中国平安
PING AN

Annual Report 2009

Ping An,
our commitment to you

Our faithful care for you
Is your reliable shelter
Protecting you from hardship and distress
No matter what it takes
We will always be there for you

The world is full of uncertainties, and people have always sought security from the caprices of life. Ping An is committed to giving its clients a feeling of peace and safety and to providing them with the best level of service possible.

Ping An is devoted to keeping its promises and earning the satisfaction and recognition of clients. Over the past two decades, Ping An has been striving to build its integrity and expertise. Benefiting from China's significant development, which has been brought about by thirty years of reform and opening up, the company has become one of the top 500 companies in the world, creating great value for its clients, shareholders, employees, and society.

Ping An offers comprehensive financial services covering insurance, banking and investment, catering to all of your financial needs and securing your ability to lead a prosperous and affluent life.

Five-year summary

(in RMB million)	2009	2008	2007	2006	2005
GROUP[(2)]					
Total income	**152,838**	87,658	138,213	88,198	64,995
Net profit	**14,482**	1,635	19,219	8,000	4,265
Basic earnings per share (in RMB)	**1.89**	0.19	2.61	1.27	0.68
Total assets	**935,712**	704,564	692,222	494,435	319,706
Total liabilities	**843,969**	637,405	578,371	446,685	286,184
Total equity	**91,743**	67,159	113,851	47,750	33,522
Net investment yield[(3)] (%)	**3.9**	4.1	4.5	4.3	4.2
Total investment yield[(3)] (%)	**6.4**	(1.7)	14.1	7.7	4.3
Embedded value	**155,258**	122,859	150,311	65,573	48,363
INSURANCE BUSINESS					
Life insurance business[(2)]					
Written premiums	**134,503**	102,369	79,279	68,411	58,849
Net profit	**10,374**	(1,464)	10,883	5,704	3,544
Net investment yield (%)	**4.0**	4.0	4.8	4.5	4.2
Total investment yield (%)	**6.7**	(2.4)	14.2	7.8	4.3
Solvency margin ratio – Ping An Life (%)	**226.7**	183.7	287.9	183.1	140.7
Property and casualty insurance business[(2)]					
Premium income	**38,774**	27,014	21,666	16,994	12,775
Net profit	**675**	500	2,073	1,048	422
Net investment yield (%)	**4.0**	4.3	4.0	3.7	4.3
Total investment yield (%)	**5.4**	7.0	14.7	5.3	4.3
Combined ratio (%)	**98.9**	104.0	97.6	95.6	95.3
Solvency margin ratio – Ping An Property & Casualty (%)	**143.6**	153.3	181.6	131.3	153.4
BANKING BUSINESS[(4)]					
Net interest income	**3,425**	3,814	3,478	112	–
Net profit	**1,080**	1,444	1,537	71	–
Net interest spread (%)	**1.77**	2.66	2.81	1.81	–
Cost/income ratio (%)	**59.5**	47.0	41.0	43.1	–
Total deposits	**149,065**	106,814	113,053	73,044	–
Total loans	**107,562**	72,486	61,900	48,926	–
Capital adequacy ratio (%)	**13.0**	10.7	9.1	11.9	–
Non-performing loan ratio (%)	**0.46**	0.54	0.83	6.34	–
INVESTMENT BUSINESS					
Securities business					
Total income	**2,477**	1,471	3,271	1,277	235
Net profit	**1,072**	550	1,492	609	6
Trust business					
Total income	**1,192**	1,661	1,216	332	179
Net profit	**606**	1,207	744	194	57

(1) Certain comparative figures have been reclassified or restated to conform to relevant period's presentation.

(2) The figures of 2009 and 2008 are prepared according to the accounting policies adopted in 2009, and the figures of 2007, 2006 and 2005 have not been restated.

(3) The figures of 2009, 2008 and 2007 are the investment yield of insurance funds, and the figures of 2006 and 2005 have not been recalculated according to new method.

(4) As the scale of our banking business was relatively small before 2006, the table presents the relevant figures of 2009, 2008, 2007 and 2006 only.

Contents

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.

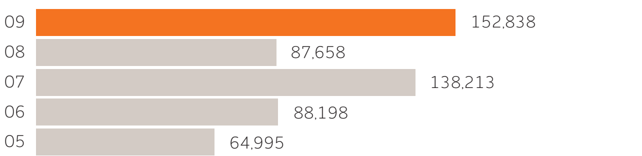
Introduction

Ping An is China's leading integrated financial services group. Our seamless structure allows us to serve the insurance, banking and investment needs of about 51 million individual customers and over 2 million corporate clients. We do this by combining local knowledge with high international standards of corporate governance.

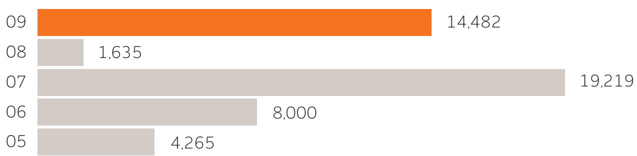
HIGHLIGHTS

- Our three pillars: insurance, banking and investment businesses, achieved rapid, healthy and sustainable growth
- We are steadily implementing our integrated financial strategy and strengthening our overall competitiveness
- Our overall profitability improved visibly. We recorded a net profit of RMB14,482 million, representing a significant increase over last year
- Market share of our property and casualty insurance business and life insurance business both increased
- Total assets of our banking business exceeded RMB220 billion, an increase of 51.2% as compared to the end of 2008, with asset quality among the best in the industry
- Assets held in trust under the management of Ping An Trust exceeded RMB100 billion

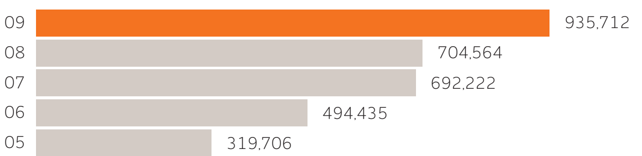
Total Income (in RMB million)



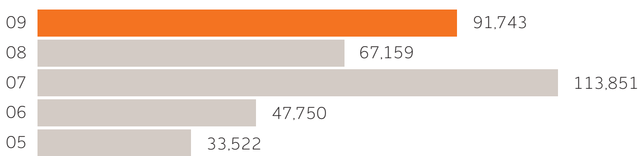
Net Profit (in RMB million)



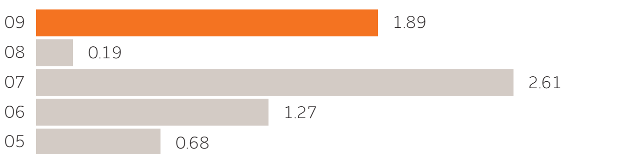
Total Assets (in RMB million)



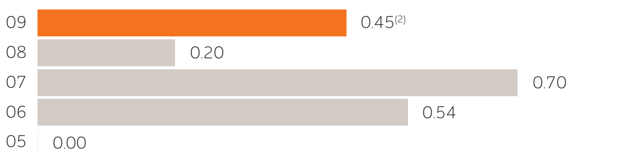
Total Equity (in RMB million)



EPS (in RMB)



Dividend Per Share[1] (in RMB)



(1) Dividend per share includes final dividend, interim dividend and special dividend, and the special dividend for 2006 is RMB0.20 per share.

(2) The 2009 final dividend of RMB0.30 per share is proposed for approval at the annual general meeting.

Business at a glance

In 21 years, **Ping An** has developed from its origin as a property and casualty insurance company to become one of the foremost providers of diversified financial services and products in China.

The Group's single-brand, multi-channel distribution network extends to all of the nation's most economically-developed areas. Our three main businesses are: insurance, banking and investment.

Ping An's coverage – in terms of geography, sectors and products – enables us to deliver a seamless customer service as well as reliable shareholder return. Through implementation of our business strategy, centralization of back office and improved asset liability management, we aim to more than double **Ping An's** customer and asset base in the years ahead.

Customer

53 m

Employee

100,267

Sales agent

416,570

Organization structure

PING AN
Insurance • Banking • Investment

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

INSURANCE	BANKING	INVESTMENT
Ping An Life	Ping An Bank	Ping An Trust
Ping An Property & Casualty		Ping An Securities
Ping An Annuity		Ping An Asset Management
Ping An Health		Ping An Overseas Holdings
Ping An Hong Kong		Ping An Asset Management (Hong Kong)

SHARED PLATFORM

Ping An Technology
Ping An Marketing Services
Ping An Processing & Technology
Ping An Channel Development

中国平安 PING AN

INSURANCE

At its incorporation in 1988, Ping An was primarily engaged in the property and casualty insurance business. After 21 years of growth, insurance remains the Group's core business, shared among four major subsidiaries: Ping An Life, Ping An Property & Casualty, Ping An Annuity and Ping An Health. Collectively, these companies provide clients with a full range of insurance products and services.

Ping An Life is China's second-largest life insurance company in terms of written premiums, and also among the most profitable, with a network of over 410,000 sales agents. The increasingly competitive Ping An Property & Casualty has become the second-largest of its kind in China in 2009. Ping An Annuity provides clients with a portfolio of professional services including fiduciary management, investment management and account management.

- Written premiums for our life insurance business increased by 31.4% to RMB134,503 million and market share rose by 2.5 percentage points to 16.5%. Written premiums from the more profitable individual life insurance business grew 26.2% as compared with last year
- Premium income for our property and casualty insurance business increased by 43.5% to RMB38,774 million and market share rose by 2.0 percentage points to 12.9%, ranking 2nd in the industry for the first time. Combined ratio improved to 98.9% with rapid business growth
- Ping An Annuity maintained its leading position in the industry. Three major indicators, namely annuity payments received, assets entrusted and assets under investment management, were all among the highest in the sector

Written Premiums *(in RMB million)*

09	173,277
08	129,383
07	100,945

See pages 24-33

BANKING

Ping An Bank, an essential part of the integrated financial service platform of the Company, provides innovative products and services. Ping An Bank is developing into a bank with retail and SME business focus, embedded with advanced risk management and high standard of corporate governance. As a joint-stock commercial bank with cross-region operations, Ping An Bank is headquartered in Shenzhen with branches covering Shenzhen, Shanghai, Fuzhou, Quanzhou, Xiamen, Hangzhou, Guangzhou, Dongguan, etc.

- Total assets exceeded RMB220 billion, an increase of 51.2% as compared to the end of 2008, with asset quality among the best in the industry
- Accumulated credit cards in circulation exceeded 3.4 million, and 56.5% of new cards issuance was contributed by cross-selling
- Network expansion achieved a further breakthrough with the opening of the Guangzhou, Hangzhou and Dongguan branches

Loan Balances *(in RMB million)*

09	107,562
08	72,486
07	61,900

See pages 34-37

INVESTMENT

Ping An Asset Management, Ping An Asset Management (Hong Kong), Ping An Securities and Ping An Trust together form the investment and asset management platform of the Group.

Ping An Asset Management and Ping An Asset Management (Hong Kong) manage the Group's insurance funds as well as investment assets of other Ping An subsidiaries. In addition, the two companies provide products and services for other investors. Ping An Trust and Ping An Securities provide customers with asset management services, including wealth management products and trust schemes. We have invested our managed assets not only in the capital market but also in other sectors such as infrastructure, property and direct equity investments to meet our customers' needs. Furthermore, Ping An Securities provides brokerage, investment banking and financial advisory services.

- Ping An Securities' investment banking business maintained its leading position in SMEs and the GEM underwriting market, underwrote RMB60 billion in equity and debt issuance and ranked 2nd in terms of number of deals
- Assets held in trust under Ping An Trust exceeded RMB100 billion, while improvements in expanding its product range and distribution channels were made, and its operation platform was strengthened
- Ping An Asset Management captured market opportunities and optimized asset allocation, yielding a total investment return of 6.4%

Assets Under Trust Scheme *(in RMB million)*

09	130,551
08	48,514
07	47,519

See pages 38-41

Honors and awards

In 2009, Ping An continued to maintain a leading position in terms of brand value. With regard to comprehensive strength, corporate governance and corporate social responsibility, we have won widespread recognition from domestic and overseas rating agencies and media, and received a range of honors and awards.

- "Forbes"

  Forbes Global 2000

- "Financial Times"

  FT Global 500

- "Finance Asia"

  Best Managed Company in Asia

- "The Asia's 500 Most Influential Brands"

  Champion of China Brand Value

  Ranked 73rd in "The Asia's 500 Most Influential Brands"

- "The Asset"

  Best Insurer in "China's Most Promising Companies"

  Best Corporate Governance

  Platinum Award for Excellence Management and Corporate Governance for 2009

- "IR Magazine"

  Best Investor Relations – Large Market Value and Non-state-owned Enterprises

  Best Investor Relations – The CFO

  Best Corporate Governance

  Asia's 100 Biggest Money Managers 2009 (Ping An Asset Management)

- "Euromoney"

  Awarded 1st place as "Asia's Best Managed Insurer" for the 2nd consecutive year

- "Corporate Governance Asia"

  Outstanding Asian Company in Corporate Governance 2009

- Election for "Most Respected Enterprise in China"

  Awarded as Most Respected Enterprise for the 8th consecutive year

- Election for "Best Corporate Citizen in China"

  Awarded as Best Corporate Citizen in China for the 5th consecutive year

- China News Week's List of the 4th Session of "Most Responsible Enterprise in China"

  Awarded as Most Responsible Enterprise in China for the 3rd consecutive year

- China Business News's List of "Socially Responsible Chinese Enterprise 2009"

  Excellent Enterprise Award for Social Contribution

- "Shanghai Stock Exchange Social Responsibility Index"

  One of the 100 sample stocks

- List of "Corporate Social Responsibility Report"

  "2008 Corporate Social Responsibility Report of Ping An" was accredited with the Best Social Responsibility Report Award

- "China Charity Award"

  Most Charitable Chinese Enterprise

- "Blue Book of Corporate Social Responsibility in China 2009"

  Ranked 10th in the "Social Responsibility Index of China's Top 100 Enterprises"

- Chinese Federation for Corporate Social Responsibility's Sustainable Growth Index of Listed Companies (also referred to as "China CSR Alliance 50 Index")

  Best Listed Company with Harmonized Competitiveness in China

- "Directors & Boards"

  Best Board of Directors Award

- "International Business Award"

  Best Annual Report Award

- Gold Medal List for Chinese Financial Institutions ("Golden Dragon Award")

  Best Chinese Property and Casualty Insurance Company for the Year (Ping An Property & Casualty)

  Best Medium & Small Bank in Finance Innovation for the Year (Ping An Bank)

Ping An was awarded "Most Respected Enterprise" for the 8th consecutive year.

Ping An was awarded "Best Investor Relations" and "Best Corporate Governance" by IR Magazine.

- "China Financial Marketing Awards"

  Best in Corporate Social Responsibility

  Top 10 Financial Products

- "Election for Most Respected Bank and the 3rd Session of Election for China Best Bank Wealth Management Product for 2009", and "2009 China Retail Bank Summit"

  Debit Card with the Highest Growth Potential

  Most Respected Bank in China – the Best Individual Credit Bank

  Best Bank Wealth Management Product – the Best Team on Design and Innovation for the Year

  The Safest Credit Card

- "Survey on User Satisfaction"

  China E-finance "Golden Cup Award"

  Top 30 China E-finance Enterprises

  Most Innovative Product

  Best Financial Service Platform

- "Listed Company Association of Shenzhen Stock Exchange"

  Public Donation Award

  Charity Donation Award for 5•12 Earthquake

- China Association for Quality Promotion

  China Creditable Enterprise in Quality of Service from 2005 to 2008 (Ping An Life and Ping An Property & Casualty)

- "Assessment on Legal Risk Index of Listed Chinese Companies"

  Gold Award for Legal Risk Management among listed companies in 2008

- Annual Conference of ACCE Global Call Centers

  Best Global Call Center for 2009 (Credit Card Department of Ping An Bank)

- Election for the "Best Call Center in China (Asia Pacific)"

  Best Telephone Call Center in China (Asia Pacific) for 2009 (Ping An Processing & Technology)

- Special Committee for Customer Relation Management under China Federation of IT Promotion, and CCCS Customer Contact Center

  Best Call Center in China 2009 (Ping An Bank's Customer Service Center for Credit Cards)

- Guangdong Enterprise Association

  Top 100 Guangdong Enterprises

Chairman's statement

Ping An has strived to become a "leading integrated financial services provider". We have been exploring this core strategy ever since our establishment. It is a strategy which comes naturally with our core competency and advantages that built up throughout our development. It is a strategy that forms the core part of our development in the next decade. It is a strategy that we choose to cope with the mega trend in the development of financial industry of China.

1. On August 19, 2009, Ping An One Account Management Services was launched to the market with Lu Chen and Shang Wenjie as prolocutors. As of the end of 2009, its registered accounts exceeded 4 million.

2. On April 10, 2009, the Guangzhou Branch of Ping An Bank was inaugurated, showing the development momentum with stable business and huge potential of Ping An Bank.

3. In 2009, Ping An's credit cards business retained a rapid growth with cards in circulation exceeding 3.40 million, and we managed to launch our credit card business without having a physical branch presence in Beijing.

2009 was a year full of challenges. Facing the serious impact of the global financial crisis and complex internal and external environment, the Chinese people persevered and overcame these challenges. As a result, China was the first major economy to recover from the financial crisis. In 2009, Ping An resolutely sought business opportunities and achieved rapid, healthy and sustainable development in all of its three core businesses – insurance, banking and investment. Overall profitability greatly improved: the Company realized a net profit of RMB14,482 million for the year, representing a significant increase over 2008.

Business Highlights

Looking back 2009, our notable achievements are highlighted as follows:

- **Our insurance business maintained strong growth momentum. Market share of both the life insurance business and the property and casualty insurance business increased.** Our life insurance business achieved total written premiums of RMB134,503 million, an increase of 31.4% compared to the previous year. Market share increased 2.5 percentage points compared to that of 2008. The relatively more profitable individual life insurance sector continued its core contribution to our life insurance business, increased by 26.2% year-on-year. Premium income for our property and casualty insurance business reached the unprecedented level of RMB30 billion, with market share at 12.9%, putting us at 2nd place in the market. Despite the rapid increase in our business scale, the quality of our services has continuously improved. Combined ratio for our property and casualty insurance business improved by 5.1 percentage points to 98.9% compared to the previous year. Our annuity business also progressed smoothly, with three major indicators-- annuity payments received, assets entrusted and assets under investment management-- all ranking high compared to peer professional annuity companies.

- **Our banking business grew rapidly and solidly.** As of the end of 2009, the total assets of Ping An Bank exceeded RMB220 billion, with deposit and loan balances increased by 39.6% and 48.4% respectively year-over-year. The number of accumulated credit cards in circulation exceeded 3.4 million, with the total transaction amount above RMB36 billion. While growing at this fast pace, we managed to maintain good asset quality and keep the ratio of non-performing loans at 0.46%, a result that was at top-tier level within the industry. We opened our Guangzhou, Hangzhou and Dongguan branches successfully, and we were able to launch our credit card business without having a physical branch presence in Beijing. All these achievements further expanded our business channels.

4

- **Our investment business dealt skillfully with capital market volatility, optimizing asset allocation, and achieving excellent results in our securities investment banking and trust asset management businesses.** Ping An Asset Management strengthened its macroeconomic research capability and grasped market opportunities which resulted in a total investment yield of 6.4% in 2009. This not only contributed to the Company's profits but also further enhanced its good reputation in the industry. The investment banking division of Ping An Securities maintained its leading position among small and medium-sized enterprises (SMEs) market and in the Growth Enterprises Market (GEM), acting as a lead underwriter. Assets held in trust under the management of Ping An Trust amounted to RMB130,551 million, representing year-on-year growth of more than 100%, a historical breakthrough that further strengthens Ping An's industry leading position.

- **The construction of our integrated financial platform progressed smoothly, and our cross-selling strategy captured synergies across our businesses.** In 2009, the results of cross-selling were remarkable and its contribution had been adding weight: 56.5% of newly issued credit cards and 14.5% of premium income for the property and casualty insurance business came from cross-selling. In addition, we completed the first phase of our back office centralization project, resulting in an efficient, stable, cost-effective shared operating platform. In August 2009, the Company officially launched the Ping An One Account Management Services, offering centralized account integration and account management. This platform provides our customers with one-stop services for multiple financial products, a significant milestone in Ping An's efforts to offer integrated financial services. At the end of December 2009, Ping An One Account Management Services had 4 million registered accounts.

Commitment to Our Shareholders, Customers, Employees and Society Was Fulfilled

In summary, Ping An has been resilient in facing challenges and made good achievements in 2009 to start our third decade of development. Since 2008, Ping An has faced a series of unprecedented challenges and has endured one of the harshest periods since the Company's establishment. As we have stuck to our core principles, with a stable financial strength and our leading position in integrated financial services, together with the joint efforts of every Ping An staff, we have successfully overcome the challenges. We are a young company and will prevail and grow more mature and robust in the midst of this challenging environment. Written premiums of our life insurance business reached RMB130 billion, and premium income of our property and casualty insurance business ranked the second in the market. We made the strategic decision to invest in Shenzhen Development Bank, and we successfully launched the innovative service platform, namely Ping An One Account Management Services. All of these achievements in 2009 demonstrated again that Ping An can overcome various difficulties and become stronger and more mature. We are very confident in Ping An's prospects and long-term investment value.

In 2009, we introduced the tagline "Ping An, our Commitment to You" to emphasize the quality of our customer service. Several campaigns were successfully launched to support this commitment, setting several industry-leading standards. Ping An Property & Casualty pledged to abide by "claim reimbursement within 3 days for claims below RMB10,000 when submitted with complete documentation". Ping An Life launched "let us help you find reasons to claim". Ping An Credit Card introduced "72-hour protection in the event of card loss" and Ping An Bank offered customers "free global ATM withdrawal and

4. As a centralized financial service platform, Ping An's back-office operating management center provides a solid foundation for Ping An to achieve its integrated financial strategy of "one customer, one account, multiple products and one-stop services".

Chairman's statement

5. On August 6, 2009, Ping An Trust entered into a strategic framework agreement of cooperative investment with Gemdale Group. Ping An Trust will invest in the project developed by Gemdale, with a scale likely reaching RMB10 billion in the next three years.

6. In late October 2009, Ren Huichuan, Chairman of Ping An Property & Casualty, served as a volunteer teacher in a Hope Primary School of Ping An in Xiaotuoluo, Zhijin County, Guizhou Province. In 2009, Ping An continued to perform its obligations as a corporate citizen through various means.

online remittance, E-banking security". The market strongly welcomed these campaigns, which further enhanced Ping An's brand awareness and reputation and effectively promoted the business of our various subsidiaries in a synergistic way, reinforcing the advantages of our integrated model. All these efforts are in the spirit of our motto: "Go first, Act first, Innovate and Develop".

2009 was a year which Ping An put more efforts in supporting our staff and propelling mutual development between staff and the Company. It was our corporate culture that stuck us together cohesively in tough times, it was the expertise and dedication of our highly loyal staff that had helped us endure the challenges brought about by the financial crisis. For staff development, in 2009 we launched the "Horn Action", a corporate cultural campaign which promoted a sound and effective performance measurement system that based on clear accountability and positive internal competition. Embracing the spirit of performance-driven staff compensation system, we assure our staff a flexible and competitive compensation system which enables them to benefit from the fast development of the Company. We continued to emphasize staff training and education, providing them with an open and state-of-the-art learning environment. By the end of 2009, we have established 80 training centers in China and our annual training cost reached RMB387 million. Meanwhile, we also concern very much about our staff's physical and mental health, through creating an amicable atmosphere with diversified recreational activities.

2009 was also a year demonstrating Ping An's full commitment to Corporate Social Responsibility. One year lapsed, the devastating May 12, 2008 earthquake in Wenchuan, Sichuan province was still in our mind, therefore, we donated a first tranche of RMB10 million to establish the China Ping An Hope Scholarship to help students who are living in poverty attending Ping An Hope primary schools across China. So far, Ping An has established 52 Hope Primary Schools in poor areas across China and has a plan to get to a total of 100 schools by the end of 2011. In December 2009, the Company contributed RMB5 million to "China Ping An Encouragement Fund" to be administered by the China Youth Development Foundation to encourage and help misfortunate college students, as well as to support the China Ping An Encouraging Scheme to operate continuously and orderly. Ping An was widely acknowledged by the public for its corporate social practices in 2009: winning "Most Respected Enterprise in China" for the 8th time, "Best Corporate Citizen in China" for the 5th time, and being nominated for the "Outstanding Enterprise Award for Corporate Social Responsibility in China" from varied authoritative rating agencies.

Looking Ahead

Ping An has strived to become a "leading integrated financial services provider". We have been exploring this core strategy ever since our establishment. It is a strategy which comes naturally with our core competency and advantages that built up throughout our development. It is a strategy that forms the core part of our development in the next decade. It is a strategy that we choose to cope with the mega trend in the development of financial industry of China. In 2009, we made a good start, and in 2010, we will stay confidently on course, be committed to enhancing our competitiveness on all fronts and to maintaining profitable, sustainable business growth, surpassing the market benchmark. We will deepen and widen our cross-selling efforts to further realize synergies of integrated finance. We will push forward the second phase in our back office centralization plan.

We will continuously deepen reforms of the front and middle office, and realize more advantages from integration and resource sharing. Meanwhile, we will steadily push on the execution of investment in Shenzhen Development Bank to support our integrated financial services strategy and enhance our long-term corporate value.

The global financial crisis has a profound impact on the global economy and the financial services industry. The ever changing macroeconomic picture makes the operating environment of the financial industry increasingly complicated, posing great challenges to our long-term steady development. However, we also see that China's economy is moving toward a promising direction. As personal wealth continues to accumulate in China, we maintain an optimistic outlook and believe that there is huge potential demand for the integrated financial products and services. Therefore, these are rare and valuable opportunities presented to us. We shall keep up with the pace of change, strengthen our core values, exploit potential opportunities, turn pressure into motivation, turn challenge into opportunity, take our efforts to become "an integrated financial services provider", and continue to generate long-term steady value for our shareholders, customers, employees and society at-large.

Chairman and Chief Executive Officer

Shenzhen, PRC
April 16, 2010

Growth. China, where economy growth keeps in a strong momentum and with one fifth of the global population resources, has created massive growth potential for enterprises offering integrated financial services like Ping An.

Virtually every forecast predicts that China's prosperity will continue in the foreseeable future. Even with a fall in growth rate from recent heights, China's economy continues to expand at an enviable rate. Ping An is ideally placed to benefit from this trend.

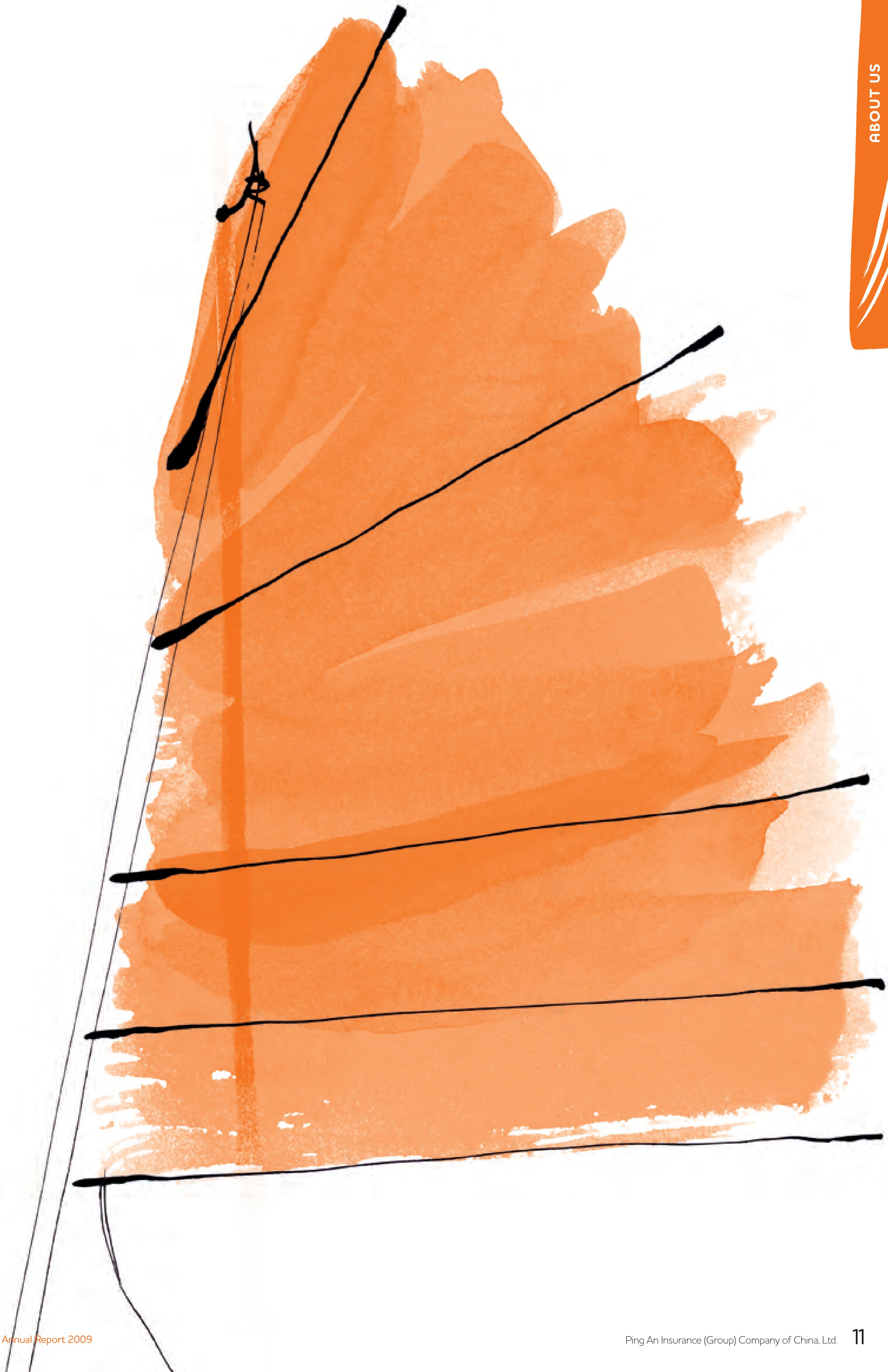
We are doing this by:

- Focusing on first- and second-tier cities with dramatic growth
- Catering to the needs of a burgeoning middle class and aspiring workers
- Offering customers a wider range of financial products and services

Ping An is one of the few financial service companies to provide customers with a seamless approach across the insurance, banking and investment sectors in China.

In 2009, though suffering from the impact of the global financial crisis and facing complexities at home and abroad, China was quick to make a turnaround after the vicious global downturn in economic growth, and its economy recovered well enough to end the year with a GDP increase of 8.7% over 2008. Ping An has also accomplished a rapid advancement in its various businesses:

- Our overall profitability has been greatly enhanced, realizing a net profit of RMB14,482 million for the year, representing a significant increase as compared to the previous year.
- Our life insurance business achieved total written premiums of RMB134,503 million, an increase of 31.4% as compared to the previous year. Market share increased 2.5 percentage points as compared to the year of 2008.
- Premium income for our property and casualty insurance business rose up by 43.5% to RMB38,774 million as compared to the previous year, with market share increasing by 2.0 percentage points, historically ranking the No.2 in the industry.
- Total assets of Ping An Bank amounted to over RMB220 billion, representing a year-on-year growth of 51.2%. The balances of deposits and loans increased by 39.6% and 48.4% respectively, as compared to the end of 2008.
- Assets held in trust under the management of Ping An Trust amounted to RMB130,551 million, an increase of more than 100% as compared to the end of 2008, marking a historical breakthrough.



Innovation. Ever since Ping An started operating in 1988, innovation has been the Group's driving force.

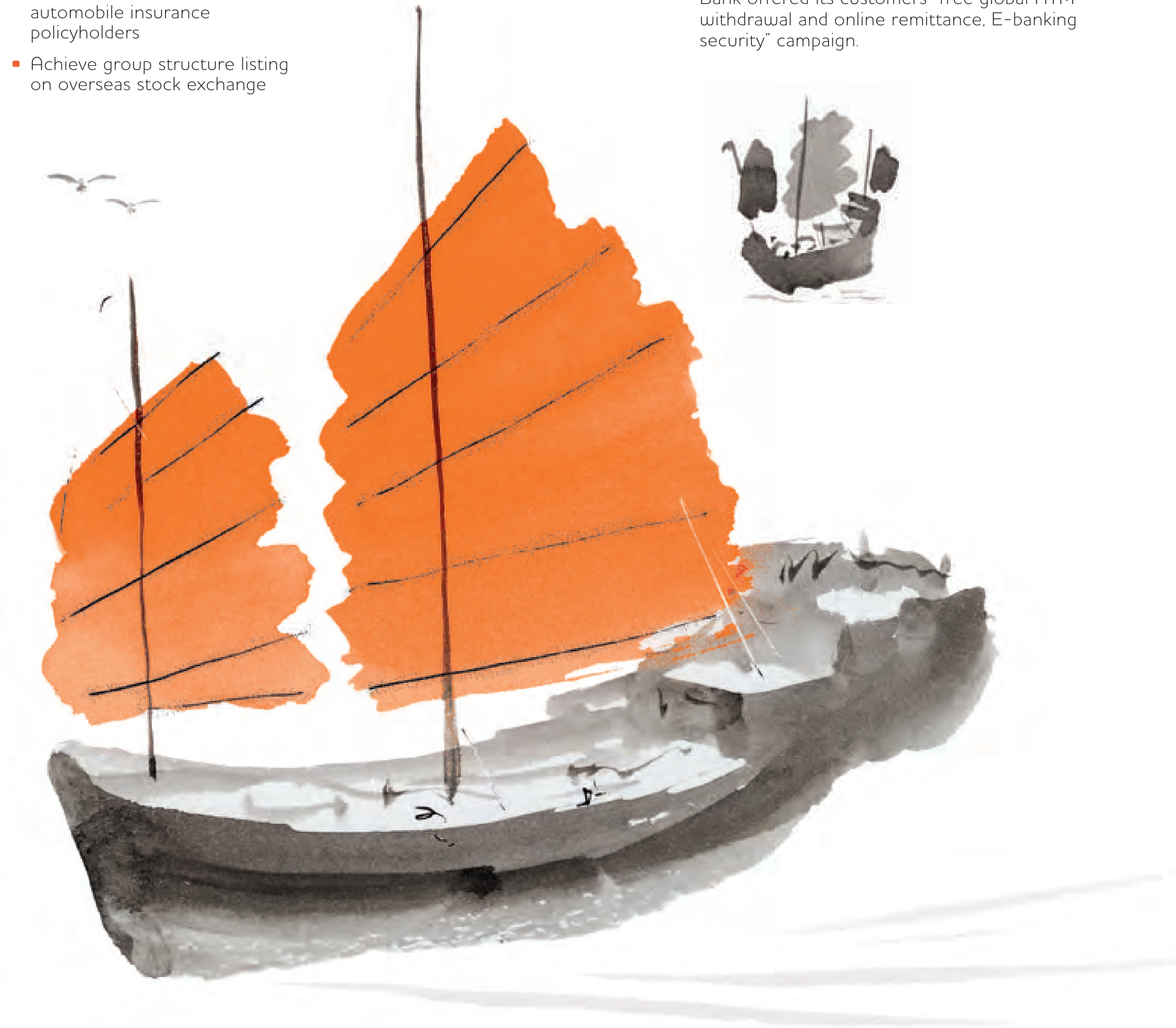
As a result, we have been the first in our sector to:

- Introduce foreign shareholders
- Engage international accounting and actuarial firms to perform auditing and valuation
- Offer investment-linked life insurance products
- Establish a nationwide integrated operating center
- Provide a nationwide claims settlement service to our automobile insurance policyholders
- Achieve group structure listing on overseas stock exchange

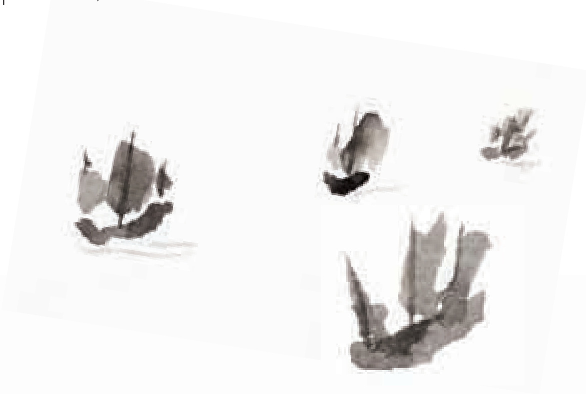
Twenty-one years on, Ping An has been committed to unceasing innovation in systems, products, and services, which allows the Company to keep up a strong pace of growth and development. Ping An also plays an important role in promoting the reform and development of China's financial insurance business.

During 2009, we achieved reforms and innovations in the following fields:

- Several campaigns were successfully launched to support Ping An's commitment to customer service, setting several industry precedents. Ping An Property & Casualty pledged to abide by "claim reimbursement within 3 days for claims below RMB10,000 when submitted with complete documentation". Ping An Life launched "let us help you find reasons to claim." For Credit Card business, we introduced "72-hours protection in the event of card loss". Ping An Bank offered its customers "free global ATM withdrawal and online remittance, E-banking security" campaign.



- Ping An took the lead in the composition of "Album Handbook of Codes for the Insurance Business" project established by China Finance Standardization Techno-Committee. It is the first information classifying standard in China's insurance industry, a foundation and reference for supervision, business and information standard, and was awarded the first prize – the highest honor for financial innovation awarded by Shenzhen Government.
- Ping An Property & Casualty was a pioneer among industry competitors in launching regular family property insurance products.



Cross-selling. Ping An's integrated financial structure enables us to match a widening range of financial products and services to the needs of an expanding customer base. Working cross-divisionally gives us enhanced efficiencies and helps to maximise overall Group growth.

Cross-selling is therefore the Group's core strategy. Its aim is to achieve a business model which we describe as "one customer, one account, multiple products and one-stop service".

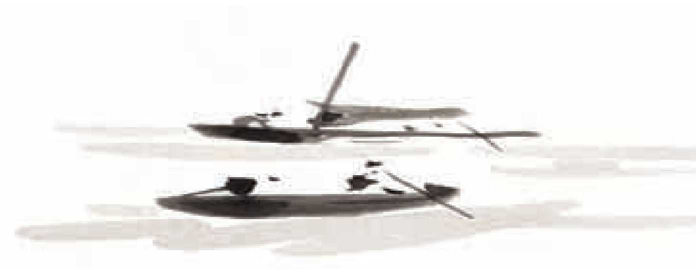
All of the Group's subsidiaries, including Ping An Life, Ping An Property & Casualty, Ping An Annuity, Ping An Bank, Ping An Securities and Ping An Trust subscribe to this cross-selling strategy. For example, customers who buy our automobile or life insurance are, when appropriate, exposed to the benefits of the services that other Ping An companies can provide in credit cards, wealth management or deposits and loans.

Such cross-selling reinforces customer loyalties – often established over a decade or more. It also helps to enhance the overall potency of the Ping An brand, rapidly becoming a byword for value, efficiency and integrity.

And thanks to our centralized, highly sophisticated back office platform, all of this can be more easily and cost-effectively managed than ever before.

In 2009, new business acquired through cross-selling is as follows:

(in RMB million)	Amount	Business Contribution Percentage (%)
Property and casualty insurance business		
Premium income	5,635	14.5
Annuity business		
Entrusted assets	623	7.5
Assets under investment management	671	7.4
Trust business		
Trust schemes	5,650	4.5
Banking business		
Corporate deposits (increase of daily average size)	2,509	10.4
Corporate loans (increase of daily average size)	788	5.2
Credit cards (in ten thousands)	124	56.5

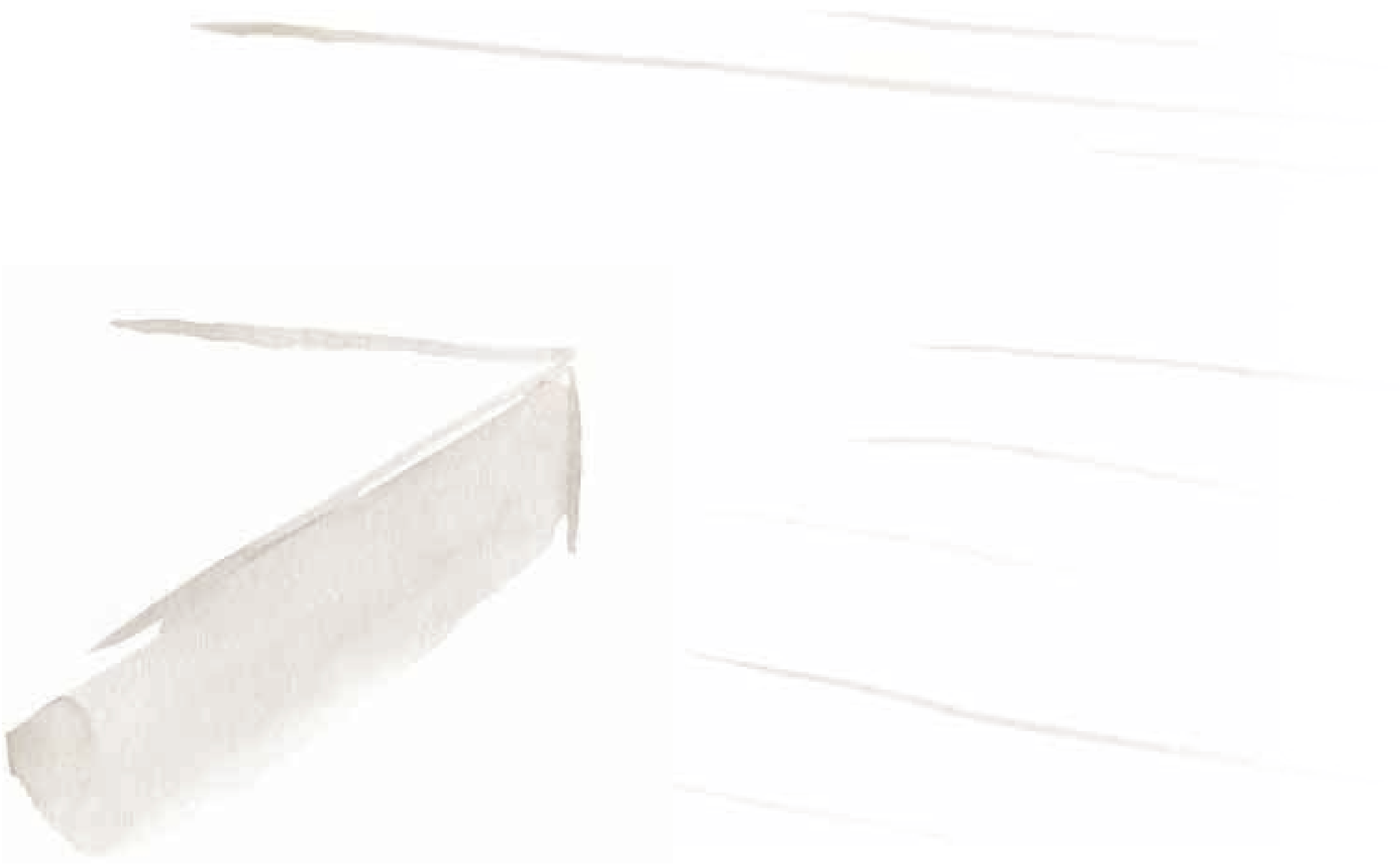


Centralization. The three pillars of Ping An's business – insurance, banking and investment – have a solid foundation backed by the Group's centralized back office platform.

The result of a multi-billion dollar, six-year investment, Ping An's centralized operations are already providing the Group with enhanced efficiencies and increased production capacities. This gives the Group a competitive advantage in terms of controlling costs and also raises the quality of customer service.

Other advantages include greater levels of support for sales staff and improvements in risk management processes. Overall, the application of advanced technologies and the benefits of standardised operational flow will help Ping An to achieve integrated financial strategic targets.

At the end of 2009, we completed the first phase of our back office centralization project, resulting in an efficient, stable, cost-effective shared operating platform which allows for sharing across multiple businesses has been established. In the future, the Company will begin the second phase of centralization, with the aim of optimizing the cost structure and supporting cross-selling. The implementation of the integrated financial strategy will further maximize resource-sharing and cross-business synergies throughout the Company.



Integrated financial services. During the next decade, Ping An's vision is to become a leading international integrated financial group. This will involve the balanced development of the Group's insurance, banking and investment businesses based on our "one customer, one account, multiple products and one-stop services" strategy.

Ping An started selling insurance from a single office in Shenzhen. Twenty-one years later, that venture has become one of China's leading integrated financial services providers.

Today, Ping An holds more financial licenses than any other company of its type in China. The Group also enjoys unrivalled business scope and an extensive shareholder base.

These strengths, combined with Ping An's culture of innovation, cross-selling and centralization, will enable the Group to maximise its potential from our base in a national economy that continues to grow.

In 2009, we began a new initiative in our integrated financial services offering: we officially launched the Ping An One Account Management Services (featuring strong account integration and management functions) nation-wide which serves as a platform upon which we provide our customers with one-stop services for multiple financial products. It also represents a significant milestone in Ping An's financial integration process. As at the end of 2009, the number of registered users of Ping An One Account Management Services totalled over 4 million.

Management discussion and analysis
Overview

- Our three pillars: insurance, banking and investment businesses, achieved rapid, healthy and sustainable growth
- We are steadily implementing our integrated financial strategy and strengthening our overall competitiveness
- Our overall profitability improved visibly. We recorded a net profit of RMB14,482 million, representing a significant increase over last year

We offer various financial products and services to clients under a single brand name via a multiple distribution network that leverages the capabilities of our major subsidiaries. These are Ping An Life, Ping An Property & Casualty, Ping An Trust, Ping An Securities, Ping An Bank, Ping An Annuity, Ping An Health, Ping An Asset Management and Ping An Asset Management (Hong Kong).

In 2009, Ping An has overcome adversity and delivered positive results despite economic challenges.

Our three pillars: insurance, banking and investment businesses, achieved rapid, healthy and sustainable growth. The market share of our property and casualty and life insurance businesses edged up. Total assets of our banking business saw solid growth, and the investment banking business of our securities company hit a record high. Third-party assets under Ping An Trust's management surpassed RMB100 billion. Cross-selling activities strengthened further and the first phase for centralization was fully completed. Ping An One Account Management Services were officially launched nationwide. We are steadily implementing our integrated financial strategy and strengthening our overall competitiveness.

Overall profitability improved visibly while we maintained a rapid growth and momentum. In 2009, we recorded a net profit of RMB14,482 million, a significant increase over last year, while our net assets amounted to RMB91,743 million, up by 36.6% as compared with the end of 2008.

Our results were mainly driven by three factors: firstly, the improvement in business quality of our insurance businesses; secondly, proactively capturing market opportunities, which led to a stronger than expected result in investment returns; and lastly, additional profit contributions by our non-insurance lines of businesses.

CONSOLIDATED RESULTS

(In RMB million)	2009	2008
Total income	**152,838**	87,658
Total expenses	**(132,919)**	(89,144)
Operating profit before tax	**19,919**	(1,486)
Net profit	**14,482**	1,635

NET PROFIT BY BUSINESS SEGMENT

(In RMB million)	2009	2008
Life insurance	**10,374**	(1,464)
Property and casualty insurance	**675**	500
Banking	**1,080**	1,444
Securities	**1,072**	550
Other businesses(1)	**1,281**	605
Net profit	**14,482**	1,635

(1) "Other businesses" mainly includes corporate, trust business and asset management business, etc.

Net profit from our life insurance business was RMB10,374 million in 2009, while there was a loss of RMB1,464 million in 2008. This change was mainly due to the business growth as well as the increased profit contribution from investment income as a result of the rise of the domestic stock market. Net profit from our property and casualty insurance business increased 35.0% from RMB500 million in 2008 to RMB675 million in 2009, mainly due to the fact that Ping An Property & Casualty enhanced its profitability and the combined ratio improved as a result. Net profit from our banking business decreased by 25.2% to RMB1,080 million in 2009 from RMB1,444 million in 2008, largely due to squeezed net interest spread brought about by consecutive rate cuts of PBOC, continuous investment in strategic initiatives, and the one-off positive impact of deductible loss as approved by the tax authority in 2008. Ping An Securities achieved excellent performance in its brokerage and investment banking business, therefore net profit increased by 94.9% to RMB1,072 million in 2009 from RMB550 million in 2008. Net profit of our other businesses recorded an increase, mainly due to the fact that Ping An Trust completed the acquisition of XJ Group in January 2009 and its net profit has been consolidated since then.

For a detailed analysis of the operation results of each business line, please refer to the respective sections below.

INVESTMENT PORTFOLIO OF INSURANCE FUNDS

Insurance is the core business of the Group. The insurance funds represent the funds that can be invested by the Company and its subsidiaries engaged in insurance business. The investment of insurance funds is subject to relevant laws and regulations. The investment of insurance funds represents a majority of the investment assets of the Group. This section analyzes the investment portfolio of insurance funds.

Under the easy monetary policy implemented by the PRC government in 2009, liquidity and credit was kept at a relatively high level. Industries of automobile and real estate maintained prosperous, which guaranteed a stable growth in domestic demand. Government investments ensured a rapid growth in fixed assets investments. Positive policies stimulation, together with the improving economy promoted the steady rise in stock market. Based on its in-depth research of macro-economic trend, the Company, grasping market opportunities, adopted a comparatively proactive equity assets allocation strategy in the first half year, thus yielding a result of steady advancement. Meanwhile, it made prompt adjustments and locked up revenue in the second half year while the stock market fluctuated. In terms of fixed income assets, as the price of bond market showed downturn, with consideration of the confidence over economic uplift and worries about future inflation by the investors, the Company adopted the strategy of reducing bonds allocation in 2009. Allocation remained low for the whole year and the effect is obvious.

Investment Income

(In RMB million)	2009	2008
Net investment income	**18,863**	18,735
Net realized and unrealized gains/(losses)	**12,431**	(907)
Impairment losses	**(392)**	(25,855)
Others	**(174)**	92
Total investment income/(losses)	**30,728**	(7,935)
Net investment yield (%)(1)	**3.9**	4.1
Total investment yield (%)(1)	**6.4**	(1.7)

(1) 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.

Our net investment income recorded a little increase to RMB18,863 million in 2009 from RMB18,735 million in 2008. This increase was primarily due to the fact that although there was a rise in the interest income from fixed maturity investments as a result of enlarged investment assets scale, the dividend income from equity investments decreased sharply which partially offset the positive effect brought by the interest income. Net investment yield declined to 3.9% in 2009 from 4.1% in 2008, primarily due to the decreased dividend rate of equity investments.

Due to the rise of the domestic stock market along with our strategy of actively making timely equity assets allocation adjustment, net realized and unrealized gains were RMB12,431 million in 2009, while there was a loss of RMB907 million in 2008. Impairment losses on the available-for-sale equity investments in 2009 were RMB392 million, representing a significant reduction from the year 2008. The impairment loss made in Fortis shares in 2008 was RMB22,790 million.

As a result, total investment income was RMB30,728 million in 2009, while there was a loss of RMB7,935 million in 2008. Total investment yield rose to 6.4% in 2009 from -1.7% in 2008.

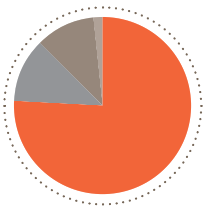
Investment Portfolio

The following table presents our investment portfolio allocations of insurance funds:

(in RMB million)	December 31, 2009 Carrying Value	%	December 31, 2008 Carrying Value	%
Fixed maturity investments				
Term deposits(1)	**91,599**	**15.5%**	84,412	18.2%
Bond investments(1)	**351,432**	**59.6%**	286,791	61.7%
Other fixed maturity investments(1)	**5,434**	**0.9%**	3,725	0.8%
Equity investment				
Equity investment funds(1)	**19,196**	**3.3%**	13,443	2.9%
Equity securities	**44,380**	**7.5%**	22,929	4.9%
Infrastructure investments	**8,932**	**1.5%**	5,509	1.2%
Cash, cash equivalents and others	**68,740**	**11.7%**	47,856	10.3%
Total investments	**589,713**	**100.0%**	464,665	100.0%

(1) These figures exclude items that are classified as cash and cash equivalents.

Investment portfolio
(%)
2009 (2008)



To cope with the new market situation, we have proactively improved the asset allocation of our investment portfolio. The percentage of fixed maturity investments out of total investments fell from 80.7% as at December 31, 2008 to 76.0% as at December 31, 2009, and that of equity investments jumped to 10.8% from 7.8%.

FOREIGN CURRENCY LOSSES

In 2009, the Renminbi appreciated slightly against other major currencies, especially the US dollar. As a result, we recorded a net exchange loss of RMB17 million on foreign currency-denominated assets in 2009 as compared to a loss of RMB465 million in 2008.

GENERAL AND ADMINISTRATIVE EXPENSES

(In RMB million)	2009	2008
Business tax and surcharges	**3,482**	2,537
Other general and administrative expenses	**22,543**	14,361
Total	**26,025**	16,898

General and administrative expenses increased by 54.0% to RMB26,025 million in 2009 from RMB16,898 million in 2008, mainly due to the rapid growth of our businesses, as well as increased marketing inputs and investment in strategic initiatives. In addition, other general and administrative expenses in 2009 included administrative expenses from XJ Group amounting to RMB1,078 million.

INCOME TAX

(In RMB million)	2009	2008
Current income tax	**2,843**	2,840
Deferred income tax	**2,594**	(5,961)
Total	**5,437**	(3,121)

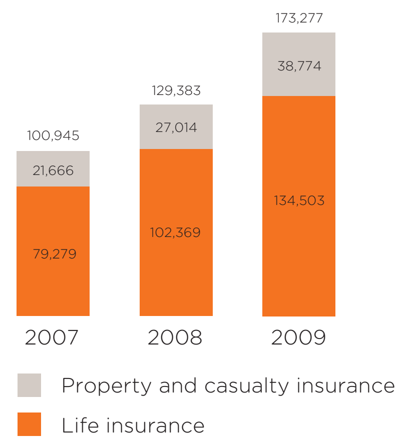
Income tax was RMB-3,121 million in 2008 due to the recognized deferred income tax assets arising from the impairment loss attributable to our available-for-sale equity investments. Income tax was RMB5,437 million in 2009 mainly due to two reasons. First, relevant tax provisions have been made based on results of the tax inspection. Second, there were income tax impacts when adopting the No.2 Interpretation for our insurance subsidiaries.

The State Administration of Taxation has completed their regular inspection of the Group's tax affairs for fiscal years ended December 31, 2004, 2005 and 2006. We have made relevant tax provisions based on the result of the inspection as well as our current understanding of tax laws. As at December 31, 2009, the total provisions of corporate income tax, business tax and individual income tax, etc. made for fiscal years ended December 31, 2004, 2005 and 2006 amounted to RMB1,426 million, among which RMB1,055 million was made by Ping An Property & Casualty and RMB359 million by Ping An Life. Among the total tax provisions of RMB1,426 million, RMB1,279 million was made in 2009, while RMB147 million was made in 2008.

Management discussion and analysis
Insurance business

- Written premiums for our life insurance business increased by 31.4% to RMB134,503 million and market share rose by 2.5 percentage points to 16.5%. Written premiums from the more profitable individual life insurance business grew 26.2% as compared with last year
- Premium income for our property and casualty insurance business increased by 43.5% to RMB38,774 million and market share rose by 2.0 percentage points to 12.9%, ranking 2nd in the industry for the first time. Combined ratio improved to 98.9% with rapid business growth
- Ping An Annuity maintained its leading position in the industry. Three major indicators, namely annuity payments received, assets entrusted and assets under investment management, were all among the highest in the sector

Written premiums
(in RMB million)



LIFE INSURANCE BUSINESS

Business Overview

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

Market share

The written premiums received by our life insurance business and its market share are as follows:

(in RMB million)	2009	2008
Ping An Life	**132,298**	101,178
Ping An Annuity	**2,110**	1,158
Ping An Health	**95**	33
Total written premiums(1)	**134,503**	102,369
Market share (%)(2)	**16.5**	14.0

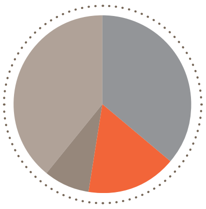
(1) Written premiums mean all premiums received from the policies underwritten by the Company, which is prior to the significant insurance risk testing and unbundling of hybrid risks contracts.

(2) Calculated in accordance with the PRC insurance industry data published by the CIRC.

In 2009, China's life insurance industry saw an incessant growth trend with premiums increasing by 11.0% compared with the previous year. We enhanced new business development while paying close attention to operational compliance and risk prevention. Market share expanded rapidly and business quality improved throughout the year.

Our life insurance business accounted for approximately 16.5% of the total written premiums received by the PRC life insurance companies. The number is calculated in accordance with the PRC insurance industry data published by the CIRC. Ping An Life is the second largest life insurance company in China in terms of written premiums.

Market share
(%)
2009 (2008)



Ping An Life

Ping An Life, through its countrywide service network including 35 branches and over 2,600 business outlets, provides individual and group customers with life insurance products. As at December 31, 2009, the registered capital of Ping An Life was RMB23.8 billion.

The following is a summary of operating data:

	2009	2008
Number of customers		
Individual (in thousands)	**40,737**	36,492
Corporate (in thousands)	**561**	458
Total (in thousands)	**41,298**	36,950
Persistency ratio		
13-month	**90.8%**	91.6%
25-month	**87.3%**	86.2%
Agent productivity		
First-year written premiums per agent per month (in RMB)	**6,261**	5,423
New individual life insurance policies per agent per month	**1.1**	1.1
Distribution network		
Number of individual life sales agents	**416,570**	355,852
Number of group sales representatives	**3,006**	3,366
Bancassurance outlets	**51,269**	39,878

In 2009, Ping An Life continued to enhance its business performance by executing the "Reaching New Heights" and "Two-Tier Market Development" strategies. We continued to focus on regular premium individual life insurance products that provide a stable revenue stream and generate sustainable long-term profits. In 2009, the written premiums attributable to our individual life insurance business amounted to RMB99,863 million, representing an increase of 26.2% from the previous year. Meanwhile, Ping An Life strengthened its effort in expanding bancassurance business, recording an increase of 87.4% in written premiums. In addition, the value of one year's new business of Ping An Life in 2009 was RMB11,805 million, representing an increase of 38.2% compared to last year.

Ping An Life is committed to improve its customer service. As at December 31, 2009, Ping An Life had approximately 40.74 million individual customers and 560,000 corporate customers. The 13-month and 25-month persistency ratios for our individual life insurance customers were maintained at a satisfactory level of above 90% and 85% respectively in 2009.

While actively building up its individual life insurance sales agent team, Ping An Life enhanced the team's productivity and professionalism through continuous refinement of training programs. The first year written premiums generated by life insurance sales agents has increased remarkably.

Ping An Life's life insurance products are primarily distributed through a network that includes a sales force of approximately 417,000 individual life insurance sales agents, over 3,000 group insurance sales representatives and over 50,000 branch offices of commercial banks that have bancassurance arrangements with Ping An Life.

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 with the group insurance division of the original Ping An Life. Following the restructuring, Ping An Annuity provides corporate annuity, supplementary pension and group short-term accident and health insurance services. In 2009, an additional capital of RMB1.7 billion was injected into Ping An Annuity. As at December 31, 2009, Ping An Annuity had a paid-up capital of RMB2.7 billion and its solvency margin ratio was about 500%.

Management discussion and analysis
Insurance business

In 2009, the annuity business of Ping An Annuity developed smoothly with accumulated annuity payments received of RMB9,579 million (2008: RMB9,017 million). As at December 31, 2009, assets entrusted amounted to RMB20,372 million (December 31, 2008: RMB12,402 million), and assets under investment management amounted to RMB26,107 million (December 31, 2008: RMB14,613 million). All these three indicators cemented our leading position among domestic professional annuity companies.

Ping An Health

By learning from advanced foreign technologies and experience, improving product systems and establishing a global medical network, Ping An Health has been providing individual and group customers with comprehensive health care insurance products and services since it was established in June 2005. By the end of 2009, Ping An Health has launched 26 products under three main series, covering medical expenses, accidents, illness, dentistry, physical examination, foreign travel, emergency rescue, second clinical opinions and value-added services including health assessments, out-patient appointments, hospitalization arrangements, direct settlement and others. Ping An Health aims to meet society's growing demand for a higher level of health protection and service through this broad product and service coverage. As at December 31, 2009, Ping An Health had a registered capital of RMB500 million.

Financial Analysis

Results of operation

(in RMB million)	2009	2008
Written premiums	**134,503**	102,369
Less: Written premiums on products not passing significant insurance risk testing	**(3,016)**	(2,836)
Less: Premium deposits for universal life products and investment linked products	**(58,048)**	(37,444)
Premium income	**73,439**	62,089
Net earned premiums	**71,876**	60,982
Investment income	**28,485**	(9,411)
Other income	**2,298**	1,721
Total income	**102,659**	53,292
Claims and policyholders' benefits	**(67,854)**	(42,023)
Commission expenses of insurance operations	**(7,233)**	(5,823)
Foreign currency losses	**(37)**	(374)
General and administrative expenses	**(11,093)**	(7,762)
other expenses	**(2,768)**	(2,362)
Total expenses	**(88,985)**	(58,344)
Income tax	**(3,300)**	3,588
Net profit	**10,374**	(1,464)

Net profit from our life insurance business was RMB10,374 million in 2009, while there was a loss of RMB1,464 million in 2008. This change was mainly due to the business growth as well as the increased profit contribution from investment income as a result of the rise of the domestic stock market.

Written premiums

(in RMB million)	2009	2008
Individual life		
New business		
First-year regular premiums	**27,318**	19,719
First-year single premiums	**1,748**	1,244
Short-term accident and health premiums	**1,958**	1,911
Total new business	**31,024**	22,874
Renewal business	**68,839**	56,230
Total individual life	**99,863**	79,104
Bancassurance		
New business		
First-year regular premiums	**349**	66
First-year single premiums	**26,796**	14,268
Short-term accident and health premiums	**3**	2
Total new business	**27,148**	14,336
Renewal business	**635**	491
Total bancassurance	**27,783**	14,827
Group insurance		
New business		
First-year regular premiums	**8**	–
First-year single premiums	**2,827**	4,705
Short-term accident and health premiums	**3,977**	3,508
Total new business	**6,812**	8,213
Renewal business	**45**	225
Total group insurance	**6,857**	8,438
Total life insurance	**134,503**	102,369

Individual Life Insurance. Written premiums for our individual life business increased by 26.2% to RMB99,863 million in 2009 from RMB79,104 million in 2008. This was primarily due to the 35.6% growth in first-year premiums to RMB31,024 million in 2009 from RMB22,874 million in 2008. This came about as a result of the continued improvement in the quantity and productivity of our agency force. In addition, renewal premiums for our individual life business increased by 22.4% to RMB68,839 million in 2009 from RMB56,230 million in 2008.

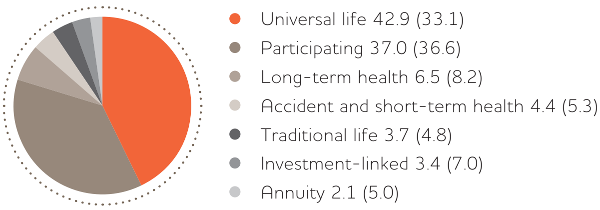
Bancassurance. Written premiums for our bancassurance business rose by 87.4% to RMB27,783 million in 2009 from RMB14,827 million in 2008. This was primarily due to our continued effort to broaden bancassurance channels.

Group Insurance. Written premiums for our group insurance business declined by 18.7% to RMB6,857 million in 2009 from RMB8,438 million in 2008. This was primarily due to a decrease in first-year single premiums from our group insurance business as a result of product restructuring. Written premiums for our short-term group accident and health insurance increased by 13.4% to RMB3,977 million in 2009 from RMB3,508 million in 2008.

The following is the breakdown of written premiums for our life business by product type:

(in RMB million)	2009	2008
Participating	**49,810**	37,433
Universal life	**57,641**	33,870
Long-term health	**8,790**	8,454
Traditional life	**4,964**	4,943
Investment-linked	**4,568**	7,172
Annuity	**2,781**	5,076
Accident and short-term health	**5,949**	5,421
Total	**134,503**	102,369

By product type
(%)
2009 (2008)



By region
(%)
2009 (2008)

In 2009, approximately 46.2% (2008: 46.7%) of written premiums from our life insurance business was attributable to customers located in Guangdong, Shanghai, Beijing, Jiangsu and Liaoning, which are among the more economically developed areas in China.

Investment income

(in RMB million)	2009	2008
Net investment income	17,043	15,520
Net realized and unrealized gains	11,926	151
Impairment losses	(302)	(25,107)
Others	(174)	92
Total investment income	28,493	(9,344)
Net investment yield (%)(1)	4.0	4.0
Total investment yield (%)(1)	6.7	(2.4)

(1) 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.

Net investment income for our life insurance business increased by 9.8% to RMB17,043 million in 2009 from RMB15,520 million in 2008. This change was primarily due to that although there was an increase of 29.0% in investment assets to RMB524,695 million as at December 31, 2009 from RMB406,654 million as at December 31, 2008 which resulted in the increased interest income from fixed maturity investments, the dividend income from equity investments decreased sharply which partially offset the positive effect brought by the interest income. Net investment yield for our life insurance business remained at 4.0%.

Due to the rise of the domestic stock market, net realized and unrealized gains for our life insurance business increased significantly to RMB11,926 million in 2009 from RMB151 million in 2008. Impairment losses on the available-for-sale equity investments in 2009 were RMB302 million, representing a significant reduction from the year 2008. The impairment loss made in Fortis shares in 2008 was RMB22,790 million.

As a result, total investment income for our life insurance business was RMB28,493 million in 2009, while there was a loss of RMB9,344 million in 2008. Total investment yield rose to 6.7% in 2009 from -2.4% in 2008.

Claims and policyholders' benefits

(in RMB million)	2009	2008
Claims	4,757	4,309
Surrenders	4,993	5,715
Annuities	3,363	2,875
Maturities and survival benefits	7,558	11,586
Policyholder dividends	3,905	5,421
Interests credited to policyholder contract deposits	4,241	1,093
Net increase in policyholders' reserves	39,037	11,024
Total claims and policyholders' benefits	67,854	42,023

Payments for claims rose by 10.4% to RMB4,757 million in 2009 from RMB4,309 million in 2008. This was primarily due to the increase in claims incurred on health insurance products.

Payments for surrenders were down by 12.6% to RMB4,993 million in 2009 from RMB5,715 million in 2008. This was primarily due to the smaller payments for surrenders of certain single premium participating products sold through our bancassurance channels as compared to those payments made in 2008.

Annuities increased by 17.0% to RMB3,363 million in 2009 from RMB2,875 million in 2008. This was primarily due to the fact that the policies entitled to annuity payments gradually increased.

Payments for maturities and survival benefits decreased by 34.8% to RMB7,558 million in 2009 from RMB11,586 million in 2008. This was primarily due to higher payments for maturities and survival benefits coming as a result of the product features of certain individual life insurance and bancassurance products in 2008.

Payments for policyholder dividends fell by 28.0% to RMB3,905 million in 2009 from RMB5,421 million in 2008. This was primarily due to the lower dividend level of participating products in 2009 compared with that in 2008.

Payments for interests credited to policyholder contract deposits increased substantially to RMB4,241 million in 2009 from RMB1,093 million in 2008. This was primarily due to the increase in interest payments resulting from the growth in our universal life products.

Net increase in policyholders' reserves was RMB39,037 million in 2009, while in 2008 it was RMB11,024 million. The bigger increase in policyholders' reserves was primarily due to the fast growth of our business in 2009.

General and administrative expenses

(in RMB million)	2009	2008
Business tax and surcharges	**664**	459
Other general and administrative expenses	**10,429**	7,303
Total	**11,093**	7,762

General and administrative expenses increased by 42.9% to RMB11,093 million in 2009 from RMB7,762 million in 2008. This increase was primarily due to the growth in our insurance business.

PROPERTY AND CASUALTY INSURANCE BUSINESS

Business Overview

We conduct our property and casualty insurance business mainly through Ping An Property & Casualty. Furthermore, Ping An Hong Kong also offers property and casualty insurance service in the Hong Kong market. In 2009, an additional capital of RMB2 billion was injected into Ping An Property & Casualty. As at December 31, 2009, Ping An Property & Casualty had a paid-up capital of RMB6 billion.

Market share

The premium income received by Ping An Property & Casualty and its market share are as follows:

	2009	2008
Premium income (in RMB million)	**38,483**	26,751
Market share (%)[1]	**12.9**	10.9

(1) Calculated in accordance with the PRC insurance industry data published by the CIRC.

Driven by the rapid growth in automobile and third-party liability insurance businesses due to a surge in automobile sales, the property and casualty insurance industry in China achieved 22.3% growth in premium income in 2009. Taking advantage of this great opportunity marked by market resilience and rapid development in automobile insurance business, Ping An Property & Casualty leveraged its specialized sales channels and strengthened its efforts in business promotion, thereby achieving a steady increase in market share.

In 2009, Ping An Property & Casualty accounted for approximately 12.9% of the total premium income received by property and casualty insurance companies in China. The number is calculated in accordance with the PRC insurance industry data published by the CIRC. Ping An Property & Casualty is the second largest property and casualty insurance company in China in terms of premium income.

Management discussion and analysis
Insurance business

Market share
(%)
2009 (2008)

Summary of operating data

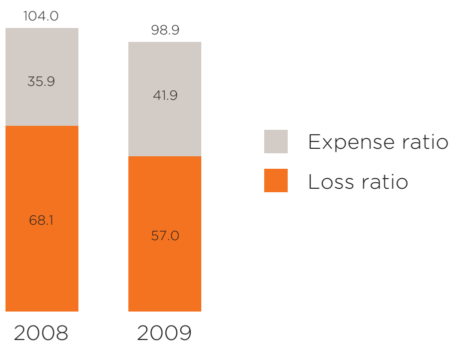
	2009	2008
Number of customers		
Individual (in thousands)	**10,543**	8,206
Corporate (in thousands)	**1,578**	1,611
Total (in thousands)	**12,121**	9,817
Distribution network		
Number of direct sales representatives	**12,473**	10,656
Number of insurance agents	**13,714**	13,461

The product distribution network of Ping An Property & Casualty comprises 40 branches located in various provinces, autonomous regions and centrally supervised municipalities in China, and over 1,800 sub-branches located throughout China. Ping An Property & Casualty distributes its insurance products mainly through its in-house sales representatives and through insurance brokers and various sales agent such as banks and automobile dealerships. In 2009, the strengthened control over direct sales channels, coupled with the improved capacity of cross-selling for various products and further development of clients, all these made the increment in premium income much greater than the growth in distribution networks and customers base.

Combined ratio

In 2009, while maintaining its rapid business development, Ping An Property & Casualty also focused on reducing operational costs and enhancing profitability through constantly enhancing risk screening capacity, strengthening claims management and promoting transformation of operational processes. The combined ratio improved to 98.9% in 2009 from 104.0% in 2008.

Combined ratio
(%)



Financial Analysis

Financial data in this section include that of Ping An Property & Casualty together with Ping An Hong Kong.

Results of operation

(in RMB million)	2009	2008
Premium income	**38,774**	27,014
Net earned premiums	**28,507**	21,289
Reinsurance commission income	**1,698**	1,471
Investment income	**1,662**	1,659
Other income	**202**	88
Total income	**32,069**	24,507
Claim expenses	**(16,235)**	(14,494)
Commission expenses of insurance operations	**(4,780)**	(3,052)
Foreign currency losses	**(2)**	(40)
General and administrative expenses	**(8,830)**	(6,145)
Including: investment-related general and administrative expenses	**(41)**	(84)
Financial costs	**(78)**	–
Other expenses	**(236)**	(62)
Total expenses	**(30,161)**	(23,793)
Income tax	**(1,233)**	(214)
Net profit	**675**	500

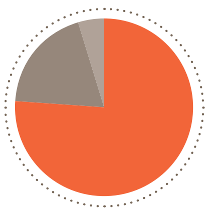
Net profit from our property and casualty insurance business increased 35.0% from RMB500 million in 2008 to RMB675 million in 2009, mainly due to the fact that Ping An Property & Casualty enhanced its profitability and the combined ratio improved as a result. In addition, there were more claim expenses result from natural disasters such as heavy snowstorms and earthquakes in 2008.

Premium income

In 2009, all three principal lines of our property and casualty insurance business recorded steady growth.

(in RMB million)	2009	2008
Automobile insurance	**29,561**	19,377
Non-automobile insurance	**7,476**	6,185
Accident and health insurance	**1,737**	1,452
Premium income	**38,774**	27,014

By product type
(%)
2009 (2008)



Automobile insurance. Premium income went up by 52.6% to RMB29,561 million in 2009 from RMB19,377 million in 2008. This big achievement was mainly attributable to that Ping An Property & Casualty made greater efforts in promoting automobile insurance business based on the increasing demand for automobiles in China and the market resilience of property and casualty insurance.

Non-automobile insurance. Premium income increased by 20.9% to RMB7,476 million in 2009 from RMB6,185 million in 2008. This was primarily driven by the rapid growth of premium income from commercial property insurance, liability insurance and construction all risks insurance. Premium income attributable to commercial property insurance increased by 17.2% to RMB3,092 million in 2009 from RMB2,638 million in 2008. Premium income attributable to liability insurance increased by 34.0% to RMB1,021 million in 2009 from RMB762 million in 2008. Premium income attributable to construction all risks insurance increased by 32.2% to RMB1,113 million in 2009 from RMB842 million in 2008.

Accident and health insurance. Premium income increased by 19.6% to RMB1,737 million in 2009 from RMB1,452 million in 2008. This was primarily due to our continuous focus on growing this line of business.

By region
(%)
2009 (2008)

In 2009, approximately 46.1% (2008: 46.4%) of premium income from our property and casualty insurance business came from customers located in Guangdong, Jiangsu, Shanghai, Beijing and Zhejiang, which are among the more economically developed areas in China.

Investment Income

(in RMB million)	2009	2008
Net investment income	**1,226**	1,027
Net realized and unrealized gains	**455**	971
Impairment losses	**(19)**	(339)
Total investment income	**1,662**	1,659
Net investment yield (%)(1)	**4.0**	4.3
Total investment yield (%)(1)	**5.4**	7.0

(1) 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.

Net investment income from our property and casualty insurance business increased by 19.4% to RMB1,226 million in 2009 from RMB1,027 million in 2008. This was primarily due to the 50.3% increase in investment assets to RMB39,905 million as at December 31, 2009 from RMB26,557 million as at December 31, 2008, along with the increased interest income from fixed maturity investment. Net investment yield decreased to 4.0% in 2009 from 4.3% in 2008, mainly due to the reduction of dividend income from equity investments compared to 2008.

Net realized and unrealized gains for our property and casualty insurance recorded a decline of 53.1% to RMB455 million in 2009 from RMB971 million in 2008, mainly due to the less realized gains from the disposal of bonds and stock compared with the year of 2008. Impairment losses of available-for-sale equity investments in 2009 were RMB19 million, a significant reduction from 2008 due to the rise of the domestic stock market.

As a result, total investment yield for our property and casualty insurance business fell to 5.4% in 2009 from 7.0% in 2008.

Claims expenses

(in RMB million)	2009	2008
Automobile insurance	**13,070**	11,905
Non-automobile insurance	**2,431**	1,685
Accident and health insurance	**734**	904
Total claims	**16,235**	14,494

Claims attributable to automobile insurance business increased 9.8% to RMB13,070 million in 2009 from RMB11,905 million in 2008. This was mainly caused by the rapid growth in premium income in 2009, while there were more claims expenses in 2008 as a result of natural disasters such as heavy snowstorm and rainstorm.

Claims attributable to non-automobile insurance business increased 44.3% to RMB2,431 million in 2009 from RMB1,685 million in 2008. This was primarily due to the increase in premium income.

Claims attributable to accident and health insurance business dropped 18.8% to RMB734 million in 2009 from RMB904 million in 2008, mainly due to our proactive risk selection which in turn improved the quality of the business written.

Commission expenses

	2009	2008
Commission expenses as a percentage of premium income	**12.3%**	11.3%

Commission expenses of our property and casualty insurance business increased by 56.6% to RMB4,780 million in 2009 from RMB3,052 million in 2008, mainly due to the rapid growth of premium income. Commission expenses as a percentage of premium income rose to 12.3% in 2009 from 11.3% in 2008, primarily because that we took initiatives to emphasize high-quality businesses and optimize product mix.

General and administrative expenses

General and administrative expenses increased by 43.7% to RMB8,830 million in 2009 from RMB6,145 million in 2008. This increase was primarily due to the growth in our insurance business.

Income tax

Income tax increased substantially to RMB1,233 million in 2009 from RMB214 million in 2008. The increase was primarily due to that Ping An Property & Casualty made relevant tax provisions based on the result of the tax inspection.

SOLVENCY MARGIN

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

	Ping An Life		Ping An Property & Casualty	
(in RMB million)	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Actual capital	**50,898**	33,752	**7,268**	5,047
Minimum capital	**22,453**	18,371	**5,061**	3,293
Solvency margin ratio (%)	**226.7**	183.7	**143.6**	153.3

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. Under the applicable CIRC regulations, the PRC insurance companies are required to maintain specified solvency margin ratios.

As at December 31, 2009, the solvency margins of Ping An Life and Ping An Property & Casualty were comfortably above regulatory requirement.

Management discussion and analysis
Banking business

- Total assets exceeded RMB220 billion, an increase of 51.2% as compared to the end of 2008, with asset quality among the best in the industry
- Accumulated credit cards in circulation exceeded 3.4 million, and 56.5% of new cards issuance was contributed by cross-selling
- Network expansion achieved a further breakthrough with the opening of the Guangzhou, Hangzhou and Dongguan branches

Ping An Bank, an essential part of the integrated financial service platform of the Company, is a joint-stock commercial bank with cross-regional operations. It is headquartered in Shenzhen with operating branches in Shenzhen, Shanghai, Fuzhou, Quanzhou, Xiamen, Hangzhou, Guangzhou and Dongguan etc. As at December 31, 2009, Ping An Bank saw its registered capital amounted to RMB8,623 million, net assets to RMB14,315 million and total assets to RMB220,681 million.

In 2009, commercial banks recorded an accelerated growth in credit and experienced intensified competition in the industry amid a positive financial policy and a moderately easy monetary policy carried out by the state. The banking industry was limited with respect to profits with a narrowed net interest spread in general brought by consecutive PBOC rate cuts. A fast growth in credit led to higher requirements for provisions of commercial banks which further exacerbated the difficulties for after-loan management. Confronting the substantial changes in the operating environment, Ping An Bank clung to the philosophy of "Control, Service and Growth" and implemented various business strategies, thereby achieving rapid, healthy and sustained business growth.

Total assets reached RMB220,681 million, with an increment of 51.2% from the end of 2008; total deposits and loans increased by 39.6% and 48.4% respectively from the end of 2008, among the fastest in the industry; total transaction amounts of credit cards exceeded RMB36 billion, with the market share leaping to 2.2% from 1.1% in 2008; accumulated credit cards in circulation exceeded 3.4 million and 56.5% of the new credit cards issued was contributed by cross-selling.

Under the volatile market conditions, our business gained rapid progress and both loan portfolio and risk management were further improved, with non-performing loan ratio kept at the industry leading level of 0.46% and provision coverage ratio at 156.0%. Our core capital increased by RMB5 billion via a successful rights issue, while our supplementary capital increased RMB3 billion via subordinated debt issuance. CAR reached 13.0% at the end of 2009. All of the above has laid a solid foundation for long-term stable growth of our banking business.

The corporate business launched the "Corporate Online Bank•S-ebank" brand, originating several advanced technologies within the banking industry, to offer higher quality online banking services to corporate customers. The retail business initiated three commitments to service, including "free global ATM withdrawal and online remittance, E-banking security" to individual customers, setting a new high service standard for the industry. The credit card business originated multiple innovative products including Car-owner's Credit Cards, Insurance Credit Cards and C-trip Cards. Card issuance channels continued to expand. We launched a pilot in Beijing where credit cards were issued without a physical branch presence, and the number of these cards exceeded 350,000 as at the end of 2009. Outlets continued to be expanded, with Guangzhou, Hangzhou and Dongguan branches being opened one after the other.

RESULTS OF OPERATION

(in RMB million)	2009	2008
Net interest income	**3,425**	3,814
Net fees and commission income	**417**	206
Investment income	**404**	(164)
Income from other businesses[(1)]	**202**	68
Total operating income	**4,448**	3,924
Asset impairment losses	**(183)**	(269)
Net operating income	**4,265**	3,655
General, administrative and other expenses[(2)]	**(2,917)**	(2,278)
Profit before tax	**1,348**	1,377
Income tax	**(268)**	67
Net profit	**1,080**	1,444

(1) Income from other businesses includes exchange gains/(losses), other operating income, and non-operating income.

(2) General, administrative and other expenses includes operating expenses, business tax and surcharges, other expenses and non-operating expenses.

Net profit from our banking business decreased by 25.2% to RMB1,080 million in 2009 from RMB1,444 million in 2008, largely due to squeezed net interest spread brought by consecutive PBOC rate cuts, continuous investment in strategic initiatives for the nationwide banking network and credit card business, and the one-off positive impact of deductible loss (totalling RMB300 million) as approved by the tax authority in 2008.

NET INTEREST INCOME

(in RMB million)	2009	2008
Interest income		
Loan and advances to customers	**4,852**	4,838
Balance with the PBOC	**294**	319
Due from banks and other financial institutions	**344**	532
Bond interest income	**1,184**	1,331
Total interest income	**6,674**	7,020
Interest expenses		
Customer deposits	**(2,538)**	(2,560)
Due to banks and other financial institutions	**(711)**	(646)
Total interest expenses	**(3,249)**	(3,206)
Net interest income	**3,425**	3,814
Net interest spread[(1)]	**1.77%**	2.66%
Average interest-earning asset balance	**180,984**	134,524
Average interest-bearing liability balance	**169,444**	125,287

(1) Net interest spread (NIS) refers to the difference between average interest-earning assets yield and cost ratio of average interest-bearing liabilities.

Net interest income decreased by 10.2% to RMB3,425 million in 2009 from RMB3,814 million in 2008. NIS decreased to 1.77% in 2009 from 2.66% in 2008. These were mainly due to the sharply squeezed NIS since the PBOC reduced the interest rate in the second half of 2008.

NET FEES AND COMMISSION INCOME

(in RMB million)	2009	2008
Fees and commission income		
Entrusted business fee income	**146**	85
Bank cards fee income	**189**	91
Others	**147**	66
Total fees and commission income	**482**	242
Fees and commission expenses		
Bank cards fee expenses	**(38)**	(20)
Others	**(27)**	(16)
Total fees and commission expenses	**(65)**	(36)
Net fees and commission income	**417**	206

Net fees and commission income increased by 102.4% to RMB417 million in 2009 from RMB206 million in 2008, largely due to that in 2009 our banking business saw rapid growth in credit card business and considerable increase in entrusted business.

INVESTMENT INCOME

Investment income from our banking business was RMB404 million in 2009, compared with a loss of RMB164 million in 2008. This was mainly due to the realized gains arising from the disposal of bonds totalling RMB312 million in 2009.

GENERAL, ADMINISTRATIVE AND OTHER EXPENSES

(in RMB million)	2009	2008
General and administrative expenses	**2,547**	1,828
Business tax and surcharges	**298**	273
Other expenses and non-operating expenses	**72**	177
Total general, administrative and other expenses	**2,917**	2,278
Cost/income ratio[1]	**59.5%**	47.0 %

(1) Cost/income ratio refers to general and administrative expenses/ operating income (excluding non-operating income).

General, administrative and other expenses increased by 28.1% to RMB2,917 million in 2009 from RMB2,278 million in 2008, as Ping An Bank continued to invest in the credit card and retail businesses promotion, up-grading IT infrastructure, branch expansion, risk and compliance management, and launching innovative services. However, the income effect is yet to be realised. Due to a combination of higher expenses and lower revenue affected by the squeezed NIS as explained above, cost/income ratio increased to 59.5% in 2009 from 47.0% in 2008.

ASSET IMPAIRMENT LOSSES

Asset impairment losses decreased by 32.0% to RMB183 million in 2009 from RMB269 million in 2008, largely due to that Ping An Bank continued to strengthen asset risk control, thus the migration rate from the normal category to the non-performing category has staged low.

INCOME TAX

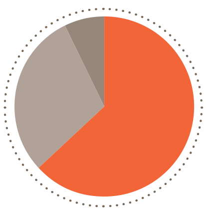
	2009	2008
Effective tax rate	**19.9%**	-4.9%

Income tax was RMB268 million in 2009, compared with RMB-67 million in 2008. RMB300 million income tax was reversed in 2008 which was related to prior year non performing asset disposal. Excluding this impact, income tax was RMB233 million and effective tax rate was 16.9% in 2008.The effective tax rate in 2009 was slightly higher than the rate in 2008 as mentioned above, mainly due to the corporate income tax rate in Shenzhen being raised to 20.0% in 2009 from 18.0% in 2008.

LOAN MIX

(in RMB million)	December 31, 2009	December 31, 2008
Corporate loans	**67,828**	44,754
Discounted bills	**7,569**	3,784
Retail loans	**32,165**	23,948
Total loans	**107,562**	72,486

Loan mix
(%)
2009 (2008)



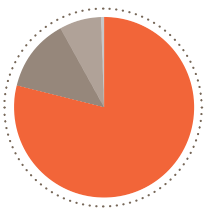
- Corporate loans 63.1 (61.8)
- Retail loans 29.9 (33.0)
- Discounted bills 7.0 (5.2)

Total loans increased by 48.4% to RMB107,562 million as at December 31, 2009 from RMB72,486 million as at the end of 2008. Corporate loans increased by 51.6% to RMB67,828 million, contributing 63.1% (as at December 31, 2008: 61.8%) to total loans as at December 31, 2009. Retail loans increased by 34.3% to RMB32,165 million, contributing 29.9 % (as at December 31, 2008: 33.0%) to total loans as at December 31, 2009. Discounted bills increased 100.0% to RMB7,569 million, contributing 7.0 %(as at December 31, 2008: 5.2%) to total loans as at December 31, 2009. The structure of loan mix remained stable.

DEPOSIT MIX

(in RMB million)	December 31, 2009	December 31, 2008
Corporate deposits	**117,925**	81,758
Retail deposits	**19,521**	14,962
Margin deposits	**11,007**	7,417
Outward remittance and remittance outstanding	**612**	2,677
Total customer deposits and margin deposits	**149,065**	106,814

Deposit mix
(%)
2009 (2008)



- Corporate deposits 79.1 (76.5)
- Retail deposits 13.1 (14.0)
- Margin deposits 7.4 (7.0)
- Outward remittance and remittance outstanding 0.4 (2.5)

Total customer deposits and margin deposits increased by 39.6% to RMB149,065 million as at December 31, 2009 from RMB106,814 million as at the end of 2008. Except that outward remittance and remittance outstanding decreased, corporate deposits, retail deposits and margin deposits all maintained steady growth.

LOAN QUALITY

(in RMB million)	December 31, 2009	December 31, 2008
Pass	**106,166**	69,210
Special mention	**901**	2,885
Substandard	**218**	176
Doubtful	**113**	180
Loss	**164**	35
Total loans	**107,562**	72,486
Total non-performing loans	**495**	391
Non-performing loan ratio	**0.46%**	0.54%
Impairment provision balance	**772**	601
Provision coverage ratio	**156.0%**	153.7%

The non-performing loan balance increased by 26.6% to RMB495 million as at December 31, 2009 from RMB391 million as at December 31, 2008, this was primarily due to enlarged size of loans. However, non-performing loan ratio declined to 0.46% as at December 31, 2009 from 0.54% as at December 31, 2008 and migration rate from pass loans to non-performing loans was low. Loan quality continued to improve in 2009.

Ping An bank continued to improve provision coverage in order to maintain its healthy operation, with provision coverage ratio increased to 156.0% as at December 31, 2009 from 153.7% as at December 31, 2008.

CAPITAL ADEQUACY RATIO (CAR)

(in RMB million)	December 31, 2009	December 31, 2008
Net capital	**17,173**	8,510
Net risk weighted asset	**131,638**	79,573
CAR (regulatory requirement >=8%)	**13.0%**	10.7%
Core CAR (regulatory requirement >=4%)	**10.9%**	10.5%

As at December 31, 2009, Ping An Bank's CAR and Core CAR were well above the regulatory requirement level of 8% and 4%, at 13.0% and 10.9% respectively. To strengthen its overall capital position, Ping An bank successfully issued RMB3 billion subordinated debt to increase supplementary capital in June 2009, and completed RMB5 billion capital injection to increase core capital in September 2009.

Management discussion and analysis
Investment business

- Ping An Securities' investment banking business maintained its leading position in SMEs and the GEM underwriting market, underwrote RMB60 billion in equity and debt issuance and ranked 2nd in terms of number of deals
- Assets held in trust under Ping An Trust exceeded RMB100 billion, while improvements in expanding its product range and distribution channels were made, and its operation platform was strengthened.
- Ping An Asset Management captured market opportunities and optimized asset allocation, yielding a total investment return of 6.4%

SECURITIES BUSINESS

Our securities business is conducted through Ping An Securities, which provides brokerage, investment banking, asset management and financial advisory services to clients. Ping An Securities was named as an innovative securities company in 2006, and in 2008, established two subsidiaries: Ping An Caizhi Investment Management Company Limited, a wholly-owned subsidiary which conducts direct investment, and Ping An of China Securities (Hong Kong) Company Limited, a Hong Kong based subsidiary. As at December 31, 2009, Ping An Securities had a registered capital of RMB3 billion, net assets RMB4,936 million and total assets RMB24,386 million.

China's domestic stock market saw significant surge in 2009, especially the trading volumes of the secondary market hit historical highs. By playing a role in these trading opportunities, Ping An Securities strengthened its management and transformed its business profitability model. We introduced the "E-point pass" platform and "An E Asset Management" services, improving our customer service. In addition, we expanded our business networks by establishing two sales offices in Beijing and Hefei. With respect to its investment banking business, Ping An Securities successfully underwrote 13 IPOs, including 8 SMEs and 5 GEM IPOs, and 4 re-financing projects. Because of its outstanding performance as a sponsor of SMEs, Ping An Securities was awarded "Best Sponsor of the Small & Medium Enterprises Board " by the Shenzhen Stock Exchange for the third consecutive year. Ping An Securities also was the lead underwriter for a RMB10 billion re-financing project for Guo Yuan Securities in 2009, following the success of a RMB10 billion re-financing project for Conch Cement in 2008. As for the fixed income business, Ping An Securities underwrote 12 corporate debt issues as the lead underwriter, the best result it has ever had. Innovatively, we introduced two collective asset management products – "Ping An Niannianhong Zhaiquanbao" and "Ping An High Quality Growth SME".

Looking ahead, leveraging the Group's competitive advantages, Ping An Securities will remain focusing on brokerage, investment banking, fixed income and asset management businesses. We will strive for innovation, expansion of business scale, improvement of customer service and risk control, to maintain a rapid but stable growth for all our business lines.

Results of Operation

(in RMB million)	2009	2008
Net fees and commission income	**1,972**	1,229
Investment income	**483**	233
Other income	**22**	9
Total operating income	**2,477**	1,471
Foreign currency losses	**–**	(4)
General, administrative and other expenses	**(1,153)**	(781)
Total operating expenses	**(1,153)**	(785)
Income tax	**(252)**	(136)
Net profit	**1,072**	550

In 2009, Ping An Securities achieved excellent performance in its brokerage and investment banking business. Therefore net profit from our securities business increased by 94.9% to RMB1,072 million in 2009 from RMB550 million in 2008.

Net Fees and Commission Income

(in RMB million)	2009	2008
Fees and commission income		
Brokerage fees	**1,271**	796
Underwriting commission income	**895**	511
Others	**4**	14
Total fees and commission income	**2,170**	1,321
Fees and commission expenses		
Brokerage fees paid	**(170)**	(92)
Underwriting commission expenses	**(28)**	–
Total fees and commission expenses	**(198)**	(92)
Net fees and commission income	**1,972**	1,229

Brokerage fees income increased by 59.7% to RMB1,271 million in 2009 from RMB796 million in 2008. This was primarily due to an increase in trading volume as a result of the recovery of the domestic stock market.

Benefiting from the restart of IPO activity and also the introduction of GEM on the A-share market in the second half of 2009, Ping An Securities sponsored 13 IPOs and 4 re-financing projects, thereby, underwriting commission income from our investment banking business increased by 75.1% to RMB895 million in 2009 from RMB511 million in 2008.

The rise in brokerage fees expenses was mainly due to the increase in trading volume of the domestic stock market.

As a result of the foregoing, net fees and commission income increased 60.5% to RMB1,972 million in 2009 from RMB1,229 million in 2008.

Investment Income

(in RMB million)	2009	2008
Net investment income	**410**	113
Net realized and unrealized gains	**73**	127
Impairment losses	**–**	(7)
Total investment income	**483**	233

Total investment income increased significantly to RMB483 million in 2009 from RMB233 million in 2008, mainly due to the significantly increased bonds investment income from our fixed income business.

TRUST BUSINESS

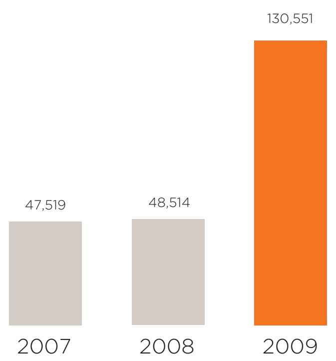
We provide third-party asset management services to our customers through Ping An Trust. In addition, Ping An Trust also provides non-capital market investment services in infrastructure, properties and private equity to other Ping An subsidiaries. As at December 31, 2009, Ping An Trust had a registered capital of RMB6,988 million, net assets RMB12,440 million and total assets RMB13,760 million.

In 2009, confronted with the fast-growing but increasingly regulative and competitive market environment, Ping An Trust has continuously emphasized on innovation and independency, expanded its product range and distribution channels, and strengthened operation platform, in order to construct a sustainable business model. Ping An Trust is dedicated to product research and innovation to meet customer needs. We built the TOT open-ended investment platform, launched the first individual dividend-based trust product in the industry, and issued a number of real estate trust plans. We focused on the private banking business and established a sales team with more than 100 professionals, building a preliminary but comprehensive customer service system. Ping An Trust has successfully launched the ODYSSEY system platform, which is focusing on high-end individual customer relation and investment portfolio management, enhancing automation and efficiency of investment trading, and improving customer service.

Because of its outstanding performance, Ping An Trust was awarded "Best Service Team of the Year" by the 2009 "Golden Shell Reward" election, "Best Trust Management Team of the Year" by 21st Century Business Herald and other rewards. As at December 31, 2009, assets held in trust amounted to RMB130,551 million, an increase of 169.1% over 2008 and a historical record that enable Ping An Trust to further secure its leading position in the industry. In addition, with the improvement of the investment team and platform, all non-capital market projects are progressing steadily, and will be a profit driver for the Group in the future.

Management discussion and analysis
Investment business

Assets held in trust
(in RMB million)



Results of Operation

(in RMB million)	2009	2008
Net fees and commission income	**358**	342
Investment income	**834**	1,319
Total operating income	**1,192**	1,661
Asset impairment losses	**(34)**	(9)
Foreign currency losses	**–**	(1)
General, administrative and other expenses	**(423)**	(242)
Total operating expenses	**(457)**	(252)
Income tax	**(129)**	(202)
Net profit	**606**	1,207

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

Net profit decreased 49.8% to RMB606 million in 2009 from RMB1,207 million in 2008. This was primarily due to that there were less realized investment gains from the disposal of equity investments in 2009 as compared with the year of 2008.

Net Fees and Commission Income

(in RMB million)	2009	2008
Fees and commission income		
Management fees of trust products	**391**	391
Others	**180**	81
Total fees and commission income	**571**	472
Fees and commission expenses		
Handling charges of trust products	**(138)**	(85)
Others	**(75)**	(45)
Total fees and commission expenses	**(213)**	(130)
Net fees and commission income	**358**	342

Due to market competition factors, our trust product structure has changed compared with that of last year. Management fees income from trust products in 2009 maintained at 2008 level although the scale of assets held in trust saw growth. Other fees and commission income rose substantially to RMB180 million in 2009 from RMB81 million in 2008, which was mainly due to the soaring finance consultant income driven by the recovery of domestic investment environment.

Handling charges of trust products increased by 62.4% to RMB138 million in 2009 from RMB85 million in 2008. This was primarily due to the growth of assets held in trust as well as the increased cost of sales as a result of competitive environment.

As a result of the foregoing, net fees and commission income increased 4.7% to RMB358 million in 2009 from RMB342 million in 2008.

Investment Income

(in RMB million)	2009	2008
Net investment income	**607**	280
Net realized and unrealized gains	**227**	1,039
Total investment income	**834**	1,319

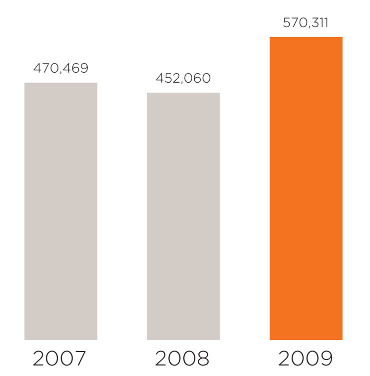
Net investment income from our trust business increased significantly to RMB607 million in 2009 from RMB280 million in 2008, mainly due to an increase in loan interest income as the result of enlarged loan scale. Net realized and unrealized gains decreased to RMB227 million in 2009 from RMB1,039 million in 2008. This was primarily due to the less realized investment gains from disposal of equity investments in 2009 as compared with the year of 2008.

INVESTMENT MANAGEMENT BUSINESS

We provide investment management services mainly through two subsidiaries of the Group, Ping An Asset Management and Ping An Asset Management (Hong Kong).

Ping An Asset Management is responsible for domestic investment management. It is entrusted to manage the insurance funds of the Group as well as investment assets of other subsidiaries under the Group. Ping An Asset Management also provides investment products and third-party asset management services for other investors through various channels. As at the end of 2009, Ping An Asset Management had a registered capital of RMB500 million.

Assets under investment management
(in RMB million)



As at December 31, 2009, assets under the management of Ping An Asset Management amounted to RMB570,311 million, an increase of 26.2% over 2008. This was primarily due to the increase in investable assets generated by a steady growth of our insurance business, as well as the increase in fair value of assets as a result of the substantial upturn in the A-share stock market in 2009.

In 2009, with an effective risk control program, Ping An Asset Management proactively seized investment opportunities in the domestic equity market. It selectively participated in investing in fixed income assets, improved its investment portfolio, and achieved a remarkable investment yield as a result. Total investment return from insurance funds achieved RMB30,728 million for the year, representing a yield of 6.4%, which made a substantial contribution to the Company's profit for the year.

In 2009, Ping An Asset Management worked diligently to construct its new investment management system platform, achieving direct data flow for investment management in front offices and comprehensive data flow management platform for back offices. As a result, the accuracy and timeliness of investment data has improved greatly. The platform is able to provide highly efficient and real time information, which is essential for decision making on substantial transactions. We believe that the platform will help boost Ping An Asset Management into leading the industry.

Going forward, Ping An Asset Management will continue to enhance its analysis and understanding of macroeconomic trends and the overall investment direction. We will unlock the full potential of asset allocation, enhance interaction between investment and analysis and improve risk control to build up a world class platform of investment management, further strengthen our competitive advantage and brand image in the professional investment sector.

Ping An Asset Management (Hong Kong), which incorporated in May 2006 with a registered capital of HK$65 million, is an overseas subsidiary of Ping An Overseas Holdings. As an entity responsible for the overseas investment management business of Ping An Group, apart from being entrusted to manage investment for other subsidiaries under the Group, it also provides all kinds of overseas investment products and third party investment management services to clients from China and overseas. Since March 2007, it has been licensed by the Hong Kong Securities and Futures Commission to conduct type 9 (asset management), type 4 (advising on securities), and type 5 (advising on futures contracts) regulated activities in Hong Kong.

Ping An Asset Management (Hong Kong) has set up a team with professional expertise and ample experience in international investment to take charge of research on global macroeconomics, strategic allocation of assets, investment in Hong Kong shares, direct investment, merger and acquisition, and other core functions. The team also focuses on establishing an international investment platform, including the import of foreign products, service and product innovation. As at December 31, 2009, the assets which were denominated in foreign currencies under the management of Ping An Asset Management (Hong Kong) amounted to HK$28,354 million.

Synergy

- We greatly enhanced the depth and scope of our cross-selling activities
- Refinements were made to the operating platform to make it more efficient, stable and cost-effective
- Rewarding result was shown by the three value-added customer services, namely Ping An One Account Management Services, Wanlitong Loyalty Points Program and Ping An VIP Club

Four divisions of the Company – Ping An Technology, Ping An Processing & Technology, Ping An Channel Development and Ping An Marketing Services – together established the company's new resource-sharing IT platform, back office centralization, and cross-selling initiatives, as well as the One Account Management Services. In 2009, through the new corporate operations of the four business units, the integrated financial framework and governance structure of the Company has been improved. In addition, our resource utilization has become more efficient and market-oriented while service cost has been reduced.

CROSS-SELLING

Through years of hard work, we have greatly enhanced the depth and scope of our cross-selling activities. Cross-selling has achieved remarkable results with increasingly visible synergies. The following table sets out the Company's cross-selling performance:

New Business Acquired through Cross-selling

(In RMB million)	2009 Amount	2009 Business Contribution Percentage (%)	2008 Amount	2008 Business Contribution Percentage (%)
Property and casualty insurance business				
Premium income	**5,635**	**14.5**	3,867	14.3
Annuity business				
Entrusted assets	**623**	**7.5**	1,161	13.2
Assets under investment management	**671**	**7.4**	1,383	14.9
Trust business				
Trust schemes	**5,650**	**4.5**	1,872	3.1
Banking business				
Corporate deposits (increase of daily average size)	**2,509**	**10.4**	475	5.3
Corporate loans (increase of daily average size)	**788**	**5.2**	1,298	12.3
Credit cards (in ten thousands)	**124**	**56.5**	69	50.5

CENTRALIZATION

Ping An Processing & Technology, as the Company's centralized operating platform, has gained favorable public recognition and honors, including being named "A Growing Chinese Enterprise in Service Outsourcing for 2009" and its call center being recognized as "the Best Telephone Call Center in China (Asia Pacific)". As at December 31, 2009, the following progress was made in expanding our centralized operation platform:

Specialized Operations

- Upon the full completion of centralization in individual life insurance underwriting and claims functions, centralization for policyholder services was 87% completed, 15 percentage points more than at year-end 2008.
- Centralization of claims processing of automobile insurance and property and casualty insurance, and manual underwriting of automobile insurance through call center was fully completed.
- Centralization of group pension insurance claims, underwriting, and policyholder services was completed at the rates of 100%, 99% and 80% respectively in 2009, increases of 1, 49 and 25 percentage points compared to 2008. In the annuity business, upon the full completion of centralization in investment management, the Company has achieved 100% centralization for its fiduciary management business, 12 percentage points increase over 2008. The centralization rate for account management was 97%, illustrating year-on-year growth of 4 percentage points.
- Our banking and investment businesses also achieved dramatic progress in centralization. The five banking business units (including corporate account management, collection and payment on an agent basis, bill settlement management, international settlement audit, and retail loan management) are now 100% centralized. Three securities business areas are also 100% centralized- namely registration and depository, trade running as well as consultation and complaint.

Shared Operations

- Centralization in documentation processing among Ping An Property & Casualty, Ping An Life, Ping An Annuity, Ping An Health, Ping An Bank, Ping An Securities and other Ping An subsidiaries has been completed with an overall documentation processing centralization rate of 43%.
- 93% of accounting processing of the major subsidiaries of the Company was done on a shared-service basis.
- Centralization of call center services in Ping An Property & Casualty, Ping An Life, Ping An Annuity, Ping An Health, Ping An Securities and Ping An Marketing Services was almost fully completed, with 64% of call operations being done through the call center.
- A 100% resource-sharing in terms of scanning, printing, life insurance claims and collection practices was available to all subsidiaries.

The first phase of centralization has been fully completed and efficient, stable, cost-effective, and multi-tasking operating platform has been built, laying a solid foundation for further sharing. In the future, the Company will constantly promote the second phase of centralization, aiming to optimize cost structure and support cross-selling. By using our resource sharing system effectively and maximizing synergies, we can support the implementation of our integrated financial strategy.

PING AN ONE ACCOUNT MANAGEMENT SERVICES AND WANLITONG LOYALTY POINTS PROGRAM

Three value-added services – Ping An One Account Management Services, Wanlitong Loyalty Points Program and Ping An VIP Club-have been further developed over the last year, with rewarding results.

Various online service functions from different Ping An subsidiaries were added to Ping An One Account Management Services, allowing customers to enjoy a more convenient and lower cost network. The number of registered users of the One Account Management Services grew an amazing 7.5-fold at year-end 2009 compared to 2008, totalling 4.02 million. Online self-services in property and casualty insurance, annuity insurance, banking and credit card businesses amounted to more than 30% of the overall services provided by different service channels.

Serving as an important platform for identifying and rewarding our loyal customers in our various subsidiaries, Wanlitong Loyalty Points Program is in full operation across our credit card, banking, securities, automobile insurance phone sales, life insurance comprehensive expansion, and other services. It is one of the point programs in China with the most choices for customers to redeem goods. As of the end of December 2009, we had approximately 3.62 million registered members.

Ping An VIP Club has become a communication and marketing platform for the company to communicate with customers from different regions and our different subsidiaries. The club plays an important role in optimizing our service capabilities, advancing customers' satisfaction and expanding brand advantages. The number of club members increased from 440,000 at the end of 2008 to 840,000 at the end of 2009. The number of applications received for value-added services increased from 18,691 in 2008 to 54,000 in 2009, representing growth of 188.9%.

Impact of changes in accounting policies

BACKGROUND AND OVERALL IMPLEMENTATION

On August 7, 2008, the Ministry of Finance issued the "No.2 Interpretation of Accounting Standards for Business Enterprises" (Cai Kuai [2008] No.11) (hereinafter referred to as the "No.2 Interpretation"), requiring listed companies which issue both A shares and H shares to, save for differences in relation to the reversal of impairment losses of certain long-term assets and disclosures of related party transactions, and to use the same accounting policies and estimates to recognize, measure and report the same transaction in their A share and H share financial statements (the use of different accounting treatments in A share and H share financial statements is prohibited).

On January 5, 2009, the CIRC issued the "Notice of Relevant Issues Regarding the Implementation of the No.2 Interpretation of Accounting Standards for Business Enterprises in the Insurance Industry" (Bao Jian Fa [2009] No.1), whereby insurance companies should make simultaneous changes to the existing accounting policies that cause differences between domestic and overseas financial statements when preparing their 2009 annual financial statements, such that the same accounting policies and estimates will apply to the same transaction, thereby eliminating differences between domestic and overseas financial statements.

On December 22, 2009, the Ministry of Finance released the "Regulations regarding the Accounting Treatment of Insurance Contracts" (Cai Kuai [2009] No.15), regulating issues relating to the unbundling for insurance contracts with hybrid risk, testing for the significance of insurance risk and measurement for insurance contract liabilities, and requiring insurance companies to adopt such regulations since the preparation of their 2009 annual financial statements. For the accounting treatments of any transactions and items adopted in previous years which differ from those set out in the above regulations, they should be retrospectively adjusted unless the adjustments are not practicable in the circumstances.

On January 25, 2010, the CIRC issued the "Notice Concerning Sound Implementation of the No.2 Interpretation of Accounting Standards for Business Enterprises in the Insurance Industry" (Bao Jian Fa [2010] No.6), making industry regulatory rules on the issues related to implementation of No.2 Interpretation.

The regulatory rules mentioned above are collectively known as the "Regulations Related to the No.2 Interpretation".

In order to comply with statutory requirements, carry out the regulation of the Ministry of Finance and the CIRC, the Company has changed certain accounting policies when preparing its 2009 A share financial statements. The Company also decided to change the related accounting policies for insurance contracts in H share financial statements, as allowable under IFRSs, by making reference to the principles of Caikuai [2009] No. 15, Baojianfa [2010] No. 6 and recognized practices in the insurance industry. The financial data in 2008 have been adjusted retrospectively. After above changes, there will be no significant difference between A share and H share financial statements in respect of accounting policies used in the unbundling of insurance contracts with hybrid risk, testing for the significance of insurance risk and measurement for insurance contract liabilities.

The changes in accounting policies by the Company in accordance with the Regulations Related to the No.2 Interpretation, which are made in order to comply with the requirements of the unified accounting standards and regulatory rules of the state, will cause changes to net assets, net profit, premium income and other financial figures of the Company. However, the changes in accounting policies do not affect the normal operations of the Company. Our business strategy and development direction will not alter and there is no impact on the interests of our customers.

Insurance Contracts Classification

After the changes in accounting policies, the methodology for the testing of insurance risk significance has become more prescriptive and consequently, some policies are no longer regarded as insurance contracts if they fail the insurance risk significance testing. Previously, investment contracts with discretionary participation features were accounted for as insurance contracts. After the change in accounting policies, these contracts are accounted for as investment contracts. These changes have affected the recognition and presentation of premium income from insurance contracts. Nevertheless, such changes do not reflect a decrease in the overall insurance business scale of the Company and have no significant impact on the Company's total assets and total profits.

Measurement for Insurance Contract Liabilities

After the changes of accounting policies, insurance contract liabilities of the Company are measured based on the reasonable estimated amount of the expenditure incurred for performing the obligations related to insurance contracts. The expenditure incurred for performing the obligations related to insurance contracts refers to the difference between expected future cash outflows and expected future cash inflows arising from insurance contracts, namely expected future net cash outflows. The Company measures and determines the reasonable estimated amount of expected future net cash outflows based on the current information available at the balance sheet date. The Company considers and separately measures the margin in determining insurance contract liabilities, and the time value of money is also considered. Furthermore, after the change in accounting policies, the acquisition costs are not recognized separately as an asset but are instead considered in the measurement of insurance contract liabilities.

Solvency and Embedded Value

Pursuant to "Rules on the Preparation of Insurance Company Solvency Reports – Q&A No.9: Connection between Rule on the Preparation of Solvency Reports and No.2 Interpretation of Accounting Standards for Business Enterprises" promulgated by CIRC on January 25, 2010 (Bao Jian Fa [2010] No.7) (hereinafter referred to as "Q&A No.9"), after the adoption of new measurement principles on policyholders' reserve, admitted principles for insurance contract liabilities in solvency reports still follow the statutory assessment standards set up by CIRC (means statutory policyholders' reserve), while admitted principles for non-insurance contract liabilities in solvency reports should apply to accounting standards. The Company stringently assessed the solvency of the Company and its insurance subsidiaries according to Q&A No.9. The results showed that the implementation of the Regulations Related to the No.2 Interpretation does not cause any significant change in solvency. As at December 31, 2009, the Company and its insurance subsidiaries had adequate solvency.

The future profit involved in the calculation of embedded value shall be the distributable profit when solvency requirements are satisfied. Therefore, during the preparation of 2009 embedded value report, relevant contract liabilities were measured according to the assessment standards of the liabilities pursuant to the solvency regulations, and the adjusted net assets and income tax were also based on the results before adoption of the "Regulations regarding the Accounting Treatment of Insurance Contracts". As such, upon the implementation of the Regulations Related to the No.2 Interpretation, by adopting original assessment method on embedded value, the Company's embedded value remained stable.

EFFECT OF CHANGES IN ACCOUNTING POLICIES

Details of accounting policies before and after the changes are set out in note 3 (2) "changes in accounting policies" of Financial Statement on pages 111 to 116 of this annual report.

Effects on major financial data prepared according to IFRS resulted from the above changes in accounting policies are as follow:

(in RMB million)	December 31, 2009 After the changes	December 31, 2009 Before the changes	December 31, 2008 After the changes	December 31, 2008 Before the changes
Total equity	**91,743**	**107,210**	67,159	85,696
Equity attributable to owners of the parent	**84,970**	**100,330**	64,542	82,951

(in RMB million)	2009 After the changes	2009 Before the changes	2008 After the changes	2008 Before the changes
Premium income	**112,213**	**122,913**	89,103	98,010
Net profit	**14,482**	**11,097**	1,635	477
Net profit attributable to owners of the parent	**13,883**	**10,522**	1,418	268

For investors' easy reference and comparison, the Company has already prepared the 2009 pro forma financial statement in accordance with the accounting policies prior to the implementation of the Regulations Related to the No.2 Interpretation. For details, please refer to Supplementary Information to Financial Statements in Appendix of Financial Statements, on pages 213 to 218 of this annual report.

Management discussion and analysis
Regulation developments

In 2009, the State Council of PRC, the CIRC and other relevant PRC governing authorities promulgated a series of new laws, regulations and regulatory documents.

On February 28, 2009, the 7th Session of the Standing Committee of the 11th National People's Congress considered and adopted the "Amendment VII to Criminal Law of the People's Republic of China". This amendment has added relevant clauses regarding imposing severe punishments on illegal disclosure of personal information of citizens by state authorities or financial, telecommunications, transportation, education, medical and other units and their staff. This amendment shall come into effect from the date of its promulgation.

On February 28, 2009, the 7th Session of the Standing Committee of the 11th National People's Congress considered and adopted the "Insurance Law of the People's Republic of China". This amendment mainly focused on the following aspects: first, revise the relevant provisions managing the premium rates and abolish the provision of premium rates formulated by regulatory authorities; second, expand the business scope of property insurance companies, categorizing short-term health insurance and accident insurance as the types of insurance that can be operated by both property and life insurance companies; third, highlight the provisions concerning supervision of solvency and authorize regulatory authorities to formulate relevant specific measures; fourth, revise and improve the relevant provisions on agency behavior of insurance intermediaries, especially insurance agents; fifth, make appropriate changes to the prohibitive provisions of utilization of insurance funds; sixth, add the provision of the enquiry rights of insurance regulatory bodies in respect of the deposits of insurance companies in financial institutions; seventh, amend the provisions regarding penalties, introduce more penalties means to insurance offences and put greater efforts in punishment; eighth, eliminate statutory reinsurance. The revised "Insurance Law of the People's Republic of China" took effect on October 1, 2009.

On April 7, 2009, the CIRC promulgated five documents including Notice on Enhancing the Capacity of Asset Management (Bao Jian Fa (2009) No. 40), Notice on the Guidelines for the Establishment of Products of Infrastructure Debt Investment Plans (Bao Jian Fa (2009) No. 41), Notice on Increasing the Varieties of Debenture Investment for Insurance Institutions (Bao Jian Fa (2009) No. 42), Notice on Investing the Insurance Funds in the Infrastructure Debt Investment Plans (Bao Jian Fa (2009) No. 43) and Notice on Regulating the Stock Investment Business of Insurance Institutions (Bao Jian Fa (2009) No. 45). These measures were introduced in order to support the amendments to "Insurance Law" and meanwhile would have a far-reaching impact on the insurance industry and the PRC financial and capital market as a whole. The above five investment policies shall take effect from the dates of promulgation.

On April 24, 2009, the Supreme People's Court promulgated "Interpretation II of the Supreme People's Court on Several Issues concerning the Application of the "Contract Law of the People's Republic of China"", making explanations on the significant issues including the conclusion and effectiveness of contracts, which took effect on May 13.

On June 1, 2009, the CBRC promulgated "Guidelines on the Risk Management in relation to Information Technology of Commercial Banks" (hereinafter referred to as the "Management Guidelines"), which covers all information technology activities of commercial banks and further clarifies the relation between information technology and the banking business, with the scope of application changing to legal person commercial banks from banking financial institutions. Management Guidelines points out the information technology governance as the primary content, enriches and specifies the specific requirements of commercial banks in terms of governance; focuses on the risk management of information technology and internal and external auditing requirements, in particular, requiring auditing to be in place throughout the entire process of information technology activities; set high standards and high requirements to information security, continuous business management and outsourcing etc. throughout the life cycle of information technology of commercial banks by reference to domestic and international standards and successful practices; while strengthens the requirements regarding protection of customer information. The Management Guidelines shall take effect from the date of promulgation.

On June 23, 2009, the CBRC issued "Notice of the CBRC on Further Regulating the Credit Card Business" (hereinafter referred to as the "Notice"). The Notice sets requirements in respect of credit card issuance marketing, receipt collection business, franchised business management and protection of consumer interests. Implementing an incentive mechanism with the number of cards issued as a single indicator of performance assessment to sales personnels is prohibited. Meanwhile, the objects of application of issuance of credit cards are further defined, of which, credit cards may not be issued to the students below the age of 18. The Notice shall take effect from the date of release.

On September 21, 2009, the Supreme People's Court promulgated "Interpretation I of the Supreme People's Court on Several Issues concerning the Application of the "Insurance Law of the People's Republic of China"", effective from October 1, 2009. The judicial interpretation stipulates that the provisions of the Insurance Law are applicable to the disputes arising from the insurance contracts executed after the Insurance Law is put into force. The then legal stipulations shall be applicable to the disputes arising from the insurance contracts executed before the Insurance Law is put into force except as otherwise provided in this interpretation; if the then law makes no stipulation, the relevant provisions of the Insurance Law shall be applied. The provisions of the Insurance Law shall be applied if an insurance contract is executed before the Insurance Law is put into force while transfer of the insurance subject, insurance accidents, claims, subrogation and other acts or events occur after the Insurance Law is put into force. The provisions of the Insurance Law shall be applied if an insurance contract is executed before the Insurance Law is put into force and the insurer advocates cancelling the contract with the grounds that the insured fails to fulfill obligations of truthful reporting or declares an untrue age of the insured person after the Insurance Law is put into force. In addition, the judicial interpretation has also made specific provisions on the starting dates of certain periods.

On September 25, 2009, the CIRC released "Provisions on the Administration of Insurance Companies" (hereinafter referred to as the "Provisions"). The amendments of the Provisions mainly included: first, setting higher entry threshold; second, strengthening internal control and external supervision of branches of insurance companies; third, specifying the regulatory requirements in respect of marketing service outlets. The Provisions took effect from October 1, 2009.

On November 5, 2009, the CBRC issued "The Administrative Measures on the Pilot Program of Commercial Banks' Making Equity Investment in Insurance Companies" (hereinafter referred to as the "Measures"). According to the Measures, commercial banks are required to apply to the CBRC before investing in insurance companies, and the CBRC is responsible for reviewing the plans of commercial banks' investing in insurance companies; the insurance companies planning to join the pilot program may apply to the CIRC and the implementation is subject to the approval of the CIRC. The Measures contain five chapters including 26 articles, setting specific standards in respect of the entry conditions, application procedures, risk control and supervision and management of the pilot institutions, and making relevant provisions.

On December 22, 2009, the Ministry of Finance released "Regulations on the Relevant Accounting for Insurance Contracts" (hereinafter referred to as the "Regulations"), effective from the date of release. The Regulations mainly regulate the contents of the three aspects including split-off of insurance hybrid contracts, testing of significant insurance risks and measurement of insurance contract reserves: first, requiring insurance hybrid contracts to be split off when conditions are satisfied; second, requiring significant insurance risk testing to be introduced when insurance contracts are recognized; third, requiring insurance contract reserves to be measured based on reasonable estimated amounts.

On December 29, 2009, the Chairman Office of the CIRC considered and approved "Measures of China Insurance Regulatory Commission on Administrative Reconsideration" (hereinafter referred to as the "Measures"), effective from March 1, 2010. The Measures revise the measures of administrative reconsideration released on July 5, 2001, specify the scope of administrative reconsideration and make specific provisions to the applications and acceptance of administrative reconsideration. The legal department of the Group will formulate interpretations of new and old regulations and actively carry out propaganda in order to enable the Group's various departments, insurance subsidiaries and branches to fully understand that the company is legally entitled to the rights of administrative reconsideration.

Embedded value

As at December 31, 2009, the embedded value of the Company was RMB155,258 million, and the value of one year's new business of life insurance sold during 2009 was RMB11,805 million.

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 2009 Year-end annual report ("the Disclosures"). The Disclosures comprise: the Economic Value, which is the Embedded Value as at December 31, 2009 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 December 31, 2009 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 2009 Year-end annual report is consistent with the information we have reviewed.

Xiaojing Zhao, *Actuary*

Ernst & Young (China) Advisory Limited

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EMBEDDED VALUE REPORT OF PING AN INSURANCE (GROUP) COMPANY OF CHINA, LTD. 2009

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.

In accordance with 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 (China) Advisory Limited to review the reasonableness of the methodology, the assumptions and the calculation results of the Company's embedded value as at December 31, 2009.

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 construed as a direct reflection of the actual market value.

On December 22, 2009, the Ministry of Finance issued the "Regulations regarding the Accounting Treatment of Insurance Contracts" (Cai Kuai [2009] No.15), regulating the measurement of the premiums income and the reserves on accounting terms, and requiring insurance companies to adopt such regulations since the preparation of their 2009 annual financial statements. On January 25, 2010, CIRC promulgated the "Rules on the Preparation of Insurance Company Solvency Reports-Q&A No.9: Connection between Rules on the Preparation of Solvency Reports and No.2 Interpretation of Accounting Standards for Business Enterprises" (Bao Jian Fa [2010] No.7), pursuant to which, admitted principles for insurance contract liabilities in solvency reports still follow the statutory assessment standards set up by CIRC, while admitted principles for non-insurance contract liabilities in solvency reports should apply to accounting standards. The future profit involved in the calculation of embedded value shall be the distributable profit when solvency requirements are satisfied. Therefore, during the preparation of 2009 embedded value report, relevant contract liabilities were measured according to the assessment standards of the liabilities pursuant to the solvency regulations, and the adjusted net assets and income tax were also based on the results before adoption of the "Regulations regarding the Accounting Treatment of Insurance Contracts".

Components of Economic Value

(in RMB million)	December 31, 2009	December 31, 2008
Risk discount rate	Earned Rate/ 11.0%	Earned Rate/ 11.5%
Adjusted net asset value	**94,606**	79,016
Adjusted net asset value of life insurance business	**40,052**	25,800
Value of in-force insurance business written prior to June 1999	**(11,614)**	(11,340)
Value of in-force insurance business written since June 1999	**86,579**	66,859
Cost of holding the required solvency margin	**(14,314)**	(11,676)
Embedded value	**155,258**	122,859
Embedded value of life insurance business	**100,704**	69,643

(in RMB million)	December 31, 2009	December 31, 2008
Risk discount rate	**11.0%**	11.5%
Value of one year's new business	**13,945**	10,039
Cost of holding the required solvency margin	**(2,141)**	(1,498)
Value of one year's new business after cost of solvency	**11,805**	8,541

Note: Figures may not match totals 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.

Embedded value

Key Assumptions

The assumptions used in the embedded value calculation in 2009 have been made on a "going concern" basis, assuming continuation of the economic and legal environment currently prevailing in China. 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 China market and other life insurance markets' experience. The principal bases and assumptions used in the calculation are described below:

1. Risk discount rate
   According to such factors as a balanced and steady business development of the Company and gradually reducing risk, the discount rate for the in-force life insurance business in each future year has been adjusted to the non-investment-linked fund's earned rate or 11.0%. 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 11.0% 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 4.50% in 2010 and to increase by 0.25% every year to 5.5% in 2014 and thereafter for the non-investment-linked fund. For the investment-linked fund, future investment returns have been assumed to be slightly higher than the above non-investment-linked fund investment returns assumption. 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. Expenses assumptions are mainly separated into acquisition expenses and maintenance expenses assumptions. 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.

New Business Volumes and Business Mix

The volume of new business sold and modeled during 2009 to calculate the value of one year's new business was RMB63,630 million in terms of first year premium. The mix of the new business measured by first year premium was:

	Percentage
Individual life	**43.7%**
Long-term business	43.3%
Short-term business	0.4%
Group life	**13.6%**
Long-term business	7.3%
Short-term business	6.3%
Bancassurance	**42.7%**
Long-term business	42.7%
Short-term business	0.0%
Total	**100.0%**

Note: Figures may not match totals due to rounding.

Embedded Value Movement

The table below shows how the embedded value changed to RMB155,258 million as at December 31, 2009.

(in RMB million)	2009	Description
Embedded value of life insurance business as at December 31, 2008	**69,643**	
Expected return on year-start embedded value	7,431	Expected growth of embedded value occurred in 2009
Value of one-year new business	12,654	The contribution came from new business sold during 2009 and discounted at earned rate/11.0%
Assumption and modeling changes	(1,290)	Assumption changes, such as expense changes decreased embedded value on an aggregate basis
Risk discount rate changes	2,523	Risk discount rate change to earned rate/11.0% from earned rate/11.5%
Market value adjustment	4,989	The market value adjustment of relative investments increased due to unrealized capital gains
Investment return variance	3,404	Actual investment return in 2009 was higher than the assumed return
Other experience variances	601	Other variances between actual experience and assumptions
Embedded value of life insurance business before capital changes	**99,956**	Embedded value of life insurance business before impact of capital change increased by 43.5%
Shareholder dividends	(952)	Dividends paid to shareholders by Ping An Life
Capital injection	1,700	Capital injection to Ping An Annuity was RMB1,700 million
Embedded value of life insurance business as at December 31, 2009	**100,704**	

Embedded value

(in RMB million)	2009	Description
Adjusted net asset value of other business as at December 31, 2008	**53,216**	
Net Profit of other businesses	2,267	
Market value adjustment and other variances	928	
Adjusted net asset value of other business as at December 31, 2009 before capital changes	**56,410**	
Dividends received from Ping An Life	946	Dividends paid to the Company by Ping An Life
Capital injection	6,579	Capital injection to Ping An Property & Casualty was RMB1,984 million; Capital injection to Ping An Bank was RMB4,595 million
Shareholder dividends	(1,102)	Dividends paid to shareholders
Capital investment	(8,279)	Capital investment to Ping An Annuity was RMB1,700 million; Capital investment to Ping An Property & Casualty was RMB1,984 million; Capital investment to Ping An Bank was RMB4,595 million
Adjusted net asset value of other business as at December 31, 2009	**54,554**	
Embedded value as at December 31, 2009	**155,258**	
Embedded value per share as at December 31, 2009 (in RMB)	**21.1**	

Note: Figures may not match totals due to rounding.

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 2008 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/10.5%	Earned Rate/11.0%	Earned Rate/11.5%	11.0%
Value of in-force business	63,309	60,652	58,128	62,096
	10.5%	11.0%	11.5%	Earned Rate/11.0%
Value of one year's new business	12,540	11,805	11,121	12,654

Assumptions (in RMB million)	Value of in-force business	Value of one year's new business
Central case	60,652	11,805
Assumptions used in 2008 valuation	61,975	12,270
Investment return increased by 50bp every year	72,289	12,529
Investment return decreased by 50bp every year	48,100	11,094
10% reduction in mortality and morbidity rates	61,341	12,074
10% reduction in policy discontinuance rates	62,753	12,340
10% reduction in maintenance expense	61,965	12,025
5% increase in the policyholders' dividend payout ratio	58,422	11,477
Solvency margin at 150% of the regulatory level	53,251	10,734

Note: Risk discount rates were earned rate/11.0% and 11.0% for in-force business and new business respectively.

Liquidity and financial resources

The Company manages its liquidity and financial resources at the Group level.

As at December 31, 2009, the solvency of the Group was adequate.

GENERAL PRINCIPLES

Liquidity refers to the availability of cash assets or cash supply to meet the financial requirements of the Group whenever needed. The aim of the Company's liquidity management is to meet the liquidity requirements of operations, investment and financing activities of the Group while continuously refining its financial resources allocation and capital structure to maximise shareholder return.

The Company manages its liquidity and financial resources from the perspective of the Group as a whole. Overseeing these essentials at Group level are the Budget, Risk Management and Investment Committees, under the Group Executive Committee. In addition, as the Group's liquidity management execution unit, the Treasury Division is responsible for the management of cash, liquidity, funding and capital and so forth.

The liquidity management of the Group comprises capital planning and cash flow management. The Company has put in place a comprehensive capital management and decision-making mechanism. As part of this process, the Group's subsidiaries put forward their capital requirements based on their own business development needs. The Parent Company then submits its recommendations on the overall capital planning for the Group, based on the overall situation of its subsidiaries' business development. The Group Executive Committee then determines a final capital planning scheme based on the strategic planning of the entire Group. In 2009, the Parent Company increased capital to its subsidiaries as follows:

- RMB1,700 million to Ping An Annuity
- RMB1,984 million to Ping An Property & Casualty
- RMB4,595 million to Ping An Bank

All operations, investment and financing activities should follow the requirements of liquidity management. Ping An Group and its subsidiaries each manage their operating cash inflow and outflow independently. However, through pooling of cash inflow and outflow, allocation and deployment of funds are centralized. The Group is therefore able to detect any cash flow funding gap in a timely manner. In 2009, the Group maintained net cash inflows in its operating cash flows.

The Group manages its investment assets through strategic asset allocation. As part of their strategic asset allocation, all subsidiary companies maintain a certain proportion of high liquidity assets to meet their liquidity requirements.

The Company is a holding company and, with the exception of investment activities, does not engage in any substantive business operations itself.. As a result, the Company's cash flow mainly depends upon dividends and distributions from its subsidiaries and the returns from its investment assets. Ping An's overall liquidity, with the exception of investment in subsidiaries, is mainly exemplified by its asset allocation status and realisation ability. Borrowings and assets sold under agreements to repurchase also constitute part of the source of the Parent Company's liquidity in the ordinary course of business.

The Company's financing capability is an important part of its liquidity and financial resources. The Company centrally manages all financing activities.

CAPITAL STRUCTURE

As at December 31, 2009, the Group's total equity was RMB91,743 million, representing an increase of 36.6% compared to December 31, 2008. This increase was mainly due to an increase in operating profits and an increase in the fair value of available-for-sale assets.

As at the end of 2009, the Parent Company's capital structure mainly comprised of contributions from shareholders as well as proceeds from listing H shares and A shares. The Parent Company did not issue any form of debt securities.

To enhance capital strength and advance the capital adequacy ratio or solvency adequacy ratio, Ping An Property & Casualty and Ping An Bank both issued debts in 2009. The relative information as follows:

- Ping An Property & Casualty: Subordinated term debts, 10-year, RMB2,000 million
- Ping An Bank: Subordinated debts of commercial banks, 10-year, RMB3,000 million

GEARING RATIO

	December 31, 2009	December 31, 2008
Gearing ratio	**90.9%**	90.8%

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

CASH FLOW ANALYSIS

(in RMB million)	2009	2008
Net cash flows from operating activities	**93,301**	58,871
Net cash flows from investing activities	**(81,743)**	(113,365)
Net cash flows from financing activities	**15,684**	22,268

Net cash inflows from operating activities increased significantly to RMB93,301 million in 2009 from RMB58,871 million in 2008. This was mainly due to the constant increase of cash premiums from the insurance businesses, customer deposits and funds due from banks and other financial institutions in the Group's banking business. Despite the increase of cash outflows from interest payments, fees and commission expenses, tax, loans and advances to customers due to the expansion of business, total cash inflows exceeded cash outflows.

Both cash inflows and outflows from investing activities decreased in 2009 as compared to 2008, but the outflows decrease was slightly more. This resulted in net cash outflows decreasing from RMB113,365 million in 2008 to RMB81,743 million in 2009.

Although cash inflows from financing activities decreased in 2009 as compared to 2008, cash outflows from financing activities increased. The net cash inflows from financing activities decreased to RMB15,684 million in 2009 from RMB22,268 million in 2008. This was mainly due to the decrease of short-term financing demand of insurance businesses in 2009 as compared to 2008.

CASH AND CASH EQUIVALENTS

(in RMB million)	December 31, 2009	December 31, 2008
Cash	**67,027**	33,148
Money market funds	**11,983**	16,271
Bond investment with original maturity less than 3 months	**1,296**	50
Asset purchased under agreements to resell with original maturity less than 3 months	**8,659**	12,206
Total cash and cash equivalents	**88,965**	61,675

The Company believes that the liquid assets currently held, together with net cash generated from future operations and the availability of short-term borrowings, can sufficiently meet the expected liquidity requirements of the Group.

GROUP SOLVENCY MARGIN

The insurance group solvency margin represents the consolidated solvency margin calculated as if the company and its subsidiaries, joint ventures and associates were a single reporting entity. The group solvency margin ratio is an important regulatory measure of an insurance group's capital adequacy, calculated by dividing the actual capital of the insurance group by its minimum capital requirement.

The following table sets out the relevant data in relation to the solvency of the Group:

(in RMB million)	December 31, 2009	December 31, 2008
Actual capital	**117,560**	88,270
Minimum capital	**38,916**	28,663
Solvency margin ratio (%)	**302.1**	308.0

The above figures indicate that the solvency of the Group was adequate as at December 31, 2009.

Risk management

The Group strives to gradually institute an effectively centralized risk management platform, the one modelled on global top-tier integrated financial groups.

The Group conducted on-going risk identification, evaluation and control to support its decision-making processes and maximize interests with regard to well-defined risk criteria.

Risk Management is vital to Ping An's businesses and operations. Therefore, the Group is committed to establishing an Enterprise Risk Management system that benchmarks to the practices adopted by leading global integrated financial services groups and at the same time takes into account the Group's business characteristics. To that end, Ping An has established a sound risk management framework to regulate the risk management processes guided by the Group's business objectives. Specifically, sophisticated risk management approaches and methodologies are being deployed to conduct on-going risk identification, risk evaluation, and risk controls in order to support business decision-making and to promote efficient, sustainable, and healthy development.

RISK MANAGEMENT SYSTEM

The Risk Management Committee is responsible for reviewing the Group's significant risk issues, guiding the formulation of risk management policies and systems, supervising the organization and implementation of risk management, and cultivating the risk management culture. The Risk Management Committee comprises the Vice Chief Executive Officer, the President, the Chief Actuarial Officer, the Chief Internal Auditor, the Chief Legal Officer, the Chief Information Officer, the Vice Chief Actuarial Officer, the Vice Chief Financial Officer and the General Manager of Group Risk Management Department. Under the central leadership of the Risk Management Committee, each of the three core businesses – insurance, banking and investment – has one risk management officer who is specifically responsible for supervising insurance subsidiaries (Ping An Property & Casualty, Ping An Life, Ping An Annuity and Ping An Health), banking subsidiaries (Ping An Bank) and investment subsidiaries (Ping An Asset Management, Ping An Securities and Ping An Trust).

The Risk Management Department reports directly to the Risk Management Committee. By formulating unified risk management policies, consistent risk indicators and robust implementation standards, the department monitors any abnormality discovered and takes decisive actions to mitigate the risks identified during the process.

In order to better respond to and manage in the increasingly complicated internal and external operating environments, the Group has introduced advanced risk management concepts, has formulated medium- and long-term plans to establish the Enterprise Risk Management system, and has conducted risk stress tests on major business lines. The Enterprise Risk Management system will enhance the sophistication of risk management practice at the Ping An Group in the following four areas: Risk Governance, Risk Measurement, Risk Reporting, and Business Applications. As a result, risk management can be integrated with strategic planning.

MAJOR RISK MANAGEMENT

Insurance Risk

Insurance risks refer to the risk that actual indemnity might exceed expected indemnity due to the frequency and severity of insurance accidents, as well as the possibility that insurance surrender rates are being underestimated.

The mechanisms adopted by the Group to manage the insurance risks are as follows:

- Using management information systems to provide up-to-date, accurate, and reliable risk exposure data at any point in time;

- Applying actuarial models and statistical techniques to help make pricing decisions and to monitor the pattern of claim payment;
- Issuing guidelines to direct the practice of underwriting insurance contracts and assuming insurance risks;
- Following proactive procedures to investigate and process claims, thereby preventing dubious or fraudulent claim payment;
- Limiting the Group's exposure to large claims and catastrophe claims by transferring risks to reinsurance companies with high credit-ratings;
- Reducing the variability of expected outcomes by purchasing large amounts of risk insurance to diversify risks. Ping An's diversification strategy seeks to ensure that the underwriting risk is appropriately diversified in terms of risk types, risk amount, business lines, and geographic areas.

Asset and Liability Mismatching Risk

Asset and liability mismatching risk refers to 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 returns.

The Group's asset and liability management employs quantitative methodologies and models to measure the sensitivity of net income and shareholders' equity to various interest rate scenarios. The scenarios and assumptions used are reviewed and updated periodically. The analytical insights gained through the analysis help to measure the Group's risk exposures and capital positions.

Under the current regulatory and market environment, Ping An is unable to invest in sufficient assets with long enough duration to match that 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 refers to the potential for loss resulting from changes in the market value of financial instruments, which could occur as a result of changes in interest rates, market prices, foreign currency exchange rates and other related risk 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. Therefore, the Group controls its market risk exposures by defining a maximum risk tolerance level for each asset class. When setting these risk limits, Ping An places significant consideration on the Group's risk appetite and possible impacts on the Group's financial stability. These limits also take into account Ping An's asset liability management strategy.

The Group applies various techniques to quantify the market risk exposure, including sensitivity analysis and Value-at-Risk (VaR) computation. VaR is a widely used statistical measure that utilizes historical market prices and volatilities to estimate the likelihood that the actual loss will exceed a certain amount over a certain period of time. However, the application 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 rates

Fixed-income 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 on the balance sheet.

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

Risk measures related to the banking business will be quantified and disclosed in the following table.

December 31, 2009 (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	184	4,962

Market risk – market price

Exchange-listed equity investments held by the Group are exposed to market price risks. These investments are mostly 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 price volatility x the Z value that corresponds to a 99% confidence interval).

Risk measures related to banking business are quantified and disclosed in the following table.

December 31, 2009 (in RMB million)	Impact on Equity
Equity securities and equity investment funds held-for-trading and available-for-sale	8,114

Market risk – foreign currency

Assets denominated in foreign currency 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 the fluctuations in exchange rates. These liabilities include monetary liabilities, such as borrowings, customers' deposits, and claim reserves denominated in foreign currency, and non-monetary liabilities measured at fair value. The exposures to fluctuations in exchange rates which relate to the aforementioned assets and liabilities offset each other.

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

Risk measures related to banking business are quantified and disclosed in the following table.

December 31, 2009 (in RMB million)	Decrease in profit	Decrease in equity
Net exposure to the fluctuations in exchange rates assuming a simultaneous and uniform 5% depreciation of all foreign currency denominated monetary assets and liabilities and non-monetary assets and liabilities measured at fair value against the Renminbi	217	1,150

Credit Risk

Credit risks refer to the risk of losses incurred by the inabilities of debtors or counterparties to fulfill their contractual obligations or by the adverse changes in their credit conditions. The Group is exposed to credit risks that are primarily associated with its deposit arrangements with commercial banks, loans and advances to customers, investments in bonds, equity investments, reinsurance arrangements with reinsurers and insurance policy loans. The Group mitigates its credit risk by using a variety of controls including applying credit control policies, undertaking credit analysis on potential investments, and imposing limits on aggregate counterparty exposure.

The Group's banking business carries out credit assessment before granting credit to customers and monitors the granted credit on a regular basis. 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.

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 receivables. In general, the Group does not occupy repossessed properties for business use.

December 31, 2009	As percentage of corporate bonds
Corporate bonds held by the Group which have credit rating of AA or above	99.99%

Concentration Risk

Concentration risk refers to the possibility that the Group will become insolvent due to losses resulting from its concentrated investment in a particular entity with a particularly heavy concentration in any one business segment, geographical region, and/or transaction counterparties.

The Group controls its concentration risk through the following mechanisms:

- Establishing retention risk limits that are conditional on the risk profile of insured entities. In addition, excess risks are shifted to highly qualified reinsurers through reinsurance agreements. This prudent practice minimizes the impact of concentrated insurance risk on the financial stability of the Group.

- Establishing amount and allocation limits on a single investment to minimize the impact of its deteriorating fair value on the Group's financial stabilities.

- Establishing credit limits granted to an individual entity to minimize the impact of its credit deterioration on the financial stability of the Group.

Operational Risk

Operational risk is the potential for losses resulting from internal operational failures or uncontrollable external events. Internal operational failures occur due to inadequate or failed internal processes (process risks), system failure (system risks), and human performance failure (personnel risks). Uncontrollable external events that contribute to operational risks mainly refer to legal events or changes in regulatory requirements, such as adjustments in tax laws and accounting standards.

With regard to internal operational risks, the Group has taken proactive approaches to institute an effective compliance management mechanism. These include:

- Conducting preemptive risk detection and response by reviewing new products, new businesses and new systems.

- Continually identifying and monitoring any changes in operational risks through system management and process inspection.

- Conducting risk-tracking through the compliance department to refine and rectify the operational processes and systems, implementing appropriate and sufficient preventive controls, detective controls, and damage limitation controls, establishing an effective risk reporting mechanism and a compliance management platform to improve efficiency in risk prevention, detection and controls.

These controls are embedded into the business processes and system operations, which also guide personnel performance. The Group's internal and external audit functions perform rigorous checks on the reliability of the controls. The Group's Audit Committee reviews the reports from these internal and external auditors to ensure that appropriate measures are taken to address any detected control weaknesses.

In addition, the Ping An Group leads the industry in the centralization of back-office operational platforms. Utilizing advanced IT systems as infrastructure, the integrated back-office operational platforms re-engineer the existing business processes, centralize the management of isolated operational processes, and segregate the front- and back-office operations. Through the standardized and specialized integrated back-office operational platforms, the Group conducts regular reviews of internal controls and troubleshoots the data integrity issues, resulting in not only lower error rates and operational risks but also a generally more efficient business with better communication and a natural integration of business development and risk management activities.

For uncontrollable external events, the Group's Legal, Compliance, Finance, and Planning departments closely monitor changes in regulatory requirements, accounting standards and tax laws.

Corporate social responsibility

Ping An continuously keeps its social commitments to serving its shareholders, to winning the trust of its clients, to nurturing its staff and to contributing to society.

1. Award ceremony of "Ping An Strive for Excellence Program" 2009.
2. Voluntary Teaching Program for Ping An Hope Primary Schools 2009 organized by Henan Branch of Ping An Life.
3. National rollout of Ping An Xiaojudeng Village Library Program 2009.

2009 was the first year of Ping An's Five-Year Development Plan on corporate social responsibility. We vigorously integrated the sustainable development strategy into our daily operations, and proactively fulfilled our commitments to shareholders, customers, employees and society. In the year, Ping An was included in Shanghai Stock Exchange Social Responsibility Index and Chinese Federation for Corporate Social Responsibility's Sustainable Growth Index of Listed Companies (also referred to as "China CSR Alliance 50 Index"), which wrote down a new chapter in the journey to realizing corporate social responsibility and achieving sustainable development.

In 2009, Ping An adjusted its communications mechanism for a range of interested parties, including shareholders, investors, customers, employees, NGO, communities, and business partners. Thanks to these efforts, the Company successfully fulfilled requirements for various parties in its operations, significantly improved its performance on corporate social responsibility.

COMMITMENT TO SHAREHOLDERS: GENERATE STABLE RETURNS AND BOOST ASSET VALUES

We believe that a clear corporate governance structure and a sound risk management system would effectively protect us from financial risks, laying a solid foundation to enhance and preserve the values of the Company.

Our Focuses

- A clear, stable and accountable corporate governance;
- A comprehensive risk management system;
- Further optimize the anti-money-laundering compliance system and perfect the anti-corruption petition system.

Our Actions and Achievements

In 2009, in respect of corporate governance, we continued to implement the Three Committee System, which comprises the General Meeting, Board of Directors and Supervisory Committee, along with the Independent Directors System. Re-election for the 8th session of the Board of Directors and the 6th session of Supervisory Committee were smoothly conducted at the General Meeting, which is in the interests of the shareholders. Ping An realized a sound business growth through its devoted efforts, effectively generated stable returns for our shareholders and fulfilled responsibilities for assets expansion. As a result, market share of Ping An Life and Ping An Property & Casualty expanded at the same time; our securities business maintained its competitiveness in SME finance, assets held in trust of Ping An Trust exceeded RMB100 billion for the first time; the total assets of Ping An Bank went beyond RMB220 billion, with its total credit cards in circulation exceeding 3.4 million.

In 2009, in respect of risk management, the Company further improved its risk management system in respect of pre-, on- and post-risk events. For the pre-event stage, we appraised the risks, regularly updated and renewed the risk list, analyzed changes in laws, rules, regulations and self-regulated disciplines, issued warnings and responded promptly. For the on-event stage, in addition to monitoring and reporting abnormal risk indexes, we unified risk management policies, risk indexes and implementation standards. For the post-event stage, surveillance department conducted the supervision and investigation on risk trends. In 2009, we initiated the first domestic integrated risk management project for a financial group, carrying out risk examination according to category of risks, and formulating risk evaluation indexes, so as to monitor any abnormity encountered. Meanwhile, under the principle of "every company should operate independently, strictly protect its operation information, business confidentialities and intellectual properties, and be regulated by competent regulatory authorities", the Company set up a firewall mechanism on governance, asset, finance, credit, trade and information, in order to avoid risk transmission and dissemination.

In the meantime, in respect of anti-money-laundry, the Company further optimized the anti-money-laundry compliance system through the revision of "Supervision and Control System on Anti-money-laundry" and the classification of customer risk levels. In respect of anti-corruption, with formulation and distribution of the "Management System on Petition", the Company clarified authorities


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and responsibilities, issued efficient warnings, and guaranteed the smoothness of petition channels, which strengthened efforts on crack-down of commercial bribery.

COMMITMENT TO CLIENTS: ENSURE RELIABILITY WITH SOLID SERVICE

We believe that proactively assuming responsibilities to customers, earnestly centering on customers' needs, and continuously innovating in qualified products and services will give the Company momentum to win long-term trust from customers and to achieve sound results.

Our Focuses

- Practise our commitments to customers and improve customers' satisfaction;
- Broaden customer communication channels, and improve efficiency and convenience of customer services;
- Capitalize on Ping An Group's strong integrated financial platform, developing innovative products and services based on the analysis of market demands;
- Provide differential and value-added services according to diversified customers' needs.

Our Actions and Achievements

Aiming to improve service quality of insurance, banking and investment businesses, Ping An launched the brand campaign "Ping An, Our Commitment to You" in 2009. Ping An Property & Casualty promised all automobile insurance policyholders with "claim reimbursement within 3 days for amount below RMB10,000 when submitted with complete documentation". By the end of 2009, we handled about 3,500,000 claims below RMB10,000, 99.9% of which were settled within 3 days. Ping An Life also launched "let us help you find reasons for claim". In 2009, 99.6% of life insurance claims were settled within 30 days. Ping An Bank issued a new commitment to "free global ATM withdrawals and online remittance, E-banking security" for individual customers. By the end of 2009, more than 5.68 million clients had enjoyed those services.

In 2009, we strengthened customer communication channels, especially E-services channels including internet, SMS, phone and email. In addition, Ping An Life also launched IVR, an interactive voice response based customer self-service platform, which outperformed our domestic competitors. Our securities business opened its unified customer hotline in China: 4008816168. By the end of 2009, E-service users from the life insurance network exceeded 2.5 million.

In 2009, Ping An developed various products that were initially launched in China, including Influenza A/H1N1 Comprehensive Insurance, Personal Liability Insurance and Kidnap and Ransom Insurance. It also introduced highly value-added services such as a policy to exempt repayment in the event of accident or death, as well as business trip care and road assistance for VIP club members, making customers feel closer and securer.

COMMITMENT TO EMPLOYEES: CAREER DEVELOPMENT AND BETTER LIVING CONDITIONS

We believe that a corporation and its employees are tightly linked to each other. While a corporation is a platform for employees to obtain career success and self improvement, the employees are also the lifeblood for the corporation's growth.

Our Focuses

- Understand employees' needs, and care about their growth through specific surveys;
- Ensure employees have appropriate income by following a flexible and competitive compensation practices;
- Provide employees with constant and sufficient opportunities to develop through a continuously improved evaluation and promotion system;
- Provide employees with an open and advanced learning environment through a series of efficient training and education programs;
- Focus on health and safety, and foster an amicable working environment by offering various recreational activities.

4. Ping An staff received thank you letters from students of Ping An Hope Primary School in Dalian Province.
5. "Ping An, our commitment to you" - rollout of monthly charity program associated with Red Cross in Shenzhen in 2009.
6. Ma Mingzhe, CEO of Ping An Group, awarded Liu Xiang, prolocutor of Ping An's charity activities, a flag of voluntary services.

Corporate social responsibility

Our Actions and Achievements

In 2009, the Company established various mechanisms, including "Interactive Platform for Growth of Employees", "Growth Guiding Mailbox " and "Peoplesoft System", to conduct communication specifically for employees. In an employee satisfaction survey, 97.9% of the staff based in Shenzhen Headquarter felt pleased, while the figure was 94.5% for Shanghai and 96.2% for Chengdu respectively.

In 2009, we launched the "Horn Action", a corporate cultural campaign which promoted a sound and effective performance measurement system that based on clear accountability and positive internal competition. Embracing the spirit of performance-driven staff compensation system, we assure our staff a flexible and competitive compensation system which enable them to benefit from the fast development of the Company.

At the same time, the Company established an internal training team with 2,500 full-time training personnel and 25,000 part-time lecturers. Under their help, 575 internal training programs were conducted for the Group's back office employees with more than 18,000 participants, and therefore employees' capabilities were improved. The Group also established an E-learning platform extending training platforms to office desks.

The Company also standardized the agenda for General Meetings of Employee Representatives, and added the revised "Union Members Information" to its "New Employee Handbook", so as to make employees understand their rights and obligations. Moreover, Ping An organized various entertainment activities to foster a positive and amicable working atmosphere for employees.

COMMITMENT TO SOCIETY: RECIPROCATE THE SOCIETY AND BUILD OUR NATION

In addition to achieving corporate growth and maximizing shareholders' benefits, we believe that enterprises should also fulfill their social responsibilities toward environment protection to achieve a harmonious development in economy, society and environment, thereby contributing to an amicable and balanced relationship between human and nature.

Our Focuses

- Reduce energy consumption and contribute to environmental protection;
- Support a business model of sustainable development;
- Participate in the building of a responsible society, contribute to charities and improve community investment concepts;
- Participate in designing social policies and propel the steady development of the industry.

Our Actions and Achievements

In 2009, we saved 1,667,021 degrees of electricity through effective renovation and management. 206.29 million pieces of paper were conserved by the Integrated Operating Center throughout the business operations. In addition, the Company strictly monitored company vehicle usage and limited the growth in vehicles, with a view to reduce CO_2 emissions.

Ping An is committed to practicing a financial service model featuring sustainable development and helping the publics to enjoy the ever-developing social welfare policies. In 2009, Ping An Life developed three new products, namely Ping An Xinli Endowment, Ping An Xinsheng Whole Life Insurance, and Ping An Xinxiang Endowment, featuring low premiums and high security, to satisfy the demand in the massive consumer market. Ping An Annuity introduced a small-amount rural accident insurance, to benefit customers in rural areas. Ping An Bank established green lending standards tailored for SME and disadvantaged groups, such as employees who were laid off, poor university students, and people suffered from the Wenchuan earthquake in Sichuan province. Ping An Securities and Ping An Trust included corporate social responsibilities into the preliminary review for corporate sponsors and developed a series of public welfare trust products.

Ping An is committed to charitable giving and investment in education, the Red Cross and other areas. The Group's accumulative donations exceeded RMB20 million in 2009. While aiding the construction of 84 hope primary schools (including 32 in process), Ping An organized 794 volunteers to involve in the voluntary teaching program. Meanwhile, the Company continued its "Ping An strive for excellence" program. By the end of 2009, there were 2,285 students received rewards, with a total prize amounting to RMB7.74 million.

BUSINESS PARTNERS: A MUTUALLY BENEFICIAL AND RECIPROCAL PARTNERSHIP

We cooperated with individual life insurance agents, reinsurers, banks, designated hospitals and suppliers. We believe that regulating their behavior and performance are essential for the Company to achieve sustainable development.

Our Focuses

Partners	Our focuses
Individual life insurance agents	Hard work, team work and ambition; compliancy with the relevant provisions of the Company; customer cultivation skills, especially the potential to transform oneself from an insurance agent to an integrated financial service manager
Reinsurers	Honesty and faithfulness, with risk-mitigation ability and a solid foundation for cooperation

Partnership banks	Broadening of areas of cooperation areas, cooperation with assigned persons for specific projects, mutual influence and common benefits
Designated hospitals	Achievement of scientific management on medical information; improvement of the quality of designated hospitals for medical treatment
Suppliers	Cost control, efficiency improvement, risk control, mutual influence and joint progress

Our Actions and Achievements

Ping An strikes a balance among market competitiveness, channel costs and incentives when it comes to the management of the individual life insurance agent team. Ping An has also established long-term partnerships with international professional reinsurers.

Ping An Property & Casualty has set up a bancassurance department in Headquarter and formulated exclusive professional bancassurance departments or teams in more than 10 institutions across the country to gradually, in respect of business and personnel development, conduct specialized management and promotion to the banking channel business; strengthen communication and interaction with the head offices of major banks and launch various bancassurance products suitable for exclusive banking channels.

By establishing a medical information management system and a satisfaction survey regarding designated hospitals, Ping An has comprehensive assessed designated hospitals, assisting the hospitals to improve service. Meanwhile, Ping An is leading other counterparts such as China Life, PICC, China Pacific Insurance Company in conducting the project of "Medicare Data Exchange Norm" under the National Insurance Standardization Technology Committee.

In terms of the system of suppliers, procurement system of suppliers and supplier data assessment, the Company improved and standardized the supplier procurement management system.

OUTLOOK FOR 2010

Our goal is to be included in the Dow Jones Sustainability Index in 2010, demonstrating its international top standard. We keep improving our performance on corporate social responsibility management, realizing our ability of sustainable development over corporate social responsibility management.

With respect to shareholders, we will offer supports and guarantees for integrated financial development through optimizing the internal control structures and systems of management, building up a risk-rating model, perfecting Ping An-featured firewall system, and constructing a responsible corporate governance behavior, in order to gain stable returns for shareholders.

With respect to customers, we continue to carry out service campaigns including "Ping An automobile insurance: trying to settle claims below RMB10,000 with all necessary documents within one day" and "E-policy services: 24-hour self-services in assisting customers to handle more than 30 policies" to establish service benchmarks and satisfy customer's demand over diversified financial services. At the same time, e-business platform of Ping An One Account Management Services was launched, through which, integration of global accounts and convenient management of overseas accounts were realized. By issuing the One Account cards, we achieved the organic integration of multi-products and multi-services including debit accounts, credit accounts, insurance products and point services, so as to enhance customer experience.

With respect to employees, we will optimize the distance education and training system, construct four major systems, namely the union system, the aid system, the rights protection system, and the activity system. Meanwhile, we will commence the implementation of a five-year plan for fostering corporate culture, and standardize the codes of conduct of all employees to strengthen the corporate cohesion.

With respect to the environment and the society, we position ourselves as leaders among financial industry in promoting low-carbon initiatives, by applying low-carbon initiatives throughout our own operations, and providing green financial products and services. We are also committed to promoting the low-carbon development of the society. Moreover, we will set up a system-wide employee volunteer association to carry out a variety of volunteer activities, in order to contribute to the society's harmony and progress.

With regard to our cooperation with partners, we look forward to further strengthening communication through partnership channels, opening up new business channels, maintaining sustainable development of business channels, by managing suppliers at all levels of procurement and periodically evaluating and investigating supplier satisfaction.

All statements and information disclosed herein are quoted from Social Responsibility Report 2009 of Ping An of China. The report has been discussed and approved by the Board of Directors of the Company on the Annual Meeting. For more information, please call (86) 755-2262 4314/(86) 755-2262 2476 or refer to Ping An's website at www.pingan.com/csr.

Directors, supervisors and senior management

DIRECTORS

Executive Directors

MA Mingzhe, 54, 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).

SUN Jianyi, 57, 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 and serving as Vice Chairman of the Board since October 2008. Mr. Sun is also a Non-executive Director of Shenzhen Vanke Co., Ltd., Xuji Group Corporation Limited and China Insurance Security Fund 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).

From left to right
Ms. WANG Liping
Mr. YAO Jason Bo
Mr. CHEUNG Chi Yan Louis
Mr. LEUNG Ka Kui Dominic
Mr. MA Mingzhe
Mr. Richard JACKSON
Mr. SUN Jianyi

CHEUNG Chi Yan Louis, 46, has been an Executive Director since May 2006 and has been serving as our President since October 2003. 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 to 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.

WANG Liping, 53, has been an Executive Director since June 2009 and has been serving as 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.

YAO Jason Bo, 39, has been an Executive Director since June 2009 and has been the Chief Financial Officer and Vice General Manager of the Company since April 2010 and June 2009 respectively. He has also served as the Chief Actuarial Officer of the Company and General Manager of the Corporate Planning Department of the Company since January 2007 and February 2004 respectively. Mr. Yao joined the Company in May 2001, and served as Financial Principal of the Company from March 2008 to April 2010, Vice Chief Financial Officer from February 2004 to January 2007, Vice Chief Actuarial Officer from December 2002 to January 2007 and Vice General Manager of the Product Centre of the Company from 2001 to 2002. Prior to that, Mr. Yao served in Deloitte Touche Tohmatsu as a Senior Manager of actuarial consultancy. Mr. Yao is a Fellow of Society of Actuaries (FSA) and a Member of American Academy of Actuary (MAAA), and holds an MBA degree from New York University.

Non-executive Directors

LIN Lijun, 47, 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 and 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.

HU Aimin, 61, has been a Non-executive Director of the Company from March 2004 to February 2010. Mr. Hu served as the Chairman of the Board of Directors of Shum Yip Group Limited previously named as Shenzhen Shum Yip Investment Development Company Limited from November 2003 to August 2009. During the period Mr. Hu also served as the Chairman of the Board of Directors of Hongkong Shum Yip Holdings Company Limited and Shenzhen Investment Limited. 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, 58, has been a Non-executive Director of the Company since June 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, 58, has been a Non-executive Director of the Company since May 2006. Mr. Wong is currently the Chief Executive of The Hongkong and Shanghai Banking Corporation Limited, a Group Managing Director and a member of the Group Management Board of HSBC, and Deputy Chairman of HSBC Bank (China) Company Limited. He is the Chairman of HSBC's seven rural banks in the Mainland: Hubei Suizhou Cengdu HSBC Rural Bank Company Limited, Chongqing Dazu HSBC Rural Bank Company Limited, Fujian Yongan HSBC Rural Bank Company Limited, Beijing Miyun HSBC Rural Bank Company Limited, Guangdong Enping HSBC Rural Bank Company Limited, Chongqing Fengdu HSBC Rural Bank Company Limited and Dalian Pulandian HSBC Rural Bank Company Limited. Mr. Wong is also the Chairman of HSBC Bank Malaysia Berhad, a Non-executive Director of HSBC Bank Australia Limited, Hang Seng Bank Limited and Bank of Communications Co., Ltd., and an Independent Non-executive Director of Cathay Pacific Airways Limited. Mr. Wong joined HSBC in 2005. From April 2005 to January 2010, he was Group General Manager and Executive Director, Hong Kong and Mainland China of The Hongkong and Shanghai Banking Corporation Limited. Mr. Wong worked for Citibank, N.A. and Standard Chartered Bank (Hong Kong) Limited prior to joining HSBC. Mr. Wong was educated at Indiana University in the USA and holds a Bachelor's degree in Computer Science, an MBA in Marketing and Finance and an MSc in Computer Science.

NG Sing Yip, 59, 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 as 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.

Clive BANNISTER, 51, has been a Non-executive Director of the Company since May 2008. He was Group Managing Director of Insurance and Asset Management of HSBC Holdings plc from September 2009 to March 2010. Prior to this, he was Group Managing Director of Insurance of HSBC Holdings plc. for almost three years. Mr. Bannister was appointed as the

General Manager and Chief Executive responsible for Private Banking of HSBC Holdings plc from July 2001 to November 2006. Mr. Bannister was appointed as the Chief Executive of Private Banking of HSBC Holdings plc from June 1998 to May 2001. During the period, Mr. Bannister was appointed as Director of HSBC Insurance Holdings Limited, the Chairman of HSBC Private Bank (UK) Limited and HSBC Private Bank (Monaco) Limited, Director of HSBC Guyerzeller Bank AG Switzerland, HSBC Private Bank (Suisse) SA, HSBC Private Bank (France) and HSBC Private Bank (Suisse) Holdings AG. In 1998, Mr. Bannister also acted as Special Adviser to the HSBC group's Chairman, developing strategies for HSBC. Between 1996 and 1998, Mr. Bannister was Head of Investment Banking and Deputy CEO of HSBC Securities Inc in New York, overseeing debt and equity securities business in America and worked as Director, Head of Planning and Strategy of HSBC Investment Banking. Prior to joining HSBC Holdings plc in 1994, Mr. Bannister was a partner in the financial consulting practice of Booz Allen & Hamilton. He obtained a Master's degree of Arts in Politics, Philosophy and Economics from Exeter College, Oxford University in 1982.

LI Zhe, 40, has been a Non-executive Director of the Company since June 2009. Ms. Li has served as a lawyer at Guangdong Gain Law Firm since January 2007. Ms. Li served in Guangdong Sheng He Sheng Law Firm as a lawyer from May 2003 to December 2006, and headed the Legal Department in New World Infrastructure Limited from August 1998 to April 2003. She was an Advisor on PRC Laws for Victor Chu & Co., Callanty. T. HO & CO. and Anthony Chiang & Partners from August 1993 to July 1998. Ms. Li was a lawyer at Guangzhou Second International Economic Law Firm from July 1991 to July 1993. She holds a Bachelor degree in Law received from Sun Yat-sen University, a Bachelor degree in Law from Manchester Metropolitan University and an MBA from Murdoch University.

GUO Limin, 47, has been a Non-executive Director of the Company since February 2010. Mr. Guo has served as Chairman of the Board of Directors of Shum Yip and Shum Yip Holdings Company Limited since September 2009. Prior to joining Shum Yip in August 2009, he was Chief of State-owned Assets Supervision and Administration Commission of Shenzhen Municipality, Chairman of Shenzhen Airport Group Co., Ltd., Deputy Director of Development Planning Commission of Shenzhen Municipality, Secretary of Administration Office of Shenzhen Municipal People's Government and Secretary of Administration Office of Ministry of Chemical Industry of PRC. Mr. Guo is currently Chairman of the Board of Directors of Shenzhen Investment Limited and a Non-executive Director of each of Road King Infrastructure Limited and Coastal Greenland Limited. Mr. Guo holds a Master's degree in International Business of Hunan University and a Bachelor's degree in Chemical Engineering of Beijing Institute of Chemical Industry.

Independent Non-executive Directors

CHOW Wing Kin Anthony, 59, has been an Independent Non-executive Director of the Company since June 2005. Mr. Chow is a partner of the law firm, Peter C. Wong, Chow & Chow. Mr. Chow 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 since May 2006. 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 and was a Council Member of The Hong Kong Institute of Education until 24 April 2009. Mr. Chow is the Chairman of the Process Review Panel of the Securities and Futures Commission and a member of Personal Data (Privacy) Advisory Committee. Mr. Chow 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. Mr. Chow has been practicing as a solicitor admitted to practise in Hong Kong, he is also a China-appointed Attesting Officer.

ZHANG Hongyi, 64, has been an Independent Non-executive Director of the Company since March 2007. He is currently a Director of Henderson (China) Investment Co. Ltd. since March 2008. In addition, Mr. Zhang is a Council Member of China Development Institute (Shenzhen, PRC), a Non-executive Director of the Bank of East Asia (China) Ltd. and Inter-Citic Minerals Inc.. 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, Executive Vice President of China Development Institute (Shenzhen, PRC), and an Independent Non-executive Director of Shenzhen Rural Commercial Bank Ltd. etc. Mr. Zhang is 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.

Directors, supervisors and senior management

CHEN Su, 52, has been an Independent Non-executive Director of the Company since March 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 and the Institute of International Law, 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 has also served as an Independent Non-executive Director in Offshore Oil Engineering Co., Ltd since May 2009. He was 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, 72, has been an Independent Non-executive Director of the Company since June 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.

TANG Yunwei, 66, has been an Independent Non-executive Director of the Company since June 2009. Mr. Tang had served in Ernst & Young Da Hua as a Senior Consultant from December 2006 to December 2008, and served as a Chief Accountant in Shanghai Dahua and Ernst & Young Da Hua respectively from January 2000 to December 2006,. He was a Senior Researcher in the International Accounting Standards Committee from March 1999 to January 2000. Prior to that, Mr. Tang had been a Lecturer, Vice Professor, Assistant President, Professor, Vice President and President of Shanghai University of Finance and Economics. Mr. Tang is currently an honorary member of the Association of Chartered Certified Accountants in the United Kingdom, a Distinguished International Visiting Professor of American Accounting Association and an Honorary Professor of The University of Hong Kong and City University of Hong Kong. Mr. Tang is a member of China Accounting Standards Committee and Audit Standards Committee of Ministry of Finance, Chairman of Shanghai Accounting Association. Mr. Tang holds a Doctorate degree in Accountancy received from Shanghai University of Finance and Economics. Mr. Tang is the founder of the Professors' Association of Accounting in P.R.C.

LEE Ka Sze Carmelo, 49, has been an Independent Non-executive Director of the Company since June 2009. Mr. Lee joined Woo, Kwan, Lee & Lo in 1983, obtained qualifications to practise as a solicitor in Hong Kong in 1985 and became a partner of Woo, Kwan, Lee & Lo in 1989. Mr. Lee is currently also a Non-executive Director of each of Hopewell Holdings Limited, China Pharmaceutical Group Limited, Cross-Harbour (Holdings) Limited, Yugang International Limited, Y.T. Realty Group Limited, Safety Godown Company, Limited, Termbray Industries International (Holdings) Limited and an Independent Non-Executive Director of KWG Property Holding Limited, all of the above are companies listed on The Stock Exchange of Hong Kong Limited. Mr. Lee is a Deputy Chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited. Mr. Lee also serves as an Adjudicator of the Registration of Persons Tribunal and Chairman of the Transport Tribunal of the Hong Kong SAR Government, a member of the Disciplinary Group of The Hong Kong Institute of Certified Public Accountants, a campaign committee member of The Community Chest of Hong Kong and a Co-chairman of Corporate Challenge Half Marathon of Community Chest. Mr. Lee was a member of the Main Board Listing Committee of The Stock Exchange of Hong Kong Limited from 2000 to 2003. Mr. Lee received a Bachelor's degree in Laws from The University of Hong Kong. He is qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory.

CHUNG Yu-Wo Danny, 59, has been an Independent Non-executive Director of the Company since June 2009. Mr. Chung started his career in the life insurance industry right after graduating from university in 1976. Mr. Chung served as a Vice-president of North America Life Insurance Company from 1986, in charge of product management, market development and operation. Before his retirement in 2005, Mr. Chung served as the General Manager, Great China Region (including China Mainland, Hong Kong, Macau, Taiwan and Mongolia) of Swiss Reinsurance Company in charge of life and health insurance business. Mr. Chung was a council member of Actuarial Society of Hong Kong and Chairman of its Chinese Advisory Board. He was appointed in 1999 by the CIRC as an advisor for setting up the China Actual Association. In 2008, Mr. Chung was awarded an Honorary Certificate by CIRC in recognition of his contribution to the actuarial profession in China. He was also a member of the Advisory Committee of Bachelors of Business Administration (BBA) Program, Faculty of Business Administration of

The Chinese University of Hong Kong, an advisor to the Actuarial Committee of the Shanghai Insurance Society and Tsinghua University School of Continuing Education. Mr. Chung holds a degree in Master of Science (M.Sc), and is an actuary. He is a Fellow of the Society of Actuaries (FSA) and a Fellow of Canadian Institute of Actuaries (FCIA). He was also the founding President of The Pacific Rim Actuarial Club of Toronto.

SUPERVISORS

GU Liji, 62, has been an Independent Supervisor and the Chairman of Supervisory Board of the Company since June 2009. Mr. Gu is currently an Executive Director of China Merchants Technology Holdings Co., Ltd. and China Merchants Technology Investment Co., Ltd. (Shenzhen). Before retirement in October 2008, Mr. Gu had served as the Managing Director of China International Marine Containers Co., Ltd., the Chairman and President of China Merchants Shekou Port Services Co., Ltd., the Vice Chairman of China Ping An Insurance Company, a Director of China Merchants Bank and China Merchants Group Ltd., the Managing Director of China Merchants Shekou Industrial Zone Co., Ltd., Hoi Tung Marine Machinery Suppliers Limited (Hong Kong) and China Merchants Technology Group, and the Chairman of China Merchants Technology Holdings Co., Ltd. Mr. Gu is also an expert on Applicable Electronics of Shenzhen Expert Association and the Vice-chairman of Scientific Association of Shenzhen Nanshan District. Mr. Gu has obtained the Advanced Management Program AMP (151) certificate from the Harvard Business School of the United States. Mr. Gu also holds a Master of Engineering degree in Management Science from University of Science and Technology of China and a Bachelor's degree in Engineering from Tsinghua University.

SUN Fuxin, 71, has been an Independent Supervisor of the 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.

PENG Zhijian, 61, has been an Independent Supervisor of the Company since June 2009. Mr. Peng currently also serves as an Executive Commissioner of People's Political Consultative Conference Standing Committee of Guangdong Province, the Deputy Director of the Economic Committee for People's Political Consultative Conference of Guangdong Province, Executive Director of the Seventh Congress of the Chinese Monetary Society and the Sixth General Assembly of the Institute of Chinese Money. Mr. Peng is also an Independent Non-executive Director of Dong Guan Trust Co., Ltd.. Mr. Peng started his working career in 1969, and consecutively served as the Party Committee Secretary and Governor of People's Bank of China ("PBC") Wuzhou Branch, the Deputy Governor, Governor and Party Committee Secretary of PBC Guangxi Branch, the Deputy Party Committee Secretary and Deputy Governor of PBC Guangzhou Regional Branch. He also served as the Governor of PBC Shenzhen Central Branch, the Party Secretary and Governor of PBC Wuhan Regional Branch and the Head of the State Administration of Foreign Exchange Hubei Bureau, the Party Committee Secretary and Governor of Guangdong Regulatory Bureau of China Banking Regulatory Commission. Mr. Peng was a visiting professor of Guangxi University and a part-time professor of the Financial Engineering Research Center of South China University of Technology and the School of Economics and Management of Jinan University. Mr. Peng holds a Master's degree in Financial Investment from Guangxi Normal University.

SONG Zhijiang, 39, has been an Supervisor representing the shareholders of the Company since June 2009. Mr. Song currently serves as the Chief Investment Officer of Shenzhen Liye Group Co., Ltd, and has also served as a Non-executive Supervisor of Chinalion Securities Co. since January, 2007. He has previously served as the Project Manager in Investment Banking Headquarters of Guoxin Securities Co., Ltd. and the Director of the Great Wall Office of Agricultural Bank of China. Mr. Song was previously engaged in the Risk Management of expending credit in Shenzhen Branch of Agricultural Bank of China. Mr. Song holds a degree in Finance from Nankai University.

WANG Wenjun, 42, has been a Supervisor representing the employees of our Company since May 2006. Ms. Wang is also currently serving as the Deputy General Manager of Employee Services and Management Department of the Company. Ms. Wang holds a Bachelor's degree from Shanghai Foreign Languages University and a Master's degree in Public Administration from Xi'an Communication University.

Directors, supervisors and senior management

REN Huichuan, 40, has been a Supervisor representing the employees of the Company from June 2009 to March 2010. Mr. Ren currently serves as the Chairman and Chief Executive Officer of Ping An Property & Casualty Insurance Company of China Ltd. Mr. Ren joined the Company in 1992 and consecutively served as Assistant to General Manager and Vice President of Ping An Property & Casualty Insurance Company of China Ltd., Assistant to General Manager, Financial Director and Vice President etc. of Ping An Group. Mr. Ren holds an MBA degree from Peking University.

DING Xinmin, 47, has been a Supervisor representing the employees of the Company since June 2009. Mr. Ding currently serves as President and North Region President of Ping An Life Insurance Company of China Ltd. (hereinafter as "Ping An Life"). Mr. Ding joined the Group in 1993, and consecutively served as the Vice President, North Region President and Assistant to General Manager of Ping An Life, Vice President of Ping An Life Beijing Branch and Shenzhen Ping An Life. Mr. Ding holds a Master's degree in economics from Hunan Financial and Economic Institute.

SUN Jianping, 49, has been a Supervisor representing the employees of the Company since March 2010. Mr. Sun currently serves as Executive Vice General Manager of Ping An Property & Casualty Insurance Company of China Ltd. hereinafter as "Ping An P&C". Mr. Sun joined the Company in 1988 and held various positions such as Assistant to General Manager and Vice General Manager of Ping An P&C.. Mr. Sun has a Bachelor's degree in Engineering from Huazhong College of Engineering (currently Huazhong University of Science and Technology) and a Master's degree in Economics from Zhongnan University of Economics and Law.

SENIOR MANAGEMENT OF OUR COMPANY

See "Directors" for resumes of Mr. Ma Mingzhe, Mr. Cheung Chi Yan Louis, Mr. Sun Jianyi, Ms. Wang Liping and Mr. Yao Jason Bo.

LEUNG Ka Kui Dominic, 62, has been Executive Vice President and Chief Insurance Business Officer of the 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, 54, Chief Finance Business Officer of the Company since November 2005, and President of Ping An Bank Co., Ltd (previously named 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, 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.

CAO Shifan, 54, Senior Vice President of the 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, 40, Senior Vice President and Chief Marketing Officer of the Company since January 2007 and August 2005, and President and Chief Executive Officer of Shenzhen Ping An Cai Fu Tong Advisory Co., Ltd. since October 2008. 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. From September 2003 to December 2008, he served as Head of Development and Reform Center of the 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, 47, Senior Vice President and Chief Information Officer of the Company since January 2007 and February 2006, and President and Chief Executive Officer of Ping An Technology since August 2008. 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 2008, he served as General Manager of the Data Center and General Manager of the Information Management 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, 52, Senior Vice President of the 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. From 1993 to 1995, he served as Assistant to General Manager and Assistant General Manager of the General office of the Parent Company. Mr. Chen has a Master's degree in Finance from Zhongnan University of Economics and Law (previously Zhongnan University of Economics).

KU Man, 36, has been serving as the Senior Vice President of the Company since October 2009. Mr. Ku joined our Company in 2000, and has served as the Senior Vice President of Ping An E-commerce, the General Manager of Customer Resource Center, the General Manager of E Service Marketing Center, the General Manager of Life Insurance Operation Center, and the Deputy Director of Ping An Group Development and Reform Center. From February 2004 to March 2008, Mr. Ku served as the Executive Vice President and the General Manager of the National Integrated Operating Center respectively, the President of the Group Operational Management Center, and the Deputy Chief Service & Operation Officer of the Group. From March 2008 to October 2009, Mr. Ku served as the Vice President of our Company, in charge of promoting the business of burgeoning sales channels. Since November 2008 till now, he has been serving as the Chairman of the Board, CEO and General Manager of Ping An Channel Development Consultation Service Company of Shenzhen, Ltd.. Meanwhile, Mr. Ku has been serving as the Chairman of the Board and CEO of Ping An Processing & Technology (Shenzhen) Co., Ltd. since January 2010. Prior to this, Mr. Ku worked in Mckinsey & Company as a consultant. Mr. Ku has obtained his Bachelor degree of Science in Business Administration from the Chinese University of Hong Kong.

YAO Jun, 44, Secretary of the Board of the Company since October 2008, Chief Legal Officer since September 2003, Company Secretary since May 2008, Compliance Officer of the Group since November 2006, General Manager of Legal Department of the Company since April 2007, and Joint Company Secretary from June 2004 to May 2008. Mr. Yao joined the Company in September 2003. 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.

KU Min-shen, 53, joined our Company in May 2001 and served as the Senior Vice President of the Company since February 2003. During this period, he has respectively served as the Head of Human Resources and the Chief Human Resources Officer of our Company, and the President of Ping An Processing & Technology. Prior to his joining in our Company, Mr. Ku has been the Vice Chairman and President of Shanghai Van Den Bergh 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. Due to expiration of term, Mr. Ku has no longer been posted as the Senior Vice President of our Company since January 1, 2010 and has been re-designated as the Senior Consultant.

Directors, supervisors and senior management

COMPANY SECRETARY

See “Senior Management” for the resume of Mr. Yao Jun.

CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

Pursuant to the disclosure requirements under Rule 13.51B(1) of the Listing Rules, change in information of Directors and Supervisors is as follows:

- Mr. Chow Wing Kin Anthony, an Independent Non-executive Director of the Company, resigned from his position as an independent non-executive director of Evergro Properties Limited (formerly Dragon Land Limited, a company listed on the Singapore Stock Exchange) in December 2009; Mr. Chow ceased to be a Council Member of The Hong Kong Institute of Education since April 2009.

- Mr. Zhang Hongyi, an Independent Non-executive Director of the Company, ceased to be an independent non-executive director of Shenzhen Rural Commercial Bank Ltd. and OCT Holdings Co. in April 2009 and January 2010 respectively.

- Mr. Lee Ka Sze Carmelo, an Independent Non-executive Director of the Company, has become the Deputy Chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited since June 2009; Mr. Lee resigned from his position as a non-executive director of Taifook Securities Group Limited in January 2010.

- Mr. Wong Tung Shun Peter, a Non-executive Director of the Company, has become the Chief Executive of The Hongkong and Shanghai Banking Corporation Limited, the Group Managing Director and a member of the Group Management Board of HSBC since February 2010; Mr. Wong ceases to be the Chairman of HSBC Insurance (Asia) Limited and HSBC Life (International) Limited in February 2010; Mr. Wong has become the Chairman of Guangdong Enping HSBC Rural Bank Company Limited since January 2009, of Chongqing Fengdu HSBC Rural Bank Company Limited and Dalian Pulandian HSBC Rural Bank Company Limited since December 2009.

- Mr. Clive Bannister, a Non-executive Director of the Company, became the Group Managing Director of Asset Management of HSBC Holdings plc in September 2009. Mr. Bannister ceased to be the Group Managing Director of Insurance and the Group Managing Director of Asset Management of HSBC Holdings plc in March 2010.

- Mr. Peng Zhijian, an Independent Supervisor of the Company, has become the Independent Non-executive Director of Dong Guan Trust Co., Ltd. since December 2009.

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, 2009.

This report sets out information in respect of the Company's compliance with the Code on Corporate Governance Practices and the Model Code 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 64 to 72 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 established a very structured and strict operation system and a set of meeting procedural rules. The Chairman, as a convener and chair person of the Board meeting, does not have any special power different from that of other directors on the decision making process.

2. In the day-to-day operation of the Company, the Company has in place an established management system and structure, and have appointed various roles and committees such as the President, Executive Committee and other professional committees. 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. Since the establishment of the Company, our business and operating results have maintained a continuous, steady and fast growth, and our management model has been widely recognized 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 has proven 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 have proved to be able to provide the Company with efficient management and, at the same time maximize protection of shareholders' rights. Accordingly the Company does not intend to separate the roles of the Chairman and the Chief Executive Officer at the moment.

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

On May 28, 2004, the Company adopted the Code of Conduct, which was amended on July 3, 2007, 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 during the period from January 1, 2009 to December 31, 2009.

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.

During 2009, members of the Board include five Executive Directors and fourteen Non-executive Directors, seven of whom are Independent Non-executive Directors. Biographies of each of them, are set out on pages 64 to 69 of this annual report.

During 2009, the Board of Directors held 7 full Board meetings. All such meetings were convened in accordance with the Articles of Association, and were attended in person or by proxy by all Directors entitled to be present, 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/ Meetings required to attend	% of Attendance in person	Meetings attended by proxy/ Meetings required to attend	% of Attendance by proxy
Executive Directors				
MA Mingzhe (Chairman)	7/7	100%	0/7	0%
SUN Jianyi	7/7	100%	0/7	0%
CHEUNG Chi Yan Louis	7/7	100%	0/7	0%
WANG Liping (appointed on June 9, 2009)*	5/5	100%	0/5	0%
YAO Jason Bo (appointed on June 9, 2009)*	5/5	100%	0/5	0%
Non-executive Directors				
LIN Lijun	7/7	100%	0/7	0%
CHEN Hongbo	6/7	85.7%	1/7	14.3%
WONG Tung Shun Peter	3/7	42.9%	4/7	57.1%
NG Sing Yip	7/7	100%	0/7	0%
Clive BANNISTER	3/7	42.9%	4/7	57.1%
LI Zhe (appointed on June 9, 2009)*	5/5	100%	0/5	0%
GUO Limin (appointed on February 11, 2010)**	0/0	–	0/0	–
LIN Yu Fen (retired on June 3, 2009)*	2/2	100%	0/2	0%
CHEUNG Lee Wah (retired on June 3, 2009)*	2/2	100%	0/2	0%
FAN Gang (retired on June 3, 2009)*	2/2	100%	0/2	0%
HU Aimin (retired on February 11, 2010)**	3/7	42.9%	4/7	57.1%
Independent Non-executive Directors				
CHOW Wing Kin Anthony	5/7	71.4%	2/7	28.6%
ZHANG Hongyi	7/7	100%	0/7	0%
CHEN Su	6/7	85.7%	1/7	14.3%
XIA Liping	7/7	100%	0/7	0%
TANG Yunwei (appointed on June 9, 2009)*	5/5	100%	0/5	0%
LEE Ka Sze Carmelo (appointed on June 9, 2009)*	5/5	100%	0/5	0%
CHUNG Yu-wo Danny (appointed on June 9, 2009)*	5/5	100%	0/5	0%
BAO Youde (retired on June 3, 2009)*	2/2	100%	0/2	0%
KWONG Che Keung Gordon (retired on June 3, 2009)*	2/2	100%	0/2	0%
CHEUNG Wing Yui (retired on June 3, 2009)*	2/2	100%	0/2	0%

* The term of the 7th Session of the Board of Directors of the Company expired in June 2009. As considered and approved at the 2008 AGM of the Company held on June 3, 2009, Mr. Ma Mingzhe, Mr. Sun Jianyi, Mr. Cheung Chi Yan Louis, Ms. Wang Liping and Mr. Yao Jason Bo were appointed as Executive Directors of the 8th Session of the Board of Directors of the Company; Mr. Clive Bannister, Ms. Lin Lijun, Mr. Hu Aimin, Mr. Chen Hongbo, Mr. Wong Tung Shun Peter, Mr. Ng Sing Yip and Ms. Li Zhe as Non-executive Directors of the 8th Session of the Board of Directors of the Company; Mr. Chow Wing Kin Anthony, Mr. Zhang Hongyi, Mr. Chen Su, Mr. Xia Liping, Mr. Tang Yunwei, Mr. Lee Ka Sze Carmelo and Mr. Chung Yu-wo Danny the Independent Non-executive Directors of the 8th Session of the Board of Directors of the Company. Mr. Lin Yu Fen, Mr. Cheung Lee Wah and Mr. Fan Gang ceased to be the Non-executive Directors of the Company due to the expiry of their terms; and Mr. Bao Youde, Mr. Kwong Che Keung Gordon and Mr. Cheung Wing Yui ceased to be the Independent Non-executive Directors of the Company due to the expiry of their terms. The appointment qualifications of the director candidates Mr. Tang Yunwei, Mr. Lee Ka Sze Carmelo, Mr. Chung Yu-wo Danny, Ms. Li Zhe, Ms. Wang Liping and Mr. Yao Jason Bo were approved by the CIRC on June 9, 2009, while the appointment qualification of Ms. Lin Lijun was approved by the CIRC on July 8, 2009.

** After the general election, Mr. Hu Aimin ("Mr. Hu"), the director designated by Shum Yip Group Limited ("Shum Yip") retired from Shum Yip. Therefore, Shum Yip issued a letter to the Company, recommending Mr. Guo Limin ("Mr. Guo") to replace Mr. Hu to be a Non-Executive Director of the Company. The resolution regarding the appointment of Mr. Guo as a Non-Executive Director of the Company was passed by the shareholders at the EGM held on December 18, 2009. After his appointment qualification was approved by the CIRC on February 11, 2010, Mr. Guo replaced Mr. Hu as a Non-Executive Director of the Company.

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 they 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 2009, 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 appointment, the external auditor 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.

In 2009, the composition of the audit committee has changed. Mr. Kwong Che Keung Gordon and Mr. Cheung Wing Yui ceased to be members of the audit committee of the Company. As considered and approved by the 1st Meeting of the 8th Session of the Board of Directors of the Company held on June 10, 2009, Mr. Tang Yunwei, Mr. Chow Wing Kin Anthony, Mr. Zhang Hongyi, Mr. Chen Su, Mr. Chung Yu-wo Danny and Mr. Ng Sing Yip were appointed as members of the audit committee of the 8th Session of the Board of Directors of the Company. 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.

In 2009, 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 annual financial statements for the year ended December 31, 2008 and the interim financial results for the six months ended June 30, 2009. According to the relevant requirements of Shanghai Stock Exchange and the Hong Kong Stock Exchange, the audit committee has also revised Regulations on Annual Report Work of the Audit Committee of the Board of Directors and Rules on Work of the Audit Committee of the Board of Directors. Furthermore, the audit committee convened the meeting, reviewed the unaudited financial report and agreed to deliver it to the auditor for auditing, the audit committee also convened the first meeting of the audit committee in 2010 and reviewed the audited financial report for the year ended December 31, 2009 at 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 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 2009 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 (in RMB ten thousands)	Fees paid/payable
Audit services – audits and reviews of financial statements	3,620
Other assurance services	137
Non-assurance services	240
Total	3,997

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.

In 2009, the composition of the remuneration committee changed. Mr. Cheung Lee Wah, Mr. Bao Youde, Mr. Kwong Che Keung Gordon and Mr. Cheung Wing Yui ceased to be members of the remuneration committee of the Company on June 3, 2009. As considered and approved by the 1st Meeting of the 8th Session of the Board of Directors of the Company held on June 10, 2009, Mr. Chow Wing Kin Anthony, Mr. Xia Liping, Mr. Tang Yunwei, Mr. Lee Ka Sze Carmelo and Mr. Clive Bannister were appointed as members of the remuneration committee of the 8th Session of the Board of Directors of the Company. The remuneration committee comprises 4 Independent Non-executive Directors and 1 Non-executive Director, all of whom are not involved in the day-to-day management of the Company. The remuneration committee is chaired by an Independent Non-executive Director.

During 2009, the Remuneration Committee held 2 meetings, the attendance of which met the requirements of the Articles of Association and Rules of the Remuneration Committee. The remuneration packages of Directors of the 8th Session of the Board of Directors were reviewed at the meetings based on the operation results, and it was decided to follow the basic principles and standards adopted by the previous Board of Directors. The Report of the Remuneration and Incentive of the Senior Management of the Company was reviewed and an independent advisor was appointed to establish rules regarding remuneration and incentive of the Senior Management of the Company according to the remuneration level of companies with the same scale. In addition, the Settlement Reports of Executive Directors of the Company On 2008 Bonuses and 2008 Long-term Incentive Scheme of the Company were reviewed and Ernst & Young was appointed to authenticate the settlement.

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.

In 2009, the composition of the nomination committee changed. Mr. Bao Youde, an Independent Non-executive Director, ceased to be an Independent Non-executive Director and a member of nomination committee of the Company on June 3, 2009, and Mr. Chow Wing Kin Anthony, an Independent Non-executive Director, ceased to be a member of nomination committee of the Company on June 10, 2009. As considered and approved by the 1st Meeting of the 8th Session of the Board of Directors of the Company held on June 10, 2009, Mr. Ma Mingzhe, Mr. Sun Jianyi, Mr. Zhang Hongyi, Mr. Xia Liping and Mr. Lee Ka Sze Carmelo were appointed as members of the nomination committee of the 8th Session of the Board of Directors of the Company. 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 2009, the Nomination Committee held 4 meetings. During the meetings, candidates of the 8th Session of the Board of Directors, the composition of the committees of the 8th Session of the Board of Directors and the candidates for Chairman, vice Chairman and senior executives of the Company were considered and recommended to the Board of Directors. In addition, the Standard Service Contract for Directors was considered and the Work Procedures for Nomination Committee was amended at the meeting. Among which, changes in members of the Board of Directors included: Ms. Wang Liping and Mr. Yao Jason Bo were appointed as Executive Directors of the 8th Session of the Board of Directors of the Company; Ms. Li Zhe and Mr. Guo Limin were appointed as Non-executive Directors of the 8th Session of the Board of Directors of the Company; Mr. Lin Yu Fen, Mr. Cheung Lee Wah and Mr. Fan Gang ceased to be Non-executive Directors of the Company due to the expiry of their terms; Mr. Hu Aimin ceased to be a Non-executive Director of the Company due to his retirement from our shareholder; Mr. Tang Yunwei, Mr. Lee Ka Sze Carmelo and Mr. Chung Yu-wo Danny were appointed as Independent Non-executive Directors of the 8th Session of the Board of Directors of the Company; and Mr. Bao Youde, Mr. Kwong Che Keung Gordon and Mr. Cheung Wing Yui ceased to be the Independent Non-executive Directors of the Company due to the expiry of their terms. Apart from the specific nomination of new Directors, the nomination committee also met to review the structure, size and composition of the Board of Directors having regard to the Company's activities, assets and management portfolio.

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

Composition of the Committees of the Board of Directors and Attendance of Meetings

Audit committee

Members	Meetings attended in person/ Meetings required to attend	% of Attendance in person	Meetings attended by proxy/ Meetings required to attend	% of Attendance by proxy
Non-executive Director				
NG Sing Yip	4/4	100%	0/4	0%
Independent Non-executive Directors				
TANG Yunwei (Chairman) *	2/2	100%	0/2	0%
CHOW Wing Kin Anthony	4/4	100%	0/4	0%
ZHANG Hong Yi	3/4	75%	1/4	25%
CHEN Su	4/4	100%	0/4	0%
CHUNG Yu-Wo Danny*	2/2	100%	0/2	0%
KWONG Che Keung Gordon (Chairman, retired on June 3, 2009)*	2/2	100%	0/2	0%
CHEUNG Wing Yui (retired on June 3, 2009)*	2/2	100%	0/2	0%

* Details of changes in the composition of the Audit Committee of the 8th Session of the Board of Directors of the Company are set out on page 76, the section headed "Board Committees" in the Corporate Governance Report of this annual report.

Remuneration committee

Members	Meetings attended in person/ Meetings required to attend	% of Attendance in person	Meetings attended by proxy/ Meetings required to attend	% of Attendance by proxy
Non-executive Director				
Clive BANNISTER	1/2	50%	0/2	0%
CHEUNG Lee Wah (retired on June 3, 2009)*	1/1	100%	0/1	0%
Independent Non-executive Directors				
CHOW Wing Kin Anthony (Chairman) *	1/1	100%	0/1	0%
XIA Liping*	1/1	100%	0/1	0%
TANG Yunwei*	1/1	100%	0/1	0%
LEE Ka Sze Carmelo *	1/1	100%	0/1	0%
CHEUNG Wing Yui (Chairman, retired on June 3, 2009)*	1/1	100%	0/1	0%
BAO Youde (retired on June 3, 2009)*	1/1	100%	0/1	0%
KWONG Che Keung Gordon (retired on June 3, 2009)*	1/1	100%	0/1	0%

* Details of changes in the composition of the Remuneration Committee of the 8th Session of the Board of Directors of the Company are set out on page 77, the section headed "Board Committees" in the Corporate Governance Report of this annual report.

Nomination committee

Members	Meetings attended in person/ Meetings required to attend	% of Attendance in person	Meetings attended by proxy/ Meetings required to attend	% of Attendance by proxy
Executive Director				
MA Mingzhe	4/4	100%	0/4	0%
SUN Jianyi	4/4	100%	0/4	0%
Independent Non-executive Directors				
ZHANG Hongyi (Chairman)*	3/3	100%	0/3	0%
CHOW Wing Kin Anthony*	1/1	100%	0/1	0%
XIA Liping	4/4	100%	0/4	0%
LEE Ka Sze Carmelo*	3/3	100%	0/3	0%
BAO Youde (Chairman, retired on June 3, 2009)*	1/1	100%	0/1	0%

* Details of changes in the composition of the Nomination Committee of the 8th Session of the Board of Directors of the Company are set out on page 78, the section headed "Board Committees" in the Corporate Governance Report of this annual report.

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 the Group, makes decisions on important investments relating to the day to day management of the Group, and generally approves, manages and reviews the Group's investment and related activities, as well as its risk control. The investment management committee is also responsible for improving the Group's Investment Management Monitoring System. The investment management committee is currently composed of 11 members, which is chaired by the 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 7 members, and is chaired by the CFO 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 with shareholders; supervising and organizing road shows and meetings with investors and financial analysis; providing guidance on communicating with the stock exchanges where the company is listed, organizing regular 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 12 members, which is chaired by the President of the Company.

The risk management committee

The risk management committee is responsible for the Company's material risk management, which includes the solvency management, the use of insurance funds, strategic planning of backgrounds operators and other important strategy decision. The risk management committee is also responsible for guiding and supervising the implementation and compliance of important Systems and policies relating to finance, insurance, banking, investment and operating risk management, etc. The risk management committee is currently composed of 9 members, which is chaired by 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 7 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 46 to the financial statements.

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

In order to better enable shareholders to evaluate how the Company has applied the principles in the Code on Corporate Governance Practices, below is a summary table setting forth a side-by-side comparison of the Code principles and the Company's application of them, in addition to the specific undertakings, corporate governance structure and endeavours of the Company for the year ended December 31, 2009 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 64 to 68 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 page 74 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, 2009. Details of Mr. Ma's roles and reasons for non-separation of the roles have been set out on pages 73 to 74 of this annual report.

Code Principle	Company's Application of Code Principle
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. Throughout the year ended December 31, 2009, 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.
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 pages 77 to 78 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 page 77 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 page 81 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 203 to 206 of this annual report. The remuneration packages of all Directors were considered and recommended by the remuneration committee and reviewed and approved by 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. The Board of Directors has also reviewed and considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and the training programmes and budget. The directors had conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries covering financial, operational and compliance controls and risk management functions of the group on April 16, 2010 and were satisfied with the level of internal control over these aspects.

Code Principle	Company's Application of Code Principle
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 76 of this annual report.
D.1 Management functions	
An issuer should have a formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the issuer.	Certain responsibilities and types of decisions are reserved for the Board of Directors as set out in the Company's Articles of Association. A summary of these matters have been included on page 74 of this annual report. The Company's management is informed of and educated about 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 76 to 78 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 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 three general meetings of the Company held during the year ended December 31, 2009 were attended by Directors at which shareholders were invited and encouraged to participate in discussions with the Directors.

Code Principle	Company's Application of Code Principle
E.2 Voting by Poll The issuer should ensure that shareholders are familiar with the procedure for conducting a poll.	Voting by poll is required under the Company's Articles of Association and the results of such polling were announced in accordance with the Listing Rules.

By order of the Board of Directors

Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC
April 16, 2010

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, 2009.

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 the three core businesses namely, insurance, banking and investment. 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 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 100 to 212.

On August 14, 2009, the Directors declared an 2009 interim dividend of RMB0.15 per share which was paid to the shareholders on September 9, 2009.

The Board recommends the payment of a final dividend of RMB0.30 per share totalling RMB2,204 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, June 29, 2010 will be entitled to receive 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 (in RMB million)	2005	2006	2007	2008	**2009**
Total Income	64,995	88,198	138,213	87,658	**152,838**
Net Profit	4,265	8,000	19,219	1,635	**14,482**

Balance sheet (in RMB million)	2005	2006	2007	2008	**2009**
Total Assets	319,706	494,435	692,222	704,564	**935,712**
Total Liabilities	286,184	446,685	578,371	637,405	**843,969**
Total Equity	33,522	47,750	113,851	67,159	**91,743**

* Certain comparative figures have been reclassified or restated to conform to relevant period's presentation.

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 2009 totalled RMB20 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, respectively.

7. SHARE CAPITAL

In 2009, there was no change in the share capital of the Company. The share capital structure of the Company as at December 31, 2009 is as follows:

	as at January 1, 2009		Increase in the year		**as at December 31, 2009**	
	Number	Percentage (%)	Number	Percentage (%)	**Number**	**Percentage (%)**
A shares	4,786,409,636	65.17	–	–	**4,786,409,636**	**65.17**
H shares	2,558,643,698	34.83	–	–	**2,558,643,698**	**34.83**
Total	7,345,053,334	100.00	–	–	**7,345,053,334**	**100.00**

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, 2009, the Company's reserves available for distribution, calculated in accordance with the relevant regulations, totalled RMB4,321 million of which RMB2,204 million has been proposed as a final dividend for the year. After deduction of such proposed final dividend, the retained profits (including unrealized gains arising from the fair value changes of the financial assets carried at fair value through profit or loss) were carried forward to 2010. In addition, the Company's capital reserve and surplus reserve fund, in the amount of RMB58,115 million, may be distributed by a future capitalization issue.

11. MAJOR CUSTOMERS

In the year under review, operating income from the Group's five largest customers accounted for less than 1% of the total operating income 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 2009 and as at the date of this annual report 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
WANG Liping	June 9, 2009
YAO Jason Bo	June 9, 2009
Non-executive Directors:	
LIN Yu Fen (retired on June 3, 2009)	October 8, 2002
CHEUNG Lee Wah (retired on June 3, 2009)	October 8, 2002
LIN Lijun	May 16, 2003
FAN Gang (retired on June 3, 2009)	May 16, 2003
HU Aimin (retired on February 11, 2010)	March 9, 2004
CHEN Hongbo	June 23, 2005
WONG Tung Shun Peter	May 25, 2006
NG Sing Yip	May 25, 2006
Clive BANNISTER	May 13, 2008
LI Zhe	June 9, 2009
GUO Limin	February 11, 2010
Independent Non-executive Directors:	
BAO Youde (retired on June 3, 2009)	September 27, 1995
KWONG Che Keung Gordon (retired on June 3, 2009)	May 16, 2003
CHEUNG Wing Yui (retired on June 3, 2009)	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
TANG Yunwei	June 9, 2009
LEE Ka Sze Carmelo	June 9, 2009
CHUNG Yu-wo Danny	June 9, 2009

The supervisors of the Company during 2009 and as at the date of this annual report were as follows:

Name	Position	Date of Appointment as Supervisor
XIAO Shaolian (resigned on June 3, 2009)	Independent Supervisor	August 3, 1994
SUN Fuxin	Independent Supervisor	May 16, 2003
DONG Likun (retired on June 3, 2009)	Independent Supervisor	May 25, 2006
GU Liji	Independent Supervisor	June 3, 2009
PENG Zhijian	Independent Supervisor	June 3, 2009
DUAN Weihong (retired on June 3, 2009)	Supervisor	May 16, 2003
LIN Li (retired on June 3, 2009)	Supervisor	May 25, 2006
CHE Feng (retired on June 3, 2009)	Supervisor	May 25, 2006
SONG Zhijiang	Supervisor	June 3, 2009
HU Jie (retired on June 3, 2009)	Supervisor	May 25, 2006
WANG Wenjun	Supervisor	May 25, 2006
DU Jiangyuan (retired on June 3, 2009)	Supervisor	July 10, 2007
REN Huichuan (retired on March 19, 2010)*	Supervisor	June 3, 2009
DING Xinmin	Supervisor	June 3, 2009
SUN Jianping*	Supervisor	March 19, 2010

* Mr. Sun Jianping has succeeded Mr. Ren Huichuan as Supervisor representing the employees of the Company since March 19, 2010. Mr. Ren Huichuan resigned as the Company's Supervisor representing the employees in March 2010 due to other business engagements.

During 2009 and as at the date of this annual report, changes in Directors of the Company are set out in the notes to attendance of the Board meeting in page 75 of this annual report.

The Company has received annual confirmations of independence from Mr. Chow Wing Kin Anthony, Mr. Zhang Hongyi, Mr. Chen Su, Mr. Xia Liping, Mr. Tang Yunwei, Mr. Lee Ka Sze Carmelo and Mr. Chung Yu-wo Danny, as of the date of this 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 64 to page 72 of this annual report.

14. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATION

On April 8, 2009, as considered and approved by the 25th Meeting of the 7th Session of the Board of Directors and the 12th Meeting of the 5th Session of the Supervisory Committee of the Company, the Company entered into service contracts with all Directors of the 8th Session of the Board of Directors and all Supervisors of the 6th Session of the Supervisory Committee respectively on July 1, 2009, and entered into service contracts with newly appointed Director, Mr. Guo Limin, and Supervisor representing the employees, Mr. Sun Jianping, on March 3, 2010 and March 31, 2010 respectively. Terms, duties, remuneration expenses and confidentiality duties of Directors and Supervisors, and commencement and termination of contracts were specified in the service contracts. As of December 31, 2009, no Director or Supervisor had a service contract with the Company which was 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, 2009 are set out in note 46 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 during 2009.

16. DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at December 31, 2009, 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 by the Directors and Supervisors 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
YAO Jason Bo	Executive Director	H	Beneficial owner	12,000	Long position	0.00047	0.000
CHOW Wing Kin Anthony	Independent Non-executive Director	H	Interest held jointly with another person*	7,500	Long position	0.00029	0.000

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

Save as disclosed above, as at December 31, 2009, 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 are 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 and 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 under age children, nor 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 2009 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 Chief Executive of The Hongkong and Shanghai Banking Corporation Limited, a Group Managing Director and a member of the Group Management Board of HSBC, 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 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 HSBC has, to a certain extent, overlapped and thus may compete with that of Ping An Bank.

Mr. Clive Bannister, Non-executive Director of the Company, was the Group Managing Director of Insurance of HSBC Holding plc, before March 2010. 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 (International) 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, as far as the Directors are aware, none of the Directors and Supervisors had 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, 2009, 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
JPMorgan Chase & Co.	H	Beneficial owner		4,408,891	Long position	0.17	0.06
		Investment Manager		71,407,700	Long position	2.79	0.97
		Custodian		103,949,374	Long position	4.06	1.42
			4	179,765,965		7.03	2.45
		Beneficial owner	4	1,361,458	Short position	0.05	0.02
Shenzhen Investment Holdings Co., Ltd.	A	Beneficial owner		481,359,551	Long position	10.06	6.55
Shenzhen Jingao Industrial Development Co., Ltd.	A	Beneficial owner	5	331,117,788	Long position	6.92	4.51
Ping An Securities Company, Ltd. Labor Union	A	Interest of controlled corporations	5	331,117,788	Long position	6.92	4.51
China Ping An Trust & Investment Co., Ltd. Labor Union	A	Interest of controlled corporations	5	331,117,788	Long position	6.92	4.51

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 (%)
Shenzhen New Horse Investment Development Co., Ltd.	A	Beneficial owner	6	389,592,366	Long position	8.14	5.30
Ping An Insurance (Group) Company of China, Ltd. Labor Union	A	Interest of controlled corporations	6	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

Notes:

(1) HSBC Insurance Holdings Limited is a wholly-owned subsidiary of HSBC Holdings plc and its interest in 618,886,334 H 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 H shares in the Company. The interest in 884,775 H 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 wholly-owned 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. HSBC Finance (Netherlands), a wholly-owned subsidiary of HSBC Holdings plc., owned 100% interest in HSBC Holdings BV.

(4) JPMorgan Chase & Co. held interest in a total of 179,765,965 H shares (Long position) and 1,361,458 H shares (Short position) in the Company by virtue of its control over the following corporations:

(i) JPMorgan Chase Bank, N.A. held 106,970,574 H shares (Long position) in the Company. JPMorgan Chase Bank, N.A. was a wholly-owned subsidiary of JPMorgan Chase & Co.

(ii) J.P. Morgan Whitefriars Inc. held 4,171,833 H shares (Long position) and 1,100,000 H shares (Short position) in the Company. J.P. Morgan Whitefriars Inc. was a wholly-owned subsidiary of J.P. Morgan Overseas Capital Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Finance Limited. J.P. Morgan International Finance Limited was wholly-owned by Bank One International Holdings Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Inc. JPMorgan Chase Bank, N.A., referred to in (i) above, owned 100% interest in J.P. Morgan International Inc.

(iii) J.P. Morgan Securities Ltd. held 237,058 H shares (Long position) and 184,058 H shares (Short position) in the Company. J.P. Morgan Securities Ltd. was owned as to 98.95% by J.P. Morgan Chase International Holdings Limited, which in turn was wholly-owned by J.P. Morgan Chase (UK) Holdings Limited. J.P. Morgan Chase (UK) Holdings Limited was wholly-owned by J.P. Morgan Capital Holdings Limited, which in turn was wholly-owned by J.P. Morgan International Finance Limited, referred to in (ii) above.

(iv) J.P. Morgan Investment Management Inc. held 7,909,000 H shares (Long position) in the Company. J.P. Morgan Investment Management Inc. was a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc. JPMorgan Asset Management Holdings Inc. was wholly-owned by JPMorgan Chase & Co.

(v) JF Asset Management Limited held 19,899,500 H shares (Long position) in the Company. JF Asset Management Limited was wholly-owned by JPMorgan Asset Management (Asia) Inc., a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc., referred to in (iv) above.

(vi) JPMorgan Asset Management (UK) Limited held 22,046,000 H shares (Long position) in the Company. JPMorgan Asset Management (UK) Limited was wholly-owned by JPMorgan Asset Management Holdings (UK) Limited, which was a wholly-owned subsidiary of JPMorgan Asset Management International Limited. JPMorgan Asset Management International Limited was a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc., referred to in (iv) above.

(vii) JPMorgan Asset Management (Taiwan) Limited held 2,303,500 H shares (Long position) in the Company. JPMorgan Asset Management (Taiwan) Limited was a wholly-owned subsidiary of JPMorgan Asset Management (Asia) Inc., referred to in (v) above.

(viii) J.P. Morgan Structured Products B.V. held 77,400 H shares (Short position) in the Company. J.P. Morgan Structured Products B.V. was a wholly-owned subsidiary of J.P. Morgan International Finance Limited, referred to in (ii) above.

(ix) JPMorgan Asset Management (Singapore) Limited held 15,939,000 H shares (Long position) in the Company. JPMorgan Asset Management (Singapore) Limited was a wholly-owned subsidiary of JPMorgan Asset Management (Asia) Inc., referred to in (v) above.

(x) JF International Management Inc. held 289,500 H shares (Long position) in the Company. JF International Management Inc. was a wholly-owned subsidiary of JPMorgan Asset Management (Asia) Inc., referred to in (v) above.

The entire interest of JPMorgan Chase & Co. in the Company included a lending pool of 103,949,374 H shares (Long position). Besides, 1,627,788 H shares (Long position) and 1,177,400 H shares (Short position) were held through derivatives as follows:

77,400 H shares (Short position)	–	through cash settled listed securities
477,788 H shares (Long position) and 1,100,000 H shares (Short position)	–	through physically settled unlisted securities
1,150,000 H shares (Short position)	–	through cash settled unlisted securities

(5) 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 A shares relates to the same block of shares in the Company.

(6) 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 A 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, 2009 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

20. CONTINUING CONNECTED TRANSACTIONS

On December 18, 2009, 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, 2009, the aggregate bank balances maintained by the Group with HSBC was approximately USD24 million.

HSBC Insurance Holdings Limited is a wholly-owned subsidiary of HSBC Holdings plc. and its interest in 618,886,334 H 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 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) of the Listing Rules before the conditions to the Waiver (as defined below) were fulfilled. Further, as ICBC (Asia), a non-wholly owned subsidiary and thus an associate of ICBC was, prior to December 22, 2009, a substantial shareholder of Ping An Hong Kong, a subsidiary of the Company who holds 75% interest, and therefore ICBC (Asia) was a connected person of the Company by virtue of Rule 14A.11(1) and (4) of the Listing Rules. Prior to December 22, 2009, ICBC was also a connected person of the Company by virtue of Rule 14A.11(4) of the Listing Rules as it is an associate of ICBC (Asia).

The Company had applied for and the Stock Exchange had granted a waiver ("Waiver") to exempt ICBC from being regarded as the Company's connected person under Rule 14A.11(3) of the Listing Rules subject to certain conditions including the disposal of shares held by ICBC (Asia) in the share capital of Ping An Hong Kong thereby ICBC (Asia) will cease to be a substantial shareholder of Ping An Hong Kong.

On December 22, 2009, the disposal of all the shares held in the share capital of Ping An Hong Kong by ICBC (Asia) has been completed thereby ICBC (Asia) ceased to be a substantial shareholder of Ping An Hong Kong, and all the conditions to the waiver have been fulfilled. Accordingly, ICBC and ICBC (Asia) ceased to be a connected person of the Company by virtue of Rules 14A.11(1), (3) and (4) of the Listing Rules.

As at December 31, 2009, the aggregate bank deposits maintained by the Group with ICBC and ICBC (Asia) in all kinds of currencies amounted to approximately RMB11,336 million.

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 2009:

   (i) bank deposits arrangements with HSBC: USD2,336 million on any given day; and

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

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 76 to 78 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 53 to the consolidated financial statements on page 211 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, 2009 to December 31, 2009 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 73 to 74 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, 2009. 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 Tuesday, June 29, 2010.

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 April 16, 2010, at all times during the year ended December 31, 2009, 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) respectively in due course.

By order of the Board of Directors

Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC
April 16, 2010

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.

THE WORK OF THE SUPERVISORY COMMITTEE

On April 8, 2009, the Twelfth Meeting of the Fifth Supervisory Committee was held at 4th Floor, Galaxy Development Center, Fuhua Road, Shenzhen. During the meeting, the Supervisory Committee considered and approved the Report of the Supervisory Committee of the Company for 2008, the Resolution Relating to Considering the Annual Report and its Summary of the Company for the Year 2008, the Resolution Relating to Reviewing Corporate Social Responsibility Statement of the Company for 2008, the Resolution Relating to Reviewing Duty Performance Report of Directors of the Company for 2008, the Resolution Relating to the Nomination of Supervisor Candidate as Non-employee Representative for the Sixth Supervisory Committee of the Company, the Resolution Relating to the Remuneration for Supervisors, the Resolution Relating to Reviewing (Standard) Agreement Regarding to Supervisory Service, and the Report of the Connected Transactions of the Company and the Execution of Connected Transactions Management System for 2008.

From April 23 to April 27, 2009, the Thirteenth Meeting of the Fifth Supervisory Committee was held through written communication and voting. During the meeting, the Resolution Relating to Considering the First Quarterly Report (Draft) of the Company for 2009 was considered and approved unanimously.

From May 7 to May 12, 2009, the Fourteenth Meeting of the Fifth Supervisory Committee was held through written communication and voting. During the meeting, the Resolution Relating to the Nomination of Mr. PENG Zhijian as Independent Supervisor for the Sixth Supervisory Committee was considered and approved unanimously.

On June 10, 2009, the First Meeting of the Sixth Supervisory Committee was held at 7th Floor, No.2 Building of Shanghai Zhangjiang Ping An's Integrated Operating Centre.,No.1288 Shangfeng Road, Pudong New District, Shanghai. During the meeting, the Resolution Relating to Electing Mr. GU Liji as Chairman of the Sixth Supervisory Committee was considered and approved unanimously.

On August 14, 2009, the Second Meeting of the Sixth Supervisory Committee was held at 4th Floor, Galaxy Development Center, Fuhua Road, Shenzhen. During the meeting, the Supervisory Committee considered and approved the Resolution Relating to Considering the Interim Report (Draft) of the Company for 2009 and the Resolution Relating to the Amendment to Working Rules of Supervisory Committee.

From October 21 to October 27, 2009, the Third Meeting of the Sixth Supervisory Committee was held through written communication and voting. During the meeting, the Resolution Relating to Considering the Third Quarterly Report (Draft) of the Company for 2009 was considered and approved unanimously.

In 2009, due to expiration of terms of the members in the Fifth Supervisory Committee, the Employee Representatives Meeting was held on March 18, 2009, electing Mr. REN Huichuan, Mr. DING Xinmin and Ms. WANG Wenjun as Employee Representative Supervisors for the Sixth Supervisory Committee of the Company; the Annual General Meeting for 2008 on June 3, 2009, electing Mr. GU Liji, Mr. SUN Fuxin and Mr. PENG Zhijian as Independent Supervisors of the Company, electing Mr. SONG Zhijiang as Shareholder Representative Supervisor of the Company. The aforementioned 7 Supervisors constituted the Sixth Supervisory Committee of the Company.

Details of members' attendance at meetings of the Supervisory Committee are set out as follows:

Class of Supervisors	Name	Meetings attended in fact/Meetings required to attend*	Percentage of attendance
Independent Supervisors	GU Liji (Chairman)	3/3	100%
	XIAO Shaolian (retired)	3/3	100%
	DONG Likun (retired)	3/3	100%
	SUN Fuxin	6/6	100%
	PENG Zhijian	3/3	100%
Supervisors as representatives of shareholders	CHE Feng (retired)	3/3	100%
	LIN Li (retired)	3/3	100%
	DUAN Weihong (retired)	3/3	100%
	SONG Zhijiang	3/3	100%
Supervisors as representatives of employees	HU Jie (retired)	3/3	100%
	DU Jiangyuan (retired)	3/3	100%
	REN Huichuan (retired)**	3/3	100%
	WANG Wenjun	6/6	100%
	DING Xinmin	3/3	100%
	SUN Jianping**	0/0	–

* In 2009, totally 6 meetings were held by the Supervisory Committee. Supervisors Xiao Shaolian, Dong Likun, Lin Li, Che Feng, Duan Weihong, Hu Jie and Du Jiangyuan only attended 3 of those meetings due to their retirements in June 2009. Supervisors Gu Liji, Peng Zhijian, Song Zhijiang, Ren Huichuan, and Ding Xinmin only attended 3 of those meetings due to their terms starting from June 2009.

** Mr. Ren Huichuan resigned as the Company's Supervisor in March 2010 due to other business engagements. On March 19 2010, the Company convened the employees' representatives meeting, at which Mr. Sun Jianping was elected to succeed Mr. Ren Huichuan as the Company's Supervisor representing the employees of the Sixth Session of the Supervisory Committee.

In October 2009, certain members of the Supervisory Committee conducted inspection and review in the Company's Property & Casualty, Life and Annuity Branches in Guizhou and Sichuan provinces and Integrated Operating Center in Chengdu as well. Opinions collected from the vast ground-level staffs were considered and constituted as the investigation report to the Management, the Management attached great importance to the related issues and, after gradual implementation, submitted a written feedback report to all the Directors and Supervisors. During this reporting period, certain members of the Supervisory Committee attended the following meetings as non-voting participants: the 2008 Annual General Meeting, 2 Extraordinary General Meetings in 2009, one H Shareholders' Class Meeting, one Domestic Shareholders' Class Meeting as well as 6 spot meetings of the Board.

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 international accounting principles 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 Latest Public Offering

The net proceeds from the Company's issue of A shares at the time of its listing on the Shanghai Stock Exchange 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

On June 12, 2009, the following two resolutions were considered and approved at the Second Meeting of the Eighth Board of Directors of the Company: Resolution Relating to Ping An Life Insurance Company of China, Ltd.'s (a Subsidiary of the Company) Subscription for Non-public Offering Shares of Shenzhen Development Bank Co., Ltd., together with the Resolution Relating to Shares Transfer from Shenzhen Development Bank Co., Ltd. Thus, the Company and its subsidiary Ping An Life Insurance Company of China, Ltd. were authorized to invest in Shenzhen Development Bank Co., Ltd.; The Fifth Meeting of the Eighth Board of Directors of the Company was held by way of written communication and voting from December 21 2009 to December 24 2009. At the meeting, the "Resolution relating to Execution of Supplementary Agreement to Share Purchase Agreement" was considered and passed, approving the Company to enter into the Supplementary Agreement to Share Purchase Agreement with NEWBRIDGE ASIA AIV III, L.P. The Supervisory Committee considered that the above-mentioned investment decision made by the Company is fair and reasonable for its shareholders, and is also in the interests of the Company and its 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 performing supervisory duties honestly and diligently, so as to achieve the best results in all respects.

By order of the Supervisory Committee

GU Liji
Chairman of the Supervisory Committee

Shenzhen, PRC
April 16, 2010

Independent auditors' report

To the shareholders of
Ping An Insurance (Group) Company of China, Ltd.
(Incorporated in the People's Republic of China with Limited Liability)

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 100 to 212, which comprise the consolidated and company statements of financial position as at 31 December 2009 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows 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 the 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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 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

Hong Kong
16 April 2010

Consolidated income statement

For the year ended 31 December 2009

(in RMB million)	Notes	2009	2008 (Restated)
Gross written premiums and policy fees	7	**112,213**	89,103
Less: Premiums ceded to reinsurers		**(6,347)**	(5,813)
Net written premiums and policy fees	7	**105,866**	83,290
Change in unearned premium reserves		**(5,483)**	(1,019)
Net earned premiums		**100,383**	82,271
Reinsurance commission income		**1,939**	1,642
Interest income of banking operations	8	**6,674**	7,020
Fees and commission income of non-insurance operations	9	**3,179**	1,980
Investment income	10	**32,023**	(7,416)
Share of profits and losses of associates and joint ventures		**182**	25
Other income	11	**8,458**	2,136
Total income		**152,838**	87,658
Claims and policyholders' benefits	12	**(84,089)**	(56,517)
Commission expenses of insurance operations		**(11,444)**	(8,672)
Interest expenses of banking operations	8	**(2,464)**	(2,677)
Fees and commission expenses of non-insurance operations	9	**(398)**	(204)
Loan loss provisions, net of reversals	23	**(228)**	(220)
Foreign exchange losses		**(17)**	(465)
General and administrative expenses		**(26,025)**	(16,898)
Finance costs		**(880)**	(550)
Other expenses		**(7,374)**	(2,941)
Total expenses		**(132,919)**	(89,144)
Profit/(loss) before tax	13	**19,919**	(1,486)
Income tax	14	**(5,437)**	3,121
Profit for the year		**14,482**	1,635
Attributable to:			
– Owners of the parent		**13,883**	1,418
– Non-controlling interests		**599**	217
		14,482	1,635
		RMB	RMB
Earnings per share attributable to ordinary equity holders of the parent:			
– Basic	17	**1.89**	0.19
– Diluted	17	**1.89**	0.19

Details dividends proposed for the year are disclosed in note 16 to the financial statements.

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

Consolidated statement of comprehensive income

For the year ended 31 December 2009

(in RMB million)	Note	2009	2008 (Restated)
Profit for the year		**14,482**	1,635
Other comprehensive income			
Available-for-sale financial assets		**7,249**	(32,339)
Shadow accounting adjustments		**2,448**	1,963
Exchange differences on translation of foreign operations		**66**	19
Share of other comprehensive income of associates		**21**	–
Income tax relating to components of other comprehensive income		**(2,127)**	6,112
Other comprehensive income for the year, net of tax	15	**7,657**	(24,245)
Total comprehensive income for the year		**22,139**	(22,610)
Attributable to:			
– Owners of the parent		**21,530**	(22,661)
– Non-controlling interests		**609**	51
		22,139	(22,610)

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

Consolidated statement of financial position

As at 31 December 2009

(in RMB million)	Notes	31 December 2009	31 December 2008 (Restated)	31 December 2007 (Restated)
Assets				
Balances with central bank and statutory deposits	18	**31,006**	25,963	20,794
Cash and amounts due from banks and other financial institutions	19	**158,219**	105,279	87,859
Fixed maturity investments	20	**428,417**	344,449	274,241
Equity investments	21	**82,116**	54,599	128,931
Derivative financial assets	22	**9**	17	177
Loans and advances to customers	23	**109,060**	74,160	63,125
Investments in associates and joint ventures	24	**12,063**	5,468	1,472
Premium receivables	25	**4,576**	4,412	4,434
Accounts receivable		**3,284**	–	–
Inventories		**1,562**	–	–
Reinsurers' share of insurance liabilities	26	**4,983**	5,059	3,829
Policyholder account assets in respect of insurance contracts		**42,506**	30,749	34,871
Policyholder account assets in respect of investment contracts		**4,416**	3,979	4,622
Investment properties	27	**6,430**	6,389	3,882
Property and equipment	28	**10,666**	8,287	8,165
Intangible assets	29	**12,874**	10,279	4,400
Deferred tax assets	39	**7,001**	11,679	935
Other assets	30	**16,524**	13,796	9,057
Total assets		**935,712**	704,564	650,794
Equity and liabilities				
Equity				
Share capital	31	**7,345**	7,345	7,345
Reserves	32	**62,406**	54,676	81,803
Retained profits	32	**15,219**	2,521	3,197
Equity attributable to owners of the parent		**84,970**	64,542	92,345
Non-controlling interests		**6,773**	2,617	1,887
Total equity		**91,743**	67,159	94,232
Liabilities				
Due to banks and other financial institutions	33	**48,122**	24,192	14,644
Assets sold under agreements to repurchase	34	**60,364**	41,124	13,556
Derivative financial liabilities	22	**10**	265	189
Customer deposits and payables to brokerage customers	35	**140,544**	94,991	91,925
Insurance payables		**14,777**	12,750	11,652
Insurance contract liabilities	36	**516,330**	413,648	381,164
Investment contract liabilities for policyholders	37	**26,898**	24,605	23,455
Policyholder dividend payable		**15,196**	12,012	7,006
Income tax payable		**381**	2,274	807
Subordinated debts	38	**4,990**	–	–
Deferred tax liabilities	39	**1,007**	472	1,577
Other liabilities	40	**15,350**	11,072	10,587
Total liabilities		**843,969**	637,405	556,562
Total equity and liabilities		**935,712**	704,564	650,794

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

MA Mingzhe	**CHEUNG Chi Yan Louis**	**YAO Jason Bo**
Director	Director	Director

Consolidated statement of changes in equity

For the year ended 31 December 2009

(in RMB million)	2009									
	Equity attributable to owners of the parent									
		Reserves								
	Share capital	Share premium	Translation of foreign operations	Available-for-sale financial assets	Shadow accounting adjustments	Surplus reserve fund	General reserves	Retained profits	Non-controlling interests	Total equity
As at 1 January 2009										
As previously reported	7,345	51,907	(23)	(1,033)	(3,094)	6,125	395	21,329	2,745	85,696
Changes in accounting policies	–	–	–	–	399	–	–	(18,808)	(128)	(18,537)
As restated	7,345	51,907	(23)	(1,033)	(2,695)	6,125	395	2,521	2,617	67,159
Total comprehensive income for 2009	–	–	66	5,645	1,936	–	–	13,883	609	22,139
Appropriations to surplus reserve fund	–	–	–	–	–	83	–	(83)	–	–
Dividend declared	–	–	–	–	–	–	–	(1,102)	(24)	(1,126)
Changes in subsidiaries	–	–	–	–	–	–	–	–	3,571	3,571
As at 31 December 2009	7,345	51,907	43	4,612	(759)	6,208	395	15,219	6,773	91,743

(in RMB million)	2008									
	Equity attributable to owners of the parent									
		Reserves								
	Share capital	Share premium	Translation of foreign operations	Available-for-sale financial assets (Restated)	Shadow accounting adjustments (Restated)	Surplus reserve fund	General reserves	Retained profits (Restated)	Non-controlling interests (Restated)	Total equity (Restated)
As at 1 January 2008										
As previously reported	7,345	51,907	(42)	24,792	(4,903)	7,629	1,939	23,155	2,029	113,851
Changes in accounting policies	–	–	–	–	481	–	–	(19,958)	(142)	(19,619)
As restated	7,345	51,907	(42)	24,792	(4,422)	7,629	1,939	3,197	1,887	94,232
Total comprehensive income for 2008	–	–	19	(25,825)	1,727	–	–	1,418	51	(22,610)
Appropriations to surplus reserve fund	–	–	–	–	–	470	–	(470)	–	–
Transfer of surplus reserve fund	–	–	–	–	–	(1,974)	–	1,974	–	–
Transfer of general reserves	–	–	–	–	–	–	(1,544)	1,544	–	–
Dividend declared	–	–	–	–	–	–	–	(5,142)	(86)	(5,228)
Changes in subsidiaries	–	–	–	–	–	–	–	–	765	765
As at 31 December 2008	7,345	51,907	(23)	(1,033)	(2,695)	6,125	395	2,521	2,617	67,159

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

Consolidated statement of cash flows

For the year ended 31 December 2009

(in RMB million)	Notes	2009	2008 (Restated)
Net cash from operating activities	45	**93,301**	58,871
Cash flows from investing activities			
Purchases of investment properties, items of property and equipment, and intangible assets		**(3,639)**	(5,521)
Proceeds from disposal of investment properties, items of property and equipment, and intangible assets		**1,114**	1,389
Purchases of investments, net		**(95,196)**	(79,563)
Term deposits placed, net		**(1,515)**	(41,272)
Acquisition of subsidiaries		**2,492**	(739)
Acquisition of non-controlling interests in a subsidiary		**–**	(499)
Interests received		**1,869**	15,838
Dividends received		**14,358**	4,253
Rentals received		**441**	367
Others		**(1,667)**	(7,618)
Net cash used in investing activities		**(81,743)**	(113,365)
Cash flows from financing activities			
Capital injected into subsidiaries by non-controlling interests		**484**	133
Proceeds from subordinated debts issued		**4,990**	–
Proceeds from sales in assets sold under agreements to repurchase		**5,872**	28,994
Proceeds from borrowed funds		**18,403**	3,848
Repayment of borrowed funds		**(11,912)**	(4,703)
Interest paid		**(1,030)**	(785)
Dividends paid		**(1,123)**	(5,219)
Net cash from financing activities		**15,684**	22,268
Net increase/(decrease) in cash and cash equivalents		**27,242**	(32,226)
Net foreign exchange differences		**48**	(158)
Cash and cash equivalents at beginning of the year		**61,675**	94,059
Cash and cash equivalents at end of the year	44	**88,965**	61,675

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

Statement of financial position

As at 31 December 2009

(in RMB million)	Notes	31 December 2009	31 December 2008
Assets			
Cash and amounts due from banks and other financial institutions		**7,748**	7,604
Fixed maturity investments		**11,512**	15,449
Equity investments		**5,354**	7,955
Investments in subsidiaries	5	**52,514**	44,234
Property and equipment		**101**	117
Other assets		**395**	996
Total assets		**77,624**	76,355
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	31	**7,345**	7,345
Reserves	32	**58,558**	56,951
Retained profits	32	**4,668**	5,025
Total equity		**70,571**	69,321
Liabilities			
Due to banks and other financial institutions		**4,430**	–
Assets sold under agreements to repurchase		**2,000**	6,400
Other liabilities		**623**	634
Total liabilities		**7,053**	7,034
Total equity and liabilities		**77,624**	76,355

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 21 March 1988. The business scope of the Company includes investing in financial and insurance enterprises, as well as supervising and managing various domestic and overseas businesses of subsidiaries, and utilizing funds. The Company and its subsidiaries are collectively referred to as the Group. The Group mainly provides integrated financial products and services and is engaged in the life insurance, property and casualty insurance, trust, securities, banking and other businesses.

The registered address of the Company is 15/F, 16/F, 17/F and 18/F, Galaxy Development Center, Fu Hua No.3 Road, Futian District, Shenzhen, Guangdong Province, China.

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

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

- IFRS 1 (Revised) *First-time Adoption of International Financial Reporting Standards*[1]
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting*[2] *Standards – Additional Exemptions for First-time Adopters*[1]
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters*[3]
- Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*[2]
- IFRS 3 (Revised) *Business Combinations and IAS 27 (Revised) Consolidated and Separate Financial Statements*[1]
- Amendments to IFRS 5 N*on-current Assets Held for Sale and Discontinued Operations – Plan to sell controlling interest in a subsidiary*[1]
- IFRS 9 *Financial Instruments*[4]
- IAS 24 (Revised) *Related Party Disclosures*[5]
- Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[6]
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
- Amendments to IFRIC-Int 14 *Prepayments of a Minimum Funding Requirement*[5]
- IFRIC-Int 17 *Distributions of Non-cash Assets to Owners*[1]
- IFRIC-Int 19 *Extinguishing Financial Liabilities with Equity Instruments*[3]

1 Effective from annual periods beginning on or after 1 July 2009
2 Effective from annual periods beginning on or after 1 January 2010
3 Effective from annual periods beginning on or after 1 July 2010
4 Effective from annual periods beginning on or after 1 January 2013
5 Effective from annual periods beginning on or after 1 January 2011
6 Effective from annual periods beginning on or after 1 February 2010
7 Effective from annual periods beginning on or after 1 January 2011

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

Apart from the above, the following Improvements to IFRSs were issued in April 2009.

- IFRS 2 *Share-based Payment*
- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- IFRS 8 *Operating Segments*
- IAS 1 *Presentation of Financial Statements*
- IAS 7 *Statement of Cash Flows*
- IAS 17 *Leases*
- IAS 36 *Impairment of Assets*
- IAS 38 *Intangible Assets*
- IAS 39 *Financial instruments: Recognition and Measurement*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 16 *Hedges of a Net investment in a Foreign Operation*

The amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

Further information about those changes that are relevant to the Group is as follows:

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

IFRS 3 (Revised) and IAS 27 (Revised) will be effective for annual periods beginning on or after 1 July 2009. IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*.

While the adoption of the revised standards will result in changes in the accounting policy, the revised standards are unlikely to have any significant impact on the Group.

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

▶ Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell controlling interest in a subsidiary*

The amendments to IFRS 5 are included in annual improvements issued by the International Accounting Standards Board (the "IASB") in May 2008 and will be effective for annual periods beginning on or after 1 July 2009. These amendments clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest. The changes must be applied prospectively and will affect future sale transactions or plans involving loss of control of a subsidiary. While the adoption of the revised standards will result in changes in the accounting policy, the revised standards are unlikely to have any significant impact on the Group.

▶ IFRS 9 *Financial Instruments*

IFRS 9 will be effective for annual periods beginning on or after 1 January 2013. It was issued in November 2009 and is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety by the end of 2010.

The Group is in the process of making an assessment of the impact of the revised IFRSs upon initial application.

▶ IAS 24 (Revised) *Related Party Disclosures*

IAS 24 (Revised) will be effective for annual periods beginning on or after 1 January 2011. It clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any significant impact on the Group's related party disclosures.

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

▶ **IFRIC-Int 17 *Distributions of Non-cash Assets to Owners***

IFRIC-Int 17 will be effective for annual periods beginning on or after 1 July 2009. It standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to IAS 10 *Events after the Reporting Period* and IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any significant impact on the Group.

IMPROVEMENTS TO IFRSs (APRIL 2009)

While the adoption of the following Improvements may result in changes in certain accounting policies or presentation, they are not expected to have any significant impact on the Group.

▶ **IFRS 2 *Share-based Payment***

Clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of IFRS 2 even though they are outside the scope of IFRS 3 Business Combinations.

▶ **IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations***

Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

▶ **IFRS 8 *Operating Segments***

Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

▶ **IAS 1 *Presentation of Financial Statements***

The terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

▶ **IAS 7 *Statement of Cash Flows***

Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.

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

IMPROVEMENTS TO IFRSs (APRIL 2009) (CONTINUED)

▶ IAS 17 *Leases*

The amendment removes the specific guidance on classifying land as a lease so that only the general guidance remains.

▶ IAS 36 *Impairment of Assets*

Clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.

▶ IAS 38 *Intangible Assets*

Clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of intangible assets as a single asset provided the individual assets have similar useful lives.

Clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

▶ IAS 39 *Financial instruments: Recognition and Measurement*

The amendment clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.

Clarifies that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.

Clarifies that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

▶ IFRIC 9 *Reassessment of Embedded Derivatives*

The IASB amended the scope paragraph of IFRIC 9 to clarify that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

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 IASB 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 except for financial instruments which have been measured at fair values and insurance contract liabilities which have been measured based on actuarial methods.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize 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.

To the extent that a topic is not covered explicitly by IFRSs, the IFRS framework permits reference to another comprehensive body of accounting principles, and therefore the Group has chosen to use the accounting practices currently adopted by insurance companies reporting under PRC Accounting Standards.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRSs as issued by the IASB.

(2) CHANGES IN ACCOUNTING POLICIES

On 7 August 2008 and 22 December 2009, the Ministry of Finance (the "MOF") issued "*Interpretation No. 2 to China Accounting Standards*" (Caikuai [2008] No. 11) and "*Regulation on Accounting for Insurance Contracts*" (Caikuai [2009] No. 15) which are applicable to all insurance companies reporting under PRC GAAP for the year ended 31 December 2009. Subsequently on 25 January 2010, the China Insurance Regulatory Commission (the "CIRC") issued "*Circular on Insurance Industry's Implementation of Interpretation No. 2 to New China Accounting Standards*" (Baojianfa [2010] No. 6) which provides additional implementation guidance to Caikuai [2009] No. 15.

Pursuant to the approval of the board of directors of the Company, the Group decided to change the following principal accounting policies for insurance contracts in these financial statements, as allowable under IFRSs, by making reference to the principles of Caikuai [2009] No. 15, Baojianfa [2010] No. 6 and recognized practices in the insurance industry. The directors believe that such changes would make these financial statements more relevant and reliable to the economic decision making needs of users.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Insurance contracts classification

Previously, investment contracts with discretionary participation features ("DPF") were accounted for as insurance contracts. After the change in accounting policies, these contracts are accounted for as investment contracts. Further, the methodology for the testing of insurance risk significance has become more prescriptive and consequently, some policies are no longer regarded as insurance contracts if they fail the insurance risk significance test. These changes have affected the recognition and presentation of premium income from insurance contracts, as well as fees earned from investment contracts.

(b) Acquisition costs

Previously, eligible direct and indirect acquisition costs were capitalized and deferred and deferred acquisition costs were shown separately on the consolidated statement of financial position as an asset. After the change in accounting policies, the acquisition costs are not recognized separately as an asset but are instead considered in the measurement of insurance contract liabilities.

(c) Other key aspects of insurance contract liabilities

Previously, the assumptions on discount rates for traditional life products were locked based on best estimates upon the issuance of the contracts, subject to liability adequacy tests. In addition, for property and casualty insurance contracts and short term life insurance contracts, time value of money was not considered when measuring insurance contract liabilities. After the change in accounting policies, when the time value of money is significant, a discount rate based on prevailing information available at the end of the reporting period is used to measure insurance contract liabilities, i.e. discount rate should no longer be locked and expected future cashflows would be based on the management's current estimates. For insurance contracts whereby the policyholder benefits will not be affected by the investment return of the underlying investment portfolio, the discount rate should be determined based on the current market interest rate considering the tax impact and liquidity risk; for insurance contracts whereby the policyholder benefits will be affected by investment return of the underlying investment portfolio, the discount rate should be determined based on the expected future investment return.

Previously, no explicit margin was considered other than provision for adverse deviation relating to traditional life products. After the change in accounting policies, an explicit margin is required when measuring insurance contract liabilities. It is released into the income statement over the insurance coverage period on a systematic and reasonable basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Other key aspects of insurance contract liabilities (continued)

Retrospective adjustments were made and assets and liabilities as at 1 January 2008 and 1 January 2009, income and expenses for the year ended 31 December 2008 were restated. Comparative financial statements are presented based on restated figures. In addition, income and expenses for the year ended 31 December 2009 before and after changes in accounting policies were disclosed to demonstrate the impacts of such changes on the operating results of 2009.

Assets, liabilities, income and expenses in the Group's consolidated financial statements affected by the above changes in accounting policies are as follow:

	2009		
(in RMB million)	Before changes in accounting policies	Impact of changes in accounting policies	After changes in accounting policies
Gross written premiums and policy fees	122,913	(10,700)	112,213
Change in unearned premium reserves	(6,845)	1,362	(5,483)
Reinsurance commission income	1,759	180	1,939
Other income	8,281	177	8,458
Change in deferred policy acquisition costs	15,337	(15,337)	–
Claims and policyholders' benefits	(105,593)	21,504	(84,089)
Commission expenses of insurance operations	(19,172)	7,728	(11,444)
General and administrative expenses	(26,044)	19	(26,025)
Other expenses	(6,387)	(987)	(7,374)
Others	31,724	–	31,724
Profit before tax	15,973	3,946	19,919
Income tax	(4,876)	(561)	(5,437)
Profit for the year	11,097	3,385	14,482
Attributable to:			
– Owners of the parent	10,522	3,361	13,883
– Non-controlling interests	575	24	599
Basic earnings per share attributable to ordinary equity holders of the parent	1.43	0.46	1.89
Diluted earnings per share attributable to ordinary equity holders of the parent	1.43	0.46	1.89

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES (CONTINUED)

	1 January 2009		
(in RMB million)	Before changes in accounting policies	Impact of changes in accounting policies	After changes in accounting policies
Assets			
Reinsurers' share of insurance liabilities	8,872	(3,813)	5,059
Deferred policy acquisition costs	50,599	(50,599)	–
Deferred tax assets	6,876	4,803	11,679
Others	688,371	(545)	687,826
Total assets	754,718	(50,154)	704,564
Equity			
Share capital	7,345	–	7,345
Reserves	54,277	399	54,676
Retained profits	21,329	(18,808)	2,521
Equity attributable to owners of the parent	82,951	(18,409)	64,542
Non-controlling interests	2,745	(128)	2,617
Total equity	85,696	(18,537)	67,159
Liabilities			
Insurance payable	13,701	(951)	12,750
Insurance contract liabilities	462,341	(48,693)	413,648
Investment contract liabilities for policyholders	6,636	17,969	24,605
Deferred tax liabilities	998	(526)	472
Others	185,346	584	185,930
Total liabilities	669,022	(31,617)	637,405
Total equity and liabilities	754,718	(50,154)	704,564

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(in RMB million)	2008 Before changes in accounting policies	2008 Impact of changes in accounting policies	2008 After changes in accounting policies
Gross written premiums and policy fees	98,010	(8,907)	89,103
Change in unearned premium reserves	(1,979)	960	(1,019)
Reinsurance commission income	1,456	186	1,642
Other income	1,909	227	2,136
Change in deferred policy acquisition costs	9,294	(9,294)	–
Claims and policyholders' benefits	(70,188)	13,671	(56,517)
Commission expenses of insurance operations	(14,660)	5,988	(8,672)
General and administrative expenses	(16,861)	(37)	(16,898)
Other expenses	(1,640)	(1,301)	(2,941)
Others	(8,320)	–	(8,320)
Loss before tax	(2,979)	1,493	(1,486)
Income tax	3,456	(335)	3,121
Profit for the year	477	1,158	1,635
Attributable to:			
– Owners of the parent	268	1,150	1,418
– Non-controlling interests	209	8	217
Basic earnings per share attributable to ordinary equity holders of the parent	0.04	0.15	0.19
Diluted earnings per share attributable to ordinary equity holders of the parent	0.04	0.15	0.19

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(in RMB million)	1 January 2008 Before changes in accounting policies	Impact of changes in accounting policies	After changes in accounting policies
Assets			
Reinsurers' share of insurance liabilities	4,880	(1,051)	3,829
Deferred policy acquisition costs	41,305	(41,305)	–
Deferred tax assets	87	848	935
Others	645,950	80	646,030
Total assets	692,222	(41,428)	650,794
Equity			
Share capital	7,345	–	7,345
Reserves	81,322	481	81,803
Retained profits	23,155	(19,958)	3,197
Equity attributable to owners of the parent	111,822	(19,477)	92,345
Non-controlling interests	2,029	(142)	1,887
Total equity	113,851	(19,619)	94,232
Liabilities			
Insurance payable	10,970	682	11,652
Insurance contract liabilities	416,474	(35,310)	381,164
Investment contract liabilities for policyholders	5,421	18,034	23,455
Deferred tax liabilities	6,369	(4,792)	1,577
Others	139,137	(423)	138,714
Total liabilities	578,371	(21,809)	556,562
Total equity and liabilities	692,222	(41,428)	650,794

In addition, the Group has revised certain other accounting policies following the adoption of the revised IFRSs set out below which management considers being the most relevant to the Group's current operations:

- **IAS 1 (Revised) *Presentation of Financial Statements***

This standard separates owner and non-owner changes in equity requiring all owner changes in equity to be presented in a statement of changes in equity, and all non-owner changes either in one statement of comprehensive income or in two separate statements, which are an income statement and a statement of comprehensive income. The previous standard required components of comprehensive income to be presented in the statement of changes in equity. The revised standard also requires that the income tax effect of each component of comprehensive income to be disclosed. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the financial statements.

The Group has elected to present comprehensive income in two separate statements of income and comprehensive income. Information about the individual components of comprehensive income as well as the tax effects have been disclosed in the notes to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES (CONTINUED)

▶ **Amendments to IFRS 7 *Financial Instruments: Disclosures-Improving Disclosures about Financial Instruments***

The amendments to the standard require an entity to provide a quantitative and qualitative analysis of those instruments recognised at fair value based on a three-level measurement hierarchy. Furthermore, for those instruments which have significant unobservable inputs (classified as Level 3), the amendment requires disclosures on the transfers into and out of Level 3, a reconciliation of the opening and closing balances, total gains and losses for the period split between those recognised in other comprehensive income, purchases, sales issues and settlements, and sensitivity analysis of reasonably possible changes in assumptions. In addition, disclosure is required of the movements between different levels of the fair value hierarchy and the reason for those movements. Finally, the standard amends the previous liquidity risk disclosures as required under IFRS 7 for non-derivative and derivative financial liabilities.

Entities are required to apply this amendment for annual periods beginning on or after 1 January 2009, with no requirement to provide comparatives on transition.

▶ **IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations (Amendment)***

This amendment to IFRS 2 Share-based payments was issued in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted.

▶ **IFRS 1 and IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity (Amendment)***

This amendment to IAS 27 is effective for financial years beginning on or after 1 January 2009. The amendment removes the definition of the "cost method" under IAS 27, thereby removing the distinction between pre- and post-acquisition profits in its separate financial statements. The entity therefore can recognise all dividends from a subsidiary, jointly controlled entity or associate, but must consider whether any payment of such dividends provides an indication of impairment. In addition, IAS 27 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary rather than its fair value.

▶ **IFRS 8 *Operating Segments***

IFRS 8 was issued in November 2006 and becomes effective for annual periods beginning on or after 1 January 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES (CONTINUED)

▶ **IFRIC 13 *Customer Loyalty Programmes***

The IFRIC issued IFRIC interpretation 13 in June 2007. This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. It is effective for financial years beginning on or after 1 July 2008. The adoption of this interpretation has had no material impact on the Group's financial statements.

▶ ***Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)***

In March 2009, the IASB issued Embedded Derivatives (Amendments to IFRIC 9 and IAS 39). The amendment to IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. IAS 39 is also amended to state that, if the fair value of the embedded derivative that would have to be separated on reclassification cannot be reliably measured, the entire hybrid (combined) contract must remain classified as at fair value through profit or loss. An entity shall apply the amendments for annual periods ending on or after 30 June 2009.

▶ ***Improvements to IFRSs***

In May 2008, the IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

– IFRS 7 *Financial Instruments: Disclosures*: the amendment removed the reference to "total interest income" as a component of finance costs.

– IAS 1 *Presentation of Financial Statements*: assets and liabilities classified as "held-for-trading" in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* are not automatically classified as current in the statement of financial position.

– IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*: the amendment clarifies that only implementation guidance that is an integral part of an IFRS is mandatory when selecting an accounting policy.

– IAS 10 *Events after the Reporting Period*: the amendment clarifies that dividends declared after the end of the reporting period are not obligations.

– IAS 16 *Property, Plant and Equipment*: replaces the term "net selling price" with "fair value less costs to sell".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES (CONTINUED)

▶ ***Improvements to IFRSs*** (continued)

– IAS 18 *Revenue:* the amendment replaces the term "direct costs" with transaction costs as defined in IAS 39.

– IAS 19 *Employee Benefits*: revised the definition of "past service costs", "return on plan assets" and "short term" and "other long term" employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. Deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37. Changes to definitions on return on plan assets, contingent liability and short term and other long term benefits are to be applied retrospectively. The change to the past service cost definition is to be applied prospectively.

– IAS 27 (Amended) *Consolidated and Separate Financial Statements*: this amendment requires that any subsidiaries held in accordance with IAS 39 continue to be treated at that value when they meet the definition of held for sale.

– IAS 28 *Investment in Associates*: if an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. This amendment has had no impact on the Group.

  An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

– IAS 36 *Impairment of Assets*: when discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use".

– IAS 38 *Intangible Assets*: expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

– IAS 40 *Investment Property*: the Group has always considered whether fair value can be applied for their investment properties under construction. Where management is unable to determine fair value reliably, the Group measures the property at cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(3) 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 a 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 a 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.

(4) PRINCIPLES OF CONSOLIDATION

The Group's consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2009. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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

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 acquisition accounting method. 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.

Non-controlling 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 statement of financial position, separately from parent shareholders' equity. Acquisitions of non-controlling 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

The Group's investments in its associates are accounted for using the equity method. An associate is an 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.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

(7) JOINT VENTURES

A joint venture is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group's investments in its joint ventures are accounted for using the equity method. Please refer to Note 3.(6) for details of the equity method.

(8) 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 period of the transaction occurring. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. 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 end of the reporting period 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 statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB by the average exchange rates ruling at the period of the cash flows occurring. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(9) CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, 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.

(10) 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 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 gains and losses are recognized in the income statement.

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

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 and less any provision for impairment. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(10) FINANCIAL INSTRUMENTS (CONTINUED)

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 and less any provision for impairment. 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 recognized as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses is removed from the available-for-sale investment valuation reserve and recognized in income statement.

(11) FINANCIAL GUARANTEE CONTRACTS

The Group's banking operation issues letters of credit and letters of guarantee. These financial guarantee contracts provide specified payments 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.

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 method applicable to insurance contracts, and accordingly has elected to apply IFRS 4 to account for such contracts.

(12) DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments mainly include interest rate swaps, options embedded in convertible bonds purchased by the Group, equity warrants, forward currency contracts and credit related derivatives. 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)

(13) 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 at the end of the reporting period. 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 end of the reporting period.

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.

(14) IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of the reporting period 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 the impact can be reliably measured.

Available-for-sale financial assets

As of the end of each reporting period, the Group evaluates each of the available-for-sale equity instruments to determine whether the investments need to be impaired. If objective evidence of impairment exists, the Group records an impairment loss in the income statement equal to the difference between the cost of the instrument and the fair value, adjusted for losses recorded in previous periods. Any unrealized gains or losses previously recognized in available-for-sale investment valuation reserve is removed and recognized in the income statement as part of the calculation of impairment loss described above. The impairment analysis and amounts recorded are based the functional currency of the group entity holding the investment.

For equity securities, a significant or prolonged decline in the fair value of an equity instrument is objective evidence of impairment. In conducting an impairment analysis, the Group considers quantitative and qualitative evidence. More specifically, the Group collectively considers the magnitude of the decline in fair value relative to the cost, volatility, and the duration of the decline in evaluating whether a decline in fair value is significant. The Group considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. In general, the larger the magnitude of the decline in fair value relative to cost, the lower the volatility, the longer the duration of the decline or the more consistent the magnitude of decline, the more likely objective evidence of impairment of an equity instrument exists.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(14) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Available-for-sale financial assets (continued)

The Group also considers qualitative evidence that include, but is not necessarily limited to the following:

- Significant financial difficulty of the investee, including failure to comply with contractual obligations, financial restructuring, deterioration of going concern expectations

- Adverse changes relative to the investee's technology, market, customer base, macro economic indicators relative to the business, significant legal or regulatory matters

Impairments do not establish a new cost basis and, accordingly, to the extent an impairment loss has been previously recorded due to the significant or prolonged criteria described above, any subsequent losses, including any portion attributable to foreign currency changes, are also recognized in profit or loss until the asset is derecognized.

If after an impairment loss has been recognized on an available-for-sale debt instrument, and 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.

Financial assets carried at amortized cost

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 assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses 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 an 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 the impairment is reversed.

Financial assets carried at cost

If financial assets carried at cost are impaired, the impairment loss will be 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 equity investments which are measured at cost method and do not have either active market quotation or reliably measurable fair values, their impairments also follow the aforementioned principle.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(15) 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:

(a) the rights to receive cash flows from the asset have expired;

(b) 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

(c) 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.

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.

(16) 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 statement of financial position. 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.

(17) 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 at the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(18) INVESTMENT PROPERTIES

Investment properties are interests 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.

(19) 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.

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
Equipment, furniture and fixtures	0%-10%	5-30 years
Motor vehicles	5%	5-8 years

The useful lives 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(20) 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.

(21) INTANGIBLE ASSETS

(a) Goodwill

The recoverable amount of goodwill has been estimated based on the value in use calculation using cash flow projections and financial plans approved by management and pre-tax, 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.

(b) Expressway operating rights

Expenditures on acquiring the expressway operating rights are capitalized as intangible assets and subsequently depreciated on a straight-line basis over the contract terms.

(c) Prepaid land premiums

Prepaid land premiums are prepaid under PRC laws for fixed periods, and the related costs are amortized on the 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 is expected to be amortized over lease terms ranging from 50 to 70 years.

(d) Trademarks

Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. They are not amortized.

(e) Patents and know-how

Patents and know-how are stated at cost less any impairment losses and are amortized on the straight-line basics over their estimated useful lives of 10 to 15 years.

(22) SETTLED ASSETS

Settled assets are tangible assets or properties that borrowers, guarantors or other third parties use to exercise their debtors' or guarantors' rights. Settled assets are initially recognized at their fair value.

(23) 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, in which case the receivable amount is determined for the cash-generating unit to which the assets belongs. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(23) IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

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.

(24) INSURANCE GUARANTEE FUND

According to "Administrative Regulations on the Insurance Guarantee Fund" (Baojianhuiling [2008] No. 2), the Group calculates insurance guarantee fund as follows:

- 0.8% of the premium income for non-investment type property insurance, 0.08% of the consideration received for investment-type property insurance with guaranteed return, and 0.05% of the consideration received for investment-type property insurance without guaranteed return;

- 0.15% of the consideration received for life insurance with guaranteed return, and 0.05% of the consideration received for life insurance without guaranteed return;

- 0.8% of the premium income for short term health insurance, and 0.15% of the premium income for long term health insurance; and

- 0.8% of the premium income for non-investment type accident insurance; 0.08% of the consideration received for investment-type accident insurance with guaranteed return, and 0.05% of the consideration received for investment-type accident insurance without guaranteed return.

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

The premium income used in the calculation of insurance guarantee fund is the premium agreed in the policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(25) INSURANCE CONTRACTS

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified as direct insurance contracts and reinsurance contracts. 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 period.

Some insurance contracts contain both an insurance component and a deposit component. The Group chooses to unbundle those components, if the insurance component and the deposit component are distinct and separately measurable. The unbundled insurance component is accounted for according to IFRS 4 and the unbundled deposit component is accounted for according to relevant accounting policies. If the insurance component and the deposit component are not distinct and separately measurable, the whole contract is accounted for as an insurance contract.

(26) SIGNIFICANT INSURANCE RISK TESTING

For other insurance contracts issued by the Group, tests are performed to determine if the contracts contain significant insurance risk, and contracts of similar nature are grouped together for this purpose. When performing the significant insurance risk test, the Group makes judgments in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

(27) INSURANCE CONTRACT LIABILITIES

The insurance contract liabilities of the Group include long term life insurance policyholders' reserves, unearned premium reserves and claim reserves.

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of similar nature as a measurement unit. Property and casualty and short term life insurance policies are grouped into certain measurement units by lines of business. For long term life insurance policies, the Group mainly considers the characteristics of the policies, including product type, gender, age, and durations of policies, when determining the measurement units.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(27) INSURANCE CONTRACT LIABILITIES (CONTINUED)

Insurance contract liabilities are measured based on a reasonable estimate of amount of payments when the Group fulfils the relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts, i.e. the expected future net cash outflows.

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfill the obligations under the insurance contracts (including benefits attributable to the policyholders), and mainly include:
  - Guaranteed benefits under the insurance contracts, including claims, mortality benefits, disability benefits, morbidity benefits, survival benefits and maturity benefits;
  - Non-guaranteed benefits under the insurance contracts arising from constructive obligations, including policyholder dividends, etc;
  - Reasonable expenses necessary for policy administration and claims handling, including policy maintenance expenses, claim expenses, etc.
- Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

Reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period.

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the income statement over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin.

- Risk margin represents provision for the uncertainty associated with the future net cash flows.
- At inception of an insurance contract, any "day-one" gain is not recognized in the income statements, but included in the insurance contract liabilities as a residual margin. At inception of an insurance contract, "day one" loss is recognized in the income statement. Residual margin is subsequently measured based on the assumptions of the years when the policies become effective, and will not be adjusted for future change in assumptions.

When measuring insurance contract liabilities, time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. The discount rates used in the measurement of time value of money is determined with reference to information currently available as at the end of the reporting period and is not locked.

When measuring insurance contract liabilities, the expected period of future net cash outflows is the entire insurance period. For insurance policies with a guaranteed renewal option, the expected period is extended to the date when the option to renew policy ceases if the probability that the policyholders may execute the option is high and the Group does not have the right to reprice the premium.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(27) INSURANCE CONTRACT LIABILITIES (CONTINUED)

Unearned premium reserves

The unearned premium reserves are provided for unexpired insurance obligations of property and casualty and short term life insurance contracts.

Unearned premium reserves are measured using unearned premium approach. At inception of the insurance contracts, unearned premium reserves are measured based on written premiums, with deductions made for commissions, business tax, insurance guarantee fund, regulatory charges and other incremental costs. Subsequent to the initial recognition, unearned premium reserves are measured on a 1/365 basis.

Claim reserves

Claim reserves are insurance contract liabilities provided for insurance claims of the property and casualty and short term life insurance contracts. Claim reserves include incurred and reported reserves, incurred but not reported ("IBNR") reserves and claim expense reserves.

Incurred and reported reserves are measured at amounts not higher than the sum insured of the insurance contracts, using the case-by-case estimate method and average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

IBNR are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using the chain ladder method, Bornhuetter-Ferguson method and average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

Claim expense reserves are measured based on a reasonable estimate of ultimate necessary claim expenses in the future by using the case-by-case estimate method and ratio allocation method.

Long term life insurance policyholders' reserves

Long term life insurance policyholders' reserves are insurance contract liabilities provided for long term life and health insurance contracts.

The Group determines risk margins of the long term life insurance policyholders' reserves using the scenario comparison method. The unfavorable scenarios are determined according to the uncertainty and impact of expected net cash outflows.

The key assumptions used in the measurement of long term life insurance policyholders' reserves include insurance accident occurrence rates, lapse and surrender rates, expense assumptions, policy dividend assumptions, discount rate, etc. In deriving these assumptions, the Group uses information currently available as at the end of the reporting period.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed on the unearned premium reserve, claim reserve and long term life insurance policyholders' reserves. If the insurance contract liabilities re-calculated with the insurance actuarial methods exceeds their carrying amounts on date of the liability adequacy test, additional provision is made for the respective insurance contract liabilities based on the difference. Otherwise, no adjustment is made for the respective insurance contract liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(28) DPF IN LONG TERM LIFE INSURANCE CONTRACTS

DPF is contained in certain long term life insurance contracts. These contracts are collectively called participating insurance contracts. Under the current PRC insurance regulations, the Group is obligated to pay to the policyholders of participating insurance contracts at least 70% of the distributable surplus, which includes mainly net investment spread and other gains or losses arising from the assets supporting these contracts. If this eligible surplus has not been declared and paid, it is included in the long term life insurance policyholders' reserves if legal or constructive obligation exists. To the extent that there is a subsequent change in the expected future eligible surplus due to realized and unrealized gains, which may be paid to policyholders of participating insurance contracts in the future under the policy terms, such change in surplus is included in long term life insurance policyholders' reserves, and shadow accounting will apply if part of the unrealized gain is captured directly in other comprehensive income.

(29) INVESTMENT CONTRACTS

Insurance policies not considered insurance contracts under IFRS 4 are classified as investment contracts. These policies do not contain significant insurance risk.

- Premium receipts are recognized not as premium income, but rather as liabilities, presented as investment contract liabilities. For those non-life investment type policies without guaranteed benefits, the related contract liabilities are measured at fair value and the related transaction costs are recognized in the income statement. For other investment contracts, the related liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

- Charges including policy administration fees and surrender charges are recognized as other income during the period of service provided.

(30) INVESTMENT-LINKED BUSINESS

The individual investment-linked contracts of the Group contain significant insurance risks and are classified as insurance contracts. These policies also contain both insurance components and deposit components. The deposit components are unbundled from these hybrid insurance contracts. The rest of the contracts are accounted for as insurance contracts. The group investment-linked contracts of the Group that do not contain significant insurance risks are classified as investment contracts.

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. The assets and liabilities related to investment-linked contracts which are regarded as investment contracts are presented as policyholder account assets and liabilities in respect of investment contracts. The assets and liabilities of each investment-linked fund are segregated from each other and from the rest of the Group's invested assets for recording purposes. As the investment risks of investment-linked contracts were fully undertaken by policyholders, the assets and liabilities related to investment-linked contracts were not included in the analysis of risk management in Note 42.

The group investment-linked contracts and the deposit component unbundled from the above individual investment-linked insurance contracts are accounted for as follow:

- Premium receipts are recognized not as premium income, but rather as liabilities, presented in policyholder account liabilities. These liabilities are initially measured and subsequently carried at fair value. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the income statement.

- The investment income arising from the policyholder account assets and the benefits and surrender paid to the policyholders, to the extent of the account balances, are directly adjusted to the relevant liabilities rather than recognized in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(30) INVESTMENT-LINKED BUSINESS (CONTINUED)

- Charges including account management fees and surrender charges are calculated at a fixed amount or certain percentage of policy account liabilities and recognized as other income during the period of service provided.

- Assets of investment-linked contracts are initially measured and subsequently carried at fair value, presented as policyholder account assets.

(31) UNIVERSAL LIFE BUSINESS

The individual universal life contracts of the Group contain significant insurance risks and are classified as insurance contracts. These policies also contain both insurance components and deposit components. The deposit components are unbundled from these hybrid insurance contracts. The rest of the contracts are accounted for as insurance contracts. The group universal life contracts of the Group that do not contain significant insurance risks are classified as investment contracts.

The group universal life contracts and the deposit component unbundled from the above individual universal life insurance contracts are accounted for as follow:

- Premium receipts are recognized not as premium income, but rather as liabilities, presented in policyholder contract deposits. These liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

- Charges including surrender charges are recognized as other income during the period of service provided.

Unrealized gains or losses, based on the changes in fair value of available-for-sale financial assets of universal life insurance portfolio, are recognized on a reasonable basis as liabilities to policyholders for those attributable to the policyholders and are recognized in other comprehensive income for those attributable to equity holders.

(32) PROVISIONS

Contingent liabilities are recognized as provisions if the following conditions are met:

- An entity has a present obligation as a result of a past event;

- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

- A reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period with the consideration of risks, uncertainties and present value. Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

(33) 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. The Group's main revenue is recognized on the following bases:

(a) Gross premium

Premium income and reinsurance premium income is recognized when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that related economic benefits will flow to the Group and related income can be reliably measured.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(33) REVENUE RECOGNITION (CONTINUED)

(a) Gross premium (continued)

Premiums from long term life insurance contracts with instalment or single payments are recognized as revenue when due. Premiums from property and casualty and short term life insurance contracts are recognized as revenue based on the amount of total premium stated in the contracts.

Reinsurance premiums are recognized as revenue in accordance with the terms stated in the reinsurance contracts.

(b) Income from investment contracts

Investment contracts issued by the Group are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's balance. The fees are recognized as revenue in the period in which they are due unless they relate to services to be provided in future periods which would be deferred and recognized as the service is provided. Initiation and other front-end fees are charged for certain investment contracts recorded at amortized cost and are recognized through an adjustment to the effective yield.

(c) 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.

(d) Fees and commission income of non-insurance operations

The Group earns fees and commission income of non-insurance operations from a diverse range of services it provided to its customers. 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 from 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.

(e) Dividend income

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

(f) Expressway toll fee income

Expressway toll fee income is recognized upon the completion of services.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(34) REINSURANCE

The Group undertakes inward and outward reinsurance in the normal course of operations. All of the reinsurance business of the Group has significant insurance risk transfer.

Outward reinsurance business

Outward reinsurance arrangements do not relieve the Group from its obligations to policyholders. When recognizing premium income from insurance contracts, the Group calculates to determine the amount of premium ceded and reinsurers' share of expenses and recognize them through profit and loss according to reinsurance contracts. When calculating unearned premium reserves, claim reserves and long term life policyholders' reserves of insurance contracts, the Group estimates the reinsurance related cashflows according to the reinsurance contracts, considers the risk margin when determining the amount of insurance contract reserves to be recovered from reinsurers, and recognizes reinsurers' share of insurance contract liabilities. When insurance contract liabilities are reduced for actual payment of claims and claim expenses, reinsurers' share of insurance contract liabilities are reduced accordingly. In the meantime, the Group calculates to determine the amount of claim expenses to be recovered from the reinsurers according to the reinsurance contracts and recognizes the amount through profit and loss. When there is an early termination of an insurance contract, the Group calculates to determine the adjustment amount of premium ceded and reinsurers' share of expenses according to the reinsurance contracts and recognizes the amount through profit and loss, and the balance of reinsurers' share of insurance contract liabilities is reversed accordingly.

As a cedent, the Group presents in the statement of financial position the assets arising from reinsurance contracts and the liabilities arising from insurance contracts separately instead of offsetting the assets and liabilities. The Group also presents in the income statement the income derived from reinsurance contracts and the expenses incurred for insurance contracts separately instead of offsetting the income and expenses.

Inward reinsurance business

During the period of recognizing reinsurance premium income, the Group determines reinsurance expenses according to the reinsurance contracts and recognizes the expenses through profit and loss. As for profit commission, the Group recognizes it as a reinsurance expense through profit and loss according to the reinsurance contracts when it is feasible to determine the amount of profit commission to be paid to the reinsurers.

Upon receipt of statement of reinsurance business, the Group adjusts the reinsurance premium income and reinsurance expenses, and then recognizes the adjusted amounts through profit and loss according to the reckoning statement.

(35) POLICYHOLDER DIVIDENDS

Policyholder dividends represent dividends paid by the Group to policyholders in accordance with the terms of direct insurance contracts. The dividends are calculated and provided based on the dividend allocation method and the results of actuarial valuation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(36) 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.

(37) EMPLOYEE BENEFITS

(a) Pension obligations

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis 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.

(38) 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 the end of each reporting period up to and including the settlement date with changes in fair value recognized in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(39) TAX

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(40) 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 statement of financial position.

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 loan which is recognized ratably over the period in which the service is provided. The risk of loss is borne by those third-party lenders.

(41) 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 assessed based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(1) CLASSIFICATION OF FINANCIAL ASSETS

Management makes significant judgments on the classification of financial assets. Different classifications would affect the accounting treatment and the Group's financial position and operating results.

(2) CLASSIFICATION AND UNBUNDLING OF INSURANCE CONTRACTS AND SIGNIFICANT INSURANCE RISK TEST

The Group makes significant judgments on whether a written policy contains both an insurance component and a deposit component and whether the insurance component and deposit component are distinct and separately measurable. Such judgment affects the unbundling of insurance contracts.

The Group makes significant judgments on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing significant insurance risk tests. Such judgment affects the classification of insurance contracts.

When determining whether the policies transfer a significant insurance risk, the Group makes the following judgments for different policies:

- If the insurance risk ratio of a non-annuity policy is equal or greater than 5% at one or more points in time during the policy coverage period, the Group classifies it as an insurance contract. The insurance risk ratio of a direct insurance policy is the percentage of the benefits to be paid when the insured event occurs divided by the amounts to be paid when the insured event does not occur minus 100%.

- Annuity policies where the longevity risk is transferred are classified as insurance contracts.

- If a property and casualty insurance or a short term life insurance policy obviously meets the criteria for significant insurance risk transfer, the Group directly classifies it as an insurance contract.

When determining whether a reinsurance policy transfers significant insurance risks, judgment is made on a comprehensive understanding of the commercial substance of the reinsurance policy and other relevant contracts and agreements. If the reinsurance risk ratio of the reinsurance policy is greater than 1%, the Group classifies it as a reinsurance contract. The reinsurance risk ratio of a reinsurance policy is derived by the present value of probability-weighted average net losses where the reinsurer incurs a net loss divided by expected premium income of the reinsurer. If a reinsurance policy obviously transfers a significant insurance risk, the Group directly classifies it as a reinsurance contract without calculating the reinsurance risk ratio.

When performing significant insurance risk testing, the Group would group all policies of the same product with similar risk characteristics into the same portfolio. The Group would then select representative policy samples from each policy portfolio to perform individual testing. If over 50% of the selected policy samples transfer significant insurance risk, all the policies in that portfolio are classified as insurance contracts.

The unbundling and classification of insurance contracts would affect the Group's revenue recognition, liability measurement and financial statement presentation.

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

(3) MEASUREMENT UNIT FOR INSURANCE CONTRACTS

The Group makes significant judgments on whether a group of insurance contracts' insurance risks are of the same nature. Different measurement units would affect the measurement of insurance contract liabilities.

(4) IMPAIRMENT OF AVAILABLE-FOR-SALE EQUITY INVESTMENTS

The Group considers that impairment provision is needed for an available-for-sale equity investment when there is a significant or prolonged decline in fair value of that security below its cost. Management exercises judgment when determining conditions that are considered "significant or prolonged". Please refer to Note 3. (14) for the factors which the Group considers when making such judgment.

(5) VALUATION OF INSURANCE CONTRACT LIABILITIES

At the end of the reporting period, when measuring the insurance contract liabilities, the Group needs to make a reasonable estimate of amount of the payments which the Group is required to make in fulfilling the obligations under the insurance contracts, based on information currently available at the end of the reporting period.

At the end of the reporting period, the Group shall make an estimate of the assumptions used in the measurement of insurance contract liabilities. Such assumptions shall be determined based on information currently available at the end of the reporting period. To determine these assumptions, the Group selects proper risk margins according to both uncertainties and degree of impact of expected future cash outflows.

The main assumptions used in the measurement of policyholders' reserves and unearned premium reserves are as follows:

- For insurance contracts where the future insurance benefits are not affected by investment income of the underlying asset portfolio, the discount rate assumption is based on "benchmarking yield curve for the measurement of insurance contract liabilities" issued by China Government Securities Depository Trust & Clearing Co., with consideration made for the impact of the tax and liquidity premium. The discount rate assumption for the measurement at the end of 2009 ranges from 2.83% to 5.48%. For insurance contracts where the future insurance benefits are affected by investment income of the underlying asset portfolio, the discount rates are determined based on expected future investment returns of the asset portfolio backing those liabilities. The investment return assumption for the measurement at the end of 2009 ranges from 4.5% to 5.5%.

  The discount rate and investment return assumptions are affected by the future macro economy, capital market, investment channels of insurance funds, investment strategy, etc, and therefore subject to uncertainty.

- The Group uses reasonable estimates, based on market and actual experience and expected future development trends, in deriving assumptions of mortality rates, morbidity rates, disability rates, etc..

  The assumption of mortality rates is based on the Group's prior experience data on mortality rates, estimates of current and future expectations, the understanding of China insurance market as well as a risk margin. The assumption of mortality rates is presented as a percentage of "China Life Insurance Mortality Table (2000-2003)",which is the industry standard for life insurance in China.

  The assumption of morbidity rates is determined based on the Group's assumptions used in product pricing, experience data of morbidity rates, and estimates of current and future expectation as well as a risk margin.

  The assumptions of mortality and morbidity rates are affected by factors such as changes in lifestyles of national citizens, social development, and improvement of medical treatment, and hence subject to uncertainty.

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

(5) VALUATION OF INSURANCE CONTRACT LIABILITIES (CONTINUED)

- The Group uses reasonable estimates, based on actual experience and future development trends, in deriving lapse rate assumptions.

  The assumption of lapse rates is determined by reference to different pricing interest rates, product categories and sales channels separately.

  The assumption of lapse rates is affected by factors such as future macro-economy and market competition, and hence subject to uncertainty.

- The Group uses reasonable estimates, based on expense study and future development trends, in deriving expense assumptions. If the future expense level becomes sensitive to inflation, the Group will consider the inflation factor as well in determining expense assumptions.

  The expense assumption includes assumptions of acquisition costs and maintenance costs. The assumption of maintenance costs also has a risk margin.

- The Group uses reasonable estimates, based on expected investment returns of participating insurance accounts, participating dividend policy, policyholders' reasonable expectations, etc. in deriving policy dividend assumptions.

  The assumption of participating insurance accounts is affected by the above factors, and hence bears uncertainty. The future assumption of participating insurance with a risk margin for 2009 is that policy dividend for participating individual products is calculated at 90% of the mortality spread and interest spread, while policy dividend for participating group products is calculated at 90% of interest spread.

- In the measurement of unearned premium reserve for property and casualty insurance and short term life insurance business, the Group uses 3% as the risk margin which is consistent with industry guideline.

The major assumptions needed in measuring claim reserves include claim development factor and expected claim ratio, which can be used to forecast trends of future claims so as to estimate the ultimate claim expenses. The loss development factors and expected loss ratio of each measurement unit are based on the Group's historical claim development experiences and claims paid, with consideration of adjustments to company policies like underwriting policies, level of premium rates, claim management and the changing trends of external environments such as macro economy, regulations, and legislation. In measurement of claim reserves, the Group uses 2.5% as the risk margin which is consistent with the industry guideline.

(6) FAIR VALUE OF 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, and by using the discounted cash flow analysis and/or option pricing model.

When using valuation techniques to determine the fair value of financial instruments, the Group uses to the extent all practicable market parameters that market participants would consider in pricing, including risk free rate, credit risk, foreign exchange rate, prices of commodity, share price and index, future volatility of financial instrument prices, risk of repayment in advance, etc. In addition, the management of the Group would also estimate credit risk and market volatility for both parties of the transaction when references are lacking.

Using different valuation techniques and parameter assumptions may lead to significant differences of fair value estimations.

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

(7) 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.

(8) DEFERRED 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 realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. 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 utilized. 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. In this regard, the Group has formulated feasible tax planning strategies to facilitate recognition of deferred tax asset of approximately RMB5,191 million as at 31 December 2009.

5. SCOPE OF CONSOLIDATION

Below are major changes in the subsidiaries of the Group during 2009:

(1) In January 2009, China Ping An Trust & Investment Co., Ltd. ("Ping An Trust") completed the acquisition of 100% equity interest in XJ Group Corporation ("XJ Group") which specializes in the manufacture of electric equipment. The acquisition has been accounted for using the purchase method of accounting. The consolidated financial statements include the results of XJ Group for the period from the acquisition date.

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
Total assets	14,046	10,729
Total liabilities	(10,264)	(9,753)
	3,782	976
Non-controlling interests	(3,060)	
Fair value of net assets acquired attributable to Ping An Trust	722	
Goodwill arising on acquisition	256	
Satisfied by cash	978	

The fair values of the above identifiable assets and liabilities acquired as at the date of acquisition were determined by reference to book values and an independent appraisal report.

5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) (Continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of XJ Group is as follows:

(in RMB million)	
Cash consideration paid in 2008	(978)
Cash and bank balances acquired	2,517
Net inflow of cash and cash equivalents	1,539
Net inflow of cash and cash equivalents in 2009	2,517

The operating results and cash flows of XJ Group from the date of acquisition to 31 December 2009 were as follows:

(in RMB million)	
Operating income	5,498
Profit for the year	500
Net cash outflows	1,027

(2) Particulars of the Company's principal subsidiaries as at 31 December 2009 are set out below:

Name	Place of incorporation	Attributable equity interest Direct	Attributable equity interest Indirect	Registered/authorized capital (RMB unless otherwise stated)	Paid-up capital (RMB unless otherwise stated)	Principal activities
Ping An Life Insurance Company of China, Ltd.	The PRC	99.33%	–	23,800,000,000	23,800,000,000	Life insurance
Ping An Property & Casualty Insurance Company of China, Ltd. (i)	The PRC	99.13%	–	4,000,000,000	6,000,000,000	Property and casualty insurance
Ping An Bank Co., Ltd. (ii)	The PRC	90.75%	–	8,622,824,478	8,622,824,478	Banking
China Ping An Trust & Investment Co., Ltd.	The PRC	99.88%	–	6,988,000,000	6,988,000,000	Investment and trust
Ping An Securities Company, Ltd. (iii)	The PRC	–	86.66%	3,000,000,000	3,000,000,000	Security investment and brokerage
Ping An Annuity Insurance Company of China, Ltd. (iv)	The PRC	99.44%	0.55%	1,800,000,000	2,700,000,000	Annuity insurance
Ping An Asset Management Co., Ltd.	The PRC	96.00%	3.97%	500,000,000	500,000,000	Asset management
Ping An Health Insurance Company of China, Ltd.	The PRC	95.00%	4.97%	500,000,000	500,000,000	Health insurance
China Ping An Insurance Overseas (Holdings) Limited	Hong Kong	100.00%	–	HKD4,000,000,000	HKD555,000,000	Investment holding
China Ping An Insurance (Hong Kong) Company Limited	Hong Kong	–	100.00%	HKD110,000,000	HKD110,000,000	Property and casualty insurance
Ping An Futures Co., Ltd.	The PRC	–	89.47%	120,000,000	120,000,000	Futures brokerage
Shenzhen Ping An New Capital Investment Co., Ltd.	The PRC	–	99.88%	4,000,000,000	4,000,000,000	Investment holding

5. SCOPE OF CONSOLIDATION (CONTINUED)

(2) Particulars of the Company's principal subsidiaries as at 31 December 2009 are set out below: (continued)

Name	Place of incorporation	Attributable equity interest Direct	Indirect	Registered/authorized capital (RMB unless otherwise stated)	Paid-up capital (RMB unless otherwise stated)	Principal activities
Shenzhen Ping An Property Investment Management Co., Ltd.	The PRC	–	99.88%	20,000,000	20,000,000	Property management
Shenzhen Ping An Real Estate Investment Co., Ltd. (v)	The PRC	–	99.88%	1,800,000,000	1,800,000,000	Real estate investment
Shenzhen Xin An Investment Consultant Co., Ltd. (vi)	The PRC	–	99.88%	100,000,000	100,000,000	Investment consulting
Ping An of China Asset Management (Hong Kong) Company Limited	Hong Kong	–	100.00%	HKD80,000,000	HKD65,000,000	Asset management
Yuxi Ping An Real Estate Co., Ltd.	The PRC	–	79.90%	38,500,000	38,500,000	Property leasing
Yuxi Meijiahua Business Management Co., Ltd.	The PRC	–	79.90%	500,000	500,000	Property management
Ping An Meijiahua (Jingzhou) Business Management Co., Ltd.	The PRC	–	50.94%	USD9,700,000	USD9,700,000	Real estate investment
Shenzhen CITIC City Plaza Investment Co., Ltd.	The PRC	–	98.88%	20,000,000	20,000,000	Real estate investment
Anseng Investment Company Limited	British Virgin Islands	–	100.00%	USD50,000	USD2	Project investment
Rich All Investments Company Limited	British Virgin Islands	–	100.00%	USD36,000,001	USD36,000,001	Project investment
Profaith International Investment Limited	British Virgin Islands	–	100.00%	USD50,000	USD1	Project investment
Portfield Limited	Hong Kong	–	100.00%	HKD10,000	HKD10	Project investment
Ningbo Beilun Port Expressway Co., Ltd.	The PRC	–	100.00%	USD77,800,000	USD77,800,000	Operating expressway
Shanxi Changjin Expressway Co., Ltd.	The PRC	–	59.60%	750,000,000	750,000,000	Operating expressway
Shanxi Jinjiao Expressway Co., Ltd.	The PRC	–	59.60%	504,000,000	504,000,000	Operating expressway
Beijing Ping An Wanqi Shangdi Hotel Management Co., Ltd.	The PRC	–	69.92%	140,000,000	140,000,000	Hotel management
Beijing Jingan Shihua Shangdi Hotel Management Co., Ltd.	The PRC	–	69.92%	130,000,000	130,000,000	Hotel management
Beijing Huaxia Hotel Co., Ltd.	The PRC	–	69.92%	39,399,030	39,399,030	Hotel management
Shenzhen Ping An Marketing Services Co., Ltd.	The PRC	–	99.88%	10,000,000	10,000,000	Financial advisory services
Shenzhen Ping An Decheng Investment Co., Ltd.	The PRC	–	99.88%	300,000,000	300,000,000	Investment consulting
Ping An Tradition International Money Broking Company Ltd.	The PRC	–	66.92%	50,000,000	50,000,000	Money brokerage
Ping An Caizhi Investment Management Company Limited	The PRC	–	86.66%	300,000,000	300,000,000	Equity investment

5. SCOPE OF CONSOLIDATION (CONTINUED)

(2) Particulars of the Company's principal subsidiaries as at 31 December 2009 are set out below: (continued)

Name	Place of incorporation	Attributable equity interest Direct	Indirect	Registered/authorized capital (RMB unless otherwise stated)	Paid-up capital (RMB unless otherwise stated)	Principal activities
Ping An Technology (Shenzhen) Co., Ltd.	The PRC	–	100.00%	USD30,000,000	USD6,000,000	IT services
Ping An Processing & Technology (Shenzhen) Co., Ltd.	The PRC	–	100.00%	USD30,000,000	USD6,000,000	IT and business process outsourcing services
Ping An Channel Development Consultation Service Company of Shenzhen, Ltd.	The PRC	–	99.88%	3,000,000	3,000,000	Consulting services
Ping An of China Securities (Hong Kong) Company Limited (vii)	Hong Kong	–	86.66%	HKD50,000,000	HKD50,000,000	Security investment and brokerage
XJ Group Corporation (viii)	The PRC	–	99.88%	281,158,000	183,796,599	Electric manufacturing
XJ Electric Co., Ltd. (viii)	The PRC	–	29.86%	378,272,000	378,272,000	Electric manufacturing
Xuchang XJ Wind Electric Technology Co., Ltd. (ix)	The PRC	–	93.07%	220,000,000	120,000,000	Wind generator manufacturing
Xuchang XJ Investment Management Co., Ltd. (ix)	The PRC	–	99.88%	5,000,000	5,000,000	Investment holding
Shanghai Huping Investment Management Co., Ltd. (ix)	The PRC	–	99.88%	1,000,000	1,000,000	Investment holding
The Store Corporation (viii)	The PRC	–	79.90%	26,195,876	26,195,876	E-commerce

Notes:

(i) During 2009, the paid-up capital of Ping An Property & Casualty was increased to RMB6 billion, but the update of its business registration was still in progress as at 31 December 2009.

(ii) During 2009, Shenzhen Ping An Bank Co., Ltd. was renamed as Ping An Bank Co., Ltd. ("Ping An Bank"). Its paid-up capital was increased to RMB8.62 billion.

(iii) During 2009, the paid-up capital of Ping An Securities Company, Ltd. was increased to RMB3 billion.

(iv) During 2009, the paid-up capital of Ping An Annuity was increased to RMB2.7 billion, but the update of its business registration was still in progress as at 31 December 2009.

(v) During 2009, the paid-up capital of Shenzhen Ping An Real Estate Investment Co., Ltd. ("Ping An Real Estate") was increased to RMB1.8 billion.

(vi) During 2009, the paid-up capital of Shenzhen Xin An Investment Consultant Co., Ltd. was increased to RMB100 million.

(vii) During 2009, the paid-up capital of Ping An of China Securities (Hong Kong) Company Limited was increased to HKD50 million.

(viii) These subsidiaries were acquired during 2009 through business combinations without involving entities under common control. Please refer to Note 5. (1) for details of the acquisition of XJ Group. XJ Electric Co., Ltd. is a direct subsidiary of XJ Group Corporation.

(ix) These subsidiaries were newly set up during 2009.

(x) During 2009, Nanning Ping An Meijiahua Real Estate Co., Ltd. was liquidated.

Other than for the new subsidiaries mentioned above, there are no significant changes to the scope of consolidation as at 31 December 2009 from that as at 31 December 2008.

6. SEGMENT REPORTING

Business activities of the Group are first segregated by product and type of service: insurance activities, banking activities, securities activities and corporate activities. Due to differences in the nature of products, risks and capital allocation, insurance activities are further divided between life insurance and property and casualty insurance. The types of products and services from which reportable segments derive revenue are listed below.

- The life insurance segment offers a comprehensive range of life insurance products on individual and group basis, including term, whole-life, endowment, annuity, investment-linked, universal life as well as health and care insurance.

- The property and casualty insurance segment offers a wide variety of insurance products to both private and corporate customers, including automobile insurance, non-automobile insurance, and accident and health insurance.

- The banking segment undertakes loan and intermediary businesses with corporate customers and retail business as well as wealth management and credit card services with individual customers.

- The securities segment undertakes brokerage, trading, investment banking and offers asset management services.

- The corporate segment includes the management and support of the Group's business through its strategy, risk, treasury, finance, legal, human resources functions, etc. The corporate segment derives revenue from investing activities.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is based on indicators such as net profit.

Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

More than 99% of the Group's revenue is derived from its operations in the PRC. More than 99% of the Group's non-current assets are located in the PRC.

During 2009, the Group's top 5 customers in respect of total income are as follows:

(in RMB million)	2009	2008 (Restated)
Total income from top 5 customers	**1,094**	889
Percentage of total income	**0.7%**	1.0%

6. SEGMENT REPORTING (CONTINUED)

The segment analysis as of 31 December 2009 and for the year then ended is as follows:

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Gross written premiums and policy fees	73,439	38,774	–	–	–	–	–	112,213
Less: Premiums ceded to reinsurers	(1,402)	(4,945)	–	–	–	–	–	(6,347)
Change in unearned premium reserves	(161)	(5,322)	–	–	–	–	–	(5,483)
Net earned premiums	71,876	28,507	–	–	–	–	–	100,383
Reinsurance commission income	241	1,698	–	–	–	–	–	1,939
Interest income of banking operations	–	–	6,674	–	–	–	–	6,674
Fees and commission income of non-insurance operations	–	–	482	2,170	–	575	(48)	3,179
Including: inter-segment fees and commission income of non-insurance operations	–	–	–	–	–	48	(48)	–
Investment income	28,668	1,662	409	483	539	1,176	(914)	32,023
Including: Inter-segment investment income	764	34	–	(3)	77	42	(914)	–
Share of profits and losses of associates and joint ventures	(183)	–	–	–	–	365	–	182
Other income	2,057	202	172	22	2	7,707	(1,704)	8,458
Including: Inter-segment other income	557	10	–	–	–	1,137	(1,704)	–
Total income	102,659	32,069	7,737	2,675	541	9,823	(2,666)	152,838
Claims and policyholders' benefits	(67,854)	(16,235)	–	–	–	–	–	(84,089)
Commission expenses of insurance operations	(7,233)	(4,780)	–	–	–	–	569	(11,444)
Interest expenses of banking operations	–	–	(3,249)	–	–	–	785	(2,464)
Fees and commission expenses of non-insurance operations	–	–	(65)	(198)	–	(140)	5	(398)
Loan loss provisions, net of reversals	–	–	(194)	–	–	(34)	–	(228)
Foreign exchange gains/(losses)	(37)	(2)	25	–	(2)	(1)	–	(17)
General and administrative expenses	(11,093)	(8,830)	(2,834)	(1,152)	(469)	(2,832)	1,185	(26,025)
Finance costs	(140)	(78)	–	–	(72)	(595)	5	(880)
Other expenses	(2,628)	(236)	(72)	(1)	(18)	(4,493)	74	(7,374)
Total expenses	(88,985)	(30,161)	(6,389)	(1,351)	(561)	(8,095)	2,623	(132,919)
Profit/(loss) before tax	13,674	1,908	1,348	1,324	(20)	1,728	(43)	19,919
Income tax	(3,300)	(1,233)	(268)	(252)	(98)	(286)	–	(5,437)
Profit/(loss) for the year	10,374	675	1,080	1,072	(118)	1,442	(43)	14,482
Segment assets	604,351	50,850	220,806	24,386	24,958	35,357	(24,996)	935,712
Segment liabilities	575,475	41,689	206,367	19,451	7,053	18,800	(24,866)	843,969
Other segment information:								
Capital expenditure	1,809	579	519	56	30	689	(43)	3,639
Depreciation and amortization	902	275	251	52	48	466	–	1,994
Total other non-cash expenses charged to consolidated results	(13)	94	184	1	–	67	–	333
Investments in associates and joint ventures	7,569	–	–	–	–	4,542	(48)	12,063

6. SEGMENT REPORTING (CONTINUED)

The segment analysis as of 31 December 2008 and for the year then ended is as follows:

(in RMB million)	Life insurance (Restated)	Property and casualty insurance (Restated)	Banking	Securities	Corporate	Others	Elimination	Total (Restated)
Gross written premiums and policy fees	62,089	27,014	–	–	–	–	–	89,103
Less: Premiums ceded to reinsurers	(980)	(4,833)	–	–	–	–	–	(5,813)
Change in unearned premium reserves	(127)	(892)	–	–	–	–	–	(1,019)
Net earned premiums	60,982	21,289	–	–	–	–	–	82,271
Reinsurance commission income	171	1,471	–	–	–	–	–	1,642
Interest income of banking operations	–	–	7,020	–	–	–	–	7,020
Fees and commission income of non-insurance operations	–	–	242	1,321	–	454	(37)	1,980
Including: inter-segment fees and commission income of non-insurance operations	–	–	–	–	–	37	(37)	–
Investment income	(9,436)	1,659	(231)	233	(253)	1,210	(598)	(7,416)
Including: Inter-segment investment income	485	9	–	(12)	98	18	(598)	–
Share of profits and losses of associates and joint ventures	25	–	–	–	–	–	–	25
Other income	1,550	88	44	9	1	1,052	(608)	2,136
Including: Inter-segment other income	215	4	–	–	–	389	(608)	–
Total income	53,292	24,507	7,075	1,563	(252)	2,716	(1,243)	87,658
Claims and policyholders' benefits	(42,023)	(14,494)	–	–	–	–	–	(56,517)
Commission expenses of insurance operations	(5,823)	(3,052)	–	–	–	–	203	(8,672)
Interest expenses of banking operations	–	–	(3,206)	–	–	–	529	(2,677)
Fees and commission expenses of non-insurance operations	–	–	(36)	(92)	–	(80)	4	(204)
Loan loss provisions, net of reversals	–	–	(212)	–	–	(8)	–	(220)
Foreign exchange gains/(losses)	(374)	(40)	18	(4)	(66)	1	–	(465)
General and administrative expenses	(7,762)	(6,145)	(2,085)	(772)	144	(763)	485	(16,898)
Finance costs	(130)	–	–	–	–	(421)	1	(550)
Other expenses	(2,232)	(62)	(177)	(9)	(48)	(434)	21	(2,941)
Total expenses	(58,344)	(23,793)	(5,698)	(877)	30	(1,705)	1,243	(89,144)
Profit/(loss) before tax	(5,052)	714	1,377	686	(222)	1,011	–	(1,486)
Income tax	3,588	(214)	67	(136)	34	(218)	–	3,121
Profit/(loss) for the year	(1,464)	500	1,444	550	(188)	793	–	1,635
Segment assets	476,160	38,101	146,072	13,730	31,945	19,368	(20,812)	704,564
Segment liabilities	464,499	31,543	137,283	9,885	7,034	7,909	(20,748)	637,405
Other segment information								
Capital expenditure	2,270	2,061	529	180	84	397	–	5,521
Depreciation and amortization	685	200	119	23	39	227	–	1,293
Total other non-cash expenses charged to consolidated results	6	(52)	196	–	–	10	–	160
Investments in associates and joint ventures	4,150	–	–	–	–	1,366	(48)	5,468

7. GROSS AND NET WRITTEN PREMIUMS AND POLICY FEES

(in RMB million)	2009	2008 (Restated)
Gross written premiums, policy fees and premium deposits	173,277	129,383
Less: Premium deposits of policies without significant insurance risk transfer	(3,016)	(2,836)
Premiums deposits unbundled from universal life and investment-linked products	(58,048)	(37,444)
Gross written premiums and policy fees	112,213	89,103

(in RMB million)	2009	2008 (Restated)
Long term life business gross written premiums and policy fees	67,513	56,682
Short term life business gross written premiums	5,926	5,407
Property and casualty business gross written premiums	38,774	27,014
Gross written premiums and policy fees	112,213	89,103

(in RMB million)	2009	2008 (Restated)
Gross		
Life insurance		
Individual life insurance	64,315	54,118
Bancassurance	4,528	1,661
Group life insurance	4,596	6,310
	73,439	62,089
Property and casualty insurance		
Automobile insurance	29,561	19,377
Non-automobile insurance	7,476	6,185
Accident and health insurance	1,737	1,452
	38,774	27,014
Gross written premiums and policy fees	112,213	89,103

(in RMB million)	2009	2008 (Restated)
Net of reinsurance premiums ceded		
Life insurance		
Individual life insurance	64,082	54,084
Bancassurance	4,525	1,659
Group life insurance	3,430	5,366
	72,037	61,109
Property and casualty insurance		
Automobile insurance	27,278	17,473
Non-automobile insurance	4,858	3,287
Accident and health insurance	1,693	1,421
	33,829	22,181
Net written premiums and policy fees	105,866	83,290

8. NET INTEREST INCOME OF BANKING OPERATIONS

(in RMB million)	2009	2008
Interest income of banking operations		
Loans and advances to customers	4,853	4,839
Balances with central bank	294	319
Bonds	1,184	1,331
Amounts due from banks and other financial institutions	343	531
	6,674	7,020
Interest expenses of banking operations		
Customer deposits	1,782	2,031
Due to banks and other financial institutions	619	646
Debt issued	63	–
	2,464	2,677
Net interest income of banking operations	4,210	4,343

9. NET FEES AND COMMISSION INCOME OF NON-INSURANCE OPERATIONS

(in RMB million)	2009	2008
Fees and commission income of non-insurance operations		
Brokerage fees	1,271	796
Underwriting commission income	887	511
Trust service fees	390	387
Others	631	286
	3,179	1,980
Fees and commission expenses of non-insurance operations		
Brokerage fees paid	170	92
Other fees paid	228	112
	398	204
Net fees and commission income of non-insurance operations	2,781	1,776

10. INVESTMENT INCOME

(in RMB million)	2009	2008
Net investment income	19,076	18,629
Realized gains	11,563	7,421
Unrealized gains/(losses)	1,814	(7,506)
Impairment losses	(430)	(25,960)
Total investment income	32,023	(7,416)

10. INVESTMENT INCOME (CONTINUED)

(1) NET INVESTMENT INCOME

(in RMB million)	2009	2008
Interest income of non-banking operations on fixed maturity investments		
Bonds		
– Held-to-maturity	6,414	5,038
– Available-for-sale	6,128	5,011
– Carried at fair value through profit or loss	436	622
Term deposits		
– Loans and receivables	3,552	2,717
Current accounts		
– Loans and receivables	420	841
Others		
– Loans and receivables	716	278
Dividend income on equity investments		
Equity investment funds		
– Available-for-sale	597	2,510
– Carried at fair value through profit or loss	241	659
Equity securities		
– Available-for-sale	427	993
– Carried at fair value through profit or loss	26	91
Operating lease income from investment properties	441	367
Interest expenses on assets sold under agreements to repurchase	(322)	(498)
	19,076	18,629

(2) REALIZED GAINS

(in RMB million)	2009	2008
Fixed maturity investments		
– Available-for-sale	1,772	1,231
– Carried at fair value through profit or loss	293	156
Equity investments		
– Available-for-sale	9,359	9,197
– Carried at fair value through profit or loss	354	(3,412)
Derivative financial instruments		
– Carried at fair value through profit or loss	(215)	249
	11,563	7,421

10. INVESTMENT INCOME (CONTINUED)

(3) UNREALIZED GAINS/(LOSSES)

(in RMB million)	2009	2008
Fixed maturity investments		
– Carried at fair value through profit or loss	**(428)**	641
Equity investments		
– Carried at fair value through profit or loss	**1,996**	(7,742)
Derivative financial instruments		
– Carried at fair value through profit or loss	**246**	(405)
	1,814	(7,506)

(4) IMPAIRMENT LOSSES

(in RMB million)	2009	2008
Bonds		
– Available-for-sale	**–**	(73)
Equity investments		
– Available-for-sale	**(430)**	(25,887)
	(430)	(25,960)

11. OTHER INCOME

(in RMB million)	2009	2008 (Restated)
Revenue of XJ Group	**5,498**	–
Expressway toll fee income	**771**	756
Management income of investment-linked products and income of investment contracts	**718**	711
Others	**1,471**	669
	8,458	2,136

12. CLAIMS AND POLICYHOLDERS' BENEFITS

(1)

(in RMB million)	2009 Gross	2009 Reinsurers' share	2009 Net
Claims and claim adjustment expenses	**24,367**	**(3,375)**	**20,992**
Surrenders	**4,993**	**–**	**4,993**
Annuities	**3,363**	**–**	**3,363**
Maturities and survival benefits	**7,558**	**–**	**7,558**
Policyholder dividends	**3,905**	**–**	**3,905**
Increase in policyholders' reserves	**39,100**	**(63)**	**39,037**
Interests credited to policyholder contract deposits	**4,241**	**–**	**4,241**
	87,527	**(3,438)**	**84,089**

(in RMB million)	2008 (Restated) Gross	2008 (Restated) Reinsurers' share	2008 (Restated) Net
Claims and claim adjustment expenses	22,726	(3,923)	18,803
Surrenders	5,715	–	5,715
Annuities	2,875	–	2,875
Maturities and survival benefits	11,586	–	11,586
Policyholder dividends	5,421	–	5,421
Increase in policyholders' reserves	11,480	(456)	11,024
Interests credited to policyholder contract deposits	1,093	–	1,093
	60,896	(4,379)	56,517

(2)

(in RMB million)	2009 Gross	2009 Reinsurers' share	2009 Net
Long term life insurance contracts benefits	**65,752**	**(209)**	**65,543**
Short term life insurance claims	**3,221**	**(910)**	**2,311**
Property and casualty insurance claims	**18,554**	**(2,319)**	**16,235**
	87,527	**(3,438)**	**84,089**

(in RMB million)	2008 (Restated) Gross	2008 (Restated) Reinsurers' share	2008 (Restated) Net
Long term life insurance contracts benefits	40,191	(473)	39,718
Short term life insurance claims	3,262	(957)	2,305
Property and casualty insurance claims	17,443	(2,949)	14,494
	60,896	(4,379)	56,517

13. PROFIT BEFORE TAX

(1) PROFIT BEFORE TAX IS ARRIVED AT AFTER CHARGING/(CREDITING) THE FOLLOWING ITEMS:

(in RMB million)	2009	2008 (Restated)
Employee costs (Note 13. (2))	**9,597**	4,418
Cost of sales from XJ Group	**3,900**	–
Interest expenses on investment contract reserves	**1,047**	1,342
Provision for insurance guarantee fund	**550**	409
Depreciation of investment properties	**207**	169
Depreciation of property and equipment	**1,167**	669
Amortization of intangible assets	**620**	455
Losses on disposal of settled assets	**11**	87
Losses/(gains) on disposal of investment properties, property and equipment	**(194)**	8
Provision for doubtful debts, net	**5**	(81)
Auditors' remuneration – annual audit, interim review and agreed upon procedures	**36**	32
Operating lease payments in respect of land and buildings	**1,328**	965

(2) EMPLOYEE COSTS

(in RMB million)	2009	2008
Wages, salaries and bonuses	**7,864**	3,385
Retirement benefits, social security contributions and welfare benefits	**1,733**	1,033
	9,597	4,418

The employee costs reversed for the scheme of share appreciation rights during the year amount to RMB12 million (2008: expense reversal of RMB2,202 million). For details, please refer to Note 50(4).

14. INCOME TAX

(in RMB million)	2009	2008 (Restated)
Current income tax	**2,843**	2,840
Deferred income tax	**2,594**	(5,961)
	5,437	(3,121)

On 16 March 2007, the National People's Congress approved the *Corporate Income Tax Law of the People's Republic of China* (the new "CIT Law"). The new CIT Law unifies domestic corporate income tax rate at 25% with effect from 1 January 2008. For subsidiaries and branches of the Group located in Special Economic Zones that were entitled to preferential income tax rates, the applicable CIT rate will be transited to 25% over five years. During the transitional period, the applicable CIT rate for applicable subsidiaries and branches will be 18%, 20%, 22%, 24% and 25% for years 2008, 2009, 2010, 2011 and 2012, respectively. For other subsidiaries and branches of the Group, the CIT rate for 2009 is 25%.

Subsidiaries of the Group located in the Hong Kong Special Administrative Region are subject to Hong Kong profits tax. The tax rate of Hong Kong profits tax is 16.5% for 2009 (2008: 16.5%).

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate of 20% (2008:18%) is as follows:

(in RMB million)	2009	2008 (Restated)
Profit/(loss) before tax	**19,919**	(1,486)
Tax computed at the applicable tax rate of 20% (2008:18%)	**3,984**	(267)
Tax effect of expenses not deductible in determining taxable income	**892**	426
Tax effect of income not taxable in determining taxable income	**(1,089)**	(1,988)
Tax effect of different tax rates in current year and future years	**(142)**	(1,117)
Tax effect of higher tax rate on branches and entities (in the PRC) located outside Special Economic Zones	**74**	(97)
Additional tax payable for 2004-2006	**1,099**	27
Impact of tax practices introduced in 2009 on taxation for 2008	**619**	–
Tax refund	**–**	(105)
Income tax per consolidated income statement	**5,437**	(3,121)

The Group's tax position is subject to assessment and inspection of the tax authorities before finalization.

15. OTHER COMPREHENSIVE INCOME

(in RMB million)	2009	2008 (Restated)
Gains/(losses) of available-for-sale financial assets arising during the year	**17,950**	(47,871)
Less: Income tax relating to available-for-sale financial assets	**(1,628)**	6,332
Reclassification adjustments for losses/(gains) included in income statement		
– Gains on disposal	**(11,131)**	(10,428)
– Impairment losses	**430**	25,960
	5,621	(26,007)
Gains/(losses) of shadow accounting adjustments arising during the year	**(1,942)**	380
Less: Income tax relating to shadow accounting adjustments	**(499)**	(220)
Reclassification adjustments for losses included in income statement	**4,390**	1,583
	1,949	1,743
Exchange differences on translation of foreign operations	**66**	19
Share of other comprehensive income of associates	**21**	–
	7,657	(24,245)

16. DIVIDENDS

(in RMB million)	2009	2008
Interim – RMB0.15 (2008: RMB0.20) per ordinary share	**1,102**	1,469
Proposed final – RMB0.30 (2008: Nil) per ordinary share (not recognized as a liability as at 31 December)	**2,204**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

17. EARNINGS PER SHARE

Earnings per share is calculated by dividing the Company's net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year.

	2009	2008 (Restated)
Net profit attributable to ordinary shareholders (in RMB million)	**13,883**	1,418
Weighted average number of outstanding shares of the Company (million shares)	**7,345**	7,345
Basic earnings per share (in RMB)	**1.89**	0.19
Diluted earnings per share (in RMB)	**1.89**	0.19

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

18. BALANCES WITH CENTRAL BANK AND STATUTORY DEPOSITS

(in RMB million)	31 December 2009	31 December 2008	31 December 2007
Mandatory deposits with central bank for banking operations	**17,562**	12,829	14,265
Other deposits with central bank	**7,244**	7,274	4,969
Statutory deposits for insurance operations	**6,200**	5,860	1,560
	31,006	25,963	20,794

In accordance with relevant regulations, Ping An Bank placed mandatory deposits with the People's Bank of China in both RMB and foreign currencies. As at 31 December 2009, the mandatory deposits are calculated at 13.5% (31 December 2008: 13.5%; 31 December 2007: 14.5%) for eligible RMB deposits and 5% (31 December 2008: 5%; 31 December 2007: 5%) for foreign currency deposits.

Statutory deposits for insurance operations are placed with PRC banks in accordance with the PRC Insurance Law and relevant regulations based on not less than 20% of the respective registered capital of the subsidiaries engaged in insurance business within the Group.

19. CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	31 December 2009	31 December 2008	31 December 2007
Cash on hand	**512**	574	382
Term deposits	**89,285**	74,458	57,384
Due from banks and other financial institutions	**63,954**	29,943	28,901
Loans and advances	**4,468**	304	1,192
	158,219	105,279	87,859

Of the above, none of the cash and amounts due from banks and other financial institutions has been designated at fair value.

As at 31 December 2009, cash and amounts due from banks and other financial institutions not available for use, as they had been pledged, amounted to RMB41 million (31 December 2008: RMB14 million; 31 December 2007: RMB14 million).

As at 31 December 2009, cash and amounts due from overseas banks and other financial institutions amounted to RMB438 million (31 December 2008: RMB839 million; 31 December 2007: RMB2,042 million).

20. FIXED MATURITY INVESTMENTS

(in RMB million)	31 December 2009	31 December 2008	31 December 2007
Bonds	**408,235**	327,650	235,373
Policy loans	**5,434**	3,725	2,411
Assets purchased under agreements to resell	**14,748**	13,074	36,457
	428,417	344,449	274,241

(1) BONDS

(in RMB million)	31 December 2009	31 December 2008	31 December 2007
Held-to-maturity, at amortized cost	**218,598**	126,502	127,736
Available-for-sale, at fair value	**178,534**	180,544	83,411
Carried at fair value through profit or loss			
– Held-for-trading	**11,103**	20,604	24,226
	408,235	327,650	235,373

(in RMB million)	31 December 2009	31 December 2008	31 December 2007
Government bonds	**104,871**	97,326	88,365
Central bank bills	**12,116**	26,351	23,440
Finance bonds	**160,270**	105,208	69,657
Corporate bonds	**130,978**	98,765	53,911
	408,235	327,650	235,373
Listed	**60,217**	57,579	47,961
Unlisted	**348,018**	270,071	187,412
	408,235	327,650	235,373

As at 31 December 2009, bonds with par value of RMB60,596 million (31 December 2008: RMB40,983 million; 31 December 2007: RMB12,044 million) were pledged as assets sold under agreements to repurchase. As of the approval date of these financial statements RMB60,041 million of the above amount has been released from such pledge.

(2) ASSETS PURCHASED UNDER AGREEMENTS TO RESELL

(in RMB million)	31 December 2009	31 December 2008	31 December 2007
Securities	**2,640**	9,159	27,173
Bills	**11,108**	3,915	7,959
Loans	**1,000**	–	1,325
Total	**14,748**	13,074	36,457
Less: Provision for impairment losses	**–**	–	–
Net	**14,748**	13,074	36,457

The fair value of the assets held as collateral for assets purchased under agreements to resell approximates their carrying value.

As at 31 December 2009, assets purchased under agreements to resell with carrying amount of RMB1,000 million (31 December 2008: nil; 31 December 2007: nil) were pledged as assets sold under agreements to repurchase. As of the approval date of these financial statements, the above amount has been released from such pledge.

21. EQUITY INVESTMENTS

(in RMB million)	31 December 2009	31 December 2008	31 December 2007
Equity investment funds	**32,921**	30,096	28,899
Equity securities	**46,801**	23,876	98,928
Other equity investments	**2,394**	627	1,104
	82,116	54,599	128,931

(1) EQUITY INVESTMENT FUNDS

(in RMB million)	31 December 2009	31 December 2008	31 December 2007
Available-for-sale, at fair value	**18,426**	11,312	9,481
Held-for-trading	**14,495**	18,784	19,418
	32,921	30,096	28,899
Listed	**5,520**	8,743	2,721
Unlisted	**27,401**	21,353	26,178
	32,921	30,096	28,899

As at 31 December 2009, equity investment funds with carrying amount of RMB94 million (31 December 2008: nil; 31 December 2007: nil) were pledged as assets sold under agreements to repurchase. As of the approval date of these financial statements, the amount has not been released from such pledge.

(2) EQUITY SECURITIES

(in RMB million)	31 December 2009	31 December 2008	31 December 2007
Available-for-sale, at fair value	**43,273**	20,310	85,277
Carried at fair value through profit or loss	**3,528**	3,566	13,651
	46,801	23,876	98,928
Listed	**46,761**	23,876	98,928
Unlisted	**40**	–	–
	46,801	23,876	98,928

(3) OTHER EQUITY INVESTMENTS

(in RMB million)	31 December 2009	31 December 2008	31 December 2007
Available-for-sale, at amortized cost	**2,394**	627	1,104
Unlisted, at amortized cost	**2,394**	627	1,104

As at 31 December 2009, other equity investments with carrying amount of RMB106 million (31 December 2008: nil; 31 December 2007: nil) were pledged as assets sold under agreements to repurchase.

As of the approval date of these financial statements, the amount has not been released from such pledge.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2009			
	Assets		Liabilities	
(in RMB million)	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	**64**	**1**	**202**	**3**
Currency forwards and swaps	**554**	**7**	**831**	**1**
Equity warrants	**51**	**1**	**–**	**–**
Credit default swaps	**–**	**–**	**68**	**6**
	669	**9**	**1,101**	**10**

	31 December 2008			
	Assets		Liabilities	
(in RMB million)	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	18	1	223	15
Currency forwards and swaps	215	1	194	1
Equity warrants	54	5	–	–
Credit default swaps	137	10	547	249
	424	17	964	265

	31 December 2007			
	Assets		Liabilities	
(in RMB million)	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	3,187	4	1,001	18
Currency forwards and swaps	315	10	419	10
Equity warrants	65	159	606	99
Credit default swaps	365	4	584	62
	3,932	177	2,610	189

None of the above derivatives has been designated as a hedging instrument.

23. LOANS AND ADVANCES TO CUSTOMERS

(1) LOANS AND ADVANCES BY INDIVIDUAL AND CORPORATE CUSTOMERS

(in RMB million)	31 December 2009	31 December 2008	31 December 2007
Individual customers			
Credit card loans	**5,548**	2,592	389
Mortgage loans	**22,634**	18,000	16,259
Others	**4,898**	3,874	3,340
Corporate customers			
Loans	**69,342**	46,635	37,696
Discounted bills	**7,569**	3,784	5,977
Gross	**109,991**	74,885	63,661
Loan loss provision			
Individually assessed	**(211)**	(215)	(289)
Collectively assessed	**(720)**	(510)	(247)
	(931)	(725)	(536)
Net	**109,060**	74,160	63,125

23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(2) LOANS AND ADVANCES BY INDUSTRIES

(in RMB million)	31 December 2009		31 December 2008		31 December 2007	
	Amount	%	Amount	%	Amount	%
Agriculture, forestry and fishing	**460**	**0.42%**	156	0.21%	96	0.15%
Mining	**228**	**0.21%**	419	0.56%	175	0.27%
Manufacturing	**13,074**	**11.89%**	10,278	13.73%	13,055	20.51%
Energy	**2,891**	**2.63%**	3,807	5.08%	2,137	3.36%
Transportation and Communications	**9,096**	**8.27%**	5,759	7.69%	4,009	6.30%
Commercial	**10,808**	**9.83%**	8,926	11.93%	6,440	10.12%
Real estate	**4,872**	**4.43%**	5,589	7.46%	6,173	9.70%
Construction	**5,768**	**5.24%**	3,964	5.29%	3,332	5.23%
Individual Customers	**33,080**	**30.07%**	24,466	32.67%	19,988	31.40%
Others	**29,714**	**27.01%**	11,521	15.38%	8,256	12.96%
	109,991	**100.00%**	74,885	100.00%	63,661	100.00%

(3) LOANS AND ADVANCES BY REGION

(in RMB million)	31 December 2009		31 December 2008		31 December 2007	
	Amount	%	Amount	%	Amount	%
Southern China region	**65,530**	**59.58%**	52,603	70.25%	50,427	79.21%
Eastern China region	**44,149**	**40.14%**	22,009	29.39%	12,889	20.25%
Other regions	**312**	**0.28%**	273	0.36%	345	0.54%
	109,991	**100.00%**	74,885	100.00%	63,661	100.00%

(4) LOANS AND ADVANCES BY GUARANTEE TYPE

(in RMB million)	31 December 2009	31 December 2008	31 December 2007
Unsecured loans	**29,665**	19,563	14,284
Guaranteed loans	**25,603**	16,978	12,972
Secured loans			
Loans secured by mortgages	**38,724**	30,053	25,273
Loans secured by other collateral	**15,999**	8,291	11,132
	109,991	74,885	63,661

23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(5) ANALYSIS OF OVERDUE LOANS

	31 December 2009				
(in RMB million)	Within 3 months	3 months to 1 year	1-3 years	More than 3 years	Total
Unsecured loans	**491**	**207**	**53**	**87**	**838**
Guaranteed loans	**42**	**2**	**6**	**3**	**53**
Secured loans					
Loans secured by mortgages	**639**	**92**	**105**	**23**	**859**
Loans secured by other collateral	**8**	**1**	**5**	**–**	**14**
	1,180	**302**	**169**	**113**	**1,764**

	31 December 2008				
(in RMB million)	Within 3 months	3 months to 1 year	1-3 years	More than 3 years	Total
Unsecured loans	296	56	17	88	457
Guaranteed loans	56	200	19	9	284
Secured loans					
Loans secured by mortgages	1,067	240	60	22	1,389
Loans secured by other collateral	96	241	8	–	345
	1,515	737	104	119	2,475

	31 December 2007				
(in RMB million)	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					
Loans secured by mortgages	895	102	57	26	1,080
Loans secured by other collateral	72	200	56	–	328
	1,101	313	252	136	1,802

(6) CREDIT QUALITY ANALYSIS

	31 December 2009		31 December 2008		31 December 2007	
(in RMB million)	Amount	%	Amount	%	Amount	%
Pass	**107,973**	**98.17%**	70,900	94.68%	59,186	92.97%
Special Mention	**1,360**	**1.23%**	3,477	4.64%	3,863	6.07%
Sub-total	**109,333**	**99.40%**	74,377	99.32%	63,049	99.04%
Substandard	**238**	**0.22%**	184	0.25%	299	0.47%
Doubtful	**134**	**0.12%**	187	0.25%	172	0.27%
Loss	**286**	**0.26%**	137	0.18%	141	0.22%
Non-performing loans sub-total	**658**	**0.60%**	508	0.68%	612	0.96%
	109,991	**100.00%**	74,885	100.00%	63,661	100.00%

23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(7) LOAN LOSS PROVISION

(in RMB million)	Individually assessed	Collectively assessed	Total
As at 1 January 2008	289	247	536
Charge/(reversal) for the year	(43)	263	220
Write-off during the year	(20)	–	(20)
Write-backs during the year			
Accreted interests on impaired loans	(10)	–	(10)
Write-backs due to other reasons	(1)	–	(1)
As at 31 December 2008	215	510	725
Charge for the year	18	210	228
Write-off during the year	(10)	–	(10)
Write-backs during the year			
Accreted interests on impaired loans	(12)	–	(12)
As at 31 December 2009	**211**	**720**	**931**

24. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investments in principal associates and joint ventures as at 31 December 2009 are as follows:

(in RMB million) Name of the invested entity	31 December 2009	31 December 2008	31 December 2007
Veolia Water (Kunming) Investment Co., Ltd. ("Veolia Kunming")	**195**	185	169
Veolia Water (Yellow River) Investment Co., Ltd. ("Veolia Yellow River")	**641**	495	541
Veolia Water (Liuzhou) Investment Co., Ltd. ("Veolia Liuzhou")	**111**	86	105
Shanxi Taichang Expressway Co., Ltd. ("Shanxi Taichang")	**987**	1,102	–
Hubei Shumyip Huayin Traffic Development Co., Ltd. ("Hubei Shumyip Huayin")	**467**	568	618
Beijing-Shanghai High-speed Railway Equity Investment Scheme ("Beijing-Shanghai Railway")	**6,066**	2,432	–
Hangzhou Sundy Real Estate Group Co., Ltd. ("Hangzhou Sundy")	**457**	473	–
Ping An Cai Fu Jinkang Trust Schemes of Aggregate Funds ("Jinkang Trust")	**97**	100	–
Shaoxing Pingan New Capital Co., Ltd. ("Shaoxing Pingan New Capital")	**26**	27	–
Central China Securities Holding Co., Ltd. ("Central China Securities")	**2,150**	–	–
Zhong You Jin Hong natural gas transmission Co., Ltd. ("Zhong You Jin Hong)	**403**	–	–
Xi'an Ruilian Modern Electronic Chemical Co., Ltd. ("Xi'an Ruilian")	**294**	–	–
Sichuan Ying Feng Industries Ltd. ("Sichuan Ying Feng)	**69**	–	–
Shanghai Richen Asset Management Co., Ltd. ("Shanghai Richen")	**49**	–	–
Sensible Asset Management Hongkong Limited ("Sensible Asset Management")	**19**	–	–
Others	**32**	–	39
	12,063	5,468	1,472

24. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Name of the invested entity	Place of incorporation	Registered (authorized) capital	Paid-up capital	Percentage holding	Principal Activities
Veolia Kunming	Hong Kong	USD95,000,000	USD91,875,208	24%	Water investment
Veolia Yellow River	Hong Kong	USD250,000,000	USD151,195,839	49%	Water investment
Veolia Liuzhou	Hong Kong	USD32,124,448	USD32,124,448	45%	Water investment
Shanxi Taichang	The PRC	RMB2,600,190,000	RMB2,600,190,000	30%	Operating expressway
Hubei Shumyip Huayin	The PRC	RMB110,000,000	RMB110,000,000	49%	Expressway investment
Beijing-Shanghai Railway	Not applicable	RMB16,000,000,000	RMB15,406,000,000	39.375%	Railway investment
Ping An Roosevelt Holdings Ltd.	Hong Kong	USD10,000	USD10,000	30%	Retail investment
Hangzhou Sundy	The PRC	RMB75,000,000	RMB75,000,000	20%	Real estate development
Jinkang Trust	The PRC	RMB200,000,000	RMB200,000,000	50%	Chain clinic investment
Shaoxing Pingan New Capital	The PRC	RMB300,000,000	RMB90,000,000	30%	Investment holding
Central China Securities	The PRC	RMB2,033,515,700	RMB2,033,515,700	41%	Security investment and brokerage
Zhong You Jin Hong	The PRC	RMB549,396,700	RMB549,396,700	19%	Gas distribution pipe network construction and operation
Xi'an Ruilian	The PRC	RMB34,375,000	RMB34,375,000	40.6%	Liquid crystal materials manufacturing and sales
Sichuan Ying Feng	The PRC	RMB96,600,000	RMB96,600,000	35%	Fertilizer manufacturing and sales
Shanghai Richen	The PRC	RMB179,123,797	RMB179,123,797	27.93%	Investment holding
Sensible Asset Management	Hong Kong	HKD2,000,000	HKD2,000,000	50%	Funds management

25. PREMIUM RECEIVABLES

(in RMB million)	31 December 2009	31 December 2008	31 December 2007
Premium receivables	**4,654**	4,573	4,613
Less: Provision for doubtful receivables	**(78)**	(161)	(179)
Premium receivables, net	**4,576**	4,412	4,434
Life insurance	**2,905**	2,694	2,626
Property and casualty insurance	**1,671**	1,718	1,808
Premium receivables, net	**4,576**	4,412	4,434

Provision is made on a periodic basis for those amounts that are considered uncollectible. The credit terms are generally for a period of one to five months. Overdue balances are reviewed regularly by management.

An aging analysis of premium receivables is as follows:

(in RMB million)	31 December 2009	31 December 2008	31 December 2007
Within 3 months	**4,397**	4,059	4,263
Over 3 but within 1 year	**167**	240	168
Over 1 year	**12**	113	3
	4,576	4,412	4,434

26. REINSURERS' SHARE OF INSURANCE LIABILITIES

(in RMB million)	31 December 2009	31 December 2008 (Restated)	31 December 2007 (Restated)
Reinsurers' share of unearned premium reserves	**2,009**	1,902	1,499
Reinsurers' share of claim reserves	**2,443**	2,689	2,318
Reinsurers' share of policyholders' reserves	**531**	468	12
	4,983	5,059	3,829

27. INVESTMENT PROPERTIES

(in RMB million)	2009	2008
Cost		
As at 1 January	**7,143**	4,506
Additions	**222**	1,704
Transfer from/(to) property and equipment, net	**138**	(135)
Transfer from construction in progress	**–**	1,367
Disposals	**(177)**	(299)
As at 31 December	**7,326**	7,143
Accumulated depreciation and impairment losses		
As at 1 January	**754**	624
Charge for the year	**207**	169
Transfer to property and equipment, net	**–**	(31)
Disposals	**(65)**	(8)
As at 31 December	**896**	754
Net book value		
As at 31 December	**6,430**	6,389
As at 1 January	**6,389**	3,882
Fair value	**9,560**	8,478

The fair value of the investment properties as at 31 December 2009 was estimated by the Company having regard to valuations performed by independent valuers.

The rental income arising from investment properties during the year amounted to RMB441 million (2008: RMB367 million), which is included in net investment income.

Gains on disposal of investment properties during the year amounted to RMB7 million (2008: RMB7 million).

As at 31 December 2009, investment properties with net book value of RMB2,226 million (31 December 2008: RMB1,970 million; 31 December 2007: RMB2,041 million) were used to secure long term borrowings with an aggregate carrying amount of RMB1,721 million (31 December 2008: RMB1,560 million; 31 December 2007: RMB1,612 million).

The Group was still in the process of applying for title certificates for investment properties with a net book value of RMB1,653 million as at 31 December 2009 (31 December 2008: RMB2,983 million; 31 December 2007: RMB192 million).

28. PROPERTY AND EQUIPMENT

(in RMB million)	Leasehold improvements	Buildings	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at 1 January 2009	1,009	4,235	2,804	566	2,676	11,290
Acquisition of subsidiaries	–	1,021	664	17	89	1,791
Additions	449	28	631	157	1,851	3,116
Transfer of construction in progress	201	790	84	–	(1,075)	–
Transfer to investment properties, net	–	(138)	–	–	–	(138)
Disposals	(166)	(431)	(260)	(61)	(292)	(1,210)
As at 31 December 2009	1,493	5,505	3,923	679	3,249	14,849
Accumulated depreciation and impairment losses						
As at 1 January 2009	327	1,129	1,252	284	11	3,003
Acquisition of subsidiaries	–	236	334	12	–	582
Charge for the year	360	224	515	68	–	1,167
Disposals	(118)	(144)	(254)	(53)	–	(569)
As at 31 December 2009	569	1,445	1,847	311	11	4,183
Net book value						
As at 31 December 2009	924	4,060	2,076	368	3,238	10,666
As at 1 January 2009	682	3,106	1,552	282	2,665	8,287

(in RMB million)	Leasehold improvements	Buildings	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at 1 January 2008	718	4,007	2,412	491	3,472	11,100
Acquisition of subsidiaries	–	–	2	–	17	19
Additions	355	108	782	122	1,777	3,144
Transfer of construction in progress	189	4	32	–	(1,592)	(1,367)
Transfer from investment properties, net	–	135	–	–	–	135
Disposals	(253)	(19)	(424)	(47)	(998)	(1,741)
As at 31 December 2008	1,009	4,235	2,804	566	2,676	11,290
Accumulated depreciation and impairment losses						
As at 1 January 2008	405	940	1,305	274	11	2,935
Charge for the year	145	172	301	51	–	669
Transfer from investment properties, net	–	31	–	–	–	31
Disposals	(223)	(14)	(354)	(41)	–	(632)
As at 31 December 2008	327	1,129	1,252	284	11	3,003
Net book value						
As at 31 December 2008	682	3,106	1,552	282	2,665	8,287
As at 1 January 2008	313	3,067	1,107	217	3,461	8,165

28. PROPERTY AND EQUIPMENT (CONTINUED)

As at 31 December 2009, buildings with a net book value of RMB53 million (31 December 2008: nil; 31 December 2007: nil) and prepaid land premiums with a net book value of RMB76 million (31 December 2008: nil; 31 December 2007: nil) were used to secure short term borrowings with an aggregate carrying amount of RMB75 million (31 December 2008: nil; 31 December 2007: nil).

The Group was still in the process of applying for the title certificates for its buildings with a net book value of RMB157 million as at 31 December 2009 (31 December 2008: RMB544 million; 31 December 2007: RMB1,009 million).

29. INTANGIBLE ASSETS

(in RMB million)	Goodwill	Expressway operating rights	Prepaid land premiums	Trademarks, patents and know-how	Software and others	Total
Cost						
As at 1 January 2009	617	7,426	2,477	–	751	11,271
Acquisition of subsidiaries	–	–	349	2,212	104	2,665
Additions	297	–	19	–	282	598
Disposals	–	–	–	–	(2)	(2)
As at 31 December 2009	914	7,426	2,845	2,212	1,135	14,532
Accumulated amortization and impairment losses						
As at 1 January 2009	–	467	193	–	332	992
Acquisition of subsidiaries	–	–	10	–	37	47
Charge for the year	–	324	65	37	194	620
Disposals	–	–	–	–	(1)	(1)
As at 31 December 2009	–	791	268	37	562	1,658
Net book value						
As at 31 December 2009	914	6,635	2,577	2,175	573	12,874
As at 1 January 2009	617	6,959	2,284	–	419	10,279

(in RMB million)	Goodwill	Expressway operating rights	Prepaid land premiums	Software and others	Total
Cost					
As at 1 January 2008	610	2,754	1,026	450	4,840
Acquisition of subsidiaries	–	4,672	144	–	4,816
Additions	53	–	1,307	304	1,664
Disposals	(46)	–	–	(3)	(49)
As at 31 December 2008	617	7,426	2,477	751	11,271
Accumulated amortization and impairment losses					
As at 1 January 2008	–	104	136	200	440
Acquisition of subsidiaries	–	100	–	–	100
Charge for the year	–	263	57	135	455
Disposals	–	–	–	(3)	(3)
As at 31 December 2008	–	467	193	332	992
Net book value					
As at 31 December 2008	617	6,959	2,284	419	10,279
As at 1 January 2008	610	2,650	890	250	4,400

29. INTANGIBLE ASSETS (CONTINUED)

As at 31 December 2009, prepaid land premiums with net book value of RMB76 million (31 December 2008: nil; 31 December 2007: nil) were used to secure short term borrowings. Please refer to Note 28 for details.

As at 31 December 2009, the expressway operating rights were used to secure long term borrowings with the carrying amount of RMB3,535 million (31 December 2008: RMB3,830 million; 31 December 2007: RMB1,606 million).

The Group was still in the process of applying for title certificates for prepaid land premiums with a net book value of RMB1,242 million as at 31 December 2009 (31 December 2008: RMB1,807 million; 31 December 2007: RMB483 million).

30. OTHER ASSETS

(in RMB million)	31 December 2009	31 December 2008 (Restated)	31 December 2007 (Restated)
Other receivables	**3,507**	3,336	1,974
Due from reinsurers	**2,483**	3,325	2,452
Interest receivables	**9,268**	6,435	3,962
Settled assets	**64**	131	538
Bills receivables	**38**	–	–
Prepayments	**576**	–	–
Others	**588**	569	131
	16,524	13,796	9,057

31. SHARE CAPITAL

(in million)	31 December 2009	31 December 2008	31 December 2007
Number of shares registered, issued and fully paid at RMB1 each	**7,345**	7,345	7,345

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.

Out of the Group's retained profits, RMB2,128 million as at 31 December 2009 (31 December 2008: RMB1,774 million) represents the Company's share of its subsidiaries' surplus reserve fund which cannot be used for profit distribution.

Out of the Group's retained profits, RMB3,231 million as at 31 December 2009 (31 December 2008: RMB2,411 million) represents the Company's share of its subsidiaries' general reserve which cannot be used for profit distribution.

32. RESERVES AND RETAINED PROFITS (CONTINUED)

COMPANY

(in RMB million)	Share premium	Available-for-sale financial assets	Surplus reserve fund	General reserve	Retained profits	Total
As at 1 January 2009	**51,907**	**(1,476)**	**6,125**	**395**	**5,025**	**61,976**
Total comprehensive income for the year	**–**	**1,524**	**–**	**–**	**828**	**2,352**
Appropriations to surplus reserve fund	**–**	**–**	**83**	**–**	**(83)**	**–**
Dividend declared	**–**	**–**	**–**	**–**	**(1,102)**	**(1,102)**
As at 31 December 2009	**51,907**	**48**	**6,208**	**395**	**4,668**	**63,226**
As at 1 January 2008	51,907	288	5,655	395	5,934	64,179
Total comprehensive income for the year	–	(1,764)	–	–	4,703	2,939
Appropriations to surplus reserve fund	–	–	470	–	(470)	–
Dividend declared	–	–	–	–	(5,142)	(5,142)
As at 31 December 2008	51,907	(1,476)	6,125	395	5,025	61,976

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 its balance 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 to offset prior year losses before allocations to such reserves.

Capital reserve mainly represents share premiums arising from the issuance of shares.

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 shall not be less than 25% of the registered capital.

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance, banking, trust, securities and futures businesses. The Group's respective entities engaged in such businesses would need to make appropriations for such reserves based on their respective yearend profit or risk assets, as determined in accordance with PRC Accounting Standards, and based on the applicable PRC financial regulations, in their annual financial statements. Such reserves are 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 31 December 2008 was approved in the shareholders' meeting held on 3 June 2009.

33. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	31 December 2009	31 December 2008	31 December 2007
Deposits from other banks and financial institutions	**24,924**	17,204	7,532
Short term borrowings	**10,050**	3,104	3,894
Long term borrowings	**13,148**	3,884	3,218
	48,122	24,192	14,644

The Group has not had significant defaults of principal, interest or other significant breaches with respect to its liabilities during the year.

34. ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

(in RMB million)	31 December 2009	31 December 2008	31 December 2007
Bills	**–**	–	1,676
Bonds	**59,067**	40,345	11,880
Equity investment funds	**94**	–	–
Loans	**–**	220	–
Assets purchased under agreements to resell	**1,000**	–	–
Others	**203**	559	–
	60,364	41,124	13,556

For the collateral of the assets sold under agreements to repurchase, please refer to Note 20 and 21.

35. CUSTOMER DEPOSITS AND PAYABLES TO BROKERAGE CUSTOMERS

(in RMB million)	31 December 2009	31 December 2008	31 December 2007
Current and saving accounts			
– Corporate customers	**9,787**	33,827	32,769
– Individual customers	**47,340**	7,342	6,160
Term deposits			
– Corporate customers	**9,789**	39,255	34,297
– Individual customers	**60,136**	7,638	4,305
Payables to brokerage customers			
– Corporate customers	**11,803**	736	5,135
– Individual customers	**1,689**	6,193	9,259
	140,544	94,991	91,925

36. INSURANCE CONTRACT LIABILITIES

(in RMB million)	31 December 2009	31 December 2008 (Restated)	31 December 2007 (Restated)
Policyholders' reserves	**333,690**	295,947	287,222
Policyholder contract deposits	**107,861**	62,403	38,201
Policyholder account liabilities in respect of insurance contracts	**42,506**	30,749	34,871
Unearned premium reserves	**20,145**	14,555	13,133
Claim reserves	**12,128**	9,994	7,737
	516,330	413,648	381,164

	31 December 2009		
(in RMB million)	Insurance contract liabilities	Reinsurers' share	Net
Long term life insurance contracts	**484,057**	**(531)**	**483,526**
Short term life insurance contracts	**3,410**	**(779)**	**2,631**
Property and casualty insurance contracts	**28,863**	**(3,673)**	**25,190**
	516,330	**(4,983)**	**511,347**

	31 December 2008 (Restated)		
(in RMB million)	Insurance contract liabilities	Reinsurers' share	Net
Long term life insurance contracts	389,099	(468)	388,631
Short term life insurance contracts	3,220	(762)	2,458
Property and casualty insurance contracts	21,329	(3,829)	17,500
	413,648	(5,059)	408,589

	31 December 2007 (Restated)		
(in RMB million)	Insurance contract liabilities	Reinsurers' share	Net
Long term life insurance contracts	360,294	(12)	360,282
Short term life insurance contracts	2,519	(433)	2,086
Property and casualty insurance contracts	18,351	(3,384)	14,967
	381,164	(3,829)	377,335

(in RMB million)	31 December 2009	31 December 2008 (Restated)
Current portion*		
Long term life	**(12,289)**	(9,101)
Short term life	**3,175**	3,150
Property and casualty	**19,207**	13,886
Non-current portion		
Long term life	**496,346**	398,200
Short term life	**235**	70
Property and casualty	**9,656**	7,443
Total gross insurance contract liabilities	**516,330**	413,648

* Estimated net cash flows within 12 months from the end of the reporting period.

36. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(1) LONG TERM LIFE INSURANCE CONTRACTS

(in RMB million)	31 December 2009	31 December 2008 (Restated)	31 December 2007 (Restated)
Policyholders' reserves	**333,690**	295,947	287,222
Policyholder contract deposits	**107,861**	62,403	38,201
Policyholder account liabilities in respect of insurance contracts	**42,506**	30,749	34,871
	484,057	389,099	360,294

The policyholders' reserves are analyzed as follows:

(in RMB million)	2009	2008 (Restated)
As at 1 January	**295,947**	287,222
Increase during the year	**66,759**	51,023
Decrease during the year		
– Claims and benefits paid	**(19,257)**	(33,955)
– Surrender	**(8,007)**	(6,483)
– Others	**(1,752)**	(1,860)
As at 31 December	**333,690**	295,947

The policyholder contract deposits are analyzed as follows:

(in RMB million)	2009	2008 (Restated)
As at 1 January	**62,403**	38,201
Premiums received	**53,927**	30,786
Accretion of investment income	**3,424**	2,051
Liabilities released for benefits paid	**(4,593)**	(3,010)
Policy administration fees and surrender charges deducted	**(86)**	(57)
Others	**(7,214)**	(5,568)
As at 31 December	**107,861**	62,403

36. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(2) SHORT TERM LIFE INSURANCE CONTRACTS

(in RMB million)	31 December 2009	31 December 2008 (Restated)	31 December 2007 (Restated)
Unearned premium reserves	**2,199**	2,007	1,744
Claim reserves	**1,211**	1,213	775
	3,410	3,220	2,519

The unearned premium reserves of short term life insurance are analyzed as follows:

	2009			2008 (Restated)		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**2,007**	**(381)**	**1,626**	1,744	(245)	1,499
Premiums written during the year	**5,926**	**(1,157)**	**4,769**	5,407	(950)	4,457
Premiums earned during the year	**(5,734)**	**1,126**	**(4,608)**	(5,144)	814	(4,330)
As at 31 December	**2,199**	**(412)**	**1,787**	2,007	(381)	1,626

The claim reserves of short term life insurance are analyzed as follows:

	2009			2008 (Restated)		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**1,213**	**(381)**	**832**	775	(188)	587
Claims incurred during the year	**3,221**	**(910)**	**2,311**	3,262	(957)	2,305
Claims paid during the year	**(3,223)**	**924**	**(2,299)**	(2,824)	764	(2,060)
As at 31 December	**1,211**	**(367)**	**844**	1,213	(381)	832

(3) PROPERTY AND CASUALTY INSURANCE CONTRACTS

(in RMB million)	31 December 2009	31 December 2008 (Restated)	31 December 2007 (Restated)
Unearned premium reserves	**17,946**	12,548	11,389
Claim reserves	**10,917**	8,781	6,962
	28,863	21,329	18,351

The unearned premium reserves of property and casualty insurance are analyzed as follows:

	2009			2008 (Restated)		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**12,548**	**(1,521)**	**11,027**	11,389	(1,254)	10,135
Premiums written during the year	**38,774**	**(4,945)**	**33,829**	27,014	(4,833)	22,181
Premiums earned during the year	**(33,376)**	**4,869**	**(28,507)**	(25,855)	4,566	(21,289)
As at 31 December	**17,946**	**(1,597)**	**16,349**	12,548	(1,521)	11,027

36. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(3) PROPERTY AND CASUALTY INSURANCE CONTRACTS (CONTINUED)

The claim reserves of property and casualty insurance are analysed as follows:

	2009			2008 (Restated)		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**8,781**	**(2,308)**	**6,473**	6,962	(2,130)	4,832
Claims incurred during the year	**18,554**	**(2,319)**	**16,235**	17,443	(2,949)	14,494
Claims paid during the year	**(16,418)**	**2,551**	**(13,867)**	(15,624)	2,771	(12,853)
As at 31 December	**10,917**	**(2,076)**	**8,841**	8,781	(2,308)	6,473

37. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

(in RMB million)	31 December 2009	31 December 2008 (Restated)	31 December 2007 (Restated)
Policyholder account liabilities in respect of investment contracts	**4,416**	3,979	4,622
Investment contract reserves	**22,482**	20,626	18,833
	26,898	24,605	23,455

The investment contract liabilities are analyzed as follows:

(in RMB million)	2009	2008 (Restated)
As at 1 January	**24,605**	23,455
Premiums received	**5,676**	6,366
Accretion of investment income/(loss)	**1,575**	(375)
Liabilities released for benefits paid	**(3,603)**	(3,974)
Policy administration fees and surrender charges deducted	**(1,476)**	(899)
Others	**121**	32
As at 31 December	**26,898**	24,605

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.

38. SUBORDINATED DEBTS

During 2009, Ping An Property & Casualty issued subordinated debts of RMB2 billion through open market bidding. The debts are unsecured and have a maturity period of 10 years. Ping An Property & Casualty has the option to redeem the debts at the end of the fifth year. The interest rates in the first five years are 4.2% per annum and will increase by 3% per annum in the remaining years if Ping An Property & Casualty choose not to exercise the option at the end of the fifth year.

During 2009, Ping An Bank issued subordinated debts of RMB3 billion through open market bidding. The debts are unsecured, among which, RMB1.15 billion are fixed interest rate debts and RMB1.85 billion are floating interest rate debts bearing interest at a rate based on the one year time deposit interest rate. The debts have a maturity period of 10 years and Ping An Bank has the option to redeem the debts at the end of the fifth year. The interest rates of the fixed rate debt and the floating rate debt in the first five years are 4.4% per annum and a rate of one year time deposit interest rate plus 165BP per annum. Both the interest rates of the fixed rate debt and the floating rate debt in the remaining years will increase by 3% per annum if Ping An Bank choose not to exercise the option at the end of the fifth year.

39. DEFERRED TAX ASSETS AND LIABILITIES

(in RMB million)	31 December 2009	31 December 2008 (Restated)	31 December 2007 (Restated)
Deferred tax assets	**7,001**	11,679	935
Deferred tax liabilities	**(1,007)**	(472)	(1,577)
Net	**5,994**	11,207	(642)

	2009				
(in RMB million)	**As at 1 January**	**Charged to profit and loss**	**Charged to equity**	**Others changes**	**As at 31 December**
Fair value adjustment on financial assets and liabilities carried at fair value through profit or loss	**300**	**(373)**	**–**	**–**	**(73)**
Fair value adjustment and impairment loss on available-for-sale investments	**6,413**	**(132)**	**(1,628)**	**–**	**4,653**
Insurance contract liabilities	**4,543**	**(2,283)**	**(499)**	**–**	**1,761**
Others	**(49)**	**194**	**–**	**(492)**	**(347)**
	11,207	**(2,594)**	**(2,127)**	**(492)**	**5,994**

	2008 (Restated)				
(in RMB million)	As at 1 January	Charged to profit and loss	Charged to equity	Others changes	As at 31 December
Fair value adjustment on financial assets and liabilities carried at fair value through profit or loss	(1,067)	1,367	–	–	300
Fair value adjustment and impairment loss on available-for-sale investments	(5,981)	6,062	6,332	–	6,413
Insurance contract liabilities	6,028	(1,265)	(220)	–	4,543
Others	378	(203)	–	(224)	(49)
	(642)	5,961	6,112	(224)	11,207

The Group considers it is probable that sufficient taxable profit will be available in the future to offset the deductible temporary differences and hence deferred tax assets are recognized.

40. OTHER LIABILITIES

(in RMB million)	31 December 2009	31 December 2008 (Restated)	31 December 2007 (Restated)
Other payables	**5,159**	4,622	3,726
Salaries and welfare payable	**3,033**	2,156	4,732
Accounts payable	**1,614**	–	–
Interest payable	**1,378**	975	574
Other tax payable	**1,010**	799	1,099
Bonds payables	**790**	–	–
Receipts in advance	**693**	–	–
Payables on underwriting securities	**700**	–	–
Contingency provision	**374**	375	125
Insurance guarantee fund	**248**	159	126
Dividend payable	**105**	95	86
Bills payable	**49**	–	–
Long term payable	**20**	1,506	–
Others	**177**	385	119
	15,350	11,072	10,587

41. FIDUCIARY ACTIVITIES

(in RMB million)	31 December 2009	31 December 2008 (Restated)	31 December 2007 (Restated)
Assets under trust schemes	**123,739**	43,765	43,520
Assets under corporate annuity schemes	**20,095**	12,402	4,983
Entrusted loans	**1,841**	1,233	1,654
Assets under asset management schemes	**14,377**	6,974	1,317
	160,052	64,374	51,474

All of the above are off-balance sheet items.

42. RISK AND CAPITAL MANAGEMENT

(1) INSURANCE RISK

Insurance risks refer to the risk that actual indemnity might exceed expected indemnity due to the frequency and severity of insurance accidents, as well as the possibility that insurance surrender rates are being underestimated. 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.

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

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 strategies and guidelines.

The business of the Group mainly 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 continuing 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, refuse to pay premiums or exercise annuity conversion option, etc.. Thus, the resultant insurance risk is subject to policyholders' behaviour and decisions.

The Group's concentration of insurance risk is reflected by its major lines of business as analyzed by insurance contract liabilities in Note 36.

(a) Long term life insurance contracts

Assumptions

Material judgment is required in determining insurance contract liabilities and in choosing discount rates/investment return, mortality, morbidity, lapse rates, expenses assumptions relating to long term life insurance contracts. Such assumptions should be determined based on current information available at the end of reporting period. The Group has changed the above assumptions based on current information available as at 31 December 2009 with the corresponding impact on insurance contract liabilities taken into current year's income statement. As a result of such changes in assumptions, the long term life insurance policyholders' reserves were reduced by RMB824 millions, and the profit before tax were increased by RMB824 millions.

Concentration of insurance risks

The Group runs its insurance business primarily within the PRC. Hence the geographical insurance risk is concentrated primarily within the PRC.

Sensitivities

The Group has measured the impact on long term life insurance contract liabilities using sensitivity analysis, of varying independently certain assumptions under reasonable and possible circumstances. The following changes in assumptions have been considered:

- discount rate/investment return assumption increased by 10 basis points every year;
- discount rate/investment return assumption decreased by 10 basis points every year;
- a 10% increase in morbidity rates, mortality of life insurance policies and annuity policies before the payment period, and a 10% decrease in mortality of annuity policies in the payment period;
- a 10% increase in policy lapse rates; and
- a 5% increase in maintenance expense rates.

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

(a) Long term life insurance contracts (continued)

Sensitivities (continued)

	31 December 2009				
	Change in assumptions	Impact on gross policyholders' reserves	Impact on net policyholders' reserves	Impact on profit before tax	Impact on equity before tax
(in RMB million)		Increase/(decrease)	Increase/(decrease)	Increase/(decrease)	Increase/(decrease)
Discount rate/Investment return	+10bps	**(4,286)**	**(4,278)**	**4,278**	**4,278**
Discount rate/Investment return	-10bps	**4,449**	**4,442**	**(4,442)**	**(4,442)**
Morbidity/mortality rates	-10%/+10%	**3,417**	**2,950**	**(2,950)**	**(2,950)**
Policy lapse rates	+10%	**1,757**	**1,771**	**(1,771)**	**(1,771)**
Maintenance expense rates	+5%	**1,087**	**1,087**	**(1,087)**	**(1,087)**

(b) Property and casualty and short term life insurance contracts

Assumptions

The principal assumption underlying the estimates includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year which are determined based on the Group's past claim experiences. 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..

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 the occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim reserves are not known with certainty at the end of the reporting period.

Reproduced below is an exhibit that shows the development of claim reserves:

	Property and casualty insurance (accident year) – gross			
	2007	2008	**2009**	Total
(in RMB million)	(Restated)	(Restated)		
Estimated cumulative claims paid as of:				
End of current year	10,880	16,512	**17,487**	
One years later	10,925	16,749	**–**	
Two years later	11,044	–	**–**	
Estimated cumulative claims	11,044	16,749	**17,487**	45,280
Cumulative claims paid	(10,592)	(15,031)	**(9,585)**	(35,208)
Sub-total				10,072
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin				845
Unpaid claim expenses				10,917

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

(b) Property and casualty and short term life insurance contracts (continued)

Sensitivities (continued)

(in RMB million)	2007 (Restated)	2008 (Restated)	**2009**	Total
	Property and casualty insurance (accident year) – net			
Estimated cumulative claims paid as of:				
End of current year	9,021	13,278	**15,286**	
One years later	9,080	13,300	**–**	
Two years later	9,154	–	**–**	
Estimated cumulative claims	9,154	13,300	**15,286**	37,740
Cumulative claims paid	(8,797)	(12,285)	**(8,583)**	(29,665)
Sub-total				8,075
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin				766
Unpaid claim expenses				8,841

(in RMB million)	2007 (Restated)	2008 (Restated)	**2009**	Total
	Short term life insurance (accident year) – gross			
Estimated cumulative claims paid as of:				
End of current year	2,316	3,235	**3,486**	
One years later	2,336	2,951	**–**	
Two years later	2,354	–	**–**	
Estimated cumulative claims	2,354	2,951	**3,486**	8,791
Cumulative claims paid	(2,354)	(2,904)	**(2,382)**	(7,640)
Sub-total				1,151
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin				60
Unpaid claim expenses				1,211

42. 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) – net			
(in RMB million)	2007 (Restated)	2008 (Restated)	**2009**	Total
Estimated cumulative claims paid as of:				
End of current year	1,790	2,266	**2,452**	
One years later	1,682	2,081	**–**	
Two years later	1,670	–	**–**	
Estimated cumulative claims	1,670	2,081	**2,452**	6,203
Cumulative claims paid	(1,670)	(2,046)	**(1,694)**	(5,410)
Sub-total				793
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin				51
Unpaid claim expenses				844

To illustrate the sensitivities of ultimate claims costs, for example, a respective percentage change in average claim costs alone results in a similar percentage change in claim reserves:

	31 December 2009				
	Change in assumptions	**Impact on gross liabilities**	**Impact on net liabilities**	**Impact on profit before tax**	**Impact on equity before tax**
(in RMB million)		**Increase/(decrease)**	**Increase/(decrease)**	**Increase/(decrease)**	**Increase/(decrease)**
Average claim costs					
Property and casualty insurance	**+5%**	**546**	**442**	**(442)**	**(442)**
Short term life insurance	**+5%**	**61**	**42**	**(42)**	**(42)**

	31 December 2008 (Restated)				
	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity before tax
(in RMB million)		Increase/(decrease)	Increase/(decrease)	Increase/(decrease)	Increase/(decrease)
Average claim costs					
Property and casualty insurance	+5%	439	324	(324)	(324)
Short term life insurance	+5%	61	42	(42)	(42)

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

(c) Reinsurance

The Group limits its exposure to losses from insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on the quota share basis and the 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 statement of financial position as reinsurers' share of insurance liabilities.

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 changes 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), such change in market price may be 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 RMB and other currencies in which the Group conducts business may affect its financial condition and results of operations. The foreign currency risk facing the Group mainly comes from movements in the USD/RMB, HKD/RMB and EUR/RMB exchange rates. 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 foreign currency denominated non-monetary assets and liabilities measured at fair value, as well as monetary assets and liabilities) and equity. The correlation of variables will have a significant effect on 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.

		31 December 2009		31 December 2008	
(in RMB million)	Change in variables	Decrease/(increase) in profit before tax	Decrease/(increase) in equity before tax	Decrease/(increase) in profit before tax	Decrease/(increase) in equity before tax
USD	-5%	**164**	**181**	546	546
HKD	-5%	**42**	**803**	(135)	221
Other currencies	-5%	**11**	**166**	–	54
		217	**1,150**	411	821

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(a) Foreign currency risk (continued)

The main monetary assets and liabilities of the Group (excluding balances of investment-linked contracts) and non-monetary assets and liabilities measured at fair value are analyzed as follows by currency:

	31 December 2009					
(in million)	RMB	USD (Original)	HKD (Original)	EUR (Original)	Others (RMB equivalent)	RMB equivalent total
Assets						
Balances with central bank and statutory deposits	30,910	10	32	–	–	31,006
Cash and amounts due from banks and other financial institutions	151,918	245	5,246	–	9	158,219
Fixed maturity investments	427,363	121	25	21	–	428,417
Equity investments	58,285	452	17,307	317	7	79,722
Loans and advances to customers	107,599	174	310	–	–	109,060
Premium receivables	4,255	44	22	–	1	4,576
Accounts receivable	3,284	–	–	–	–	3,284
Reinsurers' share of insurance liabilities	2,695	33	61	–	–	2,974
Other assets	14,523	99	110	–	–	15,296
	800,832	1,178	23,113	338	17	832,554
Liabilities						
Due to banks and other financial institutions	41,805	364	4,352	–	–	48,122
Assets sold under agreements to repurchase	60,364	–	–	–	–	60,364
Customer deposits and payables to brokerage customers	139,373	132	306	–	–	140,544
Insurance payables	11,365	1	19	–	–	11,389
Investment contract liabilities for policyholders	22,482	–	–	–	–	22,482
Policyholder dividend payable	15,196	–	–	–	–	15,196
Insurance contract liabilities	453,126	64	118	–	12	453,679
Subordinated debts payable	4,990	–	–	–	–	4,990
Other liabilities	12,199	87	63	–	–	12,848
	760,900	648	4,858	–	12	769,614

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(a) Foreign currency risk (continued)

	31 December 2008					
(in million)	RMB	USD (Original)	HKD (Original)	EUR (Original)	Others (RMB equivalent)	RMB equivalent total
Assets						
Balances with central bank and statutory deposits	25,624	45	36	–	–	25,963
Cash and amounts due from banks and other financial institutions	98,447	790	1,614	–	9	105,279
Fixed maturity investments	343,826	68	180	–	–	344,449
Equity investments	38,376	1,072	8,150	112	–	53,972
Loans and advances to customers	73,196	101	310	–	–	74,160
Premium receivables	4,072	48	14	–	–	4,412
Reinsurers' share of insurance liabilities	2,555	88	1	–	–	3,157
Other assets	12,536	78	31	–	–	13,096
	598,632	2,290	10,336	112	9	624,488
Liabilities						
Due to banks and other financial institutions	18,758	235	4,341	–	–	24,192
Assets sold under agreements to repurchase	41,124	–	–	–	–	41,124
Customer deposits and payables to brokerage customers	93,546	187	189	–	–	94,991
Insurance payables	10,119	60	12	–	–	10,540
Investment contract liabilities for policyholders	20,626	–	–	–	–	20,626
Policyholder dividend payable	12,012	–	–	–	–	12,012
Insurance contract liabilities	367,538	110	55	–	6	368,344
Other liabilities	8,021	100	737	–	–	9,354
	571,744	692	5,334	–	6	581,183

Major currencies' exchange rates as of the end of the reporting period are as follows:

	31 December 2009			31 December 2008		
	USD	**HKD**	**EUR**	USD	HKD	EUR
Exchange rate	**6.8282**	**0.8805**	**9.7971**	6.8346	0.8819	9.6590

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(b) Price risk

The Group's price risk exposure relates to financial assets and whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include listed equity securities and equity investment funds classified as 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, where changes are caused by factors specific to the individual financial instruments or their issuers, 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 a 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 use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under or over estimated due to the assumption placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level.

In practice the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

The analysis below is the estimated impact for listed stocks and equity investment funds with 10-day reasonable market fluctuation in using risk value module in the normal market.

(in RMB million)	31 December 2009	31 December 2008
Listed stocks and equity investment funds	**8,114**	6,245

The Group expected that current listed stocks and equity investments funds will not lose more than RMB8,114 million due to market price movements in a 10-trading-day holding period on 99% occasions.

(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 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.

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk (continued)

The analysis below is performed for reasonably possible movements in interest rate 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 (fair value change on held-for-trading bonds) and equity (fair value change on held-for-trading bonds combined with fair value change on available-for-sale bonds).

(in RMB million)	Change in interest rate	31 December 2009 Decrease in profit before tax	31 December 2009 Decrease in equity before tax	31 December 2008 Decrease in profit before tax	31 December 2008 Decrease in equity before tax
Bonds held-for-trading and available-for-sale	+50 basis points	**184**	**4,962**	280	6,269

The following sensitivity analysis is based on the assumption that the floating rate bonds, floating rate term deposits, loans and advances and customer deposits have static structure of interest rate risk. The analysis only measured interest rate changes within one year, reflecting the impact on profits and losses from the re-pricing of financial assets and liabilities within a year with following assumptions: First, interest rate of the floating rate bonds, floating rate term deposits/loans and advances is re-priced since the first re-pricing date after the end of the reporting period while the interest rate of customer deposits is re-priced at the end of the reporting period. Second, the yield curve moved in parallel with the changes in the interest rate. Third, there are no other changes in the portfolio of financial assets and liabilities. Regarding the above assumptions, the effect on the income statement as a result of actual increases or decreases in interest rates may differ from that of the above sensitivity analysis.

(in RMB million)	Change in interest rate	31 December 2009 Increase/(decrease) in profit before tax	31 December 2009 Increase/(decrease) in equity before tax	31 December 2008 Increase/(decrease) in profit before tax	31 December 2008 Increase/(decrease) in equity before tax
Floating interest rate bonds	+50 basis points	**126**	**126**	87	87
Floating rate term deposits	+50 basis points	**153**	**153**	156	156
Loans and advances to customers	+50 basis points	**370**	**370**	265	265
Customer deposits and payables to brokerage customers	+50 basis points	**(520)**	**(520)**	(449)	(449)

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk (continued)

The following table sets out the Group's term deposits (excluding balances of investment-linked contracts) by maturity:

((in RMB million)	31 December 2009	31 December 2008
Fixed interest rate		
Less than 3 months (including 3 months)	**16,835**	3,768
3 months to 1 year (including 1 year)	**3,566**	799
1-2 years (including 2 years)	**14,770**	250
2-3 years (including 3 years)	**1,900**	14,770
3-4 years (including 4 years)	**19,670**	1,900
4-5 years (including 5 years)	**–**	19,670
More than 5 years	**2,044**	2,044
Floating interest rate	**30,500**	31,257
	89,285	74,458

The following table sets out the Group's bonds (excluding balances of investment-linked contracts) by maturity:

	31 December 2009			
(in RMB million)	Held-to-maturity	Available-for-sale	Carried at fair value through profit or loss	Total
Fixed interest rate				
Less than 3 months (including 3 months)	1,227	2,146	853	4,226
3 months to 1 year (including 1 year)	432	3,652	2,542	6,626
1-2 years (including 2 years)	20,139	15,112	726	35,977
2-3 years (including 3 years)	5,051	7,372	939	13,362
3-4 years (including 4 years)	12,868	14,676	779	28,323
4-5 years (including 5 years)	11,403	16,595	1,676	29,674
More than 5 years	160,277	92,750	2,998	256,025
Floating interest rate	7,201	26,231	590	34,022
	218,598	178,534	11,103	408,235

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk (continued)

	31 December 2008			
(in RMB million)	Held-to-maturity	Available-for-sale	Carried at fair value through profit or loss	Total
Fixed interest rate				
Less than 3 months (including 3 months)	107	1,031	2,160	3,298
3 months to 1 year (including 1 year)	7,695	9,308	7,168	24,171
1-2 years (including 2 years)	1,645	4,101	242	5,988
2-3 years (including 3 years)	20,113	17,838	3,832	41,783
3-4 years (including 4 years)	4,099	3,909	294	8,302
4-5 years (including 5 years)	11,563	13,804	1,943	27,310
More than 5 years	73,925	114,733	3,757	192,415
Floating interest rate	7,355	15,820	1,208	24,383
	126,502	180,544	20,604	327,650

Interest rates on floating rate term deposits and floating rate bonds are repriced at intervals of less than one year. Interest rates on fixed rate term deposits and fixed rate bonds are fixed before maturity.

(3) CREDIT RISK

Credit risks refer to the risk of losses incurred by the inabilities of debtors or counterparties to fulfill their contractual obligations or by the adverse changes in their credit conditions. 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 credit control policies, credit analysis on potential investments, and imposing aggregate counterparty exposure limits.

The Group's banking business carries out credit assessment before granting credit to customers and monitors the credit granted on a regular basis. 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.

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

Credit quality

The following table sets forth amounts due from banks and other financial institutions placed with central bank and major commercial banks in the PRC in terms of aggregates held by the Group. The following analysis excludes balances of investment-linked contracts.

(in RMB million)	31 December 2009	31 December 2008
Central bank	**24,806**	20,103
Top five commercial banks		
China Construction Bank Corporation	**27,212**	7,813
Bank of China Limited	**20,328**	11,268
China Minsheng Banking Corp., Ltd.	**17,216**	14,109
Shanghai Pudong Development Bank	**12,000**	8,553
Industrial Bank Co., Ltd.	**11,533**	9,298
Other banks and financial institutions		
Industrial and Commercial Bank of China Limited	**11,336**	10,633
Agricultural Bank of China	**9,306**	9,798
Bank of Communication Co., Ltd.	**6,591**	5,476
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	**165**	70
Others	**42,020**	27,687
	182,513	124,808

The Group's debt securities investment mainly includes domestic government bonds, central bank bills, financial institution bonds and corporate bonds. As at 31 December 2009, 99.99% (31 December 2008: 100.00%) of the financial institution bonds held by the Group either had a credit rating of A or above, or were issued by national commercial banks. As at 31 December 2009, 99.99% (31 December 2008: 100.00%) of the common corporate bonds and short term corporate financing bonds held by the Group had a credit rating of AA and A-1 or above. The bond credit ratings are assigned by qualified appraisal institutions in the PRC.

The credit risk associated with securities purchased under agreements to resell and policy loans will not cause a material impact on the Group's consolidated financial statements taking into consideration their collateral held and a maturity term of no more than one year as at 31 December 2009 and 31 December 2008.

The Group's banking business classifies the credit asset risks based on the five-tier loan classification system promulgated by the China Banking Regulatory Commission (the "CBRC"). The bank applies different management policies to the loans in accordance with their respective loan categories. Please refer to Note 23. (6) for the credit quality analysis.

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

Credit exposure

The table below shows the maximum exposure to credit risk for the financial assets and off-balance sheet items such as credit commitments. The maximum exposure is shown gross, before the effect of mitigation through any collateral held or other credit enhancements.

(in RMB million)	31 December 2009	31 December 2008 (Restated)
Balances with central bank and statutory deposits	**31,006**	25,963
Cash and amounts due from banks and other financial institutions	**158,219**	105,279
Fixed maturity investments	**428,417**	344,449
Equity investments	**82,116**	54,599
Derivative financial assets	**9**	17
Loans and advances to customers	**109,060**	74,160
Premium receivables	**4,576**	4,412
Accounts receivable	**3,284**	–
Other assets	**15,296**	13,096
	831,983	621,975
Credit commitments Note 49. (3)	**104,003**	63,911
Total credit risk exposure	**935,986**	685,886

The balances of investment-linked business are not included in the above table.

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 fair values.

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.;
- for policy loans, cash value of policies, and
- for retail lending, residential properties over mortgages.

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 balance. In general, the Group does not occupy repossessed properties for business use.

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

Aging analysis of financial assets past due

	31 December 2009						
		Past due but not impaired					
(in RMB million)	Not due	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	**158,219**	**–**	**–**	**–**	**–**	**–**	**158,219**
Loans and advances to customers	**108,227**	**542**	**259**	**49**	**850**	**914**	**109,991**
Accounts receivable	**3,264**	**–**	**–**	**–**	**–**	**176**	**3,440**
Premium receivables	**4,055**	**209**	**62**	**250**	**521**	**78**	**4,654**
Due from reinsurers	**1,746**	**3**	**394**	**340**	**737**	**12**	**2,495**
Gross total	**275,511**	**754**	**715**	**639**	**2,108**	**1,180**	**278,799**
Less: Impairment provision	**(468)**	**–**	**–**	**–**	**–**	**(709)**	**(1,177)**
Net	**275,043**	**754**	**715**	**639**	**2,108**	**471**	**277,622**

	31 December 2008 (Restated)						
		Past due but not impaired					
(in RMB million)	Not due	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	105,279	–	–	–	–	9	105,288
Loans and advances to customers	72,410	845	363	159	1,367	1,108	74,885
Premium receivables	3,528	287	237	360	884	161	4,573
Due from reinsurers	3,184	–	78	63	141	17	3,342
Gross total	184,401	1,132	678	582	2,392	1,295	188,088
Less: Impairment provision	(414)	–	–	–	–	(498)	(912)
Net	183,987	1,132	678	582	2,392	797	187,176

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 31 December 2009 was RMB1,271 million (31 December 2008: RMB2,180 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 31 December 2009 was RMB245 million (31 December 2008: RMB355 million).

Financial assets whose terms have been renegotiated

(in RMB million)	31 December 2009	31 December 2008
Loans and advances to customers	**128**	841

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) 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 remaining contractual maturity profile of the financial liabilities of the Group (excluding balances of investment-linked contracts) based on undiscounted contractual cash flows.

	31 December 2009				
(in RMB million)	Past due	Less than 3 months	3 to 12 months	Over 1 year	Total
Derivative financial liabilities	–	**1**	**1**	**8**	**10**
Due to banks and other financial institutions	–	**12,713**	**21,159**	**17,183**	**51,055**
Assets sold under agreements to repurchase	–	**59,199**	**1,204**	–	**60,403**
Customer deposits and payables to brokerage customers	–	**87,110**	**41,034**	**14,394**	**142,538**
Insurance payable	–	**10,531**	**675**	**183**	**11,389**
Investment contract liabilities for policyholders	–	**1,963**	**2,821**	**21,975**	**26,759**
Policyholder dividend payable	–	**15,179**	**17**	–	**15,196**
Subordinated debts payable	–	**84**	–	**5,946**	**6,030**
Other liabilities	**16**	**8,583**	**2,856**	**1,675**	**13,130**
	16	**195,363**	**69,767**	**61,364**	**326,510**

	31 December 2008 (Restated)				
(in RMB million)	Past due	Less than 3 months	3 to 12 months	Over 1 year	Total
Derivative financial liabilities	–	1	8	296	305
Due to banks and other financial institutions	–	13,970	2,882	8,420	25,272
Assets sold under agreements to repurchase	–	40,372	786	–	41,158
Customer deposits and payables to brokerage customers	–	64,443	19,546	12,969	96,958
Insurance payable	–	9,950	560	30	10,540
Investment contract liabilities for policyholders	–	2,033	2,567	20,323	24,923
Policyholder dividend payable	–	1,324	10,688	–	12,012
Other liabilities	–	6,723	871	2,512	10,106
	–	138,816	37,908	44,550	221,274

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

The table below summarizes the expected recovery or settlement of assets.

	31 December 2009		
(in RMB million)	Current*	Non-current	Total
Balances with central bank and statutory deposits	24,806	6,200	31,006
Cash and amounts due from banks and other financial institutions	72,468	85,751	158,219
Fixed maturity investments	42,716	385,701	428,417
Equity investments	18,252	63,864	82,116
Derivative financial assets	9	–	9
Loans and advances to customers	61,088	47,972	109,060
Investments in associates and joint ventures	–	12,063	12,063
Premium receivables	3,666	910	4,576
Accounts receivable	3,284	–	3,284
Inventories	1,562	–	1,562
Reinsurers' share of insurance liabilities	3,147	1,836	4,983
Investment properties	–	6,430	6,430
Property and equipment	–	10,666	10,666
Intangible assets	–	12,874	12,874
Deferred tax assets	–	7,001	7,001
Other assets	15,887	637	16,524
	246,885	641,905	888,790

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

	31 December 2008 (Restated)		
(in RMB million)	Current*	Non-current	Total
Balances with central bank and statutory deposits	7,274	18,689	25,963
Cash and amounts due from banks and other financial institutions	35,943	69,336	105,279
Fixed maturity investments	55,797	288,652	344,449
Equity investments	22,534	32,065	54,599
Derivative financial assets	17	–	17
Loans and advances to customers	39,898	34,262	74,160
Investments in associates and joint ventures	–	5,468	5,468
Premium receivables	4,053	359	4,412
Reinsurers' share of insurance liabilities	4,591	468	5,059
Investment properties	–	6,389	6,389
Property and equipment	–	8,287	8,287
Intangible assets	–	10,279	10,279
Deferred tax assets	–	11,679	11,679
Other assets	13,708	88	13,796
	183,815	486,021	669,836

The balances of investment-linked business are not included in the above table.

* Expected recovery within 12 months from the end of the reporting period.

(5) MISMATCHING RISK OF ASSETS AND LIABILITIES

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 sufficient assets with long enough duration to match that of its life 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.

(6) OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failure of proper internal controls on business processes, employees 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 documentation and ensuring operational and informational security procedures as well as from fraud or errors by employees. The Group attempts to manage operational risk by establishing clear policies and requiring well-documented business processes to ensure that transactions are properly authorized, supported and recorded.

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(7) CAPITAL MANAGEMENT

The Group's capital requirements are primarily dependent on the scale and the type of business that it undertakes, 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 complied with the externally imposed capital requirements as at 31 December 2009 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 the Group and its major insurance subsidiaries and the regulatory capital held against each of them.

	31 December 2009			31 December 2008		
(in RMB million)	Regulatory capital held	Minimum regulatory capital	Solvency margin ratio	Regulatory capital held	Minimum regulatory capital	Solvency margin ratio
The Group	**117,560**	**38,916**	**302.1%**	88,270	28,663	308.0%
Ping An Life	**50,898**	**22,453**	**226.7%**	33,752	18,371	183.7%
Ping An Property & Casualty	**7,268**	**5,061**	**143.6%**	5,047	3,293	153.3%

The Group's solvency ratio is calculated based on the relevant regulations promulgated by the CIRC, which is an indicator of the overall solvency position of a financial conglomerate.

The regulatory capital of the Ping An Bank is analyzed below.

	31 December 2009		31 December 2008	
(in RMB million)	Regulatory capital held	Minimum regulatory capital	Regulatory capital held	Minimum regulatory capital
Core capital	**14,309**	**5,266**	8,381	3,183
Capital	**17,173**	**10,531**	8,510	6,366
Risk weighted assets	**131,638**		79,573	
Core capital adequacy ratio	**10.9%**		10.5%	
Capital adequacy ratio	**13.0%**		10.7%	

The above regulatory ratios are calculated based on "Measures for the Management of Capital Adequacy Ratios of Commercial Banks" and relevant regulations promulgated by the CBRC. The CBRC requires that commercial bank's capital adequacy ratio is no less than 8% and core capital adequacy ratio is no less than 4%.

43. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments mainly consist of cash and amounts due from banks and other financial institutions, time deposits, bonds, funds, stocks, loans, customer deposits and payables to brokerage customers, etc. These financial assets are mainly for the Group's financing of operations. The Group holds various other financial assets and liabilities which directly arose from insurance operation, such as premium receivables, reinsurers' share of insurance liabilities, annuity and other insurance payables, etc.

(1) CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table sets out the carrying values and fair values of the Group's major financial instruments by classification:

(in RMB million)	Carrying values 31 December 2009	Carrying values 31 December 2008	Fair values 31 December 2009	Fair values 31 December 2008
Financial assets				
Available-for-sale				
Bonds	**178,534**	180,544	**178,534**	180,544
Funds	**18,426**	11,312	**18,426**	11,312
Stocks	**45,667**	20,937	**45,667**	20,937
Held-for-trading				
Bonds	**11,103**	20,604	**11,103**	20,604
Funds	**14,495**	18,784	**14,495**	18,784
Stocks	**3,528**	3,566	**3,528**	3,566
Derivative financial assets	**9**	17	**9**	17
Held-to-maturity Bonds	**218,598**	126,502	**221,441**	135,621
Loans and receivables				
Balances with central bank and statutory deposits	**31,006**	25,963	**31,006**	25,963
Cash and amounts due from banks and other financial institutions	**158,219**	105,279	**158,219**	105,279
Loans and advances to customers	**109,060**	74,160	**109,060**	74,160
Policy loans	**5,434**	3,725	**5,434**	3,725
Assets purchased under agreements to resell	**14,748**	13,074	**14,748**	13,074
Premium receivables	**4,576**	4,412	**4,576**	4,412
Other assets	**15,296**	13,096	**15,296**	13,096
Total financial assets	**828,699**	621,975	**831,542**	631,094
Financial liabilities				
Derivative financial liabilities	**10**	265	**10**	265
Other financial liabilities				
Due to banks and other financial institutions	**48,122**	24,192	**48,122**	24,192
Assets sold under agreements to repurchase	**60,364**	41,124	**60,364**	41,124
Customer deposits and payables to brokerage customers	**140,544**	94,991	**140,544**	94,991
Insurance payables	**11,389**	10,540	**11,389**	10,540
Investment contract liabilities for policyholders	**22,482**	20,626	**22,482**	20,626
Policyholder dividend payable	**15,196**	12,012	**15,196**	12,012
Subordinated debts	**4,990**	–	**5,000**	–
Other liabilities	**12,848**	9,354	**12,848**	9,354
Total financial liabilities	**315,945**	213,104	**315,955**	213,104

The assets and liabilities of investment-linked business are not included in the above financial assets and liabilities.

43. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(1) CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements, i.e., held-to-maturity and loans and receivables.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months), it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to demand deposits, and savings accounts without a specific maturity. For other variable rate instruments, an adjustment is also made to reflect the change in the required credit spread since the instrument was first recognised.

Loans and advances to customers of the Group are repriced within one year, and the interest rates are adjusted according to the statutory interest rate announced by the People's Bank of China. Thus, the carrying amounts approximate their fair values.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are determined based on quoted market prices. For those debts issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

43. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

(in RMB million)	31 December 2009 Level 1	Level 2	Level 3	Total fair value
Financial assets				
Held-for-trading financial assets				
Bonds	729	10,374	–	11,103
Equity investment funds	14,495	–	–	14,495
Equity securities	3,528	–	–	3,528
	18,752	10,374	–	29,126
Derivative financial assets				
Interest rate swaps	–	1	–	1
Currency forwards and swaps	–	7	–	7
Equity warrants	–	1	–	1
	–	9	–	9
Available-for-sale financial assets				
Bonds	26,588	151,946	–	178,534
Equity investment funds	18,107	133	186	18,426
Equity securities	37,854	5,419	–	43,273
	82,549	157,498	186	240,233
Total financial assets	101,301	167,881	186	269,368
Financial liabilities				
Derivative financial liabilities				
Interest rate swaps	–	3	–	3
Currency forwards and swaps	–	1	–	1
Credit default swaps	–	6	–	6
Total financial liabilities	–	10	–	10

The assets and liabilities of investment-linked business are not included in the above disclosure of the fair value hierarchy.

43. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

Reconciliation of movements in Level 3 financial instruments measured at fair value

(in RMB million)	Available-for-sale financial assets
	Equity securities
At 1 January 2009	200
Total losses in other comprehensive income	(14)
At 31 December 2009	186

Realized and unrealized losses of Level 3 financial instruments measured at fair value included in other comprehensive income for the year are presented in the consolidated other comprehensive income as follows:

(In RMB million)	Realized losses	Unrealized losses	Total
Total losses included in other comprehensive income for the year	–	14	14
Total losses included in other comprehensive income for assets and liabilities held at 31 December 2009	–	14	14

Transfers

During the year ended 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Sensitivity

The following table shows the sensitivity of the fair value of Level 3 instruments to changes in key assumptions, by class of instrument:

(In RMB million)	Carrying amount	Effect of reasonably possible alternative assumptions
		Increase/(Reduce) Fair Value
Available-for-sale financial assets		
Equity securities		
– Discount rate -5%	186	14
– Discount rate +5%	186	(13)

In order to determine reasonably possible alternative assumptions, the Group adjusted key unobservable model inputs. For equity securities, the adjustment made was to increase and decrease the assumed discount rate by 5% on each direction, which is considered by the Group to be within a range of reasonably possible alternatives based on market practice with reference to a number of listed companies.

44. CASH AND CASH EQUIVALENTS

(in RMB million)	31 December 2009	31 December 2008
Balances with central bank	**7,244**	7,274
Cash and amounts due from banks and other financial institutions		
- Cash on hand	**512**	574
- Term deposits	**15,680**	2,368
- Due from banks and other financial institutions	**39,628**	22,929
- Placements with banks and other financial institutions	**3,963**	3
Equity investments		
- Money-market placements	**11,983**	16,271
Fixed maturity investments		
- Bonds of original maturities within 3 months	**1,296**	50
- Assets purchased under agreements to resell	**8,659**	12,206
Total	**88,965**	61,675

The carrying amounts disclosed above approximate to the fair value at the year end.

45. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit/(loss) before tax to net cash from operating activities:

(in RMB million)	2009	2008
Profit/(loss) before tax	**19,919**	(1,486)
Adjustments for:		
Depreciation	**1,374**	838
Amortization of intangible assets	**620**	455
(Gain)/loss on disposal of investment properties, property and equipment, and intangible assets	**(194)**	8
Investment income	**(32,023)**	7,416
Foreign exchange losses	**17**	465
Provision for doubtful debts, net	**5**	(81)
Losses on disposal of settled assets	**11**	87
Loan loss provisions, net of reversals	**228**	220
Operating profit/(loss) before working capital changes	**(10,043)**	7,922
Changes in operational assets and liabilities:		
Increase in balances with central bank and statutory deposits	**(5,073)**	(2,864)
Increase in amounts due from banks and other financial institutions	**(36,240)**	(8,252)
Decrease/(increase) in premium receivables	**(164)**	22
Increase in accounts receivable	**(3,284)**	–
Increase in inventories	**(1,562)**	–
Decrease/(increase) in reinsurers' share of insurance liabilities	**76**	(1,229)
Increase in loans and advances to customers	**(34,900)**	(11,035)
Decrease/(increase) in policyholder account assets in respect of insurance contracts	**(11,757)**	4,122
Decrease/(increase) in policyholder account assets in respect of investment contracts	**(437)**	643
Increase in other assets	**(2,728)**	(4,741)
Increase in insurance contract liabilities	**116,432**	37,024
Increase in investment contract liabilities for policyholders	**1,567**	528
Increase in amounts due to banks and other financial institutions	**35,134**	16,503
Increase in customer deposits and payables to brokerage customers	**40,897**	13,252
Increase in derivative financial liabilities	**(255)**	76
Increase in policyholder dividend payable	**3,184**	5,006
Increase in other liabilities	**4,347**	427
Cash generated from operations	**95,194**	57,404
Income tax paid	**(1,893)**	1,467
Net cash from operating activities	**93,301**	58,871

46. 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:

(in RMB million)	2009	2008
Salaries and other short term employee benefits	92	68

Apart from the above, certain key management personnel are also eligible for benefits under a long term incentive plan in the form of share appreciation rights. During 2009, neither new share appreciation rights were issued by the Group, there were also no settlement of share appreciation rights that had vested during the year. Please refer to Note 50. (4) for further details.

(2) Directors' and supervisors' remuneration

	2009					
(in RMB thousand)	Fees before tax	Salaries, allowances and other benefits before tax	Bonus before tax (including annua bonus and payment for share appreciation rights)	Contributions to pension schemes	Total before tax	Total after tax
Current directors						
MA Mingzhe	–	4,820	–	22	4,842	2,889
SUN Jianyi	–	2,420	3,116	52	5,588	3,375
CHEUNG Chi Yan Louis	–	8,970	2,731	2	11,703	6,662
WANG Liping	–	1,580	310	45	1,935	1,367
YAO Jason Bo	–	4,200	500	2	4,702	2,875
LIN Lijun	–	397	182	34	613	510
HU Aimin	–	–	–	–	–	–
CHEN Hongbo	–	–	–	–	–	–
WONG Tung Shun Peter	–	–	–	–	–	–
NG Sing Yip	–	–	–	–	–	–
Clive BANNISTER	–	–	–	–	–	–
LI Zhe	–	–	–	–	–	–
CHOW Wing Kin Anthony	300	–	–	–	300	232
ZHANG Hongyi	200	–	–	–	200	160
CHEN Su	200	–	–	–	200	160
XIA Liping	200	–	–	–	200	160
TANG Yunwei	112	–	–	–	112	90
LEE Carmelo Ka Sze	168	–	–	–	168	131
CHUNG Yu Wo Danny	168	–	–	–	168	131
Sub-total	1,348	22,387	6,839	157	30,731	18,742

46. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(2) Directors' and supervisors' remuneration (continued)

(in RMB thousand)	2009 Fees before tax	Salaries, allowances and other benefits before tax	Bonus before tax (including annual bonus and payment for share appreciation rights)	Contributions to pension schemes	Total before tax	Total after tax
Past directors						
KWONG Che Keung Gordon	127	–	–	–	127	100
BAO Youde	85	–	–	–	85	69
CHEUNG Wing Yui	127	–	–	–	127	100
LIN Yu Fen	–	–	–	–	–	–
CHEUNG Lee Wah	–	–	–	–	–	–
FAN Gang	–	262	57	24	343	276
Sub-total	339	262	57	24	682	545
Current supervisors						
GU Liji	144	–	–	–	144	115
SUN Fuxin	60	–	–	–	60	50
PENG Zhijian	–	–	–	–	–	–
SONG Zhijiang	–	–	–	–	–	–
WANG Wenjun	–	308	178	31	517	437
REN Huichuan	–	741	408	20	1,169	858
DING Xinmin	–	978	349	46	1,373	971
Sub-total	204	2,027	935	97	3,263	2,431
Past supervisors						
XIAO Shaolian	106	–	–	–	106	85
DONG Likun	25	–	–	–	25	21
LIN Li	–	–	–	–	–	–
CHE Feng	–	–	–	–	–	–
DUAN Weihong	–	–	–	–	–	–
HU Jie	–	148	–	8	156	133
DU Jiangyuan	–	249	77	27	353	283
Sub-total	131	397	77	35	640	522
Total	2,022	25,073	7,908	313	35,316	22,240

46. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(2) Directors' and supervisors' remuneration (continued)

1. Ms. WANG Liping and Mr. YAO Jason Bo are executive directors of the Company since June 2009. The above emolument figures cover the entire year of 2009.
2. Ms. LI Zhe, Mr. TANG Yunwei, Mr. LEE Carmelo Ka Sze and Mr. CHUNG Yu Wo Danny are directors of the Company since June 2009. The above emolument figures are in relation to the 7-month period from June to December 2009.
3. Mr. HU Aimin resigned as director the Company in February 2010 for retirement, and was succeeded by Mr. GUO Limin.
4. Mr. GU Liji, Mr. PENG Zhijian, Mr. SONG Zhijiang, Mr. DING Xinmin and Mr. REN Huichuan are the supervisors of the Company since June 2009. The above emolument figures are in relation to the 7-month period from June to December 2009. Mr. REN Huichuan resigned as the supervisor of the Company in March 2010, and was succeeded by Mr. SUN Jianping.
5. Mr. KWONG Che Keung Gordon, Mr. BAO Youde, Mr. CHEUNG Wing Yui, Mr. LIN Yu Fen, Mr. CHEUNG Lee Wah and Mr. FAN Gang resigned as the directors of the Company in June 2009 for expiration of the term of office. The above emolument figures are in relation to the 5-month period from January to May 2009.
6. Mr. XIAO Shaolian, Mr. DONG Likun, Mr. LIN Li, Mr. CHE Feng, Ms. DUAN Weihong, Ms. HU Jie and Mr. DU Jiangyuan resigned as the supervisors of the Company in June 2009 for expiration of the term of office. The above emolument figures are in relation to the 5-month period from January to May 2009.

	2008					
(in RMB thousand)	Fees before tax	Salaries, allowances and other benefits before tax	Bonus before tax (including annual bonus and payment for share appreciation rights	Contributions to pension schemes	Total before tax	Total after tax
Current directors						
MA Mingzhe	–	–	–	–	–	–
CHEUNG Chi Yan Louis	–	9,547	–	2	9,549	5,463
SUN Jianyi	–	2,366	–	67	2,433	1,581
LIN Yu Fen	–	–	–	–	–	–
CHEUNG Lee Wah	–	–	–	–	–	–
Clive BANNISTER	–	–	–	–	–	–
LIN Lijun	–	395	–	53	448	381
FAN Gang	–	546	–	65	611	506
HU Aimin	–	–	–	–	–	–
CHEN Hongbo	–	–	–	–	–	–
WONG Tung Shun Peter	–	–	–	–	–	–
NG Sing Yip	–	–	–	–	–	–
BAO Youde	200	–	–	–	200	160
KWONG Che Keung Gordon	300	–	–	–	300	232
CHEUNG Wing Yui	300	–	–	–	300	232
CHOW Wing Kin Anthony	300	–	–	–	300	232
ZHANG Hongyi	200	–	–	–	200	160
CHEN Su	200	–	–	–	200	160
XIA Liping	200	–	–	–	200	160
CHEUNG Chi Yan Louis – remuneration used for donation	–	450	–	–	450	Not applicable
SUN Jianyi – remuneration used for donation	–	55	–	–	55	Not applicable
LIN Lijun – remuneration used for donation	–	10	–	–	10	Not applicable
FAN Gang – remuneration used for donation	–	6	–	–	6	Not applicable
Sub-total	1,700	13,375	–	187	15,262	9,267

46. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(2) Directors' and supervisors' remuneration (continued)

	2008					
(in RMB thousand)	Fees before tax	Salaries, allowances and other benefits before tax	Bonus before tax (including annual bonus and payment for share appreciation rights	Contributions to pension schemes	Total before tax	Total after tax
Past director						
Anthony Philip HOPE	113	–	–	–	113	89
Sub-total	113	–	–	–	113	89
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	–	22	378	321
WANG Wenjun	–	294	–	39	333	291
DU Jiangyuan	–	515	–	63	578	481
WANG Wenjun - remuneration used for donation	–	1	–	–	1	Not applicable
DU Jiangyuan -remuneration used for donation	–	1	–	–	1	Not applicable
Sub-total	370	1,167	–	124	1,661	1,391
Total	2,183	14,542	–	311	17,036	10,747

1. Mr. MA Mingzhe waived all his emoluments for 2008.
2. On 13 May 2008, Mr. Anthony Philip HOPE resigned from his position as a director, and was succeeded by Mr. Clive BANNISTER.

During 2009, 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.

46. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) Compensation of key management personnel other than directors and supervisors is as follows:

(in RMB million)	2009	2008
Salaries and other short term employee benefits	**57**	51

The number of key management personnel other than directors and supervisors whose compensation fell within the following bands is as follows:

	2009	2008
Nil – RMB1,000,000	**1**	1
RMB1,000,001 – RMB1,500,000	**–**	2
RMB1,500,001 – RMB2,000,000	**3**	1
RMB4,000,001 – RMB4,500,000	**1**	1
RMB4,500,001 – RMB5,000,000	**2**	1
RMB5,500,001 – RMB6,000,000	**–**	1
RMB7,000,001 – RMB7,500,000	**–**	1
RMB8,000,001 – RMB8,500,000	**–**	1
RMB9,000,001 – RMB9,500,000	**1**	–
RMB16,000,001 – RMB16,500,000	**–**	1
RMB28,500,001 – RMB29,000,000	**1**	–

Under PRC tax regulations, individual income tax is calculated at progressive rates with a cap of 45%. The effective income tax rates of the above key management personnel other than directors and supervisors of the Group were approximately 26.50% – 44.33% (2008: 26.30% – 42.73%) for 2009 and the average effective tax rate was approximately 41.57% (2008: 39.05%).

Apart from the above, key management personnel were also eligible for benefits under a long term incentive plan in the form of share appreciation rights. During 2009, neither new share appreciation rights were issued by the Group; there were also no settlement of share appreciation rights that had vested during the year. Please refer to Note 50. (4) for further details.

During 2009, no emoluments were paid by the Group to the above key management personnel other than directors and supervisors as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office.

47. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group include 3 (2008: 3) key management members whose emoluments were reflected in the analysis presented in Note 46.

Details of emoluments of the remaining highest paid individuals are as follows:

(in RMB million)	2009	2008
Salaries and other short term employee benefits	**18**	28

The number of non-key management personnel whose emoluments fell within the following bands is as follows:

	2009	2008
Nil – RMB1,000,000	**–**	–
RMB6,500,001 – RMB7,000,000	**1**	–
RMB11,000,001 – RMB11,500,000	**1**	–
RMB13,000,001 – RMB13,500,000	**–**	1
RMB14,500,001 – RMB15,000,000	**–**	1

Under PRC tax regulations, individual income tax is calculated at progressive rates with a cap of 45%.The effective income tax rates of the five highest paid individuals in the Group were approximately 41.60% – 44.33% (2008: 39.17% – 43.40%) for 2009 and the average effective tax rate was approximately 43.19% (2008: 41.52%).

Apart from the above compensation items, certain non-key management personnel were also eligible for benefits under a long term incentive plan in the form of share appreciation rights. During 2009, neither new share appreciation rights were issued by the Group; there were also no settlement of share appreciation rights that had vested during the year. Please refer to Note 50.(4) for further details.

During 2009, no emoluments were paid by the Group to the above highest paid, non-key management personnel as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office.

48. 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 5.

(2) The Company's related parties where significant influence exists include associates and joint ventures (refer to Note 24) 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 19.90% of the Company's shares. Since then, HSBC Holdings and its subsidiaries became the Company's related parties who have significant influence over the Group.

As at 31 December 2009, HSBC Holdings held, through its subsidiaries, over 16% equity interest in the Company.

48. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

As at 31 December 2009, the Group's aggregate bank balances with HSBC were approximately RMB165 million (31 December 2008: RMB70 million). Interest income earned by the Group on these bank balances for the year was approximately RMB0.2 million (2008: RMB1 million).

(3) Please refer to Note 46 for compensation of key management personnel.

49. COMMITMENTS

(1) CAPITAL COMMITMENTS

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

(in RMB million)	31 December 2009	31 December 2008
Contracted but not provided for	**3,629**	7,052
Authorized but not contracted for	**8,140**	1,688
	11,769	8,740

(2) OPERATING LEASE COMMITMENTS

The Group leases office premises and staff quarters under various rental agreements. Future minimum lease payments under non-cancellable operating leases are as follows:

(in RMB million)	31 December 2009	31 December 2008
Within 1 year	**1,150**	902
1 – 5 years	**2,283**	1,684
More than 5 years	**309**	404
	3,742	2,990

(3) CREDIT COMMITMENTS

(in RMB million)	31 December 2009	31 December 2008
Irrevocable loan commitments		
– Within one year under original maturity	**40,915**	19,026
– One year or above under original maturity	**8,667**	1,773
– Credit limit of credit cards	**22,219**	20,741
	71,801	41,540
Financial guarantee contracts		
– Letters of credit issued	**501**	592
– Guarantees issued	**12,640**	9,773
– Bank acceptance	**19,061**	12,006
	32,202	22,371
	104,003	63,911

Irrevocable loan commitments represent contractual amount to grant loans to customers in future. Irrevocable loan commitments contain unused credit card facilities. Since the commitment amount and credit card facilities are the maximum amount that could be used by customers, the total contract amounts do not necessarily represent future cash outflow requirements.

49. COMMITMENTS (CONTINUED)

(3) CREDIT COMMITMENTS (CONTINUED)

Financial guarantee contracts commit the Group to make payments on behalf of customers upon the failures of the customers to perform under the terms of the contract.

(4) OPERATING LEASE RENTAL RECEIVABLES

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

(in RMB million)	31 December 2009	31 December 2008
Within 1 year	**416**	407
1 – 5 years	**1,021**	1,060
More than 5 years	**318**	305
	1,755	1,772

50. 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 relevant 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 and make contributions to various government-sponsored funds for housing purpose. 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 relevant local regulations.

(4) SHARE APPRECIATION RIGHTS SCHEME

On 5 February 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 were issued from 2004 to 2008. Upon exercise of these rights, the participants will receive a cash payment, subject to certain restrictions that the annual amount of aggregate benefit to all participants shall not exceed a percentage of the estimated net profit 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 granted share appreciation rights as described above have all vested as of 31 December 2009. The carrying amount of the share appreciation rights of RMB529 million (31 December 2008: RMB541 million) was calculated based on the relevant share prices on the vesting dates, taking into consideration the caps imposed on such benefit plans based on the profitability for that period. Employee costs reversed in connection with the scheme of share appreciation rights during the year amounted to RMB12 million (2008: expense reversal of RMB2,202 million).

51. CONTINGENT LIABILITIES

Owing to the nature of the 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 and other claims. 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 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.

52. OTHER SIGNIFICANT EVENTS

(1) On 12 June 2009, Ping An Life entered into a share subscription agreement with Shenzhen Development Bank Co., Ltd. ("SDB") pursuant to which it conditionally agreed to subscribe for not less than 370,000,000 but not more than 585,000,000 new SDB shares, based on its average market price for the 20 consecutive trading days preceding the date of announcement of the resolutions of SDB's board of directors approving the transaction. On the same day, the Company entered into a share purchase agreement with Newbridge Asia AIV III L.P. ("Newbridge"), the existing largest shareholder of SDB, pursuant to which the Company conditionally agreed to purchase from Newbridge 520,414,439 SDB shares, representing approximately 16.76% of the issued share capital of SDB as at 12 June 2009. The consideration for such acquisition shall be satisfied by the Company, at the election of Newbridge, by way of the cash consideration of RMB11, 449,117,658 or 299,088,758 of the Company's H shares. The above deals were approved by the shareholders of SDB on 29 June 2009 and the specific mandate to issue the new H shares was approved by shareholders of the Company at the Extraordinary General Meeting and the class meeting of H shareholders and A shareholders, respectively, on 7 August 2009. The transactions are subject to and pending regulatory approvals.

Since the "Long Stop Date" as defined in the "Share Purchase Agreement" expired on 31 December 2009, the Company, after conferred with the Vendor, has entered into a supplemental agreement relating to the "Share Purchase Agreement", namely the "Supplemental Agreement of Share Purchase Agreement on 12 June 2009", with the Newbridge on 24 December 2009, to change the definition of "Long Stop Date" into "30 April 2010 or other date being further extended by no more than 180 days on condition.

(2) The State Administration of Taxation has completed their regular inspection of the Group's tax affairs for fiscal years ended 31 December 2004, 2005 and 2006. The Group has made relevant tax provisions based on the results of the inspection and the Group's current understanding of the tax laws. As at 31 December 2009, the total amount of provision for corporate income tax, business tax and individual income tax, etc. made arising from this tax inspection amounted to RMB1,426 million, of which RMB1,055 million was provided by Ping An Property & Casualty, and RMB359 million was provided by Ping An Life. Of the total amount provided, RMB147 million was charged to the income statement for the year ended 31 December 2008 and RMB1,279 million was charged to the income statement for the year ended 31 December 2009. The final results and tax provision amount of tax inspection are subject to confirmation of tax authorities.

53. EVENTS AFTER THE REPORTING PERIOD

(1) On 16 April 2010, the directors proposed to distribute final dividend of RMB2,204 million as stated in Note 16.

(2) On 11 February 2010, China Electric Power Research Institute ("CEPRI"), Ping An Trust and XJ Group entered into "General Agreement Regarding Investment in XJ Group" and "Agreement Regarding Capital Injection into XJ Group". Upon completion of this capital injection, CEPRI and Ping An Trust will hold 60% and 40% of equity interest in XJ Group respectively.

54. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and restated to conform to the current year's presentation and accounting treatment.

55. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 April 2010.

Appendix: supplementary information to financial statements

As at 31 December 2009 and for the year then ended

Note:

The attached Appendix are supplementary information to the financial statements and have been prepared by the Group on a pro forma basis, in accordance with the IFRS accounting policies as disclosed in its 2008 H-share Annual Report, as though the accounting policies had been applicable as of 31 December 2009 and for the year then ended. The management has disclosed such information to facilitate analysis and comparison with previous years' audited financial information.

The attached Appendix do not form part of the audited financial statements.

Appendix: supplementary information to financial statements

Proforma consolidated income statement

For the year ended 31 December 2009

(in RMB million)	2009 (Unaudited)	2008 (As previously reported)
Gross written premiums and policy fees	**122,913**	98,010
Less: Premiums ceded to reinsurers	**(6,347)**	(5,813)
Net written premiums and policy fees	**116,566**	92,197
Change in unearned premium reserves	**(6,845)**	(1,979)
Net earned premiums	**109,721**	90,218
Reinsurance commission income	**1,759**	1,456
Interest income of banking operations	**6,674**	7,020
Fees and commission income of non-insurance operations	**3,179**	1,980
Investment income	**32,023**	(7,416)
Share of profits and losses of associates and joint ventures	**182**	25
Other income	**8,281**	1,909
Total income	**161,819**	95,192
Change in deferred policy acquisition costs	**15,337**	9,294
Claims and policyholders' benefits	**(105,593)**	(70,188)
Commission expenses of insurance operations	**(19,172)**	(14,660)
Interest expenses of banking operations	**(2,464)**	(2,677)
Fees and commission expenses of non-insurance operations	**(398)**	(204)
Loan loss provisions, net of reversals	**(228)**	(220)
Foreign exchange losses	**(17)**	(465)
General and administrative expenses	**(26,044)**	(16,861)
Finance costs	**(880)**	(550)
Other expenses	**(6,387)**	(1,640)
Total expenses	**(145,846)**	(98,171)
Profit/(loss) before tax	**15,973**	(2,979)
Income tax	**(4,876)**	3,456
Profit for the year	**11,097**	477
Attributable to:		
– Owners of the parent	**10,522**	268
– Non-controlling interests	**575**	209
	11,097	477
	RMB	RMB
Earnings per share attributable to ordinary equity holders of the parent:		
– Basic	**1.43**	0.04
– Diluted	**1.43**	0.04

The unaudited proforma financial information as set out on page 214 through page 218 was prepared in accordance with the Group's IFRS accounting policies for 2008 as if MOF circular Caikuai [2009] No.15 and CIRC circular Baojianfa [2010] No.6 had not been effective for 2009.

Appendix: supplementary information to financial statements

Proforma consolidated statement of comprehensive income

For the year ended 31 December 2009

(in RMB million)	2009 (Unaudited)	2008 (Unaudited)
Profit for the year	**11,097**	477
Other comprehensive income		
Available-for-sale financial assets	**7,249**	(32,298)
Shadow accounting adjustments	**2,856**	2,070
Exchange differences on translation of foreign operations	**66**	19
Share of other comprehensive income of associate	**21**	–
Income tax relating to components of other comprehensive income	**(2,212)**	6,048
Other comprehensive income for the year, net of tax	**7,980**	(24,161)
Total comprehensive income for the year	**19,077**	(23,684)
Attributable to:		
– Owners of the parent	**18,489**	(23,727)
– Non-controlling interests	**588**	43
	19,077	(23,684)

The unaudited proforma financial information as set out on page 214 through page 218 was prepared in accordance with the Group's IFRS accounting policies for 2008 as if MOF circular Caikuai [2009] No.15 and CIRC circular Baojianfa [2010] No.6 had not been effective for 2009.

Appendix: supplementary information to financial statements

Proforma consolidated statement of financial position

As at 31 December 2009

(in RMB million)	31 December 2009 (Unaudited)	31 December 2008 (As previously reported)
Assets		
Balances with central bank and statutory deposits	**31,006**	25,963
Cash and amounts due from banks and other financial institutions	**158,219**	105,279
Fixed maturity investments	**428,417**	344,449
Equity investments	**82,116**	54,599
Derivative financial assets	**9**	17
Loans and advances to customers	**109,060**	74,160
Investments in associates and joint ventures	**12,063**	5,468
Premium receivables	**4,576**	4,412
Accounts receivable	**3,284**	–
Inventories	**1,562**	–
Reinsurers' share of insurance liabilities	**8,404**	8,872
Policyholder account assets in respect of insurance contracts	**42,506**	30,749
Policyholder account assets in respect of investment contracts	**4,416**	3,979
Deferred policy acquisition costs	**65,936**	50,599
Investment properties	**6,430**	6,389
Property and equipment	**10,666**	8,287
Intangible assets	**12,874**	10,279
Deferred tax assets	**4,724**	6,876
Other assets	**16,630**	14,341
Total assets	**1,002,898**	754,718
Equity and liabilities		
Equity		
Share capital	**7,345**	7,345
Reserves	**62,319**	54,277
Retained profits	**30,666**	21,329
Equity attributable to owners of the parent	**100,330**	82,951
Non-controlling interests	**6,880**	2,745
Total equity	**107,210**	85,696
Liabilities		
Due to banks and other financial institutions	**48,122**	24,192
Assets sold under agreements to repurchase	**60,364**	41,124
Derivative financial liabilities	**10**	265
Customer deposits and payables to brokerage customers	**140,544**	94,991
Insurance payables	**15,263**	13,701
Insurance contract liabilities	**583,561**	462,341
Investment contract liabilities for policyholders	**8,326**	6,636
Policyholder dividend payable	**15,196**	12,012
Income tax payable	**1,846**	2,274
Subordinated debts	**4,990**	–
Deferred tax liabilities	**2,116**	998
Other liabilities	**15,350**	10,488
Total liabilities	**895,688**	669,022
Total equity and liabilities	**1,002,898**	754,718

The unaudited proforma financial information as set out on page 214 through page 218 was prepared in accordance with the Group's IFRS accounting policies for 2008 as if MOF circular Caikuai [2009] No.15 and CIRC circular Baojianfa [2010] No.6 had not been effective for 2009.

Appendix: supplementary information to financial statements

Proforma segment reporting

For the year ended 31 December 2009

The segment analysis for the year ended 31 December 2009 is as follows:

(in RMB million) (Unaudited)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Gross written premiums and policy fees	84,139	38,774	–	–	–	–	–	122,913
Less: Premiums ceded to reinsurers	(1,402)	(4,945)	–	–	–	–	–	(6,347)
Change in unearned premium reserves	(53)	(6,792)	–	–	–	–	–	(6,845)
Net earned premiums	82,684	27,037	–	–	–	–	–	109,721
Reinsurance commission income	241	1,518	–	–	–	–	–	1,759
Interest income of banking operations	–	–	6,674	–	–	–	–	6,674
Fees and commission income of non-insurance operations	–	–	482	2,170	–	575	(48)	3,179
Including: inter-segment fees and commission income of non-insurance operations	–	–	–	–	–	48	(48)	–
Investment income	28,668	1,662	409	483	539	1,176	(914)	32,023
Including: Intersegment investment income	764	34	–	(3)	77	42	(914)	–
Share of profits and losses of associates and joint ventures	(183)	–	–	–	–	365	–	182
Other income	1,880	202	172	22	2	7,707	(1,704)	8,281
Including: Intersegment other income	557	10	–	–	–	1,137	(1,704)	–
Total income	113,290	30,419	7,737	2,675	541	9,823	(2,666)	161,819
Change in deferred policy acquisition costs	13,460	1,877	–	–	–	–	–	15,337
Claims and policyholders' benefits	(88,737)	(16,856)	–	–	–	–	–	(105,593)
Commission expenses of insurance operations	(14,961)	(4,780)	–	–	–	–	569	(19,172)
Interest expenses of banking operations	–	–	(3,249)	–	–	–	785	(2,464)
Fees and commission expenses of non-insurance operations	–	–	(65)	(198)	–	(140)	5	(398)
Loan loss provisions, net of reversals	–	–	(194)	–	–	(34)	–	(228)
Foreign exchange gains/(losses)	(37)	(2)	25	–	(2)	(1)	–	(17)
General and administrative expenses	(11,112)	(8,830)	(2,834)	(1,152)	(469)	(2,832)	1,185	(26,044)
Finance costs	(140)	(78)	–	–	(72)	(595)	5	(880)
Other expenses	(1,641)	(236)	(72)	(1)	(18)	(4,493)	74	(6,387)
Total expenses	(103,168)	(28,905)	(6,389)	(1,351)	(561)	(8,095)	2,623	(145,846)
Profit/(loss) before tax	10,122	1,514	1,348	1,324	(20)	1,728	(43)	15,973
Income tax	(2,699)	(1,273)	(268)	(252)	(98)	(286)	–	(4,876)
Profit/(loss) for the year	7,423	241	1,080	1,072	(118)	1,442	(43)	11,097

The unaudited proforma financial information as set out on page 214 through page 218 was prepared in accordance with the Group's IFRS accounting policies for 2008 as if MOF circular Caikuai [2009] No.15 and CIRC circular Baojianfa [2010] No.6 had not been effective for 2009.

Appendix: supplementary information to financial statements

Proforma segment reporting

For the year ended 31 December 2009

The segment analysis for the year ended 31 December 2008 is as follows:

(in RMB million) (As previously reported)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Gross written premiums and policy fees	70,996	27,014	–	–	–	–	–	98,010
Less: Premiums ceded to reinsurers	(980)	(4,833)	–	–	–	–	–	(5,813)
Change in unearned premium reserves	(272)	(1,707)	–	–	–	–	–	(1,979)
Net earned premiums	69,744	20,474	–	–	–	–	–	90,218
Reinsurance commission income	171	1,285	–	–	–	–	–	1,456
Interest income of banking operations	–	–	7,020	–	–	–	–	7,020
Fees and commission income of non-insurance operations	–	–	242	1,321	–	454	(37)	1,980
Investment income	(9,436)	1,659	(231)	233	(253)	1,210	(598)	(7,416)
Including: Intersegment investment income	485	9	–	(12)	98	18	(598)	–
Share of profits and losses of associates and joint ventures	25	–	–	–	–	–	–	25
Other income	1,323	88	44	9	1	1,052	(608)	1,909
Including: Intersegment other income	215	4	–	–	–	389	(608)	–
Total income	61,827	23,506	7,075	1,563	(252)	2,716	(1,243)	95,192
Change in deferred policy acquisition costs	8,732	562	–	–	–	–	–	9,294
Claims and policyholders' benefits	(56,576)	(13,612)	–	–	–	–	–	(70,188)
Commission expenses of insurance operations	(11,811)	(3,052)	–	–	–	–	203	(14,660)
Interest expenses of banking operations	–	–	(3,206)	–	–	–	529	(2,677)
Fees and commission expenses of non-insurance operations	–	–	(36)	(92)	–	(80)	4	(204)
Loan loss provisions, net of reversals	–	–	(212)	–	–	(8)	–	(220)
Foreign exchange gains/(losses)	(374)	(40)	18	(4)	(66)	1	–	(465)
General and administrative expenses	(7,726)	(6,145)	(2,085)	(771)	144	(763)	485	(16,861)
Finance costs	(130)	–	–	–	–	(421)	1	(550)
Other expenses	(930)	(62)	(177)	(10)	(48)	(434)	21	(1,640)
Total expenses	(68,815)	(22,349)	(5,698)	(877)	30	(1,705)	1,243	(98,171)
Profit/(loss) before tax	(6,988)	1,157	1,377	686	(222)	1,011	–	(2,979)
Income tax	4,032	(323)	67	(136)	34	(218)	–	3,456
Profit/(loss) for the year	(2,956)	834	1,444	550	(188)	793	–	477

The unaudited proforma financial information as set out on page 214 through page 218 was prepared in accordance with the Group's IFRS accounting policies for 2008 as if MOF circular Caikuai [2009] No.15 and CIRC circular Baojianfa [2010] No.6 had not been effective for 2009.

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, June 29, 2010 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, 2009.

2. To consider and approve the report of the supervisory committee of the Company (the "Supervisory Committee") for the year ended December 31, 2009.

3. To consider and approve the annual report of the Company and its summary for the year ended December 31, 2009.

4. To consider and approve the report of the auditors and the audited financial statements of the Company for the year ended December 31, 2009.

5. To consider and approve the profit distribution plan and the recommendation for the final dividend for the year ended December 31, 2009.

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. David Fried as a Non-executive Director of the Company to hold office until the expiring of the term of the 8th Session of the Board of Directors.

AS SPECIAL RESOLUTIONS

8. To consider and approve the proposed amendments to the Articles of Association of the Company and authorize the Board of Directors to make further amendments to the Articles of Association of the Company that it considers necessary, appropriate or expedient in accordance with the applicable laws and regulations, and the requirements of China Insurance Regulatory Commission ("CIRC") and other relevant regulatory authorities.

   The amended Articles of Association of the Company as referred to in this special resolution shall come into effect following the relevant approvals from CIRC are obtained.

9. 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."

AS REPORTING DOCUMENTS

10. To consider and review the "Performance Report of the Directors for the Year 2009 of the Company".

11. To consider and review the "Report on Connected Transactions and Implementation of Management System of Connected Transactions for 2009".

By order of the Board of Directors

Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC
April 27, 2010

As at the date of this notice, the Executive Directors of the Company are Ma Mingzhe, Sun Jianyi, Cheung Chi Yan Louis, Wang Liping and Yao Jason Bo, the Non-executive Directors are Lin Lijun, Chen Hongbo, Wong Tung Shun Peter, Ng Sing Yip, Clive Bannister, Li Zhe and Guo Limin, the Independent Non-executive Directors are Chow Wing Kin Anthony, Zhang Hongyi, Chen Su, Xia Liping, Tang Yunwei, Lee Ka Sze Carmelo and Chung Yu-wo Danny.

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, the H share register of members will be closed from Friday, May 28, 2010 to Tuesday, June 29, 2010, both days inclusive. Holders of the Company's H shares whose names appear on the register of members on Tuesday, June 29, 2010 are entitled to attend the meeting. In order 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 Thursday, May 27, 2010. 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 registration date and arrangements in relation to the rights of holders of A shares of the Company to attend the annual general meeting of the Company and to receive the final dividend for the year ended December 31, 2009 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 17M 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 Tuesday, June 8, 2010 by hand, by post or by fax. The Company's principal place of business in the PRC is at 15, 16, 17, 18 Floors, Galaxy Development Center, Fu Hua No. 3 Road, Futian District, Shenzhen, PRC (Tel: (86 755) 400 8866 338, Fax: (86 755) 8243 1029). The contact persons are LIU Cheng (劉程) (Tel: (86 755) 2262 2101) and WANG Xiaoli (王小利) (Tel: (86 755) 2262 2828). The Company's principal place of business in Hong Kong is at 17th Floor, Allied Kajima Building, 138 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.9, the purpose of seeking approval of such mandate is to give directors flexibility and discretion to issue new H shares in the event that it comes desirable for the Company and the directors have no present plan to issue new H Shares pursuant to such mandate.

Definition

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

Ping An, 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
Ping An Bank	Ping An Bank Co., Ltd., a subsidiary of the Company
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	Ping An Futures Co., Ltd., a subsidiary of Ping An Securities
Ping An Caizhi	Ping An Caizhi Investment Management Company Limited, a subsidiary of Ping An Securities
Ping An New Capital	Shenzhen Ping An New Capital Investment Co., Ltd., a subsidiary of Ping An Trust
Ping An Technology	Ping An Technology (Shenzhen) Co., Ltd., a subsidiary of Ping An Overseas Holdings
Ping An Processing & Technology	Ping An Processing & Technology (Shenzhen) Co., Ltd., a subsidiary of Ping An Overseas Holdings
Ping An Marketing Services	Shenzhen Ping An Marketing Services Co., Ltd., a subsidiary of Ping An New Capital
Ping An Channel Development	Ping An Channel Development Consultation Service Company of Shenzhen, Ltd., a subsidiary of Ping An New Capital
XJ Group	XJ Group Corporation, a subsidiary of Ping An Trust

CAS	The Accounting Standards for Business Enterprises and the other relevant regulations issued by the Ministry of Finance
No. 2 Interpretation	The "No. 2 Interpretation of Accounting Standards for Business Enterprises" (Cai Kuai [2008] No. 11) issued by the Ministry of Finance
IFRS	International Financial Reporting Standards issued by International Accounting Standards Board
Written Premiums	All premiums received from the policies underwritten by the Company, which is prior to the significant insurance risk testing and unbundling of hybrid risk contracts
CSRC	China Securities Regulatory Commission
CIRC	China Insurance Regulatory Commission
CBRC	China Banking Regulatory Commission
Ministry of Finance	Ministry of Finance People's Republic of China
PBOC	The People's Bank of China
Stock Exchange	The Stock Exchange of Hong Kong Limited
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
China Life	China Life Insurance Company Limited
PICC	PICC Property & Casualty Insurance Company Limited
Pacific Life	China Pacific Life Insurance Co., Ltd.
Pacific Property	China Pacific Property Insurance Co., Ltd.,
Fortis	Fortis SA/NV and Fortis N.V.
Listing Rules	the Rules Governing the list of Securities of The Stock Exchange of Hong Kong Limited
Code on Corporate Governance Practices	the Code on Corporate Governance Practices as contained in Appendix 14 to the Listing Rules
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 as contained in Appendix 10 to the Listing Rules
Shenzhen Development Bank	Shenzhen Development Bank Co., Ltd.

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
Offices at 15, 16, 17, 18 Floors,
Galaxy Development Center,
Fu Hua No. 3 Road,
Futian District,
Shenzhen,
Guang Dong Province,
PRC

PLACE OF BUSINESS
Offices at 15, 16, 17, 18 Floors,
Galaxy Development Center,
Fu Hua No. 3 Road,
Futian District,
Shenzhen,
Guang Dong Province,
PRC

LEGAL REPRESENTATIVE
MA Mingzhe

AUTHORIZED REPRESENTATIVES
SUN Jianyi
YAO Jun

COMPANY SECRETARY
YAO Jun

AUDITORS
Ernst & Young

CONSULTING ACTUARIES
Ernst & Young (China) Advisory 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
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