中国平安
专业·价值 PING AN OF CHINA

2007 Annual Report

Ping An Insurance (Group) Company of China, Ltd.

Hong Kong Exchanges and Clearing Limited Stock Code: 2318

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Annual Report 2007

Cautionary Statements Regarding Forward-Looking Statements

To the extent any statements made in this report contains information that is not historical are essentially forward-looking. These forward-looking statements include but are not limited to projections, targets, estimates and business plans that the Company expects or anticipates will or may occur in the future. These forward-looking statements are subject to known and unknown risks and uncertainties that may be general or specific. Certain statements, such as those include the words or phrases "potential", "estimates", "expects", "anticipates", "objective", "intends", "plans", "believes", "will", "may", "should", and similar expressions or variations on such expressions may be considered forward-looking statements.

Readers should be cautioned that a variety of factors, many of which are beyond the Company's control, affect the performance, operations and results of the Company, and could cause actual results to differ materially from the expectations expressed in any of the Company's forward-looking statements. These factors include, but are not limited to, exchange rate fluctuations, market shares, competition, environmental risks, changes in legal, financial and regulatory frameworks, international economic and financial market conditions and other risks and factors beyond our control. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. In addition, the Company undertakes no obligation to publicly update or revise any forward-looking statement that is contained in this report as a result of new information, future events or otherwise. None of the Company, or any of its employees or affiliates is responsible for, or is making, any representations concerning the future performance of the Company.

Definition

In this report, unless the context otherwise indicated, the following expressions shall have the following meanings:

Company, the Company, Group, the Group	Ping An Insurance (Group) Company of China, Ltd.
Ping An Life	Ping An Life Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Property & Casualty	Ping An Property & Casualty Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Health	Ping An Health Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Annuity	Ping An Annuity Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Trust	China Ping An Trust & Investment Co., Ltd., a subsidiary of the Company
Ping An Securities	Ping An Securities Company, Ltd., a subsidiary of Ping An Trust
Ping An Asset Management	Ping An Asset Management Co., Ltd., a subsidiary of the Company
Shenzhen Ping An Bank	Shenzhen Ping An Bank Co., Ltd., a subsidiary of the Company (formerly known as Shenzhen Commercial Bank Co., Ltd.)
Shenzhen Commercial Bank	Shenzhen Commercial Bank Co., Ltd., renamed as Shenzhen Ping An Bank after merger with Ping An Bank
Ping An Bank	Ping An Bank Limited
Ping An Overseas Holdings	China Ping An Insurance Overseas (Holdings) Limited, a subsidiary of the Company
Ping An Hong Kong	China Ping An Insurance (Hong Kong) Company Limited, a subsidiary of Ping An Overseas Holdings
Ping An Asset Management (Hong Kong)	Ping An of China Asset Management (Hong Kong) Company Limited, a subsidiary of Ping An Overseas Holdings
Ping An Futures	Shenzhen Ping An Futures Brokerage Co., Ltd., a subsidiary of Ping An Securities
Ping An Industries	Shenzhen Ping An Industries Co., Ltd., a subsidiary of Ping An Trust
Ping An Property	Shenzhen Ping An Property and Facility Management Co., Ltd., a subsidiary of Ping An Trust
Ping An Real Estate	Ping An Real Estate Investment Company Ltd., a subsidiary of Ping An Trust
PRC Accounting Standards	The Accounting Standards for Business Enterprises and the other relevant regulations issued by the Ministry of Finance of the People's Republic of China
IFRS	International Financial Reporting Standards issued by International Accounting Standards Board
CSRC	China Securities Regulatory Commission
CIRC	China Insurance Regulatory Commission
CBRC	China Banking Regulatory Commission
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	the Model Code for Securities Transactions by Directors of Listed Companies
HSBC	The Hongkong and Shanghai Banking Corporation Limited
ICBC	Industrial and Commercial Bank of China
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
Listing Rules	the Rules Governing the list of Securities of The Stock Exchange of Hong Kong Limited
Stock Exchange	The Stock Exchange of Hong Kong Limited
the Code on Corporate Governance Practices	the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules

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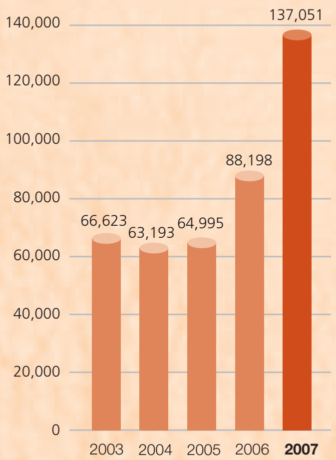
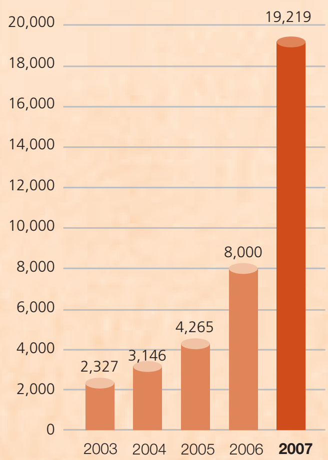
Financial Highlights

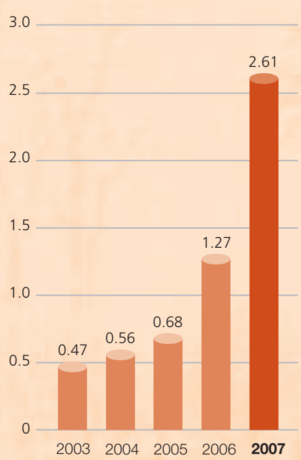
Total Income



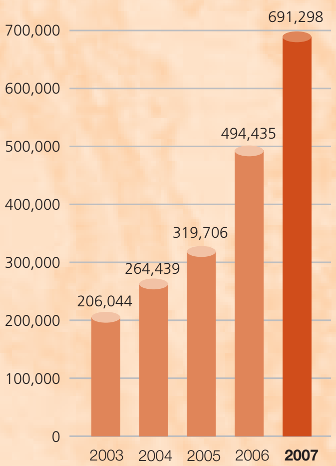
Net Profit



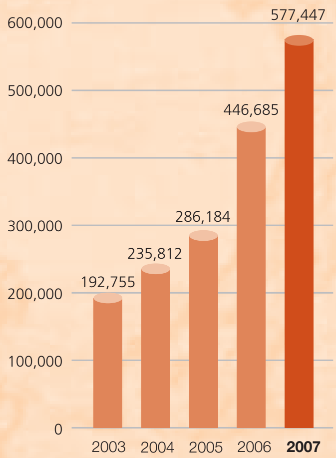
Earnings Per Share



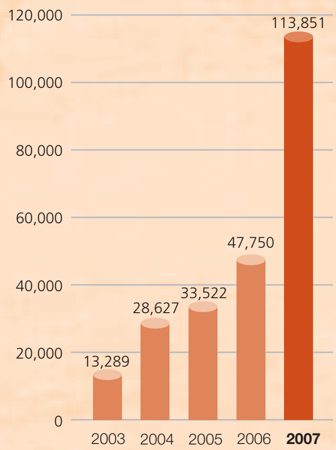
Total Assets



Total Liabilities



Total Equity



As at December 31 or for the year ended December 31, (in RMB million, except otherwise indicated)	**2007**	2006	2005	2004	2003
GROUP					
Total income	**137,051**	88,198 (2)	64,995 (3)	63,193 (4)	66,623
Net profit(1)	**19,219**	8,000	4,265	3,146	2,327
Basic earnings per ordinary share (in RMB)	**2.61**	1.27	0.68	0.56	0.47
Total assets	**691,298**	494,435 (2)	319,706	264,439 (4)	206,044 (5)
Total liabilities	**577,447**	446,685 (2)	286,184	235,812	192,755 (5)
Total equity(1)	**113,851**	47,750	33,522	28,627	13,289
Total investment assets	**474,887**	332,164 (2)	246,142 (3)	201,125 (4)	155,920
Net investment yield (%)	**4.5**	4.3 (2)	4.2	4.1	4.1
Total investment yield (%)	**14.1**	7.7 (2)	4.3	3.6	4.5
Embedded value	**150,311**	65,573	48,363	37,248	19,078
LIFE INSURANCE BUSINESS					
Gross written premiums, policy fees and premium deposits	**79,183**	68,202 (2)	58,691	54,729	58,854
Net profit	**10,883**	5,704	3,544 (3)	2,704	1,950
Net investment yield (%)	**4.8**	4.5 (2)	4.2	4.1	4.1
Total investment yield (%)	**14.2**	7.8 (2)	4.3	3.7	4.4
Solvency margin ratio – Ping An Life (%)	**287.9**	183.1 (2)	140.7	123.1	114.2 (5)
PROPERTY AND CASUALTY INSURANCE BUSINESS					
Gross written premiums	**20,493**	16,074	12,076	10,150	8,091
Net profit	**2,073**	1,048	422	217	96
Net investment yield (%)	**4.0**	3.7 (2)	4.3	4.3	4.1
Total investment yield (%)	**14.7**	5.3 (2)	4.3	3.6	5.1
Combined ratio (%)	**98.6**	95.4	95.3	97.2	99.7 (5)
Solvency margin ratio – Ping An Property & Casualty (%)	**181.6**	131.3 (2)	153.4	158.7	172.5 (5)
BANKING BUSINESS(6)					
Net interest income	**3,478**	112	–	–	–
Net profit	**1,537**	71	–	–	–
Net interest spread (%)	**2.7**	1.8	–	–	–
Cost-to-income ratio (%)	**36.5**	39.1	–	–	–
Capital adequacy ratio (%)	**9.1**	11.9	–	–	–
Non-performing loan ratio (%)	**0.8**	6.3			
SECURITIES BUSINESS					
Total operating income	**3,200**	1,277	235	288	291 (7)
Net profit	**1,492**	609	6	6	21 (7)
TRUST BUSINESS(8)					
Total operating income	**1,215**	332 (2)	179	102	125
Net profit	**744**	194	57	3	65

(1) Net profit and total equity for 2004 and 2003 have been restated to reflect the adoption of IAS 1 (revised 2004) 'Presentation of Financial Statements' in 2005.
(2) These figures have been reclassified or restated to comform to the presentation of 2007.
(3) These figures have been reclassified or restated to comform to the presentation of 2006.
(4) These figures have been reclassified or restated to comform to the presentation of 2005.
(5) These figures have been reclassified or restated to comform to the presentation of 2004.
(6) As the scale of our banking business was relatively small before 2006, the table presents the relevant figures of 2007 and 2006 only.
(7) Ping An Securities became a subsidiary of the Group with effect from October 22, 2003. Prior to this date, Ping An Securities was an associate of the Group. The results of Ping An Securities prior to October 22, 2003 were consolidated into our Group's consolidated results using the equity accounting basis.
(8) Total operating income and net profit of our turst business for 2007, 2006 and 2005 are presented at company's level, where interests in subsidiaries are accounted for at cost.

In 2007, the PRC economy continued its stable and strong growth, which, together with a series of major breakthroughs in financial system reform and business innovation, have contributed to the prosperous development of the entire financial and insurance sectors. Leveraging on the positive domestic and foreign market trends, the Company continued to enhance its integrated financial services and global investment platform and fully capitalized on the favourable economic environment during 2007, which resulted in the healthy development of all its business segments. In 2007, the Company realized a net profit of RMB19,219 million and total income of RMB137,051 million, representing an increase of 140.2% and 55.4% respectively over the previous year.

Looking back at 2007, all our business segments exhibited strong growth momentum and we have further strengthened our 'three-pillar' strategy for integrated financial services.

- Our insurance businesses continued to maintain a strong growth momentum, resulting in total premium income and premium deposits of over RMB100 billion. In terms of our life insurance business, we achieved a new record high and made significant improvement in business scale and service quality, with an enlarged sales force of over 300,000 people. Our property and casualty insurance business recorded exceptionally strong growth, with total premium income exceeding RMB20 billion for the first time. The asset entrusted under the pension annuity reached RMB4.98 billion.

- The integration and transformation of the banking business was completed smoothly, which substantially strengthened the banking business of the Company. Shenzhen Ping An Bank has achieved significant growth in the business since its establishment. By the end of 2007, Shenzhen Ping An Bank had established five "Anchor Wealth Management" centres, introduced "Ying Dong Li" (贏動力) business for small and medium-sized enterprises and issued nearly 300,000 credit cards.

- The investment business capitalized on the buoyant market conditions and was a major contributor to the significant increase in the Company's profits. The Company realized substantial increase in the returns from investment of the insurance assets, recorded strong growth in income from securities brokerage and investment banking businesses, and witnessed the growth of its wealth management trust assets to RMB47.5 billion. In addition, we have made good progress in establishing the global

investment platform which has led to enhanced global asset allocation capability and has resulted in the Company becoming the first mainland China insurance company which has obtained regulatory approval to invest up to 15% of its total assets in the previous year in overseas markets.

In 2007, the Company was ranked first in the "Best Chinese Company in Corporate Governance" award, and was accredited the "Outstanding Asian Company in Corporate Governance 2007" and "Outstanding Board of Directors Award" by well-recognized overseas media publications and international credit rating agencies for our best practice corporate governance and highly disciplined, professional and effective Board of Directors. In addition, the Company was also awarded "Most Respectable Enterprise in China" for the sixth consecutive year and "Best Corporate Citizen in China" for the fourth consecutive year. The Company was also accredited as "Pioneer Company for Driving Local Corporate Citizenship in China".

We will celebrate the twentieth anniversary of the establishment of Ping An in 2008. During the past 20 years, the Company has grown from a small insurance firm with only 13 employees to an integrated financial services group with almost 70,000 employees and 300,000 sales agents as well as over 40 million customers. Ping An has gradually expanded from a business focused solely on property and casualty insurance to an integrated financial services group covering life insurance, property and casualty insurance, banking, asset management, corporate annuity, trust and securities business. The Company has grown not only in scale and diversity, but has also established a stronger foundation for a more sustainable operation going forward. I am very honored to have witnessed and be part of the Company's landmark transformation alongside my colleagues.

The year 2008 marks the beginning of the third decade of Ping An's development as a company. Looking ahead, we are very confident of the long term, strong growth of the Chinese economy and Ping An. Together with the continuous support of our shareholders, the exceptional leadership of our Board of Directors, the full dedication of our employees and the deep trust placed by our customers, we strongly believe that Ping An will be able to achieve its development objectives for the next ten years and to deliver long-term, sustainable returns to our shareholders.

Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC
March 19, 2008

Growing together with ceaseless dedication

Organization Structure

As at December 31, 2007

(1) These percentages are rounded to the nearest two decimal place.

Directors, Supervisors and Senior Management

First Row: (from left) Mr. MA Mingzhe, Mr. CHEUNG Chi Yan Louis, Mr. SUN Jianyi

Second Row: (from left) Mr. LEUNG Ka Kui Dominic, Mr. Richard JACKSON, Mr. KU Min-shen

Third Row: (from left) Mr. YIP Lai Shing, Mr. John PEARCE, Ms. WANG Liping

DIRECTORS

Executive Directors

MA Mingzhe, 52, has been the Chief Executive Officer of our Company and Chairman of the Board of Directors (the "Board") since April 2001 and April 1994 respectively. He is a member of the 11th National Committee of the Chinese People's Political Consultative Conference. Since the establishment of Ping An Insurance Company in March 1988, he has held various positions, including President, Director and Chairman of the Board, and has throughout been fully involved in the operation and management of our Company. Prior to that, Mr. Ma was the Deputy Manager of China Merchants Shekou Industrial Zone Social Insurance Company. Mr. Ma has a Doctorate degree in Money and Banking from Zhongnan University of Economics and Law (previously Zhongnan University of Economics).

CHEUNG Chi Yan Louis, 44, has been an Executive Director since May 2006 and has been serving as our President and Chief Financial Officer since October 2003 and February 2003 respectively. He joined our Company in February 2000 and previously served as Senior Advisor to the Chairman, Chief Information Officer, Senior Vice President and Chief Financial Officer. From 1993-2000, Mr. Cheung was a management consultant and later became a global partner of McKinsey & Company, advising mainly financial services clients throughout Asia. Mr. Cheung has a Ph.D. degree in Business Information Systems from the University of Cambridge.

SUN Jianyi, 55, has been the Vice Chief Executive Officer and Executive Vice President of our Company since February 2003 and October 1994 respectively. Mr. Sun has been serving as an Executive Director since March 1995. Mr. Sun is also an independent non-executive director of Shenzhen Vanke Co., Ltd.. Since joining our Company in July 1990, he has been the General Manager of the Management Department, Senior Vice President and Executive Vice President. Prior to joining our Company, Mr. Sun was the Head of the Wuhan Branch of the People's Bank of China and the Deputy General Manager of the Wuhan Branch Office of the People's Insurance Company of China and the General Manager of Wuhan Securities Company. He has a Diploma in Finance from Zhongnan University of Economics and Law (previously Zhongnan University of Economics).

Non-executive Directors

LIN Yu Fen, 37, has been a Non-executive Director of the Company since October 2002. He is also a director of Capital China Group Company Limited. He graduated from City University of Hong Kong with an Honor degree in Finance. Mr. Lin is also a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants.

CHEUNG Lee Wah, 61, has been a Non-executive Director of the Company since October 2002. He has served as the General Manager for Wuhan Huachuang Enterprise Management Consulting Company Limited since 2001. Mr. Cheung was previously a Manager of Hilichamp Company Limited. He has a Bachelor's degree from McMaster University in Canada.

Anthony Philip HOPE, 61, has been a Non-executive Director of the Company since November 2002. Mr. HOPE has also been serving as Vice Chairman of the Board since August 25, 2005. Mr. HOPE was appointed Chairman of HSBC Insurance Holdings Limited in 1987 and Group General Manager of Insurance of HSBC Holdings plc in 1996, but he resigned from these positions with effect from October 31, 2006. Mr. HOPE retired on February 27, 2007 but remains as a Non-executive Director of the Company and the Vice Chairman of the Board. Mr. HOPE was appointed as a director of AIG Europe (UK) Limited from December 1, 2007 and as an Independent Non-executive Director of Paris Re Holdings, Zug, Switzerland (formerly Paris Re, Bermuda) from March 14, 2007.

LIN Lijun, 45, has been a Non-executive Director of the Company since May 2003 and is currently the Vice Chairman of the Company Union. Ms. Lin has served as the Chairman of the board of directors of Shenzhen New Horse Investment Development Co., Ltd. since 2000. Ms. Lin previously served as the Deputy General Manager of the Human Resources Department at the property & casualty insurance business of our Company from 1997 to 2000. She has a Bachelor's degree in Chinese Language and Literature from South China Normal University.

FAN Gang, 53, has been a Non-executive Director of the Company since May 2003. Mr. Fan is also a director of Shenzhen Jiangnan Industrial Development Co., Ltd. Mr. Fan has been the General Manager of the Chairman's Office of our Company since 2002. Mr. Fan joined our Company in 1988. Mr. Fan served as the General Manager of the Shenzhen Branch (Property & Casualty) of our Company from 1998 to 2000. Mr. Fan was previously the Deputy Director of the Insurance Management Committee of our Company. Mr. Fan has a Diploma in History from Hubei University.

HU Aimin, 59, has been a Non-executive Director of the Company since March 2004. Mr. Hu has served as the Chairman of the board of directors of Shenzhen Shum Yip Investment Development Company Limited since November 2003. Mr. Hu has also served as the Chairman of the board of directors of Shum Yip Holdings Company Limited and Shenzhen Investment Limited since April 2003 and June 2003 respectively. Mr. Hu previously served as the Secretariat to the People's Government of Shenzhen and the director of the general office of the People's Government of Shenzhen concurrently. Mr. Hu has a Master's degree in Management from Hunan University.

CHEN Hongbo, 56, has been a Non-executive Director of the Company since June 23, 2005. Mr. Chen has also been serving as Vice Chairman of the Board since August 2005. Mr. Chen is the Chairman and the Secretary of the Party Committee of Shenzhen Investment Holdings Co., Ltd. since September 2004 and was the Deputy Director of Shenzhen State-owned Assets Supervision and Administration Commission from April 2004 to September 2004 and the Assistant Director, the Deputy General Director of the Economic System Restructuring Office of Shenzhen Municipal Government from December 1992 to April 2004. Mr. Chen graduated from Zhongnan University of Economics and Law (previously Zhongnan University of Economics) with a Master's degree in Economics.

WONG Tung Shun Peter, 56, has been a Non-executive Director of the Company since May 2006. Mr. Wong has been HSBC Group General Manager and Executive Director of The Hongkong and Shanghai Banking Corporation Limited since April 2005, being responsible for the Hong Kong and mainland China businesses. Mr. Wong is currently also a Deputy Chairman of HSBC Bank (China) Company Limited, Chairman of Hubei Suizhou Cengdu HSBC Rural Bank Company Limited, HSBC Insurance (Asia) Limited and HSBC Life (International) Limited. A Director of Hang Seng Bank Limited and Bank of Communications Co., Ltd. Mr. Wong's banking career started in 1980 when he joined Citibank as Assistant Financial Controller, and was Director of Business Development, Deputy Managing Director and Director of Banking, Director of Sales, Services and Distribution Channels for Citibank's North Asian operations in 1996. Mr. Wong was appointed Head of Consumer Banking of Standard Chartered Bank in 1997 for its Hong Kong and China operations. In 2000, he was appointed Chief Executive and General Manager for Hong Kong, while simultaneously overseeing its China operations. In 2002, he was appointed a Director of Standard Chartered Bank, overseeing its Greater China operations. Mr. Wong was educated at Indiana University in the USA and holds a Bachelor's degree in computer science, a MBA in marketing and finance and a MSc in computer science.

NG Sing Yip, 57, has been a Non-executive Director of the Company since May 2006. Mr. Ng has been the Head of Legal and Compliance of the Hongkong and Shanghai Banking Corporation Limited since January 1998. Mr. Ng is admitted as a solicitor to the Supreme Courts of England, Hong Kong and Victoria, Australia. He previously worked as a Crown Counsel in the Attorney General's Chambers before going into private practice. Mr. Ng joined the Hongkong and Shanghai Banking Corporation Limited in June 1987 as Assistant Group Legal Consultant, and was later appointed Deputy Head of the Legal and Compliance Department in February 1993. Mr. Ng has a Bachelor's degree and a Master's degree in Laws (L.L.B. and L.L.M.) from the University of London, and also has a Bachelor's degree in Laws (L.L.B.) from Beijing University.

Independent Non-executive Directors

BAO Youde, 76, has been an Independent Non-executive Director of the Board since 2003 and previously has been a Non-executive Director of the Company since September 1995. Prior to retiring in 1999, he was a Deputy Chairman of the board of directors and the General Manager of the Shanghai International Trust Investment Company. In both 1988 and 1993, he was selected to serve as a representative in the Shanghai People's Congress. In 1987, Mr. Bao was selected to serve as a representative in the Chinese Communist Party's 13th Congress. He graduated from Shanghai University of Finance and Economics with a Diploma in Accounting.

KWONG Che Keung Gordon, 58, has been an Independent Non-executive Director of the Company since May 2003. Mr. Kwong is also independent non-executive director of a number of companies listed on the Stock Exchange, namely Cosco International Holdings Limited, Tianjin Development Holdings Limited, Beijing Capital International Airport Company Limited, Frasers Property (China) Limited, NWS Holdings Limited, China Oilfield Services Limited, Concepta Investments Limited, China Chengtong Development Group Limited, Global Digital Creations Holdings Limited, Quam Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Property Holdings Limited and ITIC 1616 Holdings Limited. From 1984 to 1998, Mr. Kwong was a partner of Pricewaterhouse and was a council member of the Stock Exchange from 1992 to 1997. He has a Bachelor of Social Science degree from the University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales.

CHEUNG Wing Yui, 58, has been an Independent Non-executive Director of the Company since May 2003. He received a Bachelor of Commerce degree in Accountancy from the University of New South Wales, Australia. Mr. Cheung is a member of CPA Australia. He has been a practising solicitor in Hong Kong since 1979 and is a consultant of the law firm Woo, Kwan, Lee & Lo. He has been admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore. Mr. Cheung is also an independent director or non-executive director of a number of companies listed on the Stock Exchange, namely SmarTone Telecommunications Holdings Limited, SUNeVision Holdings Limited, Tianjin Development Holdings Limited, SRE Group Limited, Tai Sang Land Development Limited, Hop Hing Holdings Limited and Agile Property Holdings Limited. In addition, he is a director of the Community Chest, a director of the Hong Kong Institute of Directors Limited, a council member of the Open University of Hong Kong, a member of the Appeal Board established under the Accreditation of Academic and Vocational Qualifications Ordinance and a member of the Board of Review (Inland Revenue Ordinance).

CHOW Wing Kin Anthony, 57, has been an Independent Non-executive Director of the Company since June 2005. Mr. Chow has been practicing as a solicitor in Hong Kong and is a partner of the law firm, Peter C. Wong, Chow & Chow. He is also a China-appointed attesting officer. He has been serving as an independent non-executive director of Fountain Set (Holdings) Limited since September 2004 and an independent non-executive director of Kingmaker Footwear Holdings Limited since May 1994 and subsequently a non-executive director. Mr. Chow has been appointed as an independent non-executive director of The Link Management Limited and Evergro Properties Limited (formerly Dragonland Limited), a company listed on the Singapore Stock Exchange since May 2006 and April 2006 respectively. Mr. Chow was the Vice Chairman of the Estate Agents Authority until October 31, 2006 and a member of the Hong Kong Housing Authority until May 8, 2006, and was a member of the Law Reform Commission of Hong Kong until October 31, 2007. He is the Chairman of the Process Review Panel of the Securities and Futures Commission, and a Council Member of The Hong Kong Institute of Education. He is also a member of National Committee of the Chinese People's Political Consultative Conference and a member of the Board of Stewards of the Hong Kong Jockey Club.

ZHANG Hongyi, 62, a Senior Economist, a fellow of the Hong Kong Institute of Bankers and a guest professor at the Graduate School of the People's Bank of China. Mr. Zhang has been an Independent Non-executive Director of the Company since March 19, 2007. He is currently a Director of Henderson (China) Investment Co. Ltd. from March 2008. In addition, Mr. Zhang is a council member of China Development Institute (Shenzhen, PRC), an independent Director of OCT Holdings Co., an independent Director of Shenzhen Rural Commercial Bank Ltd. and a Non-executive Director of the Bank of East Asia (China) Ltd. He previously served as the President of Shenzhen branch of Bank of China, Vice Mayor of Shenzhen Municiple Government; Deputy C.E.O. of Hong Kong & Macau Regional Office of Bank of China, Chairman of Nanyang Commercial Bank Ltd., Chairman of Hua Chiao Commercial Bank Ltd., Vice Chairman of Bank of China Credit Card (International) Co. Ltd.; General Manager of Macau branch of Bank of China, Managing Director of BANCO TAI FUNG, Chairman of Nam Tung Trust & Investment Co. Ltd., Chairman of Nantong Bank Ltd. (Zhuhai), Chairman of the Macau Bankers Association etc. He served as the Executive Vice President of China Development Institute (Shenzhen, PRC) from September 2006 to December 2007.

CHEN Su, 50, has been an Independent Non-executive Director of the Company since March 19, 2007. Mr. Chen is currently the Joint Secretary to the Committee of the Communist Party of China at the Institute of Law at the Chinese Academy of Social Science, the Deputy Director of the Research Department of the Institute of Law and the Deputy Director of the Research Department of the Institute of International Law and the Deputy Chairman of the Business Law Research Department of the Chinese Law Association. Mr. Chen was also a member of the Special Committee for Company Law Amendments of the Legality Office of the State Council and a member of the Special Committee for Securities Law Amendments of the Financial and Economics Affairs Committee of the National People's Congress.

XIA Liping, 70, has been an Independent Non-executive Director of the Company since June 7, 2007. Mr. Xia has served in various positions since 1963, including the Administrator of the Credit Administration Department and the Deputy Director of the General Administration Department of the People's Bank of China, the Director of the State Economy Commission's Finance and Treasury Department and the Deputy Director-General of the Financial Management Department, the Deputy Director-General of the Internal Auditing Department and the Director-General of the Currency, Gold and Silver Bureau of the People's Bank of China. Mr. Xia retired in 1999 and was appointed as the Secretary-General of the China Banking Association from May 2000 to December 2005.

SUPERVISORS

XIAO Shaolian, 74, has been an Independent Supervisor of our Company and the Chairman of our Supervisory Committee since August 1994 and May 2003 respectively. Mr. Xiao previously served as the Deputy Governor of the Shenzhen Branch of the People's Bank of China and Deputy Director of Shenzhen Foreign Exchange Administration Bureau concurrently.

SUN Fuxin, 69, has been an Independent Supervisor of our Company since May 2003. Mr. Sun is currently the Chairman of the board of directors of Tian Yi Investment Guarantee Company and the deputy director of Dalian Credit Ranking Commission. Prior to his retirement in April 2003, Mr. Sun served as the Deputy Governor of the Dalian Branch of Industrial and Commercial Bank of China Limited, the Deputy Secretariat of the People's Government of Dalian in charge of budget, finance, real estate and tax. Mr. Sun also previously served as the director of the Management Committee of Bank of Communication's Dalian Branch, the Securities Regulatory Office of Dalian, the general office of financial management of Dalian, Head of Dalian Real Estate Development Administration Office and the Resource Allocation of Underdeveloped Areas of Dalian and the Chairman of the board of directors of Dalian Commercial Bank.

DONG Likun, 65, has been an Independent Supervisor of our Company since May 2006. Mr. Dong is currently the Head of the Graduate School of Hong Kong Law of the Shenzhen University, senior researcher of the Hong Kong-Macau Research Centre of Development Research Centre of the State Council of the People's Republic of China, General Secretariat of the Chinese International Law Society, Deputy President of the Chinese International Private Law Society, Chief Secretariat of the Hong Kong-Macau Research Centre of the Guangdong Law Society and arbitrator at the China International Economic and Trade Arbitration Commission. Mr. Dong was previously the Head of the International Law Centre of The Shanghai Academy of Social Sciences, Dean of the School of Law of the Shenzhen University, a representative of the Shanghai People's Congress and Member of the Guangdong Political Committee. Mr. Dong graduated from the School of Law of the Beijing University.

DUAN Weihong, 39, has been a Supervisor of our Company since May 2003. Ms. Duan was the Chairperson of the board of Shenzhen Deng Feng Investment Group Company, Limited. She has an EMBA degree from the School of Economics & Management, Tsinghua University.

LIN Li, 44, has been a Supervisor representing the shareholders of our Company since May 2006. Mr. Lin is currently the Chairman of Shenzhen Liye Group Company Limited. Mr. Lin previously served at Bank of China Shenzhen Branch. Mr. Lin is a graduate of the School of Finance and Accounting of the Hubei Technical Academy.

CHE Feng, 38, has been a Supervisor representing the shareholders of our Company since May 2006. Mr. Che is currently the Chairman and Chief Executive Officer of Hong Kong Yaoche Technology Group Limited, and is the Executive Director of the Institute of International Relations at Peking University. Mr. Che was previously the Deputy Manager of Hainan Haiboh Enterprises Company Limited, Chairman of Hainan Hengye Real Property Development Company Limited and Chairman of Shanghai Tianjian Real Property Development Company Limited. Mr. Che graduated from the Graduate School of The Chinese Academy of Social Sciences.

HU Jie, 52, has been a Supervisor representing the employees of our Company since May 2006. Ms. Hu served as the Chairman of Ping An Property & Casualty. Ms. Hu has a Master's degree in Banking from the Nankai University and is a qualified senior accountant.

WANG Wenjun, 40, has been a Supervisor representing the employees of our Company since May 2006. Ms. Wang is also currently serving as the assistant to dean of group general office of the Company. Ms. Wang holds a Bachelor's degree from the Shanghai Foreign Languages University and a Master's degree in Public Administration from Xi'an Communication University.

DU Jiangyuan, 38, has been a Supervisor representing the employees of our Company since July 10, 2007. Mr. Du joined the Company in 1996 and is currently the Deputy General Manager of the Talent Management Department of the Company. He was previously the Deputy Manager of the Human Resource Department of Ping An Property & Casualty Insurance Company of China, Ltd. and Assistant to Deputy Manager of the Human Resource Department of the Company. Mr. Du holds a Master degree from the Shanghai University of Finance & Economics in economics.

SENIOR MANAGEMENT OF OUR COMPANY

See "DIRECTORS" for resumes of MA Mingzhe, CHEUNG Chi Yan Louis and SUN Jianyi.

LEUNG Ka Kui Dominic, 60, has been Executive Vice President and Chief Insurance Business Officer of our Company since June 2006 and March 2006 respectively. Mr. Leung joined our Company in January 2004 and served as Chairman and Chief Executive Officer of Ping An Life. From 1996 to 2003, he worked in Prudential Corporation Asia Ltd. as the Managing Director, Greater China. From 1989 to 1996, he worked in Taiwan Nanshan Life Insurance Company, Ltd. and his last position was the General Manager of the company. From 1975 to 1989, he worked in American International Assurance Company and his last position was Senior Vice President. Mr. Leung has a Bachelor's degree in Science from the Chinese University of Hong Kong.

Richard JACKSON, 52, Chief Finance Business Officer of our Company since November 2005, and President of Shenzhen Ping An Bank since March 2007 respectively. Mr. JACKSON joined our Company in November 2005. From 1985 to 2005, Mr. JACKSON served in various positions at Citibank, including Head of International Business for Citigroup Insurance International, and Financial Institutions Head for Asia Pacific, Chairman and CEO of Citibank Hungary, Director of Bank Handlowy in Poland and Country Manager and Consumer Business Head of Citibank Korea. From 1974 to 1985, Mr. JACKSON served as Deputy Manager for Hong Kong and Regional Marketing Manager for Asia in Commercial Union Assurance Corporation. Mr. JACKSON is the Fellow of the Chartered Insurance Institute.

KU Min-shen, 51, Senior Vice President of our Company since February 2003 and Chief Service & Operation Officer since April 2007. Mr. Ku joined our Company in May 2001. From February 2003 to January 2007, he served as Chief Human Resources Officer of our Company and from June 2001 to February 2003 he served as the Head of Human Resources of our Company. From 1995 to 2001, Mr. Ku served as Vice Chairman and President of Shanghai Van Den Bergh Company, Ltd., a joint venture between Unilever and Shanghai Sugar Cigarette and Wine (Group) Company, Ltd. and the Human Resources Director of Unilever HPC China. Mr. Ku has a Bachelor's degree in Educational Psychology from Fu Jen Catholic University of Taiwan.

John PEARCE, 45, Senior Vice President and Chief Investment Officer of our Company since January 2007, and Chairman of Ping An Asset Management (Hong Kong) since June 2007. Mr. PEARCE joined our Company in January 2007. From 2003 to 2006, he served as CEO of Colonial First State Investments Limited, and from 2000 to 2003 served as the General Manager of that company, responsible for investment businesses. From 1991 to 2000, Mr. PEARCE took various positions within the Australian Colonial Limited Group (now Commonwealth Bank Group), including Head of Funding, Head of Risk Management, Head of Financial Market and Head of Treasury Division. Mr. PEARCE has a Master's Degree in Applied Finance from Macquarie University.

WANG Liping, 51, Senior Vice President of our Company since January 2004. Ms. Wang joined our Company in June 1989 and served as Vice Chief Insurance Business Officer from July 2006 to January 2007. From August 2005 to July 2006, Ms. Wang was the Chairman and President of Ping An Annuity. From 2002 to 2004, she served as the Chairman and Chief Executive Officer of Ping An Life. From 1998 to 2002, she served as Vice President and Senior Vice President of our Company successively. From 1995 to 1997, she served as the General Manager of the Management Department and Vice President of the life insurance business of our Company. From 1994 to 1995, she served as the President of the Securities Department of our Company. Ms. Wang has a Master's degree in Monetary & Banking from Nankai University.

CAO Shifan, 52, Senior Vice President of our Company since April 2007. Mr. Cao joined our Company in November 1991. From March 2004 to April 2007, he was the Chairman of Ping An Property & Casualty. From December 2002 to April 2007, he served as the Chief Executive Officer of Ping An Property & Casualty. From December 2002 to June 2005, he was President of Ping An Property & Casualty. From April to December 2002, he was Senior Vice President of Ping An Insurance Company of China. Ltd. Mr. Cao has a Master's degree in Economics from Zhongnan University of Economics and Law (previously Zhongnan University of Economics).

GOH Yethun, 38, Senior Vice President and Chief Marketing Officer of our Company since January 2007 and August 2005, and General Manager of Development and Reform Center of our Company since September 2003. Mr. Goh joined our Company in February 2000 to take part in the group's e-commerce initiative, then served as Chief Operating Officer of Ping An Securities. From December 2004 to January 2007, Mr. Goh was the Vice President of our Company. From September 2003 to January 2007, he served as Head of Strategic Development of our Company. Before joining our Company, Mr. Goh was an engagement manager in McKinsey & Company. Mr. Goh has a Bachelor's degree in Economics from Hamilton College, USA.

LO Sai Lai, 45, Senior Vice President and Chief Information Officer of our Company since January 2007 and February 2006, and General Manager of the Information Management Center of our Company since February 2003. Mr. Lo joined our Company in June 2002. From February 2006 to January 2007, he served as the Vice President of our Company. From October 2003 to February 2006, he served as Head of Information Technology. From 2002 to 2003, he served as the General Manager of the Data Center of our Company. From 2001 to 2002, Mr. Lo worked as Senior Consultant of our Systems Development Center. From 1993 to 2001, Mr. Lo worked as a researcher at the University of Cambridge, a research engineer at the Olivetti Research Laboratory, a senior researcher at the Olivetti and Oracle Research Laboratories and a senior researcher at AT&T Laboratories – Cambridge. Mr. Lo has a Ph.D. in Computer Science from the University of Cambridge.

CHEN Kexiang, 50, Senior Vice President of our Company since January 2007. Mr. Chen joined our Company in December 1992. From February 2003 to January 2007, Mr. Chen served as Vice President of our Company. From June 2002 to May 2006, he served as General Secretary of the Board of our Company, and General Manager of the General Office from June 2002 to April 2007. From 1999 to 2002, Mr. Chen served as Senior Vice President and then President of Ping An Trust. From 1996 to 1999, Mr. Chen served as the Deputy Manager and General Manager of the General Office of our Company. From 1995 to 1996, Mr. Chen served as the General Manager of Ping An Building Management Company. Mr. Chen has a Master's degree in Finance from Zhongnan University (previously Zhongnan University of Economics).

JOINT COMPANY SECRETARIES

YAO Jun, 42, Chief Legal Officer and Joint Company Secretary of our Company since September 2003 and June 2004, and General Manager of Legal Department from April 2007. He was previously a partner of Commerce & Finance Law Offices. Mr. Yao is a Fellow of The Institute of Chartered Secretaries and Administrators (FCIS) and Fellow of The Hong Kong Institute of Chartered Secretaries (FCS), and has an L.L.M. degree from Peking University.

SENG Sze Ka Mee Natalia, 51, Joint Company Secretary of our Company since June 2004. Mrs. Seng is an Executive Director and Head of Corporate Services of Tricor Group. Prior to joining Tricor, she was a Director of Company Secretarial Services at Ernst & Young, Hong Kong and Tengis Limited from 1994 to early 2002. Mrs. Seng is a Chartered Secretary, President, Council Member and Fellow of The Hong Kong Institute of Chartered Secretaries, a Fellow of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Directors. She holds a Master's degree in Business Administration (Executive) from City University of Hong Kong. Apart from the Company, she has been serving many listed clients over these years.

QUALIFIED ACCOUNTANT

MAK, Wai Lam William, 44, Qualified Accountant and Deputy Chief Financial Officer of our Company since December 2006 and March 2007, and General Manager of Financial Department and Accounting Department of our Company from May 2007. Before that, Mr. Mak served as Vice President and Chief Financial Officer of Ping An Life. Mr. Mak joined our Company in December 2005. Before joining our Company, he worked in various insurance companies including New York Life International LLC, Sun Life Financial (Hong Kong) Ltd., Bank of China Group Life Insurance Co. Ltd., American International Assurance Co. Ltd. successively. Mr. Mak has a Master's degree in Professional Accounting from the Hong Kong Polytechnic University. Mr. Mak is the Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Fellow member of the Association of Chartered Certified Accountants of England.

Growing together with

ceaseless dedication

Business Review

In 2007, with our principal operating subsidiaries, namely Ping An Life, Ping An Property & Casualty, Ping An Trust, Ping An Securities, Shenzhen Ping An Bank, Ping An Annuity, Ping An Health , Ping An Asset Management and Ping An Asset Management (Hong Kong), we offered our customers a wide range of financial products and services under a single brand name through our multi-channel distribution network. We are growing profitably and reached new historic highs in net profit across our broad portfolio of businesses.

LIFE INSURANCE

We conduct our life insurance business through Ping An Life, Ping An Annuity and Ping An Health. Ping An Life is the second largest life insurance company in the PRC in terms of gross written premiums, policy fees and premium deposits. In 2007, our life insurance business accounted for approximately 16.0% of the total gross written premiums, policy fees and premium deposits received by the PRC life insurance companies, based on our financial data and the PRC insurance industry data calculated in accordance with the PRC Accounting Standards. The following tables set forth certain financial data for our life insurance business:

For the year ended December 31, (in RMB million, except percentages)	**2007**	2006
Gross written premiums and policy fees	**59,913**	53,622
Individual life insurance	**51,577**	45,870
Bancassurance	**678**	928
Group insurance	**7,658**	6,824
Premium deposits	**19,270**	14,580
Individual life insurance	**12,714**	9,296
Bancassurance	**6,556**	5,284
Gross written premiums, policy fees and premium deposits	**79,183**	68,202
Market share of gross written premiums, policy fees and premium deposits(1)	**16.0%**	17.0%

(1) Based on our financial data and the PRC insurance industry data calculated in accordance with the PRC Accounting Standards and published by the CIRC.

The following tables set forth certain operating data for Ping An Life:

As at or for the year ended December 31,	**2007**	2006
Number of customers:		
Individual (in thousand)	**33,808**	31,761
Corporate (in thousand)	**351**	307
Total (in thousand)	**34,159**	32,068
Persistency ratio:		
13-month	**90.4%**	89.0%
25-month	**81.2%**	80.3%
Agent productivity:		
First year premiums, policy fees and premium deposits per agent per month	**5,316**	4,737
New life insurance policies per agent per month(1)	**1.3**	1.2

(1) Starting from 2007, new insurance policies will not take into account policies containing guaranteed renewal terms, the comparative figures of 2006 have been restated to conform to the current year's presentation.

Through our extensive distribution network, we sell a full range of risk and savings products that address the needs of our customers at every stage of their lives.

We are one of the most profitable life insurance companies in the PRC. In 2007, Ping An Life continued to enhance its business performance by executing the "Two-Tier Market Development" strategy, product innovation and service enhancement. As a result, the gross written premiums, policy fees and premium deposits from our individual life insurance products accounted for approximately 81.2% of our life insurance business in 2007, compared to approximately 80.9% in 2006. We will continue to focus on regular premium individual life insurance products that provide us with a stable revenue stream and generate sustainable longer term profits. In addition, the value of one year's new business was RMB7,187 million, representing an increase of 40.0% from the previous year.

In 2007, our group life insurance business focused on employee welfare benefits program. We continued to rationalize our group insurance business model and achieved positive results from our business transformation.

Regarding our bancassurance business, we continued to explore innovative partnership programs with other banks to sell more sophisticated insurance products to our customers.

Quality Improvements

Through the continued refinement of our sales agents training system, we enhanced the productivity and professionalism of our sales agents. We have also continued our efforts in enhancing customer service. As a result, the 13-month and 25-month persistency ratios for our individual life insurance customers maintained at a satisfactory level of above 90% and 80% respectively in 2007.

Legacy High Guaranteed Return Products

Like other major PRC life insurance companies, we offered life insurance products with relatively high guaranteed rates of return equal to or in excess of 5% from 1995 to 1999, primarily as a result of the prevailing high market interest rates in that period. In June 1999, the CIRC imposed a cap of 2.5% with respect to the guaranteed rate of return a life insurance company may offer on its products. As a result, we have offered guaranteed return products with rates of return equal to or less than 2.5% since June 1999. The average liability costs for all of our guaranteed return life insurance products and only those products with high guaranteed rates of return were 4.7% and 6.1% respectively as at December 31, 2007. The respective average liability costs were 4.5% and 6.4% as at December 31, 2006. The increase in average liability costs for all our guaranteed return products was mainly due to the increase in dividends payment for our participating products and the increase in credited return for our universal life products as a result of better investment return achieved in 2007. The policyholders' reserves for life insurance policies with high guaranteed rates of return as calculated based on our PRC Accounting Standards financial data represented 35.1% of our total policyholders' reserves as at December 31, 2007 compared to 37.3% as at December 31, 2006. We expect these high guaranteed return life insurance policies as a percentage of our total in-force life insurance policies to decline as our new policies with lower or no guaranteed rates of return continue to grow.

Distribution Network

Our life insurance products are primarily distributed through a distribution network that includes a sales force of approximately 301,801 individual life insurance sales agents, approximately 2,857 group insurance sales representatives and approximately 26,310 branch offices of China Post and commercial banks in the PRC that have bancassurance arrangements with us.

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

As at December 31,	**2007**	2006
Number of individual life sales agents	**301,801**	205,437
Number of group sales representatives	**2,857**	2,127
Bancassurance outlets	**26,310**	24,214

Customers

In 2007, approximately 46.4% of the gross written premiums, policy fees and premium deposits received by our life insurance business were attributable to customers located in Guangdong, Shanghai, Beijing, Jiangsu and Liaoning, which are among the more economically developed areas in the PRC. We believe these and other more economically developed areas will continue to offer greater potential for further profitable growth. Meanwhile, we will actively implement the "Two Tier Market Development" strategy to further explore the market potential in rural areas. As at December 31, 2007, we had approximately 33.81 million individual customers and approximately 0.35 million corporate customers.

Ping An Annuity

Ping An Annuity was set up on December 13, 2004. Having obtained approval from the CIRC on December 27, 2006, Ping An Annuity conducted its business restructuring. Following the restructuring, the principal business of Ping An Annuity remains to be corporate annuity and temporary supplementary pension in line with corporate annuity while at the same time gradually integrate the group insurance business from Ping An Life. As at December 31, 2007, Ping An Annuity has a registered capital of RMB500 million. Ping An Annuity has already set up 35 branches and has obtained approval to set up 127 central sub-branches across the country, of which 30 sub-branches (or central sub-branches) have already started operation.

In November 2007, Ping An Annuity successfully obtained the qualification for corporate annuity account administrator, since then, it became one of the few annuity insurance companies with three business licenses to expand its business coverage. As at December 31, 2007, the corporate annuity assets under trust was RMB4,983 million, and the assets under investment management was RMB5,050 million.

Ping An Health

Ping An Health was set up on June 13, 2005, with a registered capital of RMB500 million. It is one of the foremost companies to be granted an approval to provide health specialty insurance. As at December 31, 2007, Ping An Health has set up 3 branches in Shanghai, Guangdong and Beijing, established initially a medical network covering 12 major cities across the country, and launched 8 innovative products for individual and group health insurance and health services to middle to high-end customers.

PROPERTY AND CASUALTY INSURANCE

We conduct our property and casualty insurance business through Ping An Property & Casualty and Ping An Hong Kong. Ping An Property & Casualty is the third largest property and casualty insurance company in the PRC in terms of gross written premiums. In 2007, our property and casualty insurance business accounted for approximately 10.3% of the total gross written premiums received by the PRC property and casualty insurance companies, based on our financial data and the PRC insurance industry data calculated in accordance with the PRC Accounting Standards. The following tables set forth certain financial and operating data for our property and casualty insurance business:

For the year ended December 31, (in RMB million, except percentages)	**2007**	2006
Gross written premiums	**20,493**	16,074
Automobile	**14,319**	11,057
Non-automobile	**5,087**	4,207
Accident and health	**1,087**	810
Market share of gross written premiums[1]	**10.3%**	10.7%

(1) Based on our financial data and the PRC insurance industry data calculated in accordance with the PRC Accounting Standards and published by the CIRC.

As at or for the year ended December 31,	**2007**	2006
Combined ratio:		
Expense ratio	**32.6%**	25.8%
Loss ratio	**66.0%**	69.6%
Combined ratio	**98.6%**	95.4%
Number of customers:		
Individual (in thousand)	**7,140**	6,222
Corporate (in thousand)	**1,617**	1,724
Total (in thousand)	**8,757**	7,946

In 2007, Ping An Property & Casualty implemented more stringent risk-selection policy. The domestic agricultural insurance business increased rapidly in 2007, while we limited our participation in this area. As a result, we recorded a slight decrease in market share.

In 2007 we saw more intensified market competition and increased policy acquisition cost, earning from our property and casualty insurance business was under pressure and the combined ratio increased.

Gross written premiums and net profit for our property and casualty insurance business reached RMB20,493 million and RMB2,073 million in 2007, representing an increase of 27.5% and 97.8% respectively from the previous year. The growth came from all business segments in terms of product types, by distribution channels, geographic regions and customer types.

Quality Improvements

We continued to focus on disciplined underwriting and service enhancement. This strategy has enabled us to improve our loss ratio significantly. As a result, our loss ratio improved to 66.0% in 2007 from 69.6% in 2006.

Distribution Network

The distribution network for our property and casualty insurance products includes 40 branch offices located in substantially all of the PRC's provinces, autonomous regions and municipalities, together with over 1,500 sub-branches located throughout the PRC. We distribute our property and casualty insurance products primarily through our in-house sales representatives and through various intermediaries, such as banks and automobile dealerships, and insurance brokers.

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

As at December 31,	**2007**	2006
Number of direct sales representatives	**10,420**	8,424
Number of insurance agents	**10,948**	10,868

Customers

In 2007, approximately 46.5% of the gross written premiums from our property and casualty insurance business were attributable to customers located in Guangdong, Shanghai, Beijing, Zhejiang and Jiangsu, which are among the more economically developed areas in the PRC. We believe these and other more economically developed areas will continue to offer greater potential for further profitable growth. As at December 31, 2007, we had approximately 7.14 million individual customers and approximately 1.62 million corporate customers.

SHENZHEN PING AN BANK

Year 2007 represented another milestone for our banking business. Subsequent to acquiring 89.36% equity interests of Shenzhen Commercial Bank by way of equity transfer and capital injection in the end of 2006, the Company further consolidated its banking business. Approved by the CBRC, the merger of SZCB and the former Ping An Bank was completed in the second half of 2007, and SZCB was renamed as Shenzhen Ping An Bank which becomes the sole banking brand of the Company. Shenzhen Ping An Bank has transformed from a local bank in Shenzhen into a regional bank headquartered in Shenzhen, and has branches in Shenzhen, Shanghai and Fuzhou, providing comprehensive financial services and products for corporate and individual clients.

During business consolidation, Shenzhen Ping An Bank recruited a number of banking professionals who had held key positions in renowned international and domestic financial institutions, thus forming a high quality management team with international experience and vision. Shenzhen Ping An Bank sticks to the operational concepts of Professionalism, Value and Innovation, and makes full use of its international standards and local advantages to actively promote its corporate, consumer and credit card businesses etc, and to provide first-class services to its clients.

In 2007, both corporate and consumer businesses of Shenzhen Ping An Bank achieved sound and steady development. Its corporate business focused on the development of innovative financial products and services for small and medium enterprises and brand building of its "Ying Dong Li (贏動力)" business and achieved breakthrough in SME business. The consumer business pursued development through innovation and issued "Jixiang" debit card, the virtual service channels which based on individual internet banking and customer service center also realized fast customer growth. The wealth management business gained significant growth and launched the "Anchor Wealth Management" brand and other wealth management products. The credit card business developed rapidly, "China Ping An Wanlitong Affinity Credit Card" was launched in May, and "Ping An Credit Card" ("Ping An Card") was officially launched in August following the bank's consolidation and renaming. Therefore, apart from the mutual complementary credit card series comprising "Ping An Card" and "Wanlitong Card", a one-stop financial consumption model based on the "Ping An Jixiang" dual-card platform was initially structured. As at the end of 2007, the bank issued a total of approximately 300,000 credit cards, while its credit card customer service center was honored the "Best Call Centre in China 2007". In 2007, Shenzhen Ping An Bank established cross-selling service model by leveraging on the group's integrated financial services platform.

As at December 31, 2007, Shenzhen Ping An Bank had a registered capital of RMB5,461 million, total assets of RMB141,619 million, deposit balances of RMB113,053 million and loan balances of RMB61,900 million. The capital adequacy ratio was 9.1% and non-performing loan ratio was 0.8%. The overall loan quality significantly improved.

Looking forward, with its sound fundamentals and strong customer base, and the support of a nation-wide sales network, strong brand and management systems provided by the Group, Shenzhen Ping An Bank will develop into a national bank with international management quality, mainly targeting retail customers and small and medium-sized enterprises business.

PING AN TRUST

We provide asset management services to our customers through Ping An Trust. In addition, Ping An Trust also provides infrastructure investment and property investment services to our other subsidiaries. As at December 31, 2007, Ping An Trust had a registered capital of RMB4,200 million. In 2007, our trust business seized the available opportunities in the market and launched a series of products which mainly included securities investment trust and infrastructure investment trust. This product innovation will provide our trust business with new opportunities for revenue growth. As at December 31, 2007, assets held in trust reached RMB47,519 million.

PING AN SECURITIES

We conduct our securities business through Ping An Securities, and provide securities services to customers through 22 branch offices nationwide and through our PA18 Internet financial portal. The principal services that we provide to our customers are brokerage services, investment banking services, asset management services and research and consulting services. In 2006, we were given the approval as one of the innovative securities companies to engage business innovation. As at December 31, 2007, Ping An Securities had a registered capital of RMB1,800 million. In 2007, the stock market recorded new highs in terms of both transaction volume and new capital being raised. Our traditional business and innovative business also recorded robust growth. Ping An Securities recorded a net profit of RMB1,492 million in 2007, the highest ever recorded since its incorporation. In August 2007, in accordance with Guidelines for Supervision of Securities Companies by Categories (Trial), Ping An Securities was classified as Category A Grade A. This represented that the regulatory authority highly ratified its risk management and legal compliance, and provided good basis for developing various innovative businesses.

PING AN ASSET MANAGEMENT

In 2007, the registered capital of the Ping An Asset Management increased to RMB500 million from RMB200 million, the capital base was enhanced substantially. The scale of asset-under-management continued to secure a steady growth. Total investment income and total investment yield increased rapidly and third-party asset management business showed a promising start. In terms of internal management, it optimized overall organizational structure, further improved business process, internal control management, the system of risk measure and performance evaluation, and enhanced investment management capacity constantly.

PING AN ASSET MANAGEMENT (HONG KONG)

Ping An Asset Management (Hong Kong) was incorporated on May 16, 2006, and obtained the license (type 9) from Hong Kong Securities and Futures Commission on January 3, 2007. Being responsible for our overseas investment management business, it intends to provide Hong Kong and overseas investment products and third party assets management service to domestic and overseas institutional investors, in addition to being entrusted to manage investment assets of our other subsidiaries. Ping An Asset Management (Hong Kong) has set up an experienced international investment team to continuously enhance our investment capability. We believe this unit will help further improve the matching of assets and liabilities and enhance the risk adjusted return of our insurance assets. It can also provide innovative products and services to increase our overall competitiveness.

NATIONWIDE INTEGRATED OPERATING CENTER

In 2007, the first phase construction work of our nationwide Integrated Operating Center was completed and commenced full operation. As at the end of 2007, the operation platform had achieved the following progress:

- Centralization of our individual life insurance underwriting and claims functions fully completed while centralization of policyholder services completed around 50%;

- Centralization of claims processing of automobile insurance and property and casualty insurance fully completed;

- Centralization of all accounting activities of property and casualty insurance, life insurance, annuity, health insurance and securities companies fully completed;

- Centralization of a national call center completed and starting to provide services for our life insurance and property and casualty insurance customers;

- The second operating center in Chengdu commenced operation and performed over 45% of our domestic activities.

As a result of the accelerated implementation of the Group's integrated financial strategies, a centralized operating platform is being developed and continuously improved and the benefits from the enhancement of efficiency service, risk control and reduction of operating costs are gradually revealing. With such strong backup, the Company, by adhering to its integrated financial strategy of "One customer, Multiple products", has speeded up the pace of consolidating its products, services and distribution channels, which as a result improves the proactiveness and efficiency of its front line multi financial products sales and strengthens the Group's cross-selling capability. It is believed the continuously strengthening operating platform will provide tremendous support for us when launching innovative integrated financial products as well as competing in the international financial market.

CROSS SELLING

The Company's cross-selling of financial products was further strengthened and contributions from which had significantly increased as compared with last year. In 2007, the business performance of cross-selling was encouraging, with gross written premiums generated by way of cross-selling amounting to RMB2,834 million for property and casualty insurance; RMB319 million for corporate annuity; RMB2,899 million for trust business. Meanwhile, the Company's cross-selling business of bank products has fully commenced, of which, approximately 209,200 credit cards were cross sold through our individual life insurance agents, whereas cross-selling between individual life insurance and trust business were also launched and achieved satisfactory results.

REGULATORY DEVELOPMENTS

In 2007, the State Council, the CIRC and other relevant PRC regulatory authorities promulgated a series of new or amended laws and regulations.

Notice on the Rules of Preparing Solvency Margin Report

On January 17, 2007, the CIRC issued the "Notice on the Rules of Preparing Solvency Margin Report". This notice provides detailed requirements for insurance companies in preparation of their solvency margin report. On July 27, 2007, the CIRC also announced the establishment of the China Insurance Solvency Margin Standard Committee and clearly defined the roles and responsibilities of the committee, its operating structure and working process. The above measures will play an active role in promoting the healthy development of the insurance industry.

Administrative Measures Regarding Information Disclosure by Listed Companies

On January 30, 2007, the Administrative Measures Regarding Information Disclosure by Listed Companies as promulgated by CSRC came into effective. These measures included derivative products for the first time in information disclosure and provided detailed requirements for 20 kinds of significant events that require provisionary information disclosures. They also comprehensively provided the administrative procedures regarding internal information disclosure by listed companies and the responsibilities and obligations of the relevant personnel. These rules serve to regulate the information disclosure responsibilities of the issuers, the listed companies and other obligators as well as strengthen the listed issuers' information disclosure administration and protect the legal interest of investors.

Measures for the Administration of Trust Companies

On January 23, 2007, the Measures for the Administration of Trust Companies as promulgated by the CBRC came into effect. These measures further perfect and standardize the rules and regulations on trust on the basis of the existing Trust Law of the PRC. These measures provided certain new terms regarding the inherent businesses, connected transactions, qualified investors, the number of natural persons and trust loans of trust companies, which is conducive to the further growth of domestic trust companies. These measures took effect from March 1, 2007.

Notice on the Investment of Separated-Convertiblebond (Warrants and Bonds) by Insurance Companies

On March 27, 2007, the CIRC promulgated the Notice on the Investment of Separated-Convertiblebond (Warrants and Bonds) by Insurance Companies which allows insurers to invest in separated-convertiblebond.

Provisionary Administrative Measures Regarding Connected Transactions of Insurance Companies

On April 6, 2007, the CIRC promulgated the Provisionary Administrative Measures Regarding Connected Transactions of Insurance Companies, which confirmed the definition of the connected transactions of insurance companies and the administration of connected transactions by the Company. These measures took effect from the date of promulgation.

Trial Measures for the Administration of Overseas Securities Investment by Qualified Domestic Institutional Investors

On June 18, 2007, the CSRC promulgated the Trial Measures for the Administration of Overseas Securities Investment by Qualified Domestic Institutional Investors and relevant implementation notice. Such measures provide detailed provisions on the content and implementation in areas covering QDII admission conditions, product design, fund raising, overseas investment consultation, assets custody, investment operation and information disclosure, forming the complete rules and regulations for fund companies and securities dealers when conducting QDII business. These measures took effect from July 5, 2007.

Guidelines for Supervision of Securities Companies by Categories (Trial)

On July 2, 2007, the CSRC promulgated the Guidelines for Supervision of Securities Companies by Categories (Trial) and relevant notices which signify a new categorization supervision based on "the risk management ability of securities companies and their respective market influences" has come to the finalization stage. In respect of risk management ability, it laid out 69 assessment indicators under six categories including the financial strength of securities companies, protection of clients' interests, compliance, corporate governance, internal control and transparency. Securities companies are accordingly divided into 11 grades under five major categories, i.e. A, B, C, D and E according to their risk management scores.

The Interim Measures for the Overseas Investment of Insurance Funds

On July 26, 2007, the Interim Measures for the Overseas Investment of Insurance Funds jointly promulgated by CIRC, PBOC and SAFE came into effect, under which the form and category of overseas investments allowed for insurance companies have been expanded, and the aggregate overseas investment amount shall not exceed 15% of the total assets of the trustor as at the end of the previous year. The promulgation of these measures is conducive to the application of the insurance funds of the Company in the form of overseas investment.

Trial Measures for the Issuance of Corporate Bonds

On August 14, 2007, CSRC announced the implementation of the Trial Measures for the Issuance of Corporate Bonds. These measures signify the commencement of the issuance of corporate bonds, realize the guidelines on establishing a market-oriented corporate bonds issuance regulatory system and set up a corporate bonds market with credibility of the issuers as its core mechanism, making better use of the market itself in the corporate bonds market.

The Administrative Measures for the Pension Insurance Business of Insurance Companies

On November 2, 2007, CIRC issued the Administrative Measures for the Pension Insurance Business of Insurance Companies, which came into effect on January 1, 2008. These measures play an important role in regulating the pension insurance business of insurance companies, protecting the legitimate rights and interests of parties concerned in pension insurance business activities and enhancing the healthy development of insurance industry and perfecting the multi-layer old-age security system.

Growing together with ceaseless dedication

Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended December 31, 2007.

1. Principal activities

The principal activities of the Group comprise the provision of a wide range of financial products and services with a focus on life and property and casualty insurance products. There were no significant changes in the nature of the Group's principal activities during the year.

2. Results and dividends

The Group's net profit in 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 78 to 162.

On August 16, 2007, the Directors declared an interim dividend of RMB0.20 per share for the six months ended June 30, 2007, which was paid to the shareholders on September 7, 2007.

The Board recommend the payment of a final dividend of RMB0.50 per share totalling RMB3,673 million in respect of the year to shareholders of the Company. Holders of H shares whose names appear on the Company's register of members maintained by Computershare Hong Kong Investor Services Limited on Tuesday, May 13, 2008 will be entitled to the final dividend. The record date entitling holders of A shares of the Company to the final dividend will be separately announced by the Company in the PRC.

3. Summary financial information

A summary of the published results, assets and liabilities of the Group for the last five financial years, is set out as follows:

Profit and loss **For the year ended December 31,** **(in RMB million)**	2003	2004	2005	2006	**2007**
Total Income	66,623	63,193	64,995	88,198	**137,051**
Net Profit	2,327	3,146	4,265	8,000	**19,219**

Balance sheet **As at December 31, (in RMB million)**	2003	2004	2005	2006	**2007**
Total Assets	206,044	264,439	319,706	494,435	**691,298**
Total Liabilities	192,755	235,812	286,184	446,685	**577,447**
Total Equity	13,289	28,627	33,522	47,750	**113,851**

* Certain comparative figures have been reclassified or restated. See footnotes in "Financial Highlights" for further details.

4. Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

5. Charitable donations

Charitable donations made by the Company during 2007 totaled RMB4 million.

6. Property and equipment and investment properties

Details of movements in property and equipment and investment properties of the Group during the year are set out in notes 28 and 27 to the consolidated financial statements.

7. Share capital

During 2007, the change in the share capital structure of the Company is as follows:

	January 1, 2007		Increase in the year		December 31, 2007	
	Number	Percentage (%)	Number	Percentage (%)	Number	Percentage (%)
A shares	3,636,409,636	58.70	1,150,000,000	100.00	4,786,409,636	65.17
H shares	2,558,643,698	41.30	–	–	2,558,643,698	34.83
Total	6,195,053,334	100.00	1,150,000,000	100.00	7,345,053,334	100.00

The Company issued 1.15 billion ordinary A Shares with par value of RMB1.00 at the offer price of RMB33.80 per A share in February 2007. The A Shares were listed on the Shanghai Stock Exchange on March 1, 2007. The net proceeds from the issue of A Shares amounted to RMB38,222 million and were used to replenish the capital of the Company as stated in the A share prospectus of the Company.

8. Pre-emptive rights

There are no provisions regarding pre-emptive rights under the PRC Company Law or the Articles of Association, which would oblige the Company to issue new shares to its existing shareholders in proportion to their existing shareholdings.

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

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

10. Distributable reserves

As at December 31, 2007, the Company's reserves available for distribution, calculated in accordance with the relevant regulations, totaled RMB5,587 million, of which RMB3,673 million has been proposed as a final dividend for the year. After deduction of such proposed final dividend, the retained profits (including unrealised gains arising from the fair value changes of the financial assets carried at fair value through profit or loss) were carried forward to 2008. In addition, the Company's capital reserve and surplus reserve fund, in the amount of RMB57,562 million, may be distributed by a future capitalization issue.

11. Major customers

In the year under review, gross written premiums, policy fees and premium deposits from the Group's five largest customers accounted for less than 2% of the total gross written premiums, policy fees and premium deposits for the year.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

12. Directors and Supervisors

The Directors of the Company during the year were as follows:

Name	Date of Appointment as Director
Executive Directors:	
MA Mingzhe	March 21, 1988
SUN Jianyi	March 29, 1995
CHEUNG Chi Yan Louis	May 25, 2006
Non-executive Directors:	
HUANG Jianping (resigned on March 19, 2007)	May 30, 2002
LIN Yu Fen	October 8, 2002
CHEUNG Lee Wah	October 8, 2002
Anthony Philip HOPE	November 25, 2002
LIN Lijun	May 16, 2003
FAN Gang	May 16, 2003
DOU Wenwei (resigned on March 19, 2007)	May 16, 2003
SHI Yuxin (resigned on March 19, 2007)	October 10, 2003
HU Aimin	March 9, 2004
CHEN Hongbo	June 23, 2005
WONG Tung Shun Peter	May 25, 2006
NG Sing Yip	May 25, 2006
Independent Non-executive Directors:	
BAO Youde	September 27, 1995
KWONG Che Keung Gordon	May 16, 2003
CHEUNG Wing Yui	May 16, 2003
CHOW Wing Kin Anthony	June 23, 2005
ZHANG Hongyi	March 19, 2007
CHEN Su	March 19, 2007
XIA Liping	June 7, 2007

The supervisors of the Company during the year are as follows:

Name	Position	Date of Appointment as Supervisor
XIAO Shaolian	Independent Supervisor	August 3, 1994
SUN Fuxin	Independent Supervisor	May 16, 2003
DONG Likun	Independent Supervisor	May 25, 2006
DUAN Weihong	Supervisor	May 16, 2003
LIN Li	Supervisor	May 25, 2006
CHE Feng	Supervisor	May 25, 2006
HU Jie	Supervisor	May 25, 2006
HE Shi (resigned on July 10, 2007)	Supervisor	May 16, 2003
WANG Wenjun	Supervisor	May 25, 2006
DU Jiangyuan	Supervisor	July 10, 2007

There were no changes to the Directors and Supervisors from January 1, 2008 to the date of the annual report.

The Company has received annual confirmations of independence from Messrs. Bao Youde, Kwong Che Keung Gordon, Cheung Wing Yui, Chow Wing Kin Anthony, Zhang Hongyi, Chen Su and Xia Liping and as of the date of the annual report continues to consider them to be independent as defined under the Listing Rules.

13. Biographical details of Directors, Supervisors and members of the senior management

Biographical details of Directors, Supervisors and members of the senior management are set out from page 10 to page 15 of this annual report.

14. Directors' and Supervisors' service contracts and remuneration

On May 10, 2004, our Company entered into a service contract with each of Mr. MA Mingzhe and Mr. SUN Jianyi being Executive Directors for a term of three years. On May 25, 2006, our Company has reappointed Mr. MA Mingzhe and Mr. SUN Jianyi being Executive Directors for a term of further three years and on the same day, our Company also entered into a service contract with Mr. CHEUNG Chi Yan Louis, being Executive Director for a term of three years. The service contracts for the Executive Directors are subject to termination by either party giving not less than six months' written notice to the other party. Pursuant to the Articles of Association, the remuneration of the Directors and Supervisors will be determined by the shareholders of the Company in general meetings.

Apart from the foregoing, no Director or Supervisor has a service contract with the Company which is not terminable by the Company within one year without payment of compensation other than statutory compensation.

Details of remuneration of the Directors and Supervisors for the year ended December 31, 2007 are set out in note 45 to the financial statements.

15. Directors' and Supervisors' interests in material contracts

None of the Directors or Supervisors had a material interest, directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party to during 2007.

16. Directors' and Supervisors' interests and short positions in shares

As at December 31, 2007, the interests and short positions of the Directors and Supervisors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and Supervisors of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules, were as follows:

Interests in ordinary shares of the Company

Name of Director/ Supervisor	Position	H/A Shares	Capacity	No. of H/A Shares	Nature of interest	Percentage of total number of H/A Shares in issue (%)	Percentage of total shares in issue (%)
Cheung Chi Yan Louis	Executive Director	H	Beneficial owner	248,000	Long position	0.01	0.003
Chow Wing Kin Anthony	Independent Non-executive Director	H	Interest held jointly with another person*	7,500	Long position	0.00029	0.000
Lin Li	Supervisor	A	Interest of controlled corporations**	176,000,000	Long position	3.68	2.40

* Chow Wing Kin Anthony jointly held these Shares with Chow Suk Han Anna.

** Lin Li was interested in the Company by virtue of his control over 93.33% shareholding of Shenzhen Liye Group Company Limited, which held a direct interest in 176,000,000 shares in the Company.

Save as disclosed above, as at December 31, 2007, none of the Directors or Supervisors held or was deemed to hold any interests or short positions in the shares and underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors or Supervisors to the Company and the Stock Exchange pursuant to the Model Code nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

17. Directors' and Supervisors' rights to acquire shares

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, Supervisors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors or Supervisors to acquire such rights in any other body corporate.

18 Directors' and Supervisors' interests in a competing business

During 2007 and up to the date of this annual report, the following Directors are considered to have interests in a business which competes or is likely to compete, directly or indirectly, with the business of the Group, as defined in the Listing Rules, as set out below:

Mr. Wong Tung Shun Peter, a Non-executive Director of the Company, is currently an Executive Director of The Hongkong and Shanghai Banking Corporation Limited, and a Deputy Chairman of HSBC Bank (China) Company Limited which is the largest among foreign banks in mainland China and offers a wide range of banking and financial services by an ever-expanding network. As Shenzhen Ping An Bank, a subsidiary of the Company, is primarily engaged in commercial banking business in the PRC as approved by the CBRC, the authorized banking business of The Hongkong and Shanghai Banking Corporation Limited has, to a certain extent, overlapped and thus may compete with those of Shenzhen Ping An Bank.

Also Mr. Wong Tung Shun Peter is the Chairman of HSBC Insurance (Asia) Limited and HSBC Life (International) Limited. As Ping An Hong Kong, a subsidiary of the Company, is authorized by the Hong Kong Insurance Authority to conduct property and casualty insurance business, the respective authorized insurance business of HSBC Life (Insurance) Limited and HSBC Insurance (Asia) Limited has, to a certain extent, overlapped that thus may compete with those of Ping An Hong Kong.

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

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

As at December 31, 2007, the following persons (other than the Directors and Supervisors of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

(i) Interests and short positions of substantial shareholders who are entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of the Company:

Name of substantial shareholder	H/A Shares	Capacity	*Notes*	No. of H/A Shares	Nature of interest	Percentage of total number of H/A Shares in issue (%)	Percentage of total shares in issue (%)
HSBC Holdings plc	H	Interest of controlled corporations	*1,2,3*	1,233,870,388	Long position	48.22	16.80

(ii) Interests and short positions of other substantial shareholders:

Name of substantial shareholder	H/A Shares	Capacity	*Notes*	No. of H/A Shares	Nature of interest	Percentage of total number of H/A Shares in issue (%)	Percentage of total shares in issue (%)
HSBC Insurance Holdings Limited	H	Beneficial owner	*1*	618,886,334	Long position	24.19	8.43
The Hongkong and Shanghai Banking Corporation Limited	H	Beneficial owner	*3*	614,099,279	Long position	24.00	8.36
Shenzhen Investment Holdings Co., Ltd.	A	Beneficial owner		543,181,445	Long position	11.35	7.40
Shenzhen Jingao Industrial Development Co., Ltd.	A	Beneficial owner	*4*	331,117,788	Long position	6.92	4.51
Ping An Securities Company, Ltd. Labor Union	A	Interest of controlled corporations	*4*	331,117,788	Long position	6.92	4.51
China Ping An Trust & Investment Co., Ltd. Labor Union	A	Interest of controlled corporations	*4*	331,117,788	Long position	6.92	4.51
Shenzhen New Horse Investment Development Co., Ltd.	A	Beneficial owner	*5*	389,592,366	Long position	8.14	5.30

Name of substantial shareholder	H/A Shares	Capacity	Notes	No. of H/A Shares	Nature of interest	Percentage of total number of H/A Shares in issue (%)	Percentage of total shares in issue (%)
Ping An Insurance (Group) Company of China, Ltd. Labor Union	A	Interest of controlled corporations	5	389,592,366	Long position	8.14	5.30
Yuan Trust Investment Company Ltd.	A	Beneficial owner		380,000,000	Long position	7.94	5.17
Shenzhen Shum Yip Investment Development Company Ltd.	A	Beneficial owner		301,585,684	Long position	6.30	4.11

Notes:

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

(2) Besides (1) above, HSBC Holdings plc was also interested in the Company by virtue of its control over HSBC CCF Financial Products (France) SNC ("CCF SNC") which held a direct interest in 884,775 shares in the Company. The interest in 884,775 shares of the Company was held through cash settled unlisted securities.

CCF SNC was 100% owned by CCF S.A. which was owned as to 99.99% by HSBC Bank plc. HSBC Holdings plc owned 100% interest in HSBC Bank plc.

(3) The Hongkong and Shanghai Banking Corporation Limited was owned as to 84.19% by HSBC Asia Holdings BV, a wholly-owned subsidiary of HSBC Asia Holdings (UK), which in turn was a wholly-owned subsidiary of HSBC Holdings BV. The remaining 15.81% of The Hongkong and Shanghai Banking Corporation Limited was owned by HSBC Finance (Netherlands), a wholly-owned subsidiary of HSBC Holdings plc. HSBC Finance (Netherlands) owned 100% interest in HSBC Holdings BV.

(4) Shenzhen Jingao Industrial Development Co., Ltd. was owned as to 80% and 20% by Ping An Securities Company, Ltd. Labor Union and China Ping An Trust & Investment Co., Ltd. Labor Union respectively. The interest in 331,117,788 shares relates to the same block of shares in the Company.

(5) Shenzhen New Horse Investment Development Co., Ltd. was owned as to 95% by Ping An Insurance (Group) Company of China, Ltd. Labor Union. The interest in 389,592,366 shares relates to the same block of shares in the Company.

Save as disclosed above, the Company is not aware of any other person (other than the Directors and Supervisors of the Company) having any interests or short positions in the shares and underlying shares of the Company as at December 31, 2007 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

20. Continuing connected transactions

On March 19, 2007, the independent Shareholders of the Company approved the following continuing connected transactions of the Company at the extraordinary general meeting:

(1) Bank Deposits Arrangements with HSBC

The Group maintains bank balances with HSBC on normal commercial terms in the ordinary course of business. The relevant banking documents executed by the Group with HSBC do not provide for the bank accounts with HSBC to be maintained for any fixed period of time. Interests are accrued on such bank balances at prevailing market rates.

As at December 31, 2007, the aggregate bank balances maintained by the Group with HSBC was approximately USD21 million.

HSBC Insurance Holdings Limited is a wholly-owned subsidiary of HSBC Holdings plc and its interest in 618,886,334 shares of the Company is deemed to be the interest of HSBC Holdings plc. In addition, HSBC CCF Financial Products (France) SNC, a wholly owned subsidiary of CCF S.A. which is in turn 99% held by HSBC Bank plc., has a direct interest in 884,775 shares in the Company, which is also deemed to be the interest of HSBC Holdings plc. As HSBC is an indirect subsidiary of HSBC Holdings plc, HSBC is therefore a connected person of the Company under Rule 14A.11(4) of the Listing Rules.

(2) Bank Deposits Arrangements with ICBC and ICBC (Asia)

The Group maintains term deposits and bank balances with ICBC and ICBC (Asia), a subsidiary of ICBC, on normal commercial terms in the ordinary course of business. The relevant banking documents executed by the Group with ICBC and ICBC (Asia) do not provide for the bank accounts with ICBC and ICBC (Asia) to be maintained for any fixed period of time. Interests are accrued on such bank balances at prevailing market rates.

ICBC is a promoter of the Company and thus a connected person of the Company under Rule 14A.11(3). Further, as ICBC (Asia), a non-wholly owned subsidiary of ICBC, is a substantial shareholder of China Ping An Insurance (Hong Kong) Company Limited, a 75% owned subsidiary of the Company, both ICBC (Asia) and ICBC are connected persons of the Company under Rule 14A.11(5).

As at December 31, 2007, the aggregate bank deposits maintained by the Group with ICBC and ICBC (Asia) in all kinds of currencies amounted to approximately RMB7,634 million.

(3) Bank Deposits Arrangements with Ping An Bank

The Group maintained bank balances with Ping An Bank on normal commercial terms in the ordinary course of business. The relevant banking documents executed by the Group with Ping An Bank did not provide for the bank accounts with Ping an Bank to be maintained for any fixed period of time. Interests were accrued on such bank balances at prevailing market rates.

Prior to the completion of the merger with Shenzhen Commercial Bank on June 16, 2007, Ping An Bank was a 72.91% owned subsidiary of the Company and HSBC was a substantial shareholder of Ping An Bank holding 27% of its registered capital. Ping an Bank was thus a connected person of the Company under Rule 14A.11(5). After the merger, Ping An Bank completed the de-registration of its business licence on August 6, 2007 and since the Company holds 90.04% of Shenzhen Ping An Bank, deposits maintained with Shenzhen Ping An Bank will not constitute connected transaction of the Company.

The Company also had the following continuing connected transaction in 2007:

(4) Foreign Exchange Swap Agreement with ICBC

On July 21, 2006, the Company entered into an arrangement with ICBC Shanghai Branch whereby ICBC Shanghai Branch may provide RMB/USD foreign exchange swap services to the Company. The Company may purchase US dollars from ICBC Shanghai Branch for RMB at an exchange rate to be agreed at the time of purchase, which exact amount of US dollars purchased will be sold back to ICBC Shanghai Branch after a certain period of time at an exchange rate also to be agreed at the time of purchase.

For the year ended December 31, 2007, the Group did not have any foreign exchange swap transaction with ICBC Shanghai Branch under the Master Foreign Exchange Swap Agreement.

In the opinion of the Independent Non-executive Directors, after having reviewed the above continuing connected transactions, such transactions were entered into by the Group:

(1) in the ordinary and usual course of its business;

(2) on normal commercial terms or on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the terms of agreements governing them on terms that are fair and reasonable so far as the shareholders of the Company are concerned and in the interests of the shareholders of the Company as a whole.

The Company has received a letter from the auditors stating that the above connected transactions:

(1) have received the approval of the Board of Directors of the Company;

(2) have been entered into in accordance with the relevant agreements governing such transactions; and

(3) have not exceeded the respective annual caps set out below in 2007:

  (i) bank deposits arrangements with HSBC: US$2,336 million on any given day;

  (ii) bank deposit arrangements with ICBC and ICBC (Asia): RMB24,900 million on any given day;

  (iii) bank deposits arrangement with Ping An Bank: RMB20,000 million on any given day; and

  (iv) foreign exchange swaps with ICBC Shanghai Branch: US$300 million.

21. Board Committees

The Company has established an audit committee, a remuneration committee and a nomination committee. For details regarding these Board committees, please see the relevant sections in the Corporate Governance Report on pages 40 to 42 of this annual report.

22. Post balance sheet events

Details of the significant post balance sheet events of the Group are set out in note 51 to the consolidated financial statements on page 162 of this annual report.

23 Compliance with the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the Code on Corporate Governance Practices for any part of the period from January 1, 2007 to December 31, 2007 except that Mr. Ma Mingzhe has occupied the positions of both the Chairman of the Board of Directors and Chief Executive Officer of the Company. Further details of the Company's arrangements and considered reasons for the Company's intention not to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer of the Company are set out under the paragraph headed "Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules" in the Corporate Governance Report on pages 37 to 38 of this annual report.

24. Auditors

Ernst & Young and Ernst & Young Hua Ming were the international and PRC auditors, respectively, to the Company for the year ended December 31, 2007. A resolution for the re-appointment of Ernst & Young as the international auditors and Ernst & Young Hua Ming as the PRC auditors to the Company will be proposed at the forthcoming Annual General Meeting on May 13, 2008.

25. Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, being March 19, 2008, at all times during the year ended December 31, 2007, not less than 20% of the issued share capital of the Company (being the minimum public float applicable to the shares of the Company) was held in public hands.

26. Disclosure of information on the Stock Exchange's website and the Company's website

All information required by paragraphs 45(1) to 45(8) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.pingan.com.cn) respectively in due course.

By order of the Board of Directors

Ma Mingzhe
Chairman & Chief Executive Officer

Shenzhen, PRC
March 19, 2008

Report of the Supervisory Committee

To all Shareholders,

During the reporting period, the Supervisory Committee has duly carried out its supervisory duties in a stringent manner and adhered to the principles of fairness and honesty to effectively protect the interests of the Company and its employees and shareholders in accordance with the relevant provisions of the Company Law of the PRC (the "Company Law") and the Company's Articles of Association.

I. THE WORK OF THE SUPERVISORY COMMITTEE

On April 11, 2007, the fourth meeting of the fifth Supervisory Committee was held in Shenzhen Guanlan Ping An School of Financial Services. During the meeting, the Supervisory Committee considered and approved: the 2006 Report of the Supervisory Committee, the Resolution Relating to Considering the Annual Report and its Summary of the Company for the Year 2006, the 2006 Report on the Anti-corruption Campaign and the 2006 Assessment Report on Internal Control.

From April 23 to April 26, 2007, the fifth meeting of the fifth Supervisory Committee was held through written communication and voting. During the meeting, the Resolution Relating to Considering the Quarterly Report (Draft) of the Company for the First Quarter of the Year 2007 was considered and approved.

On August 16, 2007, the sixth meeting of the fifth Supervisory Committee was held in Shanghai Zhangjiang Ping An's Integrated Operating Centre. During the meeting, the Resolution Relating to Considering the Interim Report (Draft) of the Company for the Year 2007 and the Resolution Relating to Considering the Implementation Report on Corporate Governance Practice of a Listed Company were considered and approved.

From October 15 to October 25, 2007, the seventh meeting of the fifth Supervisory Committee was held through written communication and voting. During the meeting, the Resolution Relating to Considering the Quarterly Report (Draft) of the Company for the third Quarter of the Year 2007 was considered and approved unanimously.

The details of the attendance of the Supervisory Committee meetings by the members are set out as follows:

Class of Supervisors	Name	No. of Supervisory Committee meetings attended/held	Percentage of attendance
Independent Supervisors	XIAO Shaolian (Chairman)	4/4	100%
	SUN Fuxin	4/4	100%
	DONG Likun	4/4	100%
Supervisors as representatives of shareholders	CHE Feng	4/4	100%
	LIN Li	4/4	100%
	DUAN Weihong	4/4	100%
Supervisors as representatives of employees	HU Jie	4/4	100%
	HE Shi (resigned on July 10, 2007)	1/1	100%
	DU Jiangyuan	3/3[Note]	100%
	WANG Wenjun	4/4	100%

Note: Du Jiangyuan is appointed as the Supervisor of the Company with effective from July 10, 2007.

In November, 2007, certain members of the Supervisory Committee and the representatives of Independent Non-executive Directors of the Company conducted an inspection and review of the Company's secondary organization located in Jiangxi and Fujian province. During the reporting period, members of the Supervisory Committee attended the 2006 Annual General Meeting, the First Extraordinary General Meeting in 2007, the four on-the-spot meetings of the Board of Directors.

II. INDEPENDENT OPINION ON THE RELEVANT ISSUES FROM THE SUPERVISORY COMMITTEE

(1) Lawful operation

During the reporting period, the Company operated and managed its businesses in accordance with the laws and regulations. Its operational results were objective and true. There was greater development and improvement in the depth and scope of internal control management. The internal control system is complete, reasonable and effective. Its operational decision-making processes were lawful. The Directors and other senior management staff were cautious, serious and diligent in the business operations and management processes. They had never breached any laws, regulations, and the Articles of Associations of the Company or harmed the interests of the shareholders.

(2) Authenticity of the financial statement

Ernst & Young Hua Ming and Ernst & Young have issued the standard unqualified auditor's reports in accordance with the PRC and Hong Kong auditing standards respectively for the Company's financial statements of the year. The financial statements truly, fairly and accurately reflected the financial condition and results of operations of the Company.

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

The net proceeds from the Company's issue of A shares at the time of its listing in February, 2007, amounted to RMB38,222 million. The proceeds were completely used, as stated in the prospectus of the Company, for general corporate purposes. The actual application of the proceeds was in accordance with the commitment made in the prospectus. The Company applied the proceeds reasonably and strictly according to the proposed use of proceeds.

(4) Company's acquisition and asset disposal

As of November 27, 2007, Ping An Life, the Company's subsidiary company, acquired 95,010,000 shares of Fortis SA/NV and Fortis N.V. at a cost of Euro1,810 million from secondary market, which is accounted for 4.18% of its total listed shares. The Supervisory Committee considered that the terms of above-mentioned share subscription is fair and reasonable to the shareholders, and is also in the interests of the Company and shareholders as a whole.

(5) Connected transactions

During the reporting period, the Company's connected transactions have not harmed the rights of the shareholders and the interests of the Company.

(6) Internal Control System

The Company has set up a more complete, reasonable and effective internal control system.

(7) Implementation of the resolutions approved in the shareholders' general meetings

The members of the Supervisory Committee attended the meetings of the Board of Directors and the shareholders' general meetings, and did not have any objection on the reports and proposals which were submitted to the shareholders' general meetings by the Board of Directors. The Supervisory Committee has monitored the implementation of the resolutions approved in the shareholders' general meetings and is of the opinion that the Board of Directors can duly implement the resolutions approved in the shareholders' general meetings.

In the coming year, the Supervisory Committee will further enhance its work principles and fully implement a scientific perspective for its development. It will continue to carry out its duties in accordance with the relevant provisions of the Company Law, the Articles of Association of the Company and the Listing Rules. It will adhere to the principles of diligence, fairness and honesty, maximize its supervisory efforts with the aim of protecting the interests of the Company and its shareholders as a whole and commit to perform supervisory duties honestly and diligently, so as to achieve the best results in all respects.

By order of the Supervisory Committee

Xiao Shaolian
Chairman of the Supervisory Committee

Shenzhen, PRC
March 18, 2008

Corporate Governance Report

The Board of Directors is pleased to report to the shareholders on the corporate governance undertakings and performance of the Company for the year ended December 31, 2007. This report sets out information in respect of the Company's compliance with the Code on Corporate Governance Practices and the Code of Conduct for securities transactions by Directors and Supervisors of the Company as respectively contained in Appendix 14 and Appendix 10 to the Listing Rules, the specific undertakings and corporate governance structure of the Company, followed lastly by a summary of the Company's application of the principles in the Code on Corporate Governance Practices, which will allow shareholders to evaluate how those principles have been applied.

The Company is committed to continually achieving high standards of corporate governance and believes that sound corporate governance enhances the effective and reliable management of the Company and is essential for the Company to maximize shareholders' value.

In order to uphold a high standard of corporate governance, the Company has continued to maintain a dedicated, professional and accountable Board of Directors and an internationally recognized senior management team. Information on their backgrounds and experiences has been set out on pages 10 to 15 of this annual report.

The Company's corporate governance is implemented via a structured hierarchy, which includes the Board of Directors, the supervisory committee and three committees established under the Board of Directors, namely the audit committee, the remuneration committee and the nomination committee. In addition, we have also established a number of management committees including, among others, an investment management committee, a budget committee, an investor-relations management committee and a risk management committee under the executive committee which is established under the Board of Directors.

CODE ON CORPORATE GOVERNANCE PRACTICES CONTAINED IN APPENDIX 14 TO THE LISTING RULES

General

Throughout the period under review and save that Mr. Ma Mingzhe has occupied the positions of both the Chairman of the Board of Directors and the Chief Executive Officer of the Company, none of the Directors is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the Code on Corporate Governance Practices. Further details of Mr. Ma's roles and reasons for non-separation of the roles are set out further below.

Chairman of the Board of Directors and the Chief Executive Officer of the Company

Code Provision A.2.1 of the Code on Corporate Governance Practices provides that the roles of the Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. However, after considering the relevant principle of Code Provision A.2.1 of the Code on Corporate Governance Practices and examining the management structure of the Company, the Board is of the view that:

1. Since the Company introduced international strategic investors (The Goldman Sachs Group, Inc and Morgan Stanley) in 1994, the Company has built up a board structure of international standard. In terms of the composition of the Board, we have reached an international, diversified and professional level, and we have developed a very structured and strict operation system and a set of procedural rules for meeting of the Board of Director. The Chairman, as a convener and chair person of the Board meeting, does not have any special power different from that of other directors in relation to the decision making process.

2. In the day-to-day operation of the Company, the Company have in place an estalished management system and structure, and have set up the President, Executive Committee and other professional committees. Further, decisions on all material matters will be subject to complete and stringent deliberation and decision making procedures in order to ensure that the Chief Executive Officer can perform his duties diligently and effectively.

3. In almost the 20 years since the establishment of the Company, our business and operating results have been growing consistently at a steady fast pace, while our mangement model has been recognised in the industry. All along, our Chairman of the Board of Directors has assumed the role of Chief Executive Officer of the Company and this model proves to be reliable, efficient and successful, therefore the continuous adoption of this model will be beneficial to the future development of the Company.

4. There is clear delineation in the responsibilities of the Board and the management set out in the articles of association of the Company.

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

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

On May 28, 2004, the Company adopted the Code of Conduct regarding securities transactions by Directors and Supervisors of the Company on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all Directors and Supervisors of the Company who have confirmed that they complied with the required standard set out in the Model Code and the Code of Conduct for the period from January 1, 2007 to December 31, 2007.

THE BOARD OF DIRECTORS

The Board of Directors and Board meetings held during the year

The Board of Directors is responsible for the management of the Company and accountable to the shareholders for their entrusted assets and resources. They represent and owe a duty to act in the interests of the shareholders as a whole. The principal responsibilities of the Board of Directors and the types of decisions to be taken by the Board of Directors include, among others:

- formulating the Group's overall direction, objectives and strategies, business plans and investment proposals as well as monitoring and supervising the management's performance;
- formulating the Company's annual budgets, financial statements and monitoring the Company's performance;
- formulating the Company's profit distribution and loss recovery proposals;
- formulating plans for mergers or disposals and deciding on major investments, pledging of assets and other giving of other forms of security (in accordance with shareholders' approval);
- formulating proposals for the increase or decrease in our registered capital and the issuance of corporate bonds or other securities, and listing plans;
- engaging or dismissing the senior management staff of the Company, and determining their remuneration and award and reprimand matters; and
- monitoring, evaluating and ensuring the effectiveness of the Company's internal control systems and compliance with relevant laws and regulations.

On the other hand, responsibilities and functions and types of decisions delegated to the management include, among others:

- implementation of the Company's overall direction, objectives and strategies, business plans and investment proposals as determined by the Board of Directors from time to time; and
- the day-to-day management of the Company's business.

For the year ended December 31, 2007, members of the Board of Directors include three Executive Directors, sixteen Non-executive Directors, seven of whom are Independent Non-executive Directors. Biographies of each of them, are set out on pages 10 to 13 of this annual report.

During 2007, the Board of Directors held 10 full Board meetings. All such meetings were convened in accordance with the Articles of Association, attended in person or by proxy, by all Directors entitled to be present, and at which the Directors actively participated either in person or through electronic means of communication.

DIRECTORS

	Meetings attended/held			
Members	**Board meetings attended in person/held**	**% of attendance in person**	**Board meetings attended by proxy/held**	**% of attendance by proxy**
Executive Directors				
MA Mingzhe (Chairman)	10/10	100%	0/10	0%
SUN Jianyi	10/10	100%	0/10	0%
CHEUNG Chi Yan Louis	10/10	100%	0/10	0%
Non-executive Directors				
HUANG Jianping (resigned on March 19, 2007)	2/2	100%	0/2	0%
DOU Wenwei (resigned on March 19, 2007)	2/2	100%	0/2	0%
SHI Yuxin (resigned on March 19, 2007)	2/2	100%	0/2	0%
LIN Yu Fen	10/10	100%	0/10	0%
CHEUNG Lee Wah	10/10	100%	0/10	0%
Anthony Philip HOPE	9/10	90%	1/10	10%
LIN Lijun	10/10	100%	0/10	0%
FAN Gang	8/10	80%	2/10	20%
HU Aimin	8/10	80%	2/10	20%
CHEN Hongbo	9/10	90%	1/10	10%
WONG Tung Shun Peter	7/10	70%	3/10	30%
NG Sing Yip	10/10	100%	0/10	0%
Independent Non-executive Directors				
BAO Youde	10/10	100%	0/10	0%
KWONG Che Keung Gordon	10/10	100%	0/10	0%
CHEUNG Wing Yui	10/10	100%	0/10	0%
CHOW Wing Kin Anthony	10/10	100%	0/10	0%
ZHANG Hongyi (appointed on March 19, 2007)	8/8	100%	0/8	0%
CHEN Su (appointed on March 19, 2007)	6/8	75%	2/8	25%
XIA Liping (appointed on June 7, 2007)	4/4	100%	0/4	0%

Independent Non-executive Directors

Each of our Independent Non-executive Directors meets the independence guidelines set out in Rule 3.13 of the Listing Rules and has given to the Company his annual confirmation as to his independence. None of our Independent Non-executive Directors has any business or financial interests with the Company or its subsidiaries and are continued to be considered by the Company to be independent. Furthermore, these individuals are precluded from assuming executive positions in the Company. Independent Non-executive Directors owe a fiduciary duty to the Company and its shareholders and, in particular, are entrusted with the responsibility of protecting the interests of minority shareholders. They serve as an important balancing factor in the policy making process of the Board of Directors and represent a crucial element of corporate governance. In addition, their broad experience in business and finance is vital to the successful development of the Company. During 2007, the Independent Non-executive Directors expressed their views and opinions at meetings of the Board of Directors in relation to a number of matters which were of concern to the shareholders and the Company as a whole.

BOARD COMMITTEES

The Company has established an audit committee, a remuneration committee and a nomination committee. Further details of the roles and functions and the composition of each of these committees are set out below.

Audit Committee

The primary duties of the audit committee are to review and supervise the Company's financial reporting process. The audit committee is also responsible for reviewing the external auditor's appointment, the external auditor's remuneration and any matters relating to the termination of the appointment or resignation of the external auditors. In addition, the audit committee also examines the effectiveness of the Company's internal controls, which involves regular reviews of the internal controls of various corporate structures and business processes on a continuous basis, and takes into account their respective potential risk and urgency, to ensure the effectiveness of the Company's business operations and the realization of its corporate objectives and strategies. The scope of such examinations and reviews includes finance, operations, regulatory compliance and risk management. The audit committee also reviews the Company's internal audit plan, and submits relevant reports and recommendations to the Board of Directors on a regular basis.

During 2007, the composition of the audit committee has changed. Mr. Zhang Hongyi and Mr. Chen Su, both being Independent Non-executive Directors, were appointed as members of the audit committee effective from August 16, 2007, and Mr. Bao Youde was no longer a member of the audit committee. The audit committee comprises 5 Independent Non-executive Directors and 1 Non-executive Director, all of whom are not involved in the day-to-day management of the Company. The audit committee is chaired by an Independent Non-executive Director who also possesses the appropriate professional qualifications or accounting or related financial management expertise.

During 2007, the audit committee held 4 meetings. All these meetings were convened in accordance with the Articles of Association. In particular, the audit committee reviewed the Company's yearly financial statements for the year ended December 31, 2006 and the half-yearly financial results for the six months ended June 30, 2007. At the same time, the audit committee convened the first meeting of the audit committee in 2008 on March 18, 2008 and has reviewed the audited and unaudited financial report for the year ended December 31, 2007 in the meeting and was satisfied with their basis of preparation, including the appropriateness of assumptions and accounting policies and standards adopted, and made recommendations to the board of directors for their consideration.

Further, in order to enable the members of the committee to better evaluate the financial reporting systems and internal control procedures of the Company, they also met with the Company's qualified accountant and external auditors during the year.

The audit committee also considered and was satisfied with the performance, independence and objectivity of the Company's auditors and recommended their reappointment at the Company's 2007 annual general meeting.

During the year under review, the remuneration paid to the Company's auditors, Messrs. Ernst & Young, is set out as follows:

Services rendered	**Fees paid/payable** in RMB million
Audit services – audits and reviews of financial statements	23
Non-audit services – financial due diligence reviews	1
Non-audit services – others	2
Total	26

Remuneration Committee

The primary duty of the remuneration committee is to determine the specific remuneration packages of the Company's Directors and senior management, including benefits in kind, pension rights and compensation payments and advise the Board of Directors in relation to establishing a formal and transparent procedure for developing remuneration policy in respect of these individuals, and to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board. In particular, the remuneration committee is delegated with the specific task of ensuring that no Director or any of his associates is involved in deciding his own remuneration. Where the remuneration of a member of the remuneration committee is to be considered, that member's remuneration should be determined by the other members of the committee. Meetings of the remuneration committee are to be held at least twice a year.

The remuneration committee comprises 3 Independent Non-executive Directors and 2 Non-executive Directors, all of whom are not involved in the day-to-day management of the Company. The remuneration committee is chaired by an Independent Non-executive Director.

During the reporting period of 2007, the remuneration committee held 4 meetings. The performance and remuneration packages of all Directors and senior management were reviewed with reference to the results of the Company. The remuneration committee prepared a "Remuneration Market Comparison Report" based on the differences in responsibilities of each executive directors and senior managers, and etc. It engaged Ernst & Young to certify and supervise on the execution of the long term incentive plan during the year 2007. Moreover, a proposal of A share incentive plan was drafted as resolved by the Board of Directors.

Nomination Committee

The primary duty of the nomination committee is to review, advise and make recommendations to the full Board of Directors regarding candidates to fill vacancies on our Board and to senior executives of deputy general manager or above. Meetings of the nomination committee are held when necessary but at least once a year.

Nominations of Directors are considered with reference to, among other things, an individual's business acumen and undertakings, academic and professional achievements and qualifications, experience, independence (where applicable), having regard to the Company's activities, assets and management portfolio. The nomination committee is delegated with the task of actively considering the needs of the Company at the Directors' level and senior executives' (Senior vice-president or above) level, studying the criteria and procedure for selecting directors and senior executives, first considering and identifying appropriate candidates, then making recommendations to the full Board and implementing any decisions and recommendations of the Board in the execution of appointments. The aim and principal objective of the nomination committee is to ensure that there be maintained a dedicated, professional and accountable Board of Directors to serve the Company and its shareholders.

During 2007, the composition of the nomination committee has changed. Xia Liping, an Independent Non-executive Director, was appointed as a member of the nomination committee effective from August 16, 2007 and Mr. Cheung Wing Yui was no longer a member of the nomination committee. The nomination committee comprises 3 Independent Non-executive Directors and 2 executive Directors. The nomination committee is chaired by an Independent Non-executive Director.

During the financial year ended December 31, 2007, the nomination committee held 2 meetings. Changes in the Board of Directors include the appointment of Zhang Hongyi, Chen Xu and Xia Liping as Independent Non-executive Directors of the 7th Board of Directors. Apart from the specific nominations of new incoming Directors, the nomination committee also met to review the structure, size and composition of the Board of Directors having regard to the Company's activities, assets and management portfolio. In addition, the committee passed the resolution relating to appointment of Cao Shifan as the vice president of the Company.

Written terms of reference of each of the Company's audit committee, remuneration committee and nomination committee are available on request and are also available on the Company's website at http://www.pingan.com.cn.

Composition of the committees of the Board of Directors and attendance of meetings

Audit Committee

Members	Meetings attended in person/held	% of attendance in person	Meetings attended by proxy/held	% of attendance by proxy
Non-executive Director				
Anthony Philip HOPE	3/4	75%	1/4	25%
Independent Non-executive Directors				
BAO Youde*	3/3	100%	0	0
KWONG Che Keung Gordon (Chairman)	4/4	100%	0	0
CHEUNG Wing Yui	4/4	100%	0	0
CHOW Wing Kin Anthony	4/4	100%	0	0
ZHANG Hong Yi*	1/1	100%	0	0
CHEN Su*	0/1	0%	1/1	100%

* Mr. Bao Youde was no longer a member of the audit committee since August 16, 2007 and Mr. Zhang Hong Yi and Mr. Chen Su were appointed as members of the audit committee on the same day.

Remuneration Committee

Members	Meetings attended in person/held	% of attendance in person	Meetings attended by proxy/held	% of attendance by proxy
Non-executive Director				
CHEUNG Lee Wah	3/4	75%	1/4	25%
Anthony Philip HOPE	3/4	75%	1/4	25%
Independent Non-executive Directors				
BAO Youde	4/4	100%	0	0
KWONG Che Keung Gordon	4/4	100%	0	0
CHEUNG Wing Yui (Chairman)	4/4	100%	0	0

Nomination Committee

Members	Meetings attended in person/held	% of attendance in person	Meetings attended by proxy/held	% of attendance by proxy
Executive Director				
MA Mingzhe	2/2	100%	0	0
SUN Jianyi	2/2	100%	0	0
Independent Non-executive Directors				
BAO Youde (Chairman)	2/2	100%	0	0
CHEUNG Wing Yui*	2/2	100%	0	0
CHOW Wing Kin Anthony	2/2	100%	0	0
XIA Liping*	/	/	/	/

* Mr. Cheung Wing Yui was no longer a member of the nomination committee since August 16, 2007 and Mr. Xia Liping was appointed as member of the nomination committee on the same day.

MANAGEMENT COMMITTEES

The Executive Committee

In addition to the three board committees, the Company has also established an executive committee, which is the highest execution authority under the Board of Directors. The primary duty of the executive committee is to review the Company's internal business reports, the Company's policies in relation to investment and profit distribution and the Company's management policies, development plans and resources allocation plans. The executive committee is also responsible for making management decisions in relation to matters such as the material development strategies, business plans, financial systems and major promotions. In addition, the executive committee is also responsible for reviewing the business plans of the subsidiaries of the Company and to evaluate the financial performance of the subsidiaries. The Company has also established four special management committees under the executive committee, namely, an investment management committee, a budget committee, an investor relations management committee and a risk management committee.

The Investment Management Committee

The investment management committee oversees the investment-related operations of our Company and monitors the investment risk and prepares the relevant internal policies. The investment management committee is also responsible for preparing the Group's investment management policy and investment strategies. The investment management committee also formulates the Group's investment risk management policy and reviews the pricing policy of new products. The investment management committee is currently composed of 9 members with the chairman also being deputy director of the executive committee of the Company.

The Budget Committee

The budget committee leads and provides guidance on our strategic planning and conducts the overall budget management. The budget committee is responsible for determining our strategic planning, formulating the guidelines on strategic planning and approving the operating budgets prepared by each of our business units. In addition, the budget committee also monitors the implementation of our development strategy, annual budget and business plan. The budget committee is currently composed of 9 members with the chairman being the President of the Company.

The Investor Relations Management Committee

The investor relations management committee is responsible for formulating and amending guidelines for the Company's investor relations management; coordinating, providing guidance to and inspecting the operations of the investor relations department; supervising the collating and organizing of material information in relation to investor relations, and scrutinizing material information that is to be disclosed to the public; scrutinizing the external publication of news, and providing guidance as to responding to any adverse publicity by the media in relation to the Company's operations and activities; providing guidance on communications between shareholders; supervising and organizing road shows and meetings between investors and financial analysts; providing guidance on communicating with the Hong Kong Stock Exchange; organizing quarterly general meetings for the investor relations management committee; calling extraordinary meetings to deal with contingency matters; providing guidance on tracking unusual fluctuations in share price; and providing guidance on responding to assessments of the Company given by any assessment authority. The investor relations management committee is currently composed of 13 members with the chairman being the President of the Company.

The Risk Management Committee

The risk management committee is responsible for identifying and reviewing the major areas of risk across the Group and all of our operating principals, and for approving, and ensuring compliance with key financial, insurance, investment and operational risk management policies. The risk management committee is currently composed of 7 members with the chairman being the Chief Internal Auditor of the Company.

THE SUPERVISORY COMMITTEE

The primary functions and powers of the supervisory committee include, among others,

- verifying financial reports and other financial information which have been prepared by the Board of Directors and which are proposed to be presented at the shareholders' meetings;
- examining the Company's financial affairs; and
- monitoring compliance of Directors, Chief Executive Officer and other members of senior management of the Company with applicable laws, administrative regulations and the Articles of Association.

There are currently 9 Supervisors, 3 of whom are Independent Supervisors.

EMOLUMENT POLICY OF THE GROUP

The emolument policy of the Group is aimed at attracting, retaining and motivating talented individuals and achieving the Group's operational targets. The principle is to have clearly set incentive and performance-based remuneration which reflects market standards and is cost effective. The salary element of our employee's remuneration packages is generally determined based on the their job nature and position with reference to market standards; and any bonus element is generally determined based on performance so as to highlight achievements. Apart from salary and bonuses, employees also receive certain welfare benefits. However, given the different operational models, stages of development and market standards applicable to the sectors in which our several subsidiaries and units operate, the remuneration packages may be structured differently.

In addition, the Company also has in place a long term incentive plan mainly for the senior management personnel and certain key employees of outstanding performance.

The Group's emolument policy and objectives are aimed at the long run and being consistent, but will be adjusted depending on a number of factors, including changes to the market practice and stages of the Group's business development, so as to achieve the Group's operational targets.

As regards Directors, Executive Directors will receive remuneration determined according to the Group's emolument policy for rendering executive services to the Group; Independent Non-executive Directors will receive a Director's fee determined with reference to market standards in mainland and Hong Kong respectively; Non-executive Directors nominated by shareholders of the Company do not receive a Director's fee. Directors' fees are considered and recommended by the Remuneration Committee of the Board, and approved by shareholders in general meeting. Further details of Directors' remuneration are set out in note 45 to the financial statements.

SUMMARY OF THE COMPANY'S APPLICATION OF THE PRINCIPLES IN THE CODE ON CORPORATE GOVERNANCE PRACTICES

In order to better enable shareholders to evaluate how the Company has applied the principles in the Code on Corporate Governance Practices, below is a summary table setting forth a side-by-side comparison of the Code principles and the Company's application of them, in addition to the specific undertakings, corporate governance structure and endeavours of the Company for the year ended December 31, 2007 set out above.

CODE PRINCIPLE	COMPANY'S APPLICATION OF CODE PRINCIPLE
A.1 The Board	
An issuer should be headed by an effective board which should assume responsibility for leadership and control of the issuer and be collectively responsible for promoting the success of the issuer by directing and supervising the issuer's affairs. Directors should take decisions objectively in the interests of the issuer.	The Company is headed by a dedicated, professional and accountable Board of Directors comprising of 19 outstanding individuals. Information on their background and experience has been set out on pages 10 to 13 of this annual report. The Board is responsible for the overall management of the Company and the Directors are under a duty to act in the interest of the Company and the shareholders. Details of the principal responsibilities of the Board have been set out on pages 38 to 39 of this annual report.
A.2 Chairman and Chief Executive Officer	
There are two key aspects of the management of every issuer – the management of the board and the day-to-day management of the issuer's business. There should be a clear division of these responsibilities at the board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.	Mr. Ma Mingzhe has occupied the positions of the Chairman of the Board and the Chief Executive Officer of the Company throughout the year ended December 31, 2007. Details of Mr. Ma's roles and reasons for non-separation of the roles have been set out on pages 37 to 38 of this annual report.
A.3 Board composition	
The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should ensure that changes to its composition can be managed without undue disruption. The board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgment. Non-executive directors should be of sufficient calibre and number for their views to carry weight. Under rule 3.10, every board of directors of a listed issuer must include at least three independent non-executive directors. Guidelines on independence of independent non-executive directors are set out in rule 3.13.	Each of the Directors, apart from being outstanding individuals with a wealth of experience in their respective fields, meets the qualifications required of a member of the senior management set by the CIRC, the regulatory body responsible for the supervision and regulation of the PRC insurance industry. During the year, the appointment of three Directors expired and were not renewed and there were three new appointments to the Board of Directors, which transition was carried out smoothly. Throughout the year ended December 31, 2007, the Board of Directors satisfied the requirements under the Listing Rules regarding the appointment of at least three Independent Non-executive Directors and complied with the requirement that at least one of these Directors should possess the appropriate professional qualifications or accounting or related financial management expertise. Each of our Independent Non-executive Directors meets the independence guidelines set out in Rule 3.13 of the Listing Rules.

CODE PRINCIPLE	COMPANY'S APPLICATION OF CODE PRINCIPLE
A.4 Appointments, re-election and removal	
There should be a formal, considered and transparent procedure for the appointment of new directors to the board. There should be plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.	The Company has established a nomination committee and a remuneration committee with written terms of reference. Details of the approach and procedure for appointment of new Directors have been set out on page 41 of this annual report. According to the Article 134 of the Company's Articles of Association, each Director shall be appointed for 3 years and subject to retirement and re-election thereafter.
A.5 Responsibilities of directors	
Every director is required to keep abreast of his responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.	The Board of Directors meets regularly and each Director is avail of the assistance of the Company Secretaries. The same standard of care, skill and fiduciary duties are required of and expected from all Directors, executive or non-executive. The duties of the Directors as set out in the Company's Articles of Association are not differentiated between executive and non-executive Directors. Each Director fully understands and appreciates the same.
A.6 Supply of and access to information	
Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as directors of an issuer.	The Articles of Association of the Company prescribes that all Directors must be given at least 14 days notice of a Board meeting, which notice shall include, among other things, the businesses to be considered and the agenda. Further, at the Board meetings, each item on the agenda was discussed and considered following a briefing in detail on the relevant matter by an appropriate individual closely supervising or handling that matter. Full minutes of each Board meeting were kept as a matter of proper record.

CODE PRINCIPLE	COMPANY'S APPLICATION OF CODE PRINCIPLE
B.1 The level and make-up of remuneration and disclosure	
An issuer should disclose information relating to its directors' remuneration policy and other remuneration related matters. There should be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors. Levels of remuneration should be sufficient to attract and retain the directors needed to run the company successfully, but companies should avoid paying more than is necessary for this purpose. No director should be involved in deciding his own remuneration.	The Company has established a remuneration committee with written terms of reference. Further information regarding the remuneration committee is set out on pages 40 to 41 of this annual report. In particular, the remuneration committee is delegated with the specific task of ensuring that no Director or any of his associates is involved in deciding his own remuneration. It is also a specific term of reference that where the remuneration of a member of the remuneration committee is to be considered, that member's remuneration should be determined by the other members of the committee. A description of the emolument policy and long-term incentive schemes of the Group as well as the basis of determining the emolument payable to the Directors as required by paragraph 24B of Appendix 16 to the Listing Rules have been set out on pages 43 and 160 to 161 of this annual report. In addition, Directors' fees and any other reimbursement or emolument payable as required by paragraph 24 of Appendix 16 to the Listing Rules have been disclosed in full on an individual and named basis on pages 156 to 157 of this annual report. The remuneration packages of all Directors were considered and recommended by the remuneration committee and reviewed and approved by and the shareholders at the general meeting.
C.1 Financial reporting	
The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.	The annual and interim results of the Company and other financial information were published in accordance with the requirements of the Listing Rules and other applicable regulations and industry best standards. When preparing the Company's financial reports, the Board of Directors had in mind the shareholders of the Company as the recipient and end-user and endeavoured to present such information in a comprehensible, informative and user-friendly manner.
C.2 Internal controls	
The board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets.	Throughout this corporate governance report, the Board of Directors seeks to set out the Company's corporate governance structure and policies, advice shareholders of the corporate governance undertakings of the Company and to demonstrate to shareholders value of such practices.
C.3 Audit Committee	
The board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors. The audit committee established by an issuer pursuant to the Exchange Listing Rules should have clear terms of reference.	The Company has established an audit committee with written terms of reference. Further information regarding the audit committee is set out on page 40 of this annual report.

CODE PRINCIPLE	COMPANY'S APPLICATION OF CODE PRINCIPLE
D.1 Management functions An issuer should have a formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the issuer.	Certain responsibilities and types of decisions are reserved for the Board of Directors as set out in the Company's Articles of Association. A summary of these matters have be included on pages 38 to 39 of this annual report. The Company's management is informed and educated of this separation of powers and authority and actively implements and preserves this corporate governance structure. In particular, Mr. Ma Mingzhe, being the Chairman of the Board of Directors and the Chief Executive Officer of the Company, is in a position to maintain a close communication channel between the Board and the management and to ensure that the separation of power and authority is maintained.
D.2 Board Committees Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.	The Company has established an audit committee, a nomination committee and a remuneration committee with written terms of reference. Details of the roles and functions and the composition of these committees have been set out on pages 40 to 42 of this annual report.
E.1 Effective communication The board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.	Apart from the information published and the announcements and circulars issued by the Company, the Company also maintains an "Investor Relations" section on its website at www.pingan.com.cn where materials relating to the Company's corporate governance structure, the Company's announcements, information regarding share performance and other financial information are available to shareholders. The Company has an investor relations team which reports ultimately to the Board of Directors. The Board welcomes and values shareholders' input. The two general meetings of the Company held during the year ended December 31, 2007 were attended by Directors at which shareholders were invited and encouraged to participate in discussions with the Directors.
E.2 Voting by Poll The issuer should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Exchange Listing Rules and the constitutional documents of the issuer.	Voting by poll is required under the Company's Articles of Association and the results of such polling was announced in accordance with the Listing Rules.

By order of the Board of Directors

Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC
March 19, 2008

Growing together with ceaseless dedication

Management Discussion and Analysis

GROUP'S CONSOLIDATED PERFORMANCE

The following is a summary of the consolidated results of the Group:

For the year ended December 31, (in RMB million)	2007	2006
Total income	**137,051**	88,198
Total expenses	**(115,047)**	(79,650)
Operating profit before tax	**22,004**	8,548
Net profit	**19,219**	8,000

The following table sets forth the breakdown of our net profit by business segment:

For the year ended December 31, (in RMB million)	2007	2006
Life insurance	**10,883**	5,704
Property and casualty insurance	**2,073**	1,048
Banking	**1,537**	71
Securities	**1,492**	609
Other businesses(1)	**3,234**	568
Net profit	**19,219**	8,000

(1) Other businesses mainly include corporate, trust business and asset management business.

Consolidated net profit increased 140.2% to RMB19,219 million in 2007 from RMB8,000 million in 2006. This increase was primarily due to the better performance across our portfolio of businesses and the strong total investment returns.

Our life insurance business, property and casualty insurance business, banking business and securities business accounted for approximately 56.6%, 10.8%, 8.0% and 7.8%, respectively, of our net profit in 2007.

Consolidated Investment Income

For the year ended December 31, (in RMB million, except percentages)	2007	2006
Net investment income	**15,257**	12,198
Net realized and unrealized gains	**36,487**	9,773
Total investment income	**51,744**	21,971
Net investment yield(1)	**4.5%**	4.3%
Total investment yield(1)	**14.1%**	7.7%

(1) Lease income from investment properties and interest income from cash and cash equivalents are included in the calculation of the above yields. Net foreign currency gains/losses on investment assets denominated in foreign currencies and investment income from banking business are excluded in the calculation of the above yields. Average investment assets used as the denominator are computed based on Modified Dietz method in principle.

Our net investment income increased 25.1% to RMB15,257 million in 2007 from RMB12,198 million in 2006. This increase was primarily due to the increase in our investment assets to RMB474,887 million as at December 31, 2007 from RMB332,164 million as at December 31, 2006. Net investment yield increased to 4.5% in 2007 from 4.3% in 2006. This increase was primarily due to the higher dividend income received from our equity investment funds.

1 Certain comparative figures have been reclassified or restated to comform to current year's presentation.

Our total investment income increased 135.5% to RMB51,744 million in 2007 from RMB21,971 million in 2006. Total investment yield increased to 14.1% in 2007 from 7.7% in 2006. These increases were primarily due to the strong performance in the PRC equity markets. In order to lock-in profits accumulated in previous periods, the realized investment gains increased significantly to RMB33,987 million whereby the total net realized and unrealized gains increased significantly to RMB36,487 million in 2007 from RMB9,773 million in 2006.

We continued to improve the asset allocation of our portfolio to capture the opportunities in the capital markets. As a result, our term deposits as a percentage of our total investment assets decreased to 7.0% as at December 31, 2007 from 17.8% as at December 31, 2006, and our equity investments increased to 24.7% as at December 31, 2007 from 13.5% as at December 31, 2006.

The following table presents our investment portfolio allocations among the major categories of our investments:

As at December 31, (in RMB million, except percentages)	**2007** Carrying Value	**2007** % of Total	2006 Carrying Value	2006 % of Total
Fixed maturity investments				
Term deposits[(1)]	**33,188**	**7.0%**	59,107	17.8%
Bond investments[(1)]	**191,023**	**40.2%**	187,334	56.4%
Other fixed maturity investments[(1)]	**2,411**	**0.5%**	1,381	0.4%
Equity investments[(1)(2)]	**117,279**	**24.7%**	44,771	13.5%
Investment properties	**3,812**	**0.8%**	1,421	0.4%
Cash, cash equivalents and others	**127,174**	**26.8%**	38,150	11.5%
Total investments[(3)]	**474,887**	**100.0%**	332,164	100.0%

(1) These figures exclude items that are classified as cash and cash equivalents.
(2) Equity investments include equity investment funds, equity securities and investment in an associate.
(3) Investment assets exclude banking business.

Foreign Currency Losses

In 2007, Renminbi continued to appreciate against other major currencies, especially the U.S. Dollar. As a result, we experienced a net exchange loss of RMB501 million in 2007 as compared to a loss of RMB466 million in 2006.

LIFE INSURANCE BUSINESS

We conduct our life insurance business through our three subsidiaries, Ping An Life, Ping An Annuity and Ping An Health.

Results of Operations

The following is a summary of the results of our life insurance business:

For the year ended December 31, (in RMB million)	**2007**	2006
Gross written premiums, policy fees and premium deposits	**79,183**	68,202
Less: Premium deposits	**(19,270)**	(14,580)
Gross written premiums and policy fees	**59,913**	53,622
Net earned premiums	**58,984**	52,814
Investment income	**42,782**	19,402
Other income	**1,851**	875
Total income	**103,617**	73,091
Change in deferred policy acquisition costs	**8,820**	4,808
Claims and policyholders' benefits	**(82,741)**	(59,003)
Commission expenses of insurance operations	**(9,004)**	(6,559)
Foreign currency losses	**(510)**	(413)
General, administrative and other expenses	**(8,776)**	(6,039)
Total expenses	**(92,211)**	(67,206)
Income taxes	**(523)**	(181)
Net profit	**10,883**	5,704

Gross Written Premiums, Policy Fees and Premium Deposits

For the year ended December 31, 2007 (in RMB million)	Premiums and policy fees	Premium deposits	Total
Individual life			
New business			
First year regular premiums	**10,927**	**3,696**	**14,623**
First year single premiums	**25**	**–**	**25**
Short term accident and health premiums	**1,816**	**–**	**1,816**
Total new business	**12,768**	**3,696**	**16,464**
Renewal business	**38,809**	**9,018**	**47,827**
Total individual life	**51,577**	**12,714**	**64,291**
Bancassurance			
New business			
First year regular premiums	**82**	**–**	**82**
First year single premiums	**314**	**6,556**	**6,870**
Short term accident and health premiums	**2**	**–**	**2**
Total new business	**398**	**6,556**	**6,954**
Renewal business	**280**	**–**	**280**
Total bancassurance	**678**	**6,556**	**7,234**
Group insurance			
New business			
First year single premiums	**4,463**	**–**	**4,463**
Short term accident and health premiums	**2,750**	**–**	**2,750**
Total new business	**7,213**	**–**	**7,213**
Renewal business	**445**	**–**	**445**
Total group insurance	**7,658**	**–**	**7,658**
Total life insurance	**59,913**	**19,270**	**79,183**

For the year ended December 31, 2006 (in RMB million)	Premiums and policy fees	Premium deposits	Total
Individual life			
New business			
First year regular premiums	8,145	2,205	10,350
First year single premiums	34	–	34
Short term accident and health premiums	1,821	–	1,821
Total new business	10,000	2,205	12,205
Renewal business	35,870	7,091	42,961
Total individual life	45,870	9,296	55,166
Bancassurance			
New business			
First year regular premiums	66	–	66
First year single premiums	612	5,284	5,896
Short term accident and health premiums	2	–	2
Total new business	680	5,284	5,964
Renewal business	248	–	248
Total bancassurance	928	5,284	6,212
Group insurance			
New business			
First year regular premiums	1	–	1
First year single premiums	4,225	–	4,225
Short term accident and health premiums	2,122	–	2,122
Total new business	6,348	–	6,348
Renewal business	476	–	476
Total group insurance	6,824	–	6,824
Total life insurance	53,622	14,580	68,202

Individual Life Business. Gross written premiums, policy fees and premium deposits for our individual life business increased 16.5% to RMB64,291 million in 2007 from RMB55,166 million in 2006. This increase was primarily due to the 34.9% increase in first year premiums, policy fees and premium deposits to RMB16,464 million in 2007 from RMB12,205 million in 2006, as a result of the continued improvement in the quantity and productivity of our agency force. In addition, renewal premiums, policy fees and premium deposits for our individual life business increased 11.3% to RMB47,827 million in 2007 from RMB42,961 million in 2006.

Bancassurance Business. Gross written premiums, policy fees and premium deposits for our bancassurance business increased 16.5% to RMB7,234 million in 2007 from RMB6,212 million in 2006. This increase was primarily due to the launch of our new investment-linked products sold through our bancassurance channels.

Group Insurance Business. Gross written premiums, policy fees and premium deposits for our group insurance business increased 12.2% to RMB7,658 million in 2007 from RMB6,824 million in 2006. This increase was primarily due to our continued efforts to manage the growth of this business line to improve profit margin. We continued to focus on selling employee welfare benefit plans. As a result, gross written premiums and policy fees for our short-term accident and health insurance business increased 29.6% to RMB2,750 million in 2007 from RMB2,122 million in 2006.

Investment Income

Net investment income for our life insurance business increased 23.7% to RMB13,793 million in 2007 from RMB11,149 million in 2006. This increase was primarily due to the increase in investment assets to RMB364,268 million as at December 31, 2007 from RMB295,940 million as at December 31, 2006. Net investment yield for our life insurance business increased to 4.8% in 2007 from 4.5% in 2006.

Total investment income for our life insurance business increased 120.5% to RMB42,782 million in 2007 from RMB19,402 million in 2006. Total investment yield for our life insurance business increased to 14.2% in 2007 from 7.8% in 2006.

For the year ended December 31, (in RMB million, except percentages)	2007	2006
Net investment income	**13,793**	11,149
Net investment yield[1]	**4.8%**	4.5%
Total investment income	**42,782**	19,402
Total investment yield[1]	**14.2%**	7.8%

(1) Lease income from investment properties and interest income from cash and cash equivalents are included in the calculation of the above yields. Net foreign currency gains/losses on investment assets denominated in foreign currencies are excluded in the calculation of the above yields. Average investment assets used as the denominator are computed based on Modified Dietz method in principle.

Change in Deferred Policy Acquisition Costs

The change in deferred policy acquisition costs was RMB8,820 million in 2007 as compared to RMB4,808 million in 2006. The bigger change in deferred policy acquisition costs was primarily due to the increase in first year premiums, policy fees and premium deposits from individual life business.

Claims and Policyholders' Benefits

Claims and policyholders' benefits increased 40.2% to RMB82,741 million in 2007 from RMB59,003 million in 2006. The following table summarizes total expenses pursuant to claims, surrenders, annuities, maturities and survival benefits, policyholders' dividends and provisions, interest credited to policyholder contract deposits, and increase in policyholders' reserves.

For the year ended December 31, (in RMB million)	2007	2006
Claims	**3,446**	2,975
Surrenders	**9,464**	6,527
Annuities	**2,894**	2,922
Maturities and survival benefits	**9,327**	3,167
Policyholders dividends and provisions	**3,514**	1,487
Interest credited to policyholder contract deposits	**1,175**	523
Increase in policyholders' reserves	**52,921**	41,402
Total claims and policyholders' benefits	**82,741**	59,003

Payments for claims increased 15.8% to RMB3,446 million in 2007 from RMB2,975 million in 2006. This increase was primarily due to the higher claims expense incurred for our short term accident and health products.

Payments for surrenders increased 45.0% to RMB9,464 million in 2007 from RMB6,527 million in 2006. This increase was primarily due to the increase in payments for surrenders of certain single premium participating products sold through our bancassurance channels.

Payments for maturities and survival benefits increased significantly to RMB9,327 million in 2007 from RMB3,167 million in 2006. This increase was primarily due to the increase in maturities and survival benefits paid as a result of the product features of certain individual life insurance products.

Payments for policyholder dividends and provisions increased significantly to RMB3,514 million in 2007 from RMB1,487 million in 2006. This increase was primarily due to the increase in sales of participating life policies and the higher dividend distribution as a result of better performance in investments for our participating products.

Payments for interest credited to policyholder contract deposits increased significantly to RMB1,175 million in 2007 from RMB523 million in 2006. This increase was primarily due to the increase in sales of universal life policies and better investment results.

The increase in policyholders' reserves was RMB52,921 million in 2007 as compared to RMB41,402 million in 2006. The bigger increase in policyholders' reserves was primarily due to the increase in gross written premiums and policy fees.

Commission Expenses

For the year ended December 31,	**2007**	2006
Commission expenses as a percentage of gross written premiums, policy fees and premium deposits	**11.4%**	9.6%

Commission expenses of insurance operations, which we paid primarily to our sales agents, increased 37.3% to RMB9,004 million in 2007 from RMB6,559 million in 2006. Commission expenses as a percentage of gross written premiums, policy fees, and premium deposits increased to 11.4% in 2007 from 9.6% in 2006. These increases were primarily due to the increase in sales of first year premiums, policy fees and premium deposits from individual life products, which have a relatively higher level of commission.

General, Administrative and Other Expenses

For the year ended December 31,	**2007**	2006
Business tax and surcharges	**1,507**	317
Other general, administrative expenses and other expenses	**7,269**	5,722
Total	**8,776**	6,039
General, administrative and other expenses as a percentage of gross written premiums, policy fees and premium deposits	**11.1%**	8.9%

General, administrative and other expenses increased 45.3% to RMB8,776 million in 2007 from RMB6,039 million in 2006. General, administrative and other expenses as a percentage of gross written premiums, policy fees and premium deposits increased to 11.1% in 2007 from 8.9% in 2006. These increases were primarily due to the significant increase in business tax and surcharges paid on realized investment gains and the increase in administrative expenses as a result of the increase in sales of first year premiums, policy fees and premium deposits.

Income Taxes

For the year ended December 31,	**2007**	2006
Effective tax rate	**4.6%**	3.1%

Income taxes increased significantly to RMB523 million in 2007 from RMB181 million in 2006. The effective tax rate increased to 4.6% in 2007 from 3.1% in 2006. These increases were primarily due to the increase of deferred income tax liabilities relating to the income taxes reported in the income statement.

Net Profit

As a result of the foregoing, the net profit from our life insurance business increased 90.8% to RMB10,883 million in 2007 from RMB5,704 million in 2006.

PROPERTY AND CASUALTY INSURANCE BUSINESS

We conduct our property and casualty insurance business through our two subsidiaries, Ping An Property & Casualty and Ping An Hong Kong.

Results of Operations

The following is a summary of the results of our property and casualty insurance business:

For the year ended December 31, (in RMB million)	2007	2006
Gross written premiums	**20,493**	16,074
Net earned premiums	**14,622**	10,312
Investment income	**2,449**	684
Other income	**1,115**	1,317
Total income	**18,186**	12,313
Change in deferred policy acquisition costs	**552**	672
Claims expenses	**(9,651)**	(7,178)
Commission expenses of insurance operations	**(2,003)**	(1,572)
Foreign currency losses	**(10)**	(16)
General, administrative and other expenses	**(4,313)**	(3,029)
Total expenses	**(15,425)**	(11,123)
Income taxes	**(688)**	(142)
Net profit	**2,073**	1,048

Combined Ratio

For the year ended December 31,	2007	2006
Expense ratio	**32.6%**	25.8%
Loss ratio	**66.0%**	69.6%
Combined ratio	**98.6%**	95.4%

Gross Written Premiums

For the year ended December 31, (in RMB million)	2007	2006
Automobile insurance	**14,319**	11,057
Non-automobile insurance	**5,087**	4,207
Accident and health insurance	**1,087**	810
Total gross written premiums	**20,493**	16,074

Gross written premiums increased 27.5% to RMB20,493 million in 2007 from RMB16,074 million in 2006. This increase in gross written premiums was primarily due to the significant growth in all three principal lines of our property and casualty insurance business.

Automobile Insurance Business. Gross written premiums attributable to our automobile insurance business increased 29.5% to RMB14,319 million in 2007 from RMB11,057 million in 2006. This increase was primarily due to the continued increase in demand for automobiles in the PRC and implementation of compulsory third party liability insurance.

Non-automobile Insurance Business. Gross written premiums attributable to our non-automobile insurance business increased 20.9% to RMB5,087 million in 2007 from RMB4,207 million in 2006. This increase was primarily due to the increase in sales of commercial property insurance. Gross written premiums attributable to our commercial property insurance increased 26.5% to RMB2,372 million in 2007 from RMB1,875 million in 2006.

Accident and Health Insurance Business. Gross written premiums attributable to our accident and health insurance business increased 34.2% to RMB1,087 million in 2007 from RMB810 million in 2006. This increase was primarily due to our continued focus on growing this line of business.

Investment Income

Net investment income for our property and casualty insurance business increased 20.4% to RMB567 million in 2007 from RMB471 million in 2006. This increase was primarily due to the higher dividend income received from our equity investment funds. Net investment yield for our property and casualty insurance business increased to 4.0% in 2007 from 3.7% in 2006.

Total investment income for our property and casualty insurance business increased significantly to RMB2,449 million in 2007 from RMB684 million in 2006. Our total investment yield for our property and casualty insurance business increased to 14.7% in 2007 from 5.3% in 2006.

For the year ended December 31, (in RMB million, except percentages)	**2007**	2006
Net investment income	**567**	471
Net investment yield(1)	**4.0%**	3.7%
Total investment income	**2,449**	684
Total investment yield(1)	**14.7%**	5.3%

(1) Lease income from investment properties and interest income from cash and cash equivalents are included in the calculation of the above yields. Net foreign currency gains/losses on investment assets denominated in foreign currencies are excluded in the calculation of the above yields. Average investment assets used as the denominator are computed based on Modified Dietz method in principle.

Change in Deferred Policy Acquisition Costs

The change in deferred policy acquisition costs was RMB552 million in 2007 as compared to RMB672 million in 2006. The smaller change in deferred policy acquisition costs was primarily due to the smaller increase in the percentage of acquisition cost that can be deferred in 2007 as compared to 2006.

Claims Expenses

For the year ended December 31, (in RMB million)	**2007**	2006
Automobile insurance	**7,768**	5,746
Non-automobile insurance	**1,321**	1,054
Accident and health insurance	**562**	378
Total claims	**9,651**	7,178

Total claims increased 34.5% to RMB9,651 million in 2007 from RMB7,178 million in 2006.

Claims attributable to our automobile insurance business increased 35.2% to RMB7,768 million in 2007 from RMB5,746 million in 2006. This increase was primarily due to the increase in gross written premiums.

Claims attributable to our non-automobile insurance business increased 25.3% to RMB1,321 million in 2007 from RMB1,054 million in 2006. This increase was primarily due to the increase in gross written premiums.

Claims attributable to our accident and health insurance business increased 48.7% to RMB562 million in 2007 from RMB378 million in 2006. This increase was primarily due to the increase in gross written premiums.

Commission Expenses

For the year ended December 31,	2007	2006
Commission expenses as a percentage of gross written premiums	**9.8%**	9.8%

Commission expenses of insurance operations increased 27.4% to RMB2,003 million in 2007 from RMB1,572 million in 2006. This increase was primarily due to the increase in gross written premiums. As a percentage of gross written premiums, commission expenses remained at 9.8% in 2007 as compared to 2006.

General, Administrative and Other Expenses

For the year ended December 31,	2007	2006
General, administrative and other expenses as a percentage of gross written premiums	**21.0%**	18.8%

General, administrative and other expenses increased 42.4% to RMB4,313 million in 2007 from RMB3,029 million in 2006. General, administrative and other expenses as a percentage of gross written premiums increased to 21.0% in 2007 from 18.8% in 2006. These increases were primarily due to the increase in gross written premiums and increased competition in the property and casualty insurance industry.

Income Taxes

For the year ended December 31,	2007	2006
Effective tax rate	**24.9%**	11.9%

Income taxes increased significantly to RMB688 million in 2007 from RMB142 million in 2006. The effective tax rate increased to 24.9% in 2007 from 11.9% in 2006. These increases were primarily due to the increase of taxable profit and deferred income tax liabilities relating to the income taxes reported in the income statement.

Net Profit

As a result of the foregoing, the net profit from our property and casualty insurance business increased 97.8% to RMB2,073 million in 2007 from RMB1,048 million in 2006.

BANKING BUSINESS

We conduct our banking business through our subsidiary, Shenzhen Ping An Bank. On June 16, 2007, the CBRC approved the merger of Shenzhen Commercial Bank and Ping An Bank. On June 27, 2007, the industrial and commercial registration procedures for the renaming of Shenzhen Ping An Bank were completed. After the merger, Shenzhen Ping An Bank has 1 management centre, 2 branches and 50 sub-branches and over 250 ATMs network across Shenzhen, Shanghai and Fuzhou.

Results of Operation

The following is a summary of the results of our banking business:

For the year ended December 31, (in RMB million)	2007	2006
Net interest income	**3,478**	112
Net fees and commission income	**112**	7
Investment income	**5**	44
Other income, net	**491**	21
Total operating income	**4,086**	184
Assets impairment losses	**(164)**	(2)
Net operating income	**3,922**	182
General, administrative and other expenses[(1)]	**(1,769)**	(86)
Profit before tax	**2,153**	96
Income taxes	**(616)**	(25)
Net profit	**1,537**	71

The net profit from our banking business increased significantly to RMB1,537 million in 2007 from RMB71 million in 2006. 2007 is the first full fiscal year results of operation after the acquisition of the former Shenzhen Commercial Bank on December 15, 2006. The increase in net profit from our banking business was primarily due to the full year profit contribution from Shenzhen Ping An Bank in 2007 as compared to the 15 days profit contribution from the then SZCB and insignificant full year profit contribution from Ping An Bank in 2006.

Besides, the 2007 operation results also reflected the one-off benefits of non-performing assets disposal and reversals of litigation provisions amounting to RMB418 million.

(1) General and administrative expenses included operating expenses, business tax and surcharges, other expenses and non-operating expenses.

Net Interest Income

For the year ended December 31, (in RMB million)	2007	2006
Interest income		
Loans and advances to customers	**3,200**	132
Balances with the central bank	**163**	5
Due from banks and other financial institutions	**646**	55
Bond interest income	**1,305**	–
Total interest income	**5,314**	192
Interest expenses		
Customers deposits	**(1,499)**	(47)
Due to banks and other financial institutions	**(337)**	(33)
Total interest expenses	**(1,836)**	(80)
Net interest income	**3,478**	112
Net interest spread (1)	**2.7%**	1.8%
Average interest earning assets balance (in RMB million)	**120,054**	5,365
Average interest bearing liabilities balance (in RMB million)	**113,162**	4,519

(1) Net interest spread represents the difference between the average yield on interest earning assets (excluding recovery of interest income on non-performing loans) and the average cost on interest bearing liabilities.

Net interest income increased significantly to RMB3,478 million in 2007 from RMB112 million in 2006. As discussed above, the significant increase in net interest income was primarily due to the full year contribution from Shenzhen Ping An Bank in 2007.

Net interest spread increased to 2.7% in 2007 from 1.8% in 2006. In 2006, Ping An Bank mainly engaged in foreign currency businesses and obtained funding from interbank market where funding cost was relatively higher. Besides, SZCB has only 15-days contribution to our banking business operation results is also another reason for the 1.8% net interest spread. With the full year impact of SZCB and subsequent merger with Ping An Bank, our banking business now has a mix of Renminbi and foreign currency banking business with over 3 million customers accounts. Accordingly, funding is now mainly sourced from customer deposits, which is a relatively low cost funding base. As a result, net interest spread improved to 2.7%.

Investment Income

Investment income from our banking business was RMB5 million in 2007 compared to RMB44 million in 2006. It was primarily due to unrealized losses on changes in fair values of trading investments and derivative financial instruments.

Other Income

Other income increased significantly to RMB491 million in 2007 from RMB21 million in 2006. This increase was primarily due to the one-off items including gain from non-performing assets disposals of RMB267 million and reversals of litigation provision of RMB151 million.

General, Administrative and Other Expenses

For the year ended December 31, (in RMB million)	2007	2006
General and administrative expenses	**1,490**	72
Business tax and surcharges	**179**	9
Other expenses and non-operating expenses	**100**	5
Total general, administrative and other expenses	**1,769**	86
Cost-to-income ratio (1)	**36.5%**	39.1%

(1) Cost-to-income ratio is defined as general and administrative expenses/operating income.

General, administrative and other expenses increased to RMB1,769 million in 2007 from RMB86 million in 2006. As discussed above, the significant increase in general, administrative and other expenses was primarily due to the full year contribution from Shenzhen Ping An Bank in 2007.

Cost-to-income ratio decreased to 36.5% in 2007 from 39.1% in 2006, as revenue growth outpaced expense growth during the year. We have committed to continue our investments in Shenzhen Ping An Bank to ensure successful reorganization and integration of Shenzhen Ping An Bank. Therefore, significant investments will still be made on key hiring, investment in IT infrastructure and re-branding.

Assets Impairment Loss

Our banking business recorded a write back of provision of RMB116 million in 2007 on the back of disposal of non-performing loans and marked improved loan quality in 2007.

Impairment losses on other assets were mainly attributed by impairment losses in respect of certain settled assets and investments in 2007.

Income Taxes

For the year ended December 31,	2007	2006
Effective tax rate	**28.6%**	26.0%

Income taxes increased to RMB616 million in 2007 from RMB25 million in 2006. The effective tax rate increased to 28.6% in 2007 from 26.0% in 2006. The increase of effective tax rate was primarily due to non-deductible of certain expenses mainly in respect of the disposal of non-performing assets in 2007 .

Loans and Advances Mix

As at December 31, (in RMB million)	2007	2006
Corporate loans	**36,142**	22,254
Discounted bills	**5,976**	12,634
Retail loans	**19,782**	14,038
Total loans and advances	**61,900**	48,926

Total loans and advances increased by 26.5% to RMB61,900 million as at December 31, 2007 from RMB48,926 million as at December 31, 2006. Corporate loans increased by 62.4% to RMB36,142 million and accounted for 58.4% of the total loans and advances as at December 31, 2007 (2006: 45.5%). Retail loans increased by 40.9% to RMB19,782 million and accounted for 32.0% of the total loans and advances as at December 31, 2007 (2006: 28.7%). As a result of the loan mix restructuring and asset and liability management, discounted bills decreased by 52.7% to RMB5,976 million as at December 31, 2007.

Deposits Mix

As at December 31, (in RMB million)	2007	2006
Corporate deposits	**96,941**	55,957
Retail deposits	**10,184**	11,345
Guaranteed deposits	**5,397**	5,494
Outward remittance and remittance outstanding	**531**	248
Total customer deposits	**113,053**	73,044

Total customer deposits increased by 54.8% to RMB113,053 million as at December 31, 2007 from RMB73,044 million as at December 31, 2006. Corporate deposits increased by 73.2% to RMB96,941 million and accounted for 85.7% of the total customer deposits as at December 31, 2007 (2006: 76.6%). Retail deposits decreased by 10.2% to RMB10,184 million and accounted for 9.0% of the total customer deposits as at December 31, 2007 (2006: 15.5%).

Loan Quality

As at December 31, (in RMB million, except percentages)	2007	2006
Pass	**58,370**	44,914
Special mention	**3,019**	910
Substandard	**296**	936
Doubtful	**167**	1,262
Loss	**48**	904
Total loans and advances	**61,900**	48,926
Total non performing loans	**511**	3,102
Non-performing loans ratio	**0.8%**	6.3%
Impairment provisions balance	**420**	2,343
Provisions coverage ratio	**82.2%**	75.5%

Loans quality has improved significantly in 2007. Non-performing loans ratio and amount dropped significantly from 6.3% to 0.8% and from RMB3,102 million to RMB511 million respectively. The decrease is primarily attributed by the disposal of non-performing loans of RMB2,354 million in 2007, successful bad loan collections and the low net flow rate from performing categories to non-performing categories.

Capital Adequacy

As at December 31, (in RMB million, except percentages)	2007	2006
Net capital	**6,209**	5,428
Net risk-weighted assets	**68,466**	45,551
Capital adequacy ratio (regulatory requirement >= 8%)	**9.1%**	11.9%
Core capital adequacy ratio (regulatory requirement >= 4%)	**9.1%**	12.0%

As at December 31, 2007, Shenzhen Ping An Bank's capital adequacy ratio and core capital adequacy ratios were comfortably above regulatory requirement at 9.1%.

SECURITIES BUSINESS

We conduct our securities business through our subsidiary, Ping An Securities.

Results of Operation

The following is a summary of the results of our securities business:

For the year ended December 31, (in RMB million)	2007	2006
Net fees and commission income	**1,671**	462
Investment income	**1,155**	336
Other income	**374**	479
Total operating income	**3,200**	1,277
Foreign currency losses	**(4)**	(2)
General, administrative and other expenses	**(1,308)**	(540)
Total operating expenses	**(1,312)**	(542)
Income taxes	**(396)**	(126)
Net profit	**1,492**	609

Net Fees and Commission Income

The following table sets forth the major components of net fees and commission income:

For the year ended December 31, (in RMB million)	2007	2006
Fees and commission income		
Brokerage fees	**1,556**	349
Underwriting commission income	**290**	82
Others	**53**	102
Total fees and commission income	**1,899**	533
Fees and commission expenses		
Brokerage fees paid	**(165)**	(29)
Others	**(63)**	(42)
Total fees and commission expenses	**(228)**	(71)
Net fees and commission income	**1,671**	462

Brokerage fees income from our brokerage business increased significantly to RMB1,556 million in 2007 from RMB349 million in 2006. This increase was primarily due to the significant increase in trading volume of the booming PRC stock market.

Underwriting commission income from our investment banking business increased significantly to RMB290 million in 2007 from RMB82 million in 2006. This increase was primarily due to the booming equity market and our business development efforts as an innovative securities company.

Total fees and commission expenses increased in line with the business growth. As a result, net fees and commission income increased significantly to RMB1,671 million in 2007 from RMB462 million in 2006.

Investment Income

For the year ended December 31, (in RMB million)	2007	2006
Net investment income	**10**	13
Net realized and unrealized gains	**1,145**	323
Total investment income	**1,155**	336

Investment income from our securities business increased significantly to RMB1,155 million in 2007 from RMB336 million in 2006. This increase was primarily due to the increase in realized investment gains from our proprietary trading business.

General, Administrative and Other Expenses

General, administrative and other expenses increased 142.2% to RMB1,308 million in 2007 from RMB540 million in 2006. This increase was primarily due to the increase in salaries and employee benefits and innovative business related expenses as we expanded our securities business in 2007.

Income Taxes

For the year ended December 31,	2007	2006
Effective tax rate	**21.0%**	17.1%

Income taxes increased significantly to RMB396 million in 2007 from RMB126 million in 2006. This increase was primarily due to the increase of taxable profit. The effective tax rate increased to 21.0% in 2007 from 17.1% in 2006.

Net Profit

As a result of the foregoing, the net profit from our securities business increased 145.0% to RMB1,492 million in 2007 from RMB609 million in 2006.

TRUST BUSINESS

We conduct our trust business through our subsidiary, Ping An Trust.

Results of Operation

The following is a summary of the results of our trust business:

For the year ended December 31, (in RMB million)	2007	2006
Net fees and commission income	**380**	91
Investment income	**819**	224
Other income	**16**	17
Total operating income	**1,215**	332
Assets impairment losses	**(77)**	11
Foreign currency losses	**(1)**	11
General, administrative and other expenses	**(283)**	(134)
Total operating expenses	**(361)**	(112)
Income taxes	**(110)**	(26)
Net profit	**744**	194

(1) The above figures are presented at company's level, where interests in subsidiaries are accounted for at cost.

Net Fees and Commission Income

The following table sets forth the major components of net fees and commission income:

For the year ended December 31, (in RMB million)	2007	2006
Fees and commission income		
Management fees of trust products	**511**	83
Commission income of custodian and other fiduciary activities	**118**	32
Others	**27**	8
Total fees and commission income	**656**	123
Fees and commission expenses		
Handling charges of trust products	**(245)**	(19)
Others	**(31)**	(13)
Total fees and commission expenses	**(276)**	(32)
Net fees and commission income	**380**	91

Total fees and commission income increased significantly to RMB656 million in 2007 from RMB123 million in 2006. This increase was primarily due to the significant increase in assets held under its management in 2007. As a result, management fees of trust products increased significantly to RMB511 million in 2007 from RMB83 million in 2006.

Total fees and commission expenses increased in line with the business growth. As a result, net fees and commission income increased significantly to RMB380 million in 2007 from RMB91 million in 2006.

Investment Income

For the year ended December 31, (in RMB million)	2007	2006
Net investment income	**187**	77
Net realized and unrealized gains	**632**	147
Total investment income	**819**	224

Investment income from our trust business increased significantly to RMB819 million in 2007 from RMB224 million in 2006. This increase was primarily due to the increase in realized investment gains.

General, Administrative and Other Expenses

General, administrative and other expenses increased 111.2% to RMB283 million in 2007 from RMB134 million in 2006. This increase was primarily due to the increase in salaries and employee benefits.

Income Taxes

For the year ended December 31,	2007	2006
Effective tax rate	**12.9%**	11.8%

Income taxes increased significantly to RMB110 million in 2007 from RMB26 million in 2006. This increase was primarily due to the increase of taxable profit. The effective tax rate increased to 12.9% in 2007 from 11.8% in 2006.

Net Profit

As a result of the foregoing, the net profit from our trust business increased significantly to RMB744 million in 2007 from RMB194 million in 2006.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity and financial resources are managed at the Group level on a consolidated basis. We are a holding company and, with the exception of investment management activities, do not conduct any significant business operations on our own. As a result, we depend upon dividends and distributions from our operating subsidiaries and return on our investment assets for substantially all of our operating cash flows.

In addition to cash and cash equivalents held by the Group, we have two additional sources of liquidity. They are liquid investments held for trading and short-term borrowings.

Liquid investments held for trading are listed or are traded in an active market and can be converted to cash easily without incurring significant charges.

The following table summarizes the carrying amount of liquid assets held by the Group:

As at December 31, (in RMB million)	**2007**	2006
Cash and cash equivalents	**94,058**	42,288
Held-for-trading investments	**36,568**	23,615
Total liquid assets	**130,626**	65,903

The Group utilizes short-term borrowings and assets sold under agreements to repurchase as part of the liquidity management for our daily operations. The following table summarizes the carrying amount of these arrangements:

As at December 31, (in RMB million)	**2007**	2006
Short-term borrowings	**3,894**	1,518
Assets sold under agreements to repurchase	**13,556**	13,436

The management believes that the liquid assets currently held, together with net cash generated from future operations, and the availability of short-term borrowings will enable the Group to meet its foreseeable cash requirements.

Capital Structure

Total equity increased to RMB113,851 million as at December 31, 2007 from RMB47,750 million as at December 31, 2006. This increase was primarily due to our issue of A shares in the PRC and our operating profit in 2007.

The Group had no material charges on its group assets.

Gearing Ratio

As at December 31,	**2007**	2006
Gearing ratio	**83.8%**	90.6%

The gearing ratio is computed by dividing the sum of total liabilities and minority interests by total assets.

Solvency Margin

The solvency margin ratio is a measure of capital adequacy for insurance companies. It is calculated by dividing the actual capital by the statutory minimum capital requirement. Under the applicable CIRC regulations, PRC insurance companies are required to maintain specified solvency margin ratios. As a general matter, the CIRC considers an insurance company with a solvency margin ratio of 100% or higher to be financially sound.

The following table sets forth the solvency margin ratios for Ping An Life and Ping An Property & Casualty:

As at December 31, (in RMB million, except percentages)	Ping An Life		Ping An Property & Casualty	
	2007	2006	**2007**	2006
Actual capital	**45,218**	23,983	**4,895**	2,613
Minimum capital	**15,704**	13,096	**2,695**	1,990
Solvency margin ratio	**287.9%**	183.1%	**181.6%**	131.3%

Contractual Obligation and Other Commercial Commitments

The following table sets forth our aggregate contractual obligations and other commercial commitments for the periods specified:

As at December 31, (in RMB million)	2007	2006
Contractual commitments	**11,048**	5,707
Operating lease commitments	**1,160**	1,167

RISK MANAGEMENT

Approach to Risk Management

The Group regards risk management as a core discipline in our business practice. We are dedicated to developing and maintaining a risk management framework that governs the overall infrastructure of the Group's operations.

Members of the Risk Management Committee include the Vice Chief Executive Officer, the President, the Chief Actuary, the Chief Internal Auditor, the Chief Legal Officer, the Chief Information Officer, and the Vice Chief Financial Officer.

The committee meets three times per year to review the risk management progression. In these meetings, the risk management structure and major risk management issues are discussed. Potential new corporate strategic objectives are evaluated for their risk exposures; major risk events happened for the time interval between meetings are evaluated and development of new risk measurement techniques and risk control measures are presented and approved for implementation. Potential operational risk exposures observed from our internal audit reviews and external factors such as regulatory changes and accounting standards changes are also reviewed. Appropriate responses are formulated for the risk issues discussed. Lastly, the committee will review the appropriateness of measures implemented to address risk issues raised in prior meetings.

SZCB has been consolidated into the Group for a year, and it was renamed as Shenzhen Ping An Bank in June 2007. We will therefore quantify and disclose part of risk measures related to banking business in this section. Shenzhen Ping An Bank has continuously promoted risk management by the actions taken in the bank risk factors such as credit risk, market risk and operational risk. These actions include:

- Risk management team setting is completed. Departments were adjusted, established or already set up in accordance with different kinds of risks, and heads of these departments and other risk management professionals were recruited.

- Asset & Liability Committee was established to optimize the structure of assets and liabilities, implement continuous growth in net asset, and maximize the return on equity.

- Risk Policy Committee was established to charge with the responsibility of risk policies and procedures formulating on credit risk and market risk, and overseeing the implementation of risk management in such area. Operational Risk Management Committee established in the end of 2007, undertook the responsibility of operational risk management, which is transferred from Risk Policy Committee.

- BASEL II NEW Funding Protocol Oversight Project was started up in January 2008, Executive committee and project implementation team were established to formulate administrative arrangements and strategies, and oversee the implementation of such planning.

Insurance Product Risk

Insurance product risk is the risk of loss due to actual experience such as investment returns, expenses, taxes, mortality and morbidity claims, and policyholder behavior, emerging differently than what was assumed when the product was designed and priced.

The Group has an objective to manage insurance risk and reduce volatility of operating profits. The Group manages insurance risk through the following mechanisms:

- Management information systems are used to provide up to date, accurate and reliable data on risk exposure at any point in time.

- Actuarial models and statistical techniques are applied to aid in pricing decisions and monitor claims pattern.

- Guidelines are issued for underwriting insurance contracts and assuming insurance risks.

- Proactive claims handling procedures are followed to investigate and adjust claims, thereby preventing settlement of dubious or fraudulent claims.

- Reinsurance is used to limit the Group's exposure to large claims and catastrophes by placing risk with reinsurers providing high security.

- Diversification is accomplished by achieving sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

- The mix of insurance assets is developed to match the nature and term of insurance liabilities. The management of assets and liabilities is closely monitored to attempt to match the expected pattern of claim payments with the maturity dates of assets.

Asset and Liability Mismatching Risk

Asset and liability mismatching risk is the risk of loss due to the Group's inability to match its assets with its liabilities on the basis of both duration and investment return.

The Group's asset and liability management includes processes and models built to measure the sensitivity of net income and shareholders' equity under various deterministic interest rate scenarios. The scenarios and assumptions used are reviewed and updated periodically. Insights gained through the analysis are used to measure the risk exposures and capital position of the Group.

Under the current regulatory and market environment, the Group is unable to invest in assets with a duration of sufficient length to match the duration of its life insurance liabilities. When the regulatory and market environment permits, the Group intends to gradually lengthen the duration of its assets.

Market Risk

Market risk is the risk of potential loss that may result from changes in the value of a financial instrument as a result of changes in interest rates, market prices, foreign currency exchange rates and other market price-related factors. Under the current PRC regulatory and market environment, there is a lack of financial instruments available for the Group to hedge its market risk exposures efficiently. The Group controls its market risk exposures by setting a maximum risk exposure for each class of assets. When setting these limits, significant consideration is placed on the Group's risk appetite and impact on the Group's financial condition. These limits also take into account the Group's asset-liability management strategy.

The Group utilizes various techniques to quantify the market risk exposure, including sensitivity analysis and Value-at-Risk ("VaR") computation. VaR is a summary statistical measure that uses historical market prices and estimates the maximum loss over a target horizon such that there is a low, pre-specified probability that the actual loss will be larger. However, the utilization of the VaR technique under the current PRC market environment has its limitations due to the lack of reliable historical financial data.

Market Risk – Interest Rate Risk

Fixed maturity securities held by the Group are exposed to interest rate risks. These investments are substantially represented by bond investments that are recorded at fair value in the balance sheet.

The Group uses sensitivity analysis to estimate its risk exposure. Interest rate sensitivity is estimated by assuming a 50 basis points parallel shift in the government bond yield curve.

Risk measures related to banking business will be quantified and disclosed in this part.

As at December 31, 2007 (in RMB million)	Change in interest rate	Decrease in profit	Decrease in equity
Bond investments held-for-trading and available-for-sale	+50 basis point	153	2,728

Market Risk – Market Price Risk

Listed equity investments held by the Group are exposed to market price risks. These investments are substantially represented by equity securities and equity investment funds.

The Group uses the 10-day market price VaR technique to estimate its risk exposure. Market price VaR is computed as (equity securities/equity investment funds valued at market price x 10-day worst market fluctuation at 99% level).

Risk measures related to bank business will be quantified and disclosed in this part.

As at December 31, 2007 (in RMB million)	Impact on equity
Equity securities and equity investment funds held-for-trading and available-for-sale	14,495

Market Risk – Foreign Currency Risk

Foreign currency denominated investments held by the Group are exposed to foreign currency risks. These assets include monetary assets, such as deposits and bonds held in foreign currency, and non-monetary assets measured at fair value, such as stocks and funds held in foreign currency. The Group's foreign currency denominated liabilities are also exposed to fluctuations in exchange rates. These liabilities include monetary liabilities, such as loans, customers' deposits and claim reserves denominated in foreign currency, and non-monetary liabilities measured at fair value. The exposures to fluctuations in exchange rates from the above assets and liabilities offset each other.

The Group uses sensitivity analysis to estimate its risk exposure. Foreign currency risk sensitivity is estimated by assuming a simultaneous and uniform 5% depreciation, against the Renminbi, of all foreign currency denominated monetary assets and liabilities and non-monetary assets and liabilities measured at fair value.

Risk measures related to bank business will be quantified and disclosed in this part.

As at December 31, 2007 (in RMB million)	Decrease in profit	Decrease in equity
Net exposure to fluctuations in exchange rates assuming a simultaneous and uniform 5% depreciation of all foreign currency denominated monetary assets and monetary liabilities and non-monetary assets and liabilities measured at fair value against the Renminbi	504	2,013

Credit Risk

Credit risk is the risk of economic loss resulting from the failure of one of the Group's obligors to make any payment of principal or interest when due.

The Group is exposed to credit risks primarily associated with its term deposits arrangements with commercial banks and loans to third parties from its banking operations.

To evaluate credit risk properly, the Group has established an internal credit rating system. The counterparties' ratings are reviewed at least annually through the system or whenever a credit event occurs.

The Group quantifies its credit risk exposure by assigning expected default rates and expected recovery rates of relevant credit grades for commercial banks and bond issuing companies. Credit risk is computed as (principal amount + outstanding interests) x default rate x (1 – recovery rate).

Risk measures related to banking business will not be quantified and disclosed in this part.

As at December 31, 2007 (in RMB million)	Impact on profit
Term deposits placed with commercial banks and loans to external third parties	321

Operational Risk

Operational risk is the risk of loss resulting from internal operation failures or uncontrollable external events. Internal operation failures occur due to inadequate or failed internal processes (process risks), system failure (system risks), and human performance failure (people risks). Uncontrollable external events that contribute to operational risks are mainly due to legal matters or changes in the regulatory requirements, accounting standards and tax laws.

For internal operational risks, a proactive approach has been taken to implement appropriate and sufficient preventive controls, detective controls and damage limitation controls. These controls are embedded into the business processes, system operations and human performance. Rigorous checks on the reliability of the controls are performed by our internal and external audit functions. Our audit committee reviews the reports from our internal and external auditors to ensure that appropriate measures are taken to address control weaknesses detected. For the uncontrollable external events, our Legal Department, Finance Department and Planning and Actuarial Department monitor changes in regulatory requirements, accounting standards and tax laws closely.

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON THE EMBEDDED VALUE DISCLOSURES

To the directors of
Ping An Insurance (Group) Company of China, Ltd.

We have reviewed the accompanying Embedded Value disclosures of Ping An Insurance (Group) Company of China, Ltd. ("the Company") as set out in the Company 2007 Year-end annual report ("the Disclosures"). The Disclosures comprise: the Economic Value, which is the Embedded Value as at 31 December 2007 and the Value of one year's new business after the cost of solvency ("the New Business Value"); the Methodology and Assumptions; New Business Volumes and Business Mix; Embedded Value Movement; and Sensitivity Analysis.

The Embedded Value and the New Business Value have been prepared in accordance with Embedded Value Principles specified in the "Guideline On Preparing the Life Insurance Embedded Value" published by the Chinese Insurance Regulatory Commission in September 2005 as described on, and using the methodology and assumptions ("the Embedded Value basis") as set out in the Disclosures.

The components of the Economic Value are calculated, prepared and presented by the Company. Our responsibility, as independent actuaries, is to express an opinion as to whether the Economic Value in the Disclosures has been properly determined in accordance with the Embedded Value basis.

BASIS OF OUR OPINION

In conducting our review, we have carried out a combination of reasonableness checks, analytical reviews and tests of computational accuracy as we considered necessary to provide reasonable assurance that the Economic Value has been properly determined in accordance with the Embedded Value basis. We have relied upon audited and unaudited data supplied to us by the Company.

The calculation of the Economic Value requires numerous assumptions and projections about future experience, including economic and other financial conditions, many of which are outside the Company's control. Therefore actual experience is likely to deviate from that assumed and variances from the projected Economic Value are to be expected.

OPINION

In our opinion:

- The assumptions used to assess the value of the in-force business, the cost of holding the required solvency margin and the value of one year's new business as of the year ended 31 December 2007 are reasonable, and
- The calculations have been carried out in accordance with the Embedded Value basis, the sample calculations which we checked were satisfactory and overall results are reasonable.

We also confirm that the embedded value information disclosed in the Company's 2007 Year-end annual report is consistent with the information we have reviewed.

Ernst & Young Advisory Services Limited
Hong Kong, China

Xiaojing Zhao, *Actuary*
March 19, 2008

Embedded Value

In order to provide investors with an additional tool to understand our economic value and business performance results, the Company has disclosed information regarding embedded value in this section. The embedded value represents the shareholders' adjusted net asset value plus the value of the Company's in-force life insurance business adjusted for the cost of regulatory solvency margin deployed to support this business. The embedded value excludes the value of future new business sales.

According to the related provisions of the Rules for the Compilation of Information Disclosures by the Companies Offering Securities to the Public (No. 4) – Special Provisions on Information Disclosures by Insurance Companies, the Company has engaged Ernst & Young Advisory Services Limited to review the reasonableness of the methodology, the assumptions and the calculation results of the Company's embedded value as at December 31, 2007.

The calculation of embedded value necessarily makes a number of assumptions with respect to future experience. As a result, future experience may vary from that assumed in the calculation, and these variations may be material. The market value of the Company is measured by the value of the Company's shares on any particular day. In valuing the Company's shares, investors take into account a variety of information available to them and their own investment criteria. Therefore, these calculated values should not be constructed as a direct reflection of the actual market value.

(1) COMPONENTS OF ECONOMIC VALUE

(in RMB million)	**31 December, 2007**	31 December, 2006
Risk discount rate	**Earned Rate/11.5%**	Earned Rate/12%
Adjusted net asset value	**107,032**	46,282
Adjusted net asset value of life insurance business	**30,128**	19,056
Value of in-force insurance business written prior to June 1999	**(9,058)**	(20,932)
Value of in-force insurance business written since June 1999	**61,921**	48,011
Cost of holding the required solvency margin	**(9,585)**	(7,788)
Embedded value	**150,311**	65,573
Embedded value of life insurance business	**73,407**	38,347

(in RMB million)	**31 December, 2007**	31 December, 2006
Risk discount rate	**11.5%**	12%
Value of one year's new business	**8,254**	6,007
Cost of holding the required solvency margin	**(1,067)**	(875)
Value of one year's new business after cost of solvency	**7,187**	5,132

Note: Figures may not be additive due to rounding.

The adjusted net asset value is based on the audited shareholders net assets of the Company and the relative life insurance business as measured on the PRC statutory basis. The relative life insurance business includes business conducted through Ping An Life, Ping An Annuity and Ping An Health. The values placed on certain assets have been adjusted to the market value.

(2) KEY ASSUMPTIONS

The assumptions used in the embedded value calculation in 2007 have been made on a "going concern" basis, assuming continuation of the economic and legal environment currently prevailing in the PRC. The statutory reserving basis and solvency margin requirement were assumed in the calculation. Certain portfolio assumptions were based on the Company's own recent experience as well as considering the more general PRC market and other life insurance markets' experience. The principal bases and assumptions used in the calculation are described below:

1. Risk Discount Rate

The non investment-linked fund's earned rate or 11.5% has been assumed in each future year as the discount rate for the in-force life insurance business. The earned rate is the investment return adjusted for tax paid. This specific discount rate approach for the in-force business is to avoid understating the effect of losses arising from those high interest rate guaranteed products we sold prior to June 1999. A level of 11.5% has been assumed in each future year for the calculation of one-year's new business value.

2. Investment Returns

Future investment returns have been assumed to be 5.0% in 2008 and to increase by 0.1% every year to 5.5% in 2013 and thereafter for the non investment-linked fund. For the investment-linked fund, future investment returns have been assumed to be 5.5% in 2008 and to increase by 0.1% every year to 6.0% in 2013 and thereafter. These returns have been derived by consideration of the current capital market condition, the Company's current and expected future asset allocations and associated investment returns for a range of major asset classes.

3. Taxation

A 25% average income tax rate has been assumed. It is also assumed that 18% of investment returns can be exempted from income tax. In addition, a 5.5% business tax rate has been applied to the gross written premiums of the short-term accident insurance business.

4. Mortality

The experience mortality rates have been based on 65% and 65% of China Life (2000-2003) table for male and female respectively for non annuitants. For annuitants, the experience mortality rates since the grant period have been based on 45% and 40% of China Life Annuity (2000-2003) table for male and female respectively.

5. Morbidity

Morbidity assumptions have been based on the Company's own pricing table. The loss ratios have been assumed to be in the range of 15% and 85% for short term accident and health insurance business.

6. Discontinuances

Policy discontinuance rates have been based on the Company's recent experience studies. The discontinuance rates are dependent on the pricing interest rate and the product type.

7. Expenses

Expenses assumptions have been based on the Company's most recent expenses investigation. For calendar year 2007, the assumed expenses and commissions equated to around 85% of the expenses allowance priced into the products. The unit maintenance expenses were assumed to increase at 2% per annum.

8. Policyholder Dividends

Policyholder dividends have been based on 80% of the interest and mortality surplus for individual life and bancassurance participating business. For group life participating business, dividends have been based on 80% of interest surplus only.

(3) NEW BUSINESS VOLUMES AND BUSINESS MIX

The volume of new business sold and modeled during 2007 to calculate the value of one year's new business was RMB29,926 million in terms of first year premium. The mix of the new business measured by first year premium was:

	Percentage
Individual life	**50.7%**
Long-term business	49.0%
Short-term business	1.7%
Group life	**26.0%**
Long-term business	16.9%
Short-term business	9.1%
Bancassurance	**23.3%**
Long-term business	23.3%
Total	**100.0%**

Note: Figures may not be additive due to rounding.

(4) EMBEDDED VALUE MOVEMENT

The table below shows how the embedded value grew to RMB150,311 million as at December 31, 2007.

(in RMB million)	2007	Description
Embedded value of life insurance business as at December 31, 2006	**38,347**	
Expected return on year-start embedded value	3,011	Expected growth of embedded value occurred in 2007.
Value of one-year new business	7,880	The contribution came from new business sold during 2007 and discounted at earned rate/11.5%.
Assumption and modeling changes	5,486	Assumption changes, such as investment return, lapse rates, tax rate and statutory reserve valuation interest rates changes increased embedded value on an aggregate basis.
Risk discount rate changes	1,614	Risk discount rate changed from earned rate/12.0% to earned rate/11.5%.
Market value adjustment	8,577	The market value adjustment of relative investments increased due to unrealized capital gains.
Investment return variance	11,658	Actual investment return in 2007 was higher than the assumed return.
Other experience variances	1,004	Other positive variances between actual experience and assumptions.
Embedded value of life insurance business before capital changes	**77,577**	Embedded value before impact of capital change increased by 102.3%.
Capital injection	200	Capital injection to Ping An Annuity from the Group
Shareholder dividends	(4,370)	Dividends paid to shareholders by Ping An Life.
Embedded value of life insurance business as at December 31, 2007	**73,407**	

(4) EMBEDDED VALUE MOVEMENT *(Continued)*

(in RMB million)	2007	Description
Adjusted net asset value of other business as at December 31, 2006	**27,226**	
Net Profit of other businesses	7,750	
Market value adjustment and other adjustments	2,665	
Adjusted net asset value of other business as at December 31, 2007 before capital changes	**37,641**	
Dividends received from Ping An Life	4,326	Dividends paid to the Group by Ping An Life.
Capital injection	38,222	A share IPO net proceeds.
Shareholder dividends	(3,085)	Dividends paid to shareholders.
Capital investment	(200)	Capital injection to Ping An Annuity.
Adjusted net asset value of other business as at December 31, 2007	**76,904**	
Embedded value as at December 31, 2007	**150,311**	
Embedded value per share as at December 31, 2007 (in RMB)	**20.5**	

Note: Figures may not be additive due to rounding.

(5) SENSITIVITY ANALYSIS

The Company has investigated the effect, on the value of in-force business and the value of one year's new business, of certain independently varying assumptions regarding future experience. Specifically, the following changes in assumptions have been considered:

- Risk discount rate
- Assumptions used in 2006 valuation
- Investment return increased by 50 basis points every year
- Investment return decreased by 50 basis points every year
- A 10% reduction in mortality and morbidity for assured lives
- A 10% reduction in policy discontinuance rates
- A 10% reduction in maintenance expenses
- A 5% increase in the policyholders' dividend payout ratio
- Solvency margin at 150% of the regulatory level

(in RMB million)	Risk Discount Rate			
	Earned Rate/11.0%	Earned Rate/11.5%	Earned Rate/12.0%	11.5%
Value of in-force business	44,971	43,279	41,664	44,961
	11.0%	11.5%	12.0%	Earned Rate/11.5%
Value of one year's new business	7,568	7,187	6,832	7,880

Assumptions (in RMB million)	Value of in-force business	Value of one year's new business
Central case	43,279	7,187
Assumptions used in 2006 valuation	28,619	7,070
Investment return increased by 50bp every year	53,292	7,561
Investment return decreased by 50bp every year	30,979	6,820
10% reduction in mortality and morbidity rates	43,593	7,306
10% reduction in policy discontinuance rates	44,604	7,513
10% reduction in maintenance expense	44,132	7,321
5% increase in the policyholders' dividend payout ratio	41,758	7,018
Solvency margin at 150% of the regulatory level	38,196	6,654

Note: Risk discount rates were earned rate/11.5% and 11.5% for in-force business and new business respectively.

Independent Auditors' Report

To the shareholders of
Ping An Insurance (Group) Company of China, Ltd.

We have audited the consolidated financial statements of Ping An Insurance (Group) Company of China, Ltd. (the "Company") and its subsidiaries (collectively the "Group") set out on pages 78 to 162 which comprise the consolidated and company balance sheets as at December 31, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2007 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

18/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

March 19, 2008

Consolidated Income Statement

For the year ended December 31, 2007

(in RMB million)	Notes	2007	2006
Gross written premiums and policy fees	7	**80,406**	69,696
Less: Premiums ceded to reinsurers		**(4,298)**	(4,271)
Net written premiums and policy fees		**76,108**	65,425
Increase in unearned premium reserves, net		**(2,502)**	(2,299)
Net earned premiums		**73,606**	63,126
Reinsurance commission income		**1,167**	1,549
Interest income of banking operations	8	**5,314**	192
Other fees and commission income	9	**2,616**	657
Investment income	10	**51,744**	21,971
Share of profit or loss of associates		**4**	–
Other income	11	**2,600**	703
Total income		**137,051**	88,198
Change in deferred policy acquisition costs	26	**9,372**	5,480
Claims and policyholders' benefits	12	**(92,392)**	(66,181)
Commission expenses of insurance operations		**(10,854)**	(8,078)
Interest expenses of banking operations	8	**(1,565)**	(80)
Other fees and commission expenses	9	**(570)**	(92)
Loan loss provisions, net of reversals	22	**118**	(3)
Foreign currency losses		**(501)**	(466)
General and administrative expenses		**(18,655)**	(10,230)
Total expenses		**(115,047)**	(79,650)
Operating profit before tax	13	**22,004**	8,548
Income taxes	14	**(2,785)**	(548)
Net profit		**19,219**	8,000
Attributable to:			
– Equity holders of the parent		**18,688**	7,838
– Minority interests		**531**	162
		19,219	8,000
		RMB	RMB
Earnings per share for net profit attributable to equity holders of the parent – basic	16	**2.61**	1.27

The accompanying notes form an integral part of these financial statements.

Consolidated Balance Sheet

As at December 31, 2007

(in RMB million)	*Notes*	**2007**	2006
ASSETS			
Balances with central bank and statutory deposits	*17*	**20,794**	9,234
Cash and amounts due from banks and other financial institutions	*18*	**87,859**	95,912
Fixed maturity investments	*19*	**274,241**	213,041
Equity investments	*20*	**128,931**	46,729
Derivative financial assets	*21*	**177**	21
Loans and advances to customers	*22*	**63,125**	49,152
Investment in associates	*23*	**1,472**	176
Premium receivables	*24*	**4,434**	2,939
Reinsurance assets	*25*	**4,880**	4,130
Policyholder account assets in respect of insurance contracts		**34,871**	20,961
Policyholder account assets in respect of investment contracts		**4,622**	3,971
Deferred policy acquisition costs	*26*	**41,305**	31,866
Investment properties	*27*	**3,882**	1,528
Property and equipment	*28*	**8,165**	4,766
Intangible assets	*29*	**4,400**	1,484
Deferred income tax assets	*38*	**87**	417
Other assets and receivables	*30*	**8,053**	8,108
Total assets		**691,298**	494,435
EQUITY AND LIABILITIES			
Equity			
Share capital	*31*	**7,345**	6,195
Reserves	*32*	**81,322**	29,703
Retained profits	*32*	**23,155**	10,477
Equity attributable to equity holders of the parent		**111,822**	46,375
Minority interests		**2,029**	1,375
Total equity		**113,851**	47,750
Liabilities			
Due to banks and other financial institutions	*33*	**14,644**	5,138
Assets sold under agreements to repurchase	*34*	**13,556**	13,436
Derivative financial liabilities	*21*	**189**	178
Customer deposits	*35*	**91,925**	75,960
Insurance contract liabilities	*36*	**416,474**	329,541
Investment contract liabilities for policyholders	*37*	**5,421**	4,233
Policyholder dividend payable and provisions		**7,006**	4,107
Income tax payable		**807**	691
Deferred income tax liabilities	*38*	**6,369**	1,657
Other liabilities	*39*	**21,056**	11,744
Total liabilities		**577,447**	446,685
Total equity and liabilities		**691,298**	494,435

The accompanying notes form an integral part of these financial statements.

MA Mingzhe	**CHEUNG Chi Yan Louis**	**SUN Jianyi**
Director	*Chief Financial Officer and Director*	*Director*

Consolidated Statement of Changes in Equity

For the year ended December 31, 2007

		Equity attributable to equity holders of the parent								
			Reserves							
(in RMB million)	*Notes*	**Share capital**	**Capital reserve**	**Surplus reserve fund**	**General reserve**	**Net unrealized gains**	**Foreign currency translation differences**	**Retained profits**	**Minority interests**	**Total**
As at January 1, 2007		**6,195**	**14,835**	**6,126**	**517**	**8,250**	**(25)**	**10,477**	**1,375**	**47,750**
Issue of new shares		**1,150**	**37,720**	**–**	**–**	**–**	**–**	**–**	**–**	**38,870**
Share issue expenses		**–**	**(648)**	**–**	**–**	**–**	**–**	**–**	**–**	**(648)**
Net profit for 2007		**–**	**–**	**–**	**–**	**–**	**–**	**18,688**	**531**	**19,219**
Net gains on available-for-sale investments		**–**	**–**	**–**	**–**	**38,003**	**–**	**–**	**380**	**38,383**
Net gains on available-for-sale investments removed from equity and reported in net profit		**–**	**–**	**–**	**–**	**(20,676)**	**–**	**–**	**(207)**	**(20,883)**
Deferred tax recognized, net	*14*	**–**	**–**	**–**	**–**	**(3,403)**	**–**	**–**	**(34)**	**(3,437)**
Dividends declared	*15*	**–**	**–**	**–**	**–**	**–**	**–**	**(3,085)**	**–**	**(3,085)**
Appropriations to statutory reserve	*32*	**–**	**–**	**1,509**	**–**	**–**	**–**	**(1,509)**	**–**	**–**
Appropriations to general reserves	*32*	**–**	**–**	**–**	**1,422**	**–**	**–**	**(1,422)**	**–**	**–**
Transfer of surplus reserve fund		**–**	**–**	**(6)**	**–**	**–**	**–**	**6**	**–**	**–**
Changes in subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**50**	**50**
Currency translation adjustments		**–**	**–**	**–**	**–**	**–**	**(17)**	**–**	**–**	**(17)**
Dividends for minority interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(43)**	**(43)**
Shadow accounting adjustment	*26, 36*	**–**	**–**	**–**	**–**	**(2,285)**	**–**	**–**	**(23)**	**(2,308)**
As at December 31, 2007		**7,345**	**51,907**	**7,629**	**1,939**	**19,889**	**(42)**	**23,155**	**2,029**	**113,851**

		Equity attributable to equity holders of the parent									
			Reserves								
(in RMB million)	*Notes*	Share capital	Capital reserve	Surplus reserve fund	Statutory public welfare fund	General reserve	Net unrealized gains	Foreign currency translation differences	Retained profits	Minority interests	Total
As at January 1, 2006		6,195	14,835	4,743	783	430	715	(13)	5,308	526	33,522
Net profit for 2006		–	–	–	–	–	–	–	7,838	162	8,000
Net gains on available-for-sale investments		–	–	–	–	–	15,271	–	–	152	15,423
Net gains on available-for-sale investments removed from equity and reported in net profit		–	–	–	–	–	(2,996)	–	–	(30)	(3,026)
Deferred tax recognized, net	*14*	–	–	–	–	–	(1,330)	–	–	(13)	(1,343)
Dividends declared	*15*	–	–	–	–	–	–	–	(1,982)	–	(1,982)
Appropriations to statutory reserve	*32*	–	–	600	–	–	–	–	(600)	–	–
Appropriations to general reserves	*32*	–	–	–	–	87	–	–	(87)	–	–
Change in equity interests in subsidiaries		–	–	–	–	–	–	–	–	54	54
Transfer of surplus reserve fund		–	–	783	(783)	–	–	–	–	–	–
Acquisition of minority interests		–	–	–	–	–	–	–	–	617	617
Currency translation adjustments		–	–	–	–	–	–	(12)	–	(4)	(16)
Dividends for minority interests		–	–	–	–	–	–	–	–	(55)	(55)
Shadow accounting adjustment	*26, 36*	–	–	–	–	–	(3,410)	–	–	(34)	(3,444)
As at December 31, 2006		6,195	14,835	6,126	–	517	8,250	(25)	10,477	1,375	47,750

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended December 31, 2007

(in RMB million)	*Notes*	**2007**	2006
Net cash from operating activities	*44*	**26,134**	44,925
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investment properties, property and equipment, and intangible assets		**(4,646)**	(1,860)
Proceeds from disposal of investment properties, property and equipment, and intangible assets		**1,153**	406
Increase of investments, net		**(36,773)**	(39,205)
Term deposits withdrawal, net		**20,447**	9,526
Cash inflow/(outflow) in acquisition of subsidiaries	*5*	**(741)**	4,351
Cash inflow/(outflow) in purchases of assets under agreements to resell		**(6,807)**	457
Interest received		**11,847**	9,519
Dividends received		**5,845**	2,486
Rentals received		**299**	117
Net cash outflow from investing activities for policyholders' accounts		**(206)**	(9,609)
Net cash used in investing activities		**(9,582)**	(23,812)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issued		**38,222**	–
Proceeds from sales in assets sold under agreements to repurchase, net		**113**	6,043
Proceeds from borrowed funds		**3,278**	1,502
Interest paid		**(1,521)**	(203)
Capital injected into subsidiaries by minority interests		**–**	76
Dividends paid		**(3,080)**	(2,097)
Net cash inflow/(outflow) from financing activities for policyholders' accounts		**(712)**	506
Net cash from financing activities		**36,300**	5,827
Net increase in cash and cash equivalents		**52,852**	26,940
Net foreign exchange differences		**(207)**	(67)
Cash and cash equivalents at beginning of year		**43,651**	16,778
Cash and cash equivalents at end of year	*43*	**96,296**	43,651

The accompanying notes form an integral part of these financial statements.

Balance Sheet

As at December 31, 2007

(in RMB million)	*Notes*	**2007**	2006
ASSETS			
Cash and amounts due from banks and other financial institutions		**41,148**	3,916
Fixed maturity investments		**9,389**	5,459
Equity investments		**4,798**	4,226
Investments in subsidiaries	*23*	**17,868**	17,368
Property and equipment		**85**	69
Other assets		**160**	586
Total assets		**73,448**	31,624
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*31*	**7,345**	6,195
Reserves	*32*	**58,245**	21,941
Retained profits		**5,934**	1,686
Total equity		**71,524**	29,822
Liabilities			
Dividends payable to shareholders		**–**	78
Due to banks and other financial institutions		**–**	820
Other liabilities		**1,924**	904
Total liabilities		**1,924**	1,802
Total equity and liabilities		**73,448**	31,624

The accompanying notes form an integral part of these financial statements.

1. 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. Its business scope includes investing in insurance enterprises, supervising and managing various domestic and overseas businesses of subsidiaries, and utilizing insurance funds. The Company's principal subsidiaries are mainly engaged in the provision of life insurance, property and casualty insurance, banking and other financial services.

The registered address of the Company is Ping An Building, Ba Gua No. 3 Road, Shenzhen, the PRC.

The principal structure and business of the Company and its subsidiaries (collectively the "Group") changed during 2007 as follows:

(1) By January 1, 2007, China Ping An Trust & Investment Co., Ltd. ("Ping An Trust") completed the acquisition of 99% equity interest in Shenzhen CITIC City Plaza Investment Co., Ltd ("Shenzhen CITIC Plaza"). The paid-up capital of Shenzhen CITIC Plaza is RMB20 million.

(2) By June 26, 2007, Shenzhen Commercial Bank Co., Ltd. ("SZCB") completed the acquisition of 100% equity interest in Ping An Bank Limited ("Ping An Bank") from Ping An Trust and the minority investor of Ping An Bank. Subsequent to the acquisition, SZCB was renamed as Shenzhen Ping An Bank Co., Ltd. ("Shenzhen Ping An Bank") on June 27, 2007. Ping An Bank completed de-registration of its business license on August 6, 2007.

(3) On November 30, 2007, Profaith International Investment Limited ("Profaith International"), a subsidiary of China Ping An Insurance Overseas (Holdings) Limited ("Ping An Overseas Holdings"), acquired 30% equity interest in Portfield Limited which held 100% equity interest in Ninbo Beilun Port Expressway Company Limited ("Beilun Expressway"). On December 10, 2007, Profaith International acquired additional 30% equity interest in Portfield Limited, and Portfield Limited and Beilun Expressway became subsidiaries of the Group.

2. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has not applied the following key new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

(1) IAS 1 Presentation of Financial Statements

A revised IAS 1 was issued in September 2007 and becomes effective for annual periods beginning on or after January 1, 2009. The key changes are:

– The statement of changes in equity includes only transactions with owners and all non-owner changes are presented in equity as a single line with details included in a separate statement.

– The introduction of a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with "other comprehensive income" which consists of gains and losses on available-for-sale assets, actuarial gains and losses on defined benefit pension plans, changes in the asset revaluation reserve, etc.

– When an entity restates its financial statements or retrospectively applies a new accounting policy, a statement of financial position must be presented as at the beginning of the earliest comparative period.

– The introduction of new terminology, replacing "balance sheet" with "statement of financial position" and "cash flow statement" with "statement of cash flows", although the titles are not obligatory.

(2) IAS 23 Borrowing Costs

A revised IAS 23 was issued in March 2007 and becomes effective for annual periods beginning on or after January 1, 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset.

2. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(3) IFRS 8 Operating Segments

IFRS 8 was issued in November 2006 and becomes effective for annual periods beginning on or after January 1, 2009 and will replace the existing IAS 14 "Segment Reporting". IFRS 8 specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers.

(4) IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

IFRIC Interpretation 11 was issued in November 2006 and becomes effective for annual periods beginning on or after March 1, 2007. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed.

(5) IFRIC 12 Service Concession Arrangements

IFRIC Interpretation 12 was issued in November 2006 and becomes effective for annual periods beginning on or after January 1, 2008. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements.

(6) IFRIC 13 Customer Loyalty Programmes

IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after July 1, 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled.

(7) IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC Interpretation 14 was issued in July 2007 and becomes effective for annual periods beginning on or after January 1, 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 Employee Benefits.

(8) IFRS 2 Share-based Payments – Vesting Conditions and Cancellations

This amendment was published in January 2008 and becomes effective for financial years beginning on or after January 1, 2009. The amendment restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services.

(9) IFRS 3 (Revised) Business Combinations and IAS 27 (Revised) Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after July 1, 2009. IFRS 3 (revised) introduces a number of changes in the accounting for business combinations. IAS 27 (revised) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction.

(10) Amendments to IAS 32 and IAS 1 – Puttable Financial Instruments

Amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for annual periods beginning on or after January 1, 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity.

The Group is in the process of making an assessment of the impact of the new and revised IFRSs upon initial application. So far, it has concluded that the adoption of the above new or revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. The financial statements have been prepared under the historical cost convention other than those financial instruments that have been measured at fair values and insurance contract liabilities that have been measured based on actuarial methods. The above basis of preparing financial statements differs from that used in the statutory accounts of the Group and the Company, which are prepared in accordance with prevailing PRC Accounting Standards. The major adjustments made include restating insurance contract liabilities and deferred policy acquisition costs, related deferred tax and others.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

As in prior years, to the extent a specific topic is not covered specifically by IFRSs, the IFRS framework permits reference to another comprehensive body of accounting principles, and therefore:

– The Group has chosen to use the revenue accounting practices currently adopted by insurance companies reporting under the Companies Ordinance and Insurance Companies Ordinance of Hong Kong; and

– The Group has made reference to specific accounting principles generally accepted in the United States for guidance on the measurement of its insurance liabilities and associated deferred policy acquisition costs, specifically, the measurement guidance provisions contained within Statements of Financial Accounting Standards Nos. 60 and 97.

(2) Changes in accounting policies

The Group has revised certain significant accounting policies following adoption of the following revised IFRSs which management considers being most relevant to its current operations:

- ***IAS 1 Amendment: Capital Disclosures***

  IAS 1 Amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 41(6) to the financial statements.

- ***IFRS 7 Financial Instruments: Disclosures***

  IFRS 7 requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of IAS 32. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

- ***IFRIC-Int 7*** ***Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies***

  IFRIC-Int 8 ***Scope of IFRS 2***

  IFRIC-Int 9 ***Reassessment of Embedded Derivatives***

  IFRIC-Int 10 ***Interim Financial Reporting and Impairment***

  Other than additional disclosures, adoption of these revised standards and new interpretations did not have significant impact on the Group's financial statements.

The above revised accounting policies have no significant impact on these financial statements, and the Group considers other new or revised IFRSs and related pronouncements effective in the year do not have significant impact on these financial statements either.

As at December 31, 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(3) Foreign currency translation

The Group's presentation currency is Renminbi ("RMB"). This is also the functional currency of the Company and its domestic subsidiaries.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the income statement, except when it relates to items when gains or losses are recognized directly in equity, the gain or loss is then recognized net of the exchange component in equity.

The functional currency of the overseas subsidiaries is Hong Kong dollars. As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Company at the exchange rate ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences, if material, arising on the retranslation are taken directly to a separate component of equity.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

(4) Principles of consolidation

The Group's consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2007. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as goodwill.

(5) Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(6) Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are stated at cost less any impairment losses.

(7) Financial instruments

The Group classifies its investments into financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired or originated. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders' funds) are relatively passively managed and/or carried at amortized cost. Financial assets are classified as at fair value through profit or loss when, for example, the Group acquires such assets to cover certain insurance and investment contract liabilities measured at fair value.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date the Group commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial instruments at fair value through profit or loss has two sub categories namely financial instruments held for trading and those designated at fair value through profit or loss at inception. Financial instruments typically bought with the intention to sell in the near future are classified as held for trading. For financial instruments designated as at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial asset contains an embedded derivative that needs to be separately recorded.

These financial instruments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value. Fair value adjustments and realized gain and loss are recognized in the income statement.

Financial assets at fair value through profit or loss include derivative financial instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(7) Financial instruments *(Continued)*

Held-to-maturity financial assets are non-derivative financial assets that comprise fixed or determinable payments and maturities of which the Group has the positive intention and ability to hold until maturity. Investments intended to be held for an undefined period are not included in this classification. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortized cost using the effective interest method. The cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortized cost, using the effective interest method. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or which are not classified in any of the above categories. These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value gains and losses are reported as a separate component of equity until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred to the income statement.

(8) Derivative financial instruments

The Group's derivative financial instruments mainly include stock warrants issued, interest rate swaps, derivatives embedded in certain insurance contracts, options embedded in convertible bonds purchased by the Group, forward currency contracts. Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Embedded derivatives are treated as separate derivatives and are recorded at fair value if their economic characteristics and risks are not closely related to those of the related host contract and the host contract is not itself recorded at fair value through the income statement. Embedded derivatives that meet the definition of insurance contracts are treated and measured as insurance contracts.

Derivative financial instruments held for trading are typically entered into with the intention to settle in the near future. These instruments are initially recorded at fair value. Subsequent to initial recognition, these instruments are remeasured at fair value. Fair value adjustments and realized gains and losses are recognized in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(9) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the balance sheet date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar instruments. Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the balance sheet date.

If the fair value cannot be measured reliably, financial instruments are measured at cost (being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability), less impairment losses. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(10) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

For held-to-maturity financial assets and loans and other receivables carried at amortized cost, the amount of the impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by the impairment loss and the loss is recorded in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

(a) significant financial difficulty of the issuer or debtor;

(b) a breach of contract, such as a default or delinquency in payments;

(c) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;

(d) the disappearance of an active market for that financial asset because of financial difficulties; or

(e) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- adverse changes in the payment status of issuers or debtors in the group; or
- national or local economic conditions that correlate with defaults on the assets in the group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(10) Impairment of financial assets *(Continued)*

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The impairment assessment is performed at each balance sheet date.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the income statement. Reversals of impairment losses on debt instruments classified at available-for-sale are reversed through the income statement if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognized in the income statement.

For assets carried at cost, if there is objective evidence that an impairment loss on an unquoted equity investment that is not carried at fair value, because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset. Impairment is recognized in the income statement. Impairment for these assets is not reversed.

(11) Derecognition of financial instruments

A financial asset (or, when applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(11) Derecognition of financial instruments *(Continued)*

If the obligation of a financial liability has been fulfilled, cancelled or expired, the financial liability is derecognized. If the present financial liability is substituted by the same debtor with another liability differing in substance, or the terms of the present liability have been substantially modified, this substitution or modification is treated as derecognition of a present liability and recognition of a new liability with any arising difference recognized in profit or loss.

(12) Assets purchased under agreements to resell

The Group enters into purchases of assets under agreements to resell substantially identical assets. These agreements are classified as loans and receivables. Assets purchased under agreements to resell are recorded at the cost of the amounts advanced. The amounts advanced under these agreements are reflected as assets in the balance sheet. The Group may not take physical possession of assets purchased under agreements to resell. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying assets.

(13) Investment properties

Investment properties are interest in buildings that are held to earn rental income rather than for the supply of services or for administrative purposes.

Investment properties are initially measured at cost, which is the fair value of the consideration given to acquire them, including transaction costs. Subsequently, all investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis, after taking into account the estimated residual value (5% of original cost), over the estimated useful lives. The estimated useful lives of investment properties vary from 30 to 35 years.

The useful life and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the individual investment properties.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Transfers to, or from, investment properties are made when, and only when, there is evidence of a change in use.

(14) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits, current accounts with central bank and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

(15) Assets sold under repurchase agreements

Assets sold under repurchase agreements continue to be recognized but a liability is established for the consideration received. The Group may be required to provide additional collateral based on the fair value of the underlying assets and such collateral assets continue to be carried on the balance sheet.

As at December 31, 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(16) Deferred policy acquisition costs

(a) Deferred policy acquisition costs for long term traditional insurance, investment-linked and universal life insurance contracts

The costs of acquiring new business, including commissions, underwriting, marketing and policy issue expenses, which vary with and are directly related to the production of the new business, are deferred. Deferred policy acquisition costs are subject to recoverability testing at the time of the issue of the policy and at the end of each accounting period.

Deferred policy acquisition costs for traditional life insurance and annuity policies are amortized over the expected life of the insurance contracts as a constant percentage of expected premiums, which are estimated at the date of the issue of the policy and are consistently applied throughout the life of the contract unless a premium deficiency occurs, in which case the deferred policy acquisition costs will be written down.

Deferred policy acquisition costs for long term investment-linked and universal life insurance contracts are amortized over the expected life of the contracts based on a constant percentage of the present value of estimated gross profits that are expected to be realized over the life of the contract. Estimated gross profits include expected amounts to be assessed for mortality, administration, investment and surrender, less benefit claims in excess of policyholder balances, administrative expenses and interest credited. Estimated gross profits are revised regularly and the interest rate used to compute the present value of revised estimates of expected gross profits is the latest revised rate applied to the remaining benefit period. Deviations of actual results from estimated experience are reflected in the consolidated income statement.

(b) Deferred policy acquisition costs for property and casualty and short term life insurance policies

Acquisition costs, being primarily commissions and premium taxes, which vary with and are directly related to the acquisition of business, are deferred and amortized over the period in which the related written premiums are earned. Deferred policy acquisition costs are periodically reviewed to determine that they do not exceed recoverable amounts, after considering expected future investment income. Contributions received from reinsurers towards acquisition costs are deferred in an identical manner.

(17) Property and equipment

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(17) Property and equipment *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

	Estimated residual values	Estimated useful lives
Leasehold improvements	–	Over the shorter of economic useful lives and terms of the leases
Buildings	5%	30-35 years
Office equipment, furniture and fixtures	5%	5 years
Motor vehicles	5%	5-8 years

The useful life and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

(18) Construction-in-progress

Construction-in-progress mainly represents costs incurred in the construction of building premises, as well as the cost of equipment pending installation.

No provision for depreciation is made on construction-in-progress until such time the relevant assets are completed and put into use.

(19) Intangible assets

(a) Prepaid land premiums

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognized on a straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and the buildings as a finance lease in property and equipment.

(b) Toll road operating right

Expenditure on acquiring the operating rights of expressways is capitalised as intangible assets. Amortisation of operating right is provided on a reasonable basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(20) Business combinations and goodwill

Business combinations are accounted for using the acquisition accounting method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring costs) of the acquired business at fair value.

Goodwill acquired in business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Where goodwill forms part of cash generating unit (or group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortized goodwill is recognized in the income statement.

(21) Insurance product classification

(a) Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contracts, or those where at the inception of the contracts there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk as determined by the Group is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this year.

(b) Investment contracts

Insurance policies not considered insurance contracts under IFRS 4 are classified as investment contracts. Investment contracts are classified into with and without discretionary participation features ("DPF"). Deposits collected under investment contracts without DPF are not accounted for through the income statement but are accounted for directly through the balance sheet as an adjustment to investment contract liabilities. Deposits collected under investment contracts with DPF are accounted for through the income statement as if they are insurance contracts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(22) Insurance contract liabilities

(a) Long term life insurance policyholders' reserves

Long term life insurance contracts are intended to be of greater than twelve months duration, are not subject to unilateral changes in the contract terms and require the performance of various functions and services (including, but not limited to, insurance protection) for an extended period.

Policyholders' reserves represent the estimated future benefit liability payable to policyholders for long term life insurance policies, other than policyholders' account balances in respect of investment-linked and universal life insurance contracts. Liabilities for contractual benefits that are expected to be incurred in the future are recorded when the related premiums are recognized. Such liabilities for life insurance policies are calculated using a net level premium valuation method based on actuarial assumptions as to mortality, persistency, expenses, policyholder dividends and investment return, including a margin for adverse deviation. The assumptions are established at the time of the issue of the policy and remain unchanged except where loss recognition occurs.

For participating life insurance policies, under current PRC insurance regulations, not less than 70% of the distributable surplus would be allocated for the benefit of policyholders (the exact percentage is estimated based on the Group's distribution basis, contract terms and prevailing regulations), and this obligation is provided for within total liabilities; after the respective amounts allocated to participating policyholders and to the Group have been deducted from distributable surplus, any unallocated portion at the end of the reporting year is held within liabilities. Also included in liabilities is a reserve held for the future benefit of universal life policies, as allowed by PRC reserving regulations mainly to smooth the credit rate for such policyholders. Therefore, the Group's insurance contract liabilities include estimated policyholders' share of realized and unrealized gain on investments payable to participating and universal life policyholders in the future (shadow accounting will apply if part of the unrealized gain is captured within equity).

For applicable policies like where the premium payment period is less than the policy term, an extra reserve, often known as deferred profit liability, is also included in policyholders' reserves. The deferred profit liability ensures a profit emergence in a constant relationship to the amount of insurance in force.

(b) Claim reserves

These comprise a best estimate of insurance contract provisions for the ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Significant delays can be experienced in the notification and settlement of claims and therefore, the ultimate cost cannot be known with certainty at the balance sheet date. The methods of determining such estimates and establishing the resulting liabilities are continually reviewed and updated. Resulting adjustments are reflected in the income statement for the year. The Group does not discount its claim reserves.

(c) Unearned premium reserves

Upon inception of property and casualty and short term life insurance contracts, premiums are recorded as written and are earned on a pro-rata basis over the term of the related policy coverage. The unearned premium reserves represent the portions of premiums written relating to unexpired periods of coverage.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(22) Insurance contract liabilities *(Continued)*

(d) Liability adequacy test

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of the related deferred policy acquisition costs. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses, as well as investment income from assets backing such liabilities, are used. Any deficiency is immediately charged to the income statement initially by writing off deferred policy acquisition costs and subsequently by establishing a provision for losses arising from the liability adequacy tests. As mentioned above, long term life insurance contracts with fixed terms are measured based on assumptions set out at the inception of the policies. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions are used for the subsequent measurement of these liabilities. For short term life and property and casualty insurance contracts, a provision is assessed on the basis of estimates of future claims, costs, premiums earned, etc.

(23) Investment contract liabilities

Those insurance policies that do not meet the definition of an insurance contract are investment contracts and carried at amortized cost or estimated fair value.

(24) Investment-linked business

The assets and liabilities related to investment-linked contracts which are regarded as insurance contracts are presented as policyholder account assets and liabilities in respect of insurance contracts. For assets and liabilities related to investment-linked contracts regarded as investment contracts, they are presented as policyholder account assets and liabilities in respect of investment contracts. Policyholder account assets and liabilities represent funds maintained to meet specific investment objectives of policyholders who bear the investment risk. The net investment income on policyholder account assets accrues directly to the policyholders and are not credited to the Group's income statement. The assets and liabilities of each investment-linked fund are carried at estimated market value based on applicable requirements and are segregated from each other and from the rest of the Group's invested assets for recording purposes.

Revenue from investment-linked business consists of policy fees which are used to cover the insured risks and associated costs. Policy fees include fees for the cost of insurance, administration fees and gains on surrenders. Amounts received other than policy fees collected as premiums and administration fees from these contracts are reported as policyholder account liabilities. Policy benefits and claims incurred in the period are charged to claim expenses in the consolidated income statement, to the extent such amounts are not covered by the said liabilities.

(25) Universal life business

Revenue for these contracts consists of policy fees which are used to cover the insured risks and associated costs, as well as related investment income. Policy fees include fees for the cost of insurance, administration fees and gains on surrenders. These fees collected with respect to future services are deferred and recognized in a manner similar to the deferred policy acquisition costs related to such contracts. Expenses include interest credited to policyholder contract deposits and benefit payments made in excess of policyholder contract deposits.

(26) Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. Revenue is recognized on the following bases:

(a) Premium income

Premiums from long term, traditional and participating life insurance contracts are recognized as revenue when premiums as stated in the contracts are considered collectible from the policyholders. Premiums from long term property and casualty insurance contracts are recognized as revenue when due from policyholders. Short term property and casualty and life insurance premiums, net of endorsements, are recorded as written at the inception of risk.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(26) Revenue recognition *(Continued)*

(b) Investment-linked business

Policy fees from investment-linked business are the difference between premiums received for investment-linked contracts and the amounts of premiums allocated to policyholder account liabilities.

Administration fees are computed at the predetermined contract rate and are charged at the end of each month.

(c) Universal life business

Those parts of the premiums used to cover the insured risks and associated costs are treated as premium income. These include fees for the cost of insurance, administration fees, surrender charges, etc.

(d) Interest income

Interest income for interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, is recognized in the income statement using the effective interest rate method. When a financial asset is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(e) Other fees and commission income

The Group earns other fees and commission income from a diverse range of services it provides to its customers. Other fees income can be divided into the following main categories:

Fees income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include investment fund administration fees, custodian fees, fiduciary fees, credit related fees, asset management fees, portfolio and other management fees, advisory fees, etc. However, loan commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

Fees income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on the completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees may include underwriting fees, corporate finance fees, brokerage fees, etc. Loan syndication fees are recognized in the income statement when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same effective interest rate as for the other participants.

(f) Dividend income

Dividends income is recognized when the right to receive dividend payment is established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(27) Reinsurance

The Group cedes insurance risk in the normal course of business for its insurance businesses. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the income statement.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts when applicable. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(28) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

Where the Group is the lessor, assets leased by the Group under operating leases are included in investment properties and rentals receivable under such operating leases are credited to the consolidated income statement on a straight-line basis over the lease terms.

Where the Group is the lessee, rentals payable under operating leases are charged to the consolidated results on a straight-line basis over the lease terms. The aggregate benefit of incentives provided by the lessor is recognized as a reduction of rental expenses over the lease terms on a straight-line basis.

(29) Employee benefits

(a) Pension obligations

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues on a monthly basis contributions to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred. Certain employees are also provided with group life insurance but the amounts involved are insignificant.

(b) Housing benefits

The employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Medical benefits

The Group makes contributions for medical benefits to the local authorities in accordance with the relevant local regulations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(30) Share-based payment transactions

Certain employees of the Group receive remuneration in the form of share-based payment transactions, whereby 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 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.

(31) Tax

Income tax comprises current and deferred tax. Income tax is recognized in the income statement, or in equity if it relates to items that are recognized in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Conversely, previously unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

As at December 31, 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(32) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset other than deferred tax assets may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, the Group makes an estimate of the asset's recoverable amount. A non-financial asset's recoverable amount is the higher of the asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of a non-financial asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For non-financial assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash generating unit (or group of cash generating units), to which the goodwill relates. The recoverable amount is the higher of its fair value less costs to sell and its value-in-use, determined on an individual asset (or cash generating unit) basis, unless the individual asset (or cash generating unit) does not generate cash flows that are largely independent from those of other assets or groups of assets (or groups of cash generating units). Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Intangible assets with indefinite useful lives are tested for impairment annually at each year end either individually or at the cash generating unit level, as appropriate.

(33) Fiduciary activities

Where the Group acts in a fiduciary capacity such as nominee, trustee or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the balance sheet.

The Group's banking operation grants entrusted loans on behalf of third-party lenders, which are recorded off-balance sheet. The Group, as an agent, grants such entrusted loans to borrowers under the direction of those third-party lenders who fund these loans. The Group has been contracted by those third-party lenders to manage the administration and collection of these loans on their behalf. Those third-party lenders determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with entrusted loans which is recognized ratably over the period in which the service is provided. The risk of loss is borne by those third-party lenders.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(34) Financial guarantee contracts

The Group's banking operation issues letters of credit and letters of guarantee. These financial guarantee contracts provide for specified payments to be made to reimburse the holder for a loss it incurs when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or other obligation. The Group initially measures such contracts at fair value. This amount is recognized ratably over the period of the contract to fees and commission income. Subsequently, the liabilities are measured as the higher of the initial fair value less cumulative amortization and the fair value of the provision related to the Group's obligation under the contract. The change in fair value of the provision due to impairment is recognized in the income statement as impairment losses.

Apart from the above financial guarantee contracts issued by the Group's banking operations which are accounted for under IAS 39, the Group has previously regarded certain contracts it issued with financial guarantee element as insurance contracts and has used accounting applicable to insurance contracts, and accordingly has elected to apply IFRS 4 to account for such contracts.

(35) Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities in these financial statements. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the financial statements.

(1) Classification of financial assets

Management shall make significant judgments on classification of financial assets. Different classifications would affect the accounting treatment and the Group's financial position and operating results. If the Group's classification is subsequently proved to be wrong, reclassification may be required for certain categories as a whole.

(2) Classification of insurance contracts

Management shall make significant judgments on classification of insurance contracts. Different classifications would affect the accounting treatment and the Group's financial position and operating results.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES *(Continued)*

Judgments *(Continued)*

(3) Impairment of available-for-sale equity securities

The Group considers that impairment provision is needed for an available-for-sale equity security when there is significant or prolonged decline in fair value of that security below its cost. Management shall exercise judgement to determine "significant" and "prolonged". When making such judgement, the Group considers factors like equity price volatility, financial position of the investees, industry and segment performance, technology innovation, cash flows from financing activities, etc.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period are discussed below.

(1) Valuation of insurance contract liabilities

Life insurance contract liabilities

The liability for life insurance contracts (including investment contracts with DPF) is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

Certain acquisition costs related to the sale of new policies are recorded in deferred policy acquisition costs and are amortized to the income statement over time. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and may require additional write-offs to the income statement.

The main assumptions used relate to mortality, morbidity, investment returns, expenses, lapse and surrender rates. The Group base mortality and morbidity tables on standard industry tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation adjustments if appropriate.

Lapse and surrender rates depend on product features, policy duration and external circumstance, such as sale trends. Credible own experience is used in establishing these assumptions.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES *(Continued)*

Estimates and assumptions *(Continued)*

(1) *Valuation of insurance contract liabilities* *(Continued)*

Property and casualty and short term life insurance contract liabilities

For property and casualty and short term life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date ("IBNR"). It may take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the balance sheet liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical areas, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future (for example to reflect one-off occurrences, changes in external or maker factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures), so as to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

(2) *Valuation of investment contracts without DPF liabilities*

Unitized investment contract fair values are determined by reference to the values of the assets backing the liabilities, which are based on the value of the investment-linked funds.

Non-unitized investment contract fair values are approximated by the account value held by the relevant policyholders.

(3) *Fair value of financial assets and derivative financial instruments determined using valuation techniques*

Fair value, in the absence of an active market, is estimated by using valuation techniques, such as recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing model. For reference to similar instruments, instruments should have similar credit ratings.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk.

Option pricing models incorporate all factors that market participants would consider and are based on observable market data when available. These models consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions.

The valuation techniques described above are calibrated annually.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES *(Continued)*

Estimates and assumptions *(Continued)*

(4) Impairment losses of loans and advances

The Group reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant loans and advances, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

(5) Deferred income tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred income tax assets are recognized for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Significant management judgment is required to estimate the amount and timing of future taxable profit as well as the applicable tax rates so as to determine, together with the tax planning strategies, the amount of deferred income tax assets and liabilities to be recognized.

5. BUSINESS COMBINATIONS

(1) As mentioned in Note 1, on January 1, 2007, the Group completed its acquisition of 99% equity interest in Shenzhen CITIC Plaza.

The fair values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition were:

(in RMB million)	Fair value recognized on acquisition	Carrying value
Cash and amounts due from banks and other financial institutions	29	29
Investment properties	1,955	1,543
Other assets	4	4
Sub-total	1,988	1,576
Long term loans	1,319	1,319
Deferred income tax liabilities	62	–
Other liabilities	234	234
Sub-total	1,615	1,553
Fair value of net assets	373	23
Fair value of net assets acquired attributable to the Group	373	
Goodwill arising on acquisition	66	
Cost of acquisition	439	
Less: payable balance	(28)	
Cash paid	411	

Cash outflow on acquisition of the subsidiary:

Net cash acquired with the subsidiary	29
Cash paid	(411)
Net cash outflow	(382)

5. BUSINESS COMBINATIONS *(Continued)*

(2) As mentioned in Note 1, on November 30, 2007, Profaith International, a subsidiary of Ping An Overseas Holdings, acquired 30% equity interest in Portfield Limited which held 100% equity interest in Beilun Expressway. On December 10, 2007, Profaith International acquired additional 30% equity interest in Portfield Limited, and Portfield Limited and Beilun Expressway became subsidiaries of the Group.

The fair values and carrying values of the identifiable assets and liabilities acquired as at the date of acquisition were:

(in RMB million)	Fair value recognized on acquisition	Carrying value
Cash and amounts due from banks and other financial institutions	45	45
Intangible assets	2,653	1,847
Other assets	167	153
Sub-total	2,865	2,045
Long term loans	1,659	1,659
Deferred income tax liabilities	200	–
Other liabilities	123	123
Sub-total	1,982	1,782
Fair value of net assets	883	263
Fair value of net assets acquired attributable to the Group	530	
Goodwill arising on acquisition	94	
Cost of acquisition	624	
Less: payable balance	(220)	
Cash paid	404	
Cash outflow on acquisition of the subsidiary:		
Net cash acquired with the subsidiary	45	
Cash paid	(404)	
Net cash outflow	(359)	

6. SEGMENT REPORTING

The Group's business segment information is currently divided into life insurance business, property and casualty insurance business, banking business, securities business, corporate and other business. Segment net profit represents revenue less expenses directly attributable to a segment and the relevant portion of enterprise revenue less expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other segments of the Group.

Segment assets and liabilities mainly comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related allowances that are reported as direct offsets in the Group's consolidated balance sheet. The Group's revenue and net profit for the year were mainly derived from its activities in the PRC. Accordingly, no further segment analysis by geographical area is provided.

6. SEGMENT REPORTING *(Continued)*

The segment analysis as at and for the year ended December 31, 2007 is as follows:

(in RMB million)	Life insurance	Property and casualty Insurance	Banking	Securities	Corporate	Others	Elimination	Total
Income statement								
Gross written premiums and policy fees	59,913	20,493	–	–	–	–	–	80,406
Less: Premiums ceded to reinsurers	(710)	(3,588)	–	–	–	–	–	(4,298)
Increase in unearned premium reserves, net	(219)	(2,283)	–	–	–	–	–	(2,502)
Net earned premiums	58,984	14,622	–	–	–	–	–	73,606
Reinsurance commission income	175	992	–	–	–	–	–	1,167
Interest income of banking operations	–	–	5,314	–	–	–	–	5,314
Other fees and commission income	160	–	145	1,899	–	750	(338)	2,616
Investment income	42,782	2,449	5	1,155	4,106	1,251	–	51,748
Other income	1,516	123	456	374	346	291	(506)	2,600
Total income	103,617	18,186	5,920	3,428	4,452	2,292	(844)	137,051
Change in deferred policy acquisition costs	8,820	552	–	–	–	–	–	9,372
Claims and policyholders' benefits	(82,741)	(9,651)	–	–	–	–	–	(92,392)
Commission expenses of insurance operations	(9,004)	(2,003)	–	–	–	–	153	(10,854)
Interest expenses of banking operations	–	–	(1,836)	–	–	–	271	(1,565)
Other fees and commission expenses	–	–	(33)	(228)	–	(309)	–	(570)
Loan loss provisions, net of reversals	–	–	116	–	–	2	–	118
Foreign currency losses	(510)	(10)	35	(4)	(4)	(8)	–	(501)
General and administrative expenses	(8,776)	(4,313)	(2,049)	(1,308)	(1,558)	(984)	333	(18,655)
Total expenses	(92,211)	(15,425)	(3,767)	(1,540)	(1,562)	(1,299)	757	(115,047)
Operating profit before tax	11,406	2,761	2,153	1,888	2,890	993	(87)	22,004
Income taxes	(523)	(688)	(616)	(396)	(354)	(208)	–	(2,785)
Net profit	10,883	2,073	1,537	1,492	2,536	785	(87)	19,219
Balance sheet								
Segment assets	459,388	32,427	141,976	23,516	55,404	21,155	(42,568)	691,298
Segment liabilities	426,102	25,178	135,351	19,786	1,924	11,587	(42,481)	577,447
Other segment information								
Capital expenditure	3,989	264	308	69	62	78	–	4,770
Depreciation and amortization	342	161	72	24	22	203	–	824
Total other non-cash expenses charged to consolidated results	(6)	51	164	3	–	77	–	289

6. SEGMENT REPORTING *(Continued)*

The segment analysis as at and for the year ended December 31, 2006 is as follows:

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Income statement								
Gross written premiums and policy fees	53,622	16,074	–	–	–	–	–	69,696
Less: Premiums ceded to reinsurers	(631)	(3,640)	–	–	–	–	–	(4,271)
Increase in unearned premium reserves, net	(177)	(2,122)	–	–	–	–	–	(2,299)
Net earned premiums	52,814	10,312	–	–	–	–	–	63,126
Reinsurance commission income	278	1,271	–	–	–	–	–	1,549
Interest income of banking operations	–	–	192	–	–	–	–	192
Other fees and commission income	73	–	10	533	–	168	(127)	657
Investment income	19,402	684	44	336	1,321	195	(11)	21,971
Other income	524	46	22	479	29	177	(574)	703
Total income	73,091	12,313	268	1,348	1,350	540	(712)	88,198
Change in deferred policy acquisition costs	4,808	672	–	–	–	–	–	5,480
Claims and policyholders' benefits	(59,003)	(7,178)	–	–	–	–	–	(66,181)
Commission expenses of insurance operations	(6,559)	(1,572)	–	–	–	–	53	(8,078)
Interest expenses of banking operations	–	–	(80)	–	–	–	–	(80)
Other fees and commission expenses	(32)	–	(3)	(71)	–	(18)	32	(92)
Loan loss provisions, net of reversals	–	–	(2)	–	–	(1)	–	(3)
Foreign currency losses	(413)	(16)	(1)	(2)	(26)	(8)	–	(466)
General and administrative expenses	(6,007)	(3,029)	(86)	(540)	(891)	(293)	616	(10,230)
Total expenses	(67,206)	(11,123)	(172)	(613)	(917)	(320)	701	(79,650)
Operating profit before tax	5,885	1,190	96	735	433	220	(11)	8,548
Income taxes	(181)	(142)	(25)	(126)	(42)	(32)	–	(548)
Net profit	5,704	1,048	71	609	391	188	(11)	8,000
Balance sheet								
Segment assets	359,825	24,337	85,591	8,914	13,885	6,837	(4,954)	494,435
Segment liabilities	340,917	19,747	79,410	6,866	1,721	2,967	(4,943)	446,685
Other segment information								
Capital expenditure	1,078	274	56	17	47	94	–	1,566
Depreciation and amortization	388	127	3	27	11	26	–	582
Total other non-cash expenses charged to consolidated results	(88)	61	–	1	–	(80)	–	(106)

6. SEGMENT REPORTING *(Continued)*

Analysis of written premiums and policy fees is as follows:

For the year ended December 31, (in RMB million)	2007	2006
Gross		
Life		
Individual life		
Single premiums and policy fees	**1,841**	1,855
First year regular premiums and policy fees	**10,927**	8,145
Renewal premiums and policy fees	**38,809**	35,870
	51,577	45,870
Bancassurance		
Single premiums and policy fees	**316**	614
First year regular premiums and policy fees	**82**	66
Renewal premiums and policy fees	**280**	248
	678	928
Group insurance	**7,658**	6,824
Life business gross written premiums and policy fees	**59,913**	53,622
Property and casualty		
Automobile insurance	**14,319**	11,057
Non-automobile insurance	**5,087**	4,207
Accident and health insurance	**1,087**	810
Property and casualty business gross written premiums	**20,493**	16,074
Gross written premiums and policy fees	**80,406**	69,696
Net of reinsurance premiums ceded		
Life		
Individual life	**51,544**	45,839
Bancassurance	**678**	928
Group insurance	**6,981**	6,224
	59,203	52,991
Property and casualty		
Automobile insurance	**13,117**	9,650
Non-automobile insurance	**2,716**	1,994
Accident and health insurance	**1,072**	790
	16,905	12,434
Net written premiums and policy fees	**76,108**	65,425

7. GROSS WRITTEN PREMIUMS AND POLICY FEES

For the year ended December 31, (in RMB million)	2007	2006
Gross written premiums, policy fees and premium deposits, as reported in accordance with PRC Accounting Standards	**100,945**	85,405
Less: Business tax and surcharges	**(1,269)**	(1,129)
Gross written premiums, policy fees and premium deposits (net of business tax and surcharges)	**99,676**	84,276
Less: Premium deposits allocated to policyholder contract deposits	**(15,090)**	(11,553)
Premium deposits allocated to policyholder accounts	**(4,180)**	(3,027)
Gross written premiums and policy fees	**80,406**	69,696
Long term life business gross written premiums and policy fees	**55,345**	49,677
Short term life business gross written premiums	**4,568**	3,945
Property and casualty business gross written premiums	**20,493**	16,074
Gross written premiums and policy fees	**80,406**	69,696

8. INTEREST INCOME AND INTEREST EXPENSES OF BANKING OPERATIONS

(1) Interest income of banking operations

For the year ended December 31, (in RMB million)	2007	2006
Loans and advances to customers	**3,200**	132
Balances with central bank	**163**	5
Bond interest income	**1,305**	–
Cash and amounts due from banks and other financial institutions	**646**	55
Total	**5,314**	192

(2) Interest expenses of banking operations

For the year ended December 31, (in RMB million)	2007	2006
Customer deposits	**1,228**	47
Due to banks and other financial institutions	**337**	33
Total	**1,565**	80

9. NET OTHER FEES AND COMMISSION INCOME

(1) Other fees and commission income

For the year ended December 31, (in RMB million)	2007	2006
Credit related fees and commissions	**27**	7
Brokerage fees	**1,556**	349
Underwriting commission income	**290**	82
Trust service fees	**511**	83
Others	**232**	136
Total	**2,616**	657

(2) Other fees and commission expenses

For the year ended December 31, (in RMB million)	2007	2006
Brokerage fees paid	**165**	29
Other fees paid	**405**	63
Total	**570**	92

(3) Net other fees and commission income

For the year ended December 31, (in RMB million)	2007	2006
Other fees and commission income	**2,616**	657
Less: other fees and commission expenses	**(570)**	(92)
Net other fees and commission income	**2,046**	565

10. INVESTMENT INCOME

(1) Net investment income

For the year ended December 31, (in RMB million)	2007	2006
Interest income on fixed maturity investments		
Bonds		
– Held-to-maturity	**5,064**	4,836
– Available-for-sale	**2,592**	1,717
– Carried at fair value through profit or loss	**473**	92
Term deposits		
– Loans and receivables	**2,191**	2,991
Others		
– Loans and receivables	**222**	88
Dividend income on equity investments		
Equity investment funds		
– Available-for-sale	**3,653**	1,625
– Carried at fair value through profit or loss	**1,874**	548
Equity securities		
– Available-for-sale	**251**	237
– Carried at fair value through profit or loss	**67**	113
Operating lease income from investment properties	**299**	117
Interest expenses on assets sold under agreements to repurchase	**(1,429)**	(166)
Total	**15,257**	12,198

As at December 31, 2007

10. INVESTMENT INCOME *(Continued)*

(2) Realized gains

For the year ended December 31, (in RMB million)	2007	2006
Fixed maturity investments		
– Available-for-sale	**(1,538)**	103
– Carried at fair value through profit or loss	**10**	170
Equity investments		
– Available-for-sale	**22,421**	2,923
– Carried at fair value through profit or loss	**12,896**	3,124
Derivative financial instruments		
– Carried at fair value through profit or loss	**494**	237
Others		
– Loans and receivables	**(296)**	–
Total	**33,987**	6,557

(3) Unrealized gains/(losses)

For the year ended December 31, (in RMB million)	2007	2006
Fixed maturity investments		
– Carried at fair value through profit or loss	**(258)**	(9)
Equity investments		
– Carried at fair value through profit or loss	**2,518**	3,117
Derivative financial instruments		
– Carried at fair value through profit or loss	**240**	108
Total	**2,500**	3,216

(4) Total investment income

For the year ended December 31, (in RMB million)	2007	2006
Net investment income	**15,257**	12,198
Realized gains	**33,987**	6,557
Unrealized gains	**2,500**	3,216
Total	**51,744**	21,971

11. OTHER INCOME

For the year ended December 31, (in RMB million)	2007	2006
Administration fees for investment contracts and investment-linked contracts	**418**	219
Interest income on cash equivalents	**1,247**	384
Others	**935**	100
Total	**2,600**	703

12. CLAIMS AND POLICYHOLDERS' BENEFITS

(1)

For the year ended December 31, (in RMB million)	2007 Gross	2007 Recovered from reinsurers	2007 Net
Claims and claim adjustment expenses	**16,121**	**(3,024)**	**13,097**
Surrenders	**9,464**	**–**	**9,464**
Annuities	**2,894**	**–**	**2,894**
Maturities and survival benefits	**9,327**	**–**	**9,327**
Policyholder dividends and provisions	**3,514**	**–**	**3,514**
Interest credited to policyholder contract deposits	**1,175**	**–**	**1,175**
Subtotal	**42,495**	**(3,024)**	**39,471**
Increase in policyholders' reserves	**52,933**	**(12)**	**52,921**
Total	**95,428**	**(3,036)**	**92,392**

For the year ended December 31, (in RMB million)	2006 Gross	2006 Recovered from reinsurers	2006 Net
Claims and claim adjustment expenses	12,631	(2,478)	10,153
Surrenders	6,527	–	6,527
Annuities	2,922	–	2,922
Maturities and survival benefits	3,167	–	3,167
Policyholder dividends and provisions	1,487	–	1,487
Interest credited to policyholder contract deposits	523	–	523
Subtotal	27,257	(2,478)	24,779
Increase in policyholders' reserves	41,402	–	41,402
Total	68,659	(2,478)	66,181

(2)

For the year ended December 31, (in RMB million)	2007 Gross	2007 Recovered from reinsurers	2007 Net
Long term life insurance contracts benefits	**80,925**	**(19)**	**80,906**
Short term life insurance claims	**2,349**	**(514)**	**1,835**
Property and casualty insurance claims	**12,154**	**(2,503)**	**9,651**
Total	**95,428**	**(3,036)**	**92,392**

For the year ended December 31, (in RMB million)	2006 Gross	2006 Recovered from reinsurers	2006 Net
Long term life insurance contracts benefits	57,398	(5)	57,393
Short term life insurance claims	2,144	(534)	1,610
Property and casualty insurance claims	9,117	(1,939)	7,178
Total	68,659	(2,478)	66,181

As at December 31, 2007

13. OPERATING PROFIT BEFORE TAX

(1) Operating profit before tax is arrived at after charging/(crediting) the following items:

For the year ended December 31, (in RMB million)	2007	2006
Employee costs *(Note 13(2))*	**8,714**	5,121
Provision for insurance guarantee fund	**331**	271
Depreciation of property and equipment	**609**	437
Depreciation of investment properties	**119**	64
Amortization of intangible assets	**96**	81
Gains on disposal of non-performing assets	**(267)**	–
Loss/(gain) on disposal of property and equipment and investment properties	**10**	(45)
Impairment losses on investment properties, property and equipment, and intangible assets	**28**	(149)
Provision for doubtful debts, net	**93**	100
Auditors' remuneration – review and audit fees	**23**	14
Operating lease payments in respect of land and buildings	**614**	525

(2) Employee costs

For the year ended December 31, (in RMB million)	2007	2006
Wages, salaries and bonuses	**7,806**	4,447
Retirement benefits, social security contributions and welfare benefits	**908**	674
Total	**8,714**	5,121

14. INCOME TAXES

According to the "Provisional Regulations of the PRC on Enterprise Income Tax" which remains effective in 2007 as well as the related current interpretation and practices, 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
Enterprise income tax in the PRC	– Located in Special Economic Zones and Ping An Bank	15%
	– Located outside the Special Economic Zones	33%
Hong Kong profits tax	– Subsidiaries in Hong Kong Special Administrative Region	17.5%

14. INCOME TAXES *(Continued)*

For the year ended December 31, (in RMB million)	2007	2006
Consolidated income statement		
Current income tax	**1,488**	635
Income tax credit received	**–**	(289)
	1,488	346
Deferred income tax relating to the origination and reversal of temporary differences:		
Policyholders' reserves	**(4,790)**	(982)
Claim reserves	**396**	(270)
Unearned premium reserves	**23**	(2)
Deferred policy acquisition costs	**5,224**	1,134
Fair value adjustment on financial assets and liabilities carried at fair value through profit or loss	**553**	462
Others	**(109)**	(140)
Total deferred income tax	**1,297**	202
Income taxes reported in consolidated income statement	**2,785**	548
Consolidated statement of changes in equity		
Deferred income tax related to net unrealized gains charged directly to equity	**3,437**	1,343

A reconciliation between tax expense and the product of accounting profit multiplied by the main applicable tax rate of 15% is as follows:

For the year ended December 31, (in RMB million)	2007	2006
Operating profit before income tax	**22,004**	8,548
Tax computed at the main applicable tax rate of 15%	**3,301**	1,282
Tax effect of income not taxable in determining taxable income	**(1,762)**	(1,133)
Tax effect of expenses not deductible in determining taxable income	**712**	531
Tax credit received	**–**	(289)
Tax effect of higher tax rate on branches and entities (in the PRC) that are located outside the Special Economic Zones	**354**	157
Tax effect of changes in tax rate	**180**	–
Income taxes per consolidated income statement	**2,785**	548

The Group's tax position is subject to assessment and inspection of the tax authorities.

On March 16, 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law") which is effective from January 1, 2008. Under the New CIT Law, corporate income tax rate for domestic companies will decrease from 33% to 25% since January 1, 2008. In addition, for those enterprises benefiting from lower preferential tax rates (e.g. 15%), such preferential rates will be gradually phased out by increasing them over the next five years. This change in income tax rate will directly increase the Group's effective tax rate prospectively from 2008.

As at December 31, 2007

15. DIVIDENDS

For the year ended December 31, (in RMB million)	2007	2006
Interim dividends on ordinary shares declared during the year:		
Special interim dividend for 2007: Nil (2006: RMB0.20)	–	1,239
Interim dividend for 2007: RMB0.20 (2006: RMB0.12)	**1,469**	743
	1,469	1,982
Dividends on ordinary shares proposed for approval at annual general meeting (not recognized as a liability as at December 31):		
Final dividend for 2007: RMB0.50 (2006: RMB0.22)	**3,673**	1,616

16. EARNINGS PER SHARE

The basic earnings per share for the year is computed by dividing the net profit attributable to equity holders of the Company for the year by the weighted average number of 7,153,386,667 shares in issue (2006: weighted average number of 6,195,053,334 shares in issue).

The Company had no dilutive potential shares, hence no diluted earnings per share amount is presented.

17. BALANCES WITH CENTRAL BANK AND STATUTORY DEPOSITS

(in RMB million)	2007	2006
Mandatory deposits with central bank for banking operations	**14,265**	5,787
Other deposits with central bank	**4,969**	1,927
Statutory deposits for insurance operations	**1,560**	1,520
Total	**20,794**	9,234

Details of statutory deposits for insurance operations are as follows:

As at December 31, (in RMB million)	2007	2006
Ping An Life Insurance Company of China, Ltd. ("Ping An Life")	**760**	760
Ping An Property & Casualty Insurance Company of China, Ltd. ("Ping An Property & Casualty")	**600**	600
Ping An Health Insurance Company of China, Ltd. ("Ping An Health")	**100**	100
Ping An Annuity Insurance Company of China, Ltd. ("Ping An Annuity")	**100**	60
Total	**1,560**	1,520
Maturing:		
Within 1 year	**60**	1,520
1 – 5 years	**1,500**	–
Total	**1,560**	1,520

The above deposits are made with PRC banks in accordance with the PRC Insurance Law based on not less than 20% of the respective registered capital of the said subsidiaries of the Company.

18. CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

As at December 31, (in RMB million)	2007	2006
Cash on hand	**382**	347
Term deposits	**57,384**	77,463
Due from banks and other financial institutions	**28,901**	16,375
Loans and advances	**1,192**	1,727
Total	**87,859**	95,912

Amounts due from banks and other financial institutions

As at December 31, (in RMB million)	2007	2006
Top five banks		
China Construction Bank Corporation	**25,045**	21,741
China Minsheng Banking Corp., Ltd.	**11,243**	11,062
Industrial and Commercial Bank of China Limited	**10,859**	5,327
Guangdong Development Bank	**4,505**	5,046
Bank of China Limited	**5,137**	7,542
Other banks and financial institutions		
Industrial Bank Co., Ltd.	**4,131**	11,429
Agricultural Bank of China	**3,230**	5,787
The Hongkong and Shanghai Banking Corporation Limited (“HSBC”)	**153**	710
Others	**23,174**	26,921
Total	**87,477**	95,565

Due from banks and other financial institutions amounting to RMB687 million as at December 31, 2007 (2006: RMB259 million) were pledged by the Group as collateral for warrants issued by the Group.

Of the above, none of the cash and amounts due from banks and other financial institutions has been designated at fair value.

19. FIXED MATURITY INVESTMENTS

As at December 31, (in RMB million)	2007	2006
Bonds	**235,373**	204,710
Policy loans	**2,411**	1,381
Assets purchased under agreements to resell	**36,457**	6,950
Total	**274,241**	213,041
Held-to-maturity, at amortized cost	**127,736**	129,250
Available-for-sale, at fair value	**83,411**	63,768
Carried at fair value through profit or loss		
Held-for-trading	**24,226**	11,692
Total	**235,373**	204,710
Government bonds	**88,365**	93,787
Central bank bills	**23,440**	2,488
Finance bonds	**69,657**	65,256
Corporate bonds	**53,911**	43,179
Total	**235,373**	204,710
Listed	**47,961**	50,063
Unlisted	**187,412**	154,647
Total	**235,373**	204,710

20. EQUITY INVESTMENTS

As at December 31, (in RMB million)	2007	2006
Equity investment funds	**28,899**	14,934
Equity securities	**100,032**	31,795
Total	**128,931**	46,729

(1) Equity investment funds

As at December 31, (in RMB million)	2007	2006
Available-for-sale, at fair value	**9,481**	8,286
Carried at fair value through profit or loss		
Held-for-trading	**19,418**	6,020
Designated at fair value	**–**	628
Total	**28,899**	14,934
Listed	**2,721**	2,849
Unlisted	**26,178**	12,085
Total	**28,899**	14,934

(2) Equity securities

As at December 31, (in RMB million)	2007	2006
Available-for-sale, at fair value	**86,381**	23,340
Carried at fair value through profit or loss		
Held-for-trading	**13,651**	8,455
Total	**100,032**	31,795
Listed	**99,297**	31,395
Unlisted	**735**	400
Total	**100,032**	31,795

There is no equity securities pledged by the Group as collateral for warrants issued by the Group (2006: RMB94 million).

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2007		2006	
As at December 31, (in RMB million)	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Interest rate related derivatives	**14**	**27**	11	61
Currency related derivatives	**–**	**1**	–	–
Equity related derivatives	**159**	**99**	10	88
Credit related derivatives	**4**	**62**	–	–
Others derivatives	**–**	**–**	–	29
Total	**177**	**189**	21	178

As at December 31, 2007

21. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

As at December 31, (in RMB million)	**2007**	2006
Nominal amount of interest rate related derivatives	**4,261**	2,506
Nominal amount of currency related derivatives	**661**	5
Nominal amount of equity related derivatives	**670**	324
Nominal amount of credit related derivatives	**950**	–
Nominal amount of other derivatives	**–**	–
Total	**6,542**	2,835

None of the above derivatives have been designated as a hedging instrument.

22. LOANS AND ADVANCES TO CUSTOMERS

As at December 31, (in RMB million)	**2007**	2006
Institutional customers	**43,673**	37,283
Individual customers	**19,988**	14,300
Subtotal	**63,661**	51,583
Less: Loan loss provisions	**(536)**	(2,431)
Total	**63,125**	49,152

No loans and advances to customers are used as collateral for collateralized borrowings of the Group (2006: RMB2,231 million).

Movement in loan loss provisions is as follows:

(in RMB million)	**2007**	2006
As at January 1,	**2,431**	94
Additions	**136**	1
Less: Reversal	**(230)**	–
Transfer out	**(1,777)**	–
Write-off	**–**	(192)
Unwind of interest for impaired loans	**(24)**	(2)
Add: Acquisition of a subsidiary	**–**	2,530
As at December 31,	**536**	2,431

Of the above, none of the loans and advances to customers has been designated at fair value.

The majority of the Group's loans and advances are for use within Mainland China, and major off-balance sheet items such as bank acceptances are also related to the domestic customers in Mainland China. However, different industries in Mainland China have their unique characteristics in terms of economic development. Therefore, each industry in Mainland China could present a different credit risk.

22. LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

The composition by industries for the Group's loans and advances to customers gross of loan loss provisions is as follows:

As at December 31, (in RMB million)	2007	%	2006	%
Agriculture, forestry and fishing	**96**	**0.2**	187	0.4
Mining	**175**	**0.3**	683	1.3
Manufacturing	**13,055**	**20.5**	9,199	17.8
Energy and utilities	**2,137**	**3.4**	1,395	2.7
Transportation and logistics	**4,009**	**6.3**	1,386	2.7
Commercial	**6,440**	**10.1**	7,375	14.3
Real estate	**6,173**	**9.7**	7,812	15.2
Construction	**3,332**	**5.2**	3,768	7.3
Personal loans	**19,988**	**31.4**	14,300	27.7
Others	**8,256**	**12.9**	5,478	10.6
Total	**63,661**	**100.0**	51,583	100.0

23. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and associates as at December 31, 2007 are set out below:

Subsidiaries	Place of incorporation	Attributable equity interest Direct	Attributable equity interest Indirect	Paid-up capital (RMB unless otherwise stated)	Principal activities
Ping An Life Insurance Company of China, Ltd.	The PRC	99.00%	–	3,800,000,000	Life insurance
Ping An Property & Casualty Insurance Company of China, Ltd.	The PRC	99.06%	–	3,000,000,000	Property and casualty insurance
China Ping An Trust & Investment Co., Ltd.	The PRC	99.88%	–	4,200,000,000	Trust and investment
Ping An Securities Company, Ltd.	The PRC	–	86.11%	1,800,000,000	Security investment and brokerage
Shenzhen Ping An Bank Co., Ltd.	The PRC	90.04%	–	5,460,940,138	Banking
Ping An Annuity Insurance Company of China, Ltd.	The PRC	97.00%	2.98%	500,000,000	Annuity insurance
Ping An Asset Management Co., Ltd.	The PRC	96.00%	3.96%	500,000,000	Investment, asset management
Ping An Health Insurance Company of China, Ltd.	The PRC	95.00%	4.96%	500,000,000	Health insurance
Shenzhen Ping An Futures Brokerage Co., Ltd.	The PRC	–	89.03%	120,000,000	Futures brokerage
Shenzhen Ping An Industries Co., Ltd.	The PRC	–	99.88%	20,000,000	Investment
Shenzhen Ping An Property and Facility Management Co., Ltd.	The PRC	–	99.88%	20,000,000	Property management

As at December 31, 2007

23. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES *(Continued)*

Subsidiaries	Place of incorporation	Attributable equity interest Direct	Attributable equity interest Indirect	Paid-up capital (RMB unless otherwise stated)	Principal activities
Shenzhen Ping An Real Estate Investment Co., Ltd.	The PRC	–	99.88%	300,000,000	Real estate investment
Yuxi Ping An Real Estate Co., Ltd.	The PRC	–	79.90%	38,500,000	Property leasing
Yuxi Meijiahua Business Management Co., Ltd.	The PRC	–	79.90%	500,000	Property management
Fuzhou Ping An Real Estate Development Co., Ltd.	The PRC	–	74.25%	US$5,000,000	Real estate investment
Ping An Meijiahua (Jingzhou) Business Management Co., Ltd.	The PRC	–	50.94%	US$9,700,000	Real estate investment
Nanning Ping An Meijiahua Real Estate Co., Ltd.	The PRC	–	50.94%	55,000,000	Property leasing
Shenzhen Xin An Investment Consultant Co., Ltd.	The PRC	–	99.88%	3,000,000	Investment consulting
Shenzhen CITIC City Plaza Investment Co., Ltd	The PRC	–	98.88%	20,000,000	Real estate investment
China Ping An Insurance Overseas (Holdings) Limited	Hong Kong	100.00%	–	HK$555,000,000	Investment holding
China Ping An Insurance (Hong Kong) Company Limited	Hong Kong	–	75.00%	HK$110,000,000	Property and casualty insurance
Ping An of China Asset Management (Hong Kong) Company Limited	Hong Kong	–	100.00%	HK$65,000,000	Asset management
Anseng Investment Company Limited	BVI	–	100.00%	US$2	Investment holding
Rich All Investments Company Limited	BVI	–	100.00%	US$36,000,001	Investment holding
Profaith International Investment Limited	BVI	–	100.00%	US$1	Investment holding
Portfield Limited	Hong Kong	–	60.00%	HK$10	Investment holding
Ningbo Beilun Port Expressway Co. Ltd.	The PRC	–	60.00%	US$77,800,000	Operating expressway

23. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES *(Continued)*

Associates	Place of incorporation	Attributable equity interest Direct	Attributable equity interest Indirect	Paid-up capital (RMB unless otherwise stated)	Principal activities
Veolia Water (Kunming) Investment Co., Ltd.	Hong Kong	–	24%	US$91,875,208	Water Investment
Veolia Water (Yellow River) Investment Co., Ltd.	Hong Kong	–	49%	US$151,195,839	Water Investment
Veolia Water (Liuzhou) Investment Co., Ltd.	Hong Kong	–	45%	US$32,124,448	Water Investment
PingAn Roosevelt Holdings Ltd	Hong Kong	–	30%	US$10,000	Retail Investment
Hubei Shumyip Huayin Traffic Development Co., Ltd.	The PRC	–	49%	RMB110,000,000	Investment in expressway
Beijing Jin'an Shihua Shangdi Hotel Management Co., Ltd.	The PRC	–	21%	RMB130,000,000	Hotel management and administration

24. PREMIUM RECEIVABLES

As at December 31, (in RMB million)	2007	2006
Premium receivables	**4,613**	3,094
Less: Provision for doubtful receivables	**(179)**	(155)
Premium receivables, net	**4,434**	2,939

Provision is made on a periodic basis for those amounts that are considered uncollectible. The credit terms is generally for a period of one month, extending up to five months for major customers. Overdue balances are reviewed regularly by senior management.

An aging analysis of premium receivables is as follows:

As at December 31, (in RMB million)	2007	2006
Within 3 months	**4,263**	2,838
Over 3 and within 6 months	**142**	79
Over 6 months	**29**	22
Total	**4,434**	2,939

The Group has relevant credit control procedures for premium receivables aged over the credit terms provided to the policyholders.

25. REINSURANCE ASSETS

As at December 31, (in RMB million)	2007	2006
Ceded unearned premium reserves	**2,564**	2,406
Anticipated claims recoverable from reinsurers in respect of outstanding claims	**2,304**	1,724
Ceded policyholders' reserves	**12**	–
Total	**4,880**	4,130

26. DEFERRED POLICY ACQUISITION COSTS

(in RMB million)	Life	Property and casualty	Total
As at January 1, 2007	**30,061**	**1,805**	**31,866**
Deferred	**10,248**	**3,997**	**14,245**
Amortized	**(1,428)**	**(3,445)**	**(4,873)**
Effect of net unrealized gains on investments through equity (shadow accounting adjustment)	**67**	**–**	**67**
As at December 31, 2007	**38,948**	**2,357**	**41,305**

(in RMB million)	Life	Property and casualty	Total
As at January 1, 2006	25,295	1,133	26,428
Deferred	7,852	2,931	10,783
Amortized	(3,044)	(2,259)	(5,303)
Effect of net unrealized gains on investments through equity (shadow accounting adjustment)	(42)	–	(42)
As at December 31, 2006	30,061	1,805	31,866

27. INVESTMENT PROPERTIES

(in RMB million)	2007	2006
Cost		
As at January 1,	**1,918**	1,762
Acquisition of subsidiaries	**2,046**	124
Additions	**454**	176
Transfer from property and equipment, net	**126**	41
Disposal	**(38)**	(185)
As at December 31,	**4,506**	1,918
Accumulated depreciation and impairment losses		
As at January 1,	**390**	519
Acquisition of subsidiaries	**91**	17
Depreciation for the year	**119**	64
Transfer from/(to) property and equipment, net	**55**	–
Disposal	**(11)**	(58)
Write-back of impairment losses	**(20)**	(152)
As at December 31,	**624**	390
Net book value		
As at December 31,	**3,882**	1,528
Fair value	**5,846**	2,095

The fair value of the investment properties as at December 31, 2007 was estimated by the directors of the Company having regard to valuations performed by independent valuers.

The rental income arising from investment properties during the year amounted to RMB299 million (2006: RMB117 million), which is included in net investment income.

The Group is still in the process of applying for title certificates for investment properties with a net book value of RMB192 million as at December 31, 2007 (2006: RMB93 million).

As at December 31, 2007, investment properties with carrying amount of RMB1,701 million was used to secure long term bank loans with aggregate carrying amount of RMB1,612 million.

As at December 31, 2007

28. PROPERTY AND EQUIPMENT

(in RMB million)	Leasehold improvements	Buildings	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2006	311	2,643	1,558	400	646	5,558
Acquisition of a subsidiary	72	435	308	8	10	833
Additions	87	12	357	87	764	1,307
Transfer of construction in progress	62	709	5	–	(776)	–
Transfer to investment properties, net	–	(41)	–	–	–	(41)
Disposals	–	(38)	(112)	(74)	–	(224)
As at December 31, 2006	532	3,720	2,116	421	644	7,433
Additions	100	–	515	101	3,381	4,097
Acquisition of subsidiaries	47	–	17	2	–	66
Transfer of construction in progress	50	503	–	–	(553)	–
Transfer to investment properties, net	–	(126)	–	–	–	(126)
Disposals	(38)	(42)	(251)	(33)	–	(364)
As at December 31, 2007	691	4,055	2,397	491	3,472	11,106
Accumulated depreciation and impairment losses						
As at January 1, 2006	160	647	930	250	26	2,013
Acquisition of a subsidiary	47	77	212	8	–	344
Depreciation charge	96	91	199	51	–	437
Transfer from investment properties, net	–	–	–	–	–	–
Disposals	–	(9)	(78)	(55)	(15)	(157)
Impairment losses	–	30	–	–	–	30
As at December 31, 2006	303	836	1,263	254	11	2,667
Depreciation charge	133	171	260	45	–	609
Acquisition of subsidiaries	–	–	4	1	–	5
Transfer to investment properties, net	–	(55)	–	–	–	(55)
Disposals	(31)	(13)	(222)	(26)	–	(292)
Impairment losses	–	7	–	–	–	7
As at December 31, 2007	405	946	1,305	274	11	2,941
Net book value						
As at December 31, 2007	286	3,109	1,092	217	3,461	8,165
As at December 31, 2006	229	2,884	853	167	633	4,766

The Group is still in the process of applying for the title certificates for its buildings with a net book value of RMB212 million as at December 31, 2007 (2006: RMB156 million).

29. INTANGIBLE ASSETS

(in RMB million)	Goodwill	Toll road operating right	Prepaid land premiums	Other intangible assets	Total
Cost					
As at January 1, 2006	327	–	1,044	310	1,681
Additions	–	–	2	81	83
Acquisition of a subsidiary	82	–	–	9	91
Disposal	–	–	(20)	(16)	(36)
As at December 31, 2006	409	–	1,026	384	1,819
Additions	54	–	–	118	172
Acquisition of subsidiaries	160	2,754	–	–	2,914
Disposal	(13)	–	–	(52)	(65)
As at December 31, 2007	610	2,754	1,026	450	4,840
Accumulated amortization and impairment losses					
As at January 1, 2006	–	–	89	181	270
Amortization charge	–	–	21	60	81
Disposal	–	–	–	(16)	(16)
As at December 31, 2006	–	–	110	225	335
Amortization charge	–	3	26	67	96
Acquisition of a subsidiary	–	101	–	–	101
Disposal	–	–	–	(92)	(92)
As at December 31, 2007	–	104	136	200	440
Net book value					
As at December 31, 2007	610	2,650	890	250	4,400
As at December 31, 2006	409	–	916	159	1,484

(1) Toll road operating right

Operating right of an expressway is amortised on a reasonable basis. As at December 31, 2007, such operating right was used to secure a long term bank loan with carrying amount of RMB1,606 million.

(2) Goodwill

The recoverable amount of goodwill has been estimated based on value in use calculation using cash flow projections and financial plans approved by management and pretax, company specific, risk adjusted discount rates. Projected cash flows beyond five years are extrapolated using a steady growth rate. The projected cash flows are determined by future estimated profits based on management expectations for market development.

(3) Prepaid land premiums

Prepaid land premiums are acquired under PRC laws for fixed periods, and the related costs are amortized on a straight-line basis. All of the Group's prepaid land premiums are related to lands located in the PRC. The net book value of the prepaid land premiums as at December 31, 2007 is expected to be amortized over lease terms ranging from 50 to 70 years (2006: 50 to 70 years).

29. INTANGIBLE ASSETS *(Continued)*

(3) Prepaid land premiums *(Continued)*

The Group is still in the process of applying for title certificates for prepaid land premiums with a net book value of RMB483 million as at December 31, 2007 (2006: RMB498 million). This amount as at December 31, 2007 represents costs incurred to acquire lands in Shanghai for the construction of new properties. In the opinion of the Company's management, where necessary, adequate provision for impairment losses has been made for prepaid land premiums without title certificates as at December 31, 2007.

30. OTHER ASSETS AND RECEIVABLES

As at December 31, (in RMB million)	**2007**	2006
Prepayments	**627**	1,689
Due from reinsurers	**1,528**	787
Interest receivables	**3,964**	3,208
Settled assets	**538**	826
Interest rate swap deposits	**147**	238
Other assets	**1,249**	1,360
Total	**8,053**	8,108

31. SHARE CAPITAL

As at December 31, (in million)	**2007**	2006
Number of shares registered, issued and fully paid at RMB1 each	**7,345**	6,195

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. As of February 15, 2007, the Company has collected net proceeds of RMB38,222 million for the initial public offering of A-shares. The increase in paid-up share capital amounts to RMB1,150 million and the difference between the proceeds and paid-up share capital of RMB37,072 million is recorded in capital reserve.

32. RESERVES AND RETAINED PROFITS

Group

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity of the financial statements.

32. RESERVES AND RETAINED PROFITS *(Continued)*

Company

(in RMB million)	*Notes*	Capital reserve	Surplus reserve fund	Statutory public welfare fund	General reserve	Net unrealized gains	Retained profits/ (accumulated losses)	Total
As at January 1, 2007		14,835	6,126	–	395	585	1,686	23,627
Issue of new shares in the PRC		37,720	–	–	–	–	–	37,720
Share issue expenses		(648)	–	–	–	–	–	(648)
Net profit for 2007		–	–	–	–	–	6,862	6,862
Net gains on available-for-sale investments		–	–	–	–	438	–	438
Net gains on available-for-sale investments removed from equity and reported in net profit		–	–	–	–	(782)	–	(782)
Deferred tax recognized, net		–	–	–	–	47	–	47
Dividends declared	*15*	–	–	–	–	–	(3,085)	(3,085)
Transfer of surplus reserve fund	*32*	–	(1,157)	–	–	–	1,157	–
Appropriations to statutory surplus reserve fund		–	686	–	–	–	(686)	–
As at December 31, 2007		51,907	5,655	–	395	288	5,934	64,179
As at January 1, 2006		14,835	4,743	783	395	24	(1,652)	19,128
Net profit for 2006		–	–	–	–	–	5,920	5,920
Net gains on available-for-sale investments		–	–	–	–	848	–	848
Net gains on available-for-sale investments removed from equity and reported in net profit		–	–	–	–	(188)	–	(188)
Deferred tax recognized, net		–	–	–	–	(99)	–	(99)
Dividends declared	*15*	–	–	–	–	–	(1,982)	(1,982)
Transfer to statutory surplus reserve fund		–	783	(783)	–	–	–	–
Appropriations to statutory surplus reserve fund		–	600	–	–	–	(600)	–
As at December 31, 2006		14,835	6,126	–	395	585	1,686	23,627

According to the Company's Articles of Association, the Company shall set aside 10% of its net profit determined in its statutory financial statements, prepared in accordance with PRC Accounting Standards, to a statutory surplus reserve fund. The Company can cease such profit appropriation to this fund if the fund reaches 50% of the Company's registered share capital. The Company may also make appropriations from its net profit to the discretionary surplus reserve fund provided the appropriation is approved by a resolution of the shareholders. These reserves cannot be used for purposes other than those for which they are created. Profits are used against prior year losses before allocations to such reserves.

Capital reserve mainly represents share premiums arising from the issuance of shares.

32. RESERVES AND RETAINED PROFITS *(Continued)*

Subject to resolutions passed in shareholders' meetings, the statutory surplus reserve fund, discretionary surplus reserve fund and capital reserve can be transferred to share capital. The balance of the statutory surplus reserve fund after transfers to share capital should not be less than 25% of the registered capital.

In accordance with the relevant regulations, general reserve should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance, banking, trust, securities and futures business. The Group's respective entities in such business would need to make appropriations for such reserve based on their respective year end profit or risk assets determined in accordance with PRC Accounting Standards, and based on the applicable PRC financial regulations, in the annual financial statements. Such reserve is not available for profit distribution or transfer to capital.

In accordance with the relevant regulations, the net profit after tax of the Company for profit distribution is deemed to be the lower of (i) the retained profits determined in accordance with PRC Accounting Standards and (ii) the retained profits determined in accordance with IFRSs. The profit appropriation for the year ended December 31, 2006 was approved in the shareholders' meeting held on June 7, 2007.

During the year, because of the adoption of the new PRC Accounting Standards, the Company and the Group transferred surplus reserve fund of RMB1,157 million and RMB6 million, respectively, to retained profits.

33. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

As at December 31, (in RMB million)	**2007**	2006
Deposits from other banks and financial institutions	**7,532**	3,465
Short-term borrowing	**3,894**	1,518
Long-term borrowing	**3,218**	155
Total	**14,644**	5,138
Current portion*	**11,581**	4,983
Non-current portion	**3,063**	155
Total	**14,644**	5,138

* Expected settlement within 12 months from the balance sheet date.

The Group has not had defaults of principal, interest or other significant breaches with respect to its liabilities during the year.

34. ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

The face value of the assets which are used as collateral for the collateralized borrowings of the Group approximates the borrowed amount.

35. CUSTOMER DEPOSITS

As at December 31, (in RMB million)	2007	2006
Corporate customers		
– Current accounts	**32,769**	38,859
– Term deposits	**34,297**	21,911
– Settlement balances	**5,135**	327
Individual customers		
– Current/saving accounts	**6,160**	5,691
– Term deposits	**4,305**	5,749
– Settlement balances	**9,259**	3,423
Total	**91,925**	75,960
Current portion*	**85,293**	72,413
Non-current portion	**6,632**	3,547
Total	**91,925**	75,960

* Expected settlement within 12 months from the balance sheet date.

36. INSURANCE CONTRACT LIABILITIES

As at December 31, (in RMB million)	2007	2006
Policyholders' reserves	**323,744**	268,436
Policyholder contract deposits	**34,734**	20,844
Policyholder account liabilities in respect of insurance contracts	**34,871**	20,961
Unearned premium reserves	**15,480**	12,820
Claim reserves	**7,645**	6,480
Total	**416,474**	329,541

	2007			2006		
As at December 31, (in RMB million)	**Insurance contract liability**	**Reinsurers' share**	**Net**	Insurance contract liability	Reinsurers' share	Net
Long term life insurance contracts and investment contracts with DPF	**393,349**	**(12)**	**393,337**	310,241	–	310,241
Short term life insurance contracts	**2,853**	**(445)**	**2,408**	2,519	(466)	2,053
Property and casualty insurance contracts	**20,272**	**(4,423)**	**15,849**	16,781	(3,664)	13,117
Total	**416,474**	**(4,880)**	**411,594**	329,541	(4,130)	325,411

36. INSURANCE CONTRACT LIABILITIES *(Continued)*

As at December 31, (in RMB million)	2007	2006
Current gross insurance contract liabilities*		
Long term life	**14,726**	12,108
Short term life	**2,810**	2,488
Property and casualty	**15,189**	12,231
Non-current gross insurance contract liabilities		
Long term life	**378,623**	298,133
Short term life	**43**	31
Property and casualty	**5,083**	4,550
Total	**416,474**	329,541

* Expected settlement within 12 months from the balance sheet date.

(1) Long term life insurance contracts and investment contracts with DPF

As at December 31, (in RMB million)	2007	2006
Policyholders' reserves	**323,744**	268,436
Policyholder contract deposits	**34,734**	20,844
Policyholder account liabilities in respect of insurance contracts	**34,871**	20,961
Total	**393,349**	310,241

The policyholders' reserves are analyzed as follows:

(in RMB million)	2007	2006
As at January 1,	**268,436**	223,632
New business	**13,040**	10,222
Inforce change	**39,893**	31,180
Effect of net unrealized gain on investments through equity (shadow accounting adjustment)	**2,375**	3,402
As at December 31,	**323,744**	268,436

The Group does not have significant reinsurance assets in respect of the policyholders' reserves carried for long term life insurance contracts and investment contracts with DPF.

36. INSURANCE CONTRACT LIABILITIES *(Continued)*

(2) Short term life insurance contracts

As at December 31, (in RMB million)	2007	2006
Unearned premium reserves	**2,098**	1,890
Claim reserves	**755**	629
Total	**2,853**	2,519

The unearned premium reserves of short term life insurance are analyzed as follows:

	2007			2006		
(in RMB million)	**Gross**	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
As at January 1,	**1,890**	**(273)**	**1,617**	1,789	(349)	1,440
Premiums written in the year	**4,639**	**(683)**	**3,956**	4,027	(607)	3,420
Premiums earned during the year	**(4,431)**	**694**	**(3,737)**	(3,926)	683	(3,243)
As at December 31,	**2,098**	**(262)**	**1,836**	1,890	(273)	1,617

The claim reserves of short term life insurance are analyzed as follows:

	2007			2006		
(in RMB million)	**Gross**	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
As at January 1,	**629**	**(193)**	**436**	510	(200)	310
Claims incurred during the year	**2,349**	**(514)**	**1,835**	2,144	(534)	1,610
Claims paid during the year	**(2,223)**	**524**	**(1,699)**	(2,025)	541	(1,484)
As at December 31,	**755**	**(183)**	**572**	629	(193)	436

36. INSURANCE CONTRACT LIABILITIES *(Continued)*

(3) Property and casualty insurance contracts

As at December 31, (in RMB million)	2007	2006
Unearned premium reserves	**13,382**	10,930
Claim reserves	**6,890**	5,851
Total	**20,272**	16,781

The unearned premium reserves of property and casualty insurance are analyzed as follows:

	2007			2006		
(in RMB million)	**Gross**	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
As at January 1,	**10,930**	**(2,133)**	**8,797**	8,821	(2,146)	6,675
Premiums written in the year	**21,666**	**(3,588)**	**18,078**	16,995	(3,640)	13,355
Premiums earned during the year	**(19,214)**	**3,419**	**(15,795)**	(14,886)	3,653	(11,233)
As at December 31,	**13,382**	**(2,302)**	**11,080**	10,930	(2,133)	8,797

The claim reserves of property and casualty insurance are analyzed as follows:

	2007			2006		
(in RMB million)	**Gross**	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
As at January 1,	**5,851**	**(1,531)**	**4,320**	5,314	(1,490)	3,824
Claims incurred during the year	**12,154**	**(2,503)**	**9,651**	9,117	(1,939)	7,178
Claims paid during the year	**(10,915)**	**1,913**	**(9,002)**	(8,580)	1,898	(6,682)
Portfolio transfer	**(200)**	**–**	**(200)**	–	–	–
As at December 31,	**6,890**	**(2,121)**	**4,769**	5,851	(1,531)	4,320

37. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

(in RMB million)	2007	2006
Policyholder account liabilities in respect of investment contracts	**4,622**	3,971
Investment contract reserves	**799**	262
Total	**5,421**	4,233
Current portion*	**471**	61
Non-current portion	**4,950**	4,172
Total	**5,421**	4,233

* Expected settlement within 12 months from the balance sheet date.

The investment contract liabilities are analyzed as follows:

(in RMB million)	2007	2006
As at January 1,	**4,233**	3,092
Premiums received	**1,211**	634
Accretion of investment income	**883**	654
Liabilities released for benefits paid	**(840)**	(286)
Policy administration fees and surrender charges deducted	**(66)**	(41)
Others	**–**	180
As at December 31,	**5,421**	4,233

The benefits offered under the policyholders' investment contracts are based on the return of selected assets.

The liabilities originated from policyholders' investment contracts are measured by reference to their respective underlying assets of these contracts.

As at December 31, 2007

38. DEFERRED INCOME TAX ASSETS/LIABILITIES

(in RMB million)	2007	2006
Net deferred income tax liabilities, as at January 1,	**1,240**	49
Acquisition of subsidiaries	**308**	(354)
Recognized as income or expenses	**1,297**	202
Recognized in equity	**3,437**	1,343
Net deferred income tax liabilities, as at December 31,	**6,282**	1,240

Net deferred income tax (assets)/liabilities

As at December 31, (in RMB million)	2007	2006
Policyholders' reserves	**(10,645)**	(5,364)
Deferred policy acquisition costs	**10,326**	5,093
Claim reserves	**(105)**	(501)
Unearned premium reserves	**36**	13
Fair value adjustment on available-for-sale investments	**5,942**	2,023
Fair value adjustment on financial assets and liabilities carried at fair value through profit or loss	**1,067**	514
Loan loss provisions	**(14)**	(280)
Provisions for placement and settled assets	**5**	(103)
Others	**(330)**	(155)
Total	**6,282**	1,240

39. OTHER LIABILITIES

As at December 31, (in RMB million)	2007	2006
Annuity and other insurance payable	**4,646**	3,183
Premiums received in advance	**2,981**	1,352
Salaries and welfare payable	**4,732**	2,133
Commission payable	**1,104**	894
Due to reinsurers	**1,732**	738
Insurance guarantee fund	**126**	82
Others	**5,735**	3,362
Total	**21,056**	11,744

According to the relevant regulations, the Group should provide for insurance guarantee fund at 0.15% of the net premiums of long term life insurance with guaranteed investment returns and long term health insurance, at 0.05% of the net premiums of other long term life insurance, and at 1% of the net premiums of property and casualty insurance, accident insurance, short-term health insurance, etc. No additional provision is required when the accumulated provision balances of Ping An Life, Ping An Health and Ping An Annuity reach 1% of their respective total assets as determined in accordance with PRC Accounting Standards. On the other hand, no additional provision is required when the accumulated balance of Ping An Property & Casualty's provision reaches 6% of its total assets as determined in accordance with PRC Accounting Standards.

40. FIDUCIARY ACTIVITIES

As at December 31, (in RMB million)	2007	2006
Assets under trust schemes	**47,519**	16,677
Assets under corporate annuity schemes	**4,983**	634
Entrusted loans	**1,654**	2,120
Assets under asset management schemes	**1,317**	–
Total	**55,473**	19,431

41. RISK AND CAPITAL MANAGEMENT

(1) Insurance risk

The risk under insurance contract is the possibility of occurrence of insured event and uncertainty of the amount and timing of the resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This could occur due to any of the following factors:

Occurrence risk – the possibility that the number of insured events will differ from those expected.

Severity risk – the possibility that the cost of the events will differ from those expected.

Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines.

The business of the Group comprises long term life insurance contracts, property and casualty and short term life insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

These risks currently do not vary significantly in relation to the location of the risk insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. However, for contracts with DPF, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

Insurance risk is also affected by the policyholders' rights to terminate the contract, pay reduced premiums or refuse to pay premiums, etc. Thus, the resultant insurance risk is subject to policyholders' behavior and decisions.

The Group's concentration of insurance risk is reflected by its major lines of business as analyzed by premium income in note 6.

As at December 31, 2007

41. RISK AND CAPITAL MANAGEMENT *(Continued)*

(1) Insurance risk *(Continued)*

(a) *Long term life insurance contracts and investment contracts with DPF*

Assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions relating to both long term life insurance contracts and investment contracts. Such assumptions are determined as appropriate and prudent estimates at the date of valuation.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality, morbidity and lapse rates

Mortality and morbidity rates, varying by age of the insured, and lapse rates, varying by contract type, are based upon expected experience at the date of contract issue plus, where applicable, a margin for adverse deviation. The mortality, morbidity and lapse assumptions are based on experience studies of the Group's actual experience.

For long term life insurance policies, increased mortality rates will lead to a larger number of claims and claims will occur sooner than anticipated, which will increase the expenditure and reduce profits for the shareholders.

For annuity contracts, a high mortality will decrease payments, thereby reducing expenditure and increase profits.

Impact of increase in lapse rates at early duration of the policy would tend to reduce profits for the shareholders but lapse rates at later policy durations is broadly neutral in effect.

Investment return

Future investment return for non-investment-linked life insurance contracts has been changed to be 5.0% in 2008 and to increase by 0.1% every year to 5.5% by 2013 and thereafter. These rates have been derived by consideration of the current market condition and the Group's current and expected future asset allocation. They are the best estimate rates used in gross premium reserve valuation and liability adequacy test on a portfolio basis.

An increase in investment return assumption may lead to a decrease in policyholders' liabilities.

Expenses

Maintenance expenses assumptions reflect the projected costs of maintaining and servicing in force policies. The assumption for policy administration expenses is determined based on expected unit costs. Unit costs have been based on an analysis of actual experience.

An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

Others

Other assumptions include taxation, future bonus rates, etc.

Change in assumptions

The assumptions used to estimate the liabilities of the Group's long term life insurance contracts and investment contracts with DPF require judgment and are subject to uncertainty. During the year, the long term life insurance policyholders' reserves increased by RMB3,281 million mainly due to the recognition of changes in lapse and mortality rate assumptions for certain group life and annuity insurance business.

41. RISK AND CAPITAL MANAGEMENT *(Continued)*

(1) Insurance risk *(Continued)*

(a) *Long term life insurance contracts and investment contracts with DPF* (Continued)

Sensitivities

The Group has investigated the impact on long term life insurance contract liabilities, of varying independently certain assumptions regarding future experience. For most insurance contracts, the assumptions are established at the inception of the policies and remain unchanged. The impact of assumption changes to liabilities mainly comes from the potential reserve increase due to failing the liability adequacy test. The following changes in assumptions have been considered:

- investment return assumption increased by 25 basis points every year;
- investment return assumption decreased by 25 basis points every year;
- a 10% increase in maintenance expense rates;
- a 10% decrease in mortality and morbidity rates; and
- a 10% decrease in policy lapse rates.

Assumptions	Impact on gross policyholders' reserves* (in RMB million)	Impact of assumption change as a percentage of gross policyholders' reserves
Investment return increased by 25 basis points	(1,353)	(0.42%)
Investment return decreased by 25 basis points	1,468	0.45%
10% increase in maintenance expense rates	20	0.01%
10% decrease in morbidity/mortality rates	343	0.11%
10% decrease in policy lapse rates	207	0.06%

* Including investment contracts with DPF

The above impact on policyholders' reserves will be reflected in the Group's profit before tax and equity.

The sensitivity analysis also does not take into account the fact that the assets and liabilities are actively managed and may vary at the time that any actual market movement occurs.

Other limitations in the above analysis include the use of hypothetical market movements to demonstrate potential risk and the assumption that interest rates move in identical fashion.

(b) *Property and casualty and short term life insurance contracts*

Assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include delays in settlement, etc.

41. RISK AND CAPITAL MANAGEMENT *(Continued)*

(1) Insurance risk *(Continued)*

(b) *Property and casualty and short term life insurance contracts (Continued)*

Sensitivities

The property and casualty and short term life insurance claim reserves are sensitive to the above key assumptions. The sensitivity of certain variables like legislative change, uncertainty in the estimation process, etc, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim reserves are not known with certainty at the balance sheet date.

Reproduced below is an exhibit that shows the development of claim reserves:

	Property and casualty insurance (accident year) – gross					
(in RMB million)	2003	2004	2005	2006	**2007**	Total
Estimated cumulative claims as of:						
End of current year	5,429	5,955	7,171	9,317	**10,700**	
One year later	5,403	5,948	7,172	10,305	**–**	
Two years later	5,403	5,397	6,953	–	**–**	
Three years later	5,277	5,259	–	–	**–**	
Four years later	5,223	–	–	–	**–**	
Estimated cumulative claims	5,223	5,259	6,953	10,305	**10,700**	38,440
Cumulative claims paid	(5,142)	(5,127)	(6,588)	(8,352)	**(6,526)**	(31,735)
Prior year adjustments and unallocated loss adjustment expenses						185
Unpaid claim expenses						6,890

	Property and casualty insurance (accident year) – net					
(in RMB million)	2003	2004	2005	2006	**2007**	Total
Estimated cumulative claims as of:						
End of current year	3,726	4,181	5,266	7,219	**8,875**	
One year later	3,687	4,228	5,280	7,362	**–**	
Two years later	3,705	3,833	5,129	–	**–**	
Three years later	3,611	3,732	–	–	**–**	
Four years later	3,574	–	–	–	**–**	
Estimated cumulative claims	3,574	3,732	5,129	7,362	**8,875**	28,672
Cumulative claims paid	(3,530)	(3,627)	(4,858)	(6,516)	**(5,546)**	(24,077)
Prior year adjustments and unallocated loss adjustment expenses						174
Unpaid claim expenses						4,769

41. RISK AND CAPITAL MANAGEMENT *(Continued)*

(1) Insurance risk *(Continued)*

(b) Property and casualty and short term life insurance contracts (Continued)

Sensitivities (Continued)

	Short term life insurance (accident year) – gross					
(in RMB million)	2003	2004	2005	2006	**2007**	Total
Estimated cumulative claims as of:						
End of current year	1,376	1,571	1,767	2,039	**2,316**	
One year later	1,349	1,577	1,960	1,983	**–**	
Two years later	1,354	1,582	1,935	–	**–**	
Three years later	1,354	1,582	–	–	**–**	
Four years later	1,354	–	–	–	**–**	
Estimated cumulative claims	1,354	1,582	1,935	1,983	**2,316**	9,170
Cumulative claims paid	(1,354)	(1,582)	(1,935)	(1,946)	**(1,618)**	(8,435)
Prior year adjustments and unallocated loss adjustment expenses						20
Unpaid claim expenses						755

	Short term life insurance (accident year) – net					
(in RMB million)	2003	2004	2005	2006	**2007**	Total
Estimated cumulative claims as of:						
End of current year	978	1,053	1,156	1,616	**1,790**	
One year later	959	1,057	1,482	1,555	**–**	
Two years later	916	1,086	1,538	–	**–**	
Three years later	916	1,086	–	–	**–**	
Four years later	916	–	–	–	**–**	
Estimated cumulative claims	916	1,086	1,538	1,555	**1,790**	6,885
Cumulative claims paid	(916)	(1,086)	(1,538)	(1,527)	**(1,266)**	(6,333)
Prior year adjustments and unallocated loss adjustment expenses						20
Unpaid claim expenses						572

To illustrate the sensitivities of ultimate claims costs, for example, a respective percentage change in average claim costs or the number of claims alone result in a similar percentage change in claim reserves. In other words, while other assumptions remain unchanged, a 5% increase in average claim costs would increase net claim reserves for property and casualty insurance and short term life insurance as at December 31, 2007 by approximately RMB238 million and RMB29 million, respectively.

41. RISK AND CAPITAL MANAGEMENT *(Continued)*

(1) Insurance risk *(Continued)*

(c) Reinsurance

The Group limits its exposure to losses within insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on quota share basis and surplus basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the balance sheet as reinsurance assets.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

(2) Market risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

(a) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the Renminbi and other currencies in which the Group conducts business may affect its financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimizing its net foreign currency position.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the pre-tax impact on profit and equity (due to changes in fair value of currency sensitive non-monetary assets and liabilities measured at fair value, as well as monetary assets and liabilities). The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

	December 31, 2007			December 31, 2006	
(in million)	**Change in variables**	**Decrease in profit**	**Decrease in equity**	Decrease in profit	Decrease in equity
All foreign currencies	**-5%**	**504**	**2,013**	667	824

The main non-monetary assets and liabilities measured at fair value, as well as monetary assets and liabilities of the Group, excluding balances of investment-linked contracts, are analyzed as follows by currency:

	December 31, 2007				
(in million)	**RMB**	**US dollar (Original)**	**Hong Kong dollar (Original)**	**Others (RMB equivalent)**	**RMB equivalent Total**
Balances with central bank and statutory deposits	**20,571**	**18**	**97**	**–**	**20,794**
Cash and amounts due from banks and other financial institutions	**84,252**	**235**	**2,000**	**15**	**87,859**
Fixed maturity investments	**272,522**	**209**	**205**	**–**	**274,241**
Equity Investments	**87,345**	**1,340**	**10,539**	**21,198**	**128,197**
Loans and advances to customers	**61,206**	**243**	**156**	**–**	**63,125**
Premium receivables	**4,148**	**37**	**16**	**–**	**4,434**
Reinsurance assets	**1,230**	**148**	**5**	**–**	**2,316**
Other assets and receivables	**6,003**	**67**	**126**	**5**	**6,615**
Total	**537,277**	**2,297**	**13,144**	**21,218**	**587,581**

41. RISK AND CAPITAL MANAGEMENT *(Continued)*

(2) Market risk *(Continued)*

(a) ***Foreign currency risk*** *(Continued)*

	December 31, 2007				
(in million)	**RMB**	**US dollar (Original)**	**Hong Kong dollar (Original)**	**Others (RMB equivalent)**	**RMB equivalent Total**
Due to banks and other financial institutions	**8,393**	**262**	**4,631**	**–**	**14,644**
Assets sold under agreements to repurchase	**13,556**	**–**	**–**	**–**	**13,556**
Customer deposits	**90,200**	**201**	**271**	**–**	**91,925**
Investment contract liabilities for policyholders	**799**	**–**	**–**	**–**	**799**
Policyholder dividend payable and provisions	**7,006**	**–**	**–**	**–**	**7,006**
Insurance contract liabilities	**380,420**	**157**	**34**	**4**	**381,603**
Income tax payable	**776**	**3**	**10**	**–**	**807**
Other liabilities	**20,204**	**73**	**340**	**–**	**21,056**
Total	**521,354**	**696**	**5,286**	**4**	**531,396**

	December 31, 2006				
(in million)	RMB	US dollar (Original)	Hong Kong dollar (Original)	Others (RMB equivalent)	RMB equivalent Total
Balances with central bank and statutory deposits	8,991	19	95	–	9,234
Cash and amounts due from banks and other financial institutions	80,858	1,818	850	1	95,912
Fixed maturity investments	211,450	154	387	–	213,041
Equity investments	42,557	107	3,129	–	46,535
Loans and advances to customers	48,137	130	–	–	49,152
Premium receivables	2,732	25	14	–	2,939
Reinsurance assets	1,641	10	5	–	1,724
Other assets and receivables	5,630	77	511	–	6,745
Total	401,996	2,340	4,991	1	425,282

As at December 31, 2007

41. RISK AND CAPITAL MANAGEMENT *(Continued)*

(2) Market risk *(Continued)*

(a) *Foreign currency risk (Continued)*

	December 31, 2006				
(in million)	RMB	US dollar (Original)	Hong Kong dollar (Original)	Others (RMB equivalent)	RMB equivalent Total
Due to banks and other financial institutions	3,676	127	469	–	5,138
Assets sold under agreements to repurchase	13,436	–	–	–	13,436
Customer deposits	71,210	608	6	–	75,960
Investment contract liabilities for policyholders	262	–	–	–	262
Policyholder dividend payable and provisions	4,107	–	–	–	4,107
Insurance contract liabilities	308,466	11	28	–	308,580
Income tax payable	691	–	–	–	691
Other liabilities	6,512	59	23	–	6,996
Total	408,360	805	526	–	415,170

The exchange rates of the Group are analyzed as follows by currency:

	December 31, 2007		December 31, 2006	
	USD	**HKD**	USD	HKD
Exchange rate	**7.3046**	**0.9364**	7.8087	1.0047

(b) *Price risk*

The Group's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), principally available-for-sale financial assets and financial assets at fair value through profit or loss.

The above investments are exposed to price risk because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group managed price risks by diversification of investments, setting limits for investments in different securities, etc.

The Group uses the 10-day market price value-at-risk ("VaR") technique to estimate its risk exposure for listed equity securities and equity investments funds. The Group adopts 10-day as the holding period on the assumption that not all the investments can be sold in one day. Moreover, the VaR calculation is made based on normal market condition and a 99% confidence interval.

41. RISK AND CAPITAL MANAGEMENT *(Continued)*

(2) Market risk *(Continued)*

(b) Price risk *(Continued)*

The analysis below is the impact on equity for listed equity securities and equity investments funds with 10-day reasonable market fluctuation in using risk value module in the normal market.

(in RMB million)	December 31, 2007	December 31, 2006
Listed stocks and equity investment funds	**14,495**	4,241

(c) Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on floating rate instruments is repriced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, for the following financial instruments (excluding the balances of investment-linked contracts), showing the pre-tax impact on profit and equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

		December 31, 2007		December 31, 2006	
(in RMB million)	Change in Interest rate	**Decrease in profit**	**Decrease in equity**	Decrease in profit	Decrease in equity
Bond investments					
Held-for-trading and available-for-sale	+50 basis points	**153**	**2,728**	144	3,088

		Increase in interest income/(expense)	
(in RMB million)		**2007**	2006
Floating rate bonds	+50 basis points	**55**	28
Loans and advances to customers	+50 basis points	**273**	13
Customer deposits	+50 basis points	**(380)**	(29)

As at December 31, 2007

41. RISK AND CAPITAL MANAGEMENT *(Continued)*

(3) Financial risk

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, loans and advances to customers, investments in bonds, equity investments, reinsurance arrangements with reinsurers, policy loans, etc. The Group mitigates credit risk by using a variety of controls including utilizing credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counter party exposure limits.

The Group's banking business carries out credit assessment before granting credit to customers and monitors on a regular basis the credit granted. Credit risk is also managed through obtaining collateral and guarantees. In the case of off-balance sheet credit related commitments, guarantee deposits are in general received by the Group to reduce credit risk.

Credit quality

Majority of the Group's financial assets are bond investments which include government bonds, finance bonds and corporate bonds. The main finance bonds held by the Group have domestic credit rating of A or above and the main corporate bonds held by the Group have credit rating of AA or above.

Credit exposure

The table below shows the maximum exposure to credit risk for the components of the balance sheet and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through any collateral held or other credit enhancements.

As at December 31, (in RMB million)	**2007**	2006
Balances with central bank and statutory deposits	**20,794**	9,234
Cash and amounts due from banks and other financial institutions	**87,859**	95,912
Fixed maturity investments	**274,241**	213,041
Equity investments	**128,931**	46,729
Derivative financial assets	**177**	21
Loans and advances to customers	**63,125**	49,152
Premium receivables	**4,434**	2,939
Reinsurance assets	**4,880**	4,130
Other assets and receivables	**8,053**	8,108
Total	**592,494**	429,266
Commitments	**35,704**	29,115
Total credit risk exposure	**628,198**	458,381

Assets related to investment-linked contracts are excluded from the above balances.

Where financial instruments are recorded at fair value, the amounts shown above represent the current risk exposure but not the maximum risk exposure that could arise in the future as a result of the change in values.

41. RISK AND CAPITAL MANAGEMENT *(Continued)*

(3) Financial risk *(Continued)*

(a) ***Credit risk*** *(Continued)*

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters.

The main types of collateral obtained are as follows:

– for reverse repurchase transactions, cash or securities;

– for commercial lending, charges over real estate properties, inventories and trade receivables, etc; and

– for retail lending, mortgages over residential properties, etc.

Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

Aging analysis of financial assets past-due

	December 31, 2007						
		Past-due but not impaired financial assets					
(in RMB million)	In due assets	Less than 30 days	31 to 90 days	More than 90 days	Total past-due but not impaired	Past-due and impaired	Total
Cash and amounts due from banks and other financial institutions	87,858	–	–	–	–	46	87,904
Loans and advances to customers	61,858	770	256	78	1,104	699	63,661
Premium receivables	4,434	–	–	–	–	179	4,613
Due from reinsurers	1,528	–	–	–	–	49	1,577
Gross total	155,678	770	256	78	1,104	973	157,755
Less: impairment provision	(185)	–	–	–	–	(624)	(809)
Net	155,493	770	256	78	1,104	349	156,946

As at December 31, 2007

41. RISK AND CAPITAL MANAGEMENT *(Continued)*

(3) Financial risk *(Continued)*

(a) Credit risk (Continued)

Aging analysis of financial assets past-due (Continued)

	December 31, 2006						
		Past-due but not impaired financial assets					
(in RMB million)	In due assets	Less than 30 days	31 to 90 days	More than 90 days	Total past-due but not impaired	Past-due and impaired	Total
Cash and amounts due from banks and other financial institutions	95,912	–	–	–	–	376	96,288
Loans and advances to customers	47,914	434	240	215	889	2,780	51,583
Premium receivables	2,831	3	2	2	7	256	3,094
Due from reinsurers	787	–	–	–	–	55	842
Gross total	147,444	437	242	217	896	3,467	151,807
Less: impairment provision	–	–	–	–	–	(3,017)	(3,017)
Net	147,444	437	242	217	896	450	148,790

Of the aggregate amount of gross past-due but not impaired loans and advances to customers, the fair value of collateral that the Group held as at December 31, 2007 was RMB1,295 million (December 31, 2006: RMB1,907 million).

Of the aggregate amount of gross past-due and impaired loans and advances to customers, the fair value of collateral that the Group held as at December 31, 2007 was RMB1,057 million (December 31, 2006: RMB2,071 million).

Financial assets whose terms have been renegotiated

As at December 31, (in RMB million)	**2007**	2006
Loans and advances to customers	**2,444**	2,336

(b) Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet the Group's obligations as they become due.

The Group is exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. The Group seeks to manage its liquidity risk by matching to the extent possible the duration of its investment assets with the duration of its insurance policies and to ensure that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis. The banking business of the Group is exposed to potential liquidity risk. The Group seeks to mitigate the liquidity risk of the banking business by optimizing asset-liability structure and maintaining stable deposits, etc.

41. RISK AND CAPITAL MANAGEMENT *(Continued)*

(3) Financial risk *(Continued)*

(b) Liquidity risk (Continued)

The table below summarizes the maturity profile of the key financial liabilities of the Group based on remaining undiscounted contractual obligations.

	December 31, 2007					
(in RMB million)	**Past due**	**Less than 3 months**	**3 to 12 months**	**Over 1 year**	**Investment-linked**	**Total**
Due to banks and other financial institutions	**–**	**8,102**	**3,486**	**4,115**	**–**	**15,703**
Assets sold under agreements to repurchase	**–**	**13,595**	**–**	**–**	**–**	**13,595**
Derivative financial liabilities	**–**	**5**	**102**	**82**	**–**	**189**
Customer deposits	**–**	**68,741**	**16,999**	**7,709**	**–**	**93,449**
Investment contract liabilities for policyholders	**–**	**–**	**–**	**799**	**4,622**	**5,421**
Policyholder dividend payable and provisions	**–**	**7,006**	**–**	**–**	**–**	**7,006**
Other liabilities	**–**	**9,130**	**8,187**	**979**	**–**	**18,296**
Total	**–**	**106,579**	**28,774**	**13,684**	**4,622**	**153,659**

	December 31, 2006					
(in RMB million)	Past due	Less than 3 months	3 to 12 months	Over 1 year	Investment-linked	Total
Due to banks and other financial institutions	–	4,225	758	155	–	5,138
Assets sold under agreements to repurchase	–	11,770	1,172	494	–	13,436
Derivative financial liabilities	–	3	85	90	–	178
Customer deposits	–	61,591	11,156	4,088	–	76,835
Investment contract liabilities for policyholders	–	58	–	204	3,971	4,233
Policyholder dividend payable and provisions	–	4,107	–	–	–	4,107
Other liabilities	–	8,988	705	699	–	10,392
Total	–	90,742	13,876	5,730	3,971	114,319

The table below summarizes the maturity profile of the notional amount of derivative financial liabilities of the Group based on remaining contractual obligations.

(in RMB million)	**Less than 3 months**	**3 to 12 months**	**Over 1 year**	**Investment-linked**	**Total**
December 31, 2007	470	1,191	877	–	2,538
December 31, 2006	327	865	1,015	–	2,207

As at December 31, 2007

41. RISK AND CAPITAL MANAGEMENT *(Continued)*

(3) Financial risk *(Continued)*

(b) Liquidity risk (Continued)

The table below summarizes the expected recovery or settlement of assets.

	December 31, 2007			
(in RMB million)	**Current***	**Non-current**	**Investment-linked**	**Total**
Balances with central bank and statutory deposits	**4,969**	**15,825**	**–**	**20,794**
Cash and amounts due from banks and other financial institutions	**66,198**	**21,661**	**–**	**87,859**
Fixed maturity investments	**82,183**	**192,058**	**–**	**274,241**
Equity investments	**33,069**	**95,862**	**–**	**128,931**
Derivative financial assets	**174**	**3**	**–**	**177**
Loans and advances to customers	**34,024**	**29,101**	**–**	**63,125**
Investment in an associate	**–**	**1,472**	**–**	**1,472**
Premium receivables	**4,254**	**180**	**–**	**4,434**
Reinsurance assets	**3,106**	**1,774**	**–**	**4,880**
Policyholder account assets in respect of insurance contracts	**–**	**–**	**34,871**	**34,871**
Policyholder account assets in respect of investment contracts	**–**	**–**	**4,622**	**4,622**
Deferred policy acquisition costs	**6,555**	**34,750**	**–**	**41,305**
Investment properties	**–**	**3,882**	**–**	**3,882**
Property and equipment	**–**	**8,165**	**–**	**8,165**
Intangible assets	**–**	**4,400**	**–**	**4,400**
Deferred income tax assets	**–**	**87**	**–**	**87**
Other assets and receivables	**7,523**	**530**	**–**	**8,053**
Total	**242,055**	**409,750**	**39,493**	**691,298**

* Expected recovery within 12 months from the balance sheet date.

41. RISK AND CAPITAL MANAGEMENT *(Continued)*

(3) Financial risk *(Continued)*

(b) Liquidity risk (Continued)

	December 31, 2006			
(in RMB million)	Current*	Non-current	Investment-linked	Total
Balances with central bank and statutory deposits	1,927	7,307	–	9,234
Cash and amounts due from banks and other financial institutions	63,414	32,498	–	95,912
Fixed maturity investments	22,612	190,429	–	213,041
Equity investments	15,103	31,626	–	46,729
Derivative financial assets	10	11	–	21
Loans and advances to customers	27,886	21,266	–	49,152
Investments in an associate	–	176	–	176
Premium receivables	2,866	73	–	2,939
Reinsurance assets	2,664	1,466	–	4,130
Policyholder account assets in respect of insurance contracts	–	–	20,961	20,961
Policyholder account assets in respect of investment contracts	–	–	3,971	3,971
Deferred policy acquisition costs	5,664	26,202	–	31,866
Investment properties	–	1,528	–	1,528
Property and equipment	–	4,766	–	4,766
Intangible assets	–	1,484	–	1,484
Deferred income tax assets	–	417	–	417
Other assets and receivables	6,418	1,690	–	8,108
Total	148,564	320,939	24,932	494,435

* Expected recovery within 12 months from the balance sheet date.

(4) Mismatching risk of asset and liability

The objective of the Group's asset and liability management is to match assets with liabilities on the basis of both duration and interest rate. In the current regulatory and market environment, however, the Group is unable to invest in assets that have duration of sufficient length to match the duration of its insurance and investment contract liabilities. When the current regulatory and market environment permits, however, the Group will lengthen the duration of its assets by matching the new liabilities of lower guarantee rates, while narrowing the gap of existing liabilities of higher guarantee rates.

(5) Operational risk

Operational risk is the risk of loss resulting from inadequate or failure of proper internal controls on business processes, people and systems or from uncontrollable external events. The Group is exposed to many types of operational risks in the conduct of its business from inadequate or failure to obtain proper authorizations, supporting documentations and ensuring operational and informational security procedures as well as from frauds or errors by employees. The Group attempts to manage operational risk by establishing clear policies and requiring well-documented business processes to ensure transactions are properly authorized, supported and recorded.

41. RISK AND CAPITAL MANAGEMENT *(Continued)*

(6) Capital management

The Group's capital requirements are primarily dependent on the scale and the type of business that it underwrites, as well as the industry and geographic location in which it operates. The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital requirements by assessing shortfalls, if any, between the reported and the required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to ordinary shareholders or issue capital securities.

The Group fully complied with the externally imposed capital requirements during the year and no changes were made to its capital base, objectives, policies and processes from the previous year.

The table below summarizes the minimum regulatory capital for major insurance subsidiaries of the Group and the regulatory capital held against each of them.

	December 31, 2007			December 31, 2006		
(in RMB million)	**Regulatory capital held**	**Minimum regulatory capital**	**Solvency margin ratio**	Regulatory capital held	Minimum regulatory capital	Solvency margin ratio
Ping An Life	**45,218**	**15,704**	**287.9%**	23,983	13,096	183.1%
Ping An Property & Casualty	**4,895**	**2,695**	**181.6%**	2,613	1,990	131.3%

The regulatory capital of the Shenzhen Ping An Bank is analysed below.

	December 31, 2007*		December 31, 2006*	
(in RMB million)	**Regulatory capital held**	**Minimum regulatory capital**	Regulatory capital held	Minimum regulatory capital
Core capital	**6,238**	**2,739**	4,761	1,765
Capital	**6,209**	**5,477**	4,714	3,530
Risk weighted assets	**68,466**		44,128	
Core capital adequacy ratio	**9.1%**		10.8%	
Capital adequacy ratio	**9.1%**		10.7%	

* As Shenzhen Ping An Bank (its original company name was Shenzhen Commercial Bank Co., Ltd. before its renaming on June 27, 2007) acquired 100% equity interest in Ping An Bank on June 26, 2007, the above capital information as at December 31, 2007 is presented based on the financial information of Shenzhen Ping An Bank after such business combination while the comparative information as at December 31, 2006 is presented based on the financial information of Shenzhen Commercial Bank Co., Ltd. only.

Regulatory capital of Group's banking subsidiary consists of core capital and supplementary capital. Core capital comprises paid-in capital, capital reserve, surplus reserve fund, retained earnings and minority interests less goodwill and 50% of certain long term investments, etc. Supplementary capital includes subordinated long term debts, convertible bonds, preference shares, general reserves and revaluation reserves.

42. FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is a comparison by category of carrying amounts and estimated fair values of the Group's major financial instruments.

As at December 31, (in RMB million)	Carrying amounts		Estimated fair values	
	2007	2006	**2007**	2006
Financial assets				
Balances with central bank and statutory deposits	**20,794**	9,234	**20,794**	9,234
Cash and amounts due from banks and other financial institutions	**87,859**	95,912	**87,859**	95,912
Fixed maturity investments	**274,241**	213,041	**268,883**	220,288
Equity investments	**128,931**	46,729	**128,931**	46,729
Derivative financial assets	**177**	21	**177**	21
Loan and advances to customers	**63,125**	49,152	**63,125**	49,152
Premium receivables	**4,434**	2,939	**4,434**	2,939
Financial liabilities				
Due to banks and other financial institutions	**14,644**	5,138	**14,644**	5,138
Assets sold under agreements to repurchase	**13,556**	13,436	**13,556**	13,436
Derivative financial liabilities	**189**	178	**189**	178
Customer deposits	**91,925**	75,960	**91,925**	75,960
Investment contract liabilities for policyholders	**5,421**	4,233	**5,421**	4,233

The principal methods and assumptions used by the Group in estimating the fair values of the financial instruments are:

(1) Fixed maturity investments: fair values are generally based upon quoted market prices. Where quoted market prices are not readily available, fair values are estimated using either prices observed in recent transactions or values obtained from discounted cash flow models using current market yield rate of comparable investments.

(2) Equity investments: fair values are based on quoted market prices except for certain unlisted equity investments, which are carried at cost as a reasonable estimate of their fair value.

(3) Others: carrying amounts of these assets and liabilities would approximate their fair values.

43. CASH AND CASH EQUIVALENTS

As at December 31, (in RMB million)	2007	2006
Balances with central bank	**4,969**	1,927
Cash and amounts due from banks and other financial institutions		
– Cash on hand	**382**	347
– Term deposits	**25,036**	18,356
– Due from banks and other financial institutions	**13,760**	12,056
– Placements with banks and other financial institutions	**54**	319
Equity investments		
– Money-market placements	**13,107**	2,114
Fixed maturity investments		
– Bonds due within 3 months	**7,620**	438
– Assets purchased under agreements to resell	**29,130**	6,731
Sub-total	**94,058**	42,288
Investment-linked	**2,238**	1,363
Total	**96,296**	43,651

The carrying amounts disclosed above approximate fair values at year end.

44. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before tax to net cash from operating activities:

For the year ended December 31, (in RMB million)	*Notes*	**2007**	2006
Operating profit before tax		**22,004**	8,548
Adjustments for:			
Impairment losses on investment properties, property and equipment, and intangible assets	*13 (1)*	**28**	(149)
Depreciation	*13 (1)*	**728**	501
Amortization of intangible assets	*13 (1)*	**96**	81
Loss/(gain) on disposal of investment properties, property and equipment, and intangible assets	*13 (1)*	**10**	(45)
Investment income		**(53,049)**	(21,971)
Foreign currency losses		**501**	466
Provision for doubtful debts, net	*13 (1)*	**93**	100
Loan loss provisions, net of reversals		**(118)**	3
Operating loss before working capital changes		**(29,707)**	(12,466)
Changes in operational assets and liabilities:			
Decrease/(increase) in balances with central bank and statutory deposits		**(8,518)**	38
Decrease/(increase) in amounts due from banks and other financial institutions		**(7,478)**	4,332
Increase in premium receivables		**(1,495)**	(2,253)
Increase/(decrease) in reinsurance assets		**(750)**	55
Increase in loans and advances to customers		**(13,973)**	(4,922)
Increase in deferred policy acquisition costs		**(9,372)**	(5,480)
Increase in policyholder account assets in respect of insurance contracts		**(13,910)**	(8,141)
Increase in policyholder account assets in respect of investment contracts		**(651)**	(893)
Increase in other assets		**(3,518)**	(1,537)
Increase in insurance contract liabilities		**84,337**	63,786
Increase/(decrease) in investment contract liabilities for policyholders		**(86)**	1,141
Increase/(decrease) in due to banks and other financial institutions		**3,250**	(85)
Increase in customer deposits		**15,965**	6,800
Increase/(decrease) in derivative financial liabilities		**11**	(16)
Increase in policyholder dividend payable and provisions		**2,899**	1,243
Increase in other liabilities		**8,709**	870
Net cash inflow from financing activities for policyholders' accounts		**1,793**	2,614
Cash generated from operations		**27,506**	45,086
Income taxes paid		**(1,372)**	(161)
Net cash from operating activities		**26,134**	44,925

45. COMPENSATION OF KEY MANAGEMENT PERSONNEL

(1) Key management personnel comprise the Company's directors, supervisors, and senior officers as defined in the Company's articles of association. The summary of compensation of key management personnel for the year is as follows:

For the year ended December 31, (in RMB million)	**2007**	2006
Salaries and other short term employee benefits	**286**	127

The unpaid portion of the compensation expenses for share appreciation rights granted to key management personnel are not included in the above analysis. The cumulative number of share appreciation right units granted to key management personnel as at December 31, 2007 is 20 million (2006: 20 million). The expense in respect of cumulative share appreciation right units granted to key management personnel recognized in the income statement during the year is RMB612 million (2006: RMB311 million).

45. COMPENSATION OF KEY MANAGEMENT PERSONNEL *(Continued)*

(2) Directors' and supervisors' remuneration

	2007					
For the year ended December 31, (in RMB thousand)	Fees before tax	Salaries, allowances and other benefits before tax	Bonus before tax (including annual bonus and first payment of the share appreciation rights granted at the first time)	Contributions to pension schemes	Total before tax	Total after tax
Current directors						
MA Mingzhe	–	4,819	41,320	22	46,161	25,794
CHEUNG Chi Yan Louis	–	10,005	37,698	1	47,704	26,648
SUN Jianyi	–	2,427	22,988	22	25,437	14,410
LIN Yu Fen	–	–	–	–	–	–
CHEUNG Lee Wah	–	–	–	–	–	–
Anthony Philip HOPE	170	–	–	–	170	133
LIN Lijun	–	360	61	23	444	372
FAN Gang	–	479	1,431	23	1,933	1,399
HU Aimin	–	–	–	–	–	–
CHEN Hongbo	–	–	–	–	–	–
WONG Tung Shun Peter	–	–	–	–	–	–
NG Sing Yip	–	–	–	–	–	–
BAO Youde	189	–	–	–	189	152
KWONG Che Keung Gordon	300	–	–	–	300	232
CHEUNG Wing Yui	300	–	–	–	300	232
CHOW Wing Kin Anthony	300	–	–	–	300	232
ZHANG Hongyi	157	–	–	–	157	126
CHEN Su	157	–	–	–	157	126
XIA Liping	113	–	–	–	113	91
MA Mingzhe – bonus used for donation	–	–	20,000	–	20,000	N/A
Sub-total	1,686	18,090	123,498	91	143,365	69,947
Past directors						
DOU Wenwei	–	57	23	5	85	75
HUANG Jianping	–	–	–	–	–	–
SHI Yuxin	–	–	–	–	–	–
Sub-total	–	57	23	5	85	75
Current supervisors						
XIAO Shaolian	250	–	–	–	250	198
SUN Fuxin	60	–	–	–	60	50
DONG Likun	60	–	–	–	60	50
DUAN Weihong	–	–	–	–	–	–
LIN Li	–	–	–	–	–	–
CHE Feng	–	–	–	–	–	–
HU Jie	–	356	–	23	379	320
WANG Wenjun	–	261	27	23	311	271
DU Jiangyuan	–	198	39	11	248	202
Sub-total	370	815	66	57	1,308	1,091
Past supervisor						
HE Shi	–	299	2,164	12	2,475	1,649
Sub-total	–	299	2,164	12	2,475	1,649
Total	2,056	19,261	125,751	165	147,233	72,762

1. Bonus of Mr. Ma Mingzhe, Mr. CHEUNG Chi Yan Louis and Mr. Sun Jianyi include the pre-paid bonus of 2007 and the retroactive bonus of 2006 (which incurred in 2006 and was paid in 2007) Mr. Ma Mingzhe's 20 million bonus was not withdrawn but donated to China Soong Ching Ling Foundation within 2007.
2. Mr. Anthony Philip HOPE got his fees from June 7, 2007, and Mr. Xia Liping was newly elected in June 7, 2007, the table presents their compensation in the period from June 7, 2007 to December 31, 2007.
3. Mr. Du Jiangyuan was newly elected in July 10, 2007, the table presents their compensation from July 10, 2007 to December 31, 2007.
4. "the first payment of the share appreciation rights granted at the first time" is the actual received compensation of the year.

45. COMPENSATION OF KEY MANAGEMENT PERSONNEL *(Continued)*

(2) Directors' and supervisors' remuneration *(Continued)*

	2006					
For the year ended December 31, (in RMB thousand)	Fees before tax	Salaries, allowances and other benefits before tax	Bonus before tax	Contributions to pension schemes	Total before tax	Total after tax
Current directors						
MA Mingzhe	–	4,816	18,659	35	23,510	13,382
CHEUNG Chi Yan Louis	–	10,009	9,861	1	19,871	11,155
SUN Jianyi	–	2,427	7,453	35	9,915	5,815
Anthony Philip HOPE	–	–	–	–	–	–
CHEN Hongbo	–	–	–	–	–	–
WONG Tung Shun Peter	–	–	–	–	–	–
NG Sing Yip	–	–	–	–	–	–
HUANG Jianping	–	–	–	–	–	–
LIN Lijun	–	359	29	48	436	379
FAN Gang	–	463	33	50	546	465
DOU Wenwei	–	222	15	40	277	249
CHEUNG Lee Wah	–	–	–	–	–	–
HU Aimin	–	–	–	–	–	–
SHI Yuxin	–	–	–	–	–	–
LIN Yu Fen	–	–	–	–	–	–
BAO Youde	150	–	–	–	150	122
KWONG Che Keung Gordon	300	–	–	–	300	232
CHEUNG Wing Yui	300	–	–	–	300	232
CHOW Wing Kin Anthony	300	–	–	–	300	232
Sub-total	1,050	18,296	36,050	209	55,605	32,263
Past directors						
LIU Haifeng David	–	–	–	–	–	–
Henry CORNELL	–	–	–	–	–	–
Sub-total	–	–	–	–	–	–
Current supervisors						
XIAO Shaolian	250	–	–	–	250	198
SUN Fuxin	60	–	–	–	60	50
DONG Likun	36	–	–	–	36	30
LIN Li	–	–	–	–	–	–
CHE Feng	–	–	–	–	–	–
DUAN Weihong	–	–	–	–	–	–
HU Jie	–	237	–	28	265	229
HE Shi	–	585	39	47	671	565
WANG Wenjun	–	170	5	37	212	190
Sub-total	346	992	44	112	1,494	1,262
Past supervisors						
ZHOU Fulin	–	–	–	–	–	–
CHEN Bohai	–	–	–	–	–	–
SONG Liankun	–	132	–	–	132	113
HE Peiquan	–	149	–	–	149	127
CHEN Shangwu	24	–	–	–	24	20
Sub-total	24	281	–	–	305	260
Total	1,420	19,569	36,094	321	57,404	33,785

The unpaid portion of the compensation expenses for share appreciation rights granted to the directors and supervisors are not included in the above analysis.

During the year, no emoluments were paid by the Group to the directors and the supervisors as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office.

As at December 31, 2007

45. COMPENSATION OF KEY MANAGEMENT PERSONNEL *(Continued)*

(3) Compensation of key management personnel other than directors and supervisors is as follows:

For the year ended December 31, (in RMB thousand)	2007 Salaries, allowances and other benefits before tax	Bonus before tax	Contributions to pension schemes	Total before tax	Total after tax
LEUNG Ka Kui Dominic	8,337	39,792	1	48,130	26,882
Richard JACKSON	19,927	–	–	19,927	11,186
KU Min-shen	5,926	9,654	1	15,581	8,964
John PEARCE	7,748	3,882	–	11,630	N/A
WANG Liping	1,534	7,743	22	9,299	5,558
CAO Shifan	1,008	6,896	14	7,918	4,703
GOH Yethun	4,479	4,138	11	8,628	5,144
LO Sai Lai	4,017	6,895	1	10,913	6,398
CHEN Kexiang	1,241	5,004	22	6,267	3,894
GOH Yethun – Amount for donation	100	–	–	100	N/A
Total	54,317	84,004	72	138,393	72,729

1. Mr. LEUNG Ka Kui Dominic's bonus include the pre-paid bonus of 2007 and the retroactive bonus of 2006 (which incurred in 2006 and was paid in 2007)

2. Mr. Cao Shifan was assigned as Vice General Manager of the Group in April 2007. The table presents his compensation in the period from April 1, 2007 to December 31, 2007.

3. "the first payment of the share appreciation rights granted at the first time" is the actual received compensation of the year.

4. the income tax of John PEARCE's compensation was declared in Hongkong.

For the year ended December 31, (in RMB thousand)	2006 Salaries, allowances and other benefits before tax	Bonus before tax	Contributions to pension schemes	Total before tax	Total after tax
LEUNG Ka Kui Dominic	8,341	22,315	1	30,657	17,103
Richard JACKSON	20,692	–	–	20,692	12,280
KU Min-shen	5,902	–	1	5,903	3,452
John PEARCE	–	–	–	–	–
REN Huichuan	1,240	100	47	1,387	1,066
GOH Yethun	4,571	–	9	4,580	2,740
WANG Liping	1,290	100	35	1,425	1,086
CHEN Kexiang	1,240	150	45	1,435	1,104
LO Sai Lai	3,325	–	1	3,326	2,035
Total	46,601	22,665	139	69,405	40,866

The unpaid portion of the compensation expenses for share appreciation rights granted to key management personnel other than directors and supervisors are not included in the above analysis.

46. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group include three (2006: three) directors and two (2006: two) key management members whose emolument is reflected in the analysis presented in note 45.

During the year, no emoluments were paid by the Group to the above highest paid, non-director individuals as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office.

47. SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) The Company's related parties where control exists are mainly subsidiaries of the Company. For details, please refer to Note 23.

(2) The Company's related parties where significant influence exists include associates (refer to Note 23) and certain shareholders set out below:

Name of related parties	Relationship with the Company
HSBC Holdings plc ("HSBC Holdings")	Parent of shareholders
HSBC Insurance Holdings Limited ("HSBC Insurance")	Shareholder
HSBC	Shareholder

In late August 2005, HSBC Holdings through its wholly owned subsidiaries, HSBC Insurance and HSBC held 19.9% 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.

As at December 31, 2007, HSBC Holdings held, through its subsidiaries, over 16% equity interests in the Company.

As at December 31, 2007, the Group's aggregate bank balances with HSBC were approximately RMB153 million (2006: RMB710 million). Interest income earned by the Group on such bank balances for the year was approximately RMB13 million (2006: RMB15 million).

(3) Please refer to Note 45 for compensation of key management personnel.

48. COMMITMENTS

(1) Capital commitments

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

As at December 31, (in RMB million)	2007	2006
Contracted, but not provided for	**11,048**	5,707
Authorized, but not contracted for	**456**	1,182
Total	**11,504**	6,889

(2) Operating lease commitments

The Group leases office premises and staff quarters under various rental agreements. Future minimum lease payments under non-cancelable operating leases are as follows:

As at December 31, (in RMB million)	2007	2006
Within 1 year	**420**	453
1 – 5 years	**708**	649
More than 5 years	**32**	65
Total	**1,160**	1,167

48. COMMITMENTS *(Continued)*

(3) Operating lease rental receivables

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancelable operating leases are as follows:

As at December 31, (in RMB million)	2007	2006
Within 1 year	**199**	59
1 – 5 years	**564**	63
More than 5 years	**595**	69
Total	**1,358**	191

(4) Credit commitments

As at December 31, (in RMB million)	2007	2006
Letters of credit issued	**621**	734
Acceptances issued	**8,453**	9,017
Guarantees issued	**7,953**	6,536
Loan commitments	**14,811**	12,823
Others	**3,866**	5
Total	**35,704**	29,115

49. EMPLOYEE BENEFITS

(1) Pension

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues on a monthly basis contributions to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred. Certain employees are also provided with group life insurance but the amounts involved are insignificant.

(2) Housing benefits

The employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(3) Medical benefits

The Group makes contributions for medical benefits to the local authorities in accordance with the relevant local regulations.

49. EMPLOYEE BENEFITS *(Continued)*

(4) 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. No shares will be issued under this scheme. The rights are granted in units with each unit representing one H share of the Company. The rights to the units will be issued in the next five years. 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 RMB2,127 million (2006: RMB1,019 million).

The following table illustrates the number of units in share appreciation rights during the year:

(In million)	2007 Number of units	2006 Number of units
As at January 1,	**74**	58
Granted during the year	**–**	16
Exercised during the year	**(13)**	–
Changes in employees	**(5)**	–
As at December 31,	**56**	74

The fair value of share appreciation rights is initially measured at the grant date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share appreciation rights were granted. The following table lists the inputs to the model used for the year.

As at December 31,	2007	2006
Risk-free interest rate (%)	**2.6%**	1.5%
Expected dividend yield (%)	**1.0%**	1.0%
Expected volatility (%)	**36.1%**	31.0%
Expected residual life (in years)	**1-2**	1-3

The services received and corresponding liabilities to pay for those services are recognized over the expected vesting period. Until the liability is settled, it is re-measured at each balance date and settlement date, with changes in fair value recognized in the income statement. The carrying amount of the liability relating to the share appreciation rights as at December 31, 2007 is RMB2,743 million (December 31, 2006: RMB1,109 million).

50. CONTINGENT LIABILITIES

(1) Guarantees

Ping An Real Estate provided guarantees for value of certain investment properties held under trust schemes managed by Ping An Trust. No such guarantees were provided as at December 31, 2007 (2006: 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 but not limited to 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 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 assessments, 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.

51. POST BALANCE SHEET EVENTS

(1) The Group's insurance contract liabilities as of December 31, 2007 is an estimate of the Group's outstanding insurance obligations as of December 31, 2007 based on the past experience up to that date. During January and February 2008, certain provinces in China had heavy snowfall. Since this is a non-adjusting post balance sheet event, it was not considered by the Group when the insurance contract liabilities as of December 31, 2007 were estimated. As of the authorization date of these financial statements, claims incurred, net of reinsurance, which are to be borne by the Group are estimated to be RMB400 million.

(2) On March 19, 2008, the directors proposed 2007 final dividend as stated in note 15.

(3) Pursuant to resolution of the board of directors on January 18, 2008 and of the extraordinary general meeting, A Shareholders Class Meeting and H Shareholders Class Meeting on March 5, 2008, the Company intends to issue not more than 1,200,000,000 A-Shares, and to issue detachable A-Share Bonds with Warrants at par value for not more than RMB41.2 billion. The proceeds will be used as additional capital of the Company and/or in investment projects as approved by the relevant regulatory authorities. The above issuance of A-Shares and detachable A-Share Bonds with Warrants is still subject to approval from the Chinese Securities Regulatory Commission.

52. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved and authorized for issue by the Company's directors on March 19, 2008.

Ernst & Young Hua Ming (2008) Shen Zi No. 60468101_B05

To the shareholders of
Ping An Insurance (Group) Company of China, Ltd.

We have audited the accompanying financial statements of Ping An Insurance (Group) Company of China, Ltd. (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated and company balance sheets as at December 31, 2007, the consolidated and company income statements, statements of changes in equity and cash flow statements for the year ended December 31, 2007 and notes to the financial statements.

MANAGEMENT's RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management is responsible for preparing financial statements in accordance with Accounting Standards for Business Enterprises. This responsibility includes (1) designing, implementing and maintaining internal controls relevant to the preparation of the financial statements that are free from material misstatement whether due to fraud or error; (2) selecting and applying appropriate accounting policies; and (3) making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal controls relevant to the entity's preparation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the accounting polices used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements have been prepared in accordance with Accounting Standards for Business Enterprises and present fairly, in all material aspects, the financial position of the Group and the Company as at December 31, 2007 and the results of their operations and their cash flows for the year ended December 31,2007.

Ernst & Young Hua Ming

Chinese Certified Public Accountant
Wu Zhiqiang

Chinese Certified Public Accountant
Huang Yuedong

Beijing, The People's Republic of China

March 19, 2008

Consolidated Balance Sheet

As at December 31, 2007
(in RMB million)

	Notes VI	December 31, 2007	December 31, 2006
ASSETS			
Cash on hand and at bank	1	**72,740**	42,585
Balances with clearing companies	2	**2,027**	875
Precious metal		**–**	111
Placements with banks and other financial institutions	3	**1,192**	1,727
Held-for-trading financial assets	4	**84,938**	44,003
Derivative financial assets	5	**177**	21
Financial assets purchased under agreements to resell	6	**36,457**	7,251
Interest receivables	7	**4,187**	3,249
Premium receivables	8	**4,568**	3,073
Receivable from reinsurers	9	**2,212**	795
Unearned premium reserves receivable from reinsurers		**2,615**	2,437
Claim reserves receivable from reinsurers		**2,304**	1,724
Policyholders' reserves for life insurance receivable from reinsurers		**6**	–
Long-term reserves for health insurance receivable from reinsurers		**6**	–
Policy loans	10	**2,411**	1,381
Loans and advances to customers	11	**63,125**	49,152
Deposits with stock and futures exchanges		**887**	334
Term deposits	12	**41,731**	65,416
Available-for-sale financial assets	13	**178,539**	95,200
Held-to-maturity investments	14	**127,736**	129,250
Long-term equity investments	15	**2,207**	415
Goodwill	16	**610**	409
Statutory deposits	17	**1,560**	1,520
Investment properties	18	**4,051**	1,660
Fixed assets	19	**7,894**	4,552
Intangible assets	20	**3,621**	940
Deferred tax assets	21	**87**	888
Other assets	22	**3,216**	4,320
Total assets		**651,104**	463,288

The accompanying notes on pages 176 to 281 form an integral part of these financial statements. Certain comparative figures (including the relevant notes) have been restated as the Group has adopted the Accounting Standards for Business Enterprises for the year.

	Notes VI	December 31, 2007	December 31, 2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Short-term borrowings	24	**3,719**	527
Due to banks and other financial institutions	25	**7,532**	3,465
Guarantee deposits	26	**5,398**	5,485
Placements from banks and other financial institutions	27	**175**	992
Derivative financial liabilities	5	**189**	178
Financial assets sold under agreements to repurchase	28	**13,980**	14,573
Customer bank deposits	29	**72,133**	66,725
Customer brokerage deposits	30	**14,394**	3,750
Premiums received in advance	31	**2,981**	1,352
Handling charges and commission payable		**1,104**	894
Due to reinsurers	32	**2,416**	746
Salary and welfare payable	33	**4,732**	2,133
Taxes payable	34	**1,907**	1,166
Interest payable		**574**	287
Claims payable	35	**5,161**	3,981
Policyholder dividends payable	36	**7,006**	4,107
Policyholder deposits and investments	37	**5,287**	4,049
Unearned premium reserves	38	**15,730**	12,937
Claim reserves	38	**7,645**	6,480
Policyholders' reserves for life insurance	38	**320,359**	248,574
Long-term reserves for health insurance	38	**37,213**	30,694
Long-term borrowings	39	**3,218**	155
Deferred tax liabilities	21	**4,822**	1,441
Other liabilities	40	**4,211**	1,971
Total liabilities		**541,886**	416,662

The accompanying notes on pages 176 to 281 form an integral part of these financial statements. Certain comparative figures (including the relevant notes) have been restated as the Group has adopted the Accounting Standards for Business Enterprises for the year.

Consolidated Balance Sheet

As at December 31, 2007
(in RMB million)

	Notes VI	December 31, 2007	December 31, 2006
LIABILITIES AND SHAREHOLDERS' EQUITY *(Continued)*			
SHAREHOLDERS' EQUITY			
Share capital	*41*	**7,345**	6,195
Capital reserves	*42*	**72,111**	23,246
Surplus reserves	*43*	**7,629**	6,120
General risk provision	*44*	**1,939**	517
Retained profits	*45*	**18,252**	9,182
Foreign currency translation differences		**(42)**	–
Attributable to shareholders' of the parent		**107,234**	45,260
Minority interests	*46*	**1,984**	1,366
Total shareholders' equity		**109,218**	46,626
Total liabilities and shareholders' equity		**651,104**	463,288

The financial statements on pages 164 to 281 have been signed by

MA Mingzhe	**CHEUNG Chi Yan Louis**	**MAK, Wai Lam William**
Chairman and Chief Executive Officer	*President and Chief Financial Officer*	*Deputy Chief Financial Officer*

The accompanying notes on pages 176 to 281 form an integral part of these financial statements. Certain comparative figures (including the relevant notes) have been restated as the Group has adopted the Accounting Standards for Business Enterprises for the year.

Consolidated Income Statement

For the year ended December 31, 2007
(in RMB million)

	Notes VI	2007	2006
Operating income			
Premium income	*47*	**100,945**	85,405
Including reinsurance premium income	*47*	**85**	28
Less: Premium ceded to reinsurers		**(4,298)**	(4,271)
Change in unearned premium reserves	*48*	**(2,615)**	(2,289)
Earned premium		**94,032**	78,845
Interest income from banking operations	*49*	**5,314**	192
Interest expense of banking operations	*49*	**(1,565)**	(80)
Net interest income from banking operations	*49*	**3,749**	112
Fees and commission income	*50*	**2,616**	657
Fees and commission expenses	*50*	**(570)**	(92)
Net income from fees and commission	*50*	**2,046**	565
Investment income	*51*	**56,950**	21,292
Gains from changes in fair values	*52*	**6,885**	6,895
Foreign exchange losses		**(501)**	(463)
Other operating income		**2,043**	673
Total Operating income	*53*	**165,204**	107,919
Operating expenses			
Surrenders		**(13,333)**	(8,617)
Claims paid	*54*	**(26,998)**	(18,081)
Less: Reinsurers' share of claims paid		**2,443**	2,446
Change in insurance contract reserves	*55*	**(77,545)**	(56,160)
Less: Reinsurers' share of insurance contract reserves	*56*	**592**	29
Policyholder dividends		**(3,514)**	(1,487)
Expenses for reinsurance accepted		**(16)**	(4)
Business tax and surcharges	*57*	**(3,656)**	(1,637)
Insurance related handling charges and commission	*58*	**(10,838)**	(8,074)
General and administrative expenses	*59*	**(15,465)**	(10,008)
Less: Reinsurers' share of expenses		**1,167**	1,548
Other operating expenses		**(585)**	(158)
Impairment losses	*60*	**(289)**	(5)
Total operating expenses		**(148,037)**	(100,208)
Operating profit		**17,167**	7,711
Add: Non-operating income	*61*	**569**	87
Less: Non-operating expenses	*62*	**(253)**	(62)
Profit before tax		**17,483**	7,736
Less: Income taxes	*63*	**(1,902)**	(240)
Net Profit		**15,581**	7,496
Attributable to:			
Shareholders of the parent		**15,086**	7,342
Minority interests		**495**	154
		15,581	7,496
Earnings per share		**RMB**	RMB
Basic and diluted earnings per share	*64*	**2.11**	1.19

The accompanying notes on pages 176 to 281 form an integral part of these financial statements. Certain comparative figures (including the relevant notes) have been restated as the Group has adopted the Accounting Standards for Business Enterprises for the year.

Consolidated Cash Flow Statement

For the year ended December 31, 2007
(in RMB million)

		Notes VI	2007	2006
I.	**Cash flows from operating activities:**			
	Premiums received from direct business		**100,901**	83,626
	Increase in customer bank deposits and due to banks and other financial institutions		**9,476**	12,157
	Cash received from interest, fees, commission income		**6,678**	346
	Cash received from other operating activities	67	**1,438**	118
	Sub-total of cash inflows		**118,493**	96,247
	Claims paid for direct business		**(25,940)**	(17,291)
	Policyholder dividends paid		**(615)**	(244)
	Net increase in loans and advances to customers		**(13,885)**	(1,584)
	Net increase in deposits with central bank and other financial institutions		**(8,220)**	–
	Net decrease/(increase) in placements from other financial institutions		**(545)**	820
	Net decrease/(increase) in policyholder deposits and investments		**(248)**	818
	Net cash paid for reinsurance		**(376)**	(177)
	Interest, handling charges and commission paid		**(12,816)**	(7,813)
	Cash paid to and for employees		**(6,114)**	(3,719)
	Cash paid for taxes and surcharges		**(4,516)**	(1,624)
	Cash paid relating to other operating activities	67	**(18,785)**	(19,688)
	Sub-total of cash outflows		**(92,060)**	(50,502)
	Net cash flows from operating activities	67	**26,433**	45,745
II.	**Cash flows from investing activities:**			
	Cash received from sales and redemption of investments		**337,743**	185,886
	Cash received from returns on investments		**16,984**	12,006
	Net cash received from disposals of fixed assets, intangible assets and other long-term assets		**1,153**	406
	Cash received from other investing activities		**–**	20
	Sub-total of cash inflows		**355,880**	198,318
	Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**(4,646)**	(1,860)
	Cash paid for acquisition of investments		**(359,344)**	(223,167)
	Policy loans drawn		**(1,030)**	(517)
	Net cash paid for acquisition of subsidiaries		**(741)**	4,351
	Cash paid for other investing activities		**–**	(937)
	Sub-total of cash outflows		**(365,761)**	(222,130)
	Net cash flows from investing activities		**(9,881)**	(23,812)

The accompanying notes on pages 176 to 281 form an integral part of these financial statements. Certain comparative figures (including the relevant notes) have been restated as the Group has adopted the Accounting Standards for Business Enterprises for the year.

		Notes VI	2007	2006
III.	**Cash flows from financing activities:**			
	Cash received from capital contributions		**38,222**	76
	Cash received from borrowings		**3,278**	682
	Cash received from other financing activities	67	**–**	6,554
	Sub-total of cash inflows		**41,500**	7,312
	Cash paid for distribution of dividends and interest		**(4,601)**	(2,305)
	Including: dividends paid to minority shareholders		**(43)**	(55)
	Cash paid for other financing activities	67	**(599)**	–
	Sub-total of cash outflows		**(5,200)**	(2,305)
	Net cash flows from financing activities		**36,300**	5,007
IV.	**Effect of changes in foreign exchange rate on cash and cash equivalents**		**(207)**	(67)
V.	**Net increase in cash and cash equivalents**	67	**52,645**	26,873
	Add: Beginning balance of cash and cash equivalents	67	**43,651**	16,778
VI.	**Ending balance of cash and cash equivalents**	67	**96,296**	43,651

The accompanying notes on pages 176 to 281 form an integral part of these financial statements. Certain comparative figures (including the relevant notes) have been restated as the Group has adopted the Accounting Standards for Business Enterprises for the year.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2007
(in RMB million)

		For the year ended December 31, 2007							
		Equity attributable to shareholders of the parent							
Item	*Notes III*	**Share Capital**	**Capital Reserves**	**Surplus Reserves**	**General Risk Provision**	**Retained Profits**	**Foreign Currency Translation Differences**	**Minority Interests**	**Total**
I. Prior year's ending balance		6,195	15,163	6,126	517	8,667	–	1,251	37,919
Add: Changes in accounting policies arising from first time adoption of ASBE	*40*	–	8,083	(6)	–	515	–	115	8,707
II. Current year's beginning balance		6,195	23,246	6,120	517	9,182	–	1,366	46,626
III. Changes in current year									
1. Net profit		–	–	–	–	15,086	–	495	15,581
2. Gains/(losses) recognized directly in equity									
(1) Net gains from changes in fair values of available-for-sale financial assets									
Recognized directly in equity		–	37,999	–	–	–	–	380	38,379
Transferred to the income statement		–	(20,676)	–	–	–	–	(207)	(20,883)
(2) Related tax effect of items recognized directly in equity		–	(3,426)	–	–	–	–	(34)	(3,460)
(3) Others		–	(2,104)	–	–	–	(42)	(20)	(2,166)
Sub-total of 1 and 2		–	11,793	–	–	15,086	(42)	614	27,451
3. Capital injection from shareholders		1,150	37,072	–	–	–	–	–	38,222
4. Profit appropriation									
(1) Appropriation to surplus reserves		–	–	1,509	–	(1,509)	–	–	–
(2) Appropriation to general risk provision		–	–	–	1,422	(1,422)	–	–	–
(3) Distribution to shareholders		–	–	–	–	(3,085)	–	(43)	(3,128)
(4) Others		–	–	–	–	–	–	47	47
IV. Current year's ending balance		7,345	72,111	7,629	1,939	18,252	(42)	1,984	109,218

The accompanying notes on pages 176 to 281 form an integral part of these financial statements. Certain comparative figures (including the relevant notes) have been restated as the Group has adopted the Accounting Standards for Business Enterprises for the year.

Item	Notes III	Share Capital	Capital Reserves	Surplus Reserves	General Risk Provision	Retained Profits	Foreign Currency Translation Differences	Minority Interests	Total
		For the year ended December 31, 2006							
		Equity attributable to shareholders of the parent							
I. Prior year's ending balance		6,195	15,163	5,526	430	5,350	–	525	33,189
Add: Changes in accounting policies arising from first time adoption of ASBE	*40*	–	626	(127)	–	(721)	–	(2)	(224)
II. Current year's beginning balance		6,195	15,789	5,399	430	4,629	–	523	32,965
III. Changes in current year									
1. Net profit		–	–	–	–	7,342	–	154	7,496
2. Gains/(losses) recognized directly in equity									
(1) Net gains from changes in fair values of available-for-sale financial assets									
Recognized directly in equity		–	15,250	–	–	–	–	152	15,402
Transferred to the income statement		–	(2,996)	–	–	–	–	(30)	(3,026)
(2) Related tax effect of items recognized directly in equity		–	(1,316)	–	–	–	–	(13)	(1,329)
(3) Others		–	(3,481)	–	–	–	–	635	(2,846)
Sub-total of 1 and 2		–	7,457	–	–	7,342	–	898	15,697
3. Profit appropriation									
(1) Appropriation to surplus reserves		–	–	721	–	(721)	–	–	–
(2) Appropriation to general risk provision		–	–	–	87	(87)	–	–	–
(3) Distribution to shareholders		–	–	–	–	(1,981)	–	(55)	(2,036)
IV. Current year's ending balance		6,195	23,246	6,120	517	9,182	–	1,366	46,626

The accompanying notes on pages 176 to 281 form an integral part of these financial statements. Certain comparative figures (including the relevant notes) have been restated as the Group has adopted the Accounting Standards for Business Enterprises for the year.

Balance Sheet

As at December 31, 2007
(in RMB million)

	Notes XV	**December 31, 2007**	December 31, 2006
ASSETS			
Cash on hand and at bank	1	**40,858**	3,139
Held-for-trading financial assets	2	**8,176**	5,458
Financial assets purchased under agreements to resell		**1,700**	–
Interest receivables		**75**	29
Term deposits	3	**289**	776
Available-for-sale financial assets	4	**4,311**	4,227
Long-term equity investments	5	**17,868**	17,368
Fixed assets		**85**	69
Intangible assets		**24**	18
Deferred tax assets	9	**10**	–
Other assets		**16**	422
Total assets		**73,412**	31,506
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Placements from banks and other financial institutions	6	**–**	820
Salary and welfare payable	7	**1,325**	586
Taxes payable	8	**380**	75
Deferred tax liabilities	9	**–**	93
Other liabilities		**219**	146
Total liabilities		**1,924**	1,720
SHAREHOLDERS' EQUITY			
Share capital		**7,345**	6,195
Capital reserves		**52,506**	15,731
Surplus reserves		**5,655**	4,969
General risk provision		**395**	395
Retained profits		**5,587**	2,496
Total shareholders' equity		**71,488**	29,786
Total liabilities and shareholders' equity		**73,412**	31,506

The accompanying notes on pages 176 to 281 form an integral part of these financial statements. Certain comparative figures (including the relevant notes) have been restated as the Company has adopted the Accounting Standards for Business Enterprises for the year.

Income Statement

For the year ended December 31, 2007
(in RMB million)

	Notes XV	2007	2006
Operating income			
Investment income	10	**8,108**	6,443
Gains from changes in fair values	11	**324**	414
Foreign exchange losses		**(4)**	(27)
Other operating income		**346**	54
Total operating income		**8,774**	6,884
Operating expenses			
Business tax and surcharges	12	**(142)**	(24)
General and administrative expenses	13	**(1,414)**	(891)
Total operating expenses		**(1,556)**	(915)
Operating profit		**7,218**	5,969
Less: Non-operating expenses		**(2)**	(3)
Profit before tax		**7,216**	5,966
Less: Income tax	14	**(354)**	(44)
Net profit		**6,862**	5,922

The accompanying notes on pages 176 to 281 form an integral part of these financial statements. Certain comparative figures (including the relevant notes) have been restated as the Company has adopted the Accounting Standards for Business Enterprises for the year.

Cash Flow Statement

For the year December 31, 2007
(in RMB million)

		2007	2006
I.	**Cash flows from operating activities:**		
	Cash received from other operating activities	**339**	–
	Sub-total of cash inflows	**339**	–
	Cash paid to and for employees	**(411)**	(217)
	Cash paid for taxes and surcharges	**(247)**	(10)
	Cash paid for other operating activities	**(156)**	(94)
	Sub-total of cash outflows	**(814)**	(321)
	Net cash flows from operating activities	**(475)**	(321)
II.	**Cash flows from investing activities:**		
	Cash received from sales and redemption of investments	**18,758**	41,957
	Cash received from return on investment	**4,753**	6,079
	Net cash received from disposals of fixed assets, intangible assets and other long-term assets	**17**	–
	Cash received from other investing activities	**–**	4
	Sub-total of cash inflows	**23,528**	48,040
	Cash paid for acquisitions of fixed assets, intangible assets and other long-term assets	**(62)**	(62)
	Cash paid for acquisition of investments	**(17,039)**	(37,706)
	Net cash paid for acquisition of subsidiaries	**–**	(7,018)
	Sub-total of cash outflows	**(17,101)**	(44,786)
	Net cash flows from investing activities	**6,427**	3,254
III.	**Cash flows from financing activities:**		
	Cash received from capital contributions	**38,222**	–
	Cash received from borrowings	**–**	546
	Sub-total of cash inflows	**38,222**	546
	Cash paid for distribution of dividends and interests	**(3,080)**	(2,006)
	Cash paid for other financing activities	**(939)**	(655)
	Sub-total of cash outflows	**(4,019)**	(2,661)
	Net cash flows from financing activities	**34,203**	(2,115)
IV.	**Effect of changes in foreign exchange rate on cash and cash equivalents**	**99**	(7)
V.	**Net increase in cash and cash equivalents**	**40,254**	811
	Add: Beginning balance of cash and cash equivalents	**3,448**	2,637
VI.	**Ending balance of cash and cash equivalents**	**43,702**	3,448

The accompanying notes on pages 176 to 281 form an integral part of these financial statements. Certain comparative figures (including the relevant notes) have been restated as the Company has adopted the Accounting Standards for Business Enterprises for the year.

Statement of Changes in Equity

For the year ended December 31, 2007
(in RMB million)

Item		Share Capital	Capital Reserves	Surplus Reserves	General Risk Provision	Retained Profits	Total
		For the year ended December 31, 2007					
I.	**Prior year's ending balance**	**6,195**	**15,163**	**6,126**	**517**	**8,678**	**36,679**
	Add: changes in accounting policies arising from first-time adoption of ASBE	**–**	**568**	**(1,157)**	**(122)**	**(6,182)**	**(6,893)**
II.	**Current year's beginning balance**	**6,195**	**15,731**	**4,969**	**395**	**2,496**	**29,786**
III.	**Changes in current year**						
	1. Net profit	**–**	**–**	**–**	**–**	**6,862**	**6,862**
	2. Gains/(losses) recognized directly in equity						
	(1) Net gains from changes in fair values of available-for-sale financial assets						
	Recognized directly in equity	**–**	**438**	**–**	**–**	**–**	**438**
	Transferred to the income statement	**–**	**(782)**	**–**	**–**	**–**	**(782)**
	(2) Related tax effect of items recognized directly in equity	**–**	**47**	**–**	**–**	**–**	**47**
	Sub-total of 1 and 2	**–**	**(297)**	**–**	**–**	**6,862**	**6,565**
	3. Capital injection from shareholders	**1,150**	**37,072**	**–**	**–**	**–**	**38,222**
	4. Profit appropriation						
	(1) Appropriation to surplus reserves	**–**	**–**	**686**	**–**	**(686)**	**–**
	(2) Distribution to shareholders	**–**	**–**	**–**	**–**	**(3,085)**	**(3,085)**
IV.	**Current year's ending balance**	**7,345**	**52,506**	**5,655**	**395**	**5,587**	**71,488**

Item		Share Capital	Capital Reserves	Surplus Reserves	General Risk Provision	Retained Profits	Total
		For the year ended December 31, 2006					
I.	**Prior year's ending balance**	6,195	15,163	5,526	430	5,350	32,664
	Add: changes in accounting policies arising from first-time adoption of ASBE	–	7	(1,149)	(35)	(6,202)	(7,379)
II.	**Current year's beginning balance**	6,195	15,170	4,377	395	(852)	25,285
III.	**Changes in current year**						
	1. Net profit	–	–	–	–	5,922	5,922
	2. Gains/(losses) recognized directly in equity						
	(1) Net gains from changes in fair values of available-for-sale financial assets						
	Recognized directly in equity	–	847	–	–	–	847
	Transferred to the income statement	–	(187)	–	–	–	(187)
	(2) Related tax effect of items recognized directly in equity	–	(99)	–	–	–	(99)
	Sub-total of 1 and 2	–	561	–	–	5,922	6,483
	3. Profit appropriation						
	(1) Appropriation to surplus reserves	–	–	592	–	(592)	–
	(2) Distribution to shareholders	–	–	–	–	(1,982)	(1,982)
IV.	**Current year's ending balance**	6,195	15,731	4,969	395	2,496	29,786

The accompanying notes on pages 176 to 281 form an integral part of these financial statements. Certain comparative figures (including the relevant notes) have been restated as the Company has adopted the Accounting Standards for Business Enterprises for the year.

As at December 31, 2007
(in RMB million)

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 would be renamed as Ping An Insurance (Group) Company of China, Ltd. The Company would also establish Ping An Property & Casualty Insurance Company of China, Ltd. ("Ping An Property & Casualty") and Ping An Life Insurance Company of China, Ltd. ("Ping An Life"), and control China Ping An Trust & Investment Co., Ltd. ("Ping An Trust") which holds shares of Ping An Securities Company, Ltd ("Ping An Securities").

Based on "Approval of changes in Ping An Insurance Company of China" (Baojianbianshen [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. STATEMENT OF COMPLIANCE

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises (referred to as "ASBE", including basic standard, specific standards, implementation guidelines and other relevant regulations) which were promulgated by the Ministry of Finance of the PRC (the "MOF") in 2006.

In accordance with "Issuance of 'ASBE No. 1 – Inventory' and other 38 specific standards" (Caikuai [2006] No. 3) issued by MOF, since January 1, 2007 the Company adopted ASBE issued by MOF in 2006.

The Company has been listed in Hong Kong Stock Exchange since June 24, 2004, and has been preparing financial statements using International Financial Reporting Standards. In accordance with ASBE Interpretation No. 1 issued by MOF in November 2007 and relevant information available, the Company restated its comparative figures retrospectively as a result of the change in accounting policies and consistently applied the accounting policies mentioned in Note III during the accounting periods covered by the financial statements.

The presentation of comparative financial statements has been restated according to ASBE requirement.

The financial statements truly and completely reflect the financial position on December 31, 2007 and the operating results and cash flow for the year 2007 of the Company and the Group.

The financial statements are prepared on a going concern basis.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting year

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

2. Functional currency

The functional currency of the Company's domestic subsidiaries is Renminbi ("RMB"), and the functional currency of its overseas subsidiaries is Hong Kong dollars ("HKD"). The financial statements adopt RMB as the presentation currency and are expressed in RMB million unless otherwise stated.

3. Basis of accounting and measurement basis

The Group's accounts have been prepared on an accrual basis. Assets and liabilities are recorded using historical cost as the basis of measurement except for those financial instruments measured at fair value and certain insurance contract reserves. Impairment provision is proposed according to relevant regulation if the assets are impaired.

4. Business combination

Business combination represents transaction which combines two or more separate businesses into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The absorbing party is the entity that obtains control of the other entities participating in the combination at the combination date, and the other entities participating in the combination are the parties being absorbed. The combination date is the date on which the absorbing party effectively obtains control of the parties being absorbed.

Assets and liabilities obtained by absorbing party in the business combination are recognized at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the consideration paid for the combination (or aggregate face values of the shares issued) and the carrying amount of the net assets obtained is adjusted to capital reserves. If the capital reserves is not sufficient to absorb the difference, any excess is adjusted to retained earnings.

Any costs directly attributable to the combination are recognized as expenses when incurred by the absorbing party.

Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. The acquirer is the entity that obtains control of the other entities participating in the combination at the acquisition date, and the other entities participating in the combination are the acquirees. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The cost of acquisition is measured as the aggregate of the fair values of the assets given, liabilities incurred or assumed, equity instruments issued by the acquirer at the acquisition date, and all the costs incurred directly attributable to the acquisition, in exchange for control of the acquiree.

The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition date.

Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill. Where the cost of a business combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer reassesses the measurement of the fair values of the acquiree's identifiable net assets, liabilities and contingent liabilities and the measurement of the cost of combinations. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the remaining difference is recognized in the profit or loss for the current period.

As at December 31, 2007
(in RMB million)

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

5. Consolidated financial statement

The consolidation scope for consolidated financial statement is determined based on concept of control, including the Company and all subsidiaries' financial statements as at December 31, 2007. Subsidiaries are those entities which the Company has control over.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All significant intra-group transactions and balances are eliminated in consolidation.

The consolidated portion of shareholders' equity of the subsidiaries not held by the Group is presented separately as minority interests in the consolidated financial statements.

For subsidiaries obtained through a business combination not involving entities under common control, the operating result and cash flow of the acquiree will be recognized in consolidated financial statement from the date the Group effectively obtains the control until the date that control is terminated. When consolidated financial statement is prepared, the subsidiaries' financial statements will be adjusted based on the fair values of the identifiable assets, liabilities and contingent liabilities at the acquisition date.

For subsidiaries obtained through a business combination involving entities under common control, the operating result and cash flow of the party being absorbed will be recognized in consolidated financial statement from the beginning of the period during which the combination occurs.

6. Foreign currency translation

For foreign currency transactions, the Group translates the foreign currency into its functional currency.

Upon initial recognition, foreign currency transactions are translated into the functional currency using the average exchange rate for the period when transactions occur. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. The exchange differences arising from the above translation, except the ones relating to foreign currency borrowings for the acquisition, construction or production of assets eligible for the capitalization shall be dealt with according to the principle of borrowing cost capitalization, are recognized in profit or loss. Also at the balance sheet date, foreign currency non-monetary items measured at historical cost continue to be translated using the spot exchange rate at the dates of the transactions and it does not change its carrying amount in functional currency. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The resulting foreign exchange differences are taken to the income statement or capital reserves.

The Group translates the functional currencies of foreign operations into Renminbi when preparing the financial statements. Asset and liability items in the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date. Shareholders' equity items, except for retained earnings, are translated at the spot exchange rates at the date when such items arose. Income and expense items in the income statement are translated using the average exchange rate for the period when transactions occur. Translation differences arising from the above translation are presented as a separate line item under shareholders' equity in the balance sheet. When a foreign operation is disposed of, the translation differences relating to translation of the financial statements of that foreign operation are transferred to profit or loss in the period in which the disposal occurs, and partial disposal is calculated based on disposal ratio.

Cash flows denominated in foreign currencies and foreign subsidiaries' cash flows are translated using the average exchange rate for the period when cash flows occur. The impact on cash caused by the fluctuation of exchange rates is presented as a separate line item in the cash flow statement.

7. Cash equivalents

Cash equivalents are short-term, highly liquid investments held by the Group which are readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

8. Customer deposits held for securities trading

(1) 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.

(2) 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 reduced for the net purchases of securities on the settlement day plus withholding stamp duty and commission expenses due from the customers. If the total amount of securities purchased is less than that of securities sold, customer deposits are increased for the net sales of securities less withholding stamp duty and commission expenses due from the customers.

(3) The customers' futures margin deposits are placed in segregated accounts and calculated by individual customes. The standard warehouse receipts collateralized by customers are managed and calculated as customer margin. Daily floating profit and loss is calculated based on customers' initial price and closing price on that day; customers' realised profit or loss, calculated based on the initial price and settlement price, and the transaction commission fees on that day are transferred in or out of the margin deposits according to the relevant regulations.

9. Securities underwriting business

The Group accounts for securities underwriting business on the following basis according to the underwriting methods agreed with the issuers:

(1) Where the Group undertakes to purchase all underwritten securities unsold to investors by the end of the underwriting period, the Group keeps a specific record of the underwritten securities on the issue date in accordance with the issued amount and price determined in the underwriting contract. The unsold securities, if any by the end of the underwriting period, are recognized as the Group's financial assets according to the financial instruments classification stated in Note III. 10.

(2) Where the Group does not undertake to purchase any underwritten securities unsold at the end of the underwriting period, the Group keeps a specific record of the underwritten securities on the issue date in accordance with the issued amount and price determined in the underwriting contract. By the end of the underwriting period, the Group returns the unsold underwritten securities, if any, to the issuer.

10. Financial instruments

Financial instruments refer to the contracts which give rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the financial instrument.

The Group classifies its financial assets into four categories at initial recognition: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. The Group classifies its financial liabilities into two categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. Financial assets and financial liabilities are initially recognized at fair value. For financial assets or liabilities at fair value through profit or loss, the relevant transaction costs are directly recognized in profit or loss; for other financial assets or financial liabilities, the relevant transaction costs are recognized in their initial recognition amount.

Financial assets or financial liabilities at fair value through profit or loss comprise held-for-trading financial assets or financial liabilities and those designated at fair value through profit or loss at inception. Financial assets or financial liabilities are classified as held-for-trading if they satisfy one of the following conditions: (1) they are acquired or incurred principally for the purpose of selling or repurchasing in the near term; (2) they are part of a portfolio of identified financial instruments that are managed together, and for which there is objective evidence of a recent pattern of short-term profit taking; (3) they are derivative financial instruments. These financial assets or financial liabilities are subsequently measured at fair value, and gain or loss from changes in fair value and derecognition are recognized in current period's profit and loss.

As at December 31, 2007
(in RMB million)

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

10. Financial instruments *(continued)*

For financial assets or financial liabilities designated as at fair value through profit or loss at inception, one of the following criteria must be met:

(1) the designation eliminates or significantly reduces recognition or measurement inconsistency of the related gains or losses that would otherwise arise from measuring the assets or liabilities on a different basis; or

(2) the group of financial instruments are managed and their performance is evaluated on a fair value basis, in accordance with the formal documentation of risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

(3) the financial assets or liabilities are hybrid instruments containing one or multiple embedded derivatives, except the embedded derivatives will not cause significant changes to the cash flow of the hybrid instruments, or it is obvious that separation of the embedded derivatives from the related hybrid instruments is prohibited; or

(4) the financial assets or liabilities are hybrid instruments containing embedded derivatives which need separation but cannot be measured separately either at acquisition or at a subsequent balance sheet date.

Equity investments that are not quoted in an active market and whose fair value cannot be reliably measured cannot be designated as financial assets at fair value through profit or loss.

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, these financial assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when such financial assets are derecognized or impaired, as well as through the amortization process.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, these financial assets are carried at amortized cost using the effective interest method. Gains and losses arising from derecognition, impairment and amortization are recognized in profit or loss.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or those financial assets that are not classified in any of the above categories. Subsequent to initial recognition, these financial assets are measured at fair value. Gains and losses arising from fair value changes in available-for-sale financial assets, except for impairment losses and foreign currency monetary items' translation differences which are recognized in profit or loss, are recognized as a separate part of capital reserves until the financial assets are derecognized or impaired upon which the cumulative gains or losses are transferred out from capital reserves to profit or loss. Dividend or interest income derived from available-for-sale financial assets is recognized in profit or loss. Gains and losses arising from its derecognition are recognized in current period's profit or loss.

Equity investments that are not quoted in an active market and whose fair value cannot be reliably measured are carried at cost.

Other financial liabilities are carried at amortized cost using the effective interest rate method.

11. Derivative financial instruments

The Group's derivative financial instruments include options embedded in convertible bonds purchased by the Group, embedded derivatives separated from insurance contracts, interest rate swaps and futures, credit default swaps, cross currency swaps, forward currency contracts, and options on interest rates, currencies and equities, etc. Derivative financial instruments are initially measured at fair value as at the date when the derivative contract is signed, and subsequently measured at fair value. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Any gains or losses due to the change in fair value which do not qualify as hedging accounting are directly recognized into current period's profit and loss.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

12. Fair value of financial instruments

If there is an active market for a financial asset or financial liability, the Group uses quoted prices in the active market to establish its fair value. For financial instruments where there is no active market, the fair value is established by using valuation techniques. Valuation techniques include reference to most recent market prices used by knowledgeable and willingness parties, reference to current fair value of other financial instrument with similar nature, discounted cash flow method and option valuation models.

13. Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of financial assets. If there is any objective evidence that a financial asset is impaired, the Group provides for such impairment losses. The objective evidence which indicates impairment of financial assets represents events actually occurring after initial recognition of financial assets which have an impact on financial assets' estimated future cash flows, and such impact can be reliably measured.

If financial assets carried at amortized cost are impaired, the carrying amount of the financial assets is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and the reduction is recognized as an impairment loss in the income statement. The present value of estimated future cash flows shall be calculated with the financial asset's original effective interest rate and the related collateral value shall also be taken into account.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment, and recognizes the amount of impairment in profit or loss. For a financial asset that is not individually significant, the Group assess the asset individually for impairment or include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognized are not included in the collective assessment for impairment.

After the Group recognizes impairment loss of financial assets carried at amortized cost, if there is objective evidence that the financial assets' value restores and the restoration can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed and recognized in profit or loss. However the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date when the impairment is reversed.

If financial assets carried at cost are impaired, the impairment loss are recognized in profit or loss and measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed. For long term equity investments measured using the cost method regulated in "ASBE No. 2 – Long-term equity investments" which have no quotation in an active market and whose fair value cannot be reliably measured, their impairment also follows the aforementioned principle.

If an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognized directly in capital reserves is removed from capital reserves and recognized in profit or loss. The cumulative loss that is removed from capital reserves is the difference between its acquisition cost (net of any principal repayment and amortization) and its current fair value, less any impairment loss previously recognized in profit and loss.

If after an impairment loss has been recognized on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period whereby the increase can be objectively related to an event occurring after the impairment losses were recognized, the impairment loss is reversed which is recognized in profit or loss. Impairment losses recognized for equity instruments classified as available-for-sale are not reversed through profit or loss.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

14. Derecognition of financial instruments

A financial asset is derecognized when one of the following criteria is met:

(1) The contractual right of receiving the cash flows generated from the financial asset is terminated;

(2) The financial asset has been transferred, and met the following derecognition criteria for financial asset transfer.

If the Group has transferred substantially all the risks and rewards associated with the ownership of a financial asset to the transferee, the asset should be derecognized. If the Group retains substantially all the risks and rewards of ownership of a financial asset, the asset should not be derecognized.

When the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, the situation is divided into the following: if the Group has not retained control of the financial asset, the financial asset is derecognized. If the Group has retained control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability.

If the obligation of a financial liability has been fulfilled, cancelled or expired, the financial liability is derecognized. If the present financial liability is substituted by the same debtor with another liability differing in substance, or the terms of the present liability have been substantially modified, this substitution or modification is treated as derecognition of a present liability and recognition of a new liability with any arising difference recognized in profit or loss.

15. Financial assets purchased under agreements to resell and financial assets sold under agreements to repurchase

Financial assets purchased under agreements to resell and financial assets sold under agreements to repurchase are recorded as the amount actually paid or received when the transactions occur, and are recognized in the balance sheet. The underlying assets of the agreements to resell are recorded off balance sheet, while the underlying assets of the repurchase agreements continue to be recorded in the balance sheet.

The bid and ask spread of the financial assets purchased under agreements to resell and financial assets sold under agreements to repurchase are recognized using effective interest rate method as interest income and interest expense in the reselling or repurchasing period.

16. Long-term equity investments

Long-term equity investments include investments in subsidiaries, joint ventures and associates, as well as long-term equity investments (i) which the Group does not have joint control or significant influence over; (ii) which are not quoted in active markets and; (iii) which have no reliably measurable fair values. Long-term equity investments are initially measured at cost on acquisition.

The cost method is used when the Group controls the invested enterprise or when the Group does not jointly control or have significant influence over the invested enterprise, and the long term equity investments are not quoted in active markets, and have no reliably measurable fair values.

When the cost method is used, long-term equity investments are measured at initial cost on acquisition. Profit distributions 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 was made. The amount of profit distributions or cash dividends declared by the invested enterprise in excess of the above threshold is treated as a recovery of initial investment cost.

The equity method is used to account for long-term equity investments when the Company can jointly control or has significant influence over the invested entity.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

16. Long-term equity investments *(continued)*

Under the equity method, any excess of the initial investment cost over the Company's share of the net fair value of the investment's identifiable assets and liabilities is included in the initial investment cost of the long-term equity investment. Any excess of the Company's share of the investment's identifiable assets and liabilities over the cost of investment is excluded from the carrying amount of the investment and recognized in profit and loss for the current period.

Under the equity method, after the long-term equity investments are acquired, investment gains or losses are recognized and the carrying amount of the long-term equity investment is adjusted to reflect the Company's share of the investee's net profit or loss. When recognizing the Company's share of the net profit or loss of the investees, the Group makes adjustments based on fair values of the investees' identifiable assets and liabilities at the acquisition date and in accordance with the Group's accounting policy and accounting period to investee's net profits which also eliminates profit or loss from inter-transactions with associates and joint ventures attributed to investor which is calculated pro rata on the basis of share percentage (for loss from inter-transactions belonging to impairment loss, it shall be wholly recognized). When the invested enterprise declares profit appropriations or cash dividends, the carrying amount of investment is adjusted down by the Company's share of the profit appropriations and dividends. The Company shall discontinue recognizing its share of the losses of the investee after the long-term equity investment together with any long-term interests that in substance forms part of the Company's net investment in the investee are reduced to zero, except to the extent that the Company has incurred obligations to assume additional losses. The Company also adjusts the carrying amount of long-term equity investments for other changes in owner's equity of the investees (other than net profits or losses), and includes the corresponding adjustment in equity.

On disposal of the long-term equity investments, the difference between book value and market price is recognized in profit or loss for the current period.

17. Investment properties

Investment properties are properties that are held to earn rental income or capital appreciation or both, including land-use-rights that are leased out, buildings that are leased out and etc.

Investment properties are initially measured at cost. As to their subsequent expenditures, if the future economic benefits associated with them will probably flow into the Group and the cost can be measured reliably, it is recognized as the cost of investment properties. Otherwise it is recognized in profit or loss as incurred.

The Group's investment properties are subsequently measured by using the cost model. Investment properties are depreciated on a straight-line basis. For details, please refer to Notes III, 18 Fixed assets for depreciation method of properties and Note III, 19 Intangible assets for amortization of land-use-rights.

18. Fixed assets

Fixed assets are tangible assets held for service provision, rental or administrative purposes that are used for more than one accounting year. Construction-in-progress is measured at the actual construction expenditure, including the necessary costs incurred for fixed assets before they can be put into use and other related fees. Construction-in-progress is transferred into fixed assets when it is ready for its intended use.

A fixed asset is recognized when, and only when, it is probable that future economic benefits that are associated with the fixed asset will flow to the Group and the cost can be measured reliably. Subsequent expenditures related to a fixed asset are recognized in the carrying amount of the fixed asset if the above recognition criteria are met, and the book value of replaced part is derecognized; otherwise, those expenditures are recognized in profit or loss as incurred.

Fixed assets are initially recognized at cost taking into account the impact of expected future disposal expenditure. Cost of purchased fixed assets includes purchasing price, relevant taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

18. Fixed assets *(continued)*

Fixed assets are depreciated on a straight-line basis, and the respective estimated useful lives, estimated residual values and annual depreciation rate are as follows:

	Estimated useful lives	Estimated residual values	Annual depreciated rate
Buildings	30 – 35 years	5%	2.71% – 3.16%
Office equipment, furniture and fixtures	5 years	5%	19%
Motor vehicles	5 – 8 years	5%	11.88% – 19%

The Group reviews, at least at each year end, useful lives, estimated residual values and depreciation methods of fixed assets and makes adjustments if necessary.

19. Intangible assets

The Group's intangible assets are initially measured at cost.

Useful life of an intangible asset is determined by the period over which it is expected to bring economic benefits to the Group. For an intangible asset with no foreseeable limit to the period over which it is expected to bring economic benefits to the Group, it is treated as an intangible asset with indefinite useful life.

Expenditures on acquiring the operating right of expressway are capitalised as intangible assets, and are amortised on a reasonable basis.

Useful life of respective intangible assets is as follows, except the operating right of expressway:

	Estimated useful lives
Land-use-right	50 years
Computer software system	3 – 5 years

The Group treats the land-use-rights obtained through purchases or transfers by paying the land use fees, and those reasonably allocated to land-use-rights from the price of the purchased properties as intangible assets.

Straight line amortization method is used during the useful life period for intangible assets with definite useful lives. The Group reviews, at least at each year end, useful life and amortization method for intangible assets with definite lives and makes adjustment when necessary.

Impairment test should be performed each year for intangible assets with indefinite useful lives, no matter whether there is evidence indicating impairment or not. This kind of intangible assets is not amortized. Their useful lives are reviewed in every accounting period and if any evidence indicates that useful lives are limited, they shall be treated as aforementioned intangible assets with definite useful lives.

20. Repossessed assets

Repossessed assets are tangible assets or properties that borrowers, guarantors or other third parties use to fulfill their debtors' or guarantors' obligations. Repossessed assets are initially recognized at their fair value.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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. Direct insurance contracts

Direct insurance contracts are contracts between the Group and policyholders where the Group undertakes insurance risks. The Group undertakes insurance risks when the occurrence of an accident within the scope of an insurance contract is likely to cause the Group to undertake the insurance claim liability. Contracts entered into by the Group and policyholders that cause the Group to accept both insurance risk and other risks are insurance contracts in their entirety with no separation of insurance risk and other risks.

When direct insurance contracts are terminated prior to their expiration dates, the Group transfers off the residual unearned premium reserves, policyholders' reserves for life insurance, and long-term reserves for health insurance, and recognize them in current period's profits or losses together with the corresponding surrender payments.

23. Unearned premium reserves

Unearned premium reserves are reserves made for the unexpired portion of in-force non-life insurance policies. Unearned premium reserves are recorded based on actuarial valuation results (1/365 method). Besides, unearned premium reserves provided by life insurance subsidiaries should not be less than 50% of net premiums retained for the current period.

The Group performs the following tests on the balance sheet date, and makes additional provision for the difference between the unearned premium reserves and the greater of the following two amounts:

(1) Balance of estimated future claims and expenses after deduction of relevant investment income;

(2) Surrender amount on the date of premium reserve valuation assuming all insurance policies were surrendered.

24. Claim reserves

The Group, as the insurer, provides reserves for non-life insurance accident claims incurred but not settled, which include reserves for claims reported but not settled, claims incurred but not reported, and claim adjustment expenses.

Reserves for claims incurred and reported are those reserves for which the non-life insurance accidents have occurred and the claims have been reported to the Group but are not yet settled. Reserves for claims incurred and reported are prudently provided on the basis of estimated claims not more than the maximum insured amount of the insurance policy using the Average Incurred Claim Projection, Average Paid Claim Projection and other methods with a reasonable basis.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

24. Claim reserves *(continued)*

Reserves for claims incurred but not reported are those reserves for non-life insurance accidents incurred but not yet reported to the Group. Reserves for claims incurred but not reported are prudently provided using at least two of the following methods: Chain-ladder method, Average Paid Claim Projection, Loss Development method and Bornhuetter-Ferguson method.

Reserves for claim adjustment expenses are those reserves for expenses incurred for claims reported but not yet settled such as lawyer fees, litigation fees, loss inspection expenses and salaries of related claims handling staff. The Group uses the Average Case Projection method and Proportional Allocation method to provide for these reserves.

25. Policyholders' reserves for life insurance

Policyholders' reserves for life insurance 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 are 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" (Baojianfa [2003] No. 67) , "Actuarial Regulations for Universal Life Products", "Actuarial Regulations for Individual Investment-linked Products" (Baojianfa [2007] No. 335), "Notice on Actuarial report" (Baojianshouxian [2005] No. 8), "Notice on Usage of Mortality Table in Actuarial Regulations" (Baojianfa [2005] No. 118) and other regulations and approvals of the CIRC.

The main basis of measuring the policyholders' reserves for life insurance of the Group is as follows:

(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; or
- Pre-set interest rate that is used in determining the insurance premium of the product.

(3) The mortality rates used for life insurance products valuation 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) are as below:

- The one-year term Full Preliminary Term is adopted for traditional non-participating life insurance contracts, other than whole life annuities, while participating life insurance products are calculated according to "Amendment for the Actuarial Regulation on Individual Participating Life Insurance";
- 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.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

25. Policyholders' reserves for life insurance *(continued)*

(5) The reserve valuation method for universal life insurance, which includes account reserve and non-account reserve, is as follows:

- Account reserve is calculated on a seriatim basis; and the amount should equal the account value of the policies at valuation date.

- Non-account reserves are calculated by using cash flow discounted method on the basis of generally accepted actuarial principles. The discount rate used is based on expected rate of return and should not exceed 5%.

- The Group makes provision for non-account reserves for the guaranteed benefits of universal insurance according to the related rules.

- The Group sets smoothing reserves for universal account in order to smooth settlement interest rates of different settlement periods. Smoothing reserves should not be negative and should only be derived from the accumulated difference between the actual investment return and the settlement interest. The Group will maintain the smoothing characteristics of the settlement interest rates.

(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 calculated on a seriatim basis and should be equal to the account value of the policies at valuation date;

- Non-unit reserves are calculated by using cash flow discounted method on the basis of generally accepted actuarial principles. The discount rate used is based on expected rate of return and should not exceed 5%;

- The Group makes provision for non-unit reserve for the guaranteed benefits of investment-linked insurance according to the related rules;

(7) The changes in fair values of financial assets at fair value through profit and loss for both participating insurance and universal life insurance are recorded in policyholders' reserves for life insurance for those portions reasonably attributable to the policyholders, and are recorded in profit and loss for the period for those attributable to the shareholders. For available-for-sale financial assets, fair value changes are recorded in policyholders' reserves for life insurance for those portions reasonably attributable to the policyholders, and are recorded in capital reserves for those attributable to the shareholders.

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 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. The expected loss ratios and expected mobility ratios that are used to calculate long-term reserves for health insurance are based on existing experience tables of the reinsurance companies as well as the experience data of the Company. Other regulations are performed in accordance with Actuarial Regulation on Life Products (Baojianfa [1999] No. 90).

As at December 31, 2007
(in RMB million)

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

27. Liability adequacy test

The Group performs adequacy tests on claim reserves, policyholders' reserves for life insurance and long-term reserves for health insurance on each balance sheet date. If the reserves re-calculated by using actuarial methods exceed the balance of the relevant reserves on the date of adequacy test, the Group will provide for additional reserves to top up the reserves and recognize it in current profit and loss, if any, and if the related reserve is adequate, no adjustment is made.

When performing liability adequacy tests on policyholders' reserves for life insurance and long-term reserves for health insurance, the Group applies actuarial models on the basis of best estimate hypothesis in order to estimate the future cash flows of the policies. The actuarial hypothesis parameters includes premium receipts, benefit expenditure, surrender expenditure, commission and handling fees, operating expenses, policyholder dividends and other non-beneficial expenditures. The determination of discount rates used for discounting future cash flows takes into account those assets backing reserves and the yield rates of expected future cash flows from investments.

28. Revenue recognition

Revenue is recognized only when economic benefits associated with the transaction will flow to the Group so as to increase the Group's assets or decrease the Group's liabilities, and the relevant amount of revenue can be measured reliably.

Premium 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 most likely flow to the Group and related net income can be reliably measured. Premiums from direct non-life insurance contracts are recognized as revenue per amount of total premium stated in the contracts. Premiums from direct life insurance contracts with installment or single payments are recognized as revenue when due. Reinsurance premiums are recognized as revenue in accordance with the terms of the related reinsurance contracts.

Interest income

Interest income is recognized in income statement as it accrues and is calculated using the effective interest rate method.

Other income

Fee income comprises of commission income from securities and futures brokerage business and is recognized when the services are provided. The Group recognizes securities underwriting service costs in current profit and loss, and recognizes the premium income upon completion of securities underwriting services. The Group recognizes service costs for Share Reform projects in current profit and loss, and recognizes consultant income of Share Reform projects once they are approved by the shareholders meeting.

29. 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 dividends allocation method and results of actuarial valuation.

30. General risk provision

The general risk provision on the Group's consolidated financial report consists of the general reserves of insurance subsidiaries, general provision of bank subsidiaries, general risk provisions of security subsidiaries, loss provision for trust subsidiaries and risk provisions of subsidiaries with dealings in futures contracts. The above mentioned general risk provision accrued by the Group is appropriated from profit.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

31. Reinsurance

Reinsurance outwards

The Group cedes insurance risk in the normal course of business for its insurance businesses. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group calculates, in accordance with the terms of relevant reinsurance contracts, premiums ceded to reinsurers and expenses recoverable from reinsurers and recognizes them in income statement. The Group determines, in accordance with the terms of the relevant reinsurance contracts, and recognizes as assets the reserves to be recovered from reinsurers in the period in which the Group recognizes the outstanding claim reserves, policyholders' reserves for life insurance and long-term reserves for health insurance of the direct insurance contracts. When the Group reduces the balance of the corresponding reserves as the amounts of claims and benefits payments are ascertained or actual claim handling expenses are incurred for the direct insurance contracts, it also reduces the balance of the corresponding reserves attributable to the outward reinsurance contracts. At the same time, the Group also determines the costs of claims and benefits recoverable from reinsurers according to the terms of the reinsurance contracts and recognizes the amount in income statement for the period. When early termination of the direct insurance contracts occurs, the Group determines the adjustments required for the premium ceded to reinsurers and commissions recoverable in accordance with the terms of the related reinsurance contracts and recognizes these amounts in income statement for the period. At the same time, the Group adjusts the relevant reserves attributable to the outward reinsurance contracts.

As the cedent, the Group does not offset but presents separately in the balance sheet the assets and liabilities, as well as in the income statement the income and expenses arising from the reinsurance contracts and their related direct insurance contracts.

Reinsurance inwards

The Group calculates and recognizes reinsurance expenses in current period's income statement in the same period the reinsurance premium income is recognized according to the terms of the related reinsurance contracts. Profit commission expenses are recognized in current periods income statement when the Group is able to calculate and determine the expenses according to the terms of the reinsurance contracts.

The Group adjusts and recognizes in current period's income statement the related reinsurance premium income and expenses according to the actual amounts stated on the reinsurance statement of accounts when received.

32. Operating lease

Leases where substantially all the risks and rewards of ownership of assets remain with the lesser are accounted for as operating leases. Rental income and expenses applicable to such operating leases are recognized in profit or loss on a straight-line basis over the lease terms.

33. Financial Guarantee Contracts

Financial guarantee contracts are initially recognized at fair value. Financial guarantee contracts not classified as financial liabilities designated at fair value through profit or loss, after initial recognition, are subsequently measured at the higher of the amount of the estimated liabilities recognized in accordance with "ASBE No. 13 –Contingences" and the initial amount less accumulated amortization recognized in accordance with "ASBE No. 14 – Revenue".

34. Fiduciary business

Transactions arising from assets held in trust on behalf of third parties arising from fiduciary business are not shown in the balance sheet because the legal interest of any risk and return are borne by the customers.

As at December 31, 2007
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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

35. Accounting methods for income tax

Income taxes include current and deferred tax. Income taxes are recognized in current period's profit and loss as income tax expense or income except for the adjustment made for goodwill in a business consolidation and income tax from transactions or items that directly related to equity.

Current tax represents current income tax payable calculated on current taxable income. Taxable income is calculated by adjustment to current period's accounting profit before tax according to the relevant tax regulations.

For current period's deferred tax assets and liabilities arising in current and prior periods, the Group measures them at the amount expected to be paid or recovered according to the relevant taxation regulations.

The Group recognizes deferred tax liabilities or assets based on temporary differences using balance sheet liability method. Temporary differences are differences between the carrying amount of assets or liabilities in the balance sheet and their tax base. Temporary differences also include the differences between the book values and tax bases of items not recognized as assets or liabilities where the tax base can be calculated according to the relevant tax regulations.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liabilities arise from initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry-forward of unused tax losses and unused tax credits can be utilized except where the transaction is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income.

In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax asset is recognized where the temporary differences are likely to be reversed in the foreseeable future and taxable income will be available in the future to utilise the temporary differences.

As at balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, and reflect the tax consequences that would follow the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the carrying amount of its assets and liabilities.

The Group re-assesses book value of deferred tax assets at each balance sheet date. The Group reduces the book value of deferred tax assets if future taxable profit may not be sufficient to offset the benefits from the assets. When future taxable profit is sufficient, the reduction is reversed.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

36. Impairment of assets

The Group assesses impairment to assets other than inventories, deferred tax assets and financial assets using the methods described below.

The Group assesses at each balance sheet date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount and performs a test of impairment for the asset. For goodwill generated from business consolidation and intangible assets with indefinite useful lives, tests for impairment is performed at least annually regardless of whether there are indications of impairment.

Recoverable amount is the higher of the asset's fair value less costs to sell and its present value of estimated future cash flows. The Group estimates recoverable value for individual assets. When it is difficult to estimate individually, the recoverable value of the cash generating units which the asset belongs to will be estimated. The definition of cash generating units is determined on the basis of whether the cash generating units generate cash flows which are largely independent of those from other cash generating units.

Where the carrying amount of an asset or a cash generating unit exceeds its recoverable amount, the asset or cash generating unit is considered impaired and is written down to its recoverable amount. The difference between the carrying amount and recoverable amount is recognized in the current period's profit or loss and provision for impairment is made accordingly.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the related cash-generating units on a reasonable basis; if it is difficult to be allocated to a related cash-generating unit, it will be allocated to related groups of cash-generating units. The related groups of cash-generating units refer to the ones that are expected to benefit from the synergies of the combination and also not larger than a reportable segment determined by the Group.

When testing for impairment, if there is indication that a cash generating unit or a group of cash generating units with related goodwill may be impaired, the unit without goodwill allocated is first tested for impairment by comparing the unit's carrying amount, excluding any goodwill, with its recoverable amount and any related impairment loss is recognized accordingly. Then, the unit to which goodwill has been allocated is tested for impairment by comparing the carrying amount of the unit, including goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit or group of units is less than the carrying amount of the unit or group of units, the impairment loss shall first reduce the carrying amount of any goodwill allocated to the unit or group of units; and then to the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset in the unit or group of units.

Previously recorded impairment losses for goodwill are not reversed in subsequent periods.

37. Share-based payment transactions

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

Share appreciation rights are settled in cash after completion of services by the above mentioned employees in the vesting period. At each balance sheet date during the vesting period, the Group recognizes the services received for the current period as related expenses, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting. The Group uses Black-Scholes formula to calculate the fair value of share appreciation rights.

The liability is re-measured at each balance sheet date up to and including the settlement date with changes in fair value recognized in the income statement.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

38. Employee benefits

Employee benefits represent all kinds of benefits and other relevant expenditures incurred by the Group in exchange for service rendered by employees. During the accounting period when employees provide services, employee benefits payable is recognized as a liability. Items which expire longer than one year after the balance sheet date are measured at present value if the discounting impact is significant.

The employees of the Group are entitled to participate in government-managed social insurance schemes, including pension plans, medical benefits, unemployment benefits, housing funds and other social insurance schemes. The associated expenditures are recognized as the costs of the related assets or expenses when incurred. Certain employees are also provided with group life insurance, but the amount involved is insignificant. The Group has no other significant welfare obligations for employee benefits beyond the said contributions.

39. Related party

Parties are considered to be related if the Group has the ability to control the other party or to exercise joint control or significant influence over the other party. Two or more parties are also regarded as related parties if they are subject to control, joint control or significant influence from the same party.

40. First-time adoption of Accounting Standards for Business Enterprises

As mentioned in Note II, the Group started to implement the ASBE since January 1, 2007. For the changes in accounting policies resulting from the first-time adoption of ASBE, the Group made retrospective adjustments in accordance with the regulations related to first-time adoption of ASBE.

(1) Long-term equity investments

In accordance with the previous Accounting Standards for Business Enterprises and the "Accounting System for Financial Institutions", the excess of the initial investment cost over the interest in the invested enterprise's net assets should be recognized as equity investment variance which was evenly amortized within a certain period. In addition, equity method is used to account for parent company's long-term equity investments in subsidiaries.

In accordance with "ASBE No. 20 – Business Combinations", the Group recognizes the excess of the combination cost, in a business combination not involving entities under the common control, over the interest in the fair value of the invested company's identifiable net assets as goodwill. The goodwill is not amortized but subject to impairment test at least at the end of each year and the related impairment loss cannot be reserved.

According to "ASBE No 2 – long-term Equity Investments", cost method is used to account for parent company's long-term equity investments in subsidiaries.

(2) Financial Assets

In accordance with the previous "Accounting Standards for Business Enterprises – Investments" and "Accounting System for Financial Institutions", the Group classified investments as "short-term" and "long-term" per liquidity and intended holding period and measured them at the lower of cost and market price, cost and recoverable amount respectively.

In accordance with "ASBE No. 22 – Financial Instruments: Recognition and Measurement", the Group classifies the financial instrument investments as "financial assets at fair value through profit or loss", "held-to-maturity investments", "loans and receivables" and "available-for-sale financial assets". For financial assets at fair value through profit or loss, fair value is used for subsequent measurement and the gains or losses resulting from the fair value changes are recognized in profit or loss; for held-to-maturity investments and loans and receivables, amortized cost based on effective interest rate method is used for subsequent measurement; for available-for-sale financial assets, fair value is used for subsequent measurement and the difference between the fair value and carrying amount resulting from the fair value changes are recognized in capital reserves.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

40. First-time adoption of Accounting Standards for Business Enterprises *(continued)*

(3) Derivatives

In accordance with the previous Accounting Standards for Business Enterprises and the "Accounting System for Financial Institutions", the Group usually treated the derivatives as off balance sheet items which were not recognized in the financial statements.

In accordance with "ASBE No. 22 – Financial Instruments: Recognition and Measurement", the Group classifies the appropriate derivatives as financial liabilities or financial assets measured at fair value through profit or loss. Fair value is used for subsequent measurement and the gains or losses resulting from the fair value changes are recognized in profit or loss.

(4) Policyholders' reserves for life insurance

In accordance with the previous Accounting Standards for Business Enterprises and the "Accounting System for Financial Institutions", the Group estimated the reserves for the participating insurance and universal life insurance based on investment results calculated under the previous accounting standards.

As mentioned in aforementioned item (2), the Group classifies and measures financial instrument investments in accordance with "ASBE No. 22 – Financial Instruments: Recognition and Measurement". According to the "Experts' Opinions on Implementation of ASBE" issued by Accounting Standard Committee of MOF, for the fair value changes of available-for-sale financial assets contained in the accounts of participating insurance and universal life insurance, the Group recognizes the part attributed to policyholders as liabilities and the part attributed to shareholders as capital reserves on a reasonable basis; for the fair value changes of financial assets at fair value through profit or loss, the Group recognizes the part attributed to policyholders as liabilities and the part attributed to shareholders as profit or loss on a reasonable basis.

(5) Claim reserves

Under the previous Accounting Standards for Business Enterprises and the "Accounting System for Financial Institutions", the Group did not perform adequacy tests on insurance reserves when estimating such reserves. In particular, there was no adequacy test on the claim reserves for non-life insurance accidents incurred but not yet reported.

In accordance with "ASBE No. 25 – Direct Insurance Contracts" and "ASBE No. 26 – Reinsurance Contracts", the Group provides insurance reserves based on actuarial valuation results, and at the end of every year, adequacy tests will be performed on claim reserves, policyholders' reserves for life insurance, and long-term reserves for health insurance. If the related reserve is adequate, no adjustment is made; otherwise additional reserves will be provided accordingly.

(6) Land Use Rights

Under previous Accounting Standards for Business Enterprises and the "Accounting System for Financial Institutions", the Group did not amortize the land use rights in construction in progress.

In accordance with ASBE No. 6 – Intangible Assets", the Group recognizes the land use rights in construction in progress as intangible assets and amortizes them from the date when the land use rights are ready for use.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

40. First-time adoption of Accounting Standards for Business Enterprises *(continued)*

(7) Deferred income tax

Under the previous Accounting Standards for Business Enterprises and the "Accounting System for Financial Institutions", the Group accounted for income tax using the liability approach under tax-affecting accounting method.

In accordance with ASBE No. 18 – Income Tax, the Group would use the balance sheet liability approach to account for income tax. For detailed accounting policy, please refer to Note III.35 "Accounting methods for income tax".

Upon first-time adoption of ASBE, the Group retrospectively adjusted retained profits and capital reserves for the impact of changes in this accounting policy which is mainly tax impact of the above adjustments mentioned in (1)-(6).

The accumulated impact of the first-time adoption of ASBE on the Group is as follows:

	January 1, 2007				
	Capital reserves	**Surplus reserves**	**Retained profits**	**Minority interests**	**Total**
Balance before retrospective adjustments	**15,163**	**6,126**	**8,667**	**1,251**	**31,207**
Adjustments:					
Long-term equity investments	**–**	**6**	**52**	**–**	**58**
Financial assets	**13,352**	**369**	**3,047**	**169**	**16,937**
Derivatives	**–**	**(4)**	**2**	**–**	**(2)**
Policyholders' reserves for life insurance	**(3,825)**	**(186)**	**(1,659)**	**(57)**	**(5,727)**
Claim reserves	**–**	**(240)**	**(1,147)**	**(14)**	**(1,401)**
Land-use-rights	**–**	**(8)**	**(47)**	**(1)**	**(56)**
Deferred income tax	**(1,429)**	**57**	**252**	**(11)**	**(1,131)**
Others	**(15)**	**–**	**15**	**29**	**29**
Balance after retrospective adjustments	**23,246**	**6,120**	**9,182**	**1,366**	**39,914**

	January 1 , 2006				
	Capital reserves	Surplus reserves	Retained profits	Minority interests	Total
Balance before retrospective adjustments	15,163	5,526	5,350	525	26,564
Adjustments:					
Long-term equity investments	–	–	(3)	–	(3)
Financial assets	1,074	54	308	15	1,451
Derivatives	–	(8)	(46)	(1)	(55)
Policyholders' reserves for life insurance	(318)	–	–	(3)	(321)
Claim reserves	–	(231)	(1,307)	(16)	(1,554)
Land-use-rights	–	(6)	(37)	–	(43)
Deferred income tax	(113)	62	351	3	303
Others	(17)	2	13	–	(2)
Balance after retrospective adjustments	15,789	5,399	4,629	523	26,340

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

40. First-time adoption of Accounting Standards for Business Enterprises *(continued)*

The accumulated impact of first-time adoption of ASBE on the Company is as follows:

	January 1, 2007				
	Capital reserves	**Surplus reserves**	**General risk provision**	**Retained profits**	**Total**
Balance before retrospective adjustments	**15,163**	**6,126**	**517**	**8,678**	**30,484**
Adjustments:					
Financial assets	**688**	**45**	**–**	**403**	**1,136**
Long-term equity investments	**(17)**	**(1,195)**	**(122)**	**(6,525)**	**(7,859)**
Deferred income tax	**(103)**	**(7)**	**–**	**(60)**	**(170)**
Balance after retrospective adjustments	**15,731**	**4,969**	**395**	**2,496**	**23,591**

	January 1, 2006				
	Capital reserves	Surplus reserves	General risk provision	Retained profits	Total
Balance before retrospective adjustments	15,163	5,526	430	5,350	26,469
Adjustments:					
Financial assets	28	5	–	27	60
Long-term equity investments	(17)	(1,153)	(35)	(6,225)	(7,430)
Deferred income tax	(4)	(1)	–	(4)	(9)
Balance after retrospective adjustments	15,170	4,377	395	(852)	19,090

The impact of first-time adoption of ASBE on the Group's net profit after minority interests for 2006 is as follows:

	2006
Balance before retrospective adjustments	5,986
Adjustments:	
Claim reserves	151
Policyholders' reserves for life insurance	(1,845)
Derivatives	52
Financial assets	3,054
Land-use-rights	(12)
Deferred income tax	(104)
Long-term equity investments	60
Balance after retrospective adjustments	7,342

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

40. First-time adoption of Accounting Standards for Business Enterprises *(continued)*

The impact of first-time adoption of ASBE on the Company's net profit for 2006 is as follows:

	2006
Balance before retrospective adjustments	5,997
Adjustments:	
Financial assets	416
Long-term equity investments	(429)
Deferred income tax	(62)
Balance after retrospective adjustments	5,922

41. Critical accounting estimates and judgments

The Group makes critical estimates and judgments that affect the reported amounts of assets and liabilities in applying the Group's accounting policies. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under certain circumstances.

Judgments

In applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which has the most significant effect on the amounts recognized in the financial statements.

(1) Classification of financial assets

Management needs to make significant judgment in classification of financial assets. Different classifications may affect accounting methods as well as the financial condition and operating results of the Group. After the balance sheet date, if it is discovered that inaccurate judgment was made for the classification of financial assets, the whole financial assets may need to be reclassified.

(2) Classification of insurance contracts

Management needs to make significant judgment in classification of insurance contracts. Different classifications may affect accounting methods as well as the financial stats and operationing results of the Group.

(3) Provision for impairment losses for available-for-sales equity instruments

When there is a significant or prolonged decline in the fair value below the cost, impairment losses should be provided for available-for-sale equity instruments. Management needs to determine how the decline is deemed to be significant and prolonged. When making judgment, the Group takes into consideration the impacts of the following factors: normal range of stock price's volatility, financial position of the invested companies, industry and segment's performance, technological innovation, cash flow from operating and financing activities, etc.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

41. Critical accounting estimates and judgments *(continued)*

Estimations and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that may possibly cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) Valuation of insurance contract reserves

Policyholders' reserves for life insurance and long-term reserves for health insurance

Policyholders' reserves for life insurance and long-term reserves for health insurance are valued according to the regulations of CIRC, using the main assumptions which include interest rates and mortality rates.

Every year the Group performs a liability adequacy test on the aforementioned reserves, which reflects management's current best estimate of future cash flows. The main assumptions used are mortality, morbidity, investment returns, expenses, lapse and surrender rates. The Group bases their mortality and morbidity tables on standard industry and national tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation adjustments when appropriate. As lapse and surrender rates depend on product features, policy duration and etc., historical experience is used in choosing these assumptions.

The reserves for investment-linked policies, where the Group undertakes both insurance risks and other risks, are determined with reference to the fair values of the assets backing such liabilities.

Claim reserves

For property and casualty and short term life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date ("IBNR"). The ultimate cost of outstanding claims is estimated by using at least two of the actuarial claims projection techniques, such as Chain Ladder Method, Average Claim Method, Reserve Development Method and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future, (for example to reflect one-off occurrences, changes in external factors such as public attitudes to claiming, economic conditions, levels of inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the most likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. Every year the Group performs a liability adequacy test on claim reserves.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

41. Critical accounting estimates and judgments *(continued)*

Estimations and assumptions *(continued)*

(2) *Fair value of financial instruments determined using valuation techniques*

Fair value of financial instrument, in the absence of an active market, is estimated using valuation techniques, such as the price used in recent arm's length transactions, reference to the current fair value of another instrument which is substantially the same, discounted cash flow analysis and option pricing model.

When using valuation techniques to determine the fair value of financial instruments, the Group makes use of all factors, whenever possible, considered by market participants in pricing technique instruments including risk-free rates, credit risk, foreign currency exchange rates, commodity prices, stock price or stock index, magnitude of future changes in price of the financial instruments and prepayment and surrender risk.

Using different valuation techniques or references assumptions may result in the existence of relatively significant differences in fair value estimations.

(3) *Impairment losses for loans and advances*

The Group reviews its loans and advances at each balance sheet date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ.

(4) *Deferred tax assets and liabilities.*

Deferred tax assets and liabilities are measured, based on tax laws, at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax assets are recognized for all unused tax losses, to the extent that it is likely that taxable profit will be available to utilise these unused tax losses. Significant judgments are needed from management to estimate the timing and amount of taxable profit as well as applicable tax rate in the future, with tax planning strategies, to determine the amount of the deferred tax assets and liabilities that should be recognized.

42. Changes in significant accounting estimates

Changes in accounting estimates are applied prospectively.

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 rate equal to or higher than 7.5%. In 2007, the valuation interest rate of certain high interest rate insurance products of the Group was reduced to 6%–6.5% from 6.5%–7.5%. This change in accounting estimate results in a decrease in profit before tax of approximately RMB9,698 million.

IV. 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.

According to "Circular on exempting from the business tax on certain items (Caishui [1994] No. 2), "Circular on exempting Ping An Insurance Company of China, Ltd. from the business tax on refundable life insurance businesses with a term of more than one year" (Caishui [1998] No. 95), "Circular on exempting Ping An Insurance Company of China, Ltd. from the business tax on new refundable life insurance products with a term of more than one year" (Guoshuihan [1999] No. 181), "Approval regarding exempting Ping An Insurance Company of China, Ltd. Urumqi Branch from the business tax on specific insurance products (Guoshuihan [1998] No. 746), "Circular on exempting insurance companies from the business tax on refundable life insurance products with a term of more than one year" (Caishui [2000] No. 59), "Circular on certain issues concerning exempting from the business tax on life insurance businesses" (Caishui [2001] No. 118), "Circular on exempting insurance companies from the business tax on refundable life insurance products with a term of more than one year" (Caishui [2002] No. 94), "Circular on exempting insurance companies from the business tax on refundable life insurance products with a term of more than one year" (Caishui [2002] No. 156), "Circular on exempting insurance companies from the business tax on refundable life insurance businesses with a term of more than one year" (Caishui [2004] No. 71), "Circular on exempting insurance companies from the business tax on refundable life insurance businesses with a term of more than one year" (Caishui [2005] No. 21), "Circular on exempting insurance companies from the business tax on refundable life insurance businesses with a term of more than one year" (Caishui [2005] No. 76), "Circular about publishing refundable life insurance products' list (16th batch) with more than one year term exempted from business tax" (Caishui [2006] No. 115), "Circular of the Ministry of Finance and the State Administration of Taxation on publishing the list (17th batch) of refundable life insurance products with a term of more than one year exempted from the business tax" (Caishui [2007] No. 43), "Circular of the Ministry of Finance and the State Administration of Taxation on publishing the list (18th batch) of refundable life insurance products with a term of more than one year exempted from the business tax" (Caishui [2007] No. 117)," Circular of the Ministry of Finance and the State Administration of Taxation on publishing the list (19th batch) of refundable life insurance products with a term of more than one year exempted from the business tax" (Caishui [2007] No. 158) etc., common life insurance and pension annuity insurance with principle and interest refundable and a term of more than one year (including one year), health insurance products with a term of more than one year (including one year) of Ping An Life, pension annuity insurance with a term of more than one year (including one year) of Ping An Pension, health insurance products with a term of more than one year (including one year) of Ping An Health, and health insurance products with a term of more than one year (including one year) of Ping An P&C are exempted from the business tax since the aforementioned documents were published.

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. During the current year, the applicable tax rates for the Group, the subsidiaries and the branches are shown as follows:

Types of tax	Subsidiaries and branches	Tax rate
Income tax in the PRC	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%

According to "Circular on pretax deduction amounts for taxable salaries and wages of Ping An Life and Ping An P&C (Caishui [2006] No. 58)" published by Ministry of Finance and State Administration of Taxation, for 2004, Ping An P&C's tax-deductible limit for salaries is RMB700 million and Ping An Life's tax-deductible limit for salaries is RMB1,154 million, and the excess of the aforementioned limits was not tax-deductible. From 2005 and onwards, both Ping An P&C and Ping An Life used their previous year's tax-deductible limits for salaries as basis to calculate the current year's limits according to the principle of the increase percentage of salaries being lower than that of economic results (including profit and income tax growth) and labor productivity.

As at December 31, 2007
(in RMB million)

V. INFORMATION OF SUBSIDIARIES

The major changes in the subsidiaries of the Group during the current period are as follows:

(1) On January 1, 2007, Ping An Trust completed its acquisition of 99% equity interest in Shenzhen CITIC City Plaza Investment Co, Ltd ("Shenzhen CITIC Plaza"). The paid-up capital of Shenzhen CITIC Plaza is RMB20 million.

The fair values and carrying values of the identifiable assets and liabilities acquired as at the date of acquisition were:

	Fair value recognized on acquisition	**Carrying value**
Cash on hand and at bank	29	29
Investment properties	1,955	1,543
Other assets	4	4
Sub-total	1,988	1,576
Long term loans	1,319	1,319
Deferred tax liabilities	62	–
Other liabilities	234	234
Sub-total	1,615	1,553
Fair value of net assets	373	23
Fair value of net assets acquired attributable to the Group	373	
Goodwill arising on acquisition	66	
Cost of acquisition	439	
Less: payable balance	(28)	
Cash paid	411	
Cash outflow on acquisition of the subsidiary:		
Net cash acquired with the subsidiary	29	
Cash paid	(411)	
Net cash outflow	(382)	

The fair values of the above identifiable assets and liabilities acquired as at the date of acquisition were determined by reference to its book value, independent appraisal report etc.

According to the agreement between Ping An Trust and the original shareholders of Shenzhen CITIC Plaza, within 3 years since the date of ownership transferred from the original shareholders of Shenzhen CITIC Plaza to Ping An Trust, the original shareholders of the Shenzhen CITIC Plaza will compensate the losses suffered by the Shenzhen CITIC Plaza due to the contingent liabilities to the third parties, which existed at the date of acquisition.

V. INFORMATION OF SUBSIDIARIES *(Continued)*

(1) *(continued)*

The operating results and cash flow of Shenzhen CITIC Plaza, from the date of acquisition to the year end, were:

	2007
Operating income	**196**
Net profit	**(64)**
Net cash flow	**(16)**

From the date of acquisition to the year end, the Group did not or intended to dispose of any assets or liabilities of Shenzhen CITIC Plaza.

(2) On June 26, 2007, Shenzhen Commercial Bank Co., Ltd. completed its acquisition of 100% equity interest in Ping An Bank, through Ping An Trust and minority shareholders of Ping An Bank. Upon completion of the acquisition, Shenzhen Commercial Bank Co., Ltd. was renamed as Shenzhen Ping An Bank Co., Ltd. ("Shenzhen Ping An Bank") on June 27, 2007, and Ping An Bank completed the business deregistration on August 6, 2007.

(3) On November 30, 2007, Profaith International Investment Limited ("Profaith International"), a subsidiary of China Ping An Insurance Overseas (Holdings) Limited ("Ping An Overseas Holdings"), completed its acquisition of 30% equity interest in Portfield Limited ("Portfield"), which owned 100% stake of Ningbo Bei Lun Port Expressway Co., Ltd. ("Bei Lun Expressway"). On December 10, 2007, Profaith International acquired additional 30% stake in Portfield. Thus both Portfield and Bei Lun Expressway became the subsidiaries of the Group since December 10, 2007.

The fair value and book value as at the date of acquisition (i.e. December 10, 2007) of the identifiable assets and liabilities, which were acquired in the acquisition of Portfield Limited are as below:

	Fair value recognized on acquisition	**Carrying value**
Cash on hand and at bank	45	45
Intangible asset	2,653	1,847
Other assets	167	153
Sub-total	2,865	2,045
Accounts payable	123	123
Long-term borrowings	1,659	1,659
Deferred income tax liabilities	200	–
Sub-total	1,982	1,782
Net assets	883	263
Fair value of net assets acquired attributable to the Group	530	
Goodwill arising on acquisition	94	
Cost of acquisition	624	
Less: Payable balance	(220)	
Cash paid	404	

Cash outflow on acquisition of the subsidiary:

Net cash acquired with the subsidiary	45
Cash paid	(404)
Net cash outflow	(359)

As at December 31, 2007
(in RMB million)

V. INFORMATION OF SUBSIDIARIES *(Continued)*

(3) *(continued)*

The fair values of the aforementioned identifiable assets and liabilities acquired as at the date of acquisition were determined by reference to its carrying value, independent appraisal report etc.

The consolidated operating results and cash flow of Portfield Limited and its subsidiary Bei Lun Expressway, as from the purchase date to the current year end are as below:

	Period from December 10, 2007 to December 31, 2007
Operating Revenue	**12**
Net profit	**3**
Net cash flow	**(15)**

From the acquisition of Portfield Limited to the current year end, the Group did not or intended to dispose of any assets or liabilities of Portfield Limited and its subsidiary Bei Lun Expressway.

(4) Particulars of the Company's principal subsidiaries as at December 31, 2007 are set out below:

Name	Place of Incorporation	Organizational Code	Percentage of Shareholdings Direct	Percentage of Shareholdings Indirect	Proportion of the right to vote	Registered capital (RMB unless otherwise stated)	Paid-up capital (RMB unless otherwise stated)	Principal activities
Ping An Life Insurance Company of China, Ltd.	Shenzhen	71093073-9	99.00%	–	99.00%	3,800,000,000	3,800,000,000	Life insurance
Ping An Property & Casualty Insurance Company of China, Ltd	Shenzhen	71093072-0	99.06%	–	99.06%	3,000,000,000	3,000,000,000	Property and casualty insurance
Shenzhen Ping An Bank Co., Ltd (Note 1/Note 3)	Shenzhen	19236558-0	90.04%	–	90.04%	5,502,000,000	5,460,940,138	Banking
China Ping An Trust & Investment Co., Ltd. (Note 1)	Shenzhen	10002000-9	99.88%	–	99.88%	4,200,000,000	4,200,000,000	Investment and trust
Ping An Securities Company, Ltd. (Note 1)	Shenzhen	100323453	–	86.11%	86.11%	1,800,000,000	1,800,000,000	Security investment and brokerage
Ping An Annuity Insurance Company of China, Ltd.	Shanghai	77021249-9	97.00%	2.98%	99.98%	500,000,000	500,000,000	Annuity insurance
Ping An Asset Management Co., Ltd.	Shanghai	71093344-6	96.00%	3.96%	99.96%	500,000,000	500,000,000	Investment, asset management
Ping An Health Insurance Company of China, Ltd.	Shanghai	71093349-7	95.00%	4.96%	99.96%	500,000,000	500,000,000	Health insurance

V. INFORMATION OF SUBSIDIARIES *(Continued)*

(4) *(continued)*

Name	Place of Incorporation	Organizational Code	Percentage of Shareholdings Direct	Percentage of Shareholdings Indirect	Proportion of the right to vote	Registered capital (RMB unless otherwise stated)	Paid-up capital (RMB unless otherwise stated)	Principal activities
China Ping An Insurance Overseas (Holdings) Limited	Hong Kong	N/A	100.00%	–	100.00%	HK$4,000,000,000	HK$555,000,000	Investment holding
China Ping An Insurance (Hong Kong) Company Limited	Hong Kong	N/A	–	75.00%	75.00%	HK$110,000,000	HK$110,000,000	Property and casualty insurance
Shenzhen Ping An Futures Brokerage Co, Ltd.	Shenzhen	10002318-8	–	89.03%	89.03%	120,000,000	120,000,000	Futures brokerage
Shenzhen Ping An Industries Co., Ltd.	Shenzhen	19221023-9	–	99.88%	99.88%	20,000,000	20,000,000	Industrial investment
Shenzhen Ping An Property and Facilities Management Ltd.	Shenzhen	19230555-3	–	99.88%	99.88%	20,000,000	20,000,000	Property management
Fuzhou Ping An Real Estate Development Co., Ltd	Fuzhou	61132267-4	–	74.25%	74.25%	US$5,000,000	US$5,000,000	Real estate investment
Shenzhen Ping An Real Estate investment Co., Ltd	Shenzhen	77270613-4	–	99.88%	99.88%	300,000,000	300,000,000	Real estate investment
Shenzhen Xin An Investment Consultant Co., Ltd	Shenzhen	77985608-X	–	99.88%	99.88%	3,000,000	3,000,000	Investment consulting
Ping An of China Asset Management (Hong Kong) Company Limited	Hongkong	N/A	–	100.00%	100.00%	HK$65,000,000	HK$65,000,000	Asset management
Yuxi Ping An Real Estate Co., Ltd	Yuxi	79028553-X	–	79.90%	79.90%	38,500,000	38,500,000	Property leasing
Yuxi Meijiahua Business management, Co., Ltd (Note 1)	Yuxi	78735955-0	–	79.90%	79.90%	500,000	500,000	Property management
Ping An Meijiahua (Jingzhou) Business Management Co., Ltd.	Jingzhou	77076569-1	–	50.94%	50.94%	US$9,700,000	US$9,700,000	Real estate Investment
Nanning Ping An Meijiahua Real Estate Co., Ltd.	Yuxi	79974132-7	–	50.94%	50.94%	100,000,000	55,000,000	Property leasing
Shenzhen CITIC city plaza investment Co., Ltd. (Note 1/Note 2)	Shenzhen	73207232-5	–	98.88%	98.88%	20,000,000	20,000,000	Real estate Investment
Anseng Investment Company Limited	British Virgin Islands	N/A	–	100.00%	100.00%	US$50,000	US$2	Project Investment

As at December 31, 2007
(in RMB million)

V. INFORMATION OF SUBSIDIARIES *(Continued)*

(4) *(continued)*

Name	Place of Incorporation	Organizational Code	Percentage of Shareholdings Direct	Percentage of Shareholdings Indirect	Proportion of the right to vote	Registered capital (RMB unless otherwise stated)	Paid-up capital (RMB unless otherwise stated)	Principal activities
Rich All Investments Company Limited	British Virgin Islands	N/A	–	100.00%	100.00%	US$36,000,001	US$36,000,001	Project Investment
Profaith International Investment Limited	British Virgin Islands	N/A	–	100.00%	100.00%	US$50,000	US$1	Project Investment
Portfield Co., Ltd *(Note 1/ Note 2)*	Hongkong	N/A	–	60.00%	60.00%	HK$10,000	HK$10	Project Investment
Ningbo Beilun Port Expressway Co., Ltd. *(Note 1/ Note 2)*	Ningbo	739490888	–	60.00%	60.00%	US$77,800,000	US$77,800,000	Expressway Operation

Note 1: Subsidiaries mentioned above are acquired through business combinations not involving entities under common control.

Note 2: Subsidiaries mentioned above are purchased in the current year, see Notes V (1) and (3).

Note 3: Up to December 31, 2007, Shenzhen Ping An Bank have obtained the approval of capital reduction from China Banking Regulatory Commission, but the business alteration registration is still under process.

Except for the new subsidiaries aforementioned in Notes V (1) and (3), the Group's range of the main consolidated subsidiaries for the year 2007 is the same as that for the last year.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash on hand and at bank

	December 31, 2007	December 31, 2006
Cash on hand	**382**	347
Cash at bank	**51,701**	31,623
Balances with central bank	**19,234**	7,714
Including: Mandatory reserves deposits	**14,265**	5,787
Surplus reserves deposits	**4,969**	1,927
Due from banks and other financial institutions	**884**	2,840
Other monetary assets	**539**	61
Total	**72,740**	42,585

On December 31, 2007, the cash on hand and at bank of the Group included deposits from customers held for securities trading of RMB12,845 million (December 31, 2006: RMB2,958 million).

In accordance with relevant regulations, the Group's subsidiaries in the banking business maintain mandatory reserves deposits with PBOC in both RMB and foreign currencies. As at December 31, 2007 and December 31, 2006, the mandatory reserves deposits are calculated at 14.5% and 9.5% for eligible RMB deposits respectively and 5% and 4% for foreign currencies deposits for both periods.

Current bank deposits earn interest income based on current deposit interest rate. The period for short-term term deposits varies from 7 days to 3 months. The short-term term deposits earn interest income on corresponding term deposits interest rate, subject to the Group's cash needs.

2. Balances with clearing companies

	December 31, 2007	December 31, 2006
Company-owned	**668**	93
Broker clients	**1,359**	782
Total	**2,027**	875

On December 31, 2007, balances with clearing companies of the Group are mainly deposits placed by Ping An Securities Company, Ltd. with China Securities Depository and Clearing Corporation.

3. Placements with banks and other financial institutions

	December 31, 2007	December 31, 2006
Placements with banks	**591**	1,727
Placements with other financial institutions	**646**	376
Total	**1,237**	2,103
Less: Provision for bad debts	**(45)**	(376)
Placements with banks and other financial institutions, net	**1,192**	1,727

As at December 31, 2007
(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4. Financial assets held-for-trading

	December 31, 2007	December 31, 2006
Bonds		
Government bonds	**1,330**	1,820
Central bank bills	**15,295**	2,730
Financial bonds	**3,151**	2,568
Corporate bonds	**9,772**	10,643
Equity instruments		
Equity investment funds	**39,825**	17,219
Including: Designated as fair value through profit or loss	**–**	628
Equity securities	**15,565**	9,023
Total	**84,938**	44,003

Terms of bonds which were classified as held for trading financial assets are as follows:

	December 31, 2007	December 31, 2006
Fixed interest rate		
Within 3 months (including 3 month)	**14,751**	4,555
3 months to 1 year (including 1 year)	**6,586**	5,878
1 to 2 years (including 2 years)	**920**	1,000
2 to 3 years (including 3 years)	**1,448**	629
3 to 4 years (including 4 years)	**640**	68
4 to 5 years (including 5 years)	**508**	677
More than 5 years	**2,551**	2,765
Floating interest rate	**2,144**	2,189
Total	**29,548**	17,761

Interest rates on floating rate bonds are re-priced at intervals of less than one year. Interest rates on fixed rate bonds are fixed before maturity.

As at December 31, 2007, there is no held-for-trading financial asset pledged by the Group as collateral for warrants (December 31, 2006: RMB94 million). Management is of the opinion that there are no material restrictions on the sale of held-for-trading financial assets.

For bonds pledged by the Group as collateral for repurchase agreements as at December 31, 2007, please refer to Note VI, 28 Financial assets sold under agreements to repurchase.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5. Derivative instruments

	December 31, 2007			December 31, 2006		
	Nominal	Fair value			Fair value	
	Amount	Asset	Liability	Face value	Asset	Liability
Interest rate derivative instruments	**4,261**	**14**	**27**	2,506	11	61
Currency derivative instruments	**661**	**–**	**1**	5	–	–
Equity derivative instruments	**670**	**159**	**99**	324	10	88
Credit derivative instruments	**950**	**4**	**62**	–	–	–
Other derivative instruments	**–**	**–**	**–**	–	–	29
Total	**6,542**	**177**	**189**	2,835	21	178

6. Financial assets purchased under agreements to resell

	December 31, 2007	December 31, 2006
Securities	**27,173**	6,162
Notes	**7,959**	889
Loans	**1,325**	200
Total	**36,457**	7,251
Less: Provision for impairment loss	**–**	–
Net	**36,457**	7,251

The fair value of the assets held as collateral for financial assets purchased under agreements to resell approximates the carrying value of the collateral.

7. Interest receivables

	December 31, 2007	December 31, 2006
Interest receivables from banking operations	**757**	482
Interest receivables from loans	**232**	88
Interest receivables from bonds	**3,223**	2,640
Others	**24**	39
Total	**4,236**	3,249
Less: Bad debt provision	**(49)**	–
Net value	**4,187**	3,249

As at December 31, 2007
(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

7. Interest receivables *(Continued)*

The aging analysis for interest receivables is as follows:

	December 31, 2007	December 31, 2006
Within 1 year	**4,187**	3,249

8. Premium receivables

Aging	**December 31, 2007**	December 31, 2006
Within 3 months (including 3 months)	**4,397**	2,972
3 months to 1 year (including 1 year)	**168**	101
More than 1 year	**3**	–
Total	**4,568**	3,073

There are no premium receivables from shareholders who individually hold no less than 5% of the Company's voting share capital.

The bad debt provision of premium receivable of the Group is set out as below:

	December 31, 2007			
	Amount	**Percentage**	**Bad Debt Provision**	**Provision Percentage**
Individually significant	**–**	**–**	**–**	**–**
Individually non-significant but with significant risk in collective credit risk portfolio	**4,736**	**100.0%**	**(179)**	**3.8%**
Other non-significant	**11**	**–**	**–**	**–**
Total	**4,747**	**100.0%**	**(179)**	**3.8%**

	December 31, 2006			
	Amount	Percentage	Bad Debt Provision	Provision Percentage
Individually significant	–	–	–	–
Individually non-significant but with significant risk in collective credit risk portfolio	3,228	100.0%	(155)	4.8%
Other non-significant	–	–	–	–
Total	3,228	100.0%	(155)	4.8%

	December 31, 2007	December 31, 2006
Sum of top 5 premium receivables	**39**	35
Percentage in total premium receivables	**0.9%**	1.1%
Aging	**0.67 – 2.33 years**	1.01 – 2.25 years

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

9. Receivable from reinsurers

Aging	December 31, 2007	December 31, 2006
Within 9 months (including 9 months)	**2,119**	792
More than 9 months	**93**	3
Total	**2,212**	795

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

The Group's bad debt provision for receivable from reinsurers is set out as below:

	December 31, 2007			
	Amount	**Percentage**	**Bad Debt Provision**	**Provision Percentage**
Individually Significant	**963**	**42.6%**	**(34)**	**3.5%**
Individually Non-significant but with significant risk in specific credit risk portfolio	**1,298**	**57.4%**	**(15)**	**1.2%**
Other non-significant	**–**	**–**	**–**	**–**
Total	**2,261**	**100.0%**	**(49)**	**2.2%**

	December 31, 2006			
	Amount	Percentage	Bad Debt Provision	Provision Percentage
Individually Significant	689	81.1%	(20)	2.9%
Individually Non-significant but with significant risk in specific credit risk portfolio	161	18.9%	(35)	21.7%
Other non-significant	–	–	–	–
Total	850	100.0%	(55)	6.5%

	December 31, 2007	December 31, 2006
Sum of top 5 receivable from reinsurers	**984**	557
Percentage of total receivable from reinsurers	**44.5%**	70.1%
Aging	**0 – 6.17 years**	0 – 6.08 years

10 Policy loans

The interest rate on policy loans of the Group ranges from 5.22% to 6.50% (December 31, 2006: 5.22% to 6.50%).

As at December 31, 2007
(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

11. Loans and advances to customers

(1) Loans and advances by individual and corporate customers are set out below:

	December 31, 2007	December 31, 2006
Individual loans		
Credit card	**389**	–
Loans secured by mortgages	**16,259**	12,666
Others	**3,340**	1,634
Corporate loans		
Loans	**37,696**	24,331
Discount	**5,977**	12,634
Others	**–**	318
Total	**63,661**	51,583
Provision for loan losses		
Including: Specific provision	**(302)**	(2,263)
Collective provision	**(234)**	(168)
Net	**63,125**	49,152

For loans and advances to customers pledged by the Group as collateral for repurchase agreements as at December 31, 2007, please refer to Note VI, 28 Financial assets sold under agreement to repurchase.

(2) Loans and advances by industry are set out below:

	December 31, 2007		December 31, 2006	
Industry		**Percentage**		Percentage
Agriculture, forestry and fishing	**96**	**0.15%**	187	0.36%
Mining	**175**	**0.27%**	683	1.33%
Manufacturing	**13,055**	**20.51%**	9,199	17.83%
Energy	**2,137**	**3.36%**	1,395	2.70%
Transportation and communications	**4,009**	**6.30%**	1,386	2.69%
Commercial	**6,440**	**10.12%**	7,375	14.30%
Real estate	**6,173**	**9.70%**	7,812	15.15%
Construction	**3,332**	**5.23%**	3,768	7.30%
Personal loans	**19,988**	**31.40%**	14,300	27.72%
Others	**8,256**	**12.96%**	5,478	10.62%
Total	**63,661**	**100%**	51,583	100%

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

11. Loans and advances to customers *(Continued)*

(3) Loans and advances by region are set out below:

Region	December 31, 2007	Percentage	December 31, 2006	Percentage
Southern China region	**50,427**	**79.21%**	49,646	96.24%
Eastern China region	**12,026**	**18.89%**	1,469	2.85%
Other region	**1,208**	**1.90%**	468	0.91%
Total	**63,661**	**100%**	51,583	100%

(4) Loans and advances by guarantee type are set out below:

	December 31, 2007	December 31, 2006
Unsecured loans	**14,284**	6,524
Guaranteed loans	**12,972**	8,667
Secured loans	**36,405**	36,392
Including: Loans secured by mortgages	**25,273**	20,538
Loans secured by other collaterals	**11,132**	15,854
Total	**63,661**	51,583

(5) Analysis of overdue loans is as follows:

	December 31, 2007				
	Within 3 months	3 months to 1 year	1-3 years	More than 3 years	Total
Unsecured loans	**88**	**8**	**9**	**99**	**204**
Guaranteed loans	**46**	**3**	**130**	**11**	**190**
Secured loans	**967**	**302**	**113**	**26**	**1,408**
Including: Loans secured by mortgages	**895**	**102**	**57**	**26**	**1,080**
Loans secured by other collaterals	**72**	**200**	**56**	**–**	**328**
Total	**1,101**	**313**	**252**	**136**	**1,802**

	December 31, 2006				
	Within 3 months	3 months to 1 year	1-3 years	More than 3 years	Total
Unsecured loans	14	27	2	104	147
Guaranteed loans	104	175	425	539	1,243
Secured loans	777	679	356	479	2,291
Including: Loans secured by mortgages	728	314	135	474	1,651
Loans secured by other collaterals	49	365	221	5	640
Total	895	881	783	1,122	3,681

As at December 31, 2007
(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

11. Loans and advances to customers *(Continued)*

(6) Loan losses provision:

	2007		2006	
	Specific	**Collective**	Specific	Collective
Beginning of year	**2,263**	**168**	94	–
Transfer from new subsidiaries	**–**	**–**	2,362	168
Charge for the current year	**28**	**108**	1	–
Recoveries during the current year	**(1,735)**	**(42)**	–	–
Write-offs during the current year	**–**	**–**	(192)	–
Write-backs during the current year				
Interest income from impaired loans	**(24)**	**–**	(2)	–
Write-backs due to other reasons	**(230)**	**–**	–	–
End of year	**302**	**234**	2,263	168

12. Term deposits

	December 31, 2007	December 31, 2006
Fixed interest rate		
within 3 months (including 3 months)	**100**	2,299
3 months to 1 year (including 1 year)	**381**	8,876
1-2 years (including 2 years)	**400**	–
2-3 years (including 3 years)	**1,880**	400
3-4 years (including 4 years)	**5,100**	500
4-5 years (including 5 years)	**3,950**	6,100
More than 5 years	**2,082**	11,877
Floating interest rate	**27,838**	35,364
Total	**41,731**	65,416

Interest rates on floating rate term deposits are re-priced at intervals of less than one year. Interest rates on fixed rate term deposits are fixed before maturity.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

13. Available-for-sale financial assets

	December 31, 2007	December 31, 2006
Bonds		
Government bonds	**10,427**	14,374
Central bank bills	**9,257**	523
Financial bonds	**30,541**	26,572
Corporate bonds	**33,186**	22,299
Equity instrument		
Equity investment funds	**9,481**	8,286
Equity securities	**85,647**	23,146
Total	**178,539**	95,200

Terms of bonds which were classified as available-for-sale financial assets are as follows:

	December 31, 2007	December 31, 2006
Fixed interest rate		
Within 3 months (including 3 months)	**7,518**	149
3 months to 1 year (including 1 year)	**6,425**	339
1-2 years (including 2 years)	**5,140**	2,650
2-3 years (including 3 years)	**3,833**	3,128
3-4 years (including 4 years)	**3,286**	2,656
4-5 years (including 5 years)	**3,252**	3,055
More than 5 years	**47,068**	47,487
Floating interest rate	**6,889**	4,304
Total	**83,411**	63,768

Interest rates on floating rate bonds are re-priced at intervals of no more than one year. Interest rates on fixed rate bonds are fixed before maturity.

For bonds pledged by the Group as collateral for repurchase agreements as at December 31, 2007, please refer to Note VI, 28 Financial assets sold under agreements to repurchase.

As at December 31, 2007
(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

14. Held-to-maturity investments

	Book value		Fair value	
	December 31, 2007	December 31, 2006	**December 31, 2007**	December 31, 2006
Bonds				
Government bonds	**77,707**	78,913	**75,544**	83,548
Central bank bills	**440**	–	**430**	–
Financial bonds	**36,367**	37,142	**34,062**	39,364
Corporate bonds	**13,222**	13,195	**12,342**	13,585
Total	**127,736**	129,250	**122,378**	136,497

Terms of bonds which were classified as held-to-maturity investments are as follows:

	December 31, 2007	December 31, 2006
Fixed interest rate		
Within 3 months (including 3 months)	**49**	68
3 months to 1 year (including 1 year)	**4,862**	1,730
1-2 years (including 2 years)	**7,804**	4,895
2-3 years (including 3 years)	**1,639**	7,759
3-4 years (including 4 years)	**19,621**	1,172
4-5 years (including 5 years)	**3,898**	19,595
More than 5 years	**82,336**	86,723
Floating interest rate	**7,527**	7,308
Total	**127,736**	129,250

Interest rates on floating rate bonds are re-priced at intervals of less than one year. Interest rates on fixed rate bonds are fixed before maturity.

The Group reviewed the intention and capability for holding the investment asset and did not note any change.

For bonds pledged by the Group as collateral for repurchase agreements as at December 31, 2007, please refer to Note VI, 28 Financial assets sold under agreements to repurchase.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

15. Long-term equity investments

	2007					
	Initial amount	Beginning of year	Increase during current year	Decrease during current year	Changes in foreign exchange rate	End of year
Cost method:						
Industrial Bank Co., Ltd. *(Note 1)*	–	113	–	(113)	–	–
Bank of Communications Co, Ltd. *(Note 1)*	–	92	–	(92)	–	–
ShanXi Chang-Jin Expressway Co, Ltd.	220	–	220	–	–	220
ShanXi Tai-Chang Expressway Co, Ltd.	308	–	308	–	–	308
ShanXi Jin-Jiao Expressway Co, Ltd.	157	–	157	–	–	157
Others	50	34	20	(4)	–	50
Equity method:						
Veolia Water (Kunming) Investment Co., Ltd. (Hereinafter Veolia Kunming)	176	176	5	–	(12)	169
Veolia Water (Yellow river) Investment Co., Ltd. (Hereinafter Veolia Yellow river)	557	–	557	–	(16)	541
Veolia Water (Liuzhou) Investment Co., Ltd. (Hereinafter Veolia Liuzhou)	113	–	113	(1)	(7)	105
PingAn Roosevelt Holdings Ltd (Hereinafter PingAn Roosevelt)	–	–	–	–	–	–
Beijing Jingan Shihua shangdi Hotel Management Co, Ltd	39	–	39	–	–	39
Hubei. Shumyip Huayin Traffic Development Co., Ltd. (Hereinafter Hubei. Shumyip Huayin)	618	–	618	–	–	618
	2,238	415	2,037	(210)	(35)	2,207

Note 1: Equity investments in Industrial Bank and Bank of Communications held by the Group were transferred from long-term equity investments to available-for-sales financial assets in the current year.

	2006					
	Initial amount	Beginning of year	Increase during current year	Decrease during current year	Changes in foreign exchange rate	End of year
Cost method:						
Industrial Bank Co., Ltd.	113	113	–	–	–	113
Bank of Communications Co., Ltd.	92	–	92	–	–	92
Others	34	107	30	(103)	–	34
Equity method:						
Veolia Kunming	176	–	176	–	–	176
Others	–	3	–	(3)	–	–
	415	223	298	(106)	–	415

As at December 31, 2007
(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

15. Long-term equity investments *(continued)*

The Group's investment in associates as at December 31, 2007 is as follows:

Name of the invested entity	Registered/ paid-up share capital	Percentage of Holding and voting rights	Place of Incorporation	Business scope
Veolia Kunming	USD95,000,000/ USD91,875,208	24%	Hong Kong	Water services investment
Veolia Yellow river	USD250,000,000/ USD151,195,839	49%	Hong Kong	Water services investment
Veolia Liuzhou	USD32,124,448/ USD32,124,448	45%	Hong Kong	Water services investment
Ping An Roosevelt	US$10,000/ US$10,000	30%	Hong Kong	Department store investment
Hubei. Shumyip Huayin	RMB110,000,000/ RMB110,000,000	49%	Hubei	Expressway investment
Beijing Jingan Shihua Shangdi Hotel Management Co, Ltd	RMB130,000,000/ RMB130,000,000	21%	Beijing	Hotel management

16. Goodwill

	Opening balance	Increase	Decrease	Year end balance
Ping An Security	313	–	–	313
Ping An Bank	13	–	(13)	–
Shenzhen Ping An Bank	83	54	–	137
Shenzhen CITIC Plaza	–	66	–	66
Portfield Limited	–	94	–	94
Total	409	214	(13)	610
Less: impairment provision	–	–	–	–
Net balance	409	214	(13)	610

The Group finished the acquisition of Shenzhen CITIC Plaza and Portfield Limited in 2007 which generated the goodwill of RMB66 million and 94 million respectively. Please refer to Note V for detailed calculation.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

17. Statutory Deposits

	December 31, 2007	December 31, 2006
Ping An Life	**760**	760
Ping An Property and Casualty	**600**	600
Ping An Pension	**100**	60
Ping An Health	**100**	100
Total	**1,560**	1,520

According to related regulations of the "Insurance Law" and "Provisional Measures on Statutory Deposits Management of Insurance Company" (BaoJianFa [2007] No. 66), subsidiaries operating insurance business should propose 20% of registered capital as statutory deposits, which must be deposited in a Chinese invested commercial bank approved by CIRC. The statutory deposit is only used for debt discharge upon clearance of the Company.

18. Investment properties

	For the year ended December 31, 2007		
	Buildings	**Land use rights**	**Total**
Cost			
Beginning of year	**1,918**	**154**	**2,072**
Transfer from acquisition of subsidiaries	**2,046**	**–**	**2,046**
Addition	**454**	**–**	**454**
Transfer from fixed assets	**126**	**51**	**177**
Disposals	**(38)**	**–**	**(38)**
End of year	**4,506**	**205**	**4,711**
Accumulated depreciation and amortization			
Beginning of year	**339**	**22**	**361**
Charges for the year	**119**	**8**	**127**
Transfer from acquisition of subsidiaries	**91**	**–**	**91**
Transfer from fixed assets	**55**	**6**	**61**
Disposals	**(11)**	**–**	**(11)**
End of year	**593**	**36**	**629**
Impairment losses			
Beginning of year	**51**	**–**	**51**
Addition	**21**	**–**	**21**
Disposals	**(41)**	**–**	**(41)**
End of year	**31**	**–**	**31**
Net			
End of year	**3,882**	**169**	**4,051**
Beginning of year	**1,528**	**132**	**1,660**

As at December 31, 2007
(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

18. Investment properties *(continued)*

	For the year ended December 31, 2006		
	Buildings	Land use rights	Total
Cost			
Beginning of year	1,762	154	1,916
Transfer from acquisition of subsidiaries	124	–	124
Addition	176	–	176
Transfer from fixed assets	41	–	41
Disposals	(185)	–	(185)
End of year	1,918	154	2,072
Accumulated depreciation and amortization			
Beginning of year	316	19	335
Addition	64	3	67
Transfer from acquisition of subsidiaries	17	–	17
Disposals	(58)	–	(58)
End of year	339	22	361
Impairment losses			
Beginning of year	203	–	203
Disposals	(152)	–	(152)
End of year	51	–	51
Net value			
End of year	1,528	132	1,660
Beginning of year	1,243	135	1,378

As at December 31, 2007, the Group's investment properties with a book value of RMB1,701 million are pledged as a collateral for the long-term borrowings with a book value of RMB1,612 million.

The Group is in the process of applying for title certificates for investment properties with a net book value of RMB192 million as at December 31, 2007 (December 31, 2006: RMB93 million).

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

19. Fixed assets

	For the year ended December 31, 2007				
	Buildings	Office Equipments	Motor vehicles	Construction in progress	Total
Cost					
Beginning of year	3,720	2,131	421	644	6,916
Acquisition of subsidiaries	–	17	2	–	19
Additions	–	515	101	3,381	3,997
Transfer from construction in progress	503	–	–	(553)	(50)
Transfer to investment properties	(126)	–	–	–	(126)
Disposals	(42)	(251)	(33)	–	(326)
End of year	4,055	2,412	491	3,472	10,430
Accumulated depreciation					
Beginning of year	695	1,263	254	–	2,212
Addition	171	260	45	–	476
Acquisition of subsidiaries	–	4	1	–	5
Transfer to investment properties	(55)	–	–	–	(55)
Disposals	(13)	(222)	(26)	–	(261)
End of year	798	1,305	274	–	2,377
Impairment losses					
Beginning of year	141	–	–	11	152
Additions	20	–	–	–	20
Disposals	(13)	–	–	–	(13)
End of year	148	–	–	11	159
Net Value					
End of year	3,109	1,107	217	3,461	7,894
Beginning of year	2,884	868	167	633	4,552

As at December 31, 2007
(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

19. Fixed assets *(continued)*

	For the year ended December 31, 2006				
	Buildings	Office Equipments	Motor vehicles	Construction in progress	Total
Cost					
Beginning of year	2,643	1,573	400	646	5,262
Acquisition of subsidiaries	435	308	8	10	761
Additions	12	357	87	764	1,220
Transfer from Construction in progress	709	5	–	(776)	(62)
Transfer to investment properties	(41)	–	–	–	(41)
Disposals	(38)	(112)	(74)	–	(224)
End of year	3,720	2,131	421	644	6,916
Accumulated depreciation					
Beginning of year	527	929	250	–	1,706
Additions	91	199	51	–	341
Acquisition of subsidiaries	77	213	7	–	297
Disposals	–	(78)	(54)	–	(132)
End of year	695	1,263	254	–	2,212
Provision for impairment					
Beginning of year	120	–	–	26	146
Additions	30	–	–	–	30
Disposals	(9)	–	–	(15)	(24)
End of year	141	–	–	11	152
Net Value					
End of year	2,884	868	167	633	4,552
Beginning of year	1,996	644	150	620	3,410

The Group is in the process of applying for property certificates in respect of certain buildings with a net book value of RMB212 million as at December 31, 2007 (December 31, 2006: RMB156 million).

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

19. Fixed assets *(continued)*

As at December 31, 2007, the group has no significant fixed assets ready for the disposal.

Construction in Progress of the Group is as follows:

	Budget	Beginning of the year	Addition	Transfer to Fixed Assets	Other disposal	End of the year	Progress percentage in budget
Beijing Meibang International Center	2,685	–	2,115	–	–	2,115	78.77%
Futian Ping An Building	Not determined	–	831	–	–	831	N/A
Zhangjiang Bank Card Industry Park	1,064	333	139	472	–	–	87.24%
Pudong Ping An Building	3,200	196	102	–	–	298	9.34%
Jingzhou Wal-mart Supercenter	286	80	54	–	–	134	46.85%
Total	7,235	609	3,241	472	–	3,378	41.39%

All the funds in the construction in process of the Group are sourced internally.

20. Intangible assets

	For the year ended December 31, 2007				
	Toll roads operating rights	Land use rights	Computer software and others	Others	Total
Cost					
Beginning of year	–	871	324	58	1,253
Acquisition of subsidiaries	2,754	–	–	–	2,754
Additions	–	–	188	–	188
Disposals	–	(53)	(116)	(1)	(170)
End of year	2,754	818	396	57	4,025
Accumulated amortization					
Beginning of year	–	85	187	38	310
Acquisition of subsidiaries	101	–	–	–	101
Addition	3	25	75	6	109
Disposals	–	(6)	(113)	–	(119)
End of year	104	104	149	44	401
Provisions for impairments					
End of year	–	3	–	–	3
Beginning of year	–	3	–	–	3
Net value					
End of year	2,650	711	247	13	3,621
Beginning of year	–	783	137	20	940

As at December 31, 2007
(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

20. Intangible assets *(continued)*

	For the year ended December 31, 2006			
	Land use rights	Computer software and others	Others	Total
Cost				
Beginning of year	869	251	59	1,179
Additions	2	87	1	90
Disposals	–	(14)	(2)	(16)
End of year	871	324	58	1,253
Accumulated amortization				
Beginning of year	67	147	34	248
Additions	18	54	6	78
Disposals	–	(14)	(2)	(16)
End of year	85	187	38	310
Provision for impairments				
End of year	3	–	–	3
Beginning of year	3	–	–	3
Net value				
End of year	783	137	20	940
Beginning of year	799	104	25	928

As at December 31, 2007, the Group's toll roads operating right with a book value of RMB1,835 million is pledged as a collateral for the long-term borrowings with a book value of RMB1,606 million.

The Group is in the process of applying for property certificates of the land-use-rights with a net book value of RMB483 million as at December 31, 2007 (December 31, 2006: RMB498 million).

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

21. Deferred tax assets/liabilities

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

	December 31, 2007	December 31, 2006
Deferred tax assets	**87**	888
Deferred tax liabilities	**(4,822)**	(1,441)
Net	**(4,735)**	(553)

	Beginning of Year	Charged to Profit and Loss	Charged to equity	Others	End of year	Temporary difference as at year end
Provision for bad debts	107	15	–	–	122	(322)
Loan loss provision	280	(266)	–	–	14	(78)
Share appreciation rights	105	413	–	–	518	(2,743)
Change in fair values of financial assets	(2,537)	(595)	(3,916)	–	(7,048)	35,859
Insurance liability reserves	1,381	98	456	–	1,935	(10,032)
Provision for settled assets	52	(52)	–	–	–	–
Provision for unsettled lawsuits	27	(5)	–	–	22	(125)
Others	32	(22)	–	(308)	(298)	374
Total	(553)	(414)	(3,460)	(308)	(4,735)	22,933

The Group considers it is probable that sufficient taxable profit will be available in the future to offset aforementioned temporary differences, hence recognizes the above deferred tax assets

As at December 31, 2007, the group has no significant unrecognized deferred tax assets' deductible temporary differences and deductible losses.

22. Other assets

	December 31, 2007	December 31, 2006
Other receivable		
– Prepayment for investment projects	**627**	1,689
– External parties receivables	**304**	406
– Interest rate swap guarantee receivables	**147**	238
– Others	**627**	517
Dividend receivable	**73**	107
Settled assets	**906**	1,179
Long-term deferred expense	**412**	313
Others	**571**	400
Total	**3,667**	4,849
Less: Provision for impairment losses	**(451)**	(529)
Net	**3,216**	4,320

As at December 31, 2007
(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

22. Other assets *(continued)*

There are no other assets due from shareholders who individually hold no less than 5% of the company's voting share capital.

The aging of the Group's other receivable are set out as below:

Aging	**December 31, 2007**	December 31, 2006
Within one year (including 1 year)	**1,299**	2,440
1 to 2 year (including 2 years)	**178**	80
2 to 3 year (including 3 years)	**78**	73
More than 3 years	**72**	81
Total	**1,627**	2,674

The Group's bad debt provision for other receivable are detailed as below:

	December 31, 2007			
	Amount	**Percentage in all receivable**	**Bad debt provision**	**Provision percentage**
Individually significant	**800**	**46.9%**	**(7)**	**0.8%**
Individually non-significant but significant in collective credit risk portfolio	**28**	**1.7%**	**(24)**	**85.7%**
Other non-significant	**877**	**51.4%**	**(47)**	**5.4%**
Total	**1,705**	**100%**	**(78)**	**4.6%**

	December 31, 2006			
	Amount	Percentage in all receivable	Bad debt provision	Provision percentage
Individually significant	1,728	60.6%	–	–
Individually non-significant but significant in collective credit risk portfolio	398	14.0%	(118)	29.6%
Other non-significant	724	25.4%	(58)	8.0%
Total	2,850	100.00%	(176)	6.2%

	December 31, 2007	December 31, 2006
Sum of top 5 of other receivable	**687**	1,911
Percentage in other receivable	**42.2%**	71.5%
Outstanding Years	**Within 2 years**	Within 2 years

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

22. Other assets *(continued)*

The Group's dividends receivable are set out by aging as below:

	December 31, 2007	December 31, 2006
Within one year	**73**	107

Details of settled assets held by the Group are as follows:

	December 31, 2007	December 31, 2006
Buildings	**778**	1,085
Others	**128**	94
Total	**906**	1,179
Less: Provision for impairment losses	**(368)**	(353)
Net	**538**	826

Gains on disposal of settled assets by the Group during 2007 are RMB71 million (2006: Nil).

The Group has no significant salvage assets for both the year 2007 and 2006.

As at December 31, 2007
(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

23. Provision for impairment losses

Movement of provision for impairment losses is as follows:

	For the year ended December 31, 2007					
			Reversal during the year			
Item	**Balance as at January 1, 2007**	**Addition during the year**	**Write-back**	**Write-off**	**Total**	**Balance as at December 31, 2007**
Provision for bad debts	**586**	**93**	**–**	**(357)**	**(357)**	**322**
Provision for impairment on long-term equity investments	**154**	**–**	**–**	**(35)**	**(35)**	**119**
Loan loss provision	**2,431**	**136**	**(254)**	**(1,777)**	**(2,031)**	**536**
Provision for impairment on investment properties	**51**	**21**	**–**	**(41)**	**(41)**	**31**
Provision for impairment on fixed assets	**152**	**20**	**–**	**(13)**	**(13)**	**159**
Provision for impairment on intangible assets	**3**	**–**	**–**	**–**	**–**	**3**
Provision for impairment on other assets	**529**	**296**	**(23)**	**(351)**	**(374)**	**451**
Total	**3,906**	**566**	**(277)**	**(2,574)**	**(2,851)**	**1,621**

	For the year ended December 31, 2006					
			Reversal during the period			
Item	Balance as at January 1, 2006	Addition during the year	Write-back	Write-off	Total	Balance as at December 31, 2006
Provision for bad debts	168	428	–	(10)	(10)	586
Provision for impairment on long-term equity investments	80	86	–	(12)	(12)	154
Loan loss provision	94	2,531	–	(194)	(194)	2,431
Provision for impairment on investment properties	203	–	–	(152)	(152)	51
Provision for impairment on fixed assets	146	30	–	(24)	(24)	152
Provision for impairment on intangible assets	3	–	–	–	–	3
Provision for impairment on other assets	88	487	(1)	(45)	(46)	529
Total	782	3,562	(1)	(437)	(438)	3,906

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

24. Short-term borrowings

	December 31, 2007	December 31, 2006
Credit borrowings	**3,719**	527

The annual interest rate of the above borrowings is 5.22%-6.57%.

25. Due to banks and other financial institutions

	December 31, 2007	December 31, 2006
Amounts due to banks	**2,470**	1,984
Amounts due to other financial institutions	**5,062**	1,481
Total	**7,532**	3,465

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

26. Guarantee deposits

	December 31, 2007	December 31, 2006
Guaranteed deposits for acceptances	**3,517**	3,712
Guaranteed deposits	**656**	891
Guaranteed deposits for letter of guarantee	**531**	474
Guaranteed deposits for letter of credit	**254**	259
Others	**440**	149
Total	**5,398**	5,485

As at December 31, 2007
(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

27. Placements from banks and other financial institutions

	December 31, 2007	December 31, 2006
From banks	**175**	992

28. Financial assets sold under agreements to repurchase

	December 31, 2007	December 31, 2006
Notes	**1,676**	–
Securities	**12,304**	12,478
Loans	**–**	2,095
Total	**13,980**	14,573

As at December 31, 2007, loans and advances to customers amounting to RMB1,676 million (December 31, 2006: RMB2,231 million) and bonds investments amounting to RMB12,468 million (December 31, 2006: RMB12,478 million) were used as collateral for the financial assets sold under agreements to repurchase. As at the date of approval of the financial statements, financial assets sold under agreements to repurchase have already been redeemed.

29. Customer bank deposits

	December 31, 2007	December 31, 2006
Current deposits		
Corporate client	**31,165**	37,601
Individual client	**5,879**	5,672
Term deposits (including call deposits)		
Corporate client	**30,253**	17,454
Individual client	**4,305**	5,749
Outward remittance and drafts and telegraphic transfers payable	**531**	249
Total	**72,133**	66,725

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

30. Customer brokerage deposits

	December 31, 2007	December 31, 2006
Individual client	**9,259**	3,423
Corporate client	**5,135**	327
Total	**14,394**	3,750

31. Premiums received in advance

As at the balance sheet date, there is no balance of this account due to shareholders who individually hold no less than 5% of the company's voting share capital, or no significant amount with the aging of more than one year.

32. Due to reinsurers

Aging	**December 31, 2007**	December 31, 2006
Within 9 months (including 9 months)	**2,188**	625
More than 9 months	**228**	121
Total	**2,416**	746

There is no balance of this account due to shareholders who individually hold no less than 5% of the company's voting share capital.

As at December 31, 2007
(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

33. Salary and welfare payable

Details of salary and welfare payable of the Group are as follows:

	For the year ended December 31, 2007			
	Beginning of year	**Accruals**	**Payments**	**End of year**
Salary, bonus, and allowance and staff welfare	904	5,719	(4,974)	1,649
Social insurance	3	849	(818)	34
Labor union fund and employee education fund	117	279	(108)	288
Compensation on termination of contracts	–	19	(1)	18
Cash-settled shares-based payments	1,109	2,127	(493)	2,743
Total	2,133	8,993	(6,394)	4,732

34. Taxes payable

	December 31, 2007	December 31, 2006
Corporate income tax	**925**	691
Business tax	**581**	319
City maintenance and construction tax	**17**	14
Others	**384**	142
Total	**1,907**	1,166

In accordance with "Notice on Tianan Insurance Co, Ltd. and other insurance companies' payment of enterprise income tax" (Guoshuihan [2004] No. 1040) and "Notice on Xiangcai Securities Co., Ltd. and other securities companies' payment of enterprise income tax" (Guoshuihan [2004] No. 1069), which were issued by the State Administration of Taxation, from 2004, the branches of Ping An Property and Casualty, Ping An Life and Ping An Securities shall file and pay the enterprise income tax in Shenzhen, where the head office lies, without processing the CIT pay-in-advance procedure temporarily. When filing and paying the corporate income tax, Ping An Property and Casualty, Ping An Life and Ping An Securities should account for their businesses in Shenzhen Special Economic Zone and outside Shenzhen Special Economic Zone separately, and pay corporate income tax in accordance with tax rate respectively.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

35. Claims Payable

Claims payable is calculated without interests attached, and usually will be settled within 12 months.

As at the balance sheet date, there is no balance of this account due to shareholders who individually hold not less than 5% of the company's voting share capital or no significant amount with the aging of more than one year.

36. Policyholder dividends payable

As at the balance sheet date, there is no balance of this account due to shareholders who individually hold not less than 5% of the company's voting share capital or no significant amount with the aging of more than one year.

37. Policyholder deposits and investments

	December 31, 2007	December 31, 2006
Within 1 year (including 1 year)	**230**	58
More than 1 year	**5,057**	3,991
Total	**5,287**	4,049

As at December 31, 2007
(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

38. Insurance contract reserves

	For the year ended December 31, 2007					
			Reduction during current year			
	Beginning of year	Addition	Claim payments	Terminated prior to their expiration dates	Others	End of year
Unearned premium reserves						
Direct contracts	12,927	26,218	–	–	(23,449)	15,696
Reinsurance contracts	10	85	–	–	(61)	34
Outstanding claim reserves						
Direct contracts	6,465	14,073	(12,736)	–	(200)	7,602
Reinsurance contracts	15	40	(12)	–	–	43
Policyholders' reserves for life insurance						
Direct contracts	248,574	102,424	(13,271)	(13,416)	(3,952)	320,359
Long-term reserves for health insurance						
Direct contracts	30,694	10,807	(1,166)	(674)	(2,448)	37,213
Total	298,685	153,647	(27,185)	(14,090)	(30,110)	380,947

Due terms of insurance contract reserves are as follows:

	December 31, 2007		December 31, 2006	
	Within one year (including one year)	**More than one year**	Within one year (including one year)	More than one year
Unearned premium reserves				
Direct contracts	**12,133**	**3,563**	9,660	3,267
Reinsurance contracts	**6**	**28**	7	3
Claim reserves				
Direct contracts	**6,077**	**1,525**	5,158	1,307
Reinsurance contracts	**34**	**9**	12	3
Policyholders' reserves for life insurance				
Direct contracts	**13,962**	**306,397**	11,495	237,079
long-term reserves for health insurance				
Direct contracts	**763**	**36,450**	613	30,081
Total	**32,975**	**347,972**	26,945	271,740

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

38. Insurance contract reserves *(Continued)*

Details of claim reserves of direct insurance contracts of the Group are as follows:

	December 31, 2007	December 31, 2006
Incurred and reported claim reserves	**5,522**	3,222
Incurred but not reported claim reserves	**1,549**	2,785
Claim expense reserve	**531**	458
Total	**7,602**	6,465

39. Long-term borrowings

Lenders	**Loan Conditions**	**Interest Rate**	**Due Date**	**Closing balance**	**Opening balance**
Shenzhen Development Bank	Pledge	6.24%	2022	686	–
Industrial Bank Co. Ltd and Hangseng Bank	Pledge	7.05%	2016	771	–
Ping An Trust & Investment Co. Ltd. Wal-Mart loan in trust	Pledge	6.60%	2008	155	155
Industrial and Commercial Bank of China	Collateral	5.76%	2018	1,606	–
Total				3,218	155

As at the balance sheet date, long-term borrowings due within one year are RMB155 million (December 31, 2006: Nil).

For details of the above borrowings' pledges and collateral, please refer to Notes VI 18 and 20.

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(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

40. Other liabilities

	December 31, 2007	December 31, 2006
Insurance guarantee fund	**126**	82
Dividend payable	**86**	81
Payables to external parties	**1,633**	255
Withholding payables	**341**	117
Rental income received in advance	**57**	60
Payables to employees	**266**	57
Others	**1,702**	1,319
Total	**4,211**	1,971

41. Share capital

The registered and paid-up share capital of the Company is RMB 7,345,053,334 (with a par value of RMB1 per share). Details of share capital are as follows:

	Beginning of year		**Issue of**	**End of year**	
(In millions)	**No. of shares**	**Percentage holding**	**new shares in year**	**No. of shares**	**Percentage holding**
Shares subject to trading moratorium:					
State-owned shares	589	9.51%	–	589	8.02%
State-owned legal-person shares	367	5.93%	–	367	5.00%
Domestic non state-owned legal-person shares	2,680	43.26%	345	3,025	41.19%
Sub-total	3,636	58.70%	345	3,981	54.21%
Shares not subject to trading moratorium:					
A-shares	–	–	805	805	10.96%
H-shares	2,559	41.30%	–	2,559	34.83%
Subtotal	2,559	41.30%	805	3,364	45.79%
Total	6,195	100.00%	1,150	7,345	100.00%

The increase in share capital of current year was due to initial public offerings of 1.15 billion RMB ordinary shares (A-shares) issued in February, 2007. The registered share capital mentioned above has been verified by Ernst & Young Hua Ming with a capital verification report numbered Ernst & Young Hua Ming (2007) Yan Zi No. 60468101-01.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

42. Capital reserves

	Share premium[(1)]	**Fair value changes**	**Other capital reserves[(2)]**	**Total**
As at January 1, 2007	**14,835**	**8,100**	**311**	**23,246**
Net gains from changes in fair value of available-for-sale financial assets	**–**	**17,323**	**–**	**17,323**
Policyholders' reserves related to changes in fair value of available-for-sale financial assets[(3)]	**–**	**(2,104)**	**–**	**(2,104)**
Related tax effect of items recognized directly in equity	**–**	**(3,426)**	**–**	**(3,426)**
Premium of Initial Public Offering[(4)]	**37,072**	**–**	**–**	**37,072**
As at December 31, 2007	**51,907**	**19,893**	**311**	**72,111**

	Share premium[(1)]	Fair value changes	Others[(2)]	Total
As at January 1, 2006	14,835	643	311	15,789
Net gains from changes in fair value of available-for-sale financial assets	–	12,254	–	12,254
Policyholders' reserves related to changes in fair value of available-for-sale financial assets[(3)]	–	(3,481)	–	(3,481)
Related tax effect of items recognized directly in equity	–	(1,316)	–	(1,316)
As at December 31, 2007	14,835	8,100	311	23,246

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

(2) The Company arranged 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 China Consultants of Accounting and Financial Management Co., Ltd., the net valuation surplus amounted to RMB311 million.

(3) According to Experts' Opinions on Implementation of Accounting Standards for Business Enterprises Issued by the Ministry of Finance on February 1, 2007, for change in fair value of available-for-sale financial assets included in participating insurance accounts and universal life insurance accounts, the Group adopts reasonable method to recognize amount attributable to policyholders as liabilities and to shareholders as capital reserves.

(4) As stated in Note VI. 41, the Company initially publicly offered 1.15 billion RMB ordinary shares (A-shares) in February 2007. Issue price was RMB33.80 per share, and total fund raised was RMB38,870 million. Deducted for underwriting costs RMB648 million, the fund raised was RMB 38,222 million. The share premium in excess of the registered capital amounting to RMB37,072 million was recorded to capital reserves.

As at December 31, 2007
(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

43. Surplus reserves

	Opening balance	Addition	Deduction	Closing balance
Statutory surplus reserve	3,096	1,509	–	4,605
Discretionary surplus reserve	3,024	–	–	3,024
Total	6,120	1,509	–	7,629

According to the Company Law and the Company's Articles of Association, 10% of the company's net profit was allocated to statutory reserve. No further provision for the statutory surplus reserve is required when its balance reaches 50% of the registered share capital. Subject to resolutions approved in the shareholders' meeting, the statutory surplus reserve can offset losses in prior years and can be converted to share capital which is delivered 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.

The Company can allocate discretionary surplus reserve fund can be allocated when the statutory surplus reserve fund is allocated. Once approved, the discretionary surplus reserve can be used to offset the losses in prior years.

44. General risk provision

In accordance with relevant regulations of the PRC, insurance companies, banking companies, trust companies, securities companies and futures companies need to set aside general risk provisions to provide for major catastrophes or losses. The Group's subsidiaries, in accordance with the relevant regulations of the PRC, individually provided for general risk provisions in their annual financial statements based on their current year profit or risk based assets as profit appropriation. The above mentioned general risk provisions cannot be used for dividends or appropriation to capital.

45. Retained profits

According to the Article of the Company and other relevant provisions, the company's profits distributable shareholders are the lower of the amount stated in financial statements prepared in accordance with International Financial Reporting Standards and that with PRC Accounting standards

According to the resolution passed on the company's extraordinary general meeting on November 13, 2006, both of the Company's current and new shareholders listed on the registrar of the Company are entitled to share the Company's accumulated undistributed profit based on proportion to their shareholding upon completion of initial public offering of A-shares.

For the impact of the first-time adoption of the Enterprise Accounting Standards on Retained profits at the beginning of the year, please refer to Note III 40 in the financial statements.

Pursuant to the Articles of the Company and relevant regulations and relevant provisions of China, 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;

(3) To provide for discretionary surplus reserve in accordance with the resolutions of the shareholders' meeting. The usage of the discretionary surplus reserve is determined in accordance with the articles of the Company or the resolutions of the shareholders' meeting;

(4) To distribute dividends to shareholders.

Pursuant to the resolution of the Board of the Directors on March 19, 2008, in the 2007 distribution scheme, 10% of net profit stated in PRC GAAP was allocated to statutory surplus reserve. The company proposed a final dividend of RMB0.50 per share totaling RMB3,673 million (2006: final dividend of RMB0.22 per share totalling RMB1,616 million).

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

46. Minority interests

	December 31, 2007	December 31, 2006
Ping An life	**294**	190
Ping An Property and Casualty	**51**	32
Ping An Securities	**511**	275
Shenzhen Ping An bank	**659**	585
Ping An Bank	**–**	186
Portfield	**154**	–
Others	**315**	98
Total	**1,984**	1,366

47. Premium income

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

	2007	2006
Direct insurance contract	**100,860**	85,377
Reinsurance contracts	**85**	28
Total	**100,945**	85,405

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(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

47. Premium income *(Continued)*

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

	2007	2006
Life insurance		
Individual		
Single premium income	**1,861**	1,901
First year regular premium income	**14,623**	10,447
Renewal premium income	**47,826**	42,960
Sub-total	**64,310**	55,308
Bancassurance		
Single premium income	**6,901**	5,930
First year regular premium income	**82**	66
Renewal premium income	**280**	248
Sub-total	**7,263**	6,244
Group insurance		
Single premium income	**7,261**	6,383
Renewal premium income	**445**	476
Sub-total	**7,706**	6,859
Life insurance total	**79,279**	68,411
Property and casualty Insurance		
Motor and third party liability insurance	**15,166**	11,708
Health and accident insurance	**1,135**	842
Others	**5,365**	4,444
Sub-total of Property and casualty Insurance	**21,666**	16,994
Total	**100,945**	85,405

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

48. Unearned premium reserves

	2007	2006
Direct contracts	**2,601**	2,284
Reinsurance contracts	**14**	5
Total	**2,615**	2,289

49. Net interest income from banking operations

	2007	2006
Interest income from banking operations		
Due from banks and other financial institutions	**90**	36
Placements with central bank	**163**	5
Placements with banks and other financial institutions	**221**	17
Loans and advances to customers	**3,200**	132
Including: Individual loans	**1,015**	33
Corporate loans	**1,720**	82
Discounted bills	**465**	17
Financial assets purchased under agreements to resell	**335**	2
Bond investments	**1,305**	–
Including: Interest income from impaired financial assets	**24**	–
Total	**5,314**	192
Interest expense of banking operations		
Due to banks and other financial institutions	**192**	33
Placements with banks and other financial institutions	**131**	–
Due to customers	**1,228**	47
Financial assets sold under agreements to repurchase	**14**	–
Total	**1,565**	80
Net interest income from banking operations	**3,749**	112

As at December 31, 2007
(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

50. Net income from fees and commission

	2007	2006
Fees and commission income		
Commission income from securities underwriting business	**290**	82
Commission income from securities trading	**1,556**	349
Management fee income from management of trust products	**511**	83
Handling fee income from clearing and settlement business	**12**	–
Commission income from custodian services	**65**	43
Others	**182**	100
Total	**2,616**	657
Fees and commission expenses		
Commission expenses for securities trading	**165**	29
Other commission expenses	**405**	63
Total	**570**	92
Net fees and commission	**2,046**	565

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

51. Investment income

	For the year ended in 2007	For the year ended in 2006
Interest income		
Bonds		
Held-to-maturity	**5,064**	4,836
Available-for-sale	**2,592**	1,717
At fair value through profit or loss	**579**	225
Term deposits		
Loans and receivables	**2,482**	3,169
Others		
Loans and receivables	**300**	94
Dividend income		
Funds		
Available-for-sale	**3,653**	1,625
At fair value through profit or loss	**5,478**	1,683
Stocks		
Available-for-sale	**251**	237
At fair value through profit or loss	**72**	115
Realized gains		
Bonds		
Available-for-sale	**(1,538)**	103
At fair value through profit or loss	**88**	224
Funds		
Available-for-sale	**4,915**	2,063
At fair value through profit or loss	**5,840**	2,505
Stocks		
Available-for-sale	**17,506**	860
At fair value through profit or loss	**10,899**	1,770
Derivative financial instruments	**494**	237
Others	**(294)**	–
Share of profits and losses of associates	**4**	–
Interests expenses for financial assets sold under agreements to repurchase and placements with banks	**(1,435)**	(171)
Total	**56,950**	21,292

As at the balance sheet date, there is no significant restriction for the Group to receive the investment income.

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(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

52. Gains from changes in fair value

	2007	2006
Held-for-trading financial instruments		
Bonds	**(348)**	61
Funds	**4,232**	4,002
Stocks	**3,078**	2,496
Destined at fair value through profit or loss	**(317)**	228
Derivative financial instruments	**240**	108
Total	**6,885**	6,895

53. Operating income

	2007	2006
Total operating income amount of top 5 customers	**955**	870
Percentage of total operating income	**0.58%**	0.81%

54. Claims paid

(1) Details of claims by insurance contracts of the Group are as follows:

	2007	2006
Direct insurance contracts	**26,986**	18,072
Reinsurance contracts	**12**	9
Total	**26,998**	18,081

(2) Details of claims paid by types of payments of the Group are as follows:

	2007	2006
Claims	**13,137**	10,909
Payments on maturities	**9,327**	3,167
Payments on annuities	**2,894**	2,923
Payments on death and medical claims	**1,640**	1,082
Total	**26,998**	18,081

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

55. Change in insurance contract reserves

(1) Details of change in insurance contract reserves by insurance contracts of the Group are as follows:

	2007	2006
Changes in claim reserves		
Direct insurance contracts	**1,337**	645
Reinsurance contracts	**28**	6
Changes in policyholders' reserves for life insurance		
Direct insurance contracts	**69,661**	49,821
Changes in long-term reserves for health insurance		
Direct insurance contracts	**6,519**	5,688
Total	**77,545**	56,160

(2) Details of changes in outstanding claim reserve of direct insurance contracts by type are as follows:

	2007	2006
Incurred and reported claim reserve	**2,367**	(134)
Incurred but not reported claim reserve	**(1,103)**	748
Loss adjustment expense reserves	**73**	31
Total	**1,337**	645

56. Reinsurers' share of insurance contract reserves

	2007	2006
Reinsurers' share of claim reserves	**580**	29
Reinsurers' share of policyholders reserve	**6**	–
Reinsurers' share of long-term reserves for health insurance	**6**	–
Total	**592**	29

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(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

57. Business tax and surcharges

	2007	2006
Business Tax	**3,429**	1,503
City maintenance and construction tax	**107**	75
Education surcharges	**120**	59
Total	**3,656**	1,637

Please refer to Note IV Taxation for the calculation criteria of business tax.

58. Insurance related handling charges and commission

	2007	2006
Handling fee for insurance business	**2,247**	1,832
Commission expense for insurance business	**8,591**	6,242
Total	**10,838**	8,074

59. General and administrative expenses

General and administrative expenses of the Group include the following expenses:

	2007	2006
Salaries and welfare	**7,865**	4,704
Social insurance	**849**	417
Depreciation of fixed assets	**476**	341
Amortization of intangible assets	**109**	78
Auditors' remuneration		
– Annual and interim review and audit	**23**	14

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

60. Impairment losses

	2007	2006
Bad debt for receivables	**93**	(50)
Impairment losses for long-term equity investment	**(11)**	4
Impairment losses for loans	**(118)**	3
Impairment losses for investment properties	**10**	(111)
Impairment losses for fixed assets	**20**	21
Impairment losses for other assets	**295**	138
Total	**289**	5

61. Non-operating income

	2007	2006
Gains from disposal of non-current assets	**402**	50
Others	**167**	37
Total	**569**	87

According to the creditor assets transferring contract signed between the Company's subsidiary Shenzhen Ping An Bank (then named Shenzhen Commercial Bank Co., Ltd.) and China Cinda Asset Management Company on May 15, 2007, Shenzhen Ping An Bank transferred non-performing loans to China Cinda Asset Management Company, hence recognized RMB267 million gain in non-operating income.

62. Non-operating expenses

	2007	2006
Loss from disposal of non-current assets	**5**	11
Others	**248**	51
Total	**253**	62

As at December 31, 2007
(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

63. Income tax

	2007	2006
Current income tax	**1,488**	346
Deferred income tax	**414**	(106)
Total	**1,902**	240

The relationship between income tax and accounting profit of the Group is as follows:

	2007	2006
Profit before tax	**17,483**	7,736
Tax computed at the main applicable tax rate of 15%	**2,622**	1,160
Tax effect of change in tax rate	**(24)**	–
Tax effect of expenses not deductible in determining taxable income	**712**	531
Tax effect of income not taxable in determining taxable income	**(1,762)**	(1,133)
Tax credit received	**–**	(289)
Tax effect of higher tax rate on branches and entities (in the PRC) that are located outside the PRC Special Economic Zones	**354**	(29)
Total	**1,902**	240

The Group's corporate income tax is calculated based on the understanding of current tax laws and the estimated taxable income earned in China using the applicable tax rate. For tax items involving taxable income generated from abroad , they are calculated using the applicable tax rate in accordance with the current effective laws, explanatory notices and practices of the jurisdiction where the Group's foreign operation are located.

The Group's tax position is subject to assessment and inspection of the tax authorities.

On March 16, 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law") which was effective from January 1, 2008. Under the New CIT Law, corporate income tax rate for domestic companies will decrease from 33% to 25% from January 1, 2008. Besides, in accordance with "Notice about implementation of Enterprise income tax transitional preferential policy" (Guofa [2007] No. 39) issued by the state council, for those enterprises benefiting from lower preferential tax rates (e.g. 15%), such preferential rates will be gradually phased out by increasing them over the next five years.

64. Earnings per share

The basic earnings per share is calculated by dividing the Company's net profit attributable to ordinary shareholders by the weighted average number of outstanding shares. The detailed calculation is as follows:

	2007	2006
Net profit attributable to ordinary shareholders for current year	**15,086**	7,342
Weighted average number of outstanding shares of the Company	**7,153**	6,195
Basic Earnings per share	**2.11**	1.19

The Company has no potential dilutive ordinary shares, hence no diluted earnings per share is calculated.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

65. Shares payment

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 to participate virtual option scheme. 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 rights, the participants will receive 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 multiplied by the difference between the exercise price and market price of an H share at the time of exercise.

The expense recognized for employee services during the year is RMB2,127 million. (2006: RMB1,019 million).

The amount of issued SARs units by the Group during the period is as follows:

(Unit: Million)	**2007**	2006
Beginning of the year	**74**	58
Granted during the year	**–**	16
Exercised during the year	**(13)**	–
Recovered due to head count change	**(5)**	–
End of the year	**56**	74

The Group use Black-Scholes Option Pricing Model to estimate the fair value of options. The following table lists the inputs to the model used for the year.

	December 31, 2007	December 31. 2006
Risk-free interest rate (%)	**2.6%**	1.5%
Expected dividend yield (%)	**1.0%**	1.0%
Expected volatility (%)	**36.1%**	31.0%
Expected residual life (year)	**1-2**	1-3

The services received and corresponding liabilities to pay for those services are recognized over the expected vesting period. Until the liability is settled, it is re-measured at each balance date and settlement date, with changes in fair value recognized in the income statement. The carrying amount of the liability relating to the share appreciation rights as at December 31, 2007 is RMB2,743 million (December 31, 2006: RMB1,109 million).

As at December 31, 2007
(in RMB million)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

66. Investment-linked insurance

(1) Investment accounts for investment-linked insurance.

Investment-linked insurance products of the Group include Ping An Century Wealth Builder Investment-linked Insurance, Ping An Group Pension Investment-linked Insurance, Ping An Jufuniannian Investment-linked Insurance and Ping An Jufububugao Investment-linked Insurance. The Group has established nine separate accounts for the above investment-linked products: the Ping An Developed Portfolio (the "Development portfolio"), the Ping An Guaranteed Portfolio (the "Guaranteed portfolio"), the Ping An Fund Portfolio (the "Fund portfolio"), the Ping An Value Portfolio (the "Value portfolio"), the Ping An Conservative Portfolio (the "Conservative portfolio"), the Ping An Balanced Portfolio (the "Balanced portfolio"), the Ping An Growth Portfolio (the "Growth portfolio"), the Ping An Equity Portfolio (the "Equity portfolio"), the Ping An Money Market Portfolio (the "Money Market portfolio"). The above accounts are established in accordance with the terms in the policies, "Provisional Measures on Management of Investment-linked Insurance" and other regulations issued by CIRC, and approved by CIRC. The above accounts invest in bank deposits, placements with banks, security investment funds, bonds, stocks and other financial instruments permitted by the CIRC.

(2) Number of units and net asset value for each investment unit of investment-linked insurance accounts as at the last valuation date of 2007 and 2006.

		December 27, 2007		December 28, 2006	
	Launch date	**Number of unit**	**Net asset value per each investment unit**	Number of unit	Net asset value per each investment unit
Development portfolio	10/23/2000	**6,585**	**2.7891**	6,420	1.8333
Guaranteed portfolio	4/30/2001	**214**	**1.2428**	221	1.2007
Fund portfolio	4/30/2001	**3,155**	**3.5896**	2,715	1.8591
Value portfolio	9/4/2003	**2,089**	**1.5746**	2,014	1.2403
Conservative portfolio	3/31/2001	**2,124**	**1.6725**	2,316	1.3099
Balanced portfolio	3/31/2001	**119**	**2.8787**	114	1.7452
Growth portfolio	3/31/2001	**143**	**4.0649**	232	2.1309
Equity portfolio	9/13/2007	**787**	**1.0294**	N/A	N/A
Money Market portfolio	12/17/2007	**1**	**1.0071**	N/A	N/A

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

66. Investment-linked insurance *(Continued)*

(3) Separate account (investment-linked) assets and liabilities

	December 31, 2007	December 31, 2006
Separate account (investment-linked) assets:		
Cash at bank	**2,101**	1,002
Held-for-trading financial assets	**27,644**	17,180
Financial assets purchased under agreements to resell	**–**	300
Interest receivables	**225**	41
Term deposit	**9,383**	6,309
Other assets	**141**	100
Total	**39,494**	24,932
Separate account (investment-linked) liabilities:		
Assets sold under agreements to repurchase	**424**	1,137
Unit reserves	**38,622**	23,587
Other payables	**448**	208
Total	**39,494**	24,932

(4) Management fees of investment-linked insurance

Investment-linked account management fees are the management fees charged by the Group from policyholders in accordance with the terms of the investment-linked insurance policies. For Development portfolio, Guaranteed portfolio, Fund portfolio and Value portfolio, the management fees are collected on every valuation day capped at 0.2% of the highest value of the account's asset per month and 2% per annum. For Conservative portfolio, Balanced portfolio and Growth portfolio, the administrative fees and investment management fees are collected on every valuation day with both capped at 1.5% per annum, of the account's assets. For Equity portfolio, the Company charges management fees every valuation day for 1.2% per annum of the account net assets. For Money Market portfolio, the management fees are collected on every valuation day capped at 1% per annum of the account assets.

(5) Main accounting policies of investment-linked insurance

Ping An Century Wealth Builder Investment-linked Insurance, Ping An Jufuniannian Investment-linked Insurance and Ping An Jufububugao Investment-linked Insurance, which undertake both insurance risk and other risks, are regarded as original insurance contracts with no separation between the insurance risk and other risks and are accounted for as original insurance contracts. Ping An Group Pension Investment-linked Insurance, which does not undertake any insurance risk, are regarded as investment contracts, and are accounted for as financial instruments.

(6) Valuation method of investment-linked insurance account

Assets related to investment-linked contracts are carried at fair value. Marketable securities excluding open ended funds are valued using the closing price at the valuation date or the most recent closing price if there are no transactions of the securities on the valuation date. Open ended funds are valued using the published net asset value. Equity investment funds within the insurance period are valued at cost. Inter-bank bonds are valued using valuation methods.

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VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

67. Notes to consolidated cash flow statement

(1) Reconciliation of the net profit to cash flows from operating activities

	December 31, 2007	December 31, 2006
Net profit	**15,581**	7,496
Add: Provisions for impairment losses	**289**	5
Depreciation of investment properties	**127**	67
Depreciation of fixed assets	**476**	341
Amortization of intangible assets	**109**	78
Amortization of long-term deferred expenses	**155**	19
Losses/(gains) from disposal of fixed assets, intangible assets and other long-term assets	**(212)**	(25)
Losses/(gains) from disposal of investment properties	**–**	(20)
Losses/(gains) from fair value changes	**(6,885)**	(6,895)
Investment income	**(58,254)**	(21,292)
Foreign exchange losses	**501**	463
Provision for insurance contract reserves	**79,568**	58,420
Increase in deferred tax liabilities, net	**414**	2,378
Increase in operating receivables	**(26,114)**	(12,255)
Increase in operating payables	**20,678**	16,965
Net cash flows from operation activities	**26,433**	45,745

(2) Net increase in cash and cash equivalents

	December 31, 2007	December 31, 2006
Cash at end of year	**46,301**	34,007
Less: Cash at beginning of year	**(34,007)**	(8,411)
Add: Cash equivalents at end of year	**49,995**	9,644
Less: Cash equivalents at beginning of year	**(9,644)**	(8,367)
Net increase in cash and cash equivalents	**52,645**	26,873

(3) For detailed information for the Group's acquired subsidiaries, please refer to Note V.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

67. Notes to consolidated cash flow statement *(Continued)*

(4) Significant amount in cash received from other operating activities

	2007	2006
Cash inflow from disposal of settled assets	**573**	–

(5) Significant amount in cash paid in other operating activities

	2007	2006
Cash outflow for surrenders	**13,333**	8,617

(6) Significant amount in cash received from other financing activities

	2007	2006
Cash inflow from securities sold under agreements to repurchase	**–**	6,554

(7) Significant amount in cash paid for other financing activities

	2007	2006
Cash outflow for securities sold under agreement to repurchase	**593**	–

(8) Cash and cash equivalents

	December 31, 2007	December 31, 2006
Cash		
Cash on hand	**382**	347
Cash at bank readily available for payments	**38,856**	28,729
Other monetary funds readily available for payments	**539**	61
Balance with central bank available for payment	**4,969**	1,927
Balances with clearing companies	**668**	93
Balances with other financial institutions	**833**	2,531
Placements with other financial institutions	**54**	319
Subtotal	**46,301**	34,007
Cash equivalents		
Bonds within 3 months	**7,620**	437
Money market fund	**13,245**	2,476
Assets purchased under agreements to resell due within 3 months	**29,130**	6,731
Subtotal	**49,995**	9,644
Cash and cash equivalents at the end of year	**96,296**	43,651

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VII. SEGMENT REPORT

The Group's business segment is divided into five business segments: life insurance business, property and casualty insurance business, banking business, security business, corporate business and other business. Segment net profit represents revenue less expenses directly attributable to a segment and the relevant portion of enterprise revenue less expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other segments of the Group.

Segment assets and liabilities mainly comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related allowances that are reported as direct offsets in the Group's consolidated balance sheet. The Group's revenue and net profit for this year are mainly derived from the above activities in the PRC. Accordingly, no further segment analysis by geographical area is provided.

	For the year ended December 31, 2007							
	Life Insurance	Property and Casualty Insurance	Banking	Securities	Corporate	Others	Elimination	Total
Income statement								
Premium income	79,279	21,666	–	–	–	–	–	100,945
Less: Premiums ceded to reinsurers	(710)	(3,588)	–	–	–	–	–	(4,298)
Change in unearned premium reserves	(332)	(2,283)	–	–	–	–	–	(2,615)
Earned premiums	78,237	15,795	–	–	–	–	–	94,032
Net interest income from banking operations	–	–	3,478	–	–	–	271	3,749
Including: inter-segmental interest income of banking operations	–	–	(271)	–	–	–	–	(271)
Net income from fees and commission	160	–	112	1,671	–	441	(338)	2,046
Including: Inter-segmental handling fees and commission income, net	153	–	–	13	–	172	–	338
Investment income	48,631	2,490	65	1,008	3,782	974	–	56,950
Gains from changes in fair value	6,395	(45)	(60)	146	324	125	–	6,885
Foreign exchange gains/ (losses)	(510)	(10)	35	(4)	(4)	(8)	–	(501)
Other operating income	1,269	118	7	374	346	435	(506)	2,043
Including: Inter-segmental other operating income	12	1	–	108	254	131	–	506
Total operating income	134,182	18,348	3,637	3,195	4,448	1,967	(573)	165,204

VII. SEGMENT REPORT *(Continued)*

	For the year ended December 31, 2007							
	Life Insurance	Property and Casualty Insurance	Banking	Securities	Corporate	Others	Elimination	Total
Surrenders	(13,333)	–	–	–	–	–	–	(13,333)
Claims paid	(16,083)	(10,915)	–	–	–	–	–	(26,998)
Less: Reinsurers' share of claim paid	530	1,913	–	–	–	–	–	2,443
Change in insurance contract reserves	(76,306)	(1,239)	–	–	–	–	–	(77,545)
Less: Reinsurers' share of insurance contract reserves	2	590	–	–	–	–	–	592
Policyholder dividends	(3,514)	–	–	–	–	–	–	(3,514)
Expenses for reinsurance accepted	–	(16)	–	–	–	–	–	(16)
Business tax and surcharges	(1,808)	(1,278)	(179)	(160)	(142)	(89)	–	(3,656)
Insurance-related handling charge and commission	(9,004)	(1,987)	–	–	–	–	153	(10,838)
General and administrative expenses	(7,109)	(4,093)	(1,490)	(1,142)	(1,414)	(519)	302	(15,465)
Including: Inter-segmental general and administrative expenses	(256)	(19)	(2)	–	(23)	(2)	–	(302)
Less: Reinsurers' share of expenses	175	992	–	–	–	–	–	1,167
Other operating expenses	(302)	(16)	(1)	–	–	(297)	31	(585)
Including: Inter-segmental other operating expense	(31)	–	–	–	–	–	–	(31)
Impairment losses	6	(51)	(164)	(3)	–	(77)	–	(289)
Total operating expenses	(126,746)	(16,100)	(1,834)	(1,305)	(1,556)	(982)	486	(148,037)
Operating profit	7,436	2,248	1,803	1,890	2,892	985	(87)	17,167
Add: Non-operating income	101	10	449	1	–	8	–	569
Less: Non-operating expense	(102)	(47)	(99)	(3)	(2)	–	–	(253)
Profit before tax	7,435	2,211	2,153	1,888	2,890	993	(87)	17,483
Less: income taxes	396	(727)	(616)	(396)	(354)	(205)	–	(1,902)
Net profit	7,831	1,484	1,537	1,492	2,536	788	(87)	15,581

	December 31, 2007							
	Life Insurance	Property and Casualty Insurance	Banking	Securities	Corporate	Others	Elimination	Total
Balance sheet								
Segment assets	420,566	31,091	141,976	23,516	55,368	21,155	(42,568)	651,104
Segment liabilities	390,247	25,493	135,351	19,786	1,924	11,566	(42,481)	541,886

	For the year ended December 31, 2007							
	Life Insurance	Property and Casualty Insurance	Banking	Securities	Corporate	Others	Elimination	Total
Other segment information								
Depreciation and amortization expense	483	159	81	26	24	94	–	867
Capital expenditure	3,678	260	230	80	64	581	–	4,893
Asset impairment losses	(6)	51	164	3	–	77	–	289
Non-cash expenses other than depreciation and amortization	–	–	–	–	–	–	–	–

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VII. SEGMENT REPORT *(Continued)*

	For the year ended December 31, 2006							
	Life Insurance	Property and Casualty Insurance	Banking	Securities	Corporate	Others	Elimination	Total
Income statement								
Premiums income	68,411	16,994	–	–	–	–	–	85,405
Less: Premiums ceded to reinsurers	(631)	(3,640)	–	–	–	–	–	(4,271)
Change in unearned premium reserves	(161)	(2,128)	–	–	–	–	–	(2,289)
Earned premiums	67,619	11,226	–	–	–	–	–	78,845
Net interest income of banking operations	–	–	112	–	–	–	–	112
Including: Inter-segmental Interest income of banking operations	–	–	–	–	–	–	–	–
Net income from fees and commission	41	–	7	462	–	150	(95)	565
Including: Inter-segmental handling fees and commission income, net	22	–	–	41	–	32	–	95
Investment income	19,351	615	47	260	907	123	(11)	21,292
Gains from changes in fair value	6,277	65	(3)	76	414	66	–	6,895
Foreign exchange gains/(losses)	(413)	(16)	(1)	(2)	(27)	(4)	–	(463)
Other operating income	373	42	5	470	54	265	(536)	673
Including: Inter-segmental other operating income	53	1	–	433	–	49	–	536
Total operating income	93,248	11,932	167	1,266	1,348	600	(642)	107,919
Surrenders	(8,617)	–	–	–	–	–	–	(8,617)
Claims paid	(9,504)	(8,577)	–	–	–	–	–	(18,081)
Less: Reinsurers' share of claim paid	544	1,902	–	–	–	–	–	2,446
Change in insurance contract reserves	(55,629)	(531)	–	–	–	–	–	(56,160)
Less: Reinsurers' share of insurance contract reserves	(5)	34	–	–	–	–	–	29
Policyholder dividends	(1,487)	–	–	–	–	–	–	(1,487)
Expenses for reinsurance accepted	–	(4)	–	–	–	–	–	(4)
Business tax and surcharges	(589)	(928)	(9)	(64)	(24)	(23)	–	(1,637)
Insurance-related handling charge and commission	(6,559)	(1,568)	–	–	–	–	53	(8,074)
General and administrative expenses	(5,871)	(2,958)	(72)	(469)	(891)	(293)	546	(10,008)
Including: Inter-segmental general and administrative expenses	(508)	(5)	–	(1)	(6)	(26)	–	(546)
Less: Reinsurers' share of expenses	277	1,271	–	–	–	–	–	1,548
Other operating expenses	(139)	(9)	–	–	–	(42)	32	(158)
Including: Inter-segmental other operating expense	(32)	–	–	–	–	–	–	(32)
Impairment losses	111	(71)	(2)	(2)	–	(41)	–	(5)
Total operating expenses	(87,468)	(11,439)	(83)	(535)	(915)	(399)	631	(100,208)
Operating profit	5,780	493	84	731	433	201	(11)	7,711
Add: Non-operating income	21	9	17	9	–	31	–	87
Less: Non-operating expenses	(21)	(16)	(5)	(5)	(3)	(12)	–	(62)
Profit before tax	5,780	486	96	735	430	220	(11)	7,736
Less: income taxes	(109)	96	(25)	(126)	(44)	(32)	–	(240)
Net profit	5,671	582	71	609	386	188	(11)	7,496

VII. SEGMENT REPORT *(Continued)*

	December 31, 2006							
	Life insurance	Property and Casualty Insurance	Banking	Securities	Corporate	Others	Elimination	Total
Balance sheet								
Segment assets	329,906	23,192	85,591	8,914	13,855	6,837	(5,007)	463,288
Segment liabilities	311,040	19,649	79,410	6,866	1,720	2,973	(4,996)	416,662

	For the year ended December 31, 2006							
	Life insurance	Property and Casualty Insurance	Banking	Securities	Corporate	Others	Elimination	Total
Other segment information								
Depreciation and amortization expense	276	134	4	27	14	50	–	505
Capital expenditure	917	270	6	17	48	258	–	1,516
Asset impairment losses	(111)	71	2	1	–	42	–	5
Non-cash expenses other than depreciation and amortization	–	–	–	–	–	–	–	–

VIII. RISK MANAGEMENT

1. Insurance risk

(1) Insurance risk types

The risk under insurance contract is the possibility of occurrence of insured event and uncertainty of the amount and timing of the resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This could occur due to any of the following factors:

Occurrence risk – the possibility that the number of insured events will differ from those expected.

Severity risk – the possibility that the cost of the events will differ from those expected.

Development risk – the possibility that changes may occur in the amount of a policyholder's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines.

The business of the Group comprises long term life insurance contracts, property and casualty and short term life insurance contracts. For accident insurance contracts, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For long-term life contracts, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

These risks currently do not vary significantly in relation to the location of the risk insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. However, for contracts with discretionary participation features, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

Insurance risk is also affected by the policyholders' rights to terminate the contract, pay reduced premiums, refuse to pay premiums or annuity conversion rights etc. Thus, the resultant insurance risk is subject to policyholders' behavior and decisions.

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(in RMB million)

VIII. RISK MANAGEMENT *(Continued)*

1. Insurance risk *(Continued)*

(2) Concentration of Insurance risk

The Group's concentration of insurance risk is reflected by its major lines of business as analyzed by premium income in Note VI, 47.

(3) Assumption and sensitivity analysis

Long term life insurance contracts

Assumptions
The policyholders' reserves for life insurance and long-term reserves for health insurance are calculated in accordance with related actuarial regulations promulgated by the CIRC, for details please refer to Note III, 25 and Note III, 26. CIRC promulgated strict quantitative regulations on the assumptions for calculation of statutory reserves (including valuation mortality, valuation morbidity and valuation interest rate) which are as follows:

(1) The valuation interest rate should be capped at the lower of:

- The valuation interest rate which is published annually by the CIRC (presently 7.5%); and

- Pre-determined interest rate that is used in determining the premium of the insurance product.

(2) Mortality rates are based on the China Life Insurance Mortality Table (2000-2003).

(3) Morbidity rates are based on pre-determined morbidity rates that are used in determining the premium of the insurance products.

Sensitivity analysis
The Group normally is not allowed to change the above assumptions, so no sensitivity analysis is provided here relating to changes in assumptions.

As stated in Note III, 42, only for those high yield products whose original valuation rates are higher than or equal to 7.5%, the Group can use a more prudent valuation rate in accordance with the actuarial regulations of CIRC, which states that the reserves provided should not be less than the statutory reserve at the end of the accounting year and that the valuation rate should not be higher than the pricing rate or 7.5%. In the current year, the Group decreased the valuation interest rate for the insurance products of higher interest rates from 6.5%-7.5% to 6%-6.5%. This change in accounting estimate reduces the profit before tax by approximately RMB9,698 million for the current year.

Property and casualty and short term life insurance contracts

Assumptions
The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include delays in settlement etc.

VIII. RISK MANAGEMENT *(Continued)*

1. Insurance risk *(Continued)*

(3) Assumption and sensitivity analysis *(Continued)*

Property and casualty and short term life insurance contracts (Continued)

Sensitivity analysis

The property and casualty and short term life insurance claim reserves are sensitive to the above key assumptions. The sensitivity of certain variables like legislative change, uncertainty in the estimation process, etc, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim reserves are not known with certainty at the balance sheet date.

The claim development of the Group's property and casualty business gross of reinsurance is as follows:

	Property and casualty insurance (accident year)					
Item	**2003**	**2004**	**2005**	**2006**	**2007**	**Total**
Estimated cumulative claims as of						
End of current year	5,429	5,955	7,171	9,317	10,700	
1 year later	5,403	5,948	7,172	10,305	–	
2 years later	5,403	5,397	6,953	–	–	
3 years later	5,277	5,259	–	–	–	
4 years later	5,223	–	–	–	–	
Estimated cumulative claims	5,223	5,259	6,953	10,305	10,700	38,440
Cumulative claims paid	(5,142)	(5,127)	(6,588)	(8,352)	(6,526)	(31,735)
Prior year adjustments and unallocated loss adjustment expenses						185
Unpaid claim expenses						6,890

The claim development of the Group's property and casualty business net of reinsurance is as follows:

	Property and casualty insurance (accident year)					
Item	**2003**	**2004**	**2005**	**2006**	**2007**	**Total**
Estimated cumulative claims as of						
End of current year	3,726	4,181	5,266	7,219	8,875	
1 year later	3,687	4,228	5,280	7,362	–	
2 years later	3,705	3,833	5,129	–	–	
3 years later	3,611	3,732	–	–	–	
4 years later	3,574	–	–	–	–	
Estimated cumulative claims	3,574	3,732	5,129	7,362	8,875	28,672
Cumulated claims paid	(3,530)	(3,627)	(4,858)	(6,516)	(5,546)	(24,077)
Prior year adjustments and unallocated loss adjustment expenses						174
Unpaid claim expenses						4,769

As at December 31, 2007
(in RMB million)

VIII. RISK MANAGEMENT *(Continued)*

1. Insurance risk *(Continued)*

(3) Assumption and sensitivity analysis *(Continued)*

Property and casualty and short term life insurance contracts (Continued)

Sensitivity analysis *(Continued)*
The claim development of the Group's short-term life insurance business gross of reinsurance is as follows:

	Short-term life insurance (accident year)					
Item	**2003**	**2004**	**2005**	**2006**	**2007**	**Total**
Estimated cumulative claims as of						
End of current year	1,376	1,571	1,767	2,039	2,316	
1 year later	1,349	1,577	1,960	1,983	–	
2 years later	1,354	1,582	1,935	–	–	
3 years later	1,354	1,582	–	–	–	
4 years later	1,354	–	–	–	–	
Estimated cumulative claims	1,354	1,582	1,935	1,983	2,316	9,170
Cumulated claims paid	(1,354)	(1,582)	(1,935)	(1,946)	(1,618)	(8,435)
Prior year adjustments and unallocated loss adjustment expenses						20
Unpaid claim expenses						755

The claim development of the Group's short-term life insurance business net of reinsurance is as follows:

	Short-term life insurance (accident year)					
Item	**2003**	**2004**	**2005**	**2006**	**2007**	**Total**
Estimated cumulative claims as of						
End of current year	978	1,053	1,156	1,616	1,790	
1 year later	959	1,057	1,482	1,555	–	
2 years later	916	1,086	1,538	–	–	
3 years later	916	1,086	–	–	–	
4 years later	916	–	–	–	–	
Estimated cumulative claims	916	1,086	1,538	1,555	1,790	6,885
Cumulated claims paid	(916)	(1,086)	(1,538)	(1,527)	(1,266)	(6,333)
Prior year adjustments and unallocated loss adjustment expenses						20
Unpaid claim expenses						572

VIII. RISK MANAGEMENT *(Continued)*

1. Insurance risk *(Continued)*

(3) Assumption and sensitivity analysis *(Continued)*

Property and casualty and short term life insurance contracts (Continued)

Sensitivity analysis *(Continued)*
A respective percentage change in average claim costs or the number of claims alone result in a similar percentage change in claim reserves. While other assumptions remain unchanged, a 5% increase in average claim costs would increase net claim reserves for property and casualty insurance and short term life insurance as at December 31, 2007 by approximately RMB238 million and RMB29 million, respectively.

Reinsurance

The Group limits its exposure to losses within insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on quota share basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the balance sheet as receivable from reinsurers or claim reserves receivable from reinsurers.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

2. Market risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or by factors affecting all instruments traded in the market.

(1) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the Renminbi and other currencies in which the Group conducts business may affect its financial condition and results of operations. Currently the Group seeks to limit its exposure to foreign currency risk by minimizing its net foreign currency position.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the pre-tax impact on profit (due to changes in fair value of currency sensitive monetary assets and liabilities and non-monetary assets and liabilities measured at fair value). The correlation of variables will have a significant effect in determining the ultimate impact of market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

		December 31, 2007		December 31, 2006	
	Change in Variables	**Decrease in profit**	**Decrease in equity**	Decrease in profit	Decrease in equity
All foreign currencies	Depreciation by 5% comparing to RMB	**504**	**2,013**	667	824

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(in RMB million)

VIII. RISK MANAGEMENT *(Continued)*

2. Market risk *(Continued)*

(1) Foreign currency risk *(Continued)*

The main non-monetary assets and liabilities at fair value, as well as monetary assets and liabilities of the Group, excluding balances of investment-linked contract, are analyzed as follows by currency:

	December 31, 2007				
	RMB	USD (original currency)	HKD (original currency)	Other currencies (RMB)	Total RMB
Cash and cash equivalents	68,110	81	2,050	15	70,639
Balances with clearing companies	1,999	1	22	–	2,027
Placements with banks and other financial institutions	1,123	7	19	–	1,192
Held-for-trading financial assets	46,405	1,321	375	892	57,294
Financial assets purchased under agreement to resell	36,457	–	–	–	36,457
Interest receivables	3,903	8	3	–	3,962
Premium receivables	4,283	37	16	–	4,568
Receivables from reinsures	1,988	20	80	–	2,212
Claim reserves receivable from reinsurers	1,218	148	5	–	2,304
Policyholders' reserves for life insurance receivable from reinsurers	6	–	–	–	6
Long-term reserves for health insurance receivable from reinsurers	6	–	–	–	6
Policy loans	2,411	–	–	–	2,411
Loans and advances to customers	61,206	243	156	–	63,125
Deposits with stock and futures exchanges	881	–	6	–	887
Term deposits	31,151	164	–	–	32,348
Available-for-sale financial assets	146,858	228	10,369	20,306	178,539
Held-to-maturity investments	127,736	–	–	–	127,736
Statutory deposits	1,560	–	–	–	1,560
Other assets	1,312	39	43	5	1,637
Total	538,613	2,297	13,144	21,218	588,910

	December 31, 2007				
	RMB	USD (original currency)	HKD (original currency)	Other currencies (RMB)	Total RMB
Short-term borrowings	990	–	2,915	–	3,719
Due to banks and other financial institutions	5,792	238	–	–	7,532
Guarantee deposits	5,398	–	–	–	5,398
Placements from banks and other financial institutions	–	24	–	–	175
Financial assets sold under agreements to repurchase	13,556	–	–	–	13,556
Customer bank deposits	70,778	186	(4)	–	72,133
Customer brokerage deposits	14,024	15	275	–	14,394
Premiums received in advance	2,918	7	14	–	2,981
Handling charges and commission payable	1,104	–	–	–	1,104
Due to reinsurers	2,104	41	14	–	2,416
Salary and welfare payable	4,732	–	–	–	4,732
Taxes payable	1,876	3	9	–	1,907
Interest payable	503	4	42	–	574
Claims payable	5,138	3	2	–	5,161
Policyholder dividends payable	7,006	–	–	–	7,006
Policyholder deposits and investments	798	–	–	–	798
Claim reserves	6,496	153	34	–	7,645
Policyholders' reserves for life insurance	286,195	4	–	4	286,225
Long-term reserves for health insurance	37,213	–	–	–	37,213
Long-term borrowings	1,611	–	1,716	–	3,218
Other liabilities	3,380	18	269	–	3,763
Total	471,612	696	5,286	4	481,650

VIII. RISK MANAGEMENT *(Continued)*

2. Market risk *(Continued)*

(1) Foreign currency risk *(Continued)*

The main non-monetary assets and liabilities at fair value, as well as monetary assets and liabilities of the Group, excluding balances of investment-linked contract, are analyzed as follows by currency *(Continued)*:

	December 31, 2006				
	RMB	USD (original currency)	HKD (original currency)	Other currencies (RMB)	Total RMB
Cash and cash equivalents	35,449	668	909	1	41,583
Balances with clearing companies	875	–	–	–	875
Placements with banks and other financial institutions	1,312	52	6	–	1,727
Held-for-trading financial assets	25,639	128	184	–	26,823
Assets purchased under agreement to resell	6,951	–	–	–	6,951
Interest receivables	3,072	17	–	–	3,208
Premium receivables	2,866	25	14	–	3,073
Claim reserves receivable from reinsurers	1641	10	5	–	1,724
Policyholders' reserves for life insurance receivable from reinsurers	–	–	–	–	–
Long-term reserves for health insurance receivable from reinsurers	–	–	–	–	–
Receivables from reinsures	629	21	6	–	795
Policy loans	1,381	–	–	–	1,381
Loans and advances to customers	48,137	130	–	–	49,152
Deposits with stock and futures exchanges	313	3	–	–	334
Term deposits	50,379	1,114	30	–	59,107
Available-for-sale financial assets	90,815	133	3,332	–	95,200
Held-to-maturity investments	129,250	–	–	–	129,250
Statutory deposits	1,520	–	–	–	1,520
Other assets	2,045	39	505	–	2,857
Total	402,274	2,340	4,991	1	425,560

	December 31, 2006				
	RMB	USD (original currency)	HKD (original currency)	Other currencies (RMB)	Total RMB
Short-term borrowings	56	–	469	–	527
Due to banks and other financial institutions	3,465	–	–	–	3,465
Guarantee deposits	5,485	–	–	–	5,485
Placements from banks and other financial institutions	–	127	–	–	992
Financial assets sold under agreements to repurchase	13,436	–	–	–	13,436
Customer bank deposits	61,975	608	6	–	66,725
Customer brokerage deposits	3,750	–	–	–	3,750
Premiums received in advance	1,288	8	5	–	1,352
Handling charges and commission payable	894	–	–	–	894
Due to reinsurers	376	46	15	–	746
Salary and welfare payable	2,129	–	3	–	2,133
Taxes payable	1,166	–	–	–	1,166
Interest payable	246	5	–	–	287
Claims payable	3,981	–	–	–	3,981
Policyholder dividends payable	4,107	–	–	–	4,107
Policyholder deposits and investments	299	–	–	–	299
Claim reserves	6,366	11	28	–	6,480
Policyholders' reserves for life insurance	228,736	–	–	–	228,736
Long-term reserves for health insurance	30,694	–	–	–	30,694
Long-term borrowings	155	–	–	–	155
Other liabilities	1,763	–	–	–	1,763
Total	370,367	805	526	–	377,173

As at December 31, 2007
(in RMB million)

VIII. RISK MANAGEMENT *(Continued)*

2. Market risk *(Continued)*

(1) Foreign currency risk *(Continued)*

Major currencies' exchange rates are as follows:

	December 31, 2007		December 31, 2006	
	USD	**HKD**	USD	HKD
Exchange rate	**7.3046**	**0.9364**	7.8087	1.0047

(2) Price risk

The Group's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), principally available-for-sale financial assets and financial assets at fair value through profit and loss.

The above investments are exposed to price risk because of change in market price, whether those changes are caused by factors specific to the individual financial instruments or its issuers, or from factors affecting all similar financial instruments traded in the market.

The Group managed price risks by diversification of investments, setting limits for investments in different securities, etc.

The Group uses the 10-day market price value-at-risk ("VaR") technique to estimate its risk exposure for listed equity securities and equity investments funds. The Group adopts 10-day as the holding period on the assumption that not all the investments can be sold in one day. Moreover, the VaR calculation is made based on normal market condition and a 99% confidence interval.

The analysis below is the impact on equity for listed equity securities and equity investments funds with 10-day reasonable market fluctuation in using risk value module in the normal market.

	December 31, 2007	December 31, 2006
Listed stock and security investment funds	**14,495**	4,241

VIII. RISK MANAGEMENT *(Continued)*

2. Market risk *(Continued)*

(3) Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on floating rate instruments is repriced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The analysis below is performed for reasonably possible movements in key variables with all other variables held contracts, for the following financial instruments (excluding the balances of investment-linked contracts), showing the pre-tax impact on profit and equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

		December 31, 2007		December 31, 2006	
	Change in interest rate	**Decrease in profit**	**Decrease in equity**	Decrease in profit	Decrease in equity
Bond investments					
Held-for-trading and available-for-sale	+50%	**153**	**2,728**	144	3,088

		Increase in interest income/(expense)	
		January - December, 2007	January - December, 2006
Floating interest rate bonds	+50%	**55**	28
Loans and advances to customers	+50%	**273**	13
Customer deposits	+50%	**(380)**	(29)

3. Financial risk

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, loans and advances to customers, investment in bonds, equity investment, reinsurance arrangements with reinsurers, policy loans etc.. The Group mitigates credit risk by using a variety of controls including utilizing credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counter party exposure limits.

The Group's banking business carries out credit assessment before granting credit to customers and monitors on a regular basis the credit granted. Credit risk is also managed through obtaining collateral and guarantees. In the case of off-balance sheet credit related commitments, guarantee deposits are in general received by the Group to reduce credit risk.

Credit quality

Majority of the Group's financial assets are bond investments which include government bonds, financial bonds and corporate bonds. The main financial bonds held by the Group have domestic credit rating of A or above and the main corporate bonds held by the Group have credit rating of AA or above.

Credit exposure

The table below shows the maximum exposure to credit risk for the components of the balance sheet and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through any collateral held or other credit enhancements.

As at December 31, 2007
(in RMB million)

VIII. RISK MANAGEMENT *(Continued)*

3. Financial risk *(Continued)*

(1) Credit risk *(Continued)*

	December 31, 2007	December 31, 2006
Cash on hand and at bank	**70,639**	41,583
Balances with clearing companies	**2,027**	875
Placements with banks and other financial institutions	**1,192**	1,727
Held-for-trading financial assets	**57,294**	26,823
Derivative financial assets	**177**	21
Assets purchased under agreement to resell	**36,457**	6,951
Interest receivables	**3,962**	3,208
Premium receivables	**4,568**	3,073
Receivable from reinsurers	**2,212**	795
Unearned premium reserves receivable from reinsurers	**2,615**	2,437
Claim reserves receivable from reinsurers	**2,304**	1,724
Policyholders' reserves for life insurance receivable from reinsurers	**6**	–
Long-term reserves for health insurance receivable from reinsurers	**6**	–
Policy loans	**2,411**	1,381
Loans and advances to customers	**63,125**	49,152
Deposits with stock and futures exchanges	**887**	334
Term deposits	**32,348**	59,107
Available-for-sale financial assets	**178,539**	95,200
Held-to-maturity investments	**127,736**	129,250
Statutory deposits	**1,560**	1,520
Other assets	**3,075**	4,220
Sub-total	**593,140**	429,381
Commitments	**35,704**	29,115
Total credit risk exposure	**628,844**	458,496

Above assets are already deducted for investment-linked account balances.

Where financial instruments are recorded at fair value, the amounts shown above represents the current risk exposure but not the maximum risk exposure that could arise in the future as a result of the change in fair values

VIII. RISK MANAGEMENT *(Continued)*

3. Financial risk *(Continued)*

(1) Credit risk *(Continued)*

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters.

The main types of collateral obtained are as follows:

– for reverse repurchase transactions, cash or securities;

– for commercial lending, charges over real estate properties, inventories and trade receivables, etc; and

– for retail lending, mortgages over residential properties, etc.

Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable.

It is the Group's policy to dispose of repossessed assets in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed assets for business use.

Aging analysis of financial assets past-due

	December 31, 2007						
		Past-due but not impaired financial assets					
	In due assets	Less than 30 days	31 to 90 days	More than 90 days	Total past-due but not impaired	Past-due and impaired	Total
Placements with banks and other financial institutions	1,191	–	–	–	–	46	1,237
Premium receivables	4,568	–	–	–	–	179	4,747
Receivable from reinsurers	2,212	–	–	–	–	49	2,261
Loans and advances to customers	61,858	770	256	78	1,104	699	63,661
Sub-total	69,829	770	256	78	1,104	973	71,906
Less: Impairment provision	(185)	–	–	–	–	(624)	(809)
Net	69,644	770	256	78	1,104	349	71,097

As at December 31, 2007
(in RMB million)

VIII. RISK MANAGEMENT *(Continued)*

3. Financial risk *(Continued)*

(1) Credit risk *(Continued)*

Aging analysis of financial assets past-due (Continued)

	December 31, 2006						
		Past-due but not impaired financial assets					
	In due assets	Less than 30 days	31 to 90 days	More than 90 days	Total past-due but not impaired	Past-due and impaired	Total
Placements with banks and other financial institutions	1,727	–	–	–	–	376	2,103
Premium receivables	2,965	3	2	2	7	256	3,228
Receivable from reinsurers	795	–	–	–	–	55	850
Loans and advances to customers	47,914	434	240	215	889	2,780	51,583
Sub-total	53,401	437	242	217	896	3,467	57,764
Less: impairment provision	–	–	–	–	–	(3,017)	(3,017)
Net	53,401	437	242	217	896	450	54,747

Of the aggregate amount of gross past-due but not impaired loans and advances to customers, the fair value of collateral that the Group held as at December 31, 2007 was RMB1,295 million (2006: RMB1,907 million).

Of the aggregate amount of gross past-due and impaired loans and advances to customers, the fair value of collateral that the Group held as at December 31, 2007 was RMB1,057 million (2006: RMB2,071 million).

Financial assets whose terms have been renegotiated

	December 31, 2007	December 31, 2006
Loans and advances to customers	**2,444**	2,336

(2) Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet the Group's obligations as they become due.

The Group is exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. The Group seeks to manage its liquidity risk by matching to the extent possible the duration of its investment assets with the duration of its insurance policies and to ensure that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis. The banking business of the Group is exposed to potential liquidity risk. The Group seeks to mitigate the liquidity risk of the banking business by optimizing the assets and liabilities structure, maintaining stable deposits, etc.

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining undiscounted contractual obligations.

VIII. RISK MANAGEMENT *(Continued)*

3. Financial risk *(Continued)*

(2) Liquidity risk *(Continued)*

	December 31, 2007					
	Past due	**Within 3 months**	**3 to 12 months**	**Over 1 year**	**Unit linked**	**Total**
Short-term borrowings	**–**	**515**	**3,204**	**–**	**–**	**3,719**
Due to banks and other financial institutions	**–**	**7,513**	**23**	**–**	**–**	**7,536**
Guarantee deposits	**–**	**3,685**	**1,724**	**43**	**–**	**5,452**
Placements from banks and other financial institutions	**–**	**74**	**104**	**–**	**–**	**178**
Derivative financial liabilities	**–**	**5**	**102**	**82**	**–**	**189**
Financial assets sold under agreements to repurchase	**–**	**13,595**	**–**	**–**	**424**	**14,019**
Customer bank deposits	**–**	**50,662**	**15,275**	**7,666**	**–**	**73,603**
Customer brokerage deposits	**–**	**14,394**	**–**	**–**	**–**	**14,394**
Handling charges and commission payable	**–**	**1,104**	**–**	**–**	**–**	**1,104**
Due to reinsurers	**–**	**1,964**	**452**	**–**	**–**	**2,416**
Salary and welfare payable	**–**	**3,555**	**878**	**299**	**–**	**4,732**
Interest payable	**–**	**225**	**248**	**101**	**–**	**574**
Claims payable	**–**	**643**	**4,518**	**–**	**–**	**5,161**
Policyholder dividends payable	**–**	**7,006**	**–**	**–**	**–**	**7,006**
Policyholder deposits and investments	**–**	**–**	**–**	**799**	**4,488**	**5,287**
Long-term borrowings	**–**	**–**	**155**	**4,115**	**–**	**4,270**
Other liabilities	**–**	**1,093**	**2,091**	**579**	**448**	**4,211**
Total	**–**	**106,033**	**28,774**	**13,684**	**5,360**	**153,851**

	December 31, 2006					
	Past due	Within 3 months	3 to 12 months	Over 1 year	Unit linked	Total
Short-term borrowings	–	–	527	–	–	527
Due to banks and other financial institutions	–	3,234	231	–	–	3,465
Guarantee deposits	–	3,991	1,519	52	–	5,562
Placements from banks and other financial institutions	–	992	–	–	–	992
Derivative financial liabilities	–	19	119	286	–	424
Financial assets sold under agreements to repurchase	–	11,770	1,172	494	1,137	14,573
Customer bank deposits	–	53,850	9,637	4,036	–	67,523
Customer brokerage deposits	–	3,750	–	–	–	3,750
Handling charges and commission payable	–	894	–	–	–	894
Due to reinsurers	–	512	234	–	–	746
Salary and welfare payable	–	1,077	172	884	–	2,133
Interest payable	–	131	118	38	–	287
Claims payable	–	3,981	–	–	–	3,981
Policyholder dividend payable	–	4,107	–	–	–	4,107
Policyholder deposits and investments	–	58	–	242	3,749	4,049
Long-term borrowings	–	–	–	155	–	155
Other liabilities	–	1,464	181	118	208	1,971
Total	–	89,830	13,910	6,305	5,094	115,139

As at December 31, 2007
(in RMB million)

VIII. RISK MANAGEMENT *(Continued)*

3. Financial risk *(Continued)*

(2) Liquidity risk *(Continued)*

The table below summarises the maturity profile of the nominal amount of derivative financial liabilities of the Group.

(In RMB million)	Less than 3 months	3 to 12 months	Over 1 year	Investment-linked	Total
December 31, 2007	**470**	**1,191**	**877**	**–**	**2,538**
December 31, 2006	327	865	1,015	–	2,207

The table below summarizes the expected recovery or settlement of assets.

	December 31, 2007			
	Current*	Non-current	Investment-linked	Total
Cash on hand and at bank	**56,374**	**14,265**	**2,101**	**72,740**
Balances with clearing companies	**2,027**	**–**	**–**	**2,027**
Placements with banks and other financial institutions	**891**	**301**	**–**	**1,192**
Held-for-trading financial assets	**57,294**	**–**	**27,644**	**84,938**
Derivative financial assets	**174**	**3**	**–**	**177**
Assets purchased under agreements to repurchase	**36,457**	**–**	**–**	**36,457**
Interest receivables	**3,962**	**–**	**225**	**4,187**
Premium receivables	**4,388**	**180**	**–**	**4,568**
Receivable from reinsurers	**2,212**	**–**	**–**	**2,212**
Unearned premium reserves receivable from reinsurers	**1,527**	**1,088**	**–**	**2,615**
Claim reserves receivable from reinsurers	**1,618**	**686**	**–**	**2,304**
Policyholders' reserves for life insurance receivable from reinsurers	**6**	**–**	**–**	**6**
Long-term reserves for health insurance receivable from reinsurers	**6**	**–**	**–**	**6**
Policy loans	**2,411**	**–**	**–**	**2,411**
Loans and advances to customers	**34,024**	**29,101**	**–**	**63,125**
Deposits with stock and futures exchanges	**887**	**–**	**–**	**887**
Term deposits	**10,988**	**21,360**	**9,383**	**41,731**
Available-for-sale financial assets	**13,977**	**164,562**	**–**	**178,539**
Held-to-maturity investments	**5,112**	**122,624**	**–**	**127,736**
Long-term equity investments	**–**	**2,207**	**–**	**2,207**
Goodwill	**–**	**610**	**–**	**610**
Statutory deposits	**–**	**1,560**	**–**	**1,560**
Investment properties	**–**	**4,051**	**–**	**4,051**
Fixed assets	**–**	**7,894**	**–**	**7,894**
Intangible assets	**–**	**3,621**	**–**	**3,621**
Deferred tax assets	**–**	**87**	**–**	**87**
Other assets	**2,275**	**800**	**141**	**3,216**
Total assets	**236,610**	**375,000**	**39,494**	**651,104**

* Expected recovery within 12 months from the balance sheet date.

VIII. RISK MANAGEMENT *(Continued)*

3. Financial risk *(Continued)*

(2) Liquidity risk *(Continued)*

	December 31, 2006			
	Current*	Non-current	Investment-linked	Total
Cash on hand and at bank	35,796	5,787	1,002	42,585
Balances with clearing companies	875	–	–	875
Precious metal	111	–	–	111
Placements with banks and other financial institutions	1,727	–	–	1,727
Held-for-trading financial assets	26,823	–	17,180	44,003
Derivative financial assets	10	11	–	21
Assets purchased under agreements to repurchase	6,951	–	300	7,251
Interest receivables	3,208	–	41	3,249
Premium receivables	3,000	73	–	3,073
Receivable from reinsurers	746	49	–	795
Unearned premium reserves receivable from reinsurers	1,475	962	–	2,437
Claim reserves receivable from reinsurers	1,220	504	–	1,724
Policy loans	1,381	–	–	1,381
Loans and advances to customers	27,886	21,266	–	49,152
Deposits with stock and futures exchanges	334	–	–	334
Term deposits	26,609	32,498	6,309	65,416
Available-for-sale financial assets	744	94,456	–	95,200
Held-to-maturity investments	1,845	127,405	–	129,250
Long-term equity investments	–	415	–	415
Goodwill	–	409	–	409
Statutory deposits	–	1,520	–	1,520
Investment properties	–	1,660	–	1,660
Fixed assets	–	4,552	–	4,552
Intangible assets	–	940	–	940
Deferred tax assets	–	888	–	888
Other assets	2,579	1,641	100	4,320
Total assets	143,320	295,036	24,932	463,288

* Expected recovery or settlement within 12 months from the balance sheet date.

4. Mismatching risk of asset and liability

The objective of the Group's asset and liability management is to match assets with liabilities on the basis of both duration and interest rate. In the current regulatory and market environment, however, the Group is unable to invest in assets that have duration of sufficient length to match the duration of its insurance and investment contract liabilities when the current regulatory and market environment permits, however, the Group will lengthen the duration of its assets by matching the new liabilities of lower guarantee rates, while narrowing the gap of existing liabilities of higher guarantee rates.

5. Operational risk

Operational risk is the risk of loss resulting from inadequate or failure of proper internal controls on business processes, people and systems or from uncontrollable external events. The Group is exposed to many types of operational risks in the conduct of its business from inadequate or failure to obtain proper authorizations, supporting documentations and ensuring operational and informational security procedures as well as from frauds or errors by employees. The Group attempts to manage operational risk by establishing clear policies and requiring well-documented business processes to ensure transactions are properly authorized, supported and recorded.

As at December 31, 2007
(in RMB million)

IX. RELATED PARTY RELATIONSHIP AND TRANSACTION

1. Related party relationship

(1) During the year, related parties of the Company comprise in this year:

(a) The Company's subsidiaries;

(b) Investors having significant influence on the Company;

(c) The Company's associates joint ventures ;

(d) The Company's key management personnel, as well as their close family members;

(e) Corporations which are controlled, or under common control, or exerted significant influence by the Company's key management personnel or their close family members.

(2) Subsidiaries and associates

For details of the Company's subsidiaries and the Group's associate' basic information and their relationship with the company, please refer to Note V and Note VI, 15.

(3) Other related parties

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

In late August 2005, HSBC Holdings through its wholly owned subsidiaries, HSBC Insurance and HSBC, held 19.90% of the Company's share. Since then, HSBC Holdings and its subsidiaries became the Company's related parties with significant influence over the Group. As at December 31, 2007, HSBC Holdings holds over 16% share of the Company through its subsidiaries.

(4) Shareholders who hold more than 5% shares of the Company as at December 31, 2007 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	8.43%
The Hongkong and Shanghai Banking Company Limited	613,929,279	H-Share	8.36%
Shenzhen Investment Holdings Co., Ltd.	543,181,445	Non-tradable A-Share	7.40%
Shenzhen New Horse Investment Development Co., Ltd. & Shenzhen Jingao Industrial Development Co., Ltd.	720,710,154	Non-tradable A-Share	9.81%
Yuan Trust Investment Co., Ltd.	380,000,000	Non-tradable A-Share	5.17%

(5) According to the regulations of CSRC, from March 1, 2007 Bank of Communications Co., Ltd. (Bank of Communications) was defined as a related legal person of the company, due to one of its directors is also holding the position of director in the Company.

IX. RELATED PARTY RELATIONSHIP AND TRANSACTION *(Continued)*

2. Related party transaction

(1) Significant transactions with related parties

Interest income earned by the Group from HSBC is as follow:

	2007	2006
HSBC	**13**	15
Bank of Communications	**76**	Not Applicable

HSBC bank pays the group deposit interest based on the market rate. The bank deposit interest income mentioned above is 0.4% of bank deposit interest revenue in the whole year.

(2) Balances with related parties

	December 31, 2007	December 31, 2006
Cash at bank – HSBC bank	**153**	710
Cash at bank – Bank of Communications	**395**	Not Applicable

(3) Compensation for key management personnel is as below:

	2007	2006
Salaries and other short-term employee benefits	**286**	127

Key management personnel comprise the Company's directors, supervisors and senior officers as defined in the Company's articles of association. The unpaid portion of the compensation expenses for share appreciation rights granted to (Note VI, 65) key management personnel are not included in the above analysis. As at December 31, 2007, the cumulative number of share appreciation right units granted to key management personnel is 20 million (December 31, 2006: 20 million). The expense in respect of share appreciation right units granted to key management personnel recognized in current income statement is RMB612 million (2006: RMB311 million).

As at December 31, 2007
(in RMB million)

IX. RELATED PARTY RELATIONSHIP AND TRANSACTION *(Continued)*

2. Related party transaction *(Continued)*

(4) Related party transactions between the Company and the subsidiaries of the Company for the current year are as follows:

	2007	2006
Interest income from bank deposits		
Shenzhen Ping An Bank	**254**	1
Ping An Bank (See Note V, 2)	**–**	2
Ping An Securities	**4**	2
Total	**258**	5
Interest expense of placement		
Ping An Life	**7**	4
Ping An Property and Casualty	**8**	–
Asset management fees		
Ping An Asset Management	**–**	2
Property management fees		
Ping An Property	**18**	1
Membership fees		
Ping An Securities	**–**	2
Dividend income		
Ping An Property and Casualty	**–**	570
Ping An Life	**4,326**	4,966

(5) Balances with the subsidiaries of the Company:

	December 31, 2007	December 31, 2006
Bank deposits		
Shenzhen Ping An Bank	**34,332**	11
Ping An Bank	**–**	801
Total	**34,332**	812
Margin deposits		
Ping An Securities	**233**	2
Other receivables		
Ping An Annuity	**–**	200
Other payables		
Ping An Life	**14**	14
Ping An Property and Casualty	**–**	1
Ping An Securities	**–**	1
Ping An Property	**2**	–
Total	**16**	16

IX. RELATED PARTY RELATIONSHIP AND TRANSACTION *(Continued)*

2. Related party transaction *(Continued)*

(6) Guarantees provided by the Company to its subsidiaries:

	December 31, 2007	December 31, 2006
Ping An Securities	**–**	800
Ping An Real estate	**890**	–
Ping An Trust	**–**	300
Ping An Overseas Holdings	**2,856**	500
Total	**3,746**	1,600

The Company has not charged the subsidiaries for the guarantees stated above.

X. FIDUCIARY BUSINESS

	December 31, 2007	December 31, 2006
Net assets under trust scheme	**47,519**	16,677
Net assets under corporate annuity scheme	**4,983**	634
Entrusted loans	**1,654**	2,120
Assets under asset management scheme	**1,317**	–
Total	**55,473**	19,431

XI. CONTINGENCIES

1. Guarantee

Ping An Real Estate provided guarantees for investment properties under several trust schemes managed by Ping An Trust. As at December 31, 2007, guarantee provided amount to Nil. (December 31, 2006: 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 but not limited to being the plaintiff or the defendant in litigation and arbitration. The adverse effect of above mentioned events mostly involve claims on the Group’s insurance policies and other claims. Provision has been made for the probable losses to the Group, where management can reasonably estimate the outcome of the lawsuits taking into account of any legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability of losing the lawsuit 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.

As at December 31, 2007
(in RMB million)

XII. COMMITMENTS

1. Capital commitments

The Group has the following capital commitments related to property development projects:

	December 31, 2007	December 31, 2006
Contracted, but not provided for	**7,921**	3,431
Including: Contracted but not fulfilled at all	**3,148**	21
Contracted but not fulfilled completely	**4,773**	3,410
Authorized, but not contracted for	**456**	1,182
Total	**8,377**	4,613

The group has the following capital commitments related to mergers and acquisitions:

	December 31, 2007	December 31, 2006
Contracted, but not provided for	**3,127**	2,276
Including: Contracted but not fulfilled at all	**1,692**	2,276
Contracted but not fulfilled completely	**1,435**	–
Authorized, but not contracted for	**–**	–
Total	**3,127**	2,276

The existence of the aforementioned capital commitments is due to certain contracts and agreements which are not contracted or not yet fulfilled by the balance sheet date.

2. Rental commitments

Future minimum rent payables under non-cancelable operating leases are as follows:

	December 31, 2007	December 31, 2006
Within 1 year (including 1 year)	**420**	453
1-2 years (including 2 years)	**328**	306
2-3 years (including 3 years)	**202**	197
More than 3 years	**210**	211
Total	**1,160**	1,167

XII. COMMITMENTS *(Continued)*

3. Credit commitments

	December 31, 2007	December 31, 2006
Loan commitment		
Original maturities within 1 year	**11,537**	5,565
Original maturities more than one year and above	**3,274**	7,258
Letter of credit issued	**621**	734
Guarantee issued	**7,953**	6,536
Acceptance issued	**8,453**	9,017
Others	**3,866**	5
Total	**35,704**	29,115

XIII NON-RECURRING GAINS OR LOSSES

After deducting non-recurring gains and losses, net profits attributable to Company's ordinary shareholders are calculated as follows:

	2007	2006
Net profit attributable to company's ordinary shareholders	**15,086**	7,342
Add (less) non-recurring gains and losses items:		
Profit or loss from disposal of non-current assets	**(397)**	(45)
Non-operating income and expenditure except above items	**82**	20
Tax effect of non-recurring gains and losses	**88**	11
Net profit after deducting non-recurring gains and losses	**14,859**	7,328
Deduct: Non-recurring gains and losses attributed to minority interests	**(2)**	–
Net profits attributable to the Company's ordinary shareholders after deducting non-recurring gains and losses	**14,857**	7,328

The Group's recognition of the non-recurring items gains and losses is in accordance with the requirements of Questions and Answers Regarding the Rules on Information Disclosure for Companies that Have Publicly Offered Securities. – No. 1 (Zheng Jian Kuai Ji Zi [2007] No. 9) issued by the China Securities Regulatory Commission.

As at December 31, 2007
(in RMB million)

XIV. POST BALANCE SHEET EVENT

1 The Group's insurance contract liabilities as of December 31, 2007 is an estimate of the Group's outstanding insurance obligations as of December 31, 2007 based on the past experience up to that date. During January and February 2008, certain provinces in China had heavy snowfall. Since this is a non-adjusting post balance sheet event, it was not considered by the Group when the insurance contract liabilities as of December 31, 2007 were estimated. As of the authorization date of these financial statements, claims incurred and claim reserves which are to be borne by the Group are estimated to be RMB400 million.

2 On March 19, 2008, the directors proposed 2007 final dividend as stated in Note VI

3 Pursuant to resolution of the board of directors on January 18, 2008 and of the extraordinary general meeting, A Shareholders Class Meeting and H Shareholders Class Meeting on March 5, 2008, the Company intends to place no more than 1,200,000,000 A-Shares, and to issue detachable A-Share Bonds with Warrants at par value for no more than RMB41.2 billion. The proceeds will be used as additional capital of the Company and/or in investment projects as approved by the relevant regulatory authorities. The above issuance of A-Shares and detachable A-Share Bonds with Warrants is still subject to approval from the Chinese Securities Regulatory Commission.

XV. NOTES TO FINANCIAL STATEMENTS OF PARENT COMPANY

1. Cash on hand and cash at bank

	December 31, 2007	December 31, 2006
Cash at bank	**40,625**	3,139
Other monetary assets	**233**	–
Total	**40,858**	3,139

2. Held-for-trading financial assets

	December 31, 2007	December 31, 2006
Bonds:		
Government bonds	**–**	24
Central bank bills	**1,953**	498
Financial bonds	**1,004**	–
Corporate Bonds	**2,086**	2,889
Equity instruments:		
Funds	**27**	417
Stocks	**3,106**	1,630
Total	**8,176**	5,458

XV. NOTES TO FINANCIAL STATEMENTS OF PARENT COMPANY *(Continued)*

2. Held-for-trading financial assets *(Continued)*

Terms of bonds which were classified as held-for-trading financial assets are as follows:

	December 31, 2007	December 31, 2006
Fixed interest rate		
Within 3 months (including 3 months)	**1,200**	946
3 months-1 year (including 1 year)	**1,717**	1,477
4-5 years (including 5 years)	**60**	–
More than 5 years	**1,058**	983
Floating interest rate	**1,008**	5
Total	**5,043**	3,411

3. Term deposits

	December 31, 2007	December 31, 2006
Fixed interest rate		
Within 3 months (including 3 months)	**–**	50
3 months -1 year (including 1 year)	**66**	501
More than 5 years	**223**	225
Total	**289**	776

4. Available-for-sale financial assets

	December 31, 2007	December 31, 2006
Bonds:		
Government Bonds	**1,661**	1,159
Central Bank Bills	**400**	401
Financial Bonds	**379**	385
Corporate Bonds	**206**	103
Equity instruments:		
Funds	**760**	22
Stocks	**905**	2,157
Total	**4,311**	4,227

As at December 31, 2007
(in RMB million)

XV. NOTES TO FINANCIAL STATEMENTS OF PARENT COMPANY *(Continued)*

4. Available-for-sale financial assets *(Continued)*

Terms of bonds which were classified as available-for-sale financial assets are as follows:

	December 31, 2007	December 31, 2006
Fixed interest rate		
Within 3 months (including 3 months)	**200**	61
3 months -1 year (including 1 year)	**942**	108
1-2 years (including 2 years)	**512**	1,154
2-3 years (including 3 years)	**–**	412
3-4 years (including 4 years)	**562**	–
4-5 years (including 5 years)	**400**	42
More than 5 years	**30**	30
Floating interest rate	**–**	241
Total	**2,646**	2,048

5. Long-term equity investments

	December 31, 2007	December 31, 2006
Ping An Life	**3,762**	3,762
Ping An Property & Casualty	**2,973**	2,973
Ping An Trust	**4,216**	4,216
Shenzhen Ping An Bank	**4,916**	4,916
Ping An Overseas Holdings	**561**	561
Ping An Annuity	**485**	285
Ping An Health	**475**	475
Ping An Assets Management	**480**	180
Total	**17,868**	17,368

6. Placements from banks and other financial institutions

	December 31, 2007	December 31, 2006
From Banks	**–**	820

XV. NOTES TO FINANCIAL STATEMENTS OF PARENT COMPANY *(Continued)*

7. Salary and welfare payable

	December 31, 2007			
	Opening balance	Accruals	Payments	Closing balance
Salary, bonus, and allowance	**44**	**302**	**(188)**	**158**
Staff welfare	**25**	**–**	**(7)**	**18**
Social insurance	**–**	**7**	**2**	**9**
Labor-union fund and employee educational fund	**9**	**55**	**(8)**	**56**
Shares based payment by cash	**508**	**772**	**(196)**	**1,084**
Total	**586**	**1,136**	**(397)**	**1,325**

8. Taxes payable

	December 31, 2007	December 31, 2006
Corporate income tax	**247**	51
Business tax	**32**	20
Others	**101**	4
Total	**380**	75

9. Deferred Income Tax Assets and Liabilities

	December 31, 2007	December 31, 2006
Change in fair values of financial assets	**(195)**	(172)
Share appreciation rights	**205**	79
Total	**10**	(93)

As at December 31, 2007
(in RMB million)

XV. NOTES TO FINANCIAL STATEMENTS OF PARENT COMPANY *(Continued)*

10. Investment income

	2007	2006
Interest income		
Bonds		
Available-for-sale financial assets	**92**	49
At fair value through profit or loss	**96**	9
Term deposits		
Loans and receivables	**11**	355
Others		
Loans and receivables	**3**	5
Dividend income		
Funds		
Available-for-sale financial assets	**128**	66
At fair value through profit or loss	**235**	7
Equity investments		
Long term equity investment	**4,326**	5,536
Available-for-sale financial assets	**21**	2
At fair value through profit or loss	**13**	9
Realized gains		
Bonds		
Available-for-sale financial assets	**–**	–
At fair value through profit or loss	**25**	35
Funds		
Available-for-sale financial assets	**122**	168
At fair value through profit or loss	**(9)**	(1)
Stocks		
Available-for-sale financial assets	**660**	19
At fair value through profit or loss	**2,504**	190
Derivative financial instruments	**–**	4
Interests expenses for securities sold under agreements to repurchase and placements with banks	**(119)**	(10)
Total	**8,108**	6,443

11. Gains from changes in fair value

	2007	2006
Held-for-trading financial instruments		
Bonds	**(132)**	(25)
Funds	**(39)**	30
Stocks	**485**	409
Derivative financial instruments	**10**	–
Total	**324**	414

XV. NOTES TO FINANCIAL STATEMENTS OF PARENT COMPANY *(Continued)*

12. Business tax and surcharges

	2007	2006
Business tax	**137**	23
City maintenance and construction tax	**1**	–
Education surcharges	**4**	1
Total	**142**	24

13. General and administrative expenses

The Company's general and administrative expenses are as follows:

	2007	2006
Salaries and welfare	**1,074**	677
Social insurance	**7**	9
Depreciation of fixed assets	**15**	11
Amortization of intangible assets	**7**	5

14. Income tax

	2007	2006
Current income tax	**410**	59
Deferred income tax	**(56)**	(15)
Total	**354**	44

The relationship of the Company's income tax expenses and the accounting profit is as follow:

	2007	2006
Profit before tax	**7,216**	5,966
Tax computed at the main applicable tax rate of 15%	**1,082**	895
Tax effect of tax rate change	**(14)**	–
Tax effect of non deductible expenses in determining taxable income	**1**	4
Tax credit received	**(715)**	(855)
Total	**354**	44

XVI. COMPARATIVE FIGURES

Certain comparative figures have been restated as the Company has initially adopted the Accounting Standards for Business Enterprises for the year.

XVII. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved by the Company's board of directors on March 19, 2008.

According to the Company's articles, this financial statement will be proposed to General meeting of shareholders.

1. RECONCILIATION OF GAAP DIFFERENCES BETWEEN PRC ACCOUNTING STANDARDS AND IFRS

The material GAAP differences between PRC Accounting Standards and International Financial Reporting Standards ("IFRS") in preparing financial statements are as follows:

Consolidated net profit	Notes	2007 in RMB million	2006 in RMB million
Financial statements prepared in accordance with IFRS		**18,688**	7,838
Unearned premium reserves	(i)	**(113)**	16
Policyholders' reserves for life insurance	(ii)	**4,988**	4,723
Deferred policy acquisition costs	(iii)	**(9,373)**	(5,480)
Deferred tax	(iv)	**883**	212
Minority interests and others		**13**	33
Financial statements prepared in accordance with ASBE.		**15,086**	7,342

Consolidated equity	Notes	December 31, 2007 in RMB million	December 31, 2006 in RMB million
Financial statements prepared in accordance with IFRS		**111,822**	46,375
Unearned premium reserves	(i)	**(199)**	(86)
Policyholders' reserves for life insurance	(ii)	**35,262**	30,023
Deferred policy acquisition costs	(iii)	**(41,305)**	(31,866)
Deferred tax	(iv)	**1,547**	687
Minority interests and others		**107**	127
Financial statements prepared in accordance with ASBE.		**107,234**	45,260

Minority interests have been deducted from the above amounts.

Ernst & Young is the Company's foreign auditor.

Notes:

(i) Under PRC Accounting Standards, unearned premium reserves of life insurance subsidiaries should be no less than 50% of the retained premium for the current period. Under IFRS, unearned premium reserves are provided using actuarial valuation results (1/365 method).

(ii) Under PRC Accounting Standards, policyholders' reserves are provided in accordance with related actuarial regulations promulgated by CIRC. Under IFRS, policyholders' reserves are provided in accordance with IFRS 4 Insurance Contracts and by reference to US GAAP.

(iii) Under PRC Accounting Standards, handling costs and commission expenses of acquiring new policies are recognized in the income statement when incurred. Under IFRS, handling costs and commission expenses of acquiring new policies are deferred and amortized over the expected life of the insurance contracts at a constant percentage of expected premiums or at a constant percentage of the present value of estimated gross profits expected to be realized over the life of the insurance contracts, in accordance with IFRS 4 Insurance Contracts and by reference to US GAAP.

(iv) The above differences between PRC Accounting Standards and IFRS are temporary differences in accordance with IAS 12 Income Taxes. The Group recognizes deferred tax assets and liabilities on the basis of the above differences and the tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled.

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Yield of net asset		Earning per share (RMB)	
	Fully diluted	**Weighted average**	**Basic**	**Diluted**
Net profits attributable to company's ordinary shareholders	14.08%	16.88%	2.11	2.11
Net profits after deducting non-recurring gains or losses attributable to company's ordinary shareholders	13.86%	16.63%	2.08	2.08

The Company has no potential diluted ordinary share.

3. MODIFICATION ANALYSIS ON SHAREHOLDERS' EQUITY UPON FIRST-TIME ADOPTION

Item (in RMB million)	**Disclosed in 2007 annual report**	Disclosed in 2006
Shareholders' entity at December 31, 2006 (old accounting standards)	**36,668**	36,668
Financial assets at fair value through profit or loss and available-for-sale financial assets	**16,937**	16,937
Derivative financial instruments	**(2)**	(2)
Income tax	**(1,131)**	(1,131)
Minority interests	**1,366**	1,366
Special retrospective adjustments for H shares listed companies:		
Policyholders' reserves for life insurance	**(5,727)**	(5,727)
Claim reserves	**(1,401)**	(1,401)
Amortization of long term equity investments difference	**58**	58
Land use rights	**(56)**	(56)
Others	**(86)**	(86)
Shareholders' equity at January 1, 2007 (new accounting standards)	**46,626**	46,626

The above reconciliation of shareholders' equity upon first-time adoption is consistent with "Reconciliation Statements for Shareholders' Equity between New and Old PRC Accounting Standards" disclosed in Appendix II to the financial statements for 2006.

Appendix II: Reconciliation Statement of Net Profit Differences between New and Old PRC Accounting Standards

The Company is listed in both A-share and H-share stock markets and needs to prepare financial statements using PRC accounting standards and International Financial Reporting Standards. In accordance with the ASBE No. 38 – First-Time Adoption of ASBE and ASBE Interpretation No. 1 issued by the Ministry of Finance in November 2007, the Group has restated its comparative figures retrospectively as a result of the change in accounting policies and consistently applied the accounting policies for the accounting periods covered by these financial statements.

In accordance with Question and Answer No. 7 of the Rules on Information Disclosure for Companies with Publicly Offered Securities – Compilation and Disclosure of Comparative Financial Information During the Transition Period between the New and Old Accounting Standards (Zheng Jian Kuai Ji Zi [2007] No. 10) issued by the China Securities Regulatory Commission (the "CSRC"), the Group prepared the reconciliation of net profit differences between New and Old PRC accounting standards to show the impact of the restatements on the Group's profit and loss for 2006.

Items (RMB million)	**Amount**
Net profit for 2006 (old accounting standards)	5,986
Claim reserves	151
Policyholders' reserves for life insurance	(1,845)
Derivative financial instruments	52
Financial assets	3,054
Land use rights	(12)
Deferred income tax	(104)
Long-term equity investments	60
Net profit for 2006 (new accounting standards)	7,342

Minority interests have been deducted from the above net profits.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of Ping An Insurance (Group) Company of China, Ltd. (the "Company") will be held at 10:00 a.m. on Tuesday, May 13, 2008 at Ping An School of Financial Services, Kukeng, Guanlan, Shenzhen, PRC for the purposes of considering and, if thought fit, passing the following resolutions:

AS ORDINARY RESOLUTIONS

1. To consider and approve the report of the board of directors of the Company (the "Board of Directors") for the year ended December 31, 2007.

2. To consider and approve the report of the Supervisory Committee of the Company for the year ended December 31, 2007.

3. To consider and approve the annual report and its summary of the Company for the year ended December 31, 2007.

4. To consider and approve the report of the auditors and audited financial statements of the Company for the year ended December 31, 2007.

5. To consider and approve the profit distribution plan and the recommendation for final dividend for the year ended December 31, 2007.

6. To consider and approve the re-appointment of Ernst & Young Hua Ming as the PRC auditors and Ernst & Young as the international auditors of the Company to hold office until the conclusion of the next annual general meeting and to authorize the Board of Directors to fix their remuneration.

7. To consider and approve the appointment of Mr. Clive Bannister as a non-executive director of the Company to hold office until the expiry of the term of the existing Board of Directors.

8. To consider the "Report on the Performance of Independent Non-executive Directors".

9. To consider the "Report on the Use of Proceeds of the Funds Raised Previously".

10. To consider and authorize the Company to provide guarantees in respect of the liabilities of its subsidiaries from time to time provided:

    (i) THAT the aggregate amount of such guarantees shall not exceed 50% of the latest audited net asset value of the Company from time to time;

    (ii) THAT there shall be no upper limit to the amount of guarantee allocated to any one subsidiary of the Company within the limit approved at the general meeting, provided that the amount of any one single guarantee shall not exceed 10% of the latest audited net asset value of the Company;

    (iii) THAT subject to the limitation set out in (i) and (ii) above, the executive Directors are authorized to approve substantive details of such guarantees in such manner as they see fit.

AS SPECIAL RESOLUTION

11. To give a general mandate to the Board of Directors to issue, allot and deal with additional H shares not exceeding 20% of the H shares of the Company in issue and authorize the Board of Directors to make corresponding amendments to the Articles of Association as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares:

    "**THAT**

    (A) (a) subject to paragraph (c) and in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Articles of Association of the Company and the applicable laws and regulations of the People's Republic of China, the exercise by the Board of Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with, either separately or concurrently, additional H shares of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be hereby generally and unconditionally approved;

(b) the approval in paragraph (a) shall authorize the Board of Directors during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of H shares allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with (whether pursuant to an option or otherwise) by the Board of Directors pursuant to the approval granted in paragraph (a) shall not exceed 20% of the aggregate nominal amount of H shares of the Company in issue on the date of passing this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) any scrip dividend or similar arrangement providing for allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association; and

(d) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or other applicable laws to be held; or (iii) the revocation or variation of the authority given under this resolution by a special resolution of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong) and an offer, allotment or issue of shares by way of rights shall be construed accordingly.

(B) The Board of Directors be authorized to make corresponding amendments to the Articles of Association of the Company as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares as provided in sub-paragraph (a) of paragraph (A) of this resolution."

By order of the Board of Directors
Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC

March 27, 2008

As at the date of this notice, the Executive Directors of the Company are Ma Mingzhe, Sun Jianyi and Cheung Chi Yan Louis, the Non-executive Directors are Lin Yu Fen, Cheung Lee Wah, Anthony Philip Hope, Fan Gang, Lin Lijun, Hu Aimin, Chen Hongbo, Wong Tung Shun Peter and Ng Sing Yip, the Independent Non-executive Directors are Bao Youde, Kwong Che Keung Gordon, Cheung Wing Yui, Chow Wing Kin Anthony, Zhang Hongyi, Chen Su and Xia Liping.

Notes:

1. According to the Articles of Association of the Company, the resolutions will be determined by poll.

2. In order to determine the list of shareholders who are entitled to attend the annual general meeting of the Company and to receive the final dividend for the year ended December 31, 2007, the H share register of members will be closed from Sunday, April 13, 2008 to Tuesday, May 13, 2008, both days inclusive, during which period no transfer of shares will be effected. Holders of the Company's H shares whose names appear on the register of members on Tuesday, May 13, 2008 are entitled to attend the meeting. In order to qualify for the final dividend and to attend and vote at the meeting, holders of H shares of the Company whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Friday, April 11, 2008. The address of the transfer office of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The final dividend for the year ended December 31, 2007 is expected to be paid on or before May 27, 2008 to the shareholders whose names appear on the H share register of members of the Company on Tuesday, May 13, 2008. The registration date and arrangements in relation to the rights of holders of A shares of the Company to attend the Annual General Meeting and to receive the final dividend for the year ended December 31, 2007 will be separately announced in the PRC.

3. A shareholder entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.

4. The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorized in writing. If the shareholder is a corporation, that instrument must be either under its common seal or under the hand of its director(s) or duly authorized attorney(s). If that instrument is signed by an attorney of the shareholder, the power of attorney authorizing that attorney to sign or other authorization document must be notarized.

5. In order to be valid, the form of proxy together with the power of attorney or other authorization document (if any) must be deposited at the H share registrar of the Company for holders of H shares not less than 24 hours before the time fixed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the meeting if he so wishes. The H share registrar of the Company is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

6. Shareholders who intend to attend the meeting in person or by proxy should return the reply slip to the Company's principal place of business in the PRC or Hong Kong on or before Wednesday, April 23, 2008 by hand, by post or by fax. The Company's principal place of business in the PRC is at Ping An Building, Ba Gua No. 3 Road, Shenzhen, PRC (Tel: (86 755) 400 8866 338, Fax: (86 755) 8243 1029). The contact persons are LIU Cheng (Tel: (86 755) 2262 2101) and WANG Xiaoli (Tel: (86 755) 2262 2828). The Company's principal place of business in Hong Kong is at 11th Floor, Dah Sing Financial Center, 108 Gloucester Road, Wan Chai, Hong Kong (Tel: (852) 2827 1883, Fax: (852) 2802 0018).

7. The meeting is expected to be concluded within half a day. Shareholders (in person or by proxy) attending the meeting are responsible for their own transportation and accommodation expenses. Shareholders or their proxies attending the meeting shall produce the identity documents.

8. Concerning the proposed resolution no. 11, the purpose of seeking approval of such mandate is to give directors flexibility and discretion to issue new shares in the event that it comes desirable for the Company and the directors have no present plan to issue new shares pursuant to such mandate.

Corporate Information

REGISTERED NAMES

Chinese name

中國平安保險(集團)股份有限公司

English name

Ping An Insurance (Group) Company of China, Ltd.

REGISTERED ADDRESS

Ping An Building,
Ba Gua No. 3 Road,
Shenzhen, PRC

PLACE OF BUSINESS

Ping An Building,
Ba Gua No. 3 Road,
Shenzhen, PRC

LEGAL REPRESENTATIVE

MA Mingzhe

AUTHORIZED REPRESENTATIVES

SUN Jianyi
YAO Jun

JOINT COMPANY SECRETARIES

SENG Sze Ka Mee Natalia
YAO Jun

AUDITORS

Ernst & Young

CONSULTING ACTUARIES

Ernst & Young Advisory Services Limited

LEGAL ADVISORS

DLA Piper Hong Kong

TYPE OF STOCK AND LISTING PLACE

H share	The Stock Exchange of Hong Kong Limited
A share	The Shanghai Stock Exchange

STOCK CODE

H share	2318
A share	601318

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

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