income for the year, and would be recorded as an off-balance sheet item. When accrued interest receivables are overdue for more than 90 days or the principals on such loans are overdue for more than 90 days, the recorded interest receivables thereon will be written off against current year profit and recorded as an off-balance-sheet account. When the overdue interests are received, the amount recovered should firstly be used to reduce the outstanding principal in full, before being recognized as interest income for the year.

Other income

Commission income arise from securities brokerage and trust management business. Commission income from securities brokerage business is recognized on the transaction date while, trust management income is recognized according to the terms and conditions stipulated in the trust contracts. Securities underwriting income arises from securities underwriting business and is recognized upon the completion of underwriting services when cash is received. Rental income is recognized on a straight-line basis over the lease terms.

28. Policyholder Dividends

Policyholder dividends represent dividends paid by the Group to policyholders in accordance with the terms of participating products of the Group. The dividends are calculated and provided based on actuarial valuation results.

29. Investment-linked insurance business

Assets related to investment-linked contracts are carried at market value. Marketable securities other than open ended funds are valued using the closing price at the valuation date or the most recent closing price if there are no transaction of the securities on the valuation date. Open ended funds are valued using the published net asset value. Equity investment funds within the issuance period are valued at cost. The differences between cost and market price are dealt with in "separate account (investment-linked) unrealized gains and losses". At year end, assets and liabilities related with investment-linked contracts are reflected respectively in "separate account (investment-linked) assets" and "separate account (investment-linked) liabilities".

30. General reserve

A pre-determined percentage of the net profit for the year is provided as general reserve. The provision percentage is in accordance with the shareholders' resolutions.

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND BASIS OF PREPARING CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. General provision

In accordance with the "Accounting System for Financial Institutions" and "Administration Regulations on the Provision of Bad Debt for Financial Institutions" (Caijin [2005] No.49), the general provision provided by the Group are appropriated from profit.

32. General risk provision

In accordance with the "Accounting System for Financial Institutions" and "Financial System for Securities Companies" (Caizhaihanzi [2000] No.77), the general risk provision accrued by the Group are appropriated from profit and used to offset losses.

33. Loss provision for trust business

In accordance with the "Accounting System for Financial Institutions" and the "Administrative Measures on Trust Investment Companies", the loss provision for trust business accrued by the Group is appropriated from profit.

34. Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease terms.

35. Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange to customers. Acceptances are accounted for as off-balance sheet transactions and are disclosed as commitments.

36. Assets under trust management

Funds placed with the Group under trust contracts are not accounted for as liabilities of the Group. Assets arising from management, operation and disposal of the entrusted funds are not accounted for as assets of the Group. These assets and liabilities are not included in the Group's balance sheet.

37. Accounting treatment for income tax

The Group's income tax is accounted in accordance with the relevant tax laws and applicable tax incentives, whereby the income tax provision is calculated based on the applicable income tax rate and the accounting results for the year after adjusting for items which are non-taxable or non-deductible.

Income tax of the Group is accounted for using the tax effect accounting method. Deferred tax is provided using the liability method in respect of timing differences between profit before tax and taxable income using the applicable tax rate. A deferred tax asset is only recognized when there are sufficient future taxable profits to allow the deferred tax assets to be recovered within three years.

38. Share-based payment transactions

Senior management and key employees of the Group receive remuneration in the form of share-based payment transactions, whereby the above mentioned employees render services as consideration for share appreciation rights which are settled in cash.

The cost of share appreciation rights is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments are granted. The fair value of share appreciation rights is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each balance sheet date up to and including the settlement date with changes in fair value recognized in the income statement.

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND BASIS OF PREPARING CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Employee benefits

The employees of the Group are entitled to participate in government-managed social securities schemes, including pension plans, medical benefits, housing funds and other social securities schemes. The Group's liability in respect of these benefits is limited to the contributions paid in each period, which are expensed as incurred. Certain employees are also provided with group life insurance, but the amount involved is insignificant. The Group has no other significant legal or constructive obligations for employee benefits beyond the said contributions.

40. Changes in accounting estimates

Changes in accounting estimates are applied prospectively.

- (1) Before 2006, claim reserves for health insurance are provided using 4% of actual claims losses for the year for claims incurred but not yet reported at the balance sheet date. Beginning September 1, 2006, claim reserves for health insurance are estimated using the Chain Ladder and Bornhuetter-Ferguson methods, in accordance with "Regulations on Health Insurance" (Baojianhuiling [2006] No.8). The greater of the two results calculated using these two methods will be regarded as the best estimates. Since accounting policies for the year 2006 and prior years does not require liability adequacy testing, the Group treats the impacts of adopting the new regulations as changes in accounting estimates in accordance with the applicable accounting policies in 2006. The change in accounting estimates results in a decrease in profit before tax of approximately RMB662,205 thousand. The Accounting Standards for Business Enterprises No. 25 Insurance Contracts requires liability adequacy test to be performed for claim reserves, and the "Expert's Opinions on Application of Accounting Standards for Business Enterprises" issued in February 2007 requires that the claims reserves should be retrospectively adjusted upon first time adoption of the new regulations. Therefore, the difference upon adoption of the new regulations might be retrospectively adjusted when the new accounting standards are applied in 2007.
- (2) Before 2006, the Group calculated statutory life reserves using mortality rates stated in Baojianfa [1999] No. 90 and [2003] No. 67. Based on "Notice on amendments on usage of Life Insurance Mortality Table" (Baojianfa [2005] No. 118), the Group uses China life Insurance Mortality Table (2000-2003) to calculate the statutory life reserves. The change of mortality table result in an increase in profit before tax of approximately RMB752,835 thousand.

In addition, in compliance with Baojianfa [1999] No. 90 that reserves provided for the year should not be less than the statutory minimum reserves, and valuation interest rate should not be higher than the pricing interest rate or the determined rate of 7.5%, the Group uses a more prudent valuation interest rate for insurance products with pricing interest rates equal to or higher than 7.5%. In 2005, the valuation interest rate of certain high interest rate insurance products was reduced to 6.5%, and 7%; in 2006, the valuation interest rate of certain high interest rate insurance products was further reduced to 6%, 6.5%, 6.7%, and 7%. The accounting estimation changes result in a decrease in profit before tax of approximately RMB2,743,907 thousand.

III. TAXATION

The major types of taxes and related tax rates applicable to the Group are as follows:

Business tax and surcharges

Business tax is levied on 5% of taxable premium income, other operating income and investment income. Business tax surcharges, comprising city maintenance and construction tax and education surcharges are calculated at a pre-determined percentage of business tax.

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

III. TAXATION (Continued)

Income tax

According to the "Provisional Regulations of the PRC on Enterprise Income Tax", the taxable income of the Group represents its income for financial reporting purposes, net of deductible and non-taxable items for income tax purposes. The enterprise income tax rates applicable to the Group, the subsidiaries and their branches during the year are as follows:

Tax	Subsidiaries and branches	Tax rate
Income tax in the PRC	Ping An Bank Limited ("Ping An bank"), and subsidiaries and branches of the Group located in Special Economic Zones	15%
	Subsidiaries and branches of the Group located outside Special Economic Zones	33%
Hong Kong profits tax	Subsidiaries in Hong Kong Special Administrative Region	17.5%

IV. INFORMATION OF SUBSIDIARIES

The principal structure and business of the Group changed during 2006 as follows:

- (1) On April 6, 2006, China Ping An Insurance Overseas (Holdings) Limited ("Ping An Overseas") established Anseing Investment Company Limited with paid-up capital of US\$2 in the British Virgin Islands ("BVI"). As at December 31, 2006, the Group's equity interest amounts to 100%.
- (2) On May 16, 2006, Ping An Overseas established Ping An of China Asset Management (Hong Kong) Company Limited ("Ping An Asset Management (Hong Kong)") in Hong Kong. The paid-up capital of Ping An Asset Management (Hong Kong) is HKD25 million and the Group's equity interest amounts to 100% as at December 31, 2006.
- (3) With an approval from the China Banking Regulatory Commission ("CBRC") on September 8, 2006, Ping An Trust and The Hongkong and Shanghai Banking Corporation Limited ("HSBC") injected RMB146 million and United States dollars ("US\$") equivalent to RMB54 million, respectively, into Ping An Bank. Upon completion of such capital injection, the registered and paid-up capital of Ping An Bank increased to RMB613.845 million and the Group's equity interests in it became 72.91%. On June 23, 2006, Ping An Bank obtained approval from CBRC to provide Renminbi services to corporate customers.
- (4) On July 31, 2006, Shenzhen Ping An Real Estate Investment Co., Ltd. ("Ping An Real Estate") established Yuxi Ping An Real Estate Co., Ltd. ("Yuxi Real Estate"). The paid-up capital of Yuxi Real Estate is RMB38.5 million and the Group's equity interests in it amounts to 79.90% as at December 31, 2006.
- (5) On July 28, 2006, the Company entered into a share purchase agreement with certain shareholders of Shenzhen Commercial Bank Company Limited ("SZCB") to acquire their shares representing approximately 63% of the then share capital of SZCB, 1,008,186,384 shares, for a consideration of around RMB1,008 million, of which 535 million shares of SZCB was acquired from Shenzhen Investment Holdings Co., Ltd., one of the shareholders of the Company, for a consideration of RMB535 million. Further, as part of the reorganization of SZCB and pursuant to the said share purchase agreement, the Company also entered into a subscription agreement with SZCB on the same date to subscribe for 3,902 million new shares in SZCB for a consideration of around RMB3,902 million. The above acquisition and additional share subscription was approved by CBRC and the shareholders of SZCB by November 30, 2006. Further, on December 15, 2006, the directors of SZCB approved the transfer of 6,611,320 ordinary shares from other SZCB shareholders to the Company. Upon completion of the acquisition, shares subscription and shares transfer on December 15, 2006, the Company's equity interests in SZCB amounts to 89.36%. The registered capital of SZCB is RMB5,502 million.

IV. INFORMATION OF SUBSIDIARIES (Continued)

(5) (Continued)

The assets and liabilities of SZCB as at December 15, 2006 were:

Cash on hand	362,166
Balances with central bank and due from banks and other financial institutions	9,184,268
Loans	43,700,315
Placements with banks and other financial institutions	1,201,521
Investments	23,284,754
Other assets	2,209,982
Total assets	79,943,006

Customer deposits	67,335,447
Due to banks and other financial institutions	3,535,294
Placements from banks and other financial institutions	148,552
Assets sold under agreements to repurchase	2,209,410
Other liabilities	1,559,564
Total liabilities	74,788,267

Net cash and cash equivalents arising from acquisition of SZCB:

Net assets of SZCB on acquisition date	5,154,739
Purchase of 89.36% of net assets	4,606,275
Add: Equity investment differences arising from acquisition of SZCB	310,523
Cash paid	4,916,798
Including: Paid in 2006	4,910,187
Paid in 2007	6,611

Analysis of net cash and cash equivalents arising from acquisition of SZCB	
Cash and cash equivalents acquired from SZCB	9,282,316
Cash paid	4,910,187
Net cash inflow from acquisition of SZCB	4,372,129

The financial results of SZCB for the period from December 15 to 31, 2006 is as follows:

Revenues	191,486
Profit from principal operations	74,508
Operating profit before tax	86,967
Income tax	22,341
Net profit	64,626

- (6) On August 11, 2006, Ping An Overseas established Timely Reach Investments Limited with paid-up capital of US\$1 in the BVI. As at December 31, 2006, the Group's equity interest amounts to 100%.
- (7) On September 8, 2006, Ping An Overseas established Total Faith Investments Limited with paid-up capital of US\$1 in the BVI. As at December 31, 2006, the Group's equity interest amounts to 100%.
- (8) With approval from CIRC on October 17, 2006, the Companies and other shareholders of Ping An Property & Casualty injected additional capital of RMB1,400 million into Ping An Property & Casualty. After the capital injection, the paid-up capital of Ping An Property & Casualty increased to RMB3,000 million. As at December 31, 2006, the Group's interest amounts to 99.06%.

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

IV. INFORMATION OF SUBSIDIARIES (Continued)

- (9) On October 31, 2006, Ping An Real Estate acquired 51% equity interest in Pan-China Real Estate (Jingzhou) Co., Ltd. ("Pan-China Real Estate"). The paid-up capital of Pan-China Real Estate is US\$9.7 million. As at December 31, 2006, the Group's equity interest amounts to 50.94%.
- (10) On November 13, 2006, Ping An Overseas established Jade Reach Investments Limited with paid-up capital of US\$1 in the BVI. As at December 31, 2006, the Group holds 100% shares.
- (11) On November 17, 2006, Shenzhen Debao Auto Co., Ltd transferred shares in Ping An Trust worth RMB16.61 million to the Company. After the transfer, Ping An Trust paid-up capital remains unchanged at RMB4,200 million. As at December 31, 2006, the Group's equity interest amounts to 99.88%.
- (12) On December 20, 2006, the Company injected additional capital of HK\$500 million into Ping An Overseas. After the capital injection, the paid-up capital of Ping An Overseas increased to HK\$555 million. As at December 31, 2006, the Group's equity interest amounts to 100%.

Particulars of the Company's principal subsidiaries as at December 31, 2006 are set out below:

Name	Date/place of incorporation	Attributable equity interest		Registered and paid-up capital (RMB unless otherwise stated)	Principal activities
		Direct	Indirect		
Ping An Life Insurance Company of China, Ltd.	December 17, 2002 The PRC	99.00%	–	3,800,000,000	Life insurance
Ping An Property & Casualty Insurance Company of China, Ltd.	December 24, 2002 The PRC	99.06%	–	3,000,000,000	Property and casualty insurance
Shenzhen Commercial Bank Co., Ltd.	August 3, 1995 The PRC	89.36%	–	5,502,000,000	Banking
China Ping An Trust & Investment Co., Ltd.	November 19, 1984 The PRC	99.88%	–	4,200,000,000	Investment and financing
Ping An Securities Company, Ltd.	July 18, 1996 The PRC	–	86.11%	1,800,000,000	Security investment and brokerage
Ping An Bank Limited	January 8, 1993 The PRC	–	72.91%	613,845,000	Banking
Ping An Annuity Insurance Company of China, Ltd.	December 13, 2004 The PRC	95.00%	4.96%	300,000,000	Annuity insurance
Ping An Asset Management Co., Ltd.	May 27, 2005 The PRC	90.00%	9.90%	200,000,000	Asset management
Ping An Health Insurance Company of China, Ltd.	June 13, 2005 The PRC	95.00%	4.96%	500,000,000	Health insurance
China Ping An Insurance Overseas (Holdings) Limited	October 24, 1996 Hong Kong	100.00%	–	HK\$555,000,000	Investment holding
China Ping An Insurance (Hong Kong) Company Limited	August 17, 1976 Hong Kong	–	75.00%	HK\$80,000,000	Property and casualty insurance

IV. INFORMATION OF SUBSIDIARIES (Continued)

Name	Date/place of incorporation	Attributable equity interest		Registered and paid-up capital (RMB unless otherwise stated)	Principal activities
		Direct	Indirect		
Shenzhen Ping An Futures Brokerage Co., Ltd.	April 10, 1996 The PRC	-	93.13%	50,000,000	Futures brokerage
Shenzhen Ping An Industries Co., Ltd.	November 24, 1992 The PRC	-	99.88%	20,000,000	Investment
Shenzhen Ping An Property Investment and Management Co., Ltd.	January 6, 1995 The PRC	-	99.88%	20,000,000	Property management
Fuzhou Ping An Real Estate Development Co., Ltd.	March 28, 1994 The PRC	-	74.25%	US\$5,000,000	Development of property in Fuzhou (completed)
Shenzhen Ping An Real Estate Investment Co., Ltd.	March 8, 2005 The PRC	-	99.88%	300,000,000	Real estate development, investment
Shenzhen Xin An Investment Consultant Co., Ltd.	September 5, 2005 The PRC	-	99.88%	3,000,000	Consulting
Ping An of China Asset Management (Hong Kong) Company Limited	May 16, 2006 Hong Kong	-	100.00%	HK\$25,000,000	Asset management
Yuxi Ping An Real Estate Co., Ltd.	July 31, 2006 The PRC	-	79.90%	38,500,000	Property leasing
Pan-China Real Estate (Jingzhou) Co., Ltd.	March 1, 2005 The PRC	-	50.94%	US\$9,700,000	Real estate Investment
Anseng Investment Company Limited	April 6, 2006 BVI	-	100.00%	US\$2	Investment holding
Timely Reach Investments Limited	August 11, 2006 BVI	-	100.00%	US\$1	Investment holding
Total Faith Investments Limited	September 8, 2006 BVI	-	100.00%	US\$1	Investment holding
Jade Reach Investments Limited	November 13, 2006 BVI	-	100.00%	US\$1	Investment holding

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash on hand, cash at bank and balances with clearing companies

Cash on hand, cash at bank and balances with clearing companies of the Group are as follows:

	Currency	December 31, 2006			December 31, 2005		
		Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Cash on hand	RMB	300,037	1.0000	300,037	12,949	1.0000	12,949
	USD	2,691	7.8087	21,014	115	8.0702	931
	HKD	24,018	1.0047	24,130	260	1.0403	270
	EUR	43	10.2665	438			-
	JPY	8,745	0.0656	574			-
	GBP	45	15.3232	684			-
	AUD	66	6.1618	405			-
Total				347,282			14,150
Cash at bank	RMB	77,350,437	1.0000	77,350,437	67,606,548	1.0000	67,606,548
	USD	1,543,882	7.8087	12,055,710	1,507,676	8.0702	12,167,243
	HKD	380,918	1.0047	382,704	437,948	1.0403	455,598
	JPY			-	865,480	0.0687	59,472
	EUR			-	213	9.5797	2,038
Total			89,788,851			80,290,899	
Balances with clearing companies	RMB	1,105,028	1.0000	1,105,028	173,698	1.0000	173,698
	USD	2,442	7.8087	19,067	73	8.0702	592
	HKD	10,614	1.0047	10,664	2,593	1.0403	2,697
Total			1,134,759			176,987	

There are term deposits of approximately RMB59,106,777 thousand in both Renminbi and foreign currencies (2005: approximately RMB69,014,333 thousand) with terms ranging from 6 months to 360 months and interest rates ranging from 2.25% to 8.80% per annum (2005: from 2.25% to 8.80%) included in cash at bank of the Group. Cash at bank of the Group also includes deposits from customers held for securities trading of RMB2,957,624 thousand (2005: RMB1,574,220 thousand). Balances with clearing companies of the Group are mainly deposits placed by Ping An Securities in China Securities Depository and Clearing Corporation, which includes customer deposits of RMB767,636 thousand (2005: RMB142,666 thousand) and contract deposits of RMB259,477 thousand (2005: Nil) for warrants issuance. The contract deposits will be available for use when the issued warrant matures or are cancelled.

2. Balances with central bank

Balances with central bank of the Group are as follows:

	December 31, 2006	December 31, 2005
Mandatory reserves deposits with central bank (RMB)	5,688,270	3
Surplus reserves deposits	1,927,145	11,552
Fiscal deposits with central bank	8,554	-
Mandatory reserves deposits with central bank (foreign currencies)	89,674	8,716
Total	7,713,643	20,271

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Balances with central bank (Continued)

In accordance with the regulations issued by the PBOC, the Group maintains mandatory reserves deposits with PBOC in both RMB and foreign currencies. As at December 31, 2006 and December 31, 2005, the mandatory reserves deposits are calculated at 9% and 7.5% for eligible RMB deposits and 4% and 3% for foreign currencies deposits respectively.

3. Due from banks and other financial institutions

Due from banks and other financial institutions of the Group are as follows:

	December 31, 2006	December 31, 2005
Due from banks and other financial institutions (domestic)	957,235	410,148
Due from banks and other financial institutions (overseas)	1,882,972	16,343
Total	2,840,207	426,491

4. Short-term investments

Short-term investments of the Group are as follows:

	December 31, 2006		December 31, 2005	
	Net book value	Market value	Net book value	Market value
Bond investments				
Government bonds	1,084,181	N/A	1,447,212	N/A
Listed	27,249	27,379	533,338	533,365
Unlisted	1,056,932	N/A	913,874	N/A
Finance bonds	3,229,499	N/A	462,864	N/A
Listed	-	-	151,861	151,861
Unlisted	3,229,499	N/A	311,003	N/A
Corporate bonds	7,629,305	N/A	4,291,283	N/A
Listed	297,027	330,017	701,164	710,237
Unlisted	7,332,278	N/A	3,590,119	N/A
Sub-total	11,942,985		6,201,359	
Equity investments				
Stocks	6,402,170	9,390,437	1,904,696	1,943,769
Listed	6,402,170	9,390,437	1,904,696	1,943,769
Equity investment funds	5,803,790	N/A	8,426,734	N/A
Listed	770,189	1,286,729	946,915	946,915
Unlisted	5,033,601	N/A	7,479,819	N/A
Sub-total	12,205,960		10,331,430	
Total	24,148,945		16,532,789	

Listed investments are securities listed on Stock Exchanges. Unlisted investments are investments in interbank or other markets other than on Stock Exchanges. The market value of listed investments at the balance sheet date are valued using the closing prices on the last trading day of the year.

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Placements with banks and other financial institutions

Placements with banks and other financial institutions of the Group are as follows:

	December 31, 2006	December 31, 2005
Placements with domestic financial institutions	2,102,993	156,131
Less: Provision for bad debts	(375,612)	(24,737)
Placements with banks and other financial institutions, net	1,727,381	131,394

6. Loans

(1) Loans by category are set out below:

Category	December 31, 2006	Percentage	December 31, 2005	Percentage
Loans and advances				
Short-term loans	10,709,388	20.76%	400,882	64.23%
Medium to long-term loans	24,240,288	46.99%	129,667	20.78%
Overdue loans	895,441	1.74%	–	–
Non-accrual loans	2,785,888	5.40%	93,550	14.99%
Trade loans				
Bills negotiation of export and import L/C	317,596	0.62%	–	–
Discounted bills	12,633,786	24.49%	–	–
Total	51,582,387	100.00%	624,099	100.00%
Loan loss provisions	(2,430,726)		(93,550)	
Net	49,151,661		530,549	

Loans of RMB2,231,236 thousand were pledged as assets sold under agreements to repurchase.

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Loans (Continued)

(2) Loans by industry are set out below:

Industry	December 31, 2006	Percentage	December 31, 2005	Percentage
Agriculture, forestry and fishing	187,413	0.36%	–	–
Mining	682,675	1.33%	–	–
Manufacturing	9,198,493	17.83%	147,884	23.70%
Energy	1,395,275	2.70%	–	–
Transportation and communications	1,385,829	2.69%	40,351	6.47%
Commercial	7,374,593	14.30%	181	0.02%
Real estate	7,811,857	15.14%	66,708	10.69%
Social services	3,322,672	6.44%	–	–
Technology, culture and health	1,250,479	2.42%	–	–
Construction	3,768,455	7.31%	261,930	41.97%
Financial institutions and insurance	39,895	0.08%	–	–
Personal loans	14,299,618	27.72%	18,115	2.90%
Others	865,133	1.68%	88,930	14.25%
Total	51,582,387	100.00%	624,099	100.00%
Provision for loan losses	(2,430,726)		(93,550)	
Net	49,151,661		530,549	

(3) Loans by types are set out below:

(a) Short-term loans, bills negotiation of export and import L/C and discounted bills

	December 31, 2006	December 31, 2005
Unsecured loans	3,221,208	44,040
Guaranteed loans	3,641,857	356,842
Loans secured by mortgages	2,835,059	–
Loans secured by other collaterals	13,962,646	–
Total	23,660,770	400,882

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Loans (Continued)

(3) Loans by types are set out below: (Continued)

(b) Medium to long-term loans

Medium to long-term loans by contract terms are set out below:

	December 31, 2006			Total
	1-3 years	3-5 years	More than 5 years	
Unsecured loans	1,856,735	300,214	998,866	3,155,815
Guaranteed loans	2,833,904	652,333	295,959	3,782,196
Loans secured by mortgages	3,503,192	1,291,084	11,258,218	16,052,494
Loans secured by other collaterals	153,675	734,157	361,951	1,249,783
Total	8,347,506	2,977,788	12,914,994	24,240,288

	December 31, 2005			Total
	1-3 years	3-5 years	More than 5 years	
Unsecured loans	41,511	13,201	65	54,777
Guaranteed loans	–	40,351	34,539	74,890
Total	41,511	53,552	34,604	129,667

(c) Overdue loans

	December 31, 2006	December 31, 2005
Unsecured loans	14,209	–
Guaranteed loans	104,092	–
Loans secured by mortgages	727,599	–
Loans secured by other collaterals	49,541	–
Total	895,441	–

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Loans (Continued)

(3) Loans by types are set out below: (Continued)

(d) Non-accrual loans

Analysis of non-accrual loans in terms of days of principal being overdue are as follows:

	December 31, 2006				Total
	Within 90 days	91 days to 1 year	1-3 years	More than 3 years	
Unsecured loans	–	26,818	1,534	104,316	132,668
Guaranteed loans	23,254	151,833	424,824	538,988	1,138,899
Loans secured by mortgages	2,990	310,620	135,337	474,044	922,991
Loans secured by other collaterals	48,538	316,261	221,181	5,350	591,330
Total	74,782	805,532	782,876	1,122,698	2,785,888

	December 31, 2005				Total
	Within 90 days	91 days to 1 year	1-3 years	More than 3 years	
Unsecured loans	–	–	–	93,550	93,550

(4) Loan loss provisions

	December 31, 2006	December 31, 2005
Beginning of year	93,550	195,664
Charge for the year	947	–
Less: Write-backs during the year	–	(72,997)
Write-offs during the year	(193,624)	(29,117)
Add: Transferred from SZCB	2,529,463	–
Changes in foreign exchange rates	390	–
End of year	2,430,726	93,550

7. Policy loans

The interest rate of policy loans of the Group ranges from 5.22% to 6.50%.

8. Assets purchased under agreements to resell

Assets purchased under agreements to resell are as follows:

	December 31, 2006	December 31, 2005
Loans purchased under agreements to resell	200,000	–
Bonds purchased under agreements to resell	5,862,130	–
Rediscounted bills purchased under agreements to resell	888,785	–
Total	6,950,915	–

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Assets purchased under agreements to resell (Continued)

Market	Terms	December 31, 2006	December 31, 2005
Interbank market	Within 3 months	5,862,130	–
Other markets	Within 3 months	868,785	–
Other markets	3 to 6 months	220,000	–
Total		6,950,915	–

9. Premium receivables and receivables from reinsurers

An aging analysis of premium receivables of the Group is as follows:

Aging	December 31, 2006			Net book value
	Balance	Percentage	Provision	
Within 3 months	2,971,530	92.05%	–	2,971,530
3 to 6 months	98,660	3.06%	(19,556)	79,104
6 to 12 months	71,693	2.22%	(49,703)	21,990
More than 12 months	86,205	2.67%	(86,070)	135
Total	3,228,088	100.00%	(155,329)	3,072,759

Aging	December 31, 2005			Net book value
	Balance	Percentage	Provision	
Within 3 months	676,463	80.41%	–	676,463
3 to 6 months	71,731	8.53%	(14,560)	57,171
6 to 12 months	50,326	5.98%	(35,152)	15,174
More than 12 months	42,730	5.08%	(42,730)	–
Total	841,250	100.00%	(92,442)	748,808

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Premium receivables and receivables from reinsurers (Continued)

An analysis of premium receivables of the Group by insurance products is as follows:

Insurance products	December 31, 2006			Net book value
	Balance	Percentage	Provision	
Property & Casualty insurance:				
Motor and third party liability	548,214	16.98%	(82,013)	466,201
Corporate property	136,713	4.24%	(10,847)	125,866
Residential property	11,886	0.37%	(1,666)	10,220
Cargo hull	96,608	2.99%	(11,524)	85,084
Marine	17,647	0.55%	(1,860)	15,787
Liability	52,126	1.61%	(3,474)	48,652
Credit	5,127	0.16%	(146)	4,981
Guarantee	8,324	0.26%	(2,601)	5,723
Construction	81,695	2.53%	(28,557)	53,138
Accident	174	–	–	174
Special risk	96,105	2.98%	(12,641)	83,464
Sub-total	1,054,619	32.67%	(155,329)	899,290
Life insurance:				
Individual	2,169,879	67.22%	–	2,169,879
Group	3,590	0.11%	–	3,590
Sub-total	2,173,469	67.33%	–	2,173,469
Total	3,228,088	100.00%	(155,329)	3,072,759

Insurance products	December 31, 2005			Net book value
	Balance	Percentage	Provision	
Property & Casualty insurance:				
Motor and third party liability	410,278	48.77%	(46,583)	363,695
Corporate property	127,606	15.17%	(10,018)	117,588
Residential property	19,955	2.37%	(1,361)	18,594
Cargo hull	96,463	11.47%	(8,058)	88,405
Marine	5,462	0.65%	(1,483)	3,979
Liability	30,629	3.64%	(4,921)	25,708
Credit	2,941	0.35%	(1,202)	1,739
Guarantee	8,776	1.04%	(1,256)	7,520
Construction	92,591	11.01%	(14,553)	78,038
Special risk	46,540	5.53%	(3,007)	43,533
Sub-total	841,241	100.00%	(92,442)	748,799
Life insurance:				
Group	9	–	–	9
Total	841,250	100.00%	(92,442)	748,808

There are no premium receivables due from any shareholder who individually holds more than 5% of the Company's voting share capital.

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Premium receivables and receivables from reinsurers (Continued)

The Group's aging analysis of receivables from reinsurers is as follows:

Aging	December 31, 2006		
	Balance	Provision	Net book value
Within 9 months	783,790	–	783,790
More than 9 months (9 months included)	59,758	(56,506)	3,252
Total	843,548	(56,506)	787,042

Aging	December 31, 2005		
	Balance	Provision	Net book value
Within 9 months	720,124	–	720,124
More than 9 months (9 months included)	51,307	(51,307)	–
Total	771,431	(51,307)	720,124

The Group's top 5 receivables from reinsurers/brokers are as follows:

Reinsurers/Brokers	December 31, 2006			Net book value
	Balance	Percentage	Provision	
China Property & Casualty Reinsurance Company, Ltd.	219,353	26.00%	(1,509)	217,844
China Life Reinsurance Company, Ltd.	134,493	15.94%	–	134,493
Aon Group Limited	108,557	12.87%	(5,790)	102,767
China Reinsurance (Group) Company	76,565	9.08%	(11,826)	64,739
Munich Reinsurance Company	37,081	4.40%	–	37,081

Reinsurers/Brokers	December 31, 2005			Net book value
	Balance	Percentage	Provision	
China Property & Casualty Reinsurance Company, Ltd.	172,861	22.41%	(2,661)	170,200
China Reinsurance (Group) Company	148,913	19.30%	(11,214)	137,699
Aon Group Limited	96,352	12.49%	(5,734)	90,618
Guy Carpenter & Company Inc.	71,951	9.33%	(4,127)	67,824
Munich Reinsurance Company	34,930	4.53%	–	34,930

There are no receivables from reinsurers due from shareholders who individually hold not less than 5% of the Company's voting share capital.

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Deposits with stock and futures exchanges

Deposits with stock and future exchanges of the Group are as follows:

	December 31, 2006	December 31, 2005
Shenzhen Stock Exchange	35,832	19,495
Shanghai Stock Exchange	14,462	14,598
Shanghai Futures Exchange	5,949	1,926
Zhengzhou Commodity Exchange	340	2,277
Dalian Commodity Exchange	17,464	3,824
Total	74,047	42,120

11. Other receivables

Details of other receivables of the Group are as follows:

	December 31, 2006	December 31, 2005
Prepayment in investment projects	1,688,666	–
Receivables from external companies	405,690	204,126
Interest rate swap margins receivables	238,267	–
Deposits for rental, water, electricity and others	82,248	53,635
Litigation receivables	46,218	1,318
Social and medical insurance paid for employees	44,878	42,571
Advances to employees	36,194	33,742
Others	293,709	201,014
	2,835,870	536,406
Less: Provision for bad debts	(161,015)	(68,925)
Other receivables, net	2,674,855	467,481

The prepayment in investment projects mainly refers to the prepayment for Beijing Meibang International Center invested by Ping An Life and Shenzhen Citic City Plaza invested by Ping An Trust.

There are no other receivables due from any shareholder who individually holds not less than 5% of the Company's voting share capital.

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Long-term equity investments

Long-term equity investments of the Group are as follows:

	December 31, 2006			December 31, 2005		
	Amount	Impairment	Net book value	Amount	Impairment	Net book value
Long-term stock investments	13,098,899	(126,489)	12,972,410	3,099,347	(257,665)	2,841,682
Unconsolidated subsidiaries	–	–	–	20,000	–	20,000
Associates	176,078	–	176,078	3,000	–	3,000
Other long-term equity investments	329,681	(90,489)	239,192	181,417	(39,436)	141,981
Total	13,604,658	(216,978)	13,387,680	3,303,764	(297,101)	3,006,663

(1) Details of long-term stock investments of the Group are as follows:

	December 31, 2006		December 31, 2005	
	Net book value	Market value	Net book value	Market value
Public shares	7,519,184	12,943,459	2,758,235	2,925,208
Restricted shares	5,438,152	9,019,460	5,239	20,524
Sub-total of listed shares	12,957,336	21,962,919	2,763,474	2,945,732
Unlisted shares	15,074	N/A	78,208	N/A
Total	12,972,410		2,841,682	

Details of stock investment as at December 31, 2006 are as follows:

Name of the invested entity	Type	Year of investment	Number of shares	Percentage of holding capital	Original amount	Net book value
Shanghai Pudong Development Bank Co., Ltd.	A share	2005	196,775,932	4.52%	2,227,711	2,227,711
Bank of China Limited	A share/ H share	2006	568,781,000	0.22%	1,711,026	1,711,026
China Life Insurance Company Limited	A share	2006	80,554,022	2.85%	1,520,860	1,520,860
Industrial and Commercial Bank of China Limited	A share	2006	402,564,000	0.12%	1,274,324	1,274,324
Baoshan Iron & Steel Co., Ltd	A share	2005	262,775,008	1.50%	1,117,982	1,117,982
Daqin Railway Co. Ltd	A share	2006	140,744,500	1.08%	696,685	696,685
China Yangtze Power Co., Ltd	A share	2005	96,716,251	1.18%	676,891	676,891
China Merchants Bank Co., Ltd	A share/ H share	2005	87,271,690	0.59%	544,282	544,282
China Vanke Co., Ltd	A share	2005	63,637,578	1.46%	529,084	529,084
Guangshen Railway Company Limited	A share	2006	102,712,104	1.45%	386,198	386,198
Others					2,413,856	2,287,367
Total					13,098,899	12,972,410

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Long-term equity investments (Continued)

(1) (Continued)

Details of stock investment as at December 31, 2005 are as follows:

Name of the invested entity	Type	Year of investment	Number of shares	Percentage of holding capital	Original amount	Net book value
China Yangtze Power Co., Ltd	A share	2005	70,752,968	0.86%	510,626	489,611
Baoshan Iron & Steel Co., Ltd	A share	2005	97,294,406	0.56%	406,265	400,493
Shanghai International Airport Co. Ltd	A share	2005	23,164,685	1.20%	388,416	334,035
Shanghai Pudong Development Bank Co., Ltd.	A share	2005	43,304,528	1.11%	311,166	311,166
China Merchants Bank Co., Ltd	A share	2005	31,510,818	0.30%	190,805	190,796
Shanghai Port Container Co., Ltd	A share	2005	12,859,102	0.71%	152,401	144,327
Fujian Expressway Development Company Limited	A share	2005	17,824,386	1.81%	146,180	130,475
SDIC Huajing Power Holding Co., Ltd	A share	2005	20,917,297	3.71%	136,783	116,091
China United Telecommunications Corporation Limited	A share	2005	42,999,849	0.20%	112,019	112,019
Huabei Expressway Co., Ltd	A share	2005	29,791,612	0.20%	119,825	107,846
Others					624,861	504,823
Total					3,099,347	2,841,682

(2) The Group's investment in associate as at December 31, 2006 is as follows:

Name of the invested entity	Registered share capital	Percentage of holding capital	Investment amount at the year end	Business scope
Veolia Water (Kunming) Investment Co., Ltd.	US\$95,000,000	24%	176,078	Water services investment

(3) The Group's consolidation surplus is as follows:

Name of the invested entity	December 31, 2006		December 31, 2005	
	Original amount	Amortized amount	Original amount	Amortized amount
Ping An Securities	377,267	275,873	377,267	313,599
Ping An Bank	16,366	11,066	16,366	13,032
Ping An Trust	19,487	2,035	19,353	3,802
SZCB	310,523	310,523	—	—
Total	723,643	599,497	412,986	330,433

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Long-term bond investments

Details of long-term bond investments of the Group are as follows:

Bond categories	December 31, 2006						Market price
	Par value	Interest receivable	Unamortized premium/ (discount)	Total	Impairment	Net book value	
Listed bonds:							
Government bonds	44,638,479	479,910	(1,802,217)	43,316,172	-	43,316,172	44,869,141
Finance bonds	12,344	73	(73)	12,344	(12)	12,332	12,533
Corporate bonds	6,763,797	82,603	(26,450)	6,819,950	-	6,819,950	6,879,046
	51,414,620	562,586	(1,828,740)	50,148,466	(12)	50,148,454	51,760,720
Unlisted bonds:							
Government bonds	49,627,715	759,239	(115,541)	50,271,413	-	50,271,413	N/A
Finance bonds	63,496,987	879,251	265,407	64,641,645	-	64,641,645	N/A
Corporate bonds	28,543,740	470,687	454,888	29,469,315	-	29,469,315	N/A
	141,668,442	2,109,177	604,754	144,382,373	-	144,382,373	N/A
Sub-total	193,083,062	2,671,763	(1,223,986)	194,530,839	(12)	194,530,827	N/A
Less: Long-term bond investments due within one year							
Listed bonds:							
Government bonds	523,351	2,905	811	527,067	-	527,067	529,079
Corporate bonds	145,827	2,847	(374)	148,300	-	148,300	148,460
	669,178	5,752	437	675,367	-	675,367	677,539
Unlisted bonds:							
Government bonds	1,450,783	55,794	28,401	1,534,978	-	1,534,978	N/A
Finance bonds	230,274	3,658	183	234,115	-	234,115	N/A
Corporate bonds	151,400	383	(90,000)	61,783	-	61,783	N/A
	1,832,457	59,835	(61,416)	1,830,876	-	1,830,876	N/A
Sub-total	2,501,635	65,587	(60,979)	2,506,243	-	2,506,243	N/A
Total	190,581,427	2,606,176	(1,163,007)	192,024,596	(12)	192,024,584	N/A

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Long-term bond investments (Continued)

Bond categories	December 31, 2005						
	Par value	Interest receivables	Unamortized premium/(discount)	Total	Impairment	Net book value	Market value
Listed bonds:							
Government bonds	42,823,780	467,446	(1,986,624)	41,304,602	(195)	41,304,407	43,281,706
Corporate bonds	5,898,718	78,221	86,554	6,063,493	(8,360)	6,055,133	6,328,716
	48,722,498	545,667	(1,900,070)	47,368,095	(8,555)	47,359,540	49,610,422
Unlisted bonds:							
Government bonds	49,294,422	712,061	(53,879)	49,952,604	(3,582)	49,949,022	N/A
Finance bonds	41,011,106	688,770	252,150	41,952,026	(122)	41,951,904	N/A
Corporate bonds	13,114,214	220,815	150,169	13,485,198	(57)	13,485,141	N/A
	103,419,742	1,621,646	348,440	105,389,828	(3,761)	105,386,067	N/A
Sub-total	152,142,240	2,167,313	(1,551,630)	152,757,923	(12,316)	152,745,607	N/A
Less: Long-term bond investments due within one year							
Listed bonds:							
Government bonds	59,126	3,852	1,191	64,169	–	64,169	66,116
Unlisted bonds:							
Government bonds	450,002	17,905	2,006	469,913	–	469,913	N/A
Finance bonds	199,920	2,575	(20)	202,475	–	202,475	N/A
Corporate bonds	42,751	198	298	43,247	–	43,247	N/A
	692,673	20,678	2,284	715,635	–	715,635	N/A
Sub-total	751,799	24,530	3,475	779,804	–	779,804	N/A
Total	151,390,441	2,142,783	(1,555,105)	151,978,119	(12,316)	151,965,803	N/A

Details of net book value of long-term bond investments of the Group are as follows:

	December 31, 2006	December 31, 2005
Due within 1 year	2,506,243	779,804
1 to 2 years	7,941,533	3,367,641
2 to 3 years	6,292,377	6,643,410
3 to 4 years	5,132,860	5,271,098
4 to 5 years	24,843,207	4,028,925
More than 5 years	147,814,607	132,654,729
Total	194,530,827	152,745,607

Long-term bond investments of the Group bear interest rates ranging from 0% to 9.78% per annum. (2005: from 0% to 11.83% per annum).

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Long-term bond investments (Continued)

Finance bonds mainly represent bonds issued by China Development Bank. Corporate bonds mainly represent energy and transportation bonds, issued by large state-owned enterprises.

Listed investments are securities listed on the Stock Exchanges. Unlisted investment are investments in the interbank market or other markets other than on Stock Exchanges. The listed investments are priced using the closing prices of the last trading day at the end of the year.

14. Long-term fund investments

Details of the Group's long-term funds investments are as follows:

	December 31, 2006			December 31, 2005		
	Amount	Impairment	Net book value	Amount	Impairment	Net book value
Open ended funds:						
Listed	1,196,170	(12,912)	1,183,258	918,907	(1,983)	916,924
Unlisted	4,051,660	(45,074)	4,006,586	6,097,409	(36,368)	6,061,041
Sub-total	5,247,830	(57,986)	5,189,844	7,016,316	(38,351)	6,977,965
Close ended funds:						
Listed	3,312	-	3,312	-	-	-
Total	5,251,142	(57,986)	5,193,156	7,016,316	(38,351)	6,977,965
Market price of listed investments			1,582,466			938,463

Listed investments are securities listed on the Stock Exchanges. Unlisted investments are investments in the interbank market or other markets other than on Stock Exchanges. The listed investments are priced using the closing prices of the last trading day at the end of the year.

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Fixed assets and accumulated depreciation

Movements of fixed assets and accumulated depreciation of the Group are as follows:

	2006				Total
	Leasehold improvements	Buildings	Office equipments and telecommunication equipments	Motor vehicles	
Cost					
Beginning of year	347,476	4,750,831	1,573,285	399,372	7,070,964
Acquisition of a subsidiary	71,591	510,476	308,327	7,871	898,265
Transfer from CIP	46,405	809,566	5,087	-	861,058
Additions	102,695	185,666	356,732	87,380	732,473
Disposals	(510)	(223,091)	(111,963)	(74,029)	(409,593)
End of year	567,657	6,033,448	2,131,468	420,594	9,153,167
Accumulated depreciation					
Beginning of year	161,032	895,235	928,453	250,057	2,234,777
Additions	95,781	144,254	199,367	51,050	490,452
Acquisition of a subsidiary	46,888	130,395	212,692	7,192	397,167
Disposals	(391)	(57,852)	(77,620)	(54,317)	(190,180)
End of year	303,310	1,112,032	1,262,892	253,982	2,932,216
Net book value					
End of year	264,347	4,921,416	868,576	166,612	6,220,951
Beginning of year	186,444	3,855,596	644,832	149,315	4,836,187
Impairment losses					
Beginning of year	-	323,275	-	-	323,275
Additions	-	29,594	-	-	29,594
Write-backs	-	(111,013)	-	-	(111,013)
Write-offs	-	(49,884)	-	-	(49,884)
End of year	-	191,972	-	-	191,972
Net					
End of year	264,347	4,729,444	868,576	166,612	6,028,979
Beginning of year	186,444	3,532,321	644,832	149,315	4,512,912

The Group is in the process of applying for property certificates in respect of certain buildings with a net book value of RMB249,419 thousand as at December 31, 2006 (2005: RMB365,378 thousand).

Net book value of fixed assets leased under rental agreements of the Group are as follows:

	December 31, 2006	December 31, 2005
Buildings	1,528,116	1,242,535

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Construction in progress

Construction in progress mainly represents buildings under construction in Shenzhen and Shanghai. Movement of construction in progress of the Group is as follows:

	2006				Total
	Shenzhen Ping An Finance University	Shanghai Pudong Ping An Building	Shanghai Zhangjiang Project	Others	
Cost					
Beginning of year	329,668	624,280	299,736	91,762	1,345,446
Acquisition of a subsidiary	–	–	–	10,111	10,111
Additions	63,994	109,284	464,290	128,178	765,746
Transfer to fixed assets	(389,521)	–	(367,394)	(119,615)	(876,530)
End of year	4,141	733,564	396,632	110,436	1,244,773
Impairment losses					
Beginning of year	–	–	–	26,472	26,472
Transfer to fixed assets	–	–	–	(15,472)	(15,472)
End of year	–	–	–	11,000	11,000
Net					
End of year	4,141	733,564	396,632	99,436	1,233,773
Beginning of year	329,668	624,280	299,736	65,290	1,318,974

The Group is still in the process of applying for title certificates for land use rights with a net book value of RMB537,345 thousand as at December 31, 2006 (2005: RMB537,345 thousand).

17. Intangible assets

Movement of intangible assets of the Group is as follows:

	2006			Total
	Land use rights	Computer software and others	Membership fees	
Net book value				
Beginning of year	25,765	103,290	25,568	154,623
Acquisition of a subsidiary	–	6,267	–	6,267
Additions	56	80,334	1,470	81,860
Amortization	(617)	(55,106)	(5,292)	(61,015)
Disposals	(20,189)	–	–	(20,189)
End of year	5,015	134,785	21,746	161,546
Impairment losses				
End of year	3,040	–	–	3,040
Beginning of year	3,040	–	–	3,040
Net book value				
End of year	1,975	134,785	21,746	158,506
Beginning of year	22,725	103,290	25,568	151,583

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Statutory deposits

Ping An Life, Ping An Property & Casualty, Ping An Annuity and Ping An Health have placed statutory deposits in accordance with the respective registered capital requirements. Details of the statutory deposits as at December 31, 2006 are as follows:

	December 31, 2006			December 31, 2005
	Amount	Type	Terms	Amount
Ping An Life				
Industrial Bank Co., Ltd. Shenzhen Branch	260,000	Deposits under agreements	61 months	260,000
Industrial Bank Co., Ltd. Chongqing Branch	500,000	Deposits under agreements	61 months	500,000
Sub-total	760,000			760,000
Ping An Property & Casualty				
Industrial Bank Co., Ltd. Shenzhen Branch	140,000	Deposits under agreements	61 months	140,000
Everbright Bank Shenzhen Branch	180,000	Term deposits	12 months	180,000
China Minsheng Banking Co., Ltd. Shenzhen Branch	280,000	Term deposits	6 months	–
Sub-total	600,000			320,000
Ping An Annuity				
CITIC Bank Shanghai Branch	60,000	Term deposits	12 months	60,000
Ping An Health				
Everbright Bank Shanghai Branch	100,000	Term deposits	12 months	100,000
Total	1,520,000			1,240,000

19. Repossessed assets

Repossessed assets of the Group are as follows:

	December 31, 2006	December 31, 2005
Buildings	723,043	7,834
Other fixed assets	23,659	–
Entitlement to club's proceeds	62,535	–
Others	7,275	–
	816,512	7,834
Less: Provision of impairment for repossessed assets	(352,641)	–
Net	463,871	7,834

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Deferred tax assets

Details of deferred tax assets of the Group are as follows:

	December 31, 2006	December 31, 2005
Provision for accounts receivables	55,564	20,070
Provision for loan impairment	280,249	–
Share appreciation rights	105,433	–
Incurred but not reported claim reserves	50,143	–
Provision for repossessed assets	51,671	–
Provision for placements with banks and other financial institutions	51,136	–
Provision for unsettled lawsuits	27,289	–
Others	8,615	417
Total	630,100	20,487

21. Short-term borrowings

All short-term borrowings of the Group are guaranteed borrowings.

22. Short-term deposits

Details of short-term deposits of the Group are as follows:

	December 31, 2006	December 31, 2005
Industrial deposits	821,264	–
Collective industrial deposits	1,822,916	–
Business deposits	7,148,912	–
Architecture and capital construction enterprises deposits	980,327	–
Privately owned company and individual deposits	2,503,485	–
Foreign invested enterprises deposits	1,355,133	18,077
Agriculture deposits	94,076	–
Insurance company deposits	161,459	–
Short-term deposits	9,488,468	–
Corporate call deposits	3,324,956	–
Others	22,925,581	–
Total	50,626,577	18,077

23. Due to banks and other financial institutions

Due to banks and other financial institutions are all placed domestically.

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Assets sold under agreements to repurchase

Details of assets sold under agreements to repurchase held by the Group are as follows:

		December 31, 2006	December 31, 2005
Loans sold under agreements to repurchase		2,095,410	–
Bonds sold under agreements to repurchase		11,340,773	7,095,400
Total		13,436,183	7,095,400
Market	Terms	December 31, 2006	December 31, 2005
Interbank market	Within 3 months	10,940,773	7,095,400
Interbank market	6 to 12 months	400,000	–
Other markets	More than 12 months	2,095,410	–
Total		13,436,183	7,095,400

Assets sold under agreements to repurchase held by the Group relate to cash received under assets repurchase agreements. As at December 31, 2006, there are loans of approximately RMB2,231,236 thousand and bond investments of approximately RMB11,345,000 thousand (2005: approximately RMB7,100,000 thousand) pledged as assets sold under agreements to repurchase. The interest rate of assets sold under agreements to repurchase ranges from 2.39% to 5.00%. The above assets sold under agreements to repurchase of approximately RMB10,940,773 thousand have been repurchased since the date that these financial statements are approved.

25. Due to reinsurers

The top 5 ceding/brokerage companies of the Group's due to reinsurers are as follows:

Ceding/brokerage companies	December 31, 2006
CNOOC Insurance Limited	97,781
China Life Reinsurance Company, Ltd.	95,309
China Property and Casualty Reinsurance Company, Ltd.	89,468
Aon Risk Services Hong Kong Limited	75,152
China Pacific Insurance (Group) Co., Ltd.	44,310
Ceding/brokerage companies	December 31, 2005
China Property and Casualty Reinsurance Company, Ltd.	170,740
China Reinsurance (Group) Company	85,533
CNOOC Insurance Limited	50,848
Munich reinsurance Company	35,200
China Pacific Insurance (Group) Co., Ltd.	28,533

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Guarantee deposits

Details of guarantee deposits are as follows:

	December 31, 2006	December 31, 2005
Guaranteed deposits for acceptances	3,712,253	–
Guarantee deposits	891,121	–
Guaranteed deposits for letter of guarantee	474,040	–
Guaranteed deposits for letter of credit	258,599	40,351
Guaranteed deposits for futures contracts	39,963	36,313
Others	108,764	–
Total	5,484,740	76,664

27. Interest payable

Interest payable of the Group is as follows:

	December 31, 2006	December 31, 2005
Term deposits	146,855	296
Saving deposits	66,337	–
Due to banks and other financial institutions	13,975	2,586
Call deposits	23,995	–
Others	57,977	2,252
Total	309,139	5,134

28. Dividends payable

The details of dividends payable of the Group are as follows:

	December 31, 2006	December 31, 2005
Shenzhen Investment Holdings Co., Ltd.	73,936	73,936
Shenzhen Construction Investment Holding Corporation	–	1,686
Shenzhen Huaxin Co., Ltd.	1,530	–
Shenzhen Zhongjin Lingnan Nonfemet Co., Ltd.	303	–
Qingdao Qifa Investment Co., Ltd.	1,771	–
Shenzhen Foreign Labour Service Co., Ltd.	800	–
Others	2,678	287
Total	81,018	75,909

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Taxes payable

Details of taxes payable of the Group are as follows:

	December 31, 2006	December 31, 2005
Corporate income tax	691,317	438,319
Business tax	318,679	135,373
City maintenance and construction tax	13,619	8,935
Others	96,217	90,098
Total	1,119,832	672,725

30. Other payables

Details of other payables of the Group are as follows:

	December 31, 2006	December 31, 2005
Settled claims, maturities and surrenders payables	711,270	342,431
Payables to external companies	255,321	198,928
Employees deposits for policy contracts	178,754	168,479
Deferred income	140,587	2,850
Withholding payables	116,870	71,857
Labor union fund, employee fund and education fund payables etc.	108,115	68,165
Rental income received in advance	59,847	61,604
Payables to employees	57,053	22,703
Accrued bonus for underwriting projects	28,237	3,080
Satellite insurance fund	25,685	26,965
Premiums refund	23,146	10,675
Custodial balance	22,570	-
Due but unpaid policyholders' deposits	21,539	22,339
Letter of credit, letter of guarantee and acceptances	17,357	-
Underwriting sponsorship income received in advance	11,500	-
Training expense payable	8,797	9,578
Deduction for employees absence	3,214	12,574
Social insurance payable	5,752	7,632
Others	395,543	325,849
Total	2,191,157	1,355,709

31. Insurance guarantee fund

Movement of insurance guarantee fund of the Group is as follows:

	December 31, 2006	December 31, 2005
Beginning of year	60,110	827,279
Additions	270,560	209,280
Paid during the year	(248,813)	(976,449)
End of year	81,857	60,110

The insurance guarantee fund is paid to the special account of the CIRC on a quarterly basis, and all outstanding balances at year end will be settled within 5 months after the financial year.

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Customer deposits

Details of customer deposits of the Group are as follows:

	December 31, 2006			December 31, 2005		
	Original currency	Exchange Rate	RMB equivalent	Original currency	Exchange Rate	RMB equivalent
Individual customers						
RMB	3,155,767	1.0000	3,155,767	1,067,154	1.0000	1,067,154
HKD	209,965	1.0047	210,946	161,400	1.0403	167,905
USD	7,250	7.8087	56,616	6,107	8.0702	49,288
Sub-total			3,423,329			1,284,347
Corporate customers						
RMB	322,499	1.0000	322,499	442,779	1.0000	442,779
HKD	4,258	1.0047	4,278	2,449	1.0403	2,547
USD	2	7.8087	16	5	8.0702	43
Sub-total			326,793			445,369
Total			3,750,122			1,729,716

33. Long-term liabilities due within one year

Long-term liabilities due within one year of the Group are as follows:

	December 31, 2006	December 31, 2005
Long-term term deposits due within one year	1,336,026	–
Long-term saving deposits due within one year	241,456	–
Total	1,577,482	–

34. Long-term deposits

All long-term deposits of the Group are term deposits.

35. Long-term borrowings

All long-term borrowings of the Group are guaranteed borrowings in RMB.

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

36. Policyholders' reserves for life insurance

The Group's policyholders' contract deposits are calculated using the below basis:

- (1) Using the prospective method on a seriatim basis or using the retrospective method on a seriatim basis if it has obtained the approval of CIRC.
- (2) The valuation interest rate used for life insurance should be capped at the lower of:
 - 7.5% set by the CIRC;
 - Forecasted interest rate that is used in determining the insurance premium of the product.
- (3) The mortality rates used for life insurance products are based on the China life insurance mortality table (2000-2003).
- (4) The policyholders' reserves for life insurance valuation method (excluding universal life insurance and investment-linked life insurance) for life insurance is as below:
 - The Full Preliminary Term is adopted for traditional non-participating life insurance contracts, other than whole life annuities; the method, according to the actuarial regulation on individual participating life insurance, is adopted for participating life insurance contracts;
 - For whole life annuities, a modified net level premium method is adopted;
 - Premium deficiency reserve is required if the renewal year valuation premium, calculated by modified method, is higher than the gross premium;
 - Amount of policyholders' reserves for life insurance should be no less than the cash value of policy at valuation date.
- (5) The reserve valuation method for universal life insurance:
 - Policyholders' reserves for universal life insurance is the account value at valuation date;
 - The provision for the future persistency bonus of universal life insurance is calculated using the discounted cash flow method, and such provision would be held as the reserve for guaranteed benefit of universal life insurance;
 - The account value of policyholders' reserves is calculated seriatim;
 - The amount of policyholders' reserves for universal life insurance should not be less than the policy's cash value at valuation date.
- (6) The reserves for investment-linked life insurance are the sum of unit reserve and non-unit reserve. The calculation method is as below:
 - Unit reserve is equal to the unit investment account value as at valuation date, the unit investment account value is set at the unit bid price;
 - Non-unit reserve is calculated based on generally accepted actuarial principles, where a discounted cash flow method can be adopted. The discount rate is 3.5%, which complies with the CIRC's regulation that the discount rate should be based on the insurance company's expected investment yield, but cannot exceed 5%;
 - The amount of policyholders' reserves for investment-linked life insurance should not be less than the policy's cash value at the valuation date.

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Separate accounts of universal life insurance

Separate accounts of universal life insurance are separate accounts set up by the Group for universal life products only.

Assets and liabilities of the separate accounts of universal life insurance are as follows:

	December 31, 2006	December 31, 2005
Assets:		
Cash at bank	6,047,497	1,255,899
Short-term investments	1,221,428	1,277,786
Interest receivables	55,441	17,139
Other receivables	1,469	–
Intercompany balances	87,575	86,712
Long-term equity investments	646,360	–
Long-term bond investments due within one year	68,744	3,049
Long-term bond investments	13,917,539	6,794,721
Long-term fund investments	–	360,000
Total	22,046,053	9,795,306
Liabilities:		
Assets sold under agreements to repurchase	1,200,000	–
Other payables	1,611	41
Policyholders' reserves for life insurance	20,844,442	9,795,265
Total	22,046,053	9,795,306

Investment return of separate accounts of universal life insurance is as follows:

	2006	2005
Interest income	98,236	20,301
Income from assets purchased under agreements to resell	338	–
Investment income	720,586	213,417
Other income	2,351	5,951
Expense of assets sold under agreements to repurchase	(10,728)	(4,447)
Business tax and surcharges	(14,379)	(1,048)
Operating expenses	(72)	(27)
Total	796,332	234,147

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Investment accounts for investment-linked insurance

Investment accounts for investment-linked insurance are separate accounts where the Group makes investments on behalf of policyholders of such insurance. Assets and liabilities of investment accounts for investment-linked insurance of the Group are accounted for as "Separate account (investment-linked) assets" and "Separate account (investment-linked) liabilities" in the balance sheet, respectively.

	December 31, 2006	December 31, 2005
Separate account (investment-linked) assets		
Cash at bank	7,311,287	3,771,202
Short-term investments	17,179,989	12,015,073
Interest receivables	40,837	17,101
Intercompany balances	32,784	72,946
Other receivables	2,404	20,495
Assets purchased under agreements to resell	300,012	–
Dividends receivable	64,368	767
Total	24,931,681	15,897,584
Separate account (investment-linked) liabilities		
Assets sold under agreements to repurchase	1,136,513	630,382
Policyholders' reserves for life insurance	19,812,450	15,276,242
Other payables	208,201	294
Separate account (investment-linked) unrealized investments gains	3,774,517	(9,334)
Total	24,931,681	15,897,584

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Investment accounts for investment-linked insurance (Continued)

Investment-linked insurance products of the Group include Ping An Century Wealth Builder Individual Investment-linked Life Insurance and Ping An Group Investment-linked Pension. Ping An Century Wealth Builder Individual Investment-linked Life Insurance comprises four investment portfolios as follows: Developed Portfolio of Ping An Century Wealth Builder Individual Investment-linked Life Insurance (the "Development account"), Guaranteed Account of Ping An Century Wealth Builder Individual Investment-linked Life Insurance (the "Guaranteed account"), Fund Portfolio of Ping An Century Wealth Builder Individual Investment-linked Life Insurance (the "Fund portfolio") and Value portfolio of Ping An Century Wealth Builder Individual Investment-linked Life Insurance (the "Value portfolio"). Ping An Group Investment-linked Pension comprises three investment portfolios as follows: Conservative Portfolio of Ping An Group Investment-linked Pension (the "Conservative portfolio"), Balanced Portfolio of Ping An Group Investment-linked Pension (the "Balanced portfolio"), and Growth Portfolio of Ping An Group Investment-linked Pension (the "Growth portfolio"). The Group has prepared separate financial statements of each investment portfolio in accordance with related regulations.

The net asset value per each investment unit, buying price and selling price of the Group's investment accounts for investment-linked insurance on the last pricing day of the financial year are as follows:

	2006		2005	
	Net asset value per each investment unit/		Net asset value per each investment unit/	
	Selling Price	Buying Price	Selling Price	Buying Price
Development account	1.8333	1.9298	1.3157	1.3850
Guaranteed account	1.2007	1.2639	1.1687	1.2303
Fund account	1.8591	1.9570	1.0856	1.1428
Value account	1.2403	1.3056	1.0885	1.1458
Conservative account	1.3099	1.3574	1.1722	1.2147
Balanced account	1.7452	1.8084	1.1758	1.2184
Growth account	2.1309	2.2082	1.1518	1.1935

39. Share capital

The registered and paid-up share capital of the Company is RMB6,195,053 thousand (with a par value of RMB1 per share). Details of share capital are as follows:

	December 31, 2006	December 31, 2005
State-owned shares	956,402	956,402
Domestic unlisted shares	2,680,008	2,680,008
H share	2,558,643	2,558,643
Total	6,195,053	6,195,053

The registered share capital has been verified by a China certified public accounting firm.

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Capital reserve

The breakdown of capital reserve of the Group and the Company are as follows:

	December 31, 2006	December 31, 2005
Share premium ⁽¹⁾	14,835,134	14,835,134
Other capital reserve ⁽²⁾	327,755	327,441
Total	15,162,889	15,162,575

⁽¹⁾ The share premium was due to the initial public offering of H shares.

⁽²⁾ The Company arranged for a revaluation of its life insurance and property and casualty insurance business prior to its asset contributions into Ping An Life and Ping An Property & Casualty. In accordance with asset valuation reports Zhonghuapingbaozi [2002] No.039 and [2002] No.038 issued by Chinese Finance Appraisal Co., Ltd., the net valuation surplus amounted to RMB311,297 thousand. Other capital reserve was mainly derived from above revaluation.

41. Surplus reserve fund

According to the "Company Law" (2005 revised Edition) which became effective on January 1, 2006, the Group is no longer resumed to provide for public welfare fund. The Company has since transferred the balance of its public welfare fund as at January 1, 2006 to surplus reserve fund in accordance with the "Notice on issues encountered on the implementation of the Company Law" (Caiqi [2006] No.67).

42. General risk provision, general provision and loss provision for trust business

The Group will set aside general provision using a pre-determined percentage for the risky assets of SZCB, Ping An Bank and Ping An Trust. 10% of profit after tax of Ping An Securities will be set aside as general risk provision and 5% of profit after tax of Ping An Trust will be set aside as loss provision. The reserves will be provided in proportion to the Company's percentage of shareholdings in these companies.

The balance of general provision should not be lower than 1% of the risky assets of SZCB, Ping An Bank and Ping An Trust. No more general risk provision is required when its balance reaches 50% of Ping An Securities' registered share capital and no more loss provision for trust business is required when its balance reaches 20% of Ping An Trust's registered share capital.

43. Profit Appropriation

Pursuant to the Articles of the Company and relevant regulations, the Company makes appropriations from net profit according to the following order:

- (1) To offset accumulated losses brought forward from prior years;
- (2) To allocate 10% of profit after tax, after offsetting accumulated losses, to statutory surplus reserve fund;
- (3) To provide for general risk provision, general provision and loss provision for trust business;
- (4) To provide for discretionary surplus reserve fund in accordance with the resolutions of the shareholders' meeting. The usage of the discretionary surplus reserve fund is determined in accordance with the articles of the Company or the resolutions of the shareholders' meeting;
- (5) To distribute dividends to shareholders.

No further provision for the statutory surplus reserve fund is required when its balance reaches 50% of the registered share capital. Subject to resolutions approved in the shareholders' meeting, the statutory surplus reserve fund can be converted to share capital and new shares can be issued to shareholders in proportion to their shareholding. The balance of the statutory surplus reserve fund after such conversion to share capital should not be less than 25% of the registered share capital.

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Premium income

(1) Details of premium income by insurance products of the Group are as follows:

	2006	2005
Property and casualty insurance		
Motor and third party liability	11,707,120	7,934,777
Corporate property	1,961,139	1,760,598
Residential property	100,036	211,368
Cargo hull	584,361	543,482
Marine	122,368	59,303
Liability	776,472	577,455
Credit	37,367	19,289
Guarantee	62,341	223,928
Construction	373,258	402,234
Short-term health	354,520	227,541
Accident	487,914	337,750
Special risk	399,198	462,390
Sub-total	16,966,094	12,760,115
Life insurance		
Life:		
Individual	5,705,670	5,593,895
Group	26,976	27,726
Health:		
Individual	9,865,913	8,736,463
Group	1,268,575	1,167,451
Accident:		
Individual	499,516	454,167
Group	983,169	856,782
Annuity:		
Individual	3,316,671	3,481,616
Group	1,250,525	1,070,342
Participating:		
Individual	23,044,443	18,415,357
Group	3,606,786	3,930,027
Universal life:		
Individual	15,482,638	11,233,478
Group	-	1,113
Investment-linked:		
Individual	3,637,431	3,602,270
Group	300,545	278,210
Sub-total	68,988,858	58,848,897
Total	85,954,952	71,609,012

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Premium income (Continued)

(2) Details of premium income by distribution channels are as follows:

	2006	2005
Property and casualty Insurance		
Professional insurance agency	3,916,467	2,118,633
Concurrent business insurance agency	8,486,356	5,605,251
Insurance brokers	383,561	254,190
Personal agents	1,991,542	1,337,800
Direct sales by staff	2,188,168	3,444,241
Sub-total	16,966,094	12,760,115
Life insurance		
Professional insurance agency	566,082	267,109
Concurrent business insurance agency	6,926,746	6,178,793
Insurance brokers	224,797	295,092
Personal agents	55,308,610	46,239,057
Direct sales by staff	5,962,623	5,868,846
Sub-total	68,988,858	58,848,897
Total	85,954,952	71,609,012

(3) Details of premium income for life insurance by term of payments of the Group are as follows:

	2006	2005
Single premium income	15,890,243	14,584,420
First year premium income	10,286,805	8,984,684
Renewal premium income	42,811,810	35,279,793
Total	68,988,858	58,848,897

(4) Details of life insurance premium income and premium ceded to reinsurers are as follows:

	2006	2005
Premium income		
Long-term insurance	63,768,767	54,165,791
Short-term insurance	5,220,091	4,683,106
Total	68,988,858	58,848,897
Premium ceded to reinsurers		
Long-term insurance	21,352	16,610
Short-term insurance	609,947	793,600
Total	631,299	810,210

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Premium income (Continued)

- (5) Details of premium income for property and casualty insurance by locations of the Group are as follows:

	2006	2005
Mainland China	16,862,471	12,675,812
Hong Kong and Macau	103,623	84,303
Total	16,966,094	12,760,115

45. Reinsurance premium income, claims and expenses for reinsurance accepted

The reinsurance premium income, claims and expenses for reinsurance accepted of the top 5 ceding/brokerage companies by reinsurance premium income are as follows:

Ceding/Brokerage companies	2006		
	Reinsurance premium Income	Claims for reinsurance accepted	Expenses for reinsurance accepted
1. Marsh (Beijing) Insurance Brokers Co., Ltd.	6,634	-	477
2. WILLIS Limited	3,332	1,374	378
3. Aon Group Limited	3,003	-	1,044
4. Alltrust Insurance Company of China Limited	2,769	55	608
5. PICC Property and Casualty Company Limited	1,720	-	349
Ceding/Brokerage companies	2005		
	Reinsurance premium Income	Claims for reinsurance accepted	Expenses for reinsurance accepted
1. J & H Marsh & McLennan Company, Inc.	2,023	-	51
2. Samsung Fire & Marine Insurance Co., Ltd.	1,902	1,054	506
3. Jardine Insurance Brokers Ltd.	1,543	-	116
4. HSBC GIBBS (Asia-Pacific) Ltd.	1,231	-	100
5. Swiss Reinsurance Co., Hong Kong Branch	1,230	2	315

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Premium ceded to reinsurers, claims and expenses recoverable from reinsurers

The premium ceded to reinsurers, claims and expenses recoverable from reinsurers for the top 5 reinsurers by premium ceded to reinsurers are as follows:

Reinsurers		2006		
		Premium ceded to reinsurers	Claims recoverable from reinsurers	Expenses recoverable from reinsurers
1.	China Property and Casualty Reinsurance Company, Ltd.	1,255,787	709,031	496,881
2.	China Life Reinsurance Company, Ltd.	570,307	464,485	72,075
3.	Munich Reinsurance Company	530,328	220,505	202,226
4.	China Reinsurance (Group) Company	263,551	408,507	97,242
5.	Aon Group Limited	253,467	165,959	88,118

Reinsurers		2005		
		Premium ceded to reinsurers	Claims recoverable from reinsurers	Expenses recoverable from reinsurers
1.	China Property and Casualty Reinsurance Company, Ltd.	1,125,636	570,939	452,946
2.	China Reinsurance (Group) Company	853,958	758,866	363,389
3.	China Life Reinsurance Company, Ltd.	537,650	396,132	76,854
4.	Aon Group Limited	316,535	207,564	100,585
5.	CNOOC Insurance Limited	249,370	111	14,161

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Claim expenses

Details of claim expenses by insurance products of the Group are as follows:

	2006	2005
Property and casualty insurance		
Motor and third party liability	5,848,773	4,007,695
Corporate property	1,054,062	955,785
Residential property	12,076	13,480
Cargo hull	187,924	163,879
Marine	51,946	7,667
Liability	401,031	243,882
Credit	5,535	210
Guarantee	231,262	210,688
Construction	226,854	353,662
Short-term health	195,602	125,640
Accident	114,422	68,749
Special Risk	21,171	12,248
Sub-total	8,350,658	6,163,585
Life insurance		
Individual	965,609	998,010
Group	1,404,908	1,060,214
Sub-total	2,370,517	2,058,224
Total	10,721,175	8,221,809

48. Payments on death and medical claims

Details of payments on death and medical claims of the Group are as follows:

	2006	2005
Life insurance	145,313	143,730
Health insurance	449,312	385,174
Annuity	51,810	46,001
Participating insurance	344,337	325,893
Universal life insurance	36,520	15,138
Investment-linked insurance	59,129	66,308
Total	1,086,421	982,244

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49. Payments on maturities

Details of payments on maturities of the Group are as follows:

	2006	2005
Individual life insurance	3,000,014	3,253,500
Group life insurance	34,657	9,781
Total	3,034,671	3,263,281

50. Payments on annuities

Details of payments on annuities of the Group are as follows:

	2006	2005
Individual life insurance	1,134,868	907,339
Group life insurance	1,635,564	1,539,481
Total	2,770,432	2,446,820

51. Payments on surrenders

Details of payments on surrenders of the Group are as follows:

	2006	2005
Life insurance	356,046	376,495
Health insurance	386,577	364,417
Annuity	578,257	699,604
Participating insurance	4,963,065	4,125,763
Universal life insurance	1,024,073	319,528
Investment-linked insurance	1,185,264	1,070,296
Total	8,493,282	6,956,103

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

52. Handling charges

Details of handling charges by insurance products of the Group are as follows:

	2006	2005
Property and casualty insurance		
Motor and third party liability	1,148,758	496,078
Corporate property	144,474	110,872
Residential property	27,952	27,233
Cargo hull	43,427	28,185
Marine	5,818	2,538
Liability	38,605	33,427
Guarantee	12,685	12,736
Construction	15,264	15,353
Short-term health	30,269	10,610
Accident	41,650	17,076
Special risk	6,231	3,371
Sub-total	1,515,133	757,479
Life insurance	316,765	206,102
Total	1,831,898	963,581

53. Commission expenses

Details of commission expenses of the Group are as follows:

	2006	2005
Life insurance		
Single commission expenses	346,380	328,185
First year commission expenses	4,200,664	3,373,161
Renewal commission expenses	1,695,043	1,260,673
Total	6,242,087	4,962,019

54. Business tax and surcharges

Details of business tax and surcharges of the Group are as follows:

	2006	2005
Business Tax	1,517,987	828,285
City maintenance and construction tax	75,197	55,728
Education Surcharges	51,508	25,729
Total	1,644,692	909,742

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

55. Operating expenses

Details of operating expenses of the Group are as follows:

	2006	2005
Salaries and welfare	4,446,585	2,692,309
Social insurance	416,733	315,666
Housing fund	109,690	86,796
Business entertainment expenses	252,677	188,741
Advertising expenses	361,281	262,999
Meeting expenses	409,510	350,055
Rental expenses	550,042	506,364
Depreciation of fixed assets	490,452	536,856
Amortization of intangible assets	61,015	51,226
Amortization of long-term deferred expenses	19,066	28,670
Office and traveling expenses	318,554	239,414
Printing expenses	149,934	133,260
Corporate sundry expenses	419,501	314,187
Postage and telecommunication expenses	286,498	250,665
Operating expenses of electronic equipments	100,556	61,376
Insurance expenses	8,155	6,526
Provision for bad debts	94,950	98,197
Taxation	104,172	57,229
Fuel expenses of vehicles and ships	296,725	167,970
Insurance regulatory fees	96,843	91,366
Auditors' remuneration for annual audit	13,650	10,080
Others	752,445	583,325
Total	9,759,034	7,033,277
Underwriting business	8,011,040	6,187,908
Investment business	87,056	53,960
Other business	1,660,938	791,409
Total	9,759,034	7,033,277

Expenses relating to underwriting businesses and related expenses are accounted for separately in the Group's insurance subsidiaries (Ping An Property & Casualty, Ping An Life, Ping An Annuity and Ping An Health) accounts. Prior to September 2005, the Group's investments are operated and managed by a specialized investment department. All direct and indirect expenses incurred by the investment department are accounted for as expenses incurred for investment operations. On May 27, 2005, the Company, together with Ping An Life and Ping An Property & Casualty jointly established Ping An Asset Management Co., Ltd. (Ping An Asset Management). Beginning September 2005, the Group's investments operations are all managed by Ping An Asset Management and all expenses incurred by Ping An Asset Management are accounted for as investment related expenses. Expenses incurred by non-insurance subsidiaries of the Group's are all accounted for as other expenses.

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

55. Operating expenses (Continued)

Share Appreciation Rights Scheme

On February 5, 2004, the Company's board of directors approved a scheme of share appreciation rights for the senior executives and certain key employees of the Group. The rights to the units are issued from 2004 to 2008. No shares will be issued under this scheme. The rights are granted in units with each unit representing one H share of the Company. Upon exercise of the said rights, the participants will receive a cash payment, subject to the restrictions that the annual amount of aggregate benefit to all participants shall not exceed a percentage of the estimated net profits in the year in which the rights are exercised, which is equal to the product of the number of units exercised and the difference between the exercise price and market price of an H share at the time of exercise.

The expense recognized for employee services received during the year is RMB1,019,006 thousand (2005: RMB61,135 thousand).

The amount of issued SARs units by the Group during financial year 2006 is as follows:

(In thousands of units)	2006	2005
Beginning of year	57,640	41,920
Issued during the year	15,720	15,720
End of year	73,360	57,640

Obligations arising from service accepted are recognized in the period in which the services are accepted. The Group will estimate the amount on each reporting date and disclose its fair value changes in the income statement until the total liability is settled. As at December 31, 2006, the liability related to the share appreciation rights scheme is RMB1,109,101 thousand (December 31, 2005: RMB90,095 thousand).

56. Changes in claim reserves

Changes in claim reserves by insurance products of the Group are as follows:

	2006	2005
Property and casualty insurance		
Motor and third party liability	574,674	375,351
Corporate property	(5,292)	84,927
Residential property	(1,799)	(163)
Cargo hull	(121)	6,175
Marine	(11,861)	20,099
Liability	72,390	23,173
Credit	213	8
Guarantee	(374,224)	12,177
Construction	(13,382)	14,079
Short-term health	33,600	5,348
Accident	15,000	3,316
Special risk	3,115	13,380
Sub-total	292,313	557,870
Life insurance	934,888	496,250
Total	1,227,201	1,054,120

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

57. Changes in unearned premium reserves

Changes in unearned premium reserves by insurance products of the Group are as follows:

	2006	2005
Property and casualty insurance		
Motor and third party liability	1,987,554	774,991
Corporate property	(769)	76,218
Residential property	3,605	36
Cargo hull	(1,096)	7,751
Marine	12,541	3,388
Liability	7,344	36,672
Credit	538	(1,525)
Guarantee	(108)	(618)
Construction	(803)	1,851
Short-term health	59,115	49,663
Accident	56,917	59,040
Special risk	3,244	5,230
Sub-total	2,128,082	1,012,697
Life insurance	333,500	359,177
Total	2,461,582	1,371,874

58. Changes in long-term unearned premium reserves

Changes in long-term unearned premium reserves by insurance products of the Group are as follows:

	2006	2005
Motor and third party liability	(2,996)	31,116
Corporate property	6,426	(27,927)
Residential property	(42,086)	41,290
Cargo hull	481	618
Marine	4,301	3,570
Liability	693	6,057
Credit	538	(47)
Guarantee	9,308	408,076
Construction	16,341	57,957
Special risk	1,246	(1,850)
Total	(5,748)	518,860

59. Other profit

Other profit is mainly derived from rental income.

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

60. Investment income

Breakdown of investment income of the Group is as follows:

	2006	2005
Interest income	6,775,504	5,642,939
Interest income from bonds	6,775,504	5,642,939
Dividend income	3,076,621	312,333
Dividend income from equity investment funds	2,852,015	229,113
Dividend income from equity securities	224,606	83,220
Trading gains/(losses)	8,461,376	(700,988)
Trading gains on bonds	332,784	439,854
Trading gains/(losses) on equity investment funds	5,176,159	(1,099,195)
Trading gains/(losses) on equity securities	2,715,543	(41,647)
Trading gains on warrants	236,890	–
Changes in provision for impairment losses	263,480	630,147
Write-back for impairment losses on short-term investments	121,074	733,845
Write-back/(provision) for impairment losses on long-term investments	142,406	(103,698)
Amortization of equity investment differences	(41,171)	(38,522)
Others	(22,741)	39,221
Total	18,513,069	5,885,130

As at balance sheet date, the Group's overseas income is not subject to foreign currency restrictions.

61. Interest income

Breakdown of interest income of the Group is as follows:

	2006	2005
Interest income from deposits	3,534,265	3,816,326
Interest income from placements with banks and other financial institutions	17,639	–
Interest income from loans	267,513	66,444
Interest income from discounted bills	26,413	–
Interest income from bills of exchange	1,108	–
Interest income from credit advances	103	–
Total	3,847,041	3,882,770

62. Commission income

Breakdown of commission income of the Group is as follows:

	2006	2005
Commission income from management of trust products	82,728	15,470
Commission income from securities trading	345,702	115,478
Commission income from clearing and settlement business	2,315	–
Commission income from agency business	1,897	–
Commission income from bank card business	875	–
Others	41,568	44,379
Total	475,085	175,327

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Securities underwriting income

	2006	2005
Underwriting income for securities (A share)	56,447	2,000
Underwriting income from government bonds	7,340	16,808
Underwriting income from corporate bonds	15,830	36,186
Income from share reform plan	38,536	17,164
Income from being underwriting sponsor	10,045	1,995
Financial advisory income	11,467	5,202
Total	139,665	79,355

64. Interest expenses

Breakdown of interest expenses of the Group is as follows:

	2006	2005
Interest expense on deposits	80,343	15,618
Interest expense on placements from banks and other financial institutions	40,483	198
Others	8,924	–
Total	129,750	15,816

65. Income tax

Details of income tax by locations and by categories of the Group are as follows:

	2006	2005
Income tax of current year	635,182	395,725
2004 and 2005 tax credit received in 2006	(288,573)	–
Deferred tax	(211,352)	(8,088)
Total	135,257	387,637

In May 2006, The Ministry of Finance and State Administration of Taxation issued Caishui [2006] No. 58 which approved the amount of tax deductible salaries and wages expenses of Ping An Life and Ping An Property & Casualty in 2004. Starting from financial year 2005 onwards, the amount of tax deductible salaries and wages should be calculated using previous year approved tax deductible salaries and wages as a basis, and the percentage increment in the tax deductible salaries and wages should be calculated based on the lower of the percentage increase in net profits, percentage increase in salaries and wages expenses and the percentage increase in labor productivity. In 2006, the Group received a tax credit of RMB289 million for the 2004 and 2005 income tax paid/payable by Ping An Life and Ping An Property & Casualty.

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

V. NOTES ON MAJOR CAPTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

66. Cash and cash equivalents

Cash and cash equivalents of the Group is set out below:

	December 31, 2006	December 31, 2005
Cash on hand and at bank	31,029,356	11,290,716
Balances with clearing companies	875,282	176,987
Balances with central bank	1,927,145	11,552
Due from banks and other financial institutions	2,530,986	426,491
Money market fund	2,101,736	5,560,637
Placements with banks and other financial institutions	318,810	76,063
Bonds with original maturities less than 3 months	436,474	–
Assets purchased under agreements to resell	6,730,915	–
Total	45,950,704	17,542,446

67. Financial derivatives

The nominal amount of off-balance sheet financial derivatives of the Group are as follows:

	2006	2005
Interest rate swap contracts	2,506,395	–
Forward currency contracts	5,335	–
Total	2,511,730	–

VI. SEGMENT REPORT

	December 31, 2006						Total
	Life insurance	Property and casualty insurance	Banking	Corporate	Others	Elimination	
ASSETS							
Cash on hand and at bank	78,302,958	4,336,327	336,074	3,916,078	8,520,341	(4,140,886)	91,270,892
Balances with central bank and other financial institutions	-	-	10,553,850	-	-	-	10,553,850
Placement with banks and other financial institutions	-	-	1,727,381	-	-	-	1,727,381
Loans	-	-	46,583,138	-	2,568,523	-	49,151,661
Premium receivables and receivables from reinsurers	2,338,460	1,521,341	-	-	-	-	3,859,801
Policy loans	1,380,990	-	-	-	-	-	1,380,990
Investments	199,320,658	10,448,408	24,067,020	25,922,108	2,849,378	(17,796,552)	244,811,020
Other receivables	1,171,481	250,712	280,396	413,227	1,364,276	(805,237)	2,674,855
Fixed assets	5,383,227	917,330	514,187	69,254	377,935	-	7,261,933
Statutory deposits	920,000	600,000	-	-	-	-	1,520,000
Separate account assets	24,931,681	-	-	-	-	-	24,931,681
Other assets	827,466	342,484	1,120,259	111,268	245,660	(145)	2,646,992
Total assets	314,576,921	18,416,602	85,182,305	30,431,935	15,926,113	(22,742,820)	441,791,056
LIABILITIES							
Deposits	-	-	73,045,148	-	39,962	(875,223)	72,209,887
Balances and placements from banks and other financial institutions	-	-	4,918,258	819,914	-	(1,281,736)	4,456,436
Assets sold under agreements to repurchase	10,850,000	50,000	301,410	-	2,234,773	-	13,436,183
Premium received in advance	773,667	577,919	-	-	-	-	1,351,586
Policyholder dividends payable	4,106,627	-	-	-	-	-	4,106,627
Policyholders' reserves for insurance	259,432,436	11,681,439	-	-	-	-	271,113,875
Customer deposits	-	-	-	-	5,734,049	(1,983,927)	3,750,122
Separate account liabilities	24,931,681	-	-	-	-	-	24,931,681
Other liabilities	3,454,996	2,230,945	1,010,010	812,594	1,812,608	(805,237)	8,515,916
Total liabilities	303,549,407	14,540,303	79,274,826	1,632,508	9,821,392	(4,946,123)	403,872,313

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

VI. SEGMENT REPORT (Continued)

	2006						Total
	Life insurance	Property and casualty insurance	Banking	Corporate	Others	Elimination	
Underwriting income							
Premium income	68,988,858	16,966,094	-	-	-	-	85,954,952
Reinsurance premium income	-	28,447	-	-	-	-	28,447
Less: Premium ceded to reinsurers	(631,299)	(3,639,972)	-	-	-	-	(4,271,271)
Total underwriting income	68,357,559	13,354,569	-	-	-	-	81,712,128
Underwriting expenses							
Claim expenses	(2,370,517)	(8,350,658)	-	-	-	-	(10,721,175)
Less: Claims recoverable from reinsurers	544,855	1,901,581	-	-	-	-	2,446,436
Subrogation income	-	45,617	-	-	-	-	45,617
Claims for reinsurance accepted	-	(8,645)	-	-	-	-	(8,645)
Payments on death and medical claims	(1,086,421)	-	-	-	-	-	(1,086,421)
Payments on maturities	(3,034,671)	-	-	-	-	-	(3,034,671)
Payments on annuities	(2,770,432)	-	-	-	-	-	(2,770,432)
Payments on surrenders	(8,493,282)	-	-	-	-	-	(8,493,282)
Expenses for reinsurance accepted	-	(3,983)	-	-	-	-	(3,983)
Handling charges	(317,219)	(1,568,090)	-	-	-	53,411	(1,831,898)
Commission expenses	(6,242,087)	-	-	-	-	-	(6,242,087)
Business tax and surcharges	(596,405)	(928,198)	(8,943)	(23,911)	(87,235)	-	(1,644,692)
Operating expenses	(5,464,888)	(3,157,618)	(73,457)	(885,871)	(696,812)	519,612	(9,759,034)
Less: Expenses recoverable from reinsurers	277,927	1,270,567	-	-	-	-	1,548,494
Provision for insurance guarantee fund	(137,787)	(132,773)	-	-	-	-	(270,560)
Total underwriting expenses	(29,690,927)	(10,932,200)	(82,400)	(909,782)	(784,047)	573,023	(41,826,333)

VI. SEGMENT REPORT (Continued)

	2006						Total
	Life insurance	Property and casualty insurance	Banking	Corporate	Others	Elimination	
Changes in reserves							
Provision for claim reserves	(3,272,465)	(2,882,993)	-	-	-	-	(6,155,458)
Less: Write-back of claim reserves	2,337,577	2,590,680	-	-	-	-	4,928,257
Provision for unearned premium reserves	(2,311,911)	(6,390,404)	-	-	-	-	(8,702,315)
Less: Write-back of unearned premium reserves	1,978,411	4,262,322	-	-	-	-	6,240,733
Provision for long-term unearned premium reserves	-	(2,408,042)	-	-	-	-	(2,408,042)
Less: Write-back of long-term unearned premium reserves	-	2,413,790	-	-	-	-	2,413,790
Provision for policyholders' reserves for life insurance	(243,534,111)	-	-	-	-	-	(243,534,111)
Less: Write-back of policyholders' reserves for life insurance	198,372,329	-	-	-	-	-	198,372,329
Provision for long-term reserves for health insurance	(30,126,399)	-	-	-	-	-	(30,126,399)
Less: Write-back of long-term reserves for health insurance	24,568,558	-	-	-	-	-	24,568,558
Total changes in reserves	(51,988,011)	(2,414,647)	-	-	-	-	(54,402,658)
Underwriting profit/(losses)	(13,321,379)	7,722	(82,400)	(909,782)	(784,047)	573,023	(14,516,863)

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

VI. SEGMENT REPORT (Continued)

	2006						Total
	Life insurance	Property and casualty insurance	Banking	Corporate	Others	Elimination	
Underwriting profit/(losses)	(13,321,379)	7,722	(82,400)	(909,782)	(784,047)	573,023	(14,516,863)
Add: Other profit/(losses)	(8,052)	3,165	5,265	3,452	57,395	(45,145)	16,080
Investment income	16,999,442	536,216	41,359	575,840	370,922	(10,710)	18,513,069
Interest income	3,011,444	128,788	189,254	382,959	218,603	(84,007)	3,847,041
Income from assets purchased under agreements to resell	16,730	53	5,924	5,197	70	-	27,974
Commission income	53,411	-	10,280	-	971,905	(560,511)	475,085
Securities underwriting income	19,955	-	-	-	119,710	-	139,665
Foreign exchange losses	(413,432)	(16,973)	(800)	(26,546)	(22,276)	-	(480,027)
Less: Interest expenses	(3,260)	(2,082)	(79,790)	(25,288)	(103,337)	84,007	(129,750)
Policyholder dividends	(1,486,737)	-	-	-	-	-	(1,486,737)
Expenses of assets sold under agreements to repurchase	(146,882)	(9,229)	(3,668)	(9,576)	(2,710)	-	(172,065)
Other handling charges	(32,488)	-	(2,642)	-	(47,491)	32,488	(50,133)
Loan loss provisions	-	-	-	-	(947)	-	(947)
Operating profit/(losses)	4,688,752	647,660	82,782	(3,744)	777,797	(10,855)	6,182,392
Add: Non-operating income	20,750	9,430	17,382	18	39,305	-	86,885
Less: Non-operating expenses	64,341	(17,994)	(4,603)	(3,277)	(49,739)	-	(11,272)
Profit/(losses) before tax	4,773,843	639,096	95,561	(7,003)	767,363	(10,855)	6,258,005
Less: Income tax	463	6,208	(24,872)	20,607	(137,663)	-	(135,257)
Profit after tax	4,774,306	645,304	70,689	13,604	629,700	(10,855)	6,122,748

VI. SEGMENT REPORT (Continued)

	December 31, 2005						Total
	Life insurance	Property and casualty insurance	Banking	Corporate	Others	Elimination	
ASSETS							
Cash on hand and at bank	62,204,058	3,432,774	1,275	11,752,978	4,046,026	(955,075)	80,482,036
Balances with central bank and other financial institutions	-	-	446,762	-	-	-	446,762
Placements with banks and other financial institutions	90,386	-	405,781	-	-	(364,773)	131,394
Loans	-	-	252,434	-	278,115	-	530,549
Premium receivables and receivables from reinsurers	19,654	1,449,278	-	-	-	-	1,468,932
Policy loans	864,483	-	-	-	-	-	864,483
Investments	166,053,466	7,699,349	-	14,490,790	2,299,981	(10,950,129)	179,593,457
Other receivables	250,120	168,187	20	3,657	45,497	-	467,481
Fixed assets	4,654,175	879,853	3,596	37,055	257,134	-	5,831,813
Statutory deposits	920,000	320,000	-	-	-	-	1,240,000
Separate account assets	15,897,584	-	-	-	-	-	15,897,584
Other assets	664,771	329,027	7,763	37,143	110,547	-	1,149,251
Total assets	251,618,697	14,278,468	1,117,631	26,321,623	7,037,300	(12,269,977)	288,103,742
LIABILITIES							
Deposits	-	-	58,428	-	36,313	-	94,741
Balances and placements from banks and other financial institutions	-	90,386	556,503	274,387	-	(884,900)	36,376
Assets sold under agreements to repurchase	6,080,000	370,000	-	645,400	-	-	7,095,400
Premium received in advance	1,496,955	382,853	-	-	-	-	1,879,808
Policyholder dividends payable	2,864,005	-	-	-	-	-	2,864,005
Policyholders' reserves for insurance	211,980,633	9,266,792	-	-	-	-	221,247,425
Customer deposits	-	-	-	-	2,164,664	(434,948)	1,729,716
Separate account liabilities	15,897,584	-	-	-	-	-	15,897,584
Other liabilities	2,030,312	1,761,442	4,730	169,676	103,681	-	4,069,841
Total liabilities	240,349,489	11,871,473	619,661	1,089,463	2,304,658	(1,319,848)	254,914,896

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

VI. SEGMENT REPORT (Continued)

	2005						Total
	Life insurance	Property and casualty insurance	Banking	Corporate	Others	Elimination	
Underwriting income							
Premium income	58,848,897	12,760,115	-	-	-	-	71,609,012
Reinsurance premium income	-	16,112	-	-	-	-	16,112
Less: Premium ceded to reinsurers	(810,210)	(3,431,267)	-	-	-	-	(4,241,477)
Total underwriting income	58,038,687	9,344,960	-	-	-	-	67,383,647
Underwriting expenses							
Claim expenses	(2,058,224)	(6,163,585)	-	-	-	-	(8,221,809)
Less: Claims recoverable from reinsurers	564,085	1,911,274	-	-	-	-	2,475,359
Subrogation income	-	48,974	-	-	-	-	48,974
Claims for reinsurance accepted	-	(3,851)	-	-	-	-	(3,851)
Payments on death and medical claims	(982,244)	-	-	-	-	-	(982,244)
Payments on maturities	(3,263,281)	-	-	-	-	-	(3,263,281)
Payments on annuities	(2,446,820)	-	-	-	-	-	(2,446,820)
Payments on surrenders	(6,956,103)	-	-	-	-	-	(6,956,103)
Expenses for reinsurance accepted	-	(2,093)	-	-	-	-	(2,093)
Handling charges	(206,102)	(817,373)	-	-	-	59,894	(963,581)
Commission expenses	(4,962,019)	-	-	-	-	-	(4,962,019)
Business tax and surcharges	(187,706)	(700,104)	(297)	(2,411)	(19,224)	-	(909,742)
Operating expenses	(4,022,338)	(2,336,153)	(12,160)	(410,158)	(277,808)	25,340	(7,033,277)
Less: Expenses recoverable from reinsurers	227,299	1,143,494	-	-	-	-	1,370,793
Provision for insurance guarantee fund	(116,241)	(93,039)	-	-	-	-	(209,280)
Total underwriting expenses	(24,409,694)	(7,012,456)	(12,457)	(412,569)	(297,032)	85,234	(32,058,974)

VI. SEGMENT REPORT (Continued)

	2005						Total
	Life insurance	Property and casualty insurance	Banking	Corporate	Others	Elimination	
Changes in reserves							
Provision for claim reserves	(2,337,577)	(2,590,680)	-	-	-	-	(4,928,257)
Less: Write-back of claim reserves	1,841,327	2,032,810	-	-	-	-	3,874,137
Provision for unearned premium reserves	(1,978,411)	(4,262,322)	-	-	-	-	(6,240,733)
Less: Write-back of unearned premium reserves	1,619,234	3,249,625	-	-	-	-	4,868,859
Provision for long-term unearned premium reserves	-	(2,413,790)	-	-	-	-	(2,413,790)
Less: Write-back of long-term unearned premium reserves	-	1,894,930	-	-	-	-	1,894,930
Provision for policyholders' reserves for life insurance	(198,372,329)	-	-	-	-	-	(198,372,329)
Less: Write-back of policyholders' reserves for life insurance	167,142,916	-	-	-	-	-	167,142,916
Provision for long-term reserves for health insurance	(24,568,558)	-	-	-	-	-	(24,568,558)
Less: Write-back of long-term reserves for health insurance	18,625,804	-	-	-	-	-	18,625,804
Total changes in reserves	(38,027,594)	(2,089,427)	-	-	-	-	(40,117,021)
Underwriting profit/(losses)	(4,398,601)	243,077	(12,457)	(412,569)	(297,032)	85,234	(4,792,348)

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

VI. SEGMENT REPORT (Continued)

	2005						Total
	Life insurance	Property and casualty insurance	Banking	Corporate	Others	Elimination	
Underwriting profit/(losses)	(4,398,601)	243,077	(12,457)	(412,569)	(297,032)	85,234	(4,792,348)
Add: Other profit	56,944	9,984	1,163	5,742	46,958	(5,291)	115,500
Investment income	5,550,720	252,370	–	61,012	21,028	–	5,885,130
Interest income	3,081,699	143,634	24,839	581,198	71,001	(19,601)	3,882,770
Income from assets purchased under agreements to resell	318	–	–	–	20	–	338
Commission income	59,894	–	297	–	241,115	(125,979)	175,327
Securities underwriting income	48,180	–	–	–	31,175	–	79,355
Foreign exchange gains/(losses)	(379,294)	(7,586)	46	(3,179)	(17,777)	–	(407,790)
Less: Interest expenses	(555)	(3,121)	(7,155)	–	(24,586)	19,601	(15,816)
Policyholder dividends	(1,064,118)	–	–	–	–	–	(1,064,118)
Expenses of assets sold under agreements to repurchase	(81,682)	(3,075)	–	(3,396)	(2,918)	–	(91,071)
Other handling charges	(46,036)	–	(84)	–	(18,260)	46,036	(18,344)
Loan loss provisions	72,997	–	–	–	–	–	72,997
Operating profit	2,900,466	635,283	6,649	228,808	50,724	–	3,821,930
Add: Non-operating income	13,889	14,031	15	25	28,658	–	56,618
Less: Non-operating expenses	(78,633)	(21,685)	(6)	(250)	(22,184)	–	(122,758)
Profit before tax	2,835,722	627,629	6,658	228,583	57,198	–	3,755,790
Less: Income tax	(2,212)	(335,918)	–	(34,922)	(14,585)	–	(387,637)
Profit after tax	2,833,510	291,711	6,658	193,661	42,613	–	3,368,153

VII. ASSETS AND LIABILITIES ANALYSIS OF BANKING BUSINESS BY CURRENCIES

	December 31, 2006			Total
		USD	Others	
	RMB	RMB equivalent	RMB equivalent	
Assets:				
Cash on hand	288,976	20,956	26,142	336,074
Balances with central bank and other financial institutions	7,814,154	1,822,544	917,152	10,553,850
Loans	45,362,198	1,047,538	173,402	46,583,138
Placements with banks and other financial institutions	1,511,021	210,835	5,525	1,727,381
Investments	22,474,338	1,197,936	394,746	24,067,020
Other assets	1,641,401	224,134	49,307	1,914,842
Total assets	79,092,088	4,523,943	1,566,274	85,182,305
Liabilities:				
Customer deposits	70,395,365	1,609,028	1,040,755	73,045,148
Balances and placements from banks and other financial institutions	2,358,941	2,205,664	353,653	4,918,258
Assets sold under agreements to repurchase	301,410	–	–	301,410
Other liabilities	947,548	32,820	29,642	1,010,010
Total liabilities	74,003,264	3,847,512	1,424,050	79,274,826
Net long position	5,088,824	676,431	142,224	5,907,479

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

VII. ASSETS AND LIABILITIES ANALYSIS OF BANKING BUSINESS BY CURRENCIES (Continued)

	December 31, 2005			Total
	RMB	USD RMB equivalent	Others RMB equivalent	
Assets:				
Cash on hand	266	810	199	1,275
Balances with central bank and other financial institutions	9,125	437,010	627	446,762
Loans	–	252,434	–	252,434
Placements with banks and other financial institutions	–	405,781	–	405,781
Other assets	912	10,467	–	11,379
Total assets	10,303	1,106,502	826	1,117,631
Liabilities:				
Customer deposits	136	58,034	258	58,428
Balances and placements from banks and other financial institutions	–	556,503	–	556,503
Other liabilities	958	3,768	4	4,730
Total liabilities	1,094	618,305	262	619,661
Net long position	9,209	488,197	564	497,970

VIII. LIQUIDITY OF BANKING BUSINESS

Item	December 31, 2006							Total
	Overdue	Repayment on demand	Within 3 months	3 months to 1 year	1-5 years	More than 5 years	Undated	
Assets:								
Cash on hand	-	336,074	-	-	-	-	-	336,074
Balances with central bank and other financial institutions	-	2,471,889	2,030,759	264,704	-	-	5,786,498	10,553,850
Loans	1,405,216	-	9,830,212	15,569,359	7,528,778	12,249,573	-	46,583,138
Placements with banks and other financial institutions	-	-	505,859	1,221,522	-	-	-	1,727,381
Investments	-	-	8,674,265	2,879,486	4,699,250	7,793,583	20,436	24,067,020
Other assets	12,848	111,001	109,182	4,795	102,046	184,856	1,390,114	1,914,842
Sub-total	1,418,064	2,918,964	21,150,277	19,939,866	12,330,074	20,228,012	7,197,048	85,182,305
Liabilities:								
Customer deposits	-	45,153,275	13,392,814	10,951,840	3,547,219	-	-	73,045,148
Balances and placements from banks and other financial institutions	-	2,459,116	2,215,943	243,199	-	-	-	4,918,258
Assets sold under agreements to repurchase	-	-	129,180	172,230	-	-	-	301,410
Other liabilities	-	149,335	455,483	177,978	227,214	-	-	1,010,010
Sub-total	-	47,761,726	16,193,420	11,545,247	3,774,433	-	-	79,274,826
Net liquidity gap	1,418,064	(44,842,762)	4,956,857	8,394,619	8,555,641	20,228,012	7,197,048	5,907,479

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

VIII. LIQUIDITY OF BANKING BUSINESS (Continued)

Item	December 31, 2005							Total
	Overdue	Repayment on demand	Within 3 months	3 months to 1 year	1-5 years	More than 5 years	Undated	
Assets:								
Cash on hand	-	1,275	-	-	-	-	-	1,275
Balances with central bank and other financial institutions	-	33,971	327,405	52,456	24,211	-	8,719	446,762
Loans	-	-	-	137,193	80,702	34,539	-	252,434
Placements with banks and other financial institutions	-	-	402,553	3,228	-	-	-	405,781
Other assets	-	2,220	5,026	-	-	-	4,133	11,379
Sub-total	-	37,466	734,984	192,877	104,913	34,539	12,852	1,117,631
Liabilities:								
Customer deposits	-	6,044	41,626	10,758	-	-	-	58,428
Balances and placements from banks and other financial institutions	-	5,671	550,832	-	-	-	-	556,503
Other liabilities	-	4,063	-	-	667	-	-	4,730
Sub-total	-	15,778	592,458	10,758	667	-	-	619,661
Net liquidity gap	-	21,688	142,526	182,119	104,246	34,539	12,852	497,970

IX. RELATED PARTY RELATIONSHIP AND TRANSACTION

1. Related party relationship

(1) Related parties with control relationship

The Company's related parties where control exists are mainly subsidiaries of the Company. Please refer to Note 4 for more information.

(2) Related parties without control relationship

Name of related parties	Relationship with the Company
HSBC Holdings Limited ("HSBC Holdings")	Parent of shareholders
HSBC Insurance Holdings Limited ("HSBC Insurance")	Shareholder
The Hongkong and Shanghai Banking Company Limited	Shareholder

In late August 2005, HSBC Holdings through its wholly owned subsidiaries, HSBC Insurance and HSBC held 19.90% of the Company's shares. Since then, HSBC Holdings and its subsidiaries became the Company's related parties who had significant influence over the Group.

(3) Shareholders who hold more than 5% shares of the Company at the end of the year are as follows:

Name of the shareholders	Number of Shares Held	Type of Shares	Percentage of Total Shares (%)
HSBC Insurance Holdings Limited	618,886,334	H-Share	9.99
The Hongkong and Shanghai Banking Company Limited	613,929,279	H-Share	9.91
Shenzhen Investment Holdings Co., Ltd.	543,181,445	A-Share	8.77
Shenzhen New Horse Investment Development Co., Ltd.	389,592,366	A-Share	6.29
Yuan Trust Investment Co., Ltd.	380,000,000	A-Share	6.13
Shenzhen Jing'ao Industrial Development Co., Ltd.	331,117,788	A-Share	5.34

2. Related parties transactions

(1) Significant transactions with related parties

(a) In accordance with the Agreement of Technical Support and Services signed by the Company and HSBC Insurance on November 25, 2002, HSBC Insurance would provide technical support and services to the Company at no cost, for a period of 6 years starting from the date of the agreement.

(b) Interest income from bank deposit	2006	2005
HSBC	15,325	3,161

The interest income received from HSBC Limited in 2005 relates to interest earned from August 31, 2005 to December 31, 2005.

(2) Balances with related parties

Bank Deposit	December 31, 2006	December 31, 2005
HSBC	710,175	232,217

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

IX. RELATED PARTY RELATIONSHIP AND TRANSACTION (Continued)

2. Related parties transactions (Continued)

(3) The compensation for key management personnel are as below:

	December 31, 2006	December 31, 2005
Salaries and other short-term employees benefits	126,809	62,699

Key management personnel comprise the Company's directors, supervisors and senior officers as defined in the Company's articles of association. The compensation expenses for share appreciation rights granted to (Note V 55) key management personnel are not included in the above analysis.

(4) Mutual guarantees among related parties

During the current year, there were no significant mutual guarantees between the Group and its related parties.

X. FIDUCIARY BUSINESS

	December 31, 2006	December 31, 2005
Entrusted loans	2,119,930	–
Assets under trust scheme	16,677,243	3,329,608
Assets under corporate annuity scheme	634,387	128,297
Total	19,431,560	3,457,905

XI. CONTINGENCES

1. Guarantee

Ping An Real Estate provided guarantees for several loans under trust schemes managed by Ping An Trust. As at December 31, 2006, guarantees provided amounts to RMB426 million.

2. Litigation

Owing to the nature of insurance and financial service business, the Group is involved in estimates, contingencies and legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies. Provision has been made for the probable losses to the Group, including those claims where management can reasonably estimate the outcome of the lawsuits taking into account of any legal advice.

No provision has been made for pending lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability is low or remote. For pending lawsuits, management also believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group or any of its subsidiaries.

XII. OFF-BALANCE SHEET INTEREST RECEIVABLES

Off-balance sheet interest receivables of the Group are as follows:

	December 31, 2006	December 31, 2005
Off-balance sheet interest receivables	755,573	–

XIII. COMMITMENTS

1. Capital commitments

The Group had the following capital commitments relating to property development project and investments:

	December 31, 2006	December 31, 2005
Authorized, but not contracted for	1,182,313	3,030,139
Contracted, but not provided for	3,431,044	472,102
Total	4,613,357	3,502,241

2. Rental commitments

Future minimum lease receivables under non-cancelable operating leases are as follows:

	December 31, 2006	December 31, 2005
Within 1 year	453,250	372,405
1-2 years	306,268	236,232
2-3 years	196,646	128,839
More than 3 years	211,076	112,566
Total	1,167,240	850,042

3. Credit commitments

	2006	2005
Letter of credit issued	734,296	10,142
Acceptance	9,016,968	-
Guarantee issued	6,536,248	-
Loan commitment	12,822,692	60,232
Others	5,125	2,932
Total	29,115,329	73,306

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

XIV. POST BALANCE SHEET EVENTS

1. Pursuant to the approval obtained from the Company's shareholders and the CSRC, the Company issued 1.15 billion ordinary A-shares with par value of RMB1.00 at a price of RMB33.80 per share in February 2007. According to the capital verification report issued by Ernst & Young Hua Ming (2007 Yan Zi, No. 60468101-01) on February 16, 2007, the Company has collected net proceeds of RMB38,221,924,360 for the initial public offering of A shares on February 15, 2007. The increase in paid-up share capital amounts to RMB1,150,000,000 and the difference between the proceeds and paid-up share capital of RMB37,071,924,360 is recorded in capital reserve. The total registered capital increased to RMB7,345,053,334 after the change.
2. Pursuant to "Notice of Printing of 'Accounting Standards for Business Enterprises No.1-Inventory' and other 38 accounting standards" (Caikuai [2006] No. 3) and "Notice of Printing of 'Accounting Standards for Business Enterprises Application Guide'" (Caikuai [2006] No. 18), the Group has adopted the new accounting standards since January 1, 2007. The impact of the adoption of the new accounting standards on shareholder's equity as at December 31, 2006 is shown in Supplementary Information to Financial Statements Appendix II.
3. Pursuant to an agreement entered into by SZCB, Ping An Trust and HSBC in February 2007, SZCB will acquire all of the equity interests held by Ping An Trust and HSBC in Ping An Bank. Upon completion of such transfer, the Group's equity interests in Ping An Bank will increase to 89.36%.
4. In March 2007, Ping An Asset Management (Hong Kong) was granted the license to engage in assets management by the Securities and Futures Commission of Hong Kong.
5. During the 5th Session of the 10th National People's Congress, which was concluded on March 16, 2007, the PRC Corporate Income Tax Law ("the New Corporate Income Tax Law") was approved and will become effective on January 1, 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the future financial impact of the New Corporate Income Tax Law to the Group cannot be reasonably estimated at this stage.
6. On April 11, 2007, the directors proposed 2006 final dividend distribution of RMB0.22 per share totaling RMB1,615,912 thousand. This proposal is subject to Company shareholders' approval.

XV. NOTES TO FINANCIAL STATEMENTS

1. Cash on hand and cash at bank

Cash on hand and cash at bank of the Company are as follows:

	Currency	December 31, 2006			December 31, 2005		
		Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Cash on hand	RMB	160	1.0000	160	57	1.0000	57
	USD	0.41	7.8087	3	3	8.0702	21
	HKD	43	1.0047	44	30	1.0403	32
Total				207	110		
Cash at bank	RMB	3,646,282	1.0000	3,646,282	11,263,216	1.0000	11,263,216
	USD	34,178	7.8087	266,888	58,754	8.0702	474,155
	HKD	2,688	1.0047	2,701	14,896	1.0403	15,497
Total				3,915,871	11,752,868		

Term deposits over 3 months, including both RMB and foreign deposits, amounts to approximately RMB776,534 thousand (2005: approximately RMB11,051,102 thousand) with terms ranging from 12 months to 360 months and interest rates ranging from 2.25% to 4.30% per annum (2005: from 2.52% to 5.50%) are included in cash at bank of the Company.

2. Short-term investments

Short-term investments of the Company are as follows:

	December 31, 2006		December 31, 2005	
	Net book value	Market value	Net book value	Market value
Bond Investments:				
Government Bonds	147,489	N/A	115,186	N/A
Listed	23,999	23,999	–	–
Unlisted	123,490	N/A	115,186	N/A
Banking Bonds	497,511	N/A	–	N/A
Unlisted	497,511	N/A	–	N/A
Corporate Bonds	2,950,238	N/A	779,583	N/A
Listed	4,537	4,537	–	–
Unlisted	2,945,701	N/A	779,583	N/A
Sub-total	3,595,238		894,769	
Equity Investments:				
Stocks	1,270,372	1,757,422	105,200	120,150
Listed	1,270,372	1,757,422	105,200	120,150
Equity investment funds	382,937	N/A	1,935,311	N/A
Unlisted	382,937	N/A	1,935,311	N/A
Sub-total	1,653,309		2,040,511	
Total	5,248,547		2,935,280	

Listed investments are securities listed on Stock Exchanges. Unlisted investments are investments in interbank or other markets other than on Stock Exchanges. The market value of listed investments at the balance sheet date are valued using the closing prices on the last trading day of the year.

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

XV. NOTES TO FINANCIAL STATEMENTS (Continued)

3. Long-term equity investments

Long-term equity investments of the Company are as follows:

	December 31, 2006	December 31, 2005
Long-term stock investments	1,416,181	–
Investment in subsidiaries	24,917,315	17,956,232
Equity investment differences	312,558	3,802
Total	26,646,054	17,960,034

(1) Long-term equity investments are as follows:

	December 31, 2006		December 31, 2005	
	Net book value	Market value	Net book value	Market value
Public shares	1,416,181	2,029,365	–	–

(2) Equity investment differences of the Company are as follows:

Name of the invested entity	December 31, 2006		December 31, 2005	
	Original amount	Amortized amount	Original amount	Amortized amount
Ping An Trust	19,487	2,035	19,353	3,802
SZCB	310,523	310,523	–	–
Total	330,010	312,558	19,353	3,802

XV. NOTES TO FINANCIAL STATEMENTS (Continued)

3. Long-term equity investments (Continued)

(3) Details of investments in subsidiaries of the Company are as follows:

Subsidiaries	Attributable equity interest	Investment cost	Provision for impairment	Equity Adjustment			Total
				Equity changes for the year	Cash	Accumulated equity changes	
					dividends paid for the year		
2006							
Ping An Life	99%	3,762,000	-	4,737,420	(4,965,840)	6,370,038	10,132,038
Ping An Property & Casualty	99.06%	2,972,284	10	636,449	(570,240)	745,183	3,717,477
Ping An Trust	99.88%	4,196,249	16,847	574,680	-	651,199	4,864,295
SZCB	89.36%	4,606,275	-	57,750	-	57,750	4,664,025
Ping An Overseas Holdings	100%	561,213	-	(14,599)	-	48,098	609,311
Ping An Annuity	95%	285,000	-	(11,021)	-	(18,186)	266,814
Ping An Health	95%	475,000	-	55	-	737	475,737
Ping An Asset Management	90%	180,000	-	2,480	-	7,618	187,618
Total		17,038,021	16,857	5,983,214	(5,536,080)	7,862,437	24,917,315
2005							
Equity Adjustment							
Subsidiaries	Attributable equity interest	Investment cost	Provision for impairment	Equity changes for the year	Cash	Accumulated equity changes	Total
					dividends paid for the year		
Ping An Life	99%	3,762,000	-	2,811,794	-	6,598,458	10,360,458
Ping An Property & Casualty	99%	1,584,000	-	287,719	-	678,974	2,262,974
Ping An Trust	99.52%	4,180,053	16,543	45,200	-	76,519	4,273,115
Ping An Overseas Holdings	100%	58,333	-	1,399	-	62,697	121,030
Ping An Annuity	95%	285,000	-	(7,165)	-	(7,165)	277,835
Ping An Health	95%	475,000	-	682	-	682	475,682
Ping An Asset Management	90%	180,000	-	5,138	-	5,138	185,138
Total		10,524,386	16,543	3,144,767	-	7,415,303	17,956,232

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

XV. NOTES TO FINANCIAL STATEMENTS (Continued)

4. Long-term bond investments

Details of long-term bond investments of the Company are as follows:

Types of bonds	December 31, 2006						
	Par value	Interest receivable	Unamortized premium/ (discount)	Total	Impairment	Net book value	Market value
Listed bond:							
Government bonds	1,003,553	8,330	2,902	1,014,785	–	1,014,785	1,014,148
Corporate bonds	50,000	94	(7,728)	42,366	–	42,366	41,700
	1,053,553	8,424	(4,826)	1,057,151	–	1,057,151	1,055,848
Unlisted bond:							
Government bonds	30,000	344	(1,001)	29,343	–	29,343	N/A
Finance bonds	780,000	15,509	2,840	798,349	–	798,349	N/A
	810,000	15,853	1,839	827,692	–	827,692	N/A
Sub-total	1,863,553	24,277	(2,987)	1,884,843	–	1,884,843	N/A
Less: Long-term bond investments due within one year							
Listed bond:							
Government bonds	347,807	1,455	915	350,177	–	350,177	350,972
Total	1,515,746	22,822	(3,902)	1,534,666	–	1,534,666	N/A
Types of bonds	December 31, 2005						
	Par value	Interest receivables	Unamortized premium/ (discount)	Total	Impairment	Net book value	Market value
Unlisted bonds:							
Government bonds	30,000	344	(1,412)	28,932	–	28,932	N/A
Finance bonds	975,880	18,004	4,506	998,390	–	998,390	N/A
Sub-total	1,005,880	18,348	3,094	1,027,322	–	1,027,322	N/A
Less: Long-term bond investments due within one year							
Unlisted bonds:							
Finance bonds	195,880	2,495	–	198,375	–	198,375	N/A
Total	810,000	15,853	3,094	828,947	–	828,947	N/A

XV. NOTES TO FINANCIAL STATEMENTS (Continued)

4. Long-term bond investments (Continued)

Details of net book value of long-term bond investments of the Company are as follows:

	December 31, 2006	December 31, 2005
Within 1 year	350,177	198,375
1-2 years	1,044,026	-
2-3 years	417,268	768,995
3-4 years	-	28,931
4-5 years	42,366	-
More than 5 years	31,006	31,021
Total	1,884,843	1,027,322

Long-term bond investment of the Company bears interest ranging from 1.40% to 3.74% per annum (2005: from 0% to 3.74%).

Finance bonds mainly represent bonds issued by the PBOC and China Development Bank. Corporate bonds represent bonds issued by Maanshan Iron & Steel Co., Ltd. in 2006.

Listed investments are securities listed on Stock Exchanges. Unlisted investments are investments in interbank or other markets other than on Stock Exchanges. The market value of listed investments at the balance sheet date are valued using the closing prices on the last trading day of the year.

5. Long-term fund investments

Long-term fund investments of the Company are as follows:

	December 31, 2006			December 31, 2005		
	Investment cost	Provision for Impairment	Net investment	Investment cost	Provision for Impairment	Net investment
Open-ended fund:						
Unlisted	30,000	(8,042)	21,958	-	-	-

Unlisted investments are investments in interbank or other markets other than on Stock Exchanges.

6. Tax payable

Details of the tax payable of the Company are as follows:

	December 31, 2006	December 31, 2005
Corporate income tax	51,112	(4,227)
Business tax	19,354	146
City maintenance and construction tax	193	-
Others	3,938	6,195
Total	74,597	2,114

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

XV. NOTES TO FINANCIAL STATEMENTS (Continued)

7. Business tax and surcharges payable

Details of business tax and surcharges payable of the Company are as follows:

	December 31, 2006	December 31, 2005
Business tax	22,991	2,315
City maintenance and construction tax	230	24
Education surcharges	690	72
Total	23,911	2,411

8. Operating expenses

Details of operating expenses of the Company are as follows:

	2006	2005
Salaries and welfare	676,524	200,377
Social insurance	9,244	4,962
Housing fund	646	387
Business entertainment expenses	10,373	10,481
Advertising expenses	4,816	34,099
Meeting expenses	5,101	5,134
Rental expenses	4,948	2,339
Depreciation of fixed assets	10,701	2,662
Amortization of intangible assets	5,372	1,352
Amortization of long-term deferred expenses	2,326	316
Office and traveling expenses	23,206	18,849
Printing expenses	1,538	1,745
Corporate sundry expenses	2,530	2,829
Postage and telecommunication expenses	1,901	2,444
Operating expenses of electronic equipments	3,751	1,669
Provision/(write-back) for bad debts	(74)	836
Taxation	1	6,631
Fuel expenses of vehicles and ships	781	1,077
Others	122,186	111,969
Total	885,871	410,158

XV. NOTES TO FINANCIAL STATEMENTS (Continued)**9. Investment income**

Breakdown of investment income of the Company is as follows:

	2006	2005
Interest income	45,299	23,952
Interest income from bonds	45,299	23,952
Dividend income	66,265	–
Dividend income from equity investment funds	66,265	–
Trading gains	475,165	38,961
Trading gains on bonds	35,197	1,644
Trading gains on equity investment funds	222,903	34,882
Trading gains on equity securities	213,291	2,435
Trading gains on warrants	3,774	–
Changes in provision for impairment losses	(8,988)	–
Provision for impairment losses on short-term investments	(946)	–
Provision for impairment losses on long-term investments	(8,042)	–
Amortization of equity investment differences	(1,901)	(1,901)
Interest in subsidiaries	5,983,214	3,144,767
Total	6,559,054	3,205,779

10. Cash and cash equivalents

Breakdown of cash and cash equivalent of the Company is as follows:

	December 31, 2006	December 31, 2005
Cash on hand and cash at bank	3,139,544	701,876
Money market fund	10,058	1,935,311
Bonds with original maturities less than 3 months	298,140	–
Total	3,447,742	2,637,187

Notes to Financial Statements

As at December 31, 2006
(in RMB thousand)

XV. NOTES TO FINANCIAL STATEMENTS (Continued)

11. Fiduciary investment

Beginning September 1, 2005, the Company entrusted Ping An Asset Management to manage its investment portfolios. The Company's fiduciary investments managed by Ping An Asset Management are set out as follows:

	December 31, 2006	December 31, 2005
Assets:		
Cash at bank	3,857,662	11,671,832
Short-term investments	5,248,547	2,935,280
Interest receivables	5,067	22,232
Other receivables	210,633	-
Long-term bond investments due within 1 year	350,177	198,375
Long-term equity investments	1,416,181	-
Long-term bond investments	1,534,666	828,947
Long-term fund investments	21,958	-
Total	12,644,891	15,656,666
Liabilities:		
Placements from banks and other financial institutions	819,914	274,387
Assets sold under agreements to repurchase	-	645,400
Other payables	4,687	53
Total	824,601	919,840
Net	11,820,290	14,736,826

The Company's fiduciary investment managed by Ping An Asset Management are set out as follows:

	2006	Four months ended December 31, 2005
Trading gains on securities	475,165	17,313
Interest income from deposits	379,507	169,011
Interest income from bonds	45,299	10,777
Income from securities purchased under agreements to resell	5,197	-
Dividend income from funds	66,265	-
Other income	3,422	2,175
Total investment income	974,855	199,276
Less: Assets management expenses		
Custody fees	(2,000)	(600)
Expenses relating to securities sold under agreements to repurchase	(58)	-
Expenses relating to securities sold under agreements to repurchase	(9,576)	(2,052)
Interest expense or placements from banks and other financial institutions	(25,288)	-
Provision for impairment losses on long-term investments	(8,042)	-
Provision for impairment losses on short-term investments	(946)	-
Other expenses	(51,356)	(961)
Investment income	877,589	195,663

XVI. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to current year's presentation.

XVII. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved by the Company's board of directors on April 11, 2007.