中国平安
PING AN

Annual Report 2010

中国平安 PING AN

Every step to prosperity, with Ping An by your side

Our faithful care for every family
Comes from Ping An's staunch commitment,
Filling your life with bliss and brightness.

Our contribution to modern finance
Comes from Ping An's continuous innovation,
Achieving your dream without limits.

Our management of your personal finance
Comes from Ping An's professional expertise,
Growing the value of your wealth on a solid basis.

Insurance – banking – investment
Every step to prosperity, with Ping An by your side

In the world of wealth, people need and seek financial services that are reliable, professional and innovative to keep and grow the value of their wealth. Built on a commitment of care to every family in China with leading innovation capabilities and professional solutions, Ping An constantly strives to satisfy the modern financial needs of its clients in all financial aspects and offers a comprehensive range of financial services covering insurance, banking and investments. For every step that our customers take towards a life of prosperity and happiness, Ping An contributes its professionalism in sincerity.

Five-year summary

(in RMB million)	2010	2009	2008	2007	2006
GROUP[2]					
Total income	**195,814**	152,838	87,658	138,213	88,198
Net profit	**17,938**	14,482	1,635	19,219	8,000
Basic earnings per share (in RMB)	**2.30**	1.89	0.19	2.61	1.27
Total assets	**1,171,627**	935,712	704,564	692,222	494,435
Total liabilities	**1,054,744**	843,969	637,405	578,371	446,685
Total equity	**116,883**	91,743	67,159	113,851	47,750
Investment portfolio of insurance funds[3]	**762,953**	589,713	464,665	441,308	332,164
Net investment yield[3] (%)	**4.2**	3.9	4.1	4.5	4.3
Total investment yield[3] (%)	**4.9**	6.4	(1.7)	14.1	7.7
Embedded value	**200,986**	155,258	122,859	150,311	65,573
Group solvency margin ratio[4] (%)	**197.9**	302.1	308.0	486.7	–
INSURANCE BUSINESS[2]					
Life Insurance Business					
Written premiums	**164,448**	134,503	102,369	79,279	68,411
Net profit	**8,417**	10,374	(1,464)	10,883	5,704
Net investment yield (%)	**4.3**	4.0	4.0	4.8	4.5
Total investment yield (%)	**5.0**	6.7	(2.4)	14.2	7.8
Embedded value	**121,086**	100,704	69,643	73,407	38,347
Solvency margin ratio – Ping An Life (%)	**180.2**	226.7	183.7	287.9	183.1
Property and Casualty Insurance Business					
Premium income	**62,507**	38,774	27,014	21,666	16,994
Net profit	**3,865**	675	500	2,073	1,048
Net investment yield (%)	**4.0**	4.0	4.3	4.0	3.7
Total investment yield (%)	**4.2**	5.4	7.0	14.7	5.3
Combined ratio (%)	**93.2**	98.6	104.0	97.6	95.6
Solvency margin ratio – Ping An Property & Casualty (%)	**179.6**	143.6	153.3	181.6	131.3
BANKING BUSINESS[5]					
Net interest income	**5,438**	3,425	3,814	3,478	112
Net profit	**2,882**	1,080	1,444	1,537	71
Net interest spread (%)	**2.18**	1.77	2.66	2.81	1.81
Cost/income ratio (%)	**52.9**	59.5	47.0	41.0	43.1
Total deposits	**182,118**	149,065	106,814	113,053	73,044
Total loans	**130,798**	107,562	72,486	61,900	48,926
Capital adequacy ratio (%)	**11.0**	13.0	10.7	9.1	11.9
Non-performing loan ratio (%)	**0.41**	0.46	0.54	0.83	6.34
INVESTMENT BUSINESS					
Securities Business					
Total income	**3,850**	2,477	1,471	3,271	1,277
Net profit	**1,594**	1,072	550	1,492	609
Trust Business					
Total income	**2,155**	1,192	1,661	1,216	332
Net profit	**1,039**	606	1,207	744	194

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

(2) The figures of 2010, 2009 and 2008 are prepared according to the Company's accounting policies after adoption of No.2, Interpretation and the figures of 2007 and 2006 have not been restated.

(3) The figures of 2010, 2009, 2008 and 2007 are the investment portfolio and the investment yield of insurance funds, and the figure of 2006 have not been recalculated according to new method.

(4) According to the regulation issued by the CIRC, insurance group company began to prepare the solvency report since 2008, the group solvency ratio for year 2006 was not calculated.

(5) The net profit includes the share of profits from SDB as an associated company based on the equity method, other data only relate to Ping An Bank.

Contents

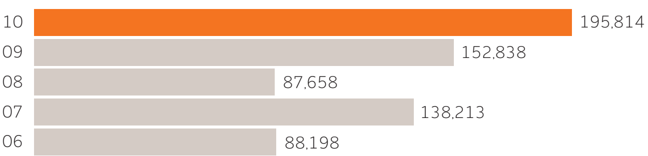
Introduction

Ping An is China's leading integrated financial services group. Our seamless structure allows us to serve the insurance, banking and investment needs of more than 60 million customers. We do this by combining local knowledge with high international standards of corporate governance.

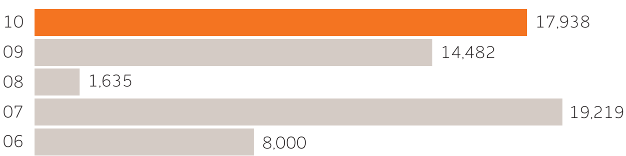
HIGHLIGHTS

- Total assets exceeded RMB1 trillion while net assets was over RMB100 billion, with steadily improved business quality and a strengthening of overall competitiveness.
- Net profit reached RMB17,938 million, up 23.9% compared to last year.
- Significant progress was made in our strategic investment in Shenzhen Development Bank.
- Written premiums from Ping An Life exceeded RMB150 billion. Premium income of Ping An Property & Casualty leapt over RMB60 billion and the most optimum combined ratio in record was achieved.
- Net profit of Ping An Bank increased by 60.8% as compared with last year. Accumulated credit cards issued exceeded 6 million, and the credit card business achieved profitability for the first time in the last three years.
- Ping An Securities' investment banking business maintained its leading position. Ping An Trust achieved remarkable progress in its business transformation. Ping An-UOB Fund was established with the approval of the regulatory authorities.

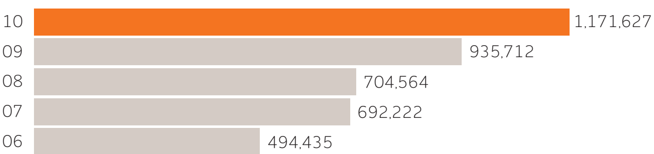
Total Income (in RMB million)



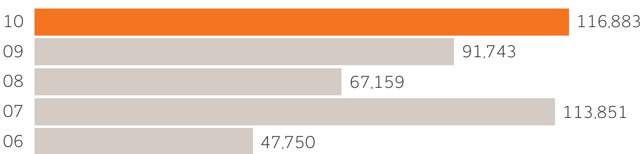
Net Profit (in RMB million)



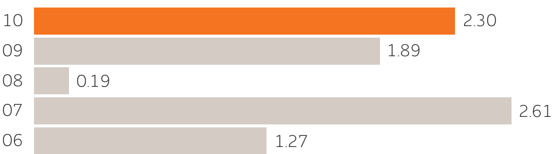
Total Assets (in RMB million)



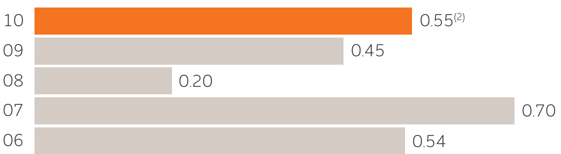
Total Equity (in RMB million)



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 2010 final dividend of RMB0.40 per share is proposed for approval at the annual general meeting.

Business at a glance

In 22 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.

Customers

60 m

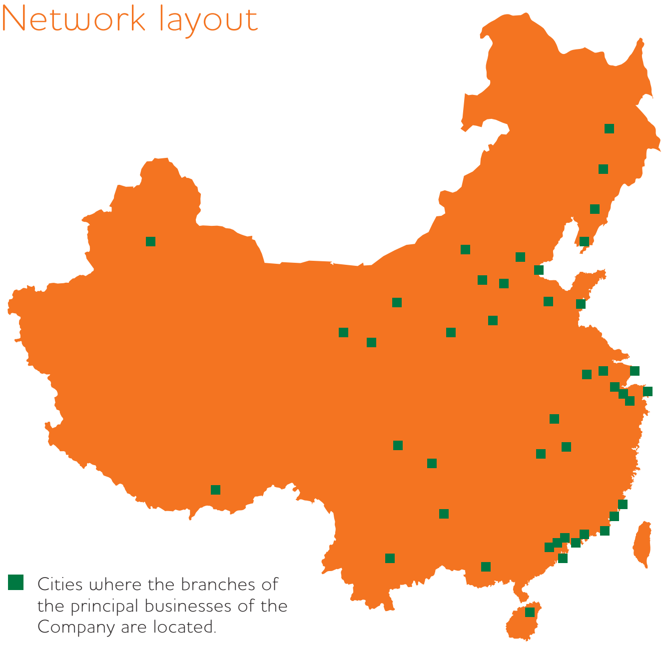
Employees

128,808

Sales agents

453,392

Network layout



Cities where the branches of the principal businesses of the Company are located.

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

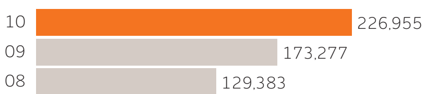
INSURANCE

- Ping An Life
- Ping An Property & Casualty
- Ping An Annuity
- Ping An Health
- Ping An Hong Kong

Ping An was primarily engaged in the property and casualty insurance business. After 22 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.

- Written premiums from Ping An Life exceeded RMB150 billion and first-year written premiums from the more profitable individual life insurance business grew significantly.
- Premium income from Ping An Property & Casualty surpassed RMB60 billion and the most optimum combined ratio in record was achieved.
- Ping An Annuity maintained its leading position in the industry.

Written Premiums *(in RMB million)*



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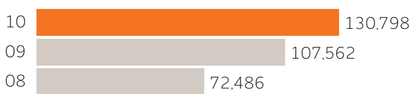
BANKING

- Ping An Bank
- Shenzhen Development Bank

Banking business is an essential part of the integrated financial services platform of the Company. 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, etc. Shenzhen Development Bank became our associated company since May, 2010.

- Significant progress was made in our strategic investment in Shenzhen Development Bank.
- Ping An Bank achieved robust growth with an increase of net profit by 60.8% as compared with last year, becoming one of the fastest growing companies in the industry.
- Accumulated credit cards issued exceeded 6 million, and the credit card business achieved profitability for the first time in the last three years.

Loan Balances *(in RMB million)*



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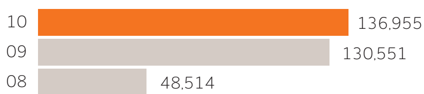
INVESTMENT

- Ping An Trust
- Ping An Securities
- Ping An Asset Management
- Ping An Overseas Holdings
- Ping An Asset Management (Hong Kong)
- Ping An-UOB Fund

Investment business is one of the core businesses of the Company. Ping An Asset Management, Ping An Asset Management (Hong Kong), Ping An Securities, Ping An Trust and Ping An-UOB Fund together form the investment and asset management platform of the Company, providing customer with diversified investment products and services.

- Ping An Securities successfully sponsored 39 IPOs and 11 refinancing projects as the lead underwriter, ranking the first in terms of the number of deals and the underwriting revenue for IPO.
- Ping An Trust accelerated the development of wealth management business and optimized product structure, achieving remarkable progress in business transformation.
- Ping An-UOB Fund was established with the approval of the regulatory authorities.

Assets Held in Trust *(in RMB million)*



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SHARED PLATFORM

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

Chairman's statement

We believe integrated financial solutions are increasingly becoming an industry trend, and will be critical for China to maintain its competitive position in the international financial industry. Following years of testing and practice, Ping An has established a mature operational platform underpinned by cross-selling which effectively drives well-balanced growth of the Group's three major businesses: insurance, banking and investment. It is the collective commitment, relentless effort and innovation of our 450 thousands agents and 130 thousands staff that are the backbone of our business success and enable us to pursue our vision of becoming a global leader in integrated financial services.


1


2


3

1. Lighting ceremony of Ping An's billboard at Ping An International Finance Centre in Lujiazui, Shanghai, in mid 2010. The giant neon sign became an immediate focal point of Lujiazui's glittery skyline.

2. On August 24, 2010, Ping An Health announced its strategic partnership with Discovery, South Africa's largest health insurance company, in a press conference in Beijing. The partnership was formed to help both companies tap the high-end health management and the emerging private health insurance markets in China.

3. As at the end of 2010, Ping An Bank achieved stable and healthy development across all lines of business. The bank has over 6 million accumulated credit cards issued.

2010 was a year of major breakthroughs for Ping An, a direct result of our proactive initiatives in face of the changing economic environment. Our total and net assets crossed over RMB1 trillion and RMB100 billion, respectively. Our three-pillar businesses, namely insurance, banking and investment, achieved an above industry-average growth, further enhancing our overall competitive edge. During the year, we made notable progress in the banking sector by becoming the largest shareholder of Shenzhen Development Bank. The Company has established strategic cooperative partnership with Discovery, the largest health insurance company in South Africa. We also obtained official approval to set up Ping An-UOB Fund. These are all concrete steps taken by Ping An to implement its strategy of building a competitive integrated financial services business. In 2010, our overall profitability improved and the Company recorded a net profit of RMB17,938 million, representing a year-on-year growth of 23.9%, of which the banking and investment contribution increased to 31.5% from 23.7% in 2009.

Business Highlights

In 2010, each pillar of Ping An's businesses performed strongly. Notable achievements include:

- **Our insurance business continued to grow at a rapid pace with premium income from the property and casualty division and life insurance business reaching a new high.** Ping An Life realized total written premiums of over RMB150 billion for the year, an increase of 20.2% compared to the previous 12 months. The increase was driven primarily by the growth in individual life insurance which commands a higher profit margin. First-year written premiums from individual life insurance grew by 37.6% over the previous year. Premium income from Ping An Property & Casualty also posted a record high of over RMB60 billion, an increase of 61.4%, as our market share grew 2.5 percentage points to 15.4%. The second largest market position has been further consolidated. Meanwhile, the combined ratio improved to 93.2%, our best to date, demonstrating the continuous improvement in the quality of our business. Our annuity business also kept a rapid and healthy development, three major performance indicators – annuity payments received, assets entrusted and assets under management – all maintained leading position in the industry. Our health insurance business has taken Discovery, the largest health insurance company in South Africa, as a strategic investor. This partnership will undoubtedly elevate Ping An's position within the highly competitive domestic health care insurance and health management market.

- **Ping An Bank reported a rapid and above market growth; Our strategic investment in Shenzhen Development Bank made a significant progress.** Ping An Bank saw a stronger than average growth, reporting a net profit of RMB1,737 million, an increase of 60.8% compared to the previous year. Profit contribution from major businesses improved significantly. Balance of retail deposits increased by 61.9%, again outpacing the industry average. Credit card business, with over 6 million cards issued, saw profit for the first time while loans to SMEs grew by 78.6%. The proportion of contribution from cross-selling increased across all businesses. In the first half of 2010, with the approvals from the relevant regulatory authorities, the Company accomplished share-swap transaction with NEWBRIDGE and subscription of new shares of Shenzhen Development Bank, and became the largest shareholder of SDB. The proposed restructuring plan of SDB and Ping An Bank has been passed in the extraordinary general meeting of SDB and Ping An, respectively in September and November, and is subject to approval from regulatory bodies. At present, the Company holds 29.99% of SDB's total shares. As an associate company of Ping An, Shenzhen Development Bank has already contributed a profit of RMB1,145 million in 2010.


4

- **Investment banking business of Ping An Securities continued to hold its leading position in the market. The transformation of our trust business progressed remarkably. Formal approval to set up Ping An-UOB Fund was obtained successfully.** Ping An Securities recorded a net profit of RMB1,594 million, representing an increase of 48.7% compared to last year. The investment banking business continued to top the SMEs and the GEM underwriting market, sponsoring 39 IPOs and 11 refinancing projects as lead underwriter. We were ranked top in the league table by number of deals and underwriting fees for IPO transactions. Net profit of Ping An Trust increased by 71.5% to RMB1,039 million. We accelerated the wealth management business and optimized product structure, achieving remarkable progress in trust business transformation. Ping An Asset Management achieved a total investment yield of 4.9%, further demonstrating Ping An's investment capabilities in the industry. On December 28, 2010, Ping An-UOB Fund was established with the approval of the regulatory authorities, which is expected to add another dimension to the services offered by the Group and hence putting us one step closer to be an integrated financial services provider.

- **We put continuous efforts to build an integrated financial services platform, with synergies further realized from cross-selling among our business units.** The second phase of our back-office centralization project which focuses on the further optimization of cost and support of cross-selling reported good progress and operated with efficient multi-centers. Our move towards centralization and resources sharing offered further cost-saving benefits. Ping An has established an effective management mechanism for cross-selling and a leading telesales platform. We are actively exploring innovative sales models and hardware facilities incorporating state-of-the-art IT. In 2010, 41.6% of automobile premium income of Ping An Property & Casualty came from cross-selling and telesales; 54.5% of the newly issued credit cards of Ping An Bank were generated from cross-selling channels, and 34.8% of the newly added retail deposits grew out of cross-selling. In addition, cross-selling significantly contributed to the trust business and the increment in daily average size of corporate deposits, reached the percentage of 14.1% and 21.1% in contribution, respectively.

Corporate Honors

In 2010, the Ping An brand continued to lead the market, with general recognition for overall strength, financial credibility, investor relations and corporate social responsibility from rating agencies and both the domestic and international media. The honors we received include:

- Ranked 383 in *Fortune's* Global 500, an improvement of 79 places from 2008 and we came first among the non-SOE mainland Chinese companies.
- Placed among the top 500 of *Forbes'* Global 2000 and *Financial Times'* Global 500 largest companies by market capitalization.
- Recognized by *the Wall Street Journal* in their latest corporate ranking, "2010 Asia Top 200", as one of the top ten companies with the "Financial Reputation" in China.
- Awarded the "Best investor relations by a CEO", "Best investor relations website/ webcasting" and "Best overall investor relations by a mainland Chinese company – non-SOE" by *IR Magazine*. Ping An was the only insurance company on the winners' roster.
- Received three prestigious awards for corporate social responsibility in China. Recognized as the "Most Socially Responsible Company in China" for the fifth time; named the "2010 Best Chinese Corporate Citizen" for the sixth time; and presented with the "2010 Chinese Excellent Enterprise in *China Business News'* List of Corporate Social Responsibility".

4. Ping An back-office operation center at Shanghai Zhangjiang Hi-Tech Park has the capacity of holding 200,000 staff, all working at the same time.

Chairman's statement

5. On December 28, 2010, Ping An-UOB Fund was established with the approval of the regulatory authorities.

6. On February 2, 2010, at a press conference in Beijing Ping An reaffirmed its commitment to enhancing service and pledged to shorten the time it takes for vehicle insurance claim reimbursement of less than RMB10,000 from three days to one day. Meanwhile, Ping An Life also launched "Policy E-service", an innovative service that enables customers to carry out more than 30 categories of insurance service by themselves.

Corporate Governance

In 2010, we were committed to improving our corporate governance practice against higher standards moving from merely in compliance with listing rules and regulations. The General Meeting, the Board, the Supervisory Committee and the senior management operated independently and performed their respective rights and obligations in accordance with the Articles of Association of the Company. The Board actively contributed in various aspects, including strategic planning, investment decision, risk management, internal control and compliance, corporate social responsibility as well as talent recruitment and appointment. For the outstanding performance of the Company's corporate governance, we received awards including the "Asian Excellence Recognition Awards" by *Corporate Governance Asia*, "Hong Kong Corporate Governance Excellence Awards 2010" by Chamber of Hong Kong Listed Companies (CHKLC) and the Centre for Corporate Governance and Financial Policy in conjunction with Hong Kong Baptist University (CCGFP), the "Best Managed Insurance Company in Asia 2010" by *Euromoney* and "China's Best Managed Company Awards" by *Asiamoney*.

Prospects

The year 2011 is one full of challenges and opportunities and we believe opportunities abound. Domestic and global macroeconomic conditions and the financial industry are undergoing fundamental changes. Rising cost pressures from inflation in mainland China is expected to present more complex operational challenges. Nevertheless, we believe that China's economy will continue to maintain a relatively fast and healthy development, resident income and the demand for financial services will continue to rise, and China will deepen its reform of the financial system. All of these factors present vast opportunities for the growth of China's financial and insurance industry.

To embrace and tackle these challenges, we have made thorough plans and we are committed and ready to take on the challenges. In line with the strategic goal of becoming a leading international integrated financial group, we will continue to strengthen the core competences of all business lines and maintain a steady growth. At the same time, we will continue to improve channels, products and management platforms to facilitate cross-selling. We will strive to move forward with the integrated financial services back-office centralization project and actively explore an innovative development model that combines modern technology with financial services. We will also actively and efficiently integrate SDB with Ping An Bank, fully leverage the synergies of the Group to achieve a rapid and effective development of our banking business, and strengthen the implementation of our strategic objective, to offer integrated approach to financial services.

As a final note, I would like to say thank you to all our directors and supervisors for their invaluable contributions; to our shareholders and to the public for their long-term support; to all our Ping An staff for their dedication and team work. I believe that, as we work together in the pursuit of excellence, we will continue to reach new heights, achieve new breakthroughs, and deliver a brighter future for Ping An as an international leading integrated financial services provider.

Chairman and Chief Executive Officer

Shenzhen, PRC
March 29, 2011

Strategy and vision

Strategic Goal: To become a leading international integrated financial services group

STRATEGIC POSITIONING

- Establish a core business structure with the insurance, banking and investment businesses of the Group
- Build an integrated financial services platform with a model of "one customer, one account, multiple products and one-stop services"
- Grow our customer base and assets to be the market leader
- Achieve a sustainable growth of profits and provide shareholders with stable returns on a long-term basis

VISION

Insurance Business

- Maintain a healthy and steady development of property and casualty insurance and life insurance businesses and promote their market competitiveness to achieve a stable increase in market share
- Expand new service areas such as corporate annuity business and health insurance business

Banking Business

- Develop an integrated banking business by fully utilizing various resources including customers, products, channels and platforms to gradually capture synergies across our businesses
- Build the banking business into a core pillar of the Group's integrated financial services business that will offer customers a one-stop service for multiple financial products

Investment Business

- Build and grow investment capabilities and establish an advanced investment platform
- Strengthen the asset-liability-management process and implement a sophisticated risk control mechanism
- Develop and strengthen third-party assets management business to provide customers with multiple and high-quality investment products and to become the leader in China's wealth management market

The Group

- Achieve the efficient integration of internal resources and optimize synergies throughout the Group, under a strong parent brand and on the rapid growth of cross-selling businesses and the support of a powerful centralized back office platform
- Increase market competitiveness and profitability to promote a rapid development of corporate value, profitability, business scale, customer base and total assets

Investment value proposition

DISTINCTIVE COMPETITIVE ADVANTAGES

- Benefiting from the sound development of China's economy, our business maintains a healthy and rapid **growth**;
- Actively driving reform and **innovation** in various areas, Ping An sustains leadership position of the industry;
- Based on our structure of integrated finance, we offer a diversified range of financial products and services through **cross-selling**, reinforcing customer loyalties and increasing brand awareness;
- Highly sophisticated **centralized** back office platform delivers effective cost control and synergies across our businesses;
- With the full licenses of operation, unrivalled range of financial services and closest governance relationship, Ping An is dedicated to being a leading national **integrated financial services** group.

Please refer to pages 10-19 for further details.

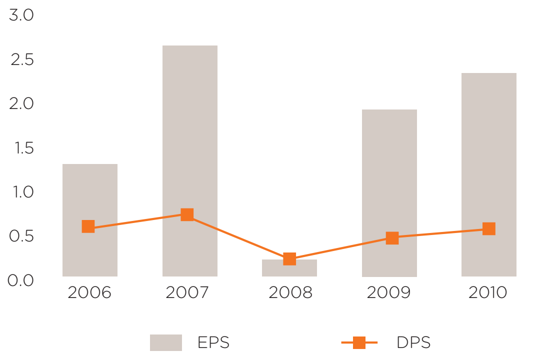
SOUND CORPORATE GOVERNANCE SYSTEM

- Corporate duties served by our comprehensive system: the Three Committees operate independently and in compliance with the law; the professional committees and the Executive Committee under the Board conduct decision-making and implementation, respectively;
- A clear development strategy, a unique corporate culture, and an international and professional management team;
- A leading and comprehensive risk management system;
- A disclosure mechanism characterized by truthfulness, accuracy, completeness, timeliness and fairness;
- An investor relations function that operates with rigor, enthusiasm and effectiveness.

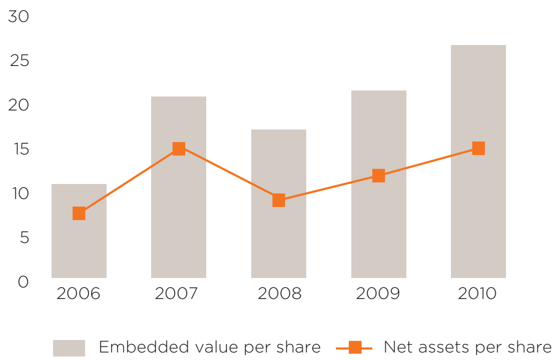
FULL COMMITMENT TO SOCIAL CORPORATE RESPONSIBILITY

- Commitment to shareholders: increase asset value and generate stable returns
- Commitment to clients: ensure trust with solid service
- Commitment to employees: career development with more opportunities
- Commitment to communities: reciprocate the society and build our nation
- Commitment to business partners: achieve win-win with mutually beneficial partnership

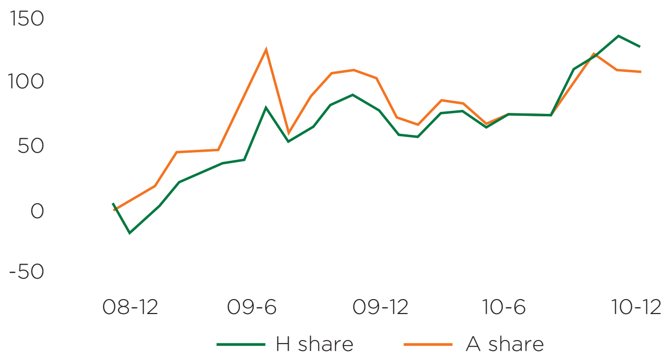
EPS/Dividend per share
(in RMB)



Embedded value per share/Net assets per share
(in RMB)



Total shareholders' return
(%)



Source: Bloomberg

Growth. China, where economic growth continues to be strong and with one fifth of the global population resources, has created massive growth potential for enterprises offering integrated financial services like Ping An.

Ping An is one of the few financial service providers in China, a one-stop shop offering products across the insurance, banking and investment sectors.

The year 2010 saw Ping An achieved a series of successes across all business fronts and recorded remarkable breakthroughs. In spite of a complex market environment, we embraced the challenges with a positive attitude and innovative solutions. As a result, our three pillar businesses – insurance, banking and investment – sustained a rapid and positive growth in the following areas:

- Profitability of the Company increased significantly, posting a net profit of RMB17,938 million, representing an increase of 23.9% compared to the previous year.
- Written premiums from our life insurance business increased by 22.3% to RMB164,448 million.
- Premium income from our property and casualty insurance business increased by 61.2% to RMB62,507 million with significantly improved business quality.
- Net profit of Ping An Bank rose to RMB1,737 million by 60.8% over last year. Balances of deposits and loans increased by 22.2% and 21.6%, respectively compared with the end of 2009.
- Ping An Securities successfully sponsored 39 IPOs and 11 refinancing projects as the lead underwriter, net fees and commission income increased by 70.7% compared with last year.
- Net profit of Ping An Trust rose to RMB1,039 million by 71.5% over last year.

Innovation. Ever since Ping An started operations 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 an overseas stock exchange

Twenty-two years on, Ping An has committed to unrelenting innovation in systems, products, and services, which allows the Company to sustain 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 2010, we achieved reforms and innovations in the following fields:

- Ping An Property & Casualty was committed to upgrading its service by shortening the indemnity period from three days to one day in the case of indemnities below RMB10,000 with complete files. Meanwhile, we led the industry in service enhancements by improving a range of measures and launching new services including unified case reporting, nation-wide dispatching, electronic map, license plate marking through various channels, and free agent services for fine payment and annual examination of driving license etc.

- Through four years of hard work and joint effort between Ping An Life and Ping An Technology, the Mobile Integrated Terminal (MIT), the first of its kind in the industry, was brought to market in 2010. Utilizing 3G technology, the MIT seamlessly combines electronic proposals and back-end remote real-time underwriting in a secure and efficient process. Compared to traditional insurance sales, the MIT integrates the environmental-friendly concept of paperless and low-carbon operation effectively across the insurance sales process, and transformed the traditional sales model by shortening the sales cycles and improving efficiency. By completing all sales steps within half an hour, the MIT provides a good experience of modern technology application into insurances sales process. This innovation holds our leading position in the domestic and overseas life insurance sales area.
- Ping An Bank launched innovative products such as Unsecured Personal Loan (Xin Yi Dai).

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 enhances efficiency and helps to maximise overall growth of the Group.

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.

Such cross-selling reinforces customer loyalty – 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 highly sophisticated centralized operation platform, all of this can be more easily and cost-effectively managed than ever before.

In 2010, new businesses acquired through cross-selling are as follows:

(in RMB million)	Amount	Year-on-year (%)	Business contribution percentage (%)
Property and casualty insurance business			
Premium income	8,582	52.3	13.7
Annuity business			
Entrusted assets	1,545	148.0	15.1
Assets under investment management	1,131	68.6	7.7
Trust business			
Trust schemes	13,812	144.5	14.1
Banking business			
Corporate deposits (increase of daily average size)	5,200	107.3	21.1
Corporate loans (increase of daily average size)	4,200	433.0	20.1
Credit cards (in ten thousands)	124	–	54.5

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

The result of a multi-billion RMB, 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.

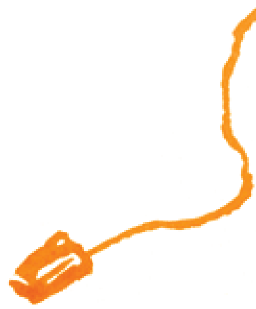
At the end of 2010, we successfully completed the second phase of our operation centralization project with an aim of optimizing cost structure and supporting cross-selling. As a result, the coverage of specialized centralization and shared operations was further expanded, representing an optimized cost structure from resource sharing and cross-business synergies throughout the Company. To support the Company's products service and meet the needs of the customers, the project of "building one integrated financial services back-office" is already under way with steady progress made. We will establish a cross-product, unified and standard service platform to improve service quality, to enhance the ability of business operations, and to increase the product value for sales.

Integrated financial services. Over 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 offering insurance products from a single office in Shenzhen. Over two decades later, that venture has become one of China's leading integrated financial services providers.

Nowadays, Ping An is an integrated financial group in China with unrivalled range of financial services, full licenses of operation, and closest governance relationship.

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



Honors and awards

In 2010, 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.

COMPREHENSIVE

- Fortune

  Ranked 383 in "Fortune Global 500 List"

- Forbes

  Ranked 466 in "Forbes Global 2000 List"

- China Times

  "Best Chinese Insurance Company in 2009 – the 3rd Golden Cicada Award" Ceremony

- Finance Asia

  "Asia's Best Managed Company", "Asia's Best Investor Relations", "Asia's Most Responsible Enterprise", "Asia's Most Committed to a Strong Dividend Policy"

- The Asset

  "The Asset Triple A Investment Awards 2010 – Insurance Company"

- Money Week

  "List of Best Insurance Products for Millions of Chinese Middle-class Families in 2009 – China's Top 10 Insurance Company"

CORPORATE GOVERNANCE

- Euromoney

  "2010 Asia's Best Managed Companies – Insurance Company"

- The Asset

  "Platinum Award for All-Round Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility and Investor Relations in Insurance"

- Asiamoney

  "Best Managed Company (Large Cap) for China"

- Corporate Governance Asia

  "Corporate Governance Asia Annual Recognition Awards 2010"

- Money Week

  "China Best Board of Main Board Listed Company Award 2010", "China Best Governance Board of Listed Company Award 2010"

- Chamber of Hong Kong Listed Companies (CHKLC) and the Centre for Corporate Governance and Financial Policy, Hong Kong Baptist University (CCGFP)

  "Hong Kong Corporate Governance Excellence Awards 2010"

SOCIAL RESPONSIBILITY

- China Business News

  "2010 China Business News-Excellent Enterprise of Chinese Corporate Social Responsibility List"

- 21st Century Business Review, 21st Century Business Herald and 21st Century Corporate Citizenship Research Center

  "2010 Best Chinese Corporate Citizen"

- Economic Observer News and the Economic Observer Research Institute

  "Best Low-carbon Enterprise in China"

- Asia Insurance Review

  "The 14th Asian Insurance Award – Corporate Social Responsibility Award"

- Homeway.com and RKS

  "2010 the Best Social Responsibility Report Award"

- National Business Daily

  "Low-carbon Economy Contribution Award"

- The 3rd World Economic and Environmental Conference

  "Top 100 World Low-carbon Environmental Driving Force in China"

- The Chinese Banker

  "Best Corporate Social Responsibility Award"

- 5th International Corporate Social Responsibility Forum in China

  "Most Responsible Enterprise"

- Chinese Entrepreneur Club

  "Top 100 China Green Corp"

- Shenzhen Securities Information Co., Ltd., Nanfang Daily Press Group and Sun-Yat-Sen University LingNan College

  "CNINFO Nanfang Daily Low Carbon 50 Index – Index Share"

- The 6th China Public Relations Manager Annual Meeting Committee

  "2010 Corporate Social Responsibility Excellent Case Award"

INVESTOR RELATIONS

- IR Magazine

  "Best investor relations by a CEO", "Best investor relations website/webcasting", "Best overall investor relations by a mainland Chinese company – non-SOE"

- School of Management and Engineering of Nanjing University/Yizhong Financial Communications

  "Top 100 IR Award", "Social Responsibility Contribution Award"

FINANCE

- Wall Street Journal

  Ranked ten in "2010 Asia Top 200" by Financial Reputation

- Asiamoney

  "Best Equity Offering"

  "Best Regional Deals"

- China Securities Journal

  "Golden Bull 100 Listed Companies with Comprehensive Strength" in 2009, "Golden Bull 100 Listed Company with Highest Revenue" in 2009, "Golden Bull 100 Listed Company with highest Market Value" in 2009

- Chinese Securities Journal and Sina.com

  "The Listed Companies with the Highest Investment Value No.1"

- Finance Asia

  Ranked 38 in "Best Blue Chips in Asia"

- Shenzhen Economic Daily

  "Shenzhen Press Index Most Influential Listed Company", "Shenzhen Press Index the Leading Enterprise in the Industry", "Shenzhen Press Index Listed Company with Best Investor Relations", "Shenzhen Press Index Listed Company with Best Brand Marketing"

BRAND

- 21st Century Business Herald and Interbrand

  "China's Best Brand Building Example Contribution Award"

- Forbes China and Interbrand

  Ranked six in "2010 China's Highest Brand Value List"

Management discussion and analysis
Overview

- Our three pillars: insurance, banking and investment businesses achieved sustainable, rapid and healthy growth.
- Significant progress was made in our strategic investment in Shenzhen Development Bank.
- Net profit reached RMB17,938 million, up 23.9% compared to 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).

The year 2010 is one in which Ping An achieved a procession of successes across all business lines and recorded remarkable breakthroughs. Our three pillars: insurance, banking and investment businesses, achieved a sustainable, rapid and healthy growth. Written premiums from Ping An Life surpassed RMB150 billion. Premium income from Ping An Property & Casualty rose to RMB60 billion and the most optimum combined ratio in record was achieved. We made substantial progress in our strategic investment in Shenzhen Development Bank. In addition, Ping An Bank reported a significant growth in results and the credit card business achieved profitability for the first time in the last three years, with the number of accumulated credit cards issued exceeding 6 million. Ping An Securities made excellent performance in investment banking business and Ping An Trust achieved remarkable progress in business transformation. The Group obtained approval to set up a fund company. We further strengthened cross-selling activities and recorded notable success for the second phase of centralization. We are steadily implementing our integrated financial strategy and strengthening our overall competitiveness.

With a rapid business development, the Company continues to maintain a high level of overall profitability at the same time. Net profit recorded for 2010 was RMB17,938 million, a growth of 23.9% compared with the previous year. As at December 31, 2010, total assets reached RMB1,171.63 billion and total equity was RMB116.88 billion, representing an increase of 25.2% and 27.4%, respectively compared with the end of 2009.

CONSOLIDATED RESULTS

(in RMB million)	2010	2009
Total income	**195,814**	152,838
Total expenses	**(173,467)**	(132,919)
Profit before tax	**22,347**	19,919
Net profit	**17,938**	14,482

NET PROFIT BY BUSINESS SEGMENT

(in RMB million)	2010	2009
Life insurance	**8,417**	10,374
Property and casualty insurance	**3,865**	675
Banking	**2,882**	1,080
Securities	**1,594**	1,072
Other businesses[1]	**1,180**	1,281
Net profit	**17,938**	14,482

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

Our life insurance business continues to be profitable although net profit for the year decreased by 18.9% to RMB8,417 million from RMB10,374 million in 2009. The profit contribution brought by the sharp increase in first-year life insurance written premiums was offset by the declined total investment income and the increase in insurance reserves as a result of the benchmarking yield curve for the measurement of insurance contract liabilities going down. The 2010 net profit from our property and casualty insurance business increased significantly to RMB3,865 million, up from RMB675 million in 2009. This is a direct result of Ping An Property & Casualty's success in capturing growth opportunities in the market to increase profitability. A substantial premium growth was recorded as a result and the combined ratio significantly improved. Net profit announced by our banking business increased to RMB2,882 million, compared with RMB1,080 million in 2009. Among this, we recorded RMB1,145 million share of profits from Shenzhen Development Bank since it became our associate company in May 2010. In addition, as a result of the enhancement in its profitability, Ping An Bank improved its net interest spread and reduced cost/income ratio, followed by a net profit increase of 60.8% from RMB1,080 million in 2009 to RMB1,737 million in 2010. Ping An Securities achieved an outstanding performance from its investment banking business, net profit increasing by 48.7% to RMB1,594 million in 2010 from RMB1,072 million in 2009.

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 the 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.

In 2010, the world economy presented a more complex picture. With appropriate and proactive macroeconomic policies and measures, the PRC government achieved a favourable economic development that emphasized on maintaining a steady and rapid economic development, adjusting the economic structure and managing inflation. Meanwhile, the tightening of macroeconomics measures, the adjustment of the real estate market, the launch of stock index futures and that of margin trading and securities lending had a strong impact on the capital market, triggering stronger market fluctuation with investment challenges. By conducting an in-depth research into the macroeconomic conditions, proactively grasping the market opportunities and optimising assets allocation, we gained favourable returns.

Investment Income

(in RMB million)	2010	2009
Net investment income[1]	**25,343**	18,863
Net realized and unrealized gains[2]	**4,372**	12,431
Impairment losses	**(540)**	(392)
Others	**97**	(174)
Total investment income	**29,272**	30,728
Net investment yield (%)[3]	**4.2**	3.9
Total investment yield (%)[3]	**4.9**	6.4

(1) Net investment income includes interest income from bonds and deposits, dividend income from equity investments, and operating lease income from investment properties, etc.

(2) Net realized and unrealized gains include realized gains from security investments and profit or loss through fair value change.

(3) 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 increased by 34.4% to RMB25,343 million in 2010 from RMB18,863 million in 2009. This improvement was primarily due to the increase in interest income from fixed maturity investments as a result of an expanded scale of investment assets as well as the increase in dividend income from equity investments as compared with the previous year. Net investment yield increased to 4.2% in 2010 from 3.9% in 2009, contributed by the increase in dividend income from equity investments.

As a result of the depressed and volatile domestic stock market, reported net realized and unrealized gains were down to RMB4,372 million in 2010 from RMB12,431 million in 2009, and impairment losses on the available-for-sale equity investments in 2010 were RMB540 million, increasing by 37.8% compared with RMB392 million in 2009.

As a result, total investment income was RMB29,272 million in 2010, compared to RMB30,728 million in 2009. Total investment yield fell to 4.9% in 2010 from 6.4% in 2009.

Management discussion and analysis
Overview

Investment Portfolio

To manage the evolving market environment, we proactively optimized the asset allocation of our investment portfolio. The percentage of fixed maturity investments out of total investments increased to 77.8% as at December 31, 2010 from 76.0% as at December 31, 2009, and that of equity investments fell from 10.8% to 9.8%.

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

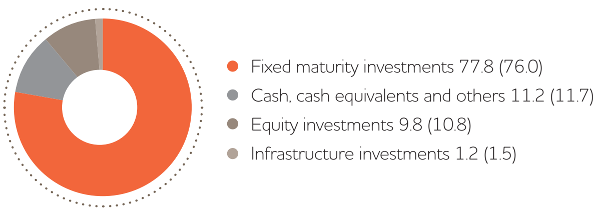
(in RMB million)	December 31, 2010 Carrying value	%	December 31, 2009 Carrying value	%
By category				
Fixed maturity investments				
Term deposits[(1)]	**133,105**	**17.5**	91,599	15.5
Bond investments[(1)]	**451,882**	**59.2**	351,432	59.6
Other fixed maturity investments[(1)]	**8,633**	**1.1**	5,434	0.9
Equity investments				
Equity investment funds[(1)]	**22,615**	**3.0**	19,196	3.3
Equity securities	**51,673**	**6.8**	44,380	7.5
Infrastructure investments	**9,235**	**1.2**	8,932	1.5
Cash, cash equivalents and others	**85,810**	**11.2**	68,740	11.7
Total investments	**762,953**	**100.0**	589,713	100.0
By purpose				
Carried at fair value through profit or loss	**21,122**	**2.8**	21,469	3.7
Available-for-sale	**188,418**	**24.7**	196,462	33.3
Held-to-maturity	**318,937**	**41.8**	208,299	35.3
Loans and receivables	**217,771**	**28.5**	149,204	25.3
Others	**16,705**	**2.2**	14,279	2.4
Total investments	**762,953**	**100.0**	589,713	100.0

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

Investment portfolio

(%)

December 31, 2010 (December 31, 2009)



FOREIGN CURRENCY LOSSES

In 2010, the Renminbi appreciated slightly against other major currencies, especially the US dollar. As a result, we recorded a net exchange loss of RMB104 million on foreign currency-denominated assets in 2010 as compared to a loss of RMB17 million in 2009.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by 32.1% to RMB34,385 million in 2010 from RMB26,025 million in 2009, mainly due to the rapid growth of our businesses, as well as increased marketing inputs and investment in strategic initiatives.

INCOME TAX

(in RMB million)	2010	2009
Current income tax	**2,832**	2,843
Deferred income tax	**1,577**	2,594
Total	**4,409**	5,437

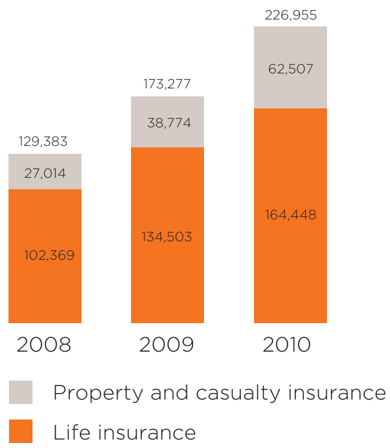
Income tax decreased 18.9% to RMB4,409 million for 2010 from RMB5,437 million in 2009. The larger figure of 2009 was due to a one-off income tax provision the Company made based on the results of a tax inspection, while increased dividend income from certain equity investment funds which are exempted from tax contributed to a decreased effective income tax rate in 2010.

Management discussion and analysis
Insurance business

- Written premiums from Ping An Life exceeded RMB150 billion and first-year written premiums from the more profitable individual life insurance business grew significantly.
- Premium income from Ping An Property & Casualty surpassed RMB60 billion and the most optimum combined ratio in record was achieved.
- Ping An Annuity maintained its leading position in the industry.

In 2010, our insurance businesses continued rapid and healthy growth. Under the core strategies of "Reaching New Heights" and "Two-Tier Market Development", written premiums of Ping An Life amounted to RMB159,064 million, and first-year written premiums from the more profitable individual life insurance business recorded a strong increase of 37.6%. Throughout the year, Ping An Property & Casualty made consistent efforts to promote further specialization of channel operations and a more sophisticated management structure. This led to a significant increase of 61.4% in premium income to RMB62,116 million and a market share increase of 2.5 percentage points compared with the end of the previous year. Furthermore, the business' combined ratio decreased by 5.4 percentage points to 93.2% as compared to 2009. As a result, profitability recorded a new high. Three major performance indicators of our annuity business – annuity payments received, assets entrusted, and assets under investment management – maintained their leading positions in the industry.

Written premiums
(in RMB million)



LIFE INSURANCE BUSINESS
Business Overview

Our life insurance business is conducted through Ping An Life, Ping An Annuity and Ping An Health.

Market share

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

(in RMB million)	2010	2009
Ping An Life	**159,064**	132,298
Ping An Annuity	**5,184**	2,110
Ping An Health	**200**	95
Total written premiums(1)	**164,448**	134,503
Market share (%)(2)	**15.7**	16.5

(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 contracts.

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

Over the course of 2010, China's economy progressed through the expected direction of macroeconomic control, with the overall economy showing good momentum. Stable macroeconomic policies, fast economic growth, increased individual wealth and reform of social security system and other factors contributed to the positive development of the life insurance industry. To fully or partially offset the effects of inflation, existing participating insurance, universal life insurance and other insurance products became the ideal instruments for consumers. In addition, relaxed regulations on investment channels have provided more investment options for insurance funds, which improved product revenue and lengthened the duration of asset and liability matching. Changes in sales channels, business model and operating procedure attributable to technological advances have created more opportunities for the life insurance sector.

China's life insurance industry saw rapid growth in 2010 with premiums increasing by 28.9% compared with the previous year. Based on its principles of risk prevention and compliance, the Company steadily developed its individual life business that offers higher profitability and persistently built up an efficient sales network, which produced scale of operation. Business quality improved as a result and our market competitiveness increased as the year progressed.

Of the total written premiums received by the PRC life insurance companies in 2010, our life insurance business has a market share of 15.7%. The calculation is in accordance with 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.

Ping An Life

Ping An Life, through its countrywide service network that includes 35 branches and over 2,000 business outlets, provides individuals and group customers with life insurance products. As at December 31, 2010, Ping An Life had a registered capital of RMB23.8 billion, net assets of RMB30,618 million and total assets of RMB761,663 million.

Summary of operating data

	2010	2009
Number of customers (in thousands)		
Individual	**45,318**	40,737
Corporate	**652**	561
Total	**45,970**	41,298
Persistency ratio (%)		
13-month	**93.1**	90.8
25-month	**87.0**	87.3
Agent productivity		
First-year written premiums per agent per month (in RMB)	**7,922**	6,261
New individual life insurance policies per agent per month	**1.1**	1.1
Distribution network		
Number of individual life sales agents	**453,392**	416,570
Number of group sales representatives	**2,906**	3,006
Bancassurance outlets	**60,222**	51,269

Ping An Life continued to implement its strategies of "Reaching New Heights" and "Two-Tier Market Development" throughout 2010. On the human resources front, we continued to maintain a high standard of manpower, quickened our pace in two-tier market development, and pushed forward the formulation of our e-platform. As a consequence to these initiatives, we gained a rapid and healthy growth momentum during the course of the year. The written premiums from our more profitable individual life insurance in 2010 amounted to RMB130,146 million, representing an increase of 30.3% as compared with the previous year. The value of the new business of Ping An Life for 2010 amounted to RMB15,507 million, recording a growth of 31.4% as compared with last year.

During the year, Ping An Life developed an innovative sales support system with an e-sales platform that provides comprehensive support services to the sales, customer service and management of the sales team. At the same time, we continued to promote our other new platforms including the e-purchase of insurance products as well as the ability to provide policyholder services through mobile devices.

Ping An Life has established a highly efficient operating platform across its headquarters, branches and outlets, aiming for lower operating costs than its major competitors. We achieved a continuous fall in operating expense ratio and a gradual increase in customer satisfaction. As at December 31, 2010, we had approximately 45,320 thousand individual customers and 650 thousand corporate customers respectively. For our individual life insurance customers, we managed to maintain 13-month persistency ratio at a satisfactory level of 93.1%.

Our life insurance products are primarily distributed through a network that includes a sales force of approximately 453,000 individual sales agents, over 2,500 group insurance sales representatives, and about 60,000 bank outlets that have bancassurance arrangements with Ping An Life.

Business information of insurance products

In 2010, among all the insurance products offered by Ping An Life, the five highest written premiums products were Ping An Zhiyingrensheng Whole Life Insurance, Ping An Fuguirensheng Endowment, Ping An Jinyumantang Endowment, Ping An Shijiyingjia Whole Life Insurance and Ping An Jincairensheng Endowment, which accounted for 47.5% of the written premiums of Ping An Life in 2010.

(in RMB million)	Sales channel	Written premiums	Standard premiums of new business[(1)]
Ping An Zhiyingrensheng Whole Life Insurance (Universal)	Individual agents, bancassurance outlets	31,460	13,065
Ping An Fuguirensheng Endowment (Participating)	Individual agents, bancassurance outlets	19,729	3,817
Ping An Jiyumantang Endowment (Universal)	Bancassurance outlets	8,801	880
Ping An Shijiyingjia Whole Life Insurance (Universal)	Individual agents, bancassurance outlets	8,649	5,541
Ping An Jincairensheng Endowment (Universal)	Bancassurance outlets	6,860	686

(1) Calculated in accordance with the method set by the CIRC.

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 restructure, Ping An Annuity became a business that provides corporate annuity, supplementary pension and group short-term accident and health insurance services. In 2010, an additional capital of RMB660 million was injected into Ping An Annuity. As at December 31, 2010, Ping An Annuity had a registered capital of RMB3.36 billion.

2010 witnessed the smooth development of the Ping An annuity with accumulated annuity payments received recorded at RMB10,235 million (2009: RMB9,579 million). As at December 31, 2010, assets entrusted amounted to RMB29,807 million (December 31, 2009: RMB20,372 million), and assets under investment management amounted to RMB38,448 million (December 31, 2009: RMB26,107 million). These figures firmly cemented our market leading position amongst domestic professional annuity companies.

Ping An Health

Ping An Health made remarkable progress by introducing a foreign investment partner to its business. In September, 2010, with the approval of CIRC, Ping An Health issued 125 million foreign-invested shares, equivalent to a 20% stake, to Discovery, the largest health insurance company in South Africa. The paid-up capital of Ping An Health increased from RMB500 million to RMB625 million following the share issue. This strategic alliance is significant for the Group's initiative to be competitive in the domestic health, medical insurance and health services sector, and it will serve to promote the professional development of the health and medical insurance market in China.

Financial Analysis

Other than those specified, the financial data in this section include that of Ping An Life, Ping An Annuity and Ping An Health.

Results of operation

(in RMB million)	2010	2009
Written premiums	**164,448**	134,503
Less: Written premiums on products not passing significant insurance risk testing	**(3,221)**	(3,016)
Less: Premium deposits for universal life products and investment linked products	**(64,350)**	(58,048)
Premium income	**96,877**	73,439
Net earned premiums	**95,586**	71,876
Investment income	**26,661**	28,485
Other income	**3,232**	2,298
Total income	**125,479**	102,659
Claims and policyholders' benefits	**(89,841)**	(67,711)
Commission expenses of insurance operations	**(8,790)**	(7,233)
Foreign currency losses	**(102)**	(37)
General and administrative expenses	**(13,363)**	(11,093)
other expenses	**(3,235)**	(2,911)
Total expenses	**(115,331)**	(88,985)
Income tax	**(1,731)**	(3,300)
Net profit	**8,417**	10,374

There was a sharp increase in first-year life insurance written premiums in 2010. However, we witnessed a decline in total investment income yield as well as an increase in insurance reserves due to the downward benchmarking yield curve for the measurement of insurance contract liabilities. As a result, net profit from our life insurance business declined by 18.9% to RMB8,417 million in 2010 from RMB10,374 million in 2009.

Written premiums

(in RMB million)	2010	2009
Individual life		
New business		
First-year regular premiums	**38,893**	27,318
First-year single premiums	**1,883**	1,748
Short-term accident and health premiums	**1,923**	1,958
Total new business	**42,699**	31,024
Renewal business	**87,447**	68,839
Total individual life	**130,146**	99,863
Bancassurance		
New business		
First-year regular premiums	**1,328**	349
First-year single premiums	**24,863**	26,796
Short-term accident and health premiums	**2**	3
Total new business	**26,193**	27,148
Renewal business	**905**	635
Total bancassurance	**27,098**	27,783
Group insurance		
New business		
First-year regular premiums	**115**	8
First-year single premiums	**2,765**	2,827
Short-term accident and health premiums	**4,278**	3,977
Total new business	**7,158**	6,812
Renewal business	**46**	45
Total group insurance	**7,204**	6,857
Total	**164,448**	134,503

Individual Life Insurance. Written premiums for our individual life business increased by 30.3% to RMB130,146 million in 2010 from RMB99,863 million in 2009. This increase was primarily due to the continued improvement in the quantity and productivity of our agency sales force. As a result, there was a 37.6% increase in first-year written premiums to RMB42,699 million in 2010 from RMB31,024 million in 2009. In addition, as the persistency ratio of renewal business continues to improve, renewal premiums for our individual life business increased by 27.0% to RMB87,447 million in 2010 from RMB68,839 million in 2009.

Bancassurance. Written premiums for our bancassurance business decreased slightly to RMB27,098 million in 2010 from RMB27,783 million 2009. This decrease was primarily due to a declined proportion in first-year single premiums from our bancassurance business as a result of product restructuring and optimization.

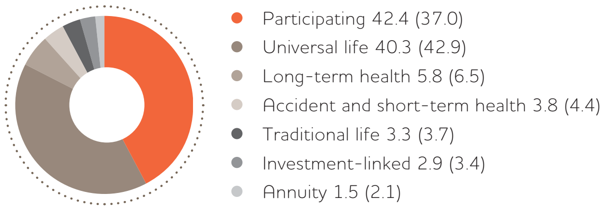
Group Insurance. Written premiums for our group insurance business increased by 5.1% to RMB7,204 million in 2010 from RMB6,857 million in 2009. The slight increase was primarily due to the fact that professional annuity products have gradually become substitutes for the group insurance products, and the Company adjusted sales strategy accordingly. Written premiums for our short-term group accident and health insurance increased by 7.6% to RMB4,278 million in 2010 from RMB3,977 million in 2009.

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

(in RMB million)	2010	2009
Participating	**69,696**	49,810
Universal life	**66,294**	57,641
Long-term health	**9,501**	8,790
Traditional life	**5,456**	4,964
Investment-linked	**4,842**	4,568
Annuity	**2,455**	2,781
Accident and short-term health	**6,204**	5,949
Total	**164,448**	134,503

Management discussion and analysis
Insurance business

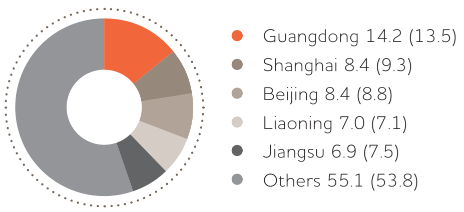
By product type
(%)
2010 (2009)



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

(in RMB million)	2010	2009
Guangdong	**23,421**	18,132
Shanghai	**13,843**	12,494
Beijing	**13,830**	11,784
Liaoning	**11,467**	9,581
Jiangsu	**11,380**	10,027
Subtotal	**73,941**	62,018
Total written premiums	**164,448**	134,503

By region
(%)
2010 (2009)



Total investment income

(in RMB million)	2010	2009
Net investment income(1)	**22,777**	17,043
Net realized and unrealized gains(2)	**4,399**	11,926
Impairment losses	**(495)**	(302)
Others	**97**	(174)
Total investment income	**26,778**	28,493
Net investment yield (%)(3)	**4.3**	4.0
Total investment yield (%)(3)	**5.0**	6.7

(1) Net investment income includes interest income from bonds and deposits, dividend income from equity investments, and operating lease income from investment properties.

(2) Net realized and unrealized gains include realized gains from security investments and profit or loss through fair value change.

(3) 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 the Modified Dietz method in principle.

Net investment income for our life insurance business increased by 33.6% to RMB22,777 million in 2010 from RMB17,043 million in 2009. This was primarily due to the increase of interest income from fixed maturity investments as a result of the increase in scale of investment assets, as well as the increase in dividend income from equity investments as compared with 2009. Net investment yield for our life insurance business increased to 4.3% in 2010 from 4.0% in 2009, mainly because of the increase in dividend income from equity investments.

Due to the domestic stock market fluctuations, net realized and unrealized gains for our life insurance business decreased significantly by 63.1% to RMB4,399 million in 2010 from RMB11,926 million in 2009. Impairment losses on the available-for-sale equity investments in 2010 were RMB495 million, representing an increase of 63.9% as compared to the year 2009.

As a result, total investment income for our life insurance business decreased by 6.0% to RMB26,778 million in 2010 from RMB28,493 million in 2009. Total investment yield decreased to 5.0% in 2010 from 6.7% in 2009.

Claims and policyholders' benefits

(in RMB million)	2010	2009
Surrenders	**3,816**	4,993
Claims	**5,312**	4,757
Annuities	**4,028**	3,363
Maturities and survival benefits	**6,640**	7,558
Policyholder dividends	**3,907**	4,559
Interests credited to policyholder contract deposits	**5,564**	4,241
Net increase in policyholders' reserves	**60,574**	38,240
Total	**89,841**	67,711

Payments for surrenders were down by 23.6% to RMB3,816 million in 2010 from RMB4,993 million in 2009. This was primarily due to the smaller payments for surrenders of certain participating products as compared to those payments made in 2009.

Payments for claims rose by 11.7% to RMB5,312 million in 2010 from RMB4,757 million in 2009. This was primarily due to the continuous increase of accident and health insurance business.

Payments for annuities increased by 19.8% to RMB4,028 million in 2010 from RMB3,363 million in 2009. This was primarily due to the fact that the policies entitled to annuity payments gradually increased.

Payments for maturities and survival benefits decreased by 12.1% to RMB6,640 million in 2010 from RMB7,558 million in 2009, which was mainly because the peak season for such payments for certain banassurance products has passed.

Payments for policyholder dividends fell by 14.3% to RMB3,907 million in 2010 from RMB4,559 million in 2009. This was primarily due to the lower dividend level of participating products in 2010 compared with that in 2009.

Payments for interests credited to policyholder contract deposits increased by 31.2% to RMB5,564 million in 2010 from RMB4,241 million in 2009. 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 RMB60,574 million in 2010, while in 2009 it was RMB38,240 million. The bigger increase in policyholders' reserves was primarily due to the fast growth of our business in 2010.

Commission expenses of insurance operations

(in RMB million)	2010	2009
Health insurance	**1,283**	1,260
Accident insurance	**436**	355
Life insurance and others	**7,071**	5,618
Total	**8,790**	7,233

Commission expenses of insurance operations which are mainly paid to our sales agents increased by 21.5% to RMB8,790 million in 2010 from RMB7,233 million in 2009. This was primarily due to the increase in premium income.

General and administrative expenses

General and administrative expenses increased by 20.5% to RMB13,363 million in 2010 from RMB11,093 million in 2009. This increase was primarily due to the growth in our insurance business.

Income tax

Income tax decreased to RMB1,731 million in 2010 from RMB3,300 million in 2009. This was primarily due to the declined taxable profit in 2010, while in 2009 Ping An Life made one-off income tax provision based on the results of a tax inspection.

PROPERTY AND CASUALTY INSURANCE BUSINESS

Business Overview

We conduct property and casualty insurance business mainly through Ping An Property & Casualty, while Ping An Hong Kong also offers this insurance service in the Hong Kong market. In 2010, additional capital of RMB6 billion was injected into Ping An Property & Casualty. As at December 31, 2010, Ping An Property & Casualty had a registered capital of RMB12 billion, net assets of RMB17,040 million and total assets of RMB78,861 million.

Market share

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

	2010	2009
Premium income (in RMB million)	**62,116**	38,483
Market share (%)[1]	**15.4**	12.9

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

In 2010, China's economy witnessed stable and significant growth. Domestic demand increased and new car sales surged to a record high. Combining a stable and well-performing economy with a better-regulated property and casualty insurance industry, the sector achieved substantial growth, hence benefiting the business of Ping An Property & Casualty.

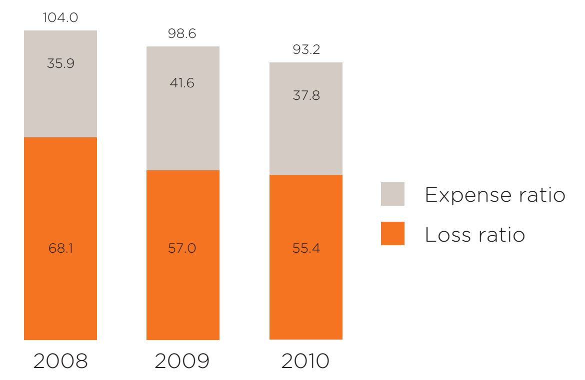
The property and casualty insurance industry in China recorded a 34.5% growth in premium income in 2010. Ping An Property & Casualty took advantage of the positive trend offered, strove for a professional channel operation, and steadily increased its share of market. In 2010, Ping An Property & Casualty claimed approximately 15.4% 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 currently the second largest property and casualty insurance company in China in terms of premium income.

Combined ratio

In 2010, with better regulation of the property and casualty insurance market, Ping An Property & Casualty focused on improving the quality of its management, enhancing risk screening capacity, and strengthening claims management. The steps taken led to a significant growth in profitability, and combined ratio improved to 93.2% for the year from 98.6% in 2009.

Combined ratio

(%)



Summary of operating data

	2010	2009
Number of customers (in thousands)		
Individual	**14,898**	10,543
Corporate	**1,781**	1,578
Total	**16,679**	12,121
Distribution network		
Number of direct sales representatives	**9,764**	12,473
Number of insurance agents(1)	**22,349**	19,316

(1) The number of insurance agents includes individual agents, professional agents and ancillary agents. The data of 2009 has been restated.

The product distribution network of Ping An Property & Casualty comprised 40 branches located across various provinces, autonomous regions and centrally supervised municipalities in China, and over 1,800 sub-branches operating throughout China to provide insurance products. Ping An Property & Casualty distributes its insurance products mainly through its in-house sales representatives, the cross-selling of Ping An's subsidiaries, insurance brokers, sales agents and telemarketing.

Business information of insurance products

In 2010, among all the commercial insurance products offered by Ping An Property & Casualty, the five highest premium income products are auto insurance, corporate property and casualty insurance, guarantee insurance, liability insurance and accident insurance, which accounted for 93.1% of the premium income of Ping An Property & Casualty in 2010.

(in RMB million)	Insured amount	Premium income	Claim expenses	Underwriting profit	Balance of policyholders' reserves
Auto insurance	6,752,612	49,319	18,546	2,651	33,308
Corporate property and casualty insurance	6,027,757	4,065	1,344	(40)	2,957
Guarantee insurance	109,425	1,653	67	(39)	2,028
Liability insurance	6,179,912	1,435	454	111	1,214
Accident insurance	86,399,428	1,358	530	35	752

Reinsurance arrangement

For the year 2010, Ping An Property & Casualty's outward reinsurance premiums amounted to RMB6,732 million in total, of which, RMB3,539 million and RMB3,168 million were from its automobile and non-automobile insurance businesses, respectively, while RMB25 million was contributed by the accident and health insurance division. Ping An Property & Casualty's gross inward reinsurance premiums amounted to RMB203 million, all of which were from the non-automobile insurance business.

Ping An Property & Casualty has actively engaged in reinsurance arrangements that help diversify its underwriting risks and at the same time enhance its underwriting capabilities. We have endeavoured to expand the scope of collaboration by stepping up our efforts to work with reinsurers to expand reinsurance channels and acquire inward reinsurance businesses. In 2010, major reinsurers that Ping An Property & Casualty has partnered with include China Property & Casualty Reinsurance Company Ltd., Allianz SE Reinsurance Branch Asia Pacific, Swiss Re, Scor Reinsurance Company (Asia) Limited, etc.

Financial Analysis

Except than those specified, financial data in this section include that of Ping An Property & Casualty together with Ping An Hong Kong.

Results of operation

(in RMB million)	2010	2009
Premium income	**62,507**	38,774
Net earned premiums	**45,538**	28,507
Reinsurance commission income	**2,461**	1,698
Investment income	**2,146**	1,662
Other income	**279**	202
Total income	**50,424**	32,069
Claim expenses	**(25,236)**	(16,235)
Commission expenses of insurance operations	**(5,934)**	(4,780)
Foreign currency losses	**(34)**	(2)
General and administrative expenses	**(13,801)**	(8,830)
Including: investment-related general and administrative expenses	**(40)**	(41)
Other expenses	**(340)**	(314)
Total expenses	**(45,345)**	(30,161)
Income tax	**(1,214)**	(1,233)
Net profit	**3,865**	675

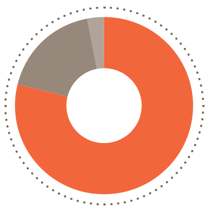
Net profit from our property and casualty insurance business increased significantly from RMB675 million in 2009 to RMB3,865 million in 2010. Under the improved market conditions, Ping An Property & Casualty made great strides in enhancing its profitability as well as focusing on its business growth, and recorded a substantial premium growth with an improved combined ratio. Besides, net profit in 2009 was lower due to a substantial amount of income tax provision recorded by Ping An Property & Casualty based on the results of a tax inspection.

Premium income

In 2010, all three principal lines of our property and casualty insurance business recorded steady growth.

(in RMB million)	2010	2009
Automobile insurance	**49,420**	29,561
Non-automobile insurance	**11,205**	7,476
Accident and health insurance	**1,882**	1,737
Total	**62,507**	38,774

By product type
(%)
2010 (2009)



- Automobile insurance 79.1 (76.2)
- Non-automobile insurance 17.9 (19.3)
- Accident and health insurance 3.0 (4.5)

Automobile insurance. Premium income went up by 67.2% to RMB49,420 million in 2010 from RMB29,561 million in 2009. This increase was mainly because the Company managed to grasp the opportunities in the automobile insurance market by actively promoting the building of distribution channels. In particular, premium income via telemarketing channel increased rapidly.

Non-automobile insurance. Premium income increased by 49.9% to RMB11,205 million in 2010 from RMB7,476 million in 2009. This was primarily driven by the rapid growth of premium income from commercial property insurance, guarantee insurance and liability insurance. Premium income attributable to commercial property insurance increased by 36.7% to RMB4,228 million in 2010 from RMB3,092 million in 2009. Premium income attributable to guarantee insurance increased significantly to RMB1,653 million in 2010 from RMB302 million in 2009. Premium income attributable to liability insurance increased by 41.1% to RMB1,441 million in 2010 from RMB1,021 million in 2009.

Accident and health insurance. Premium income increased by 8.3% to RMB1,882 million in 2010 from RMB1,737 million in 2009. The relatively low growth was primarily because the accident and health insurance market has slowed down in the recent two years; thus the Company proactively optimized its business structure and reduced those health insurance products with lower profitability.

The following is the breakdown of premium income for our property and casualty insurance business by region:

(in RMB million)	2010	2009
Guangdong	**10,797**	7,484
Shanghai	**4,527**	2,642
Jiangsu	**4,437**	2,708
Beijing	**4,339**	2,572
Sichuan	**3,916**	2,265
Subtotal	**28,016**	17,671
Total premium income	**62,507**	38,774

By region
(%)
2010 (2009)

Total investment income

(in RMB million)	2010	2009
Net investment income[1]	**2,041**	1,226
Net realized and unrealized gains[2]	**105**	455
Impairment losses	**–**	(19)
Total investment income	**2,146**	1,662
Net investment yield (%)[3]	**4.0**	4.0
Total investment yield (%)[3]	**4.2**	5.4

(1) Net investment income includes interest income from bonds and deposits, dividend income from equity investments, and operating lease income from investment properties.

(2) Net realized and unrealized gains include realized gains from security investments and profit or loss through fair value change.

(3) 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 the Modified Dietz method in principle.

Net investment income from our property and casualty insurance business increased by 66.5% to RMB2,041 million in 2010 from RMB1,226 million in 2009. This was mainly due to that the investment assets increased significantly in corresponding to the rapid growth of premium income, hence interest income from bonds and term deposits increased accordingly. Net investment yield was 4.0% in 2010, as the same with 2009.

Net realized and unrealized gains for our property and casualty insurance recorded a decrease of 76.9% to RMB105 million in 2010 from RMB455 million in 2009. This was mainly due to the substantial reduction of realized gains from equity investments as a result of the depressed and volatile stock market.

Overall, although total investment income had increased by 29.1% to RMB2,146 million in 2010 from RMB1,662 million in 2009, its growth rate was much lower than that of investment assets. As a result, total investment yield for our property and casualty insurance business fell to 4.2% in 2010 from 5.4% in 2009.

Claim expenses

(in RMB million)	2010	2009
Automobile insurance	**21,500**	13,070
Non-automobile insurance	**2,837**	2,431
Accident and health insurance	**899**	734
Total	**25,236**	16,235

Claims attributable to automobile insurance business increased by 64.5% to RMB21,500 million in 2010 from RMB13,070 million in 2009. This was mainly caused by the rapid growth in premium income in 2010.

Claims attributable to non-automobile insurance business increased by 16.7% to RMB2,837 million in 2010 from RMB2,431 million in 2009. This was primarily due to the growth in premium income.

Claims attributable to accident and health insurance business increased by 22.5% to RMB899 million in 2010 from RMB734 million in 2009. This was primarily due to the growth in premium income and the normal fluctuation of claims.

Commission expenses

(in RMB million)	2010	2009
Automobile insurance	**4,112**	3,370
Non-automobile insurance	**1,446**	1,070
Accident and health insurance	**376**	340
Total	**5,934**	4,780
Commission expenses as a percentage of premium income(%)	**9.5**	12.3

Commission expenses of our property and casualty insurance business increased by 24.1% to RMB5,934 million in 2010 from RMB4,780 million in 2009, mainly due to the rapid growth of premium income. Commission expenses as a percentage of premium income decreased to 9.5% in 2010 from 12.3% in 2009. This was primarily due to the fact that the market environment has become more regulated, at the same time the Company actively developed and pushed the sales of automobile insurance through telephone marketing channels.

General and administrative expenses

General and administrative expenses increased by 56.3% to RMB13,801 million in 2010 from RMB8,830 million in 2009. This increase was primarily due to the growth in our insurance business. General and administrative expenses as a percentage of premium income decreased to 22.1% in 2010 from 22.8% in 2009.

Income tax

Income tax was RMB1,214 million in 2010, mainly due to a substantial increase in the taxable profits. While the income tax was RMB1,233 million in 2009 due to that Ping An Property & Casualty made relevant tax provisions based on the result of a 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, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Actual capital	**50,981**	50,898	**15,002**	7,268
Minimum capital	**28,295**	22,453	**8,353**	5,061
Solvency margin ratio (%)	**180.2**	226.7	**179.6**	143.6

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, 2010, the solvency margins of Ping An Life and Ping An Property & Casualty were comfortably above regulatory requirement.

The solvency margin ratio of Ping An Life decreased as compared with the end of 2009, mainly due to the impact of business growth, capital market volatility and dividend distribution.

The solvency margin ratio of Ping An Property & Casualty increased as compared with the end of 2009. In 2010, Ping An Property & Casualty achieved solid business growth which brought about a corresponding significant increase in the regulatory minimum capital. In order to enhance capital adequacy, Ping An Property & Casualty successfully issued RMB2.5 billion subordinated debts and completed capital injection of RMB6 billion, thereby increasing its actual capital.

Management discussion and analysis
Banking business

- Significant progress was made in our strategic investment in Shenzhen Development Bank.
- Ping An Bank achieved robust growth with an increase of net profit by 60.8% as compared with last year, becoming one of the fastest growing companies in the industry.
- Accumulated credit cards issued exceeded 6 million, and the credit card business achieved profitability for the first time in the last three years.

The Company conducts its banking business through Ping An Bank, and Shenzhen Development Bank became our associate company in May 2010. Net profit from our banking business was reported to be RMB2,882 million in 2010, consisting of RMB1,737 million net profit from Ping An Bank and RMB1,145 million in share of profits from Shenzhen Development Bank based on our equity stake in the bank. The major asset restructuring proposal of the Company and Shenzhen Development Bank has been submitted to the regulatory authorities for approval.

PING AN BANK

Ping An Bank, an essential part of the integrated financial services 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, Dongguan and Huizhou etc. As at December 31, 2010, Ping An Bank had registered capital of RMB8,623 million, net assets of RMB15,681 million and total assets of RMB255,774 million.

In 2010, the banking industry faced a more stringent monetary and credit environment compared with 2009. Post financial crisis, strengthening capital regulations became a core task of the banking industry. During the year end, the PBOC increased interest rates twice and raised the deposit reserve ratio several times in order to stabilise price levels and to curb inflation. Various austerity measures have restricted liquidity and the credit availability of the sector. In addition, policy adjustments in the real estate industry and local governments' financing platform posed challenges to the asset quality in the banking industry. Meanwhile, as the macro-economic environment became more stabilized, the real economy's demand for funds remained strong and there was a rebound in the net interest spread(NIS) of the banking industry as well as a relatively high growth rate in net interest income in 2010.

In the face of these external opportunities and challenges, Ping An Bank continued to grow rapidly by adhering to its thesis of "control, growth and service", which improved the quality of the service significantly. Net profit for 2010 was RMB1,737 million, representing an above-market growth of 60.8% as compared with the previous year.

Business volumes of Ping An Bank grew steadily and total assets leaped to RMB250 billion. Deposits and loans grew by 22.2% and 21.6%, respectively as compared with the end of 2009. Accumulated credit cards issued exceeded 6 million. In terms of the growth of transaction volumes of credit cards, the bank was recognized as an industry leader, increasing by 74.5%. The credit card business achieved profitability for the first time in the last three years. Retail banking grew at a robust pace and deposits increased by 61.9% over the year. Corporate banking recorded a strong performance with an increase of 78.6% in loans extended to SMEs. In addition, Huizhou branch was opened as the bank's 9th branch in China.

Asset quality continued to top the industry. In the face of the constantly changing market conditions, the bank has further improved its loan quality and risk management. Our non-performing loan (NPL) ratio decreased to 0.41%, asset quality leading the industry. While we expanded the banking business rapidly, capital adequacy ratio (CAR) was maintained at 11.0%. Ping An Bank performed well in controlling NPL ratio, maintaining CAR and preventing fraud, laying a solid foundation for a sound long-term development.

Our channel and product development have continued to be innovative while cross-selling began to show effect. Ping An Bank has continued to evolve and improve its retail business. We successfully completed the study of a new retail business model and launched its pilot in Shanghai. Percentage of these innovative products such as Unsecured Personal Loan (Xin Yi Dai) increased significantly. 34.8% of the new retail deposits were from cross-selling. Within the newly issued credit cards, 54.5% was contributed by cross-selling. As a result of new customers brought on board by cross-selling, who tend to have better income and superior spending power, we recorded higher card usage rates and transaction volumes compared to those attained via other sales channels. Further, this effectively improved the profitability of our credit card payment and instalment business. At the end of 2010, the loan product of corporate business named Yi Dai Tong was launched to meet the needs of SMEs customers. We actively promoted channel cooperation and 21.1% of the increment in daily average size of corporate deposits was contributed by cross-selling. The year 2010 also saw the successful completion of operation centralization, laying down the ground work for higher efficiency and stronger support from the back office.

On the back of enhanced management and stronger innovation capability, Ping An Bank received various awards and accolades. These honours include "the Best Governance Bank" award for the year by *Global Business & Finance*; "the Best Development Potential Retail Bank in China" and "the Best Automobile Credit Card" by *Money Week*; "the Best Innovation in Cash Management" and "the Best Innovation in Internet Banking" awards by the 21st Century Asian Financial Annual Summit; and "the Gold Dragon Award--the Best Growing Small and Medium Bank" jointly offered by *Financial News* and *the Institute of Finance and Banking of Chinese Academy of Social Sciences*.

Results of Operation

(in RMB million)	2010	2009
Net interest income	**5,438**	3,425
Net fees and commission income	**801**	417
Investment income	**73**	404
Income from other businesses[1]	**84**	202
Total operating income	**6,396**	4,448
Asset impairment losses	**(373)**	(183)
Net operating income	**6,023**	4,265
General, administrative and other expenses[2]	**(3,801)**	(2,917)
Profit before tax	**2,222**	1,348
Income tax	**(485)**	(268)
Net profit	**1,737**	1,080

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

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

In 2010, Ping An Bank adopted multiple measures, including a proactive adjustment of the asset/liability structure, an increased focus on pricing management, and tighter controls over loans. In order to improve operating efficiency, we paid closer attention to our cost control methodology. As a result, we successfully increased our profitability and reduced cost/income ratio while simultaneously raised our NIS. Over the course of 2010, Ping An Bank's net profit increased by 60.8% to RMB1,737 million from RMB1,080 million in 2009, with a significantly higher rate of growth than its peers. Following three years of restructuring, Ping An Bank has now entered into its next growth phase.

Net Interest Income

(in RMB million)	2010	2009
Interest income		
Loans to customers	**6,530**	4,852
Balance with the PBOC	**394**	294
Due from banks and other financial institutions	**252**	138
Placements with banks and other financial institutions	**360**	206
Bond interest income	**1,795**	1,184
Total interest income	**9,331**	6,674
Interest expenses		
Customer deposits	**(2,618)**	(2,538)
Due to banks and other financial institutions	**(663)**	(479)
Placements from banks and other financial institutions	**(487)**	(169)
Bonds issued	**(125)**	(63)
Total interest expenses	**(3,893)**	(3,249)
Net interest income	**5,438**	3,425
Net interest spread (%)[(1)]	**2.18**	1.77
Net interest margin (%)[(2)]	**2.30**	1.89
Average balance of interest-earning assets	**236,291**	180,984
Average balance of interest-bearing liabilities	**219,606**	169,444

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

(2) Net interest margin (NIM) refers to net interest income/average interest-earning assets balance.

Net interest income for the year increased by 58.8% to RMB5,438 million from RMB3,425 million in 2009, while NIS increased from 1.77% in 2009 to 2.18% in 2010. This increase was primarily due to the rapid growth of loan volume and the continuous optimization of the asset and liability structure. Furthermore, funds were channelled to the yielding assets such as unsecured personal loans, and we reduced the proportion of negotiated deposits that were of higher cost to our business. The PBOC also raised interest rates twice in the fourth quarter of 2010, another contributing factor to our improved NIS.

Net Fees and Commission Income

(in RMB million)	2010	2009
Fees and commission income		
Entrusted business fees income	**249**	146
Bank card fees income	**418**	189
Others	**264**	147
Total fees and commission income	**931**	482
Fees and commission expenses		
Bank card fees expenses	**(97)**	(38)
Others	**(33)**	(27)
Total fees and commission expenses	**(130)**	(65)
Net fees and commission income	**801**	417

Net fees and commission income increased by 92.1% from RMB417 million in 2009 to RMB801 million in 2010, mainly due to the rapid growth of Ping An Bank's credit card business, as well as breakthroughs in fees income from syndicated loans, corporate financing and asset management business etc.

Investment Income

Investment income decreased by 81.9% from RMB404 million in 2009 to RMB73 million in 2010. This was mainly due to the fact that the realized gains from the disposal of bonds decreased.

General, Administrative and Other Expenses

(in RMB million)	2010	2009
General and administrative expenses	**3,324**	2,547
Business tax and surcharges	**403**	298
Other expenses and non-operating expenses	**74**	72
Total general, administrative and other expenses	**3,801**	2,917
Cost/income ratio [1]	**52.9%**	59.5%

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

General, administrative and other expenses increased by 30.3% to RMB3,801 million in 2010 from RMB2,917 million in 2009, as the bank continued to invest in branch network expansion, credit card and retail business promotion, up-grading IT infrastructure and launching innovative services. Cost/income ratio in 2010 improved to 52.9% from 59.5% in 2009, mainly because of strict expense management carried out by Ping An Bank, and realization of higher income from strategic input made during the earlier stage.

Asset Impairment Losses

Asset impairment losses increased by 103.8% to RMB373 million in 2010 from RMB183 million in 2009, largely because the bank increased the provision coverage ratio to 211.1% to better hedge against possible risks arising from a growing asset base.

Income Tax

	2010	2009
Effective tax rate (%)	**21.8**	19.9

Effective tax rate in 2010 has increased to 21.8% from 19.9% in 2009, mainly because the corporate income tax rate in Shenzhen has been raised to 22.0% in 2010 from 20.0% in 2009.

Loan Mix

(in RMB million)	December 31, 2010	December 31, 2009
Corporate loans	**85,427**	67,828
Retail loans	**43,172**	32,165
Discounted bills	**2,199**	7,569
Total loans	**130,798**	107,562

Loan mix
(%)
December 31, 2010 (December 31, 2009)

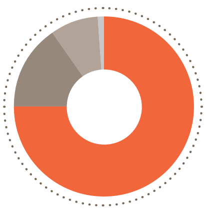
Total loans increased by 21.6% to RMB130,798 million as at December 31, 2010 from RMB107,562 million as at December 31, 2009. Corporate loans increased by 25.9% to RMB85,427 million, contributing 65.3% (as at December 31, 2009: 63.1%) to total loans as at December 31, 2010. Retail loans increased by 34.2% to

RMB43,172 million, contributing 33.0% (as at December 31, 2009: 29.9%) to total loans as at December 31, 2010. Discounted bills decreased by 70.9% to RMB2,199 million, contributing 1.7% (as at December 31, 2009: 7.0%) to total loans as at December 31, 2010.

Deposit Mix

(in RMB million)	December 31, 2010	December 31, 2009
Corporate deposits	**136,514**	117,925
Retail deposits	**27,821**	19,521
Margin deposits	**16,078**	11,007
Outward remittance and remittance outstanding	**1,705**	612
Total customer deposits and margin deposits	**182,118**	149,065

Deposit mix
(%)
December 31, 2010 (December 31, 2009)



Total customer deposits and margin deposits increased to RMB182,118 million as at December 31, 2010 from RMB149,065 million as at December 31, 2009, an increase of 22.2%. All deposit categories maintained stable growth.

Loan Quality

(in RMB million)	December 31, 2010	December 31, 2009
Pass	**129,497**	106,166
Special mention	**768**	901
Sub-standard	**147**	218
Doubtful	**153**	113
Loss	**233**	164
Total loans	**130,798**	107,562
Total non-performing loans	**533**	495
Non-performing loan ratio	**0.41%**	0.46%
Impairment provision balance	**1,125**	772
Provision coverage ratio	**211.1%**	156.0%

The balance of non-performing loans increased to RMB533 million as at December 31, 2010 from RMB495 million as at December 31, 2009, primarily due to the enlarged size of loans. However the non-performing loan ratio decreased to 0.41% as at December 31, 2010 from 0.46% as at December 31, 2009, as loan quality continued to improve in 2010.

Ping An Bank continues to maintain provisions for the non-performing loans in line with regulatory requirements. Provision coverage ratio increased to 211.1% as at December 31, 2010 from 156.0% as at December 31, 2009.

Capital Adequacy Ratio

(in RMB million)	December 31, 2010	December 31, 2009
Net capital	**18,551**	17,173
Net risk weighted asset	**169,254**	131,638
CAR (regulatory requirement >=8%)	**11.0%**	13.0%
Core CAR (regulatory requirement >=4%)	**9.3%**	10.9%

As at December 31, 2010, Ping An Bank's CAR and Core CAR were above the regulatory requirement level of 8% and 4%, at 11.0% and 9.3% respectively. Compared with last year, Ping An Bank's CAR dropped slightly due to the faster growth of business scale.

SHENZHEN DEVELOPMENT BANK

On May 7, 2010, the Company completed the non-public directed issuance of H shares and NEWBRIDGE transferred all its shares of SDB to the Company; on June 29, SDB successfully completed its non-public directed share issuance to Ping An Life. After the completion of these two transactions, the Company and Ping An Life hold a total of 1,045 million SDB shares, representing 29.99% of its total equity.

As at the end of 2010, the restructuring proposal for Ping An Bank and SDB has been approved by the respective board meeting and general meeting of the Company and SDB and has been submitted to the regulatory authorities for approval.

Share of Profits from Associate Company

In 2010, the Company recognized its share of profits from SDB, an associate company, of RMB1,145 million based on the equity method.

Management discussion and analysis
Investment business

- Ping An Securities successfully sponsored 39 IPOs and 11 refinancing projects as the lead underwriter; ranked first in terms of the number of deals and underwriting revenue for IPO transactions.
- Ping An Trust accelerated the development of wealth management business and optimized product structure, achieving remarkable progress in trust business transformation.
- Ping An-UOB Fund was established with the approval of the regulatory authorities.

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. Ping An Caizhi, a wholly-owned subsidiary that conducts direct investment, and Ping An Securities (Hong Kong), a Hong Kong based subsidiary were established in 2008 and 2009, respectively. As at December 31, 2010, Ping An Securities had registered capital of RMB3 billion, net assets of RMB6,544 million and total assets of RMB29,987 million.

In 2010, due to the macroeconomic policy on real estate, increased inflation and increased interest rate and reserve requirement ratio by the PBOC, market concerns over domestic economy arose and led the CSI 300 Index to plummet 12.5% as compared with the end of 2009. Such deep adjustments brought serious challenges to our brokerage and investment businesses. Meanwhile, the further lowering of commission rates in the industry also shrunk the profit margin of our brokerage business. However, the new businesses such as margin trading & securities lending services and stock index futures were launched successfully. The direct financing channel was opened up as the listed banks could trade bonds in China's exchanges. All of above together with the increasing financing demand have created growth potential for Ping An Securities.

Ping An Securities grew rapidly in 2010, achieving higher rankings in the industry. Based on its outstanding performance in projects underwriting in 2009, it was awarded "the Best Sponsor at the SMEs Board" by Shenzhen Stock Exchange for the fourth consecutive year. Our investment banking business maintained leading position in the SMEs and GEM underwriting markets. We successfully sponsored 39 IPOs and 11 refinancing projects as the lead underwriter, ranking first in the number of deals. For the brokerage business, we expanded distribution channels and opened eight more branch offices. With fixed income operations, we led and underwrote 11 corporate debt issues, and made progress in product innovation. Furthermore, by obtaining licenses to offer margin trading, securities lending and futures brokerage services, Ping An Securities is expected to contribute more profit to the Group.

Looking ahead, leveraging the integrated financial advantages of the Group, we will focus on the development of brokerage, investment banking, fixed income and asset management businesses, and strive for steady growth with controlled operational risk and improved service quality.

Results of Operation

(in RMB million)	2010	2009
Net fees and commission income	**3,390**	1,972
Investment income	**448**	483
Other income	**12**	22
Total operating income	**3,850**	2,477
Foreign currency losses	**(1)**	–
General, administrative and other expenses	**(1,791)**	(1,153)
Total operating expenses	**(1,792)**	(1,153)
Income tax	**(464)**	(252)
Net profit	**1,594**	1,072

In 2010, Ping An Securities achieved excellent performance in investment banking business, as a result net profit increased by 48.7% to RMB1,594 million from RMB1,072 million in 2009.

Net Fees and Commission Income

(in RMB million)	2010	2009
Fees and commission income		
Brokerage fees	**1,173**	1,271
Underwriting commission income	**2,517**	895
Others	**15**	4
Total fees and commission income	**3,705**	2,170
Fees and commission expenses		
Brokerage fees paid	**(204)**	(170)
Others	**(111)**	(28)
Total fees and commission expenses	**(315)**	(198)
Net fees and commission income	**3,390**	1,972

In 2010, although the trading volume increased along with the enlarged market value of domestic stock market, the brokerage commission rate has declined as market competition became more intense. As a result, our brokerage fees income decreased by 7.7% to RMB1,173 million in 2010 from RMB1,271 million in 2009. The rise in brokerage fees expenses was mainly due to the increase in trading volume of the domestic stock market.

Due to the rapid growth of our investment banking business, underwriting commission income increased sharply to RMB2,517 million in 2010 from RMB895 million in 2009.

Total Investment Income

(in RMB million)	2010	2009
Net investment income(1)	**461**	410
Net realized and unrealized gains(2)	**(13)**	73
Total investment income	**448**	483

(1) Net investment income includes interest income from bonds and deposits, and dividend income from equity investments.
(2) Net realized and unrealized gains include realized gains from security investments and profit or loss through fair value change.

Total investment income decreased 7.2% to RMB448 million in 2010 from RMB483 million in 2009. This was primarily due to the decrease in the income from equity investments as a result of the relatively weak situation in secondary market in 2010.

TRUST BUSINESS

We provide third-party asset management services to customers through Ping An Trust. 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, 2010, Ping An Trust had a registered capital of RMB6,988 million, net assets of RMB13,344 million and total assets of RMB15,812 million.

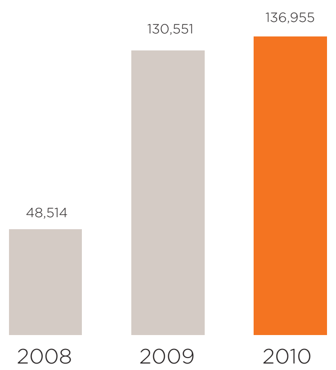
In 2010, China's economy continued to move in a positive direction, which led to strong investing and financing demand in the capital markets, the industrial sector and the monetary market and provided a unique opportunity for trust industry. The environment has become more regulated with the implementation of *the Criterions for the Administration of Net Capital of Trust Companies*, the further strengthened monitoring on real estate trust business and the cooperation between banks and trust companies. These factors motivate business transformation and products innovation. The trust companies are moving towards an internal-oriented mode development from an external-oriented one. However, policies to address inflation and the real estate sector have brought uncertainties and pose impact on the profit model of trust companies that yet to be matured.

Confronted with the fast-growing, increasingly regulated and competitive market, Ping An Trust insisted on innovation and independency, expanded product range and distribution channels, and strengthened operation platform to construct a sustainable business model. In product development, it is dedicated to doing research on the trust products of aggregate funds and offering products with various maturity ranging from one month to twenty years. In channel expanding, it accelerated the private wealth business and built a professional private banking team. The transformation of institutional business was successful. Two IT system planning projects, named Accenture and Kaloke, were launched, which aim to build a stable, efficient and flexible trust management platform. In 2010, Ping An Trust accelerated the wealth management business and optimized product structure, achieving remarkable progress in business transformation and contributing positively to the overall growth of the Company.

Ping An Trust was honored with various notable industry awards for its excellent performance on product and service. These include "the Best Service Team of the Year" of the 3rd Golden Shell Award by *21st Century Business Herald* as well as "the Outstanding Trust Management Company in China", "the Outstanding Trust Manager in China", "the Best Trust Program for Securities Investment","the Best Trust Program for Real Estate", "the Best Trust Products for Portfolio Investment" and "the Most Influential Brand (Products)" by *Securities Times*.

Management discussion and analysis
Investment business

Assets held in trust
(in RMB million)



Results of Operation

(in RMB million)	2010	2009
Net fees and commission income	**702**	358
Investment income	**1,451**	834
Other income	**2**	–
Total operating income	**2,155**	1,192
Asset impairment losses	**(53)**	(34)
General, administrative and other expenses	**(741)**	(423)
Total operating expenses	**(794)**	(457)
Income tax	**(322)**	(129)
Net profit	**1,039**	606

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

Net profit increased by 71.5% to RMB1,039 million in 2010 from RMB606 million in 2009. This was primarily due to the increase in investment income as well as the management fees of trust products in 2010.

Net Fees and Commission Income

(in RMB million)	2010	2009
Fees and commission income		
Management fees of trust products	**714**	391
Others	**189**	180
Total fees and commission income	**903**	571
Fees and commission expenses		
Handling charges of trust products	**(179)**	(138)
Others	**(22)**	(75)
Total fees and commission expenses	**(201)**	(213)
Net fees and commission income	**702**	358

Management fees of trust products increased significantly to RMB714 million in 2010 from RMB391 million in 2009. This was primarily due to the fact that the scale of assets held in trust saw a growth and the product structure and management fee rate continued to optimize.

Handling charges of trust products increased by 29.7% to RMB179 million in 2010 from RMB138 million in 2009. This was primarily due to the increase in the investment advisory fees as a result of the widened scope and increased scale of trust products along with the booming investment environment.

Total Investment Income

(in RMB million)	2010	2009
Net investment income[1]	**470**	607
Net realized and unrealized gains[2]	**981**	227
Total investment income	**1,451**	834

(1) Net investment income includes interest income from bonds, loans and deposits, and dividend income from equity investments.

(2) Net realized and unrealized gains include realized gains from security investments, profit or loss through fair value change, and equity investment income excluding dividend.

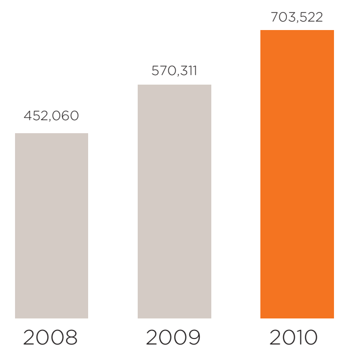
Net investment income decreased 22.6% to RMB470 million in 2010 from RMB607 million in 2009, mainly due to the decrease in dividend income from equity investment. Net realized and unrealized gains increased significantly to RMB981 million in 2010 from RMB227 million in 2009. This was primarily due to that the realized investment gains from disposal of equity investments such as withdrawal of some PE investment in 2010 was much higher than that of 2009.

INVESTMENT MANAGEMENT BUSINESS

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

Ping An Asset Management is responsible for domestic investment management services in China and is entrusted to manage the insurance funds of the Group as well as investment assets of other subsidiaries of the Group. It also provides investment products and third-party asset management services for other investors through various channels. As at December 31 2010, Ping An Asset Management had a registered capital of RMB500 million.

Assets under investment management
(in RMB million)



As at December 31, 2010, assets under the management of Ping An Asset Management amounted to RMB703,522 million, an increase of 23.4% compared with the end of 2009. This was primarily due to the increase in investible assets generated by a steady growth of our insurance business.

In 2010, with an effective risk control program, Ping An Asset Management proactively seized the investment opportunities, optimized assets allocation and gained favourable returns. Total investment return from insurance funds was RMB29,272 million for the year, representing a yield of 4.9%, hence contributing substantially to the Company's profit.

We developed third party asset management business innovatively. Investment advisory service for cash management and high-end wealth management of private banking showed positive growth momentum. Ping An Asset Management was ranked forefront in the industry in terms of the scale of assets entrusted from small and medium insurance companies. The scale of our third party asset management business maintained rapid growth.

In 2010, Ping An Asset Management has built up an investment management system platform that supports domestic and foreign investments by various investment teams and operations from one centralized back office teams. The platform also improves accuracy and timeliness, providing timely and efficient information for investment decisions. All of these push Ping An Asset Management ahead to become the leader of the industry.

Going forward, Ping An Asset Management will continue to deepen its analysis of macroeconomic trends and strengthen overall investment strategy. We will optimize asset allocation, enhance interaction between investment and research units, improve risk control and build a world class investment management system platform. This will help strengthen our competitive advantage and cement our image as a leading brand in the industry.

Ping An Asset Management (Hong Kong), incorporated in May 2006 with 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 managing investments for other subsidiaries, it also offers various types 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. These licenses allow the company to provide asset management services and to be the consultant for securities transactions or futures contracts.

Ping An Asset Management (Hong Kong) has a professional team with ample experience in international investment to take charge of research on global macroeconomics, strategic asset allocation, investment in Hong Kong stocks, direct investment, mergers and acquisitions, and other core functions. The team also focuses on establishing an international investment platform, which offers the import of foreign products, service and product innovation. As at December 31, 2010, the assets that were foreign currency denominated under the management of Ping An Asset Management (Hong Kong) amounted to HK$28,855million.

FUND BUSINESS

On December 28, 2010, Ping An-UOB Fund was approved to be established as an asset management company that offers professional investment services. Based on the thesis of "compliance, integrity, professionalism and innovation" and the philosophy of "creating value through research", Ping An-UOB Fund is dedicated to building a scientific risk control system that integrates investment and research. By focusing on the wealth management needs of Chinese families, it targets stable investment performance and improving services. It will offer diversified fund investment products and high quality wealth management services and strive to become a professional fund manager with ample trust of investors.

The establishment of Ping An-UOB Fund will enrich products and services, provide the Company with increased profit contribution and also assist in achieving a more balanced three-pillar businesses. The Group will support Ping An-UOB Fund as well, sharing experiences of back office development, staff training, risk assessment, customer services etc, and help develop the fund into one of the most professional fund managers in China.

Management discussion and analysis
Synergy

- We greatly enhanced the depth and scope of our cross-selling activities.
- Upgrade was made to the operating platform for greater efficiency, stability and cost-effectiveness.

Four divisions of the Company – Ping An Technology, Ping An Processing & Technology, Ping An Channel Development and Ping An Marketing Services- together form the backbone of the Company's new resource-sharing IT platform, back office centralization, and cross-selling initiatives. In 2010, through the new corporate operations of these four business units, the integrated financial framework and governance structure of the Company were greatly improved. In addition, our utilisation of resources has become more efficient and market-oriented while service costs have 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 through increasingly visible synergies. The following table sets out the Company's cross-selling performance in 2010:

New Business Acquired through Cross-selling

(In RMB million)	2010 Amount	2010 Business contribution percentage (%)	2009 Amount	2009 Business contribution percentage (%)
Property and casualty insurance business				
Premium income	**8,582**	**13.7**	5,635	14.5
Annuity business				
Entrusted assets	**1,545**	**15.1**	623	7.5
Assets under investment management	**1,131**	**7.7**	671	7.4
Trust business				
Trust schemes	**13,812**	**14.1**	5,650	4.5
Banking business				
Corporate deposits (increase of daily average size)	**5,200**	**21.1**	2,509	10.4
Corporate loans (increase of daily average size)	**4,200**	**20.1**	788	5.2
Credit cards (in ten thousands)	**124**	**54.5**	124	56.5

CENTRALIZATION

Ping An Processing & Technology, as the Company's centralized operating platform, further implemented centralization and resource sharing for the entire group. It also pushed the progress of the project of "building one integrated financial services back office" which is in line with the Group's integrated financial strategy. In 2010, Ping An Processing & Technology was awarded "2010 Growth Enterprise in Service Outsourcing in China" and its call center was recognized as "Best Telephone Call Center in China for 2009-2010" and "Best Telephone Call Center in China (Asia Pacific) 2010". As at December 31, 2010, the following progress was made for the Company's centralized operating platform and the project of "building one integrated financial services back office":

Specialized Operations:

- With the full completion of centralization in individual life insurance underwriting and claims functions, centralization for policyholder services was 84.01% completed.
- Centralization of claims processing of automobile insurance and property and casualty insurance, and manual underwriting of automobile insurance through telemarketing channel has been fully completed.
- Centralization of claims and underwriting of group insurance were reported to be 97.09% and 97.22% completed respectively. Policyholder services of group insurance was 82% completed, representing an increase of 2 percentage points compared to the end of 2009. For the annuity business, with the completion of centralization in investment management and fiduciary management services, account management services centralization was 100% completed, an increase of 3 percentage points compared to the end of 2009.
- The centralized services for the banking business achieved transition from an income-based expenditure disbursement model into a key period where services will be enhanced and cost optimized.

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 40%.
- 93% of accounting processes 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 Bank, Ping An Securities, Ping An Trust and Ping An Processing & Technology was fully completed, with 72% of all calls taken at the call center.
- When mentioned our project of "building one integrated financial services back office", we have made clear distinction between the back office's function from the mid-office's for the property and casualty insurance, life insurance and annuity insurance business. Pilot operations were launched in Sichuan and Shenzhen, paving the way for further implementation of the project.

The second phase of centralization, which focuses on the further optimization of cost and support of cross-selling, has got positive results. Coverage of specialized and shared operations was further expanded, demonstrating the cost advantage of resource sharing and cross-business synergies. The advanced project of integrated financial services back office aiming at the "massive resources sharing of integrated financial services" is already under way with steady progress made. To support our products and services and meet the needs of our customers, we will establish a cross-product, unified and industry-recognized service platform that will improve service quality, enhance business handling ability, and increase product value and help sales.

PING AN ONE ACCOUNT MANAGEMENT SERVICES, WANLITONG LOYALTY POINTS PROGRAM AND PING AN VIP CLUB

Three value-added services – Ping An One Account Management Services, Wanlitong Loyalty Points Program and Ping An VIP Club – have reported excellent results after 2 years of development.

In line with our plans to integrate online service for different business segments, Ping An One Account Management Services continued to roll out new features to improve customer experience and offered Ping An subsidiaries a platform for superior marketing, sales and customer services. As at December 31, 2010, the number of cumulative registered users had reached 10 million, representing a year-on-year growth of approximately 150%. Volumes of online services of Ping An Life and Ping An Property & Casualty accounted for 15% and 60%, respectively of the total volume of customer services offered through all service channels.

Wanlitong Loyalty Points Program rewards our customers who loyally use the Group's integrated financial services. With loyalty sales, points accumulation and reward programs offered by strategic partners, Wanlitong aims to attract and retain quality customers of various subsidiaries across the Group. As at December 31, 2010, the program had about 6.71 million registered members and approximately 14.01 million basic members.

Ping An VIP Club is committed to establishing itself as a high-end financial customer membership club. It rewards and retains premier customers from our subsidiaries through a range of value-added services, member activities and Ping An-specific integrated financial services. As at December 31, 2010, the number of our VIP members reached around 1.14 million.

Embedded value

As at December 31, 2010, the embedded value of the Company was RMB200,986 million, and the value of one year's new business of life insurance sold during 2010 was RMB15,507 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 2010 Year-end annual report ("the Disclosures"). The Disclosures comprise: the Economic Value, which is the Embedded Value as at December 31, 2010 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, 2010 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 2010 Year-end annual report is consistent with the information we have reviewed.

Xiaojing Zhao, Actuary
March 29, 2011

Ernst & Young (China) Advisory Limited

EMBEDDED VALUE REPORT OF PING AN INSURANCE (GROUP) COMPANY OF CHINA, LTD. 2010

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, 2010.

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 2010 embedded value report, relevant contract liabilities of life insurance business were measured according to the assessment standards of the liabilities pursuant to the solvency regulations, and the income tax was 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, 2010	December 31, 2009
Risk discount rate	**Earned Rate/11.0%**	Earned Rate/11.0%
Adjusted net asset value	**123,573**	94,606
Adjusted net asset value of life insurance business	**43,673**	40,052
Value of in-force insurance business written prior to June 1999	**(9,858)**	(11,614)
Value of in-force insurance business written since June 1999	**104,816**	86,579
Cost of holding the required solvency margin	**(17,545)**	(14,314)
Embedded value	**200,986**	155,258
Embedded value of life insurance business	**121,086**	100,704

(in RMB million)	December 31, 2010	December 31, 2009
Risk discount rate	**11.0%**	11.0%
Value of one year's new business	**18,192**	13,945
Cost of holding the required solvency margin	**(2,686)**	(2,141)
Value of one year's new business after cost of solvency	**15,507**	11,805

Note: Figures may not match totals due to rounding.

The adjusted net asset value of life insurance business was based on the unaudited shareholders net asset value of the relevant life insurance business of the Company as measured on the PRC statutory basis. This unaudited shareholders net asset value was calculated based on the audited shareholders net asset value in accordance with CAS by adjusting the relevant differences, such as reserves. The adjusted net asset value of other business was based on the audited shareholders net asset value of the relevant business of the Company in accordance with CAS. The relevant 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 2010 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

   The discount rate for the in-force life insurance business in each future year has been assumed to be 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 4.75% in 2011 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 modelled during 2010 to calculate the value of one year's new business was RMB74,556 million in terms of first year premium. The mix of the new business measured by first year premium was:

	Percentage
Individual life	**52.7%**
Long-term business	52.5%
Short-term business	0.2%
Group life	**12.1%**
Long-term business	6.3%
Short-term business	5.8%
Bancassurance	**35.2%**
Long-term business	35.2%
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 RMB200,986 million as at December 31, 2010.

(in RMB million)	2010	Description
Embedded value of life insurance business as at December 31, 2009	**100,704**	
Expected return on year-start embedded value	9,823	Expected growth of embedded value occurred in 2010
Value of one-year new business	16,310	The contribution came from new business sold during 2010 and discounted at earned rate/11.0%
Assumption and modelling changes	(2,848)	Assumption changes, such as lapse rate changes, and modelling changes decreased embedded value on an aggregate basis
Market value adjustment	(2,719)	The market value adjustment of relevant investments decreased due to unrealized capital losses
Investment return variance	1,392	Actual investment return in 2010 was higher than the assumed return
Other experience variances	392	Other variances between actual experience and assumptions
Embedded value of life insurance business before capital changes	**123,054**	Embedded value of life insurance business before impact of capital change increased by 22.2%
Shareholder dividends	(2,023)	Dividends paid to shareholders by Ping An Life
Impact of capital injection	716	Capital injection to Ping An Annuity by Ping An Life was RMB660 million; Impact of capital injection to Ping An Health was RMB56 million
Capital investment	(660)	Capital investment to Ping An Annuity by Ping An Life was RMB660 million
Embedded value of life insurance business as at December 31, 2010	**121,086**	

Embedded value

(in RMB million)	2010	Description
Adjusted net asset value of other business as at December 31, 2009	**54,554**	
Net Profit of other business	8,469	
Market value adjustment and other variances	2,237	
Adjusted net asset value of other business as at December 31, 2010 before capital changes	**65,260**	
Shareholder dividends	(2,303)	Dividends paid to shareholders by Ping An Property & Casualty was RMB1,800 million; Dividends paid to shareholders by Ping An Trust was RMB503 million
Dividends received from subsidiaries	4,301	Dividends paid to the Company by Ping An Life was RMB2,013 million; Dividends paid to the Company by Ping An Property & Casualty was RMB1,785 million; Dividends paid to the Company by Ping An Trust was RMB503 million
Capital injection	22,367	The increase in net assets from the non-public directed issuance of additional H shares by the Company was RMB16,036 million; Capital injection to Ping An Property & Casualty was RMB6,000 million; Capital injection to Ping An Overseas Holdings was RMB331 million
Capital investment	(6,285)	Capital investment to Ping An Property & Casualty by the Company was RMB5,953 million; Capital investment to Ping An Overseas Holdings by the Company was RMB331 million
Shareholder dividends paid by the Company	(3,440)	Dividends paid to shareholders by the Company
Adjusted net asset value of other business as at December 31, 2010	**79,900**	
Embedded value as at December 31, 2010	**200,986**	
Embedded value per share as at December 31, 2010 (in RMB)	**26.3**	

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 2009 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	80,832	77,414	74,175	78,538
	10.5%	11.0%	11.5%	Earned Rate/11.0%
Value of one year's new business	16,430	15,507	14,650	16,310

Assumptions (in RMB million)	Value of in-force business	Value of one year's new business
Central case	77,414	15,507
Assumptions used in 2009 valuation	80,261	15,707
Investment return increased by 50bp every year	89,873	16,448
Investment return decreased by 50bp every year	63,739	14,579
10% reduction in mortality and morbidity rates	78,751	15,852
10% reduction in policy discontinuance rates	79,515	15,975
10% reduction in maintenance expense	78,740	15,771
5% increase in the policyholders' dividend payout ratio	74,380	15,019
Solvency margin at 150% of the regulatory level	68,381	14,164

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 from the perspective of the Group as a whole.

As at December 31, 2010, 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 Control 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 2010, the capital injection into our subsidiaries by the Company is as follows:

- RMB5,953 million to Ping An Property & Casualty
- RMB331 million to Ping An Overseas Holdings

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 2010, 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 subsidiaries 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 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 realization 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, 2010, the Group's total equity was RMB116.88 billion, representing an increase of 27.4% as compared to the end of 2009. In addition to an increase from the operating profits, another contributing factor to equity was that on May 7, 2010, the Company issued 299,088,758 H shares to NEWBRIDGE, as a consideration of the shares in SDB that NEWBRIDGE held.

As at the end of 2010, the parent company's capital structure mainly comprised contributions from shareholders as well as proceeds from listing of H shares and A shares. The parent company did not issue any form of debt securities.

To enhance capital strength and advance the solvency margin ratio, Ping An Property & Casualty issued subordinated term debts in 2010. The relative information is as follows:

- Ping An Property & Casualty: subordinated term debts, 10-year, RMB2,500 million

As at the end of 2010, the balance of subordinated term debts attribute to Ping An Property & Casualty was RMB4,500 million, the balance of subordinated term debts attribute to Ping An Bank was RMB3,000 million.

GEARING RATIO

	December 31, 2010	December 31, 2009
Gearing ratio (%)	**90.4**	90.9

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

CASH FLOW ANALYSIS

(in RMB million)	2010	2009
Net cash flows from operating activities	**139,255**	93,301
Net cash flows from investing activities	**(189,475)**	(81,743)
Net cash flows from financing activities	**42,253**	15,684

Net cash inflows from operating activities increased by 49.3% to RMB139,255 million in 2010 from RMB93,301 million in 2009. This was mainly due to the continuous increase of cash premiums from insurance businesses. Despite the increase of cash outflow from claims payment, interest payment, fees and commission expenses in line with the expansion of business, yet the increase was relatively small compared to the increase of cash inflows.

Net cash outflows from investing activities increased significantly to RMB189,475 million in 2010 from RMB81,743 million in 2009. This was primarily due to the fact that we increased investment in bonds and term deposits substantially.

Net cash inflows from financing activities increased substantially to RMB42,253 million in 2010 from RMB15,684 million in 2009, mainly due to the increase of short-term financing demand of insurance businesses.

CASH AND CASH EQUIVALENTS

(in RMB million)	December 31, 2010	December 31, 2009
Cash	**61,289**	67,027
Money market funds	**4,657**	11,983
Bond investment with original maturity less than 3 months	**–**	1,296
Asset purchased under agreements to resell with original maturity less than 3 months	**14,992**	8,659
Total cash and cash equivalents	**80,938**	88,965

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, 2010	December 31, 2009
Actual capital	**124,207**	117,560
Minimum capital	**62,778**	38,916
Solvency margin ratio (%)	**197.9**	302.1

The above figures indicate that the solvency of the Group was adequate as at December 31, 2010.

The Group's solvency margin ratio decreased compared with the one at the end of 2009. This was mainly attributable to two reasons. First, the minimum capital required increased as a result of the rapid growth of insurance business and banking business in 2010. Second, since SDB became an associate of the Group, its capital adequacy was considered and calculated in proportion to the Group's shareholding in SDB when evaluating the Group's solvency margin. SDB had a lower solvency margin ratio calculated by using its capital adequacy ratio than the Company's original one.

Risk management

The Group is committed to establishing an effective and centralized risk management system aimed at global top-tier integrated financial groups.

The Group conducts on-going risk identification, evaluation and control to support its decision-making processes and maximize return with regards to well-defined risk criteria.

We consider risk management to be one of our core priorities. The Group is committed to establishing an Enterprise Risk Management framework integrated with the business profiles, which aims at leading global integrated financial services groups.

Ping An continuously upgrades its risk management framework and formulates the risk management processes. We apply qualitative and quantitative risk management methodologies and techniques to conduct on-going risk identification, evaluation, and control to support the business decision-making processes. It promotes the Croup's sustainable and healthy growth.

To further improve our risk management, the Group adopts state-of-the-art risk management concepts, strengthen our risk governance structure, specify the objectives of risk management, as well as explores sophisticated risk management tools and techniques.

RISK MANAGEMENT FRAMEWORK

According to the PRC Company Law and the Articles of Association of Ping An Insurance (Group) Company of China, Ltd., the Board of Directors has adopted the resolution in the 4th quarter of 2010 to rename the Audit Committee as the Audit and Risk Management Committee, and to revise its working guidelines. To further support the Audit and Risk Management Committee of the Board of Directors, at the beginning of the 2011, the Group Executive Management has adopted the resolution to rename Group Risk Management Committee as Group Risk Control Committee, and to revise its working guidelines.

The Audit and Risk Management Committee is responsible for:

Holistically identifying the Group's major risks, supervising the effectiveness of risk management, as well as deliberating the following issues and making recommendations to the Board of Directors:

- overall objectives, policies and guidelines;
- risk management organizational structure and duties;
- risk assessment of major management decisions and proposal of significant risks mitigation plan;
- annual risk evaluation report.

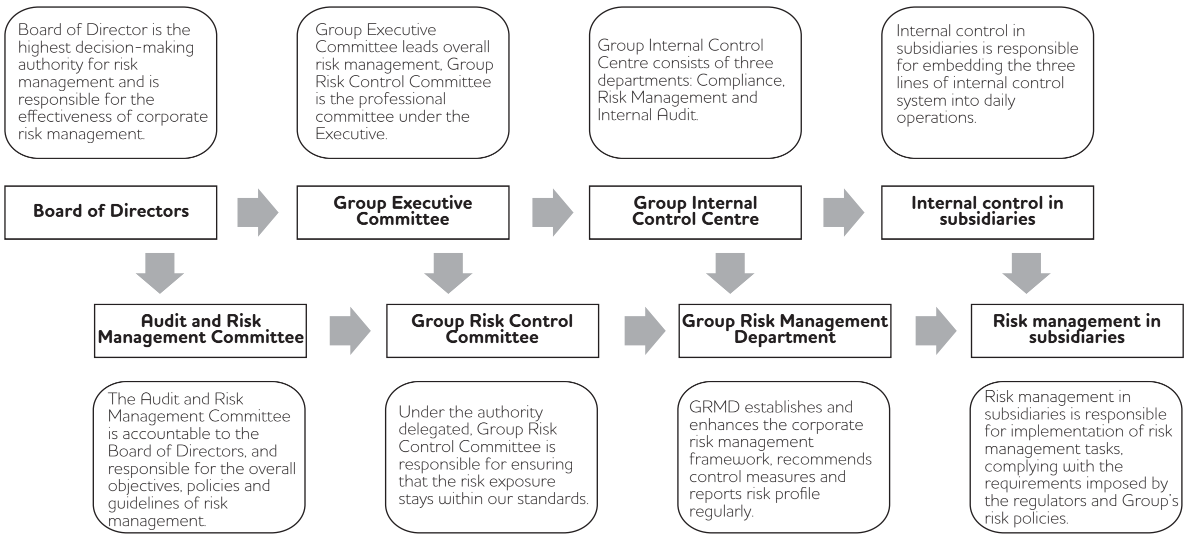
The Group Executive Committee leads overall risk management. Under the Group Executive Committee, the Group Risk Control Committee has the following duties: developing the overall objectives, policies and guidelines of risk management according to the company's business strategy, guiding the subsidiaries' risk management organizational structure and overseeing their duties, monitoring the Group's risk exposure and available financial resources, as well as providing early warning function and recommending measures to mitigate risks; the Committee also supervises the effectiveness of risk management in subsidiaries or business lines and monitors risk related audit follow-ups and other developments.

The Risk Control Committee consists the Vice Chief Executive Officer, the President, the Chief Financial Officer, the Chief Actuary, the Chief Internal Auditor, the Vice Chief Financial Officer, the Chief Information Officer, the Chief Legal Officer and the General Manager of Group Risk Management Department.

The Group Risk Management Department (GRMD) under Internal Control Center is responsible for supporting the operation of the Group Risk Control Committee, establishing and strengthening Enterprise Risk Management (ERM) framework across the Group, identifying, evaluating, monitoring the risk profiles of subsidiaries by continuously improving risk management tools and techniques, as well as developing risk control measures and reporting.

The subsidiaries' risk management functions adhere to the regulatory authorities' requirements, implement the Group's risk policies and guidelines, as well as coordinates control measures to mitigate risks and monitor the execution.

Since the establishment of the Audit and Risk Management Committee and Group Risk Control Committee, Ping An has built up a comprehensive risk governance structure. The risk governance structure is designed to enable us to cover all subsidiaries and business units and to ensure that the Board of Directors is responsible overall for risk management and the Management leads daily risk management; it is supported by various committees and related departments and functions. Along with the development of risk management, Ping An promotes enterprise-wide risk culture across the Group, and establish an effective and efficient working approach from the top down. It lays a solid foundation that integrates risk management into daily operations in future. Furthermore, it facilities to achieve the objectives of risk management: protect shareholders equity, improve capital utilization, support management decisions and add values.



RISK MANAGEMENT OBJECTIVES

Over the past two decades, Ping An has continuously improved its risk management framework, policies and control measures to support the Group's business strategies. We follow the principle of strategy-oriented risk management and risk-focused control mechanism, towards the goal of becoming a sustainable international leader in integrated financial services.

As domestic and international economic environment become more volatile, and regulations continue to evolve, Ping An constantly strengthens the risk management and upgrades the tools and techniques. We utilize our dynamic quantitative methodologies and techniques to manage individual and collective risks, in order to achieve the ideal balance between risk and return.

MAJOR RISK MANAGEMENT

Ping An adopts both quantitative and qualitative approaches to evaluate risk, and establishes a sound risk management mechanism and robust procedures to ensure that all types of risks are monitored thoroughly and effectively. Ping An also applies state-of-the-art risk management techniques to conduct various scenario (or sensitivity) analyses and stress test to balance its risk taking and profit making.

Scenario analyses and stress tests are important tools to understand the change of the Group's solvency and the impacts on the financial status as a result of a variety of business activities under adverse circumstances. We implement periodic scenario analyses and stress tests on key risk factors, to analyze risk exposures, indentify potential risk elements and evaluate overall risk capacity. The exercise help us understand deeply the impacts on the solvency caused by various risk drivers, enable us to prepare precaution and control measures to avoid or mitigate potential losses in advance. It supports the management decision making, and ensures us to meet regulatory requirements and protect shareholders' equity in an effective way.

Risk management

Insurance Risk

Insurance risk refers 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 and etc might deviate from estimation.

Discount rate, investment returns, mortality rates, morbidity rates, lapse rates and expense rates are the key actuarial assumptions when the Group analyzes impacts of the risk on gross policyholders' reserves, solvency and earning through scenario analyses and stress tests.

Long term life insurance contracts

December 31, 2010 (in RMB million)	Change in Assumptions	Impact on gross policyholders' Reserves (after reinsurance) Increase/(decrease)
Discount rate/ Investment return	+10bps	(4,384)
Discount rate/ Investment return	-10bps	4,660
Morbidity/mortality rates*	+10%/-10%	3,699
Policy lapse rates	+10%	2,270
Maintenance expense rates	+5%	1,124

* Morbidity/mortality rates change refer to 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.

Property and casualty and short term life insurance contracts

December 31, 2010 (in RMB million)	Change in average claim cost	Impact on net liabilities (after reinsurance) Increase/(decrease)
Property and casualty insurance	+5%	710
Short term life insurance	+5%	40

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

- Implement effective product development policy to enhance product risk control;
- Issue underwriting guidelines and policies to effectively control and reduce anti-selection risk;
- Limit the Group's exposure to large claims and catastrophe claims by transferring excessive risks to reinsurance companies with high credit-ratings;
- Follow proactive procedures to investigate and process claims, thereby preventing dubious or fraudulent claim payment;
- Apply actuarial models and statistical techniques to assist in pricing decisions and to monitor the pattern of claim payment with periodic model validation;
- Use management information systems (MIS)to provide up-to-date, accurate, and reliable risk exposure data.

Market Risk

Market risk refers to the potential loss for the Ping An Group as a result of changes in interest rates, market prices, foreign currency exchange rates and other related risk factors. The major market risk types for the Ping An Group include interest rate risk, equity risk, foreign currency risk.

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 various tools such as scenario analysis, VaR, and stress testing to evaluate its risk profile.

Interest rate sensitivity is estimated by assuming a 50 basis-point parallel shift of the government bond yield curve.

December 31, 2010 (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	207	4,255

The interest rate re-pricing risk of banking business is assessed primarily through gap analysis approach. According to current gap, the duration mismatch of re-pricing could be reduced by adjusting the re-pricing frequency and the duration grade of corporate deposits.

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 refers to a maximum loss in the value of our portfolio of equity investment due to adverse market event within a specified timeframe ("10 days") and probability ("99%").

The year end VaR for equity securities and equity investment funds is as follows:

December 31, 2010 (in RMB million)	Impact on Equity
Equity securities and equity investment funds held-for-trading and available-for-sale	6,693

VaR is a widely used statistical measure that utilizes historical market prices. 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 – foreign currency

Foreign currency-denominated assets 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.

December 31, 2010 (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	128	1,189

The Group's market risk is managed through the following mechanisms and processes:

- Based on the principle of ensuring the security, liquidity and efficiency of the investment fund, we establish and implement a series of internal management guidelines on investment and manage market risk by developing strategic asset allocation and investment guidelines based on asset and liability management.

  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 allows, the Group intends to gradually lengthen the duration of its assets.

- Perform a daily effective market risk management through scenario analysis, VaR and stress testing methods based on the characteristics of capital investment and market risk management;

- Set risk limits for each asset class to control market risks. When setting these limits, we will take into account the risk strategy, the financial impact and the asset and liability management strategy;

- Assets and liabilities are managed by segmentation based on liability characteristics of the various insurance products. The volatility of corporate profit and net asset could be reduced by the appropriate accounting classification of assets;

- Regulate risk reporting system, issue daily and monthly risk reports and make recommendations to risk management to ensure that the market risk exposure is within the risk tolerance level.

Credit Risk

Credit risk is the risk of loss resulting from the failure of one of the Group's obligors to make any payment of principal or interest in full or when due. The Group is exposed to credit risk primarily associated with its deposits arrangements with other commercial banks, loans to third parties from its banking operations, bond investment, equity investment, reinsurance arrangements and off-balance sheet related.

The Group manages credit risk by several methods, including:

- Adopt credit risk management mechanism with credit risk rating as its core methodology;
- Develop standardized policies, systems and procedures of credit risk management;
- Set credit risk limits in multiple dimensions for investments and portfolios;
- Monitor credit risk in risk information system

Due to the difference in business nature and risk involvement between the insurance, banking, and investment sectors, the Group takes tailored control mechanism:

Banking related credit risk

The Group will conduct thorough credit checks on potential borrowers, review outstanding loans regularly, set credit risk limits of portfolios in multiple dimensions, get collateral and guarantees and so on. For the off-balance sheet business, the Group generally charges a cash deposit to reduce credit risk.

The Group sets limits for credit granted to an individual entity to minimize the impact of credit deterioration of a single entity on the financial conditions of the Group.

Insurance related credit risk

The Group will perform credit evaluations of potential reinsurance companies and target those with superior ratings to conduct with business.

Investment related credit risk

The Group will conduct credit evaluations of potential investments, target those with a positive safety rating and set credit risk limits of portfolios from multiple dimensions.

The Group sets limits for credit granted to an individual investment entity to minimize the impact of a single entity's fair value deterioration on the financial conditions of the Group.

December 31, 2010	The ratio of total corporate debt
Corporate bonds hold by the Group with the domestic credit rating AA or above	100%

The Group adopts a systematic strategy to deal with debt assets whereby disposals of these would be used to reduce outstanding debt or to reduce yet-to-be-recovered loans. In general, the Group will not use debt assets for commercial purposes.

In 2010, under Consolidated Financial Statements, the Group initially established the group- wide credit risk management mechanism on financial institutions to prevent systemic risk.

Operational Risk

Operational risk is the risk of 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 or corruption (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.

We have established and will continuously improve our comprehensive risk management framework that has three lines of internal control system, including Preemptive Safeguard, Ongoing Monitoring, and Post-hoc Investigation:

- Compliance Management: In order to promote effective Pre-emptive risk management, Compliance has provided guidance on standardization of the policy. It has also performed compliance assessment and regular compliance review, provided compliance risk warning and prevention strategy, and conducted internal control assessment and reporting mechanism. In 2010, Six Sigma, a leading management tool, was adopted to standardize and optimize the compliance instrument.

- Risk management: The advanced risk management concept was introduced with the consideration of Pingan's business practicalities, Scenario stress testing was improved in 2010, to integrate various risk systems to form a centralized monitoring information platform, and to develop robust procedures and effective reporting systems to mitigate and minimize various risks with great efficiency.

- Internal Audit: the Company has further promoted the risk-oriented auditing and supervision, further improved the automation level of the platform, has continuously been exploring and promoting innovative auditing and supervision measures with the emphasis being placed on the comprehensive financial projects, the significant embezzlement cases and other high risk areas, our capability of risk identification further improved as well; The Company has continuously promoted the institutional risk rating and management assessment program to ensure the internal control and the risk management resources are reasonable applied with risk based approach and to increase the risk control level. Meanwhile, the Company has strived to build an industry-leading auditing and supervision system and strengthen the anti-embezzlement and violation prevention and control, and realize the standardization and systemization of the auditing and supervision activities.

The Group has been committed to a continuous optimization of internal control and risk management system. In 2010, the company completed the implementation of internal control regulations, further integrating and updating the internal control evaluation system. 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 weakness.

Since the establishment of the centralization of back-office operational platforms, the Group has been proactively promoting the coverage of centralization of management of isolated operational processes, to ensure the smooth running of operations. At the same time, we have strengthened the front- and back-office operations to maintain the quality and independence of risk control. In terms of business operations, with the implementation of electronic stamp and funds auto-delivering, we have successfully transformed manual operation into electronic operation, effectively preventing the risk of fraud-related operation and providing support to business operations and to a healthy development of the company, These implementations ensure support risk controls are embedded into the business operations.

The Group's risk control department and the business units communicate and cooperate closely with each other, enabling the sharing of best practices. This also embeds the risk control policies and measures into Group's daily operations and processes, and strengthens the control of risk sources.

SOLVENCY MANAGEMENT

Solvency refers to the capability to repay the Group's obligations. The core of solvency management is to meet statutory capital, and maintain a healthy capital ratio in order to support business growth and maximize shareholders' value.

The Group's rapid business expansion in 2010 increased our capital requirement and as a result, lowered down the solvency ratio. As at December 31, 2010, the solvency ratio of the Group was 197.9% which remained above the regulatory threshold.

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

- Analyze solvency requirement and impact on statutory capital when developing new products;

- Evaluate solvency impacts when determine strategies, business plan, investment decision, and dividend distribution;

- Conduct periodic solvency projection and dynamic solvency testing, monitor changes and trends;

- Establish warning mechanism and contingency plans to ensure capital adequacy.

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. Ping An Courteous Staff Competition 2010 draws to a close amid much fanfare.
2. At the scene of Ping An Strive for Excellence Program 2010 Competition.
3. Ping An participates in the Millionforest program organized by The Climate Group along with China Green Foundation to plant the first grove of one million seabuckthorn trees in Gansu province.

In 2010, we continued our practice of corporate social responsibility which brings benefits to our shareholders, customers, staff, communities and partners. Inspired by the growth of the global low-carbon economy, we identified the challenges and opportunities brought about by the changes in climate and environment, and proactively undertook environmental responsibilities in respect of our operation, business and charity activities.

COMMITMENT TO SHAREHOLDERS: INCREASE ASSET VALUES AND GENERATE STABLE RETURNS

Our constantly improving corporate governance structure, comprehensive risk management system, cultivation of the anti-money laundering and anti-corruption culture have contributed to our efforts to prevent and reduce financial risks, maintain economic orders and safeguard the development of our businesses.

Our Focuses

- Constantly improving our corporate governance structure in line with our strategic development, providing a solid foundation for sustainable growth.
- Establishing a Reliance Program equipped with mechanisms, platforms, regulations and processes, ensuring strong support to risk prevention.
- Further integrating and optimizing our comprehensive anti-money laundering monitoring and compliance system, ensuring strong backup to our efforts to prevent money laundering risks and promote a stable financial order.
- The comprehensiveness of an anti-corruption system is an effective barrier against corruptive behaviours, lending strong protection for the healthy growth of the Company.

Our Initiatives and Achievements in 2010

1. Based on the existing Three Meetings System (the General Meeting, the Meeting of Board of Directors and the Meeting of Supervisory Committee) and an Independent Director System, we adjusted the committees under the Board of Directors. The Board of Directors now consists of four professional committees, namely the Strategy and Investment Committee, the Audit and Risk Control Committee, the Nomination Committee and the Remuneration Committee, resulting in a stronger and better integrated corporate governance structure.

   Meanwhile, we optimized the investor relations system and process, providing the capital market with better access to the Company.
2. We implemented the Ping An Reliance Program to embed trust in our regulations and processes, mechanisms and platforms. At the same time, we integrated and upgraded our internal control system and operating mechanism.
3. In anti-money laundering, we further improved our regulations, processes, mechanisms and systems.
4. In anti-corruption, we improved our fundamental regulations, increased investments in human resources, and directed resources to fields prone to high risks. In addition, we established a coordination and cooperation mechanism for investigation of commercial bribery.

Our Commitments in 2011

1. We will continue to optimize the internal control, and risk management system, corporate governance structure and platform building. We will embed the risk control measures into our business operations.
2. We will continue to provide risk assessment support to key projects and material businesses.
3. We will continue to strengthen our internal control culture.

COMMITMENT TO CLIENTS: ENSURE TRUST WITH SOLID SERVICE

We believe that the trust of customers ensures the healthy and steady growth of the Company. We are ready to implement our commitments to our customers. We will do our best to provide our customers with comprehensive wealth management services that are more professional, reliable and secure. To retain the long-term trust of our customers, we will continue to innovate our service channels, upgrade our service platforms and maintain the integrity of our services.

4. Ping An promotes "1+2+3" Volunteer Program for education in rural areas.

5. Ping An Life Hainan branch: students at Jingshan Primary School try their hands at low carbon handicraft.

6. Ping An Life Hubei branch: blood donation in support of Yushu's quake survivors.

Our Focuses

- To improve customer satisfaction, we will strive to improve our ability to provide comprehensive financial services and we will implement our commitments to our customers.
- We will actively explore various communication channels with our customers to strengthen our service capabilities.
- We will strive to maximize the asset value of our customers by being customer-oriented and with support from our advanced back-office platform.
- We will offer our customers with high value-added services by developing and tailoring innovative products to their needs.

Our Initiatives and Achievements in 2010

1. Ping An Property & Casualty was the first in the industry to offer all automobile insurance policyholders with "claim reimbursement within one day for amount below RMB10, 000 after submission of all necessary documents", and reported a rate of 99.86% in accomplishment.
2. 96% of the cases of the individual insurance business of Ping An Life were concluded within 10 days, taking the customer satisfaction index up by 1.8 percentage points as compared with last year.
3. Ping An VIP Club now has 1.14 million members and has recorded over 10 million interactive communications with our customers.
4. We entered into strategic cooperation with Discovery, the biggest health insurance company in South Africa, which opened wider space for our customers in the new field of health insurance.
5. Our property and casualty insurance and banking products received a number of awards for innovation, and Ping An Life and Ping An Annuity have actively developed a diversified portfolio of products to meet the needs of the markets.

Our Commitments in 2011

1. In line with our "promises unchanged and service upgraded", we will continue to implement our service commitments by launching more personalized services. We aim to upgrade our service quality and provide our customers with better protection for their wealth and one-stop wealth management services.
2. We will strengthen our channel building and internal regulation management, and improve our multi-channel service platform including counter, telephone and internet services. We aim to constantly improve our customer satisfaction.
3. We will continue to provide stronger support to the SMEs in obtaining credit facilities and strengthen our financial help to small enterprises. We will build more credit centres for small enterprises to upgrade our services and provide diversified wealth management tools.
4. We will learn from the advanced banking experience and bring in sophisticated products from overseas. In response to the government's call for a low-carbon economy, we will actively involve in the development of green financial products.

COMMITMENT TO EMPLOYEES: CAREER DEVELOPMENT WITH MORE OPPORTUNITIES

The healthy growth of an enterprise requires a large amount of talent, and talents need a good corporate platform. Standing by a "human-oriented" principle, a growing Ping An constantly strives to provide a good environment where we listen to our employees. At Ping An, we offer competitive remuneration packages, a wide range of career paths and advanced courses with an agreeable working environment. We aim, to spur our employees' sense of responsibility to the Company, to the community and to themselves.

Our Focuses

- Whether our people have a good living condition: we provide flexible and competitive remuneration and welfare packages to ensure quality life for our employees and we keep improving them.

- Whether our people are happy working at Ping An: we conducted surveys on corporate culture and modularized research on employee satisfaction. We established an "efficient, active and thoughtful" communication channel to listen to our employees, to understand their needs and to help them resolve issues they may encounter on their way to realize personal value.
- Whether our people have realized their personal value: we establish leading, scientific and efficient training programmes to constantly promote a performance-oriented idea and play an active role in helping our employees improve their occupational skills and broaden their career paths.

Our Initiatives and Achievements in 2010

1. We engaged third-party professional to conduct survey on corporate culture and performance, and retrieved 9,868 questionnaires from our back office staff and 2,015 from our field staff, including written feedbacks totalling 450,000 words. Based on the survey findings, we developed improvement plans targeting key areas including remuneration and internal policies. This has helped us enhance the cohesiveness of our corporate culture.
2. We held 1,178 volunteer training programmes and 248 network courses for the Group's back office staff, with over 33,000 participants. By the end of 2010, we have set up 90 training centres across the country with 30,000 full-time and part-time lecturers.
3. Based on the idea of SCC (strategic, continuous and challenging), we helped our employees establish their organizational and personal objectives and produced guidelines for employee performance.
4. We launched the Ping An EAP (Employee Assistance Program). As a key component of our life and work guidance program, it includes the employee guidance hotline, which has held 40 telephone counselling with employees in need. Currently, we are expanding the counselling hotline from the Group to Ping An Life, Ping An Property & Casualty and Ping An New Channels, covering 93,877 employees.

Our Commitments in 2011

1. We will further improve our training hardware and software and give our staff the best training experience.
2. We will try to turn performance and efficiency management a priority of our employees to grow their abilities.
3. We will further promote the Ping An EAP and provide better support to our staff, and implement the revised proposal on corporate culture performance survey to ensure that our employees grow in health and happiness.

COMMITMENT TO COMMUNITIES: RECIPROCATE THE SOCIETY AND BUILD OUR NATION

As a conglomerate of insurance, banking and investment, we have the obligation to build a healthy, prosperous and harmonious community. As the environmental problems become more prominent, we have actively identified the challenges brought about by the environmental and climate risks. Based on these findings, we have contributed to the building of a low-carbon economy by improving our risk prevention capabilities and promoting and implementing the low-carbon idea in our business activities.

Our Focuses

- Embed the low-carbon concept in our operation, business and charity activities and focus on energy saving and emissions reduction. We aim to provide our customers with green financial products while promoting the green charity activities to drive the development of a low-carbon economy.
- Participate in community building and continue to support charity programmes encompassing education, the Red Cross and disaster relief. At the same time, we motivate our employees through a variety of volunteer programs to enhance their sense of social responsibility and participation.

Our Initiatives and Achievements in 2010

1. We launched the "Green commitment, Ping An China" low-carbon 100 campaign on March 24, 2010, and promoted energy saving and emissions reduction activities across the Company to achieve a low-carbon environment.
    - In office operation, the per capita water and electricity consumption of our self-owned properties recorded a 10% decrease in 2010 in waste emissions as compared with the same period of last year.
    - In customer service, we offered electronic policies and electronic bills, resulting in 89.2 tonnes of paper saved and a corresponding reduction of logistic transportation costs.
    - In charity activities, as part of a total donation of RMB3 million, we donated seabuckthorn saplings on behalf of our 600,000 VIP car insurance clients for planting in the arid areas in the western part of China.
2. We established the Ping An Volunteer Association consisting of 500,000 Ping An employees. In 2010, they offered volunteer service totalling over 70,000 hours.
3. We continued to promote the "Voluntary Teaching Program" for Ping An Hope Schools, "Ping An Strive for Excellence Program" and other relevant programmes.

Our Commitments in 2011

1. We will continue to drive the low-carbon 100 movement.
    - To build a carbon management platform and run it on our own properties.

- To enhance the development of sustainable financial products
- To expand the influences of our charity activities and raise public awareness on environmental issues

2. We will build a management platform for our volunteer services and direct our volunteer activities to areas where have developed financial expertise. These include wealth management, community development and environmental health.
3. We will continue to optimize our charity projects by trying to resolve real social issues and focusing on the actual need of the recipients.

COMMITMENT TO BUSINESS PARTNERS: ACHIEVE WIN-WIN WITH MUTUALLY BENEFICIAL PARTNERSHIP

We adopted a variety of ways to implement our corporate social responsibilities. We try to lead by examples and promote a sustainable development of the supply chain by working together with our partners.

Our Focuses

- Improve the expertise of wealth management of our agents by building a team of integrated finance customer managers capable of meeting the various financial needs of our customers.
- Help the reinsurers improve their risk control capabilities and expand the range of cooperation in multiple ways.
- Focus on channel building of our partner banks for product sales and ensure that our customers enjoy more convenient services.
- Focus on the network management of medical information for designated hospitals, promoting the standardization of claim documentation and automation of claim handling process.
- Introduce purchase regulations, purchase assessment and use environment-friendly products to help our suppliers enhance their corporate social responsibility.

Our Initiatives and Achievements in 2010

1. In agent development, we established the Ping An Individual Customer Managers' Club to develop individual customer managers' expertise and provide professional wealth management services.
2. For reinsurers, we expanded and promoted our cooperation with them and improved the risk control capabilities of both parties through technical training and support, consultation and data sharing.
3. For partner banks, we launched the "epcis-PYBT" IT management system, enabling our customers to enjoy one-stop banking and insurance services within one browser window.
4. For designated hospitals, we now have 3,266 One Account Card-enabled emergency rescue hospitals, and 2,243 designated partner hospitals. We also established a monitoring system for the service level of the designated hospitals to help them improve service quality.
5. For suppliers, we helped them enhance their corporate social responsibility in areas including regulations, procurement processes and implementation. In the area of regulations, we introduced the green purchase idea and guidelines, and applied the green assessment system to our procurement process. In the use of environmental-friendly products, we promoted the development and use of them wherever possible.

Our Commitments in 2011

1. We will make timely adjustments to the management methods of financial services, to enhance the compatibility of the management of agents and the expertise of our agents.
2. We will expand our cooperation with the reinsurers in recyclable energy products.
3. We will drive the building of dedicated sales teams of our partner banks at all levels, and develop diversified products for sales through banking channels to meet our customers' needs.
4. We will promote the implementation of information exchange standards for medical insurance in the designated hospitals and our claim handling process to achieve resources sharing and integration of network management among the designated hospitals.
5. We will complete and refine the implementation of the low-carbon purchase regulations, and enrich the offerings of environment-friendly products in our procurement.

OUTLOOK FOR 2011

To maintain our leadership in the practice of corporate social responsibility and contribute to the Company's sustainable development, we are aware that we need to stay in close and continuous communication with our stakeholders. We need to get to know them and respond to their concerns. We also need a complete and efficient management platform to make sure that corporate social responsibility is embedded in our daily operation. The above will be the direction for our future work. To enable a long-term building of our capability to implement corporate social responsibility and our performance herein, in 2011, we will establish a management system for corporate social responsibility indicators, which involves nine major components, namely corporate strategy, governance, government, shareholders, staff, customers, supply chain, environment and charity activities. We will also build an IT management platform for environment protection efficiency and continue to participate in the selection for Dow Jones Sustainability Index.

All statements and information disclosed herein are quoted from Social Responsibility Report 2010 of Ping An of China. The report has been discussed and approved by the Board of Directors of the Company in 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.

Prospects on future development

BUSINESS PLAN OF THE COMPANY FOR 2011

We have carried on the consistency and stability of our business and operation plans. There are no major changes in our long-term operating objectives as compared with those in the last year and at the time when our A shares were listed.

In 2010, the Company was committed to implementing our operating plans in a solid approach. The three pillar businesses – insurance, banking and investment – all recorded sustained, healthy and rapid growth. Our profitability was notably enhanced, and we have achieved and surpassed all operating plans as prescribed in the last year.

In 2011, the Company will continue to push ahead with the development plans formulated by the Board of Directors at a steady pace. We will continue to achieve growth that is value-oriented, sustainable and better-than-market, and we will implement our strategic objective of "to become a leading integrated financial services group" to a higher level.

- We will strive to maintain healthy and rapid growth of our core insurance business. Our life insurance segment will continue to operate under the core strategy of "Reaching New Heights" and "Two-Tier Development". Based on the human resources front, we will expand and improve a sales network that is based on value and size. To constantly improve customer satisfaction, our property and casualty insurance business will continue to strengthen their ability to control channels, expand service coverage and raise service standards and efficiency. In corporate annuity, we will build and continue to develop a steady and sustainable platform for the business, and will proactively explore commercial pension insurance business. In health insurance, we will accelerate the introduction of multiple intellectual property rights from Discovery in health services and products. Also to be introduced is their professional expertise and system in health and medical risk management, upon which we will build a professional operating platform and risk management platform for health and medical insurance.

- Our banking business will strongly support the restructuring and integration of Ping An Bank and Shenzhen Development Bank on the basic principle of "fairness, win-win, stability and development", in strict compliance with the applicable laws, regulations and requirements of the regulatory authorities. We aim to complement each other with respective strengths in customers, products, channels and platforms and other fields, and achieve a wining result for multiple parties. We will bring about synergies in stages, deliver sustained and favourable returns to our shareholders, and take the banking business to a new phase of development.

- Our investment business will work under the principle of risk control, and strive towards the core goal of improving investment performance. Through the building of investment management platform as a safety net, we will continue to strengthen our capability to both invest and manage our investment. We will proactively expand investment channels, achieve a long-term and stable investment performance, and quicken our pace to promote the growth of the third-party asset management business. We will work tirelessly to build an investment brand that is "most respected and most trusted."

- We will continue to implement the building of an integrated financial platform. Input of capital and resources will be allocated scientifically. We will expect to see higher contribution rate from cross-selling. At the same time, we will push forward the project of "building one integrated financial services back office", and continue to deepen reforms on front office and mid-office. Micro-consumer loan facility, new channels and other new businesses will also receive strong promotion and we will actively explore new profit drivers.

The Company will maintain a stable performance in 2011, with an increase of 15% or above in total written premiums and push the integration of its banking businesses steadily. There will be more diversified channels contributing to investment business. Net profit is estimated to record stable growth. Based on changes in macroeconomic environment, market competition and the investment market conditions and other factors, we will adjust our business objectives in a dynamic and timely approach to ensure the constant strengthening of our market competitiveness.

THE DEVELOPMENT TREND OF THE MAJOR INDUSTRIES THAT WE BELONG TO AND MARKET COMPETITION FACED BY THE COMPANY

China's Insurance Market has Immense Growth Potential

Insurance business is currently our core business. According to the statistics published by Swiss Re-insurance Group, global premium income in 2009 was USD4.10 trillion, which, without taking into account the impact of inflation, was 0.3% lower as compared with last year. However, premium income of China's insurance market amounted to USD163.05 billion for the same period, representing a 14.6% growth. In 2009, China's insurance market ranked 7th among the world's insurance markets.

In 2010, China's insurance business realized a total premium of RMB1,452.80 billion, up 30.4% as compared with last year. Of which, premium from life insurance was RMB967.95 billion, up 29.8%; premium from property and casualty insurance was RMB389.56 billion, up 35.5%; premium from health insurance was RMB67.75 billion, up 18.0%; premium from accident insurance was RMB27.54 billion, up 19.7%. Total assets of insurance companies were RMB5.05 trillion, an increase of 24.2% as compared with the end of 2009. The insurance industry is among the fastest growing industries in China's national economy, with the growth of premium outpaced national economic growth over the same period. As China's economy keeps growing and personal wealth is expanding, it is expected that such rapid growth will remain in future.

Analysis of Competition

The insurance companies in China exist in various forms and ownership including state-owned and state-holding enterprise, corporate enterprise and foreign-owned enterprise. The insurance industry has initially formed a fair competition and co-development market environment.

The following table shows the ranking and market share of life insurance companies in 2010:

Company	Premium (in RMB million)	Market share (%)
China Life Insurance Company Limited	333,040	31.7
Ping An Life	159,064	15.1
New China Life Insurance Co., Ltd.	93,643	8.9
China Pacific Life Insurance Co., Ltd.	92,000	8.8
Taikang Life Insurance Co., Ltd.	86,765	8.3
PICC Life Insurance Company Limited	82,426	7.8
Others	203,150	19.4
Total	1,050,088	100.0

Source: CIRC website

The following table shows the ranking and market share of property and casualty insurance companies in 2010:

Company	Premium (in RMB million)	Market share (%)
PICC Property & Casualty Company Limited	153,930	38.2
Ping An Property & Casualty	62,116	15.4
China Pacific Property Insurance Co., Ltd.	51,529	12.8
Others	135,114	33.6
Total	402,689	100.0

Source: CIRC website

In 2010, in terms of premiums, the Company was the second largest life insurance company and the second largest property and casualty insurance company in China.

FUTURE DEVELOPMENT OPPORTUNITIES AND CHALLENGES

In 2010, China's economy underwent a stable and rapid development. Adjustment of economic growth pattern further intensified, and this laid down a more solid foundation for a sustainable growth of economy. Looking forward to 2011, the world's economy is positioned to recover to growth, but instabilities and uncertainties remain. The global financial crisis has an immense impact on the world's economy, which is undergoing in-depth and complicated changes. Nevertheless, on a macroeconomic level, China has a firm foundation for maintaining steady and healthy development. There is no change in the fundamentals supporting continued economic growth and long-term trends. There is still huge room for the development of the financial and insurance industries. All of these have brought valuable opportunities for us to achieve our strategic goals.

We also face challenges in our future development. In the long-term, China's large financial institutions have accelerated their efforts to achieve integrated financial shareholding, and Ping An is yet to catch up in terms of number of customers and distribution network. Meanwhile, as integrated financial operations grow with expanding businesses and more complicated structures, there will be higher demand for management standards, and the power of integrated financial synergies takes time to produce effects. In the short term, China's economy is expected to go into another interest-raising cycle, which will further complicate the market and make it more difficult to take accurate pulse of the stock market. On top of the above plus the higher costs caused by inflation, our operations will be under pressures in 2011.

In the face of these opportunities and challenges, we will stay proactive in planning and preparation. We believe that, on the back of an integrated financial structure and platform, a firm and steady management, a back office centralization project that is making constant progress, cross-selling activities that are rapidly growing, we will tirelessly continue our pursuit of innovation and excellence formed over our twenty years of history, embrace the opportunities as well as the challenges, and lead Ping An to a new height of development.

Changes in the share capital and shareholders' profile

INFORMATION DISCLOSED UNDER A SHARES REGULATORY REQUIREMENTS

Changes in Share Capital

Statement of changes in share capital

Unit: share	Prior to the change		Change (+,-)					After the change	
	Number of shares	Percentage (%)	Issue of new shares	Bonus issue	Transfer from reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Selling-restricted shares									
1. State-owned shares	–	–	–	–	–	–	–	–	–
2. State-owned legal person shares	–	–	–	–	–	–	–	–	–
3. Other domestic shares	859,823,040	11.71	–	–	–	-859,823,040	–	–	–
Including:									
Domestic legal person shares	859,823,040	11.71	–	–	–	-859,823,040	–	–	–
Domestic natural person shares	–	–	–	–	–	–	–	–	–
4. Foreign shares	–	–	–	–	–	–	–	–	–
Including:									
Foreign legal person shares	–	–	–	–	–	–	–	–	–
Foreign natural person shares	–	–	–	–	–	–	–	–	–
Total	859,823,040	11.71	–	–	–	-859,823,040	–	–	–
II. Selling-unrestricted shares									
1. RMB ordinary shares	3,926,586,596	53.46	–	–	–	+859,823,040	–	4,786,409,636	62.62
2. Domestically listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign shares	2,558,643,698	34.83	–	–	–	+299,088,758	–	2,857,732,456	37.38
4. Others	–	–	–	–	–	–	–	–	–
Total	6,485,230,294	88.29	–	–	–	+1,158,911,798	–	7,644,142,092	100.00
III. Total number of shares	7,345,053,334	100.00	–	–	–	+299,088,758	–	7,644,142,092	100.00

Statement of changes in selling-restricted shares

Name of shareholder	Number of shares subject to trading restriction at the beginning of the year	Number of shares released from trading restriction during the year	Increase in the number of shares subject to trading restriction during the year	Number of shares subject to trading restriction at the end of the year	Reason for trading restriction	Date of release from trading restriction
Shenzhen New Horse Investment Development Co., Ltd. (1)	389,592,366	389,592,366	–	–	Voluntary lock-up for three years	March 1, 2010
Shenzhen Jingao Industrial Development Co., Ltd. (2)	331,117,788	331,117,788	–	–	Voluntary lock-up for three years	March 1, 2010
Shenzhen Jiangnan Industrial Development Co., Ltd.	139,112,886	139,112,886	–	–	Voluntary lock-up for three years	March 1, 2010
Total	859,823,040	859,823,040	–	–		

Notes: (1) Shenzhen New Horse Investment Development Co., Ltd. renamed as Linzhi New Horse Investment Development Co., Ltd. in September 2010.
(2) Shenzhen Jingao Industrial Development Co., Ltd. renamed as Linzhi Jingao Industrial Development Co., Ltd. in September 2010.

Share issuance and listing of shares of the Company

Issue of securities in the last three years

Types (Unit: share)	Issue date	Issue price (in RMB)	Number of shares issued	Listing date	Number of shares permitted to be listed	Date of termination of dealings
A shares	March 1, 2007	33.80	1,150,000,000	March 1, 2007	4,786,409,636	–
H shares	May 6, 2010	–	299,088,758	May 7, 2010	299,088,758	–

As considered by the shareholders at the 2nd Extraordinary General Meeting of 2006, the 1st Domestic Shareholders' Class Meeting of 2006 and the 1st H Shareholders' Class Meeting of 2006 dated November 13, 2006 of the Company, and according to the approval document, Zheng Jian Fa Xing Zi [2007] No. 29, issued by CSRC, the Company was approved to issue 1,150,000,000 RMB ordinary shares (A shares) at an issue price of RMB33.80 per share for public offering at Shanghai Stock Exchange, upon which the total share capital of the Company increased to 7,345,053,334 shares. Pursuant to the approval document, Shang Zheng Shang Zi [2007] No. 39, issued by Shanghai Stock Exchange, the Company's A shares were listed on Shanghai Stock Exchange on March 1, 2007.

The Company entered into a share purchase agreement with NEWBRIDGE, former largest shareholder of SDB, pursuant to which the Company would be transferred with all the shares in SDB held by NEWBRIDGE, i.e. 520,414,439 shares, and NEWBRIDGE required the Company to issue 299,088,758 new H shares pursuant to the agreement as consideration. As approved by CSRC in the *Written Reply to Approve the Increase in the Issuance of Overseas Listed Foreign Shares by Ping An Insurance (Group) Company of China, Ltd.* (Zheng Jian Xu Ke [2010] No. 542), the Company's non-public directed issuance of additional H shares to NEWBRIDGE was completed on May 6, 2010.

Changes in the share capital and shareholders' profile

Total number of shares and changes in shareholding structure of the Company

During the reporting period, the total number of shares of the Company changed to 7,644,142,092 ordinary shares after the non-public directed issuance of 299,088,758 H shares to NEWBRIDGE. Among which, 4,786,409,636 shares were domestic shares (A shares), representing 62.62% of the total share capital and 2,857,732,456 shares were overseas listed foreign shares (H shares), representing 37.38% of the total share capital.

Existing staff shares

At the end of the reporting period, the Company had no staff shares.

Shareholders' Information

Number of shareholders and their shareholdings

Total number of shareholders as at the end of the reporting period	273,038 shareholders (of which there were 267,351 domestic shareholders)

Shareholdings of top ten shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held (share)	Change during the reporting period	Number of selling-restricted shares held	Number of pledged or frozen shares
HSBC Insurance Holdings Limited	Overseas legal person	8.10	618,886,334	–	–	–
The Hong Kong and Shanghai Banking Corporation Limited	Overseas legal person	8.03	613,929,279	–	–	–
Shenzhen Investment Holdings Co., Ltd.	State	6.30	481,359,551	–	–	–
Yuan Trust Investment Co., Ltd.	Domestic non-state-owned legal person	4.97	380,000,000	–	–	–
Linzhi New Horse Investment Development Co., Ltd.	Domestic non-state-owned legal person	4.24	324,182,470	-65,409,896	–	–
Linzhi Jingao Industrial Development Co., Ltd.	Domestic non-state-owned legal person	3.64	278,036,603	-53,081,185	–	–
Shum Yip Group Limited	State-owned legal person	2.35	179,675,070	-27,803,790	–	–
Shenzhen Wuxin Yufu Industrial Co., Ltd.	Domestic non-state-owned legal person	2.34	178,802,104	–	–	–
Shenzhen Jiangnan Industrial Development Co., Ltd.	Domestic non-state-owned legal person	1.82	139,112,886	–	–	33,000,000 pledged shares
Shenzhen Liye Group Co., Ltd.	Domestic non-state-owned legal person	1.47	112,687,008	-10,999,993	–	110,250,000 pledged shares

Shareholdings of top ten holders of selling unrestricted shares

Name of shareholder	Number of selling unrestricted shares held	Type of shares
HSBC Insurance Holdings Limited	618,886,334	H shares
The Hong Kong and Shanghai Banking Corporation Limited	613,929,279	H shares
Shenzhen Investment Holdings Co., Ltd.	481,359,551	A shares
Yuan Trust Investment Co., Ltd.	380,000,000	A shares
Linzhi New Horse Investment Development Co., Ltd.	324,182,470	A shares
Linzhi Jingao Industrial Development Co., Ltd.	278,036,603	A shares
Shum Yip Group Limited	179,675,070	A shares
Shenzhen Wuxin Yufu Industrial Co., Ltd.	178,802,104	A shares
Shenzhen Jiangnan Industrial Development Co., Ltd.	139,112,886	A shares
Shenzhen Liye Group Co., Ltd.	112,687,008	A shares

Explanation of the connected relationship or acting in concert relationship of the above shareholders:

HSBC Insurance and HSBC are wholly-owned subsidiaries of HSBC Holdings plc.

Linzhi New Horse Investment Development Co., Ltd., Linzhi Jingao Industrial Development Co., Ltd. and Shenzhen Jiangnan Industrial Development Co., Ltd. are connected as a result of the duplication in actual contributor.

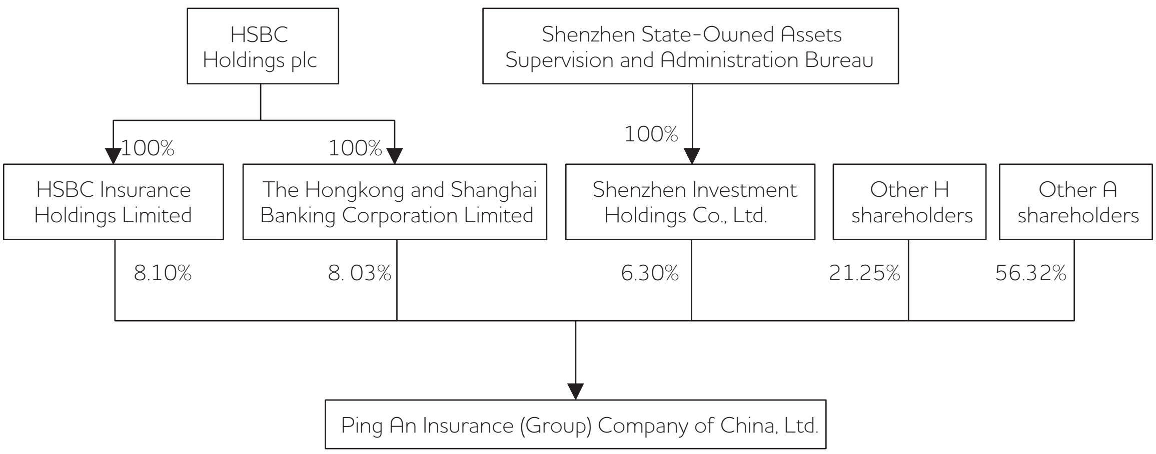
Save as the above, the Company is not aware of any connected relationship among the abovementioned shareholders.

Particulars of controlling shareholder and de facto controller

The shareholding structure of the Company is relatively scattered. There is no controlling shareholder, nor de facto controller.

The largest and second largest shareholders of the Company are two wholly-owned subsidiaries of HSBC Holdings plc – HSBC Insurance and HSBC. As at December 31, 2010, the total number of H shares of the Company held by these two companies amounted to 1,232,815,613 shares, accounting for approximately 16.13% of the total existing share capital of the Company of 7,644 million shares.

The following chart shows the relationship between the Company and the ultimate controller of shareholders holding more than 5% of equity interest of the Company:



CORPORATE GOVERNANCE

Changes in the share capital and shareholders' profile

Information on shareholders holding more than 5% of equity interest of the Company

The shareholding structure of the Company is relatively scattered. There is no controlling shareholder, nor de facto controller. Shareholders holding more than 5% of shares of the Company are:

(1) The largest and second largest shareholders of the Company are two wholly-owned subsidiaries of HSBC Holdings plc (A public listed company) – HSBC Insurance and HSBC. The total number of H shares of the Company held by these two companies amounted to 1,232,815,613 shares, accounting for approximately 16.13% of the total existing share capital of the Company.

HSBC Insurance was established on June 17, 1969 with a paid-up capital of £14,687,400. Its registered address is 8 Canada Square, London, E14 5HQ, United Kingdom and its principal business is financial insurance. HSBC Insurance is a wholly-owned subsidiary of HSBC Holdings Plc, which focuses on the development of global insurance business of HSBC Group.

HSBC was established on August 14, 1866 (Registration date in Hong Kong). The registered capital of its ordinary shares and preference shares are HK$30 billion and USD13.4505 billion, respectively. The paid-up capital of its ordinary shares and preference shares are HK$22.494 billion and USD12.5335 billion, respectively. Its registered address is No.1 Queen's Road Central, Hong Kong and its principal business is banking and financial services. HSBC and its subsidiaries have some 1,040 branches and offices across 19 countries and territories in the Asia-Pacific Region and have some 20 branches and offices in other six countries around the world. HSBC is a founding member of HSBC Holdings plc and its flagship arm in the Asia-Pacific Region. It is also the largest local registered bank and one of the three note-issuing banks in Hong Kong.

HSBC Holdings plc was established on January 1, 1959 with a paid-up capital of USD8,843,007,951. Its registered address is 8 Canada Square, London, E14 5HQ, United Kingdom and its principal business is financial services. HSBC Holdings is one of the largest banking and financial services organizations in the world, with global network spanning across 87 countries and territories and some 8,000 offices covering Europe, Hong Kong, other Asia-Pacific Region, Middle East, North America and Latin America. It provides comprehensive financial services to approximately 100 million customers through four customer groups and global business, namely Personal Financial Services (including consumer finance); Commercial Banking; Global Banking and Capital Markets; and Private Banking.

(2) Shenzhen Investment Holdings Co., Ltd. holds 481,359,551 A shares of the Company, representing 6.30% of the existing total share capital of the Company. The controlling shareholder of Shenzhen Investment Holdings Co., Ltd. is Shenzhen State-Owned Assets Supervision and Administration Bureau.

Shenzhen Investment Holdings Co., Ltd. is a wholly state-owned company with limited liability incorporated on October 13, 2004. Its registered address is 18/F, Touzi Plaza, Shennanlu Futian District, Shenzhen. It has a registered capital of RMB5.6 billion and a paid-up capital of RMB5.6 billion. Its legal representative is Fan Mingchun. Its scope of business includes: provide guarantee to state-owned enterprises at municipal level; manage state holding companies other than those directly supervised by State Supervision and Administration Commission; conduct asset restructuring, reorganization and capital operation for its subsidiaries; investment; and other businesses commissioned by State Supervision and Administration Commission of Shenzhen Municipality.

INFORMATION DISCLOSED UNDER H SHARES REGULATORY REQUIREMENTS

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

So far as is known to any Director or Supervisor of the Company, as at December 31, 2010, the following persons (other than the Directors or Supervisors of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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	1,240,069,099	Long Position	43.39	16.22

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	21.66	8.10
The Hongkong and Shanghai Banking Corporation Limited	H	Beneficial owner	2,3	613,929,279	Long Position	21.48	8.03
JPMorgan Chase & Co.	H	Beneficial owner		16,753,464	Long Position	0.59	0.22
		Investment manager		115,678,500	Long Position	4.05	1.51
		Custodian		124,527,406	Long Position	4.36	1.63
		Total:	4	256,959,370		8.99	3.36
		Beneficial owner	4	9,467,154	Short Position	0.33	0.12
Shenzhen Investment Holdings Co., Ltd.	A	Beneficial owner		481,359,551	Long Position	10.06	6.30
Linzhi Jingao Industrial Development Co., Ltd.	A	Beneficial owner	5	278,036,603	Long Position	5.81	3.64
Ping An Securities Company, Ltd. Labor Union	A	Interest of controlled corporations	5	278,036,603	Long Position	5.81	3.64
China Ping An Trust Co., Ltd. Labor Union	A	Interest of controlled corporations	5	278,036,603	Long Position	5.81	3.64
Linzhi New Horse Investment Development Co., Ltd.	A	Beneficial owner	6	324,182,470	Long Position	6.77	4.24
Ping An Insurance (Group) Company of China, Ltd. Labor Union	A	Interest of controlled corporations	6	324,182,470	Long Position	6.77	4.24
Yuan Trust Investment Company Ltd.	A	Beneficial owner		380,000,000	Long Position	7.94	4.97

Changes in the share capital and shareholders' profile

Notes:

(1) Each of HSBC Insurance and HSBC Bank plc is a wholly-owned subsidiary of HSBC Holdings plc and their respective interests in 618,886,334 H shares and 60,532 H shares of the Company were deemed to be the interest of HSBC Holdings plc.

(2) Apart from (1) above, HSBC Holdings plc by virtue of its control over (i) HSBC; (ii) Hang Seng Bank (Trustee) Limited; and (iii) Hang Seng Bank Trustee International Limited, which respectively held a direct interest in 614,429,279 H shares, 120,295 H shares and 7,072,659 H shares in the Company, were also deemed to be interested in an aggregate of 621,622,233 H shares of the Company.

The shareholding of 614,429,279 H shares held by HSBC was recorded in the interests disclosure form completed by the relevant substantial shareholder before December 31, 2010. The aforesaid shareholding has decreased to 613,929,279 H shares before December 31, 2010 but such change did not result in a disclosure obligation in accordance with SFO.

(3) HSBC was wholly owned by HSBC Asia Holdings BV, a wholly-owned subsidiary of HSBC Asia Holdings (UK) Limited, 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 256,959,370 H shares (Long position) and 9,467,154 H shares (Short position) in the Company by virtue of its control over the following corporations:

(i) JP Morgan Chase Bank, N.A, which is a wholly-owned subsidiary of JPMorgan Chase & Co., held 128,289,406 H shares (Long position) in the Company;

(ii) J.P. Morgan Whitefriars Inc. held 5,212,073 H shares (Long position) and 2,716,351 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, being a corporation wholly owned by J.P. Morgan International Inc. and J.P. Morgan International Inc. was wholly owned by JPMorgan Chase Bank, N.A. which was in turn wholly owned by JPMorgan Chase & Co.;

(iii) J.P. Morgan Securities Ltd. held 11,541,391 H shares (Long position) and 6,015,501 H shares (Short position) in the Company. J.P. Morgan Securities Ltd. is a 98.95% owned subsidiary of J.P. Morgan Chase International Holdings Limited which was in turn a wholly-owned subsidiary of J.P. Morgan Chase (UK) Holdings Limited. J.P. Morgan Chase (UK) Holdings Limited is wholly-owned subsidiary of J.P. Morgan Capital Holdings Limited which in turn was wholly owned by J.P. Morgan International Finance Limited as mentioned in (ii) above;

(iv) J.P. Morgan Investment Management Inc. held 10,016,000 H shares (Long position) in the Company and was a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc. which was in turn wholly owned by JPMorgan Chase & Co.;

(v) JF Asset Management Limited held 46,190,000 H shares (Long position) in the Company. JF Asset Management Limited was wholly owned by JPMorgan Asset Management (Asia) Inc. which was in turn wholly owned by JPMorgan Asset Management Holdings Inc. as referred to in (iv) above;

(vi) JPMorgan Asset Management (UK) Limited held 27,263,500 H shares (Long position) in the Company. JPMorgan Asset Management (UK) Limited was wholly owned by JPMorgan Asset Management Holdings (UK) Limited. JPMorgan Asset Management Holdings (UK) Limited was wholly owned by JPMorgan Asset Management International Limited which was in turn wholly owned by JPMorgan Asset Management Holdings Inc. referred to in (iv) above;

(vii) JPMorgan Asset Management (Taiwan) Limited held 3,577,500 H shares (Long position) in the Company and was wholly owned by JPMorgan Asset Management (Asia) Inc. referred to in (v) above;

(viii) JPMorgan Asset Management (Singapore) Limited held 16,148,000 H shares (Long position) in the Company and was wholly owned by JPMorgan Asset Management (Asia) Inc. as referred to in (v) above.

(ix) JF International Management Inc. held 631,500 H shares (Long position) in the Company and was wholly owned by JPMorgan Asset Management (Asia) Inc. as referred to in (v) above.

(x) China International Fund Management Co Ltd held 8,090,000 H shares (Long position) in the Company and was owned as to 49% by JPMorgan Asset Management (UK) Limited as referred to in (vi) above.

(xi) J.P. Morgan Whitefriars (UK) held 735,302 H shares (Short position) in the Company. J.P. Morgan Whitefriars (UK) is a 99.99% owned subsidiary of J.P. Morgan Whitefriars Inc. as referred to in (ii) above;

The entire interest of JPMorgan Chase & Co. in the Company included a lending pool of 124,527,406 H shares (Long position). Besides, 7,909,017 H shares (Long position) and 6,067,154 H shares (Short position) were held through derivatives as follows:

5,428,500 H shares (Long position) and 2,666,500 H shares (Short position)	–	through physically settled listed securities
73,250 H shares (Long position) and 149,850 H shares (Short position)	–	through cash settled listed securities
1,861,561 H shares (Long position) and 3,250,804 H shares (Short position)	–	through physically settled unlisted securities
545,706 H shares (Long position)	–	through cash settled unlisted securities

(5) Linzhi Jingao Industrial Development Co., Ltd. (Formerly "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 Co., Ltd. Labor Union (Formerly "China Ping An Trust & Investment Co., Ltd. Labor Union") respectively. The interest in 286,651,827 A shares relates to the same block of shares in the Company. The shareholding of 286,651,827 A shares held by Linzhi Jingao Industrial Development Co., Ltd. was recorded in the interests disclosure form completed by the relevant substantial shareholder before December 31, 2010. The aforesaid shareholding has decreased to 278,036,603 A shares before December 31, 2010 but such change did not result in a disclosure obligation in accordance with SFO.

(6) Linzhi New Horse Investment Development Co., Ltd.(Formerly "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 334,598,577 A shares relates to the same block of shares in the Company. The shareholding of 334,598,577 A shares held by Linzhi New Horse Investment Development Co., Ltd. was recorded in the interests disclosure form completed by the relevant substantial shareholder before December 31, 2010. The aforesaid shareholding has decreased to 324,182,470 A shares before December 31, 2010 but such change did not result in a disclosure obligation in accordance with SFO.

Save as disclosed above, the Company is not aware of any other person (other than the Directors and Supervisors of the Company) having any interest or short position in the shares and underlying shares of the Company as at December 31, 2010 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Directors, Supervisors, Senior Management and Employees

BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Positions	Sex	Age	Appointment date
MA Mingzhe	Chairman and Chief Executive Officer	Male	55	2009.06-2012 election
SUN Jianyi	Vice Chairman and Executive Vice President	Male	58	2009.06-2012 election
CHEUNG Chi Yan Louis	Executive Director	Male	47	2009.06-2012 election
WANG Liping	Executive Director and Senior Vice President	Female	54	2009.06-2012 election
YAO Jason Bo	Executive Director, Senior Vice President and Chief Financial Officer	Male	40	2009.06-2012 election
LIN Lijun	Non-executive Director	Female	48	2009.07-2012 election
CHEN Hongbo	Non-executive Director and Vice Chairman	Male	59	2009.06-2012 election
WONG Tung Shun Peter	Non-executive Director	Male	59	2009.06-2012 election
NG Sing Yip	Non-executive Director	Male	60	2009.06-2012 election
LI Zhe	Non-executive Director	Female	41	2009.06-2012 election
GUO Limin	Non-executive Director	Male	48	2010.02-2012 election

From left to right
Mr. LEE Yuansiong
Mr. REN Huichuan
Mr. YAO Jason Bo
Ms. WANG Liping
Mr. MA Mingzhe
Mr. KU Man
Mr. SUN Jianyi

Name	Positions	Sex	Age	Appointment date
David FRIED	Non-executive Director	Male	49	2010.08-2012 election
CHOW Wing Kin Anthony	Independent Non-executive Director	Male	60	2009.06-2012 election
ZHANG Hongyi	Independent Non-executive Director	Male	65	2009.06-2012 election
CHEN Su	Independent Non-executive Director	Male	53	2009.06-2012 election
XIA Liping	Independent Non-executive Director	Male	73	2009.06-2012 election
TANG Yunwei	Independent Non-executive Director	Male	67	2009.06-2012 election
LEE Carmelo Ka Sze	Independent Non-executive Director	Male	50	2009.06-2012 election
CHUNG Yu-wo Danny	Independent Non-executive Director	Male	59	2009.06-2012 election
GU Liji	Chairman of Supervisory Committee (Independent Supervisor)	Male	63	2009.06-2012 election
SUN Fuxin	Independent Supervisor	Male	72	2009.06-2012 election
PENG Zhijian	Independent Supervisor	Male	62	2009.06-2012 election

Directors, Supervisors, Senior Management and Employees

Name	Positions	Sex	Age	Appointment date
SONG Zhijiang	Supervisor representing the shareholders	Male	40	2009.06-2012 election
WANG Wenjun	Supervisor representing the employees	Female	43	2009.06-2012 election
DING Xinmin	Supervisor representing the employees	Male	48	2009.06-2012 election
SUN Jianping	Supervisor representing the employees	Male	50	2010.03-2012 election
REN Huichuan	President	Male	41	2011.03
KU Man	Senior Vice President	Male	37	2009.10
LEE Yuansiong	Senior Vice President	Male	45	2011.01
CAO Shifan	Senior Vice President	Male	55	2007.04
LO Sai Lai	Senior Vice President	Male	48	2007.01
CHEN Kexiang	Senior Vice President	Male	53	2007.01
IP So Lan	Senior Vice President	Female	54	2011.01
GOH Yethun	Senior Vice President	Male	41	2007.01
YAO Jun	Secretary of the Board and Chief Legal Officer	Male	45	2008.10
CHEUNG Chun Tong	Chief Actuary	Male	49	2010.06

MAJOR WORKING EXPERIENCES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND DETAILS OF THEIR PART-TIME JOBS

Directors

Executive Directors

MA Mingzhe, has been the Chief Executive Officer of the Company and Chairman of the Board of Directors (the "Board") since April 2001 and April 1994, respectively. Mr. Ma 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 the 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, 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. and China Insurance Security Fund Co., LTD.. Since joining the Company in July 1990, he has been the General Manager of the Management Department, Senior Vice President and Executive Vice President. Prior to joining the 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. Mr. Sun has a Diploma in Finance from Zhongnan University of Economics and Law (previously Zhongnan University of Economics).

CHEUNG Chi Yan Louis, has been an Executive Director since May 2006, and has been serving as the President from October 2003 to March 2011. Mr. CHEUNG joined the 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, has been an Executive Director since June 2009, Ms. Wang has been Senior Vice President of the Company since January 2004, and has also served as a Non-executive Director of Shenzhen Development Bank since June 2010. Ms. Wang joined the 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 the 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 the Company. From 1994 to 1995, she served as the President of the Securities Department of the Company. Ms. Wang has a Master's degree in Monetary & Banking from Nankai University.

YAO Jason Bo, has been an Executive Director since June 2009. Mr. Yao has been the Chief Financial Officer and Vice General Manager of the Company since April 2010 and June 2009, respectively, served as the General Manager of the Corporate Planning Department of the Company since February 2004, and has also been a Non-executive Director of Shenzhen Development Bank since June 2010. Mr. Yao joined the Company in May 2001, and served as the Financial Principal of the Company from March 2008 to April 2010, Vice Chief Financial Officer from February 2004 to January 2007, Chief Actuarial Officer from January 2007 to June 2010, Vice Chief Actuarial Officer from December 2002 to January 2007 and Vice General Manager of the Product Centre of Ping An Insurance Company of China, Ltd. 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 the 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, 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 Linzhi New Horse Investment Development Co., Ltd. since 2000. Ms. Lin previously served as the Deputy General Manager of the Human Resources Department at Ping An Property & Casualty, which is a subsidiary of the Company, from 1997 to 2000. Ms. Lin has a Bachelor's degree in Chinese Language and Literature from South China Normal University.

CHEN Hongbo, 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 was the Chairman and the Secretary of the Party Committee of Shenzhen Investment Holdings Co., Ltd. from September 2004 to January 2011 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, has been a Non-executive Director of the Company since May 2006. Mr. Wong has been the Chief Executive of HSBC, a Group Managing Director and a member of the Group Management Board of HSBC Holdings plc since February 2010. 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 HSBC. He is Chairman of HSBC Bank Malaysia Berhad, Deputy Chairman of HSBC Bank (China) Company Limited and Vice Chairman of HSBC Bank (Vietnam) Ltd.. He is also a Non-executive Director of Hang Seng Bank Limited and Bank of Communications Co., Ltd., and an Independent Non-executive Director of Cathay Pacific Airways Limited. Mr. Wong was also Chairman of the Hong Kong Association of Banks in 2001, 2004, 2006 and 2009. 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, has been a Non-executive Director of the Company since May 2006. Mr. Ng has been the Head of Legal and Compliance of HSBC 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 HSBC in June 1987 as Assistant Group Legal Consultant, and was later appointed Deputy Head of the Legal and Compliance Department in February 1993. Mr. Ng has a Bachelor's degree and 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.

LI Zhe, 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. Ms. Li 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.

Directors, Supervisors, Senior Management and Employees

GUO Limin, 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, he also served as the 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. Prior to joining Shum Yip in August 2009, he was the 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 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.

David FRIED, has been a Non-executive Director of the Company since August 2010. Mr. Fried was appointed Group General Manager and Group Head of Insurance for HSBC Holdings plc on 1 April 2010. He has been Group General Manager since May 2008 and Regional Head of Insurance Asia-Pacific for HSBC since October 2006. He has overall responsibility for the insurance and retirement businesses for the HSBC Group. Mr. Fried holds the office of Chairman and Chief Executive Officer, HSBC Insurance (Asia-Pacific) Holdings Limited. He is also the Chairman of HSBC Insurance (Asia) Limited, HSBC Life (International) Limited, Hana HSBC Life Insurance Company Limited and HSBC Life Insurance Company Limited. Within the HSBC Group of companies, he is a director of HSBC Insurance Holdings Limited of the United Kingdom, HSBC Global Asset Management (Hong Kong) Limited, Hang Seng Insurance Company Limited and Hang Seng Life Limited. Mr. Fried is also the lead HSBC Insurance representative director in several joint venture partnerships and strategic investments such as Canara HSBC Oriental Bank of Commerce Life Insurance Company in India and Bao Viet Holdings in Vietnam. Mr. Fried serves as a senior member of the management of HSBC where he is a member of the Bank's Executive Committee and Risk Management Committee. He is also a member of the Audit Committee and Related Party Transactions Committee of HSBC Bank China Ltd. Mr. Fried joined HSBC in 1984 in the United States. Prior to coming to Hong Kong, he was Executive Director of HSBC Insurance Holdings Limited and Head of Business Development at Group Insurance Head Office, United Kingdom. During the past 26 years, he has served in various managerial capacities in the United Kingdom and the Americas, including agency, life and non-life, underwriting and reinsurance, broking, pensions and captive management. Mr Fried has a Bachelor of Arts degree in Political Science and Economics from Miami University, Oxford, Ohio.

Independent Non-executive Directors

CHOW Wing Kin Anthony, 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, 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 April 24, 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, has been an Independent Non-executive Director of the Company since March 2007. He has been 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 Municipal Government, Deputy C.E.O. of Hong Kong & Macau Management 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), Executive Vice President of China Development Institute (Shenzhen, PRC), and an Independent Non-executive Director of Shenzhen Rural Commercial Bank Ltd. and an Independent Non-executive Director of OCT Holdings Co. 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.

CHEN Su, 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. Mr. Chen 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, 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, 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 PRC.

LEE Carmelo Ka Sze, 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, The 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 Chairman of the Transport Tribunal of the Hong Kong SAR Government, a member of SFC Dual Filing Advisory Group of Securities and Futures Commission, 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, 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 Actuarial 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.

Directors, Supervisors, Senior Management and Employees

Supervisors

GU Liji, has been an Independent Supervisor and the Chairman of Supervisory Committee of the Company since June 2009. Since retirement, Mr. Gu has been an Outside Director of Xiang Tan Electric Manufacturing Group Co., Ltd (XEMC) since March 2011 and was an Executive Director of China Merchants Technology Holdings Co., Ltd. and China Merchants Technology Investment Co., Ltd. (Shenzhen) from November 2008 to October 2010. 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, 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, 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, has been a 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 Director 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, 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.

DING Xinmin, 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. Mr. Ding joined the Group in 1993, and consecutively served as the Vice President and Assistant to General Manager of Ping An Life, Vice President of Ping An Life Beijing Branch and Shenzhen Branch. Mr. Ding holds a Master's degree in economics from Hunan Financial and Economic Institute.

SUN Jianping, 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. Mr. Sun joined the Company in 1988 and held various positions such as Assistant to General Manager and Vice General Manager of Ping An Property & Casualty. 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

See "Executive Directors" for working experiences, positions and part-time jobs of Mr. Ma Mingzhe, Mr. Cheung Chi Yan Louis, Mr. Sun Jianyi, Ms. Wang Liping and Mr. Yao Jason Bo.

REN Huichuan, has been the President of the Company since March 2011, and has been Chairman and CEO of Ping An Property & Casualty since April 2007. Mr. Ren joined the Company in 1992. He was the Senior Vice President of the Company between June 2010 and March 2011, Chief Insurance Business Officer between June 2010 and December 2010, and was appointed as a Supervisor representing the employees of the Company from March 2009 to March 2010. Before that, Mr. Ren had been Financial Director and Vice President and Senior Vice President of our company, and the Assistant Director of the Development and Reform Center, and the Vice President of the Property & Casualty Insurance business of the Company. Senior Vice President of Ping An Property & Casualty. Mr. Ren holds an MBA degree from Peking University.

KU Man, has been serving as the Senior Vice President of the Company since October 2009, and Chairman and Chief Executive Officer of Ping An Channel Development, Chairman of Ping An Processing & Technology since November 2008 and June 2010. 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 the Development and Reform Center of the Group. From February 2004 to March 2008, Mr. Ku served as General Manager, Deputy Chief Service & Operation Officer of the National Integrated Operating Center and the Operational Management Center of the Group respectively. From March 2008 to October 2009, Mr. Ku served as the Vice President of our Company. Mr. Ku has been the Non-executive Director of Shenzhen Development Bank since June 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.

LEE Yuansiong has been the Senior Vice President and Chief Insurance Business Officer of the Company since January 2011 and Chairman of Ping An Life since January 2007. Mr. Li joined the Company in 2004. He was the Special Assistant to the Chairman of Ping An Life from February 2004 to March 2005 and General Manager of Ping An Life from March 2005 to January 2010. Prior to that, Mr. Li was a Senior Vice President of Prudential Taiwan Branch and the General Manager of Citi-Prudential etc. Mr. Li holds a Master's Degree in Finance from The University of Cambridge.

CAO Shifan has been the 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).

Directors, Supervisors, Senior Management and Employees

LO Sai Lai has been the Senior Vice President and Chief Information Officer of the Company since January 2007 and February 2006, and Chairman 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 the 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 has been the 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 the Company. From June 2002 to May 2006, he served as General Secretary of the Board of the 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 Director and Director of the General Office of our Company. From 1995 to 1996, Mr. Chen served as the President of Ping An Building Management Company. From 1993 to 1995, he served as the Assistant Director and Deputy Director 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).

IP So Lan has been the Senior Vice President of the Company since January 2011, and the Chief Internal Auditor, Person-in-charge of Auditing and Compliance Officer since March 2006, March 2008 and July 2010, respectively. Ms Ip joined the Company in 2004 and was the Vice President of Ping An Life from February 2004 to March 2006, the Vice President of the Company from March 2006 to January 2011. Ms Ip has been the Non-executive Director of Shenzhen Development Bank since June 2010. Ms Ip had previously worked with AIA and Prudential Hong Kong etc. She holds a Bachelor's Degree in Computing from the Polytechnic of Central London.

GOH Yethun has been the Senior Vice President and Chief Marketing Officer of the Company since January 2007 and August 2005, and Chairman and Chief Executive Officer of Shenzhen Ping An Marketing Services since October 2008. Mr. Goh joined the 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 the Director of Development and Reform Center of the Company. Before joining our Company, Mr. Goh was a project manager in McKinsey & Company. Mr. Goh has a Bachelor's degree in Economics from Hamilton College, USA.

YAO Jun has been the Secretary of the Board of the Company since October 2008, Chief Legal Officer since September 2003, Company Secretary since May 2008, 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.

Chief Actuarial Officer

CHEUNG Chun Tong has been the Chief Actuarial Officer of the Company since June 2010 and Senior Vice President of Ping An Life since April 2003. Mr. Cheung joined the Company in 2002 and subsequently served as the Vice Chief Actuarial Officer and General Manager of the Actuarial Product Center of Ping An Life. From March 2006 to March 2007, Mr. Cheung was the Chairman of Ping An Health. He then became the Vice Chief Actuarial Officer of the Company from March 2007 and June 2010. Mr. Cheung is a member of the America Academy of Actuaries, The Society of Actuaries and The Canadian Institute of Actuaries. He holds a Degree in Actuarial Studies, Business and Computing from The University of Toronto.

Company Secretary

See "Senior Management" for the working experiences, positions and part-time jobs of Mr. Yao Jun.

POSITIONS HELD IN SHAREHOLDERS' COMPANIES BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Name of shareholder's company	Position	Period of engagement	Whether compensated by the shareholders' company
LIN Lijun	Linzhi New Horse Investment Development Co. Ltd.	Chairman	January 2000-	No
CHEN Hongbo	Shenzhen Investment Holdings Co., Ltd.	Chairman	September 2004- January 2011	Yes
WONG Tung Shun Peter	The Hongkong and Shanghai Banking Corporation Limited	Chief Executive	February 2010-	Yes
NG Sing Yip	The Hongkong and Shanghai Banking Corporation Limited	the Head of Legal and Compliance	January 1998-	Yes
David FRIED	HSBC Insurance Holdings limited	Director	October 2002-	Yes
	The Hongkong and Shanghai Banking Corporation Limited	Head of Insurance Business for Asia-Pacific Region	October 2006-	Yes
GUO Limin	Shum Yip Group Limited	Chairman	September 2009-	Yes
SONG Zhijiang	Shenzhen Liye Group Co., Ltd	Chief Investment Officer	July 2005-	Yes

Note: Directors and Supervisors engaged in shareholder's companies do not receive compensation from the Company but from the respective shareholder's company they worked with. Whereas Lin Lijun, the Non-executive Director, does not receive compensation from the shareholder's company but is compensated by the Company according to her specific administrative role.

For details of the other engagements information of Mr. Sun Jianyi, Ms. Wang Liping, Mr. Yao Jason Bo, Mr. Ku Man and Ms. Ip So Lan, please refer to "Major working experiences of Directors, Supervisors and Senior Management and details of their part-time jobs". Other Senior Management staff and the Chief Actuarial Officer do not hold any positions in any shareholders' companies or other non shareholders' companies outside the Group.

APPOINTMENT OR REMOVAL OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

1. Mr. Hu Aimin, a director designated by Shum Yip Group Limited, retired from Shum Yip Group Limited. Under the recommendation of Shum Yip Group Limited, the resolution regarding the appointment of Mr. Guo Limin as Non-executive Director of the Company to fill in for Mr. Hu Aimin was passed at the 2009 Second Extraordinary General Meeting held by the Company on December 18, 2009. The directorship qualifications of Mr. Guo Limin have been approved by CIRC on February 11, 2010.

2. Mr. Ren Huichuan resigned as Supervisor of the Company in March 2010 due to work arrangements. Accordingly, Mr. Sun Jianping was elected to replace Mr. Ren Huichuan as the Employee Representative Supervisor for the sixth session of the Supervisory Committee of the Company at the Employee Representative Meeting held by the Company on March 19, 2010.

3. As nominated by HSBC Insurance, the Company considered and approved the resolution regarding the appointment of Mr. David Fried in replacement of Mr. Clive Bannister as a Non-Executive Director of the Company at the 2009 AGM held on June 29, 2010. The directorship qualifications of Mr. David Fried have been approved by CIRC on August 10, 2010, and Mr. David Fried replaced Mr. Clive Bannister as a Non-Executive Director of the Company officially on the same date.

4. Mr. Ren Huichuan was the Senior Vice President of the Company between June 2010 and March 2011, and has been the President of the Company since March 2011. Mr. Cheung Chi Yan Louis ceased to be the President of the Company from March 2011. The appointment qualification of Mr. Ren to be the President has been approved by the CIRC on January 28, 2011.

5. Mr. LEE Yuansiong and Ms. Ip So Lan has been the Senior Vice President of the Company from January 2011. The appointment qualification of Mr. LEE and Ms. Ip to be the Senior Vice President has been approved by the CIRC on December 30, 2010.

6. Mr. Yao Jason Bo retired as the Chief Actuarial Officer and Mr. Cheung Chun Tong was appointed as the Chief Actuarial Officer of the Company in June 2010.

7. Mr. Leung Ka Kui ceased to be the Executive Senior Vice President of the Company from June 2010.

8. Mr. Richard JACKSON ceased to be the Chief Finance Business Officer of the Company from May 2010.

CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

1. Mr. Sun Jianyi, the Executive Director of the Company, retired as the Non-executive Director of XJ Group in May 2010.

2. Mr. Cheung Chi Yan Louis, the Executive Director of the Company, ceased to be the President of the Company since March 2011.

3. Ms. Wang Liping, the Executive Director of the Company, has become the Non-executive Director of Shenzhen Development Bank since June 2010.

4. Mr Yao Jason Bo, the Executive Director of the Company, ceased to be the Chief Actuarial Officer of the Company since June 2010, and has become a Non-executive Director of Shenzhen Development Bank since June 2010.

5. Ms. Lin Lijun, a Non-executive Director of the Company, ceased to be a Non-executive Director of Shenzhen An Xing Industrial Development Co., Ltd. in December 2010.

6. Mr. Chen Hongbo, a Non-executive Director of the Company, ceased to be the Chairman and the Secretary of the Party Committee of Shenzhen Investment Holdings Co., Ltd. in January 2011.

7. Mr. Wong Tung Shun Peter, a Non-executive Director of the Company, has become the Chief Executive of HSBC, the Group Managing Director and a member of the Group Management Board of HSBC Holdings plc since February 2010. Mr. Wong ceased to be the Chairman and director of HSBC Insurance (Asia) Limited and HSBC Life (International) Limited in February 2010; Mr. Wong ceased to be the Chairman and Non-executive Director of Dalian Pulandian HSBC Rural Bank Company Limited, Hubei Suizhou Cengdu HSBC Rural Bank Company Limited, Chongqing Dazu HSBC Rural Bank Company Limited and Chongqing Fengdu HSBC Rural Bank Company Limited in May 2010, ceased to be the Chairman and Non-executive Director of Beijing Miyun HSBC Rural Bank Company Limited, Guangdong Enping HSBC Rural Bank Company Limited in June 2010; ceased to be the Chairman and Non-executive Director of Fujian Yongan HSBC Rural Bank Company Limited in November 2010; and ceased to be the Non-executive Director of HSBC Bank Australia Limited in February 2011.

8. Mr. Zhang Hongyi, an Independent Non-executive Director of the Company, ceased to be an Independent Non-executive Director of OCT Holdings Co. in January 2010.

9. Mr. Lee Ka Sze Carmelo, an Independent Non-executive Director of the Company, has become a member of the Dual Filing Advisory Group of the Securities and Futures Commission of Hong Kong since April 2010 and Mr. Lee resigned from his position as a Non-executive Director of Taifook Securities Group Limited in January 2010. Mr. Lee has no longer served as an Adjudicator of the Registration of Persons Tribunal of the Hong Kong Special Administrative Region since February 2011.

10. Mr. Gu Liji, the Chairman of the Supervisory Committee of the Company, ceased to be the Executive Director of China Merchants Technology Holdings Co., Ltd. and China Merchants Technology Investment (Shenzhen) Co., Ltd. in October 2010 and has become an Outside Director of Xiang Tan Electric Manufacturing Group Co., Ltd. (XEMC) since March 2011.

CHANGES IN THE NUMBER OF SHARES, SHARE OPTIONS AND RESTRICTED SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

Direct Shareholding

During the reporting period, there was no change in the H shares of the Company held by Mr. Cheung Chi Yan Louis, Executive Director, Mr. Yao Jason Bo, Executive Director, Senior Vice President and Chief Financial Officer and Mr. Chow Wing Kin Anthony, Independent Non-executive Director. As at December 31, 2010, the interests of the Directors, Supervisors and Senior Management (including chief executive) of the Company in the shares which shall be disclosed pursuant to the "Standards Concerning the Contents and Formats of Information Disclosure by Listed Companies No. 2 – The Contents and Formats of Annual Report (Revised in 2007)" issued by CSRC, and the interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) shall 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 or 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, Supervisors and Senior Management (including chief executive) to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules, were as follows:

Name	Position	Capacity	H/A Shares	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Change	Reason for the change	Nature of interest	Percentage of total issued H/A shares (%)	Percentage of total issued shares (%)
Cheung Chi Yan Louis	Executive Director	Beneficial owner	H	248,000	248,000	–	–	Long position	0.00868	0.00324
Yao Jason Bo	Executive Director, Senior Vice President and Chief Financial Officer	Beneficial owner	H	12,000	12,000	–	–	Long position	0.00042	0.00016
Chow Wing Kin Anthony*	Independent Non-executive Director	Interest held jointly with another person*	H	7,500	7,500	–	–	Long position	0.00026	0.00010

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

Indirect Shareholding

Some of the Directors, Supervisors and Senior Management, the Chief Actuarial Officer of the Company indirectly held shares of the Company through Employee Investment Pool and Shenzhen Jiangnan Industrial Development Co., Ltd.

The group of participants of the Employee Investment Pool beneficially owns approximately 7.88% of the total existing share capital of the Company; whereas Shenzhen Jiangnan Industrial Development Co., Ltd. holds 139,112,886 shares in the Company. The indirect shareholdings of the Directors, Supervisors and Senior Management, the Chief Actuarial Officer of the Company are as follows:

Directors, Supervisors, Senior Management and Employees

Share of interests in employee investment pool

Name	Position	Share of interests in employee investment pool at the beginning of the period	Share of interests in employee investment pool at the end of the period	change in the share of interests in employee investment pool	Reason for the change
Ma Mingzhe	Chairman and Chief Executive Officer	4,743,600	4,743,600	–	–
Sun Jianyi	Vice Chairman and Executive Vice President	4,168,300	4,168,300	–	–
Cheung Chi Yan Louis	Executive Director	500,000	500,000	–	–
Wang Liping	Executive Director and Senior Vice President	1,721,520	1,721,520	–	–
Yao Jason Bo	Executive Director, Senior Vice President and Chief Financial Officer	100,000	100,000	–	–
Lin Lijun	Director	992,800	992,800	–	–
Wang Wenjun	Supervisor	64,602	64,602	–	–
Ding Xinmin	Supervisor	602,400	602,400	–	–
Sun Jianping	Supervisor	1,118,600	1,118,600	–	–
Ren Huichuan	President	735,040	735,040	–	–
LEE Yuansiong	Senior Vice President	100,000	100,000	–	–
Ku Man	Senior Vice President	200,000	200,000	–	–
Cao Shifan	Senior Vice President	1,307,680	1,307,680	–	–
Lo Sai Lai	Senior Vice President	300,000	300,000	–	–
Chen Kexiang	Senior Vice President	1,373,040	1,373,040	–	–
Goh Yethun	Senior Vice President	300,000	300,000	–	–
Cheung Chun Tong	Chief Acturial Officer	300,000	300,000	–	–
Total		18,627,582	18,627,582	–	–

Percentage of shares beneficially held in Shenzhen Jiangnan Industrial Development Co., Ltd.

Name	Position	Shareholding percentage at the beginning of the period (%)	Shareholding percentage at the end of the period (%)	Change in the number of shares	Reason for the change
Ma Mingzhe	Chairman and Chief Executive Officer	5.86	5.86	–	–
Sun Jianyi	Vice Chairman and Executive Vice President	3.83	3.83	–	–
Cheung Chi Yan Louis	Executive Director	2.93	2.93	–	–
Wang Liping	Executive Director and Senior Vice President	1.17	1.17	–	–
Yao Jason Bo	Executive Director, Senior Vice President and Chief Financial Officer	0.18	0.18	–	–
Lin Lijun	Director	0.12	0.12	–	–
Ding Xinmin	Supervisor	0.65	0.65	–	–
Sun Jianping	Supervisor	0.59	0.59	–	–
Ren Huichuan	President	1.41	1.41	–	–
LEE Yuansiong	Senior Vice President	0.59	0.59	–	–
Ku Man	Senior Vice President	0.59	0.59	–	–
Cao Shifan	Senior Vice President	0.59	0.59	–	–
Lo Sai Lai	Senior Vice President	0.70	0.70	–	–
Chen Kexiang	Senior Vice President	3.81	3.81	–	–
Goh Yethun	Senior Vice President	3.57	3.57	–	–
Yao Jun	Secretary of the Board and Chief Legal Officer	0.59	0.59	–	–
Total		27.18	27.18	–	–

Changes in the Number of Share Options and Restricted Shares Granted

During the reporting period, there were no share options held by the Directors, Supervisors, Senior Management and the Chief Actuarial Officer of the Company, nor were there restricted shares granted.

Save as disclosed above, as at December 31, 2010, none of the Directors, Supervisors and Senior Management (including chief executive) held or was deemed to hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which 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, Supervisors and Senior Management (including chief executive) 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.

NUMBER OF STAFF, PROFESSIONAL QUALIFICATION AND EDUCATION BACKGROUND

As at December 31, 2010, the Company had a total of 128,808 active staff, of which 79,000 were engaged by insurance unit, representing 61.33%; 11,986 were engaged by the banking unit, representing 9.31%; 5,218 were engaged by the investment unit, representing 4.05% and 32,604 were engaged by other units, representing 25.31%. Among all the staff, 4,876 hold doctorate or master's degree, representing 3.79%; 57,637 hold bachelor's degree, representing 44.75%; 45,746 attained college education, representing 35.51% and 20,549 with other qualification, representing 15.95%.

Corporate governance report

The Board of Directors is pleased to report to the shareholders on the corporate governance of the Company for the year ended December 31, 2010.

CORPORATE GOVERNANCE

During the Reporting Period, the Company has been engaged in ongoing efforts to improve its corporate governance structure in strict accordance with the PRC Company Law ("Company Law") and the PRC Insurance Law as well as the relevant laws and regulations promulgated by the regulatory authorities, with de facto conditions of the Company taken into account. The General Meeting, the Board of Directors, the Supervisory Committee and senior management have been functioning independently in compliance with PRC laws and performing their duties and responsibilities conferred by the Articles of Association of Ping An Insurance (Group) Company of China, Ltd., without any report of breach of laws and regulations. Corporate governance of the Company is described as follows:

Shareholders and the General Meeting

During the Reporting Period, the Company convened the 2009 Annual General Meeting and one Extraordinary General Meeting. The notice, convocation and procedures for convening and voting at the shareholders' general meeting comply with the requirements of the Company Law and the Articles of Association. The General Meeting established and expanded effective channels for communication with the shareholders, listening to their opinions and advices so as to ensure their rights to comprehend, participate in and vote upon the significant events of the Company.

The Annual General Meeting

The Company held its 2009 Annual General Meeting by way of physical meeting on June 29, 2010 in Shenzhen, at which the following reports and resolutions were considered and passed: the 2009 Report of the Board of Directors, the 2009 Report of the Supervisory Committee, the 2009 Annual Report and its Summary, the 2009 Report of Final Accounts of the Company, the 2009 Profit Appropriation Proposal, the Resolution on Re-appointment of Ernst & Young Hua Ming and Ernst & Young as the Company's Auditors for 2010, the Resolution on Recommendation of Candidates for Directors, the Resolution on Revision of Articles of Association, the Resolution on Granting to the Board of Directors General Mandate to Allot, Issue and Deal with New H Shares of up to 20% of the H Shares of the Company in Issue, the Resolution on Distribution of the 2009 Final Dividend to Holders of New H Shares and the Resolution on Second Revision of Articles of Association. The Shareholders also received and reviewed the 2009 Working Report of the Directors and the 2009 Report on Connected Transactions and Execution of Rules of Managing Connected Transactions of the Company.

The Extraordinary General Meeting

The first Extraordinary General Meeting

The Company held its First Extraordinary General Meeting on November 1, 2010 by way of physical voting and online voting, at which the following resolutions were considered and passed: the Resolution on Adjustment of Remuneration for Independent Non-Executive Directors Who Are Residents in Mainland China, the Resolution on Issues in Relation to Acquisition of Material Assets and the Connected Transactions, the Resolution Regarding the Share Subscription Agreement and Supplemental Agreement Entered into Between the Company and Shenzhen Development Bank, the Resolution Regarding the Profits Forecast Compensation Agreement Entered into Between the Company and Shenzhen Development Bank and the Resolution Regarding the Grant of Authorization to the Board to Process Matters Relating to the Major Asset Restructuring of the Company.

Directors, Board of Directors and Specialized Committees under the Board

Directors

As at December 31, 2010, the Board of Directors of the Company consists of 19 members, among whom there were 5 Executive Directors, 7 Non-executive Director and 7 Independent Non-executive Directors, and the profile of each Director has been included in the section headed "Directors, supervisors, senior management and employees" of this Annual Report. The number of Directors and composition of the Board are in compliance with the regulatory requirements and provisions of the Articles of Association. As provided in the Articles of Association, Directors should be elected at the general meeting with a term of 3 years, and are eligible for re-election upon expiry of the term, however, the Independent Non-executive Directors should not hold office for more than 6 consecutive years.

The Board of Directors

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 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.

Attendance of Directors at the board meeting

During the reporting period, the Board of Directors held 7 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. All the Directors have been doing their best to make right decisions on the basis of good knowledge of circumstances, and are committed to protecting the interests of the Company and its shareholders as a whole. The attendance records of each Director at the Board meeting are as follows:

Members	Date of appointment	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)	March 21, 1998	7/7	100%	0/7	0%
SUN Jianyi	March 29, 1995	7/7	100%	0/7	0%
CHEUNG Chi Yan Louis	May 25, 2006	7/7	100%	0/7	0%
WANG Liping	June 9, 2009	5/7	71.4%	2/7	28.6%
YAO Jason Bo	June 9, 2009	7/7	100%	0/7	0%
Non-executive Directors					
LIN Lijun	May 16, 2003	7/7	100%	0/7	0%
HU Aimin (retired on February 11, 2010)*	March 9, 2004	0/0	–	0/0	–
CHEN Hongbo	June 23, 2005	6/7	85.7%	1/7	14.3%
WONG Tung Shun Peter	May 25, 2006	4/7	57.1%	3/7	42.9%
NG Sing Yip	May 25, 2006	6/7	85.7%	1/7	14.3%
Clive BANNISTER (retired on August 10, 2010)**	May 13, 2008	2/3	66.7%	1/3	33.3%
LI Zhe	June 9, 2009	5/7	71.4%	2/7	28.6%
GUO Limin*	February 11, 2010	5/7	71.4%	2/7	28.6%
David FRIED**	August 10, 2010	3/4	75.0%	1/4	25.0%
Independent Non-executive Directors					
CHOW Wing Kin Anthony	June 23, 2005	7/7	100%	0/7	0%
ZHANG Hongyi	March 19, 2007	7/7	100%	0/7	0%
CHEN Su	March 19, 2007	7/7	100%	0/7	0%
XIA Liping	June 7, 2007	7/7	100%	0/7	0%
TANG Yunwei	June 9, 2009	7/7	100%	0/7	0%
LEE Carmelo Ka Sze	June 9, 2009	7/7	100%	0/7	0%
CHUNG Yu-wo Danny	June 9, 2009	7/7	100%	0/7	0%

* As considered and passed at the Extraordinary General Meeting of the Company held on 18 December 2009, Mr. Guo Limin was appointed as a Non-executive Director in place of Mr. Hu Aimin. Mr. Guo's qualifications as a Director were approved by CIRC on February 11, 2010.

** As considered and passed at the Annual General Meeting of the Company held on June 29, 2010, Mr. David Fried was appointed as a Non-executive Director in place of Mr. Clive Bannister. Mr. Fried's qualifications as a Director were approved by CIRC on August 10, 2010

Meetings of the Board and contents of resolutions

The 6th Meeting of the 8th Session of the Board of the Company was held in Shenzhen on April 16, 2010, at which the following reports and resolutions were considered and passed: the 2009 Operating Report, the 2009 Report of Final Accounts of the Company, the 2009 Profit Appropriation Proposal, the Resolution on Re-appointment of Ernst & Young Hua Ming and Ernst & Young as the Company's Auditors for 2010, the 2009 Annual Report of the Company, the 2009 Corporate Governance Report, the 2009 Report of the Board of Directors, the Results Announcement of the Company as at December 31, 2009 and the Summary of the 2009 Annual Report, the Resolution on Recommendation of Candidates for Directors, the Resolution on Consideration of the 2009 Working Report of the Directors, the Resolution on Revision of Articles of Association, the Circular of the General Meeting, the Resolution on Convening the 2009 Annual General Meeting, the 2009 Corporate Social Responsibility Report, the Resolution on Appointment of Mr. Ren Huichuan as Senior Vice President of the Company, the 2009 Solvency Ratio Report, the Resolution on Consideration of the 2009 Risk Assessment Report, the Resolution on Changes of Accounting Policies of the Company, the Resolution on Establishment of the Accountability System for Material Mistakes in Disclosure of Information in the Annual Report, the Resolution on Consideration of the 2009 Report of Planning and Allocation of Financial Resources of the Company, the Resolution on Consideration of the 2009 Report on Connected Transactions and Execution of Rules of Managing Connected Transactions of the Company, the 2009 Internal Control Assessment Report, the Self-assessment Report of the Board of Directors in relation to Internal Control of the Company for the year 2009, the Resolution on Establishment of Management System for Users of External Information of the Company, the Resolution on Consideration of the 2009 Corporate Governance Report of the Company and the Resolution on Consideration of the 2009 Compliance Report of the Company. The Board of Directors is of the opinion that the internal control system is complete and effective after considering and passing the 2009 Risk Assessment Report, the 2009 Internal Control Assessment Report and the 2009 Compliance Report of the Company, and reviewing the Auditor's Report on the 2009 Financial Statements of the Company provided by Ernst & Young.

The 7th Meeting of the 8th Session of the Board of the Company was held in Shenzhen on April 29, 2010, at which the 2010 Working Plan of the Company and the First Quarterly Report of the Company for 2010 and the Unaudited Results Announcement for the Three Months ended March 31, 2010 were considered and passed.

The 8th Meeting and its adjournment thereof of the 8th Session of the Board of the Company were held in Shenzhen on July 23, 2010 and on September 1, 2010, respectively, at which the following resolutions were considered and passed: the Resolution on Issues in Relation to Compliance With the Restructuring Conditions of Major Assets of the Company and Compliance With the Relevant Regulations on the Restructuring of Major Assets of this transaction, the Resolution on Implementation of the Restructuring of Significant Assets Through Subscribing for Non-public Offering Shares of Shenzhen Development Bank, and the Connected Transaction, the Resolution on Application for exemption from CSRC Through Making An Offer to Acquire to Increase Shareholdings in Shenzhen Development Bank, the Proposal on Election of Ms. Ip So Lan as the Responsible Compliance Officer, the Proposal on Consideration of the Special-Purpose Self-Examination Report of Basic Work of Financial Accounting of the Company.

The 9th Meeting of the 8th Session of the Board of the Company was held in Shanghai on August 24, 2010, at which the following reports and proposals were considered and passed: the 2010 Interim Report, the 2010 Interim Report Summary and the Results Announcement of the Company for the Six Months ended June 30, 2010, the Proposal on Distribution of the 2010 Interim Dividend, the Solvency Report of the Company in the First Half of 2010, the Proposal on Adjustment of Remuneration for Independent Non-Executive Directors of the Company Who Are Residents in Mainland China and the Proposal on Election of Mr. David Fried as a Member of the Remuneration Committee.

The 10th Meeting of the 8th Session of the Board of the Company was held in Shenzhen-based venue via video on September 14, 2010, at which the following resolutions were considered and passed: the Resolution on Issues in Relation to the Company's Acquisition of Major Assets and the Connected Transactions, the Resolution on Agreeing with the Company's Entering into Profit Forecast Compensation Agreement with Shenzhen Development Bank, the Resolution on the Company's Entering into Share Subscription Agreement and Supplemental Agreement with Shenzhen Development Bank, the Resolution on Consideration of the Acquisition of Major Assets and the Draft Report of the Connected Transactions of and its Summary of Ping An Insurance (Group) Company of China, Ltd., the Resolution on Consideration of the Audit Report of Profit Forecast of Ping An Bank and the Accountant's Report of the Unaudited Pro Forma Financial Information of the Enlarged Ping An Group, the Resolution on Issues in Relation to the Explanation of the Asset Valuation of this Major Asset Restructuring, the Resolution on Issues in Relation to Submission for Authorization from the General Meeting to Handle This Major Asset Restructuring of the Company, the Resolution on Consideration of Issues in Relation to the Documents Including H Share Circular Involved in the Major Asset Restructuring of the Company, the Resolution on Convening the First Extraordinary General Meeting of the Company for 2010.

The 11th Meeting of the 8th Session of the Board of the Company was held in Qingdao on October 27, 2010, at which the following reports and Resolutions were considered and passed: the Third Quarterly Report of the Company for 2010, the Resolution on Consideration of the Special-Purpose Self-Examination and Consolidation Report of Basic Work of Financial Accounting of the Company, the Resolution on Consideration of the Establishment of Long-Term Mechanism of Guarding Against Occupying Funds and the Report of Implementation of Self-Examination and the Resolution on Adjustment of the Specialized Committees under the Board of Directors.

The 12th Meeting of the 8th Session of the Board of the Company was held in Shenzhen-based venue via video on November 19, 2010, at which the following resolutions were considered and passed: the Resolution on Consideration of the Connected Transaction with New Horse, the Resolution on the Acceptance of the Resignation of Mr. Cheung Chi Yan Louis as the President of the Company and the Appointment of Mr. Ren Huichuan as the President of the Company, the Resolution on the Appointment of Mr. Lee Yuansiong as the Senior Vice President of the Company and the Resolution on the Appointment of Ms. Ip So Lan as the Senior Vice President of the Company.

The Board's implementation of the resolutions approved in the shareholders' general meetings

During the reporting period, the Board of Directors of Ping An Insurance (Group) Company of China, Ltd. has duly carried out its duties in a stringent manner in accordance with the relevant laws and regulations and its Articles of Association and conscientiously implemented the resolutions approved in the shareholders' general meetings.

According to the 2009 Profit Appropriation Proposal of the Company and the Proposal on Distribution of the 2009 Final Dividend to Holders of New H Shares considered and passed at the 2009 Annual General Meeting of the Company held on June 29, 2010, the Company will pay in cash the 2009 final dividend of RMB0.30 per share, in a total amount of RMB2,293,242,627.60, based on its total share capital of 7,644,142,092 shares.

In accordance with the Article 217 of the Articles of Association, the shareholders' meeting authorized the Board of Directors to distribute the interim dividend. In accordance with the authorization of the shareholders' meeting, the profit appropriation for 2010 was approved at 9th Meeting of the 8th Session of the Board of the Company held on August 24, 2010, i.e. the Company distributed the interim dividend for 2010 on the basis of 7,644,142,092 shares of the total share capital of the Company, cash dividend was RMB0.15 per share, and the total amount was RMB1,146,621,313.80, such appropriation was implemented completely during the reporting period.

The specialized committees under the Board

The Company has established a Strategy and Investment Committee, an Audit and Risk Management Committee, a Remuneration Committee and a Nomination Committee. The details of the roles and functions and the composition of each of these committees are set out below.

Strategy and Investment Committee

The primary duties of the Strategy and Investment Committee are to conduct research and make recommendations to the Board of Directors for their consideration in relation to major investments, property transactions, financing, major capital operations, asset management projects, production and operation projects, etc. and also to promptly monitor and follow the tracks of the implementation of investment projects approved by the General Meeting or the Board of Directors, promptly notify all directors of its significant process or changes in process.

The Strategy and Investment Committee comprises 5 directors of the Company, which includes three Independent Non-executive Directors. The committee has one chairman, which was served by the Chairman of the Board of Directors of the Company, and the chairman presides over the committee.

The Strategy and Investment Committee was established on October 27, 2010, and no meeting was held in 2010.

Audit and Risk Management Committee

The primary duties of the Audit and Risk Management Committee are to review and supervise the Company's financial reporting process and conduct risk management. The Audit and Risk Management 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 and Risk Management 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, 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 and Risk Management 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 2010, the name of the former Audit Committee has been changed into the Audit and Risk Management Committee as approved by Board of Directors of the Company. The Audit and Risk Management Committee comprises 5 Independent Non-executive Directors and 1 Non-executive Director, They are Mr. Tang Yunwei, Mr. Chow Wing Kin Anthony, Mr. Zhang Hongyi, Mr. Chen Su, Mr. Chung Yu-wo Danny as Independent Non-executive Directors and Mr. Ng Sing Yip as Non-executive Director, all of whom are not involved in the day-to-day management of the Company. The Audit and Risk Management Committee is chaired by an Independent Non-executive Director who also possesses the appropriate professional qualifications or accounting or related financial management expertise.

In 2010, the Audit and Risk Management Committee held 7 meetings. All these meetings were convened in accordance with the Articles of Association. In particular, the Audit and Risk Management Committee reviewed the Company's annual financial statements for the year ended December 31, 2009 and the interim financial results for the six months ended June 30, 2010. As the former Audit Committee was renamed as the Audit and Risk Management Committee, the Audit and Risk Management Committee has also revised Rules on Work of the Audit Committee of the Board of Directors accordingly. Furthermore, the Audit and Risk Management Committee convened the meeting, reviewed the unaudited financial report and agreed to deliver it to the auditor for auditing, the Audit and Risk Management Committee also convened the first meeting in 2011 and reviewed the audited financial report for the year ended December 31, 2010 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. The attendance of the Audit and Risk Management Committee is as follows:

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
Independant Non-executive Directors				
TANG Yunwei (Chairman)	7/7	100%	0/7	0%
CHOW Wing Kin Anthony	7/7	100%	0/7	0%
ZHANG Hongyi	6/7	85.7%	1/7	14.3%
CHEN Su	6/7	85.7%	1/7	14.3%
CHUNG Yu-wo Danny	6/7	85.7%	1/7	14.3%
Non-executive Directors				
NG Sing Yip	6/7	85.7%	1/7	14.3%

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 and Risk Management 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 2010 Annual General Meeting.

During the reporting period, the remuneration paid to the Company's auditors Ernst & Young is set out as follows:

Services rendered (in RMB ten thousands)	Fees paid/payable
Audit services – audits, reviews and agreed upon procedures	3,900
Other assurance services	316
Non-assurance services	1,023
Total	5,239

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, Considering and approving remunerations based on performance and market conditions, with reference to the corporate goals and objectives set forth by the Board of Directors. 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 2010, the composition of the Remuneration Committee changed. Mr. Clive Bannister ceased to be members of the Remuneration Committee of the Company on August 10, 2010. As considered and approved by the 9th Meeting of the 8th Session of the Board of Directors of the Company held on August 24, 2010, Mr. David Fried was 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 2010, 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 Resolution on Reviewing of Remuneration of the Senior Management of the Company, the Resolution on Confirmation of Remuneration of Mr. Ren Huichuan and Mr. Ku Man (both as Senior Vice President of the Company), the Resolution on Adjustment of Remuneration of Independent Non-Executive Directors Who Are Residents in Mainland China and the Report on Settlement of Old Long-term Incentive for 2009 were considered. In addition, the Settlement Reports of Executive Directors of the Company On 2009 Bonuses, the Report of Retained Bonuses established by Mr. Ma Mingzhe and the Report on Settlement of New Long-term Incentive for Executive Directors for 2009 were reviewed. Attendance of meetings by the members of the Remuneration Committee is set out below:

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
Independent Non-executive Directors				
CHOW Wing Kin Anthony(Chairman)	2/2	100%	0/2	0%
XIA Liping	2/2	100%	0/2	0%
TANG Yunwei	2/2	100%	0/2	0%
LEE Carmelo Ka Sze	2/2	100%	0/2	0%
Non-executive Directors				
David FRIED (appointed on August 10, 2010)	0/0	–	–	–
Clive BANNISTER (retired on August 10, 2010)	1/1	100%	0/1	0%

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. Meetings of the Nomination Committee are held when necessary but at least once a year.

Nominations of Directors are considered with reference to an individual's business acumen and undertakings, academic and professional achievements and qualifications, experience, independence, 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' 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 2010, the Nomination Committee comprises 3 Non-executive Directors and 2 Executive Directors, and it is chaired by an Independent Non-executive Director.

The Nomination Committee held 3 meetings in 2010. The meeting considered and recommended candidates for the directors and senior management to the Board of Directors. Changes in the Board members included appointment of Mr. David Fried in place of Mr. Clive Bannister as a Non-executive Director of the 8th session of the Board of Directors. In addition to nominating candidates for the directors, the Nomination Committee will also review the structure, size and composition of the Board of Directors in accordance with the business activities, assets & management mix of the Company. The attendance records of each member of the Nomination Committee are as follows:

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
Independent Non-executive Directors				
ZHANG Hongyi (Chairman)	3/3	100%	0/3	0%
XIA Liping	3/3	100%	0/3	0%
LEE Carmelo Ka Sze	2/3	66.7%	1/3	33.3%
Executive Director				
MA Mingzhe	3/3	100%	0/3	0%
SUN Jianyi	3/3	100%	0/3	0%

Supervisors and the Supervisory Committee

The Supervisory Committee now consists of 7 members, among which there are three external supervisors, one shareholder representative supervisor and 3 employee representative supervisors, and the profile of each supervisor has been included in the section headed "Directors, Supervisors, Senior Management and Staff" of this Annual Report. The number of Supervisors and composition of the Board are in compliance with the regulatory requirements and provisions of the Articles of Association.

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.

During the Reporting Period, the Supervisory Committee held 4 meetings, whereby the supervisors inspected and supervised the operating results and financial activities of the Company through reviewing the documents provided to them, such as the periodic reports and dedicated reports. Adhering to the principle of fairness and honesty, the Supervisory Committee has duly carried out its supervisory duties in a stringent manner to effectively protect the rights and interests of the shareholders, the Company and the employees. In addition, the supervisors also attended the General Meeting and Board meetings held during the Reporting Period, whereby they inspected and supervised the performance of the Directors and the senior management, which guaranteed the constant, stable and healthy growth of the Company. The details of the supervisors' duty performance are set out in the Report of the Supervisory Committee.

Management Committees

The Executive Committee

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 Group Risk Control 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 10 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 8 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 analysts; 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.

Group Risk Control Committee

In the beginning of 2011, the Group Executive Committees approved the proposal to rename Group Risk Management Committee to Group Risk Control Committee. The Group Risk Control Committee is responsible for developing the overall objectives, basic policies and work systems of risk management according to the company's development strategy, guiding the establishment of subsidiaries' risk management structure and oversee the performance of their duties; monitoring group's risk exposure and available financial resources, timely send early warning and make recommendations to response; supervising the operation of risk management system in various professional firms or business lines, following up the implementation of major recommendations of risk management from audit. The Group Risk Control Committee is currently composed of 9 members, which is chaired by the Chief Internal Auditor of the Company.

Information Disclosure and Investor Relations

The Company endeavoured to establish high-standard corporate governance and believed that a sound corporate governance structure can further enhance the efficiency and reliability of corporate management, and is crucial to maximize the value for our shareholders.

Information disclosure

During the Reporting Period, the Company paid serious attention to and actively carried out self-inspection of corporate governance. Through continuously inspecting every part of our corporate governance, we made sure that the regularity and fairness of corporate governance, the timeliness and transparency of information disclosure, shareholders' value enhancement and recognition, compliance with the financial and accounting standards and requirements of the regulatory authorities, completeness of risk management system and internal control system were all up to the regulatory requirements and there are no corporate governance issues that need to be straightened up.

During the Reporting Period, the Company disclosed the relevant information in a truthful, accurate, complete, timely and effective manner in accordance with the PRC Laws and regulations and the Articles of Association, making sure every shareholder had equal chance to obtain the information, and there was no breach of information disclosure regulations.

On April 16, 2010, the 6th meeting of the 8th Session of the Board of the Company was held, at which the directors considered and passed the Management System for Users of External Information of the Company, which regulated the management of Users of External Information of the Company. During the Reporting Period, there was no such case which the Company has released information illegally to the public or insiders trading shares of the Company illegally. On April 16, 2010, the 6th meeting of the 8th Session of the Board of the Company was held, at which the directors considered and passed the Accountability System for Material Mistakes in Disclosure of Information of Ping An Insurance (Group) Company of China, Ltd.. The System further emphasized the accountability of disclosure of information in the periodic reports, which is helpful in enhancing the quality and transparency of information disclosure. During the Reporting Period, there were no such cases as material accounting mistakes, make-up of missing information and revision of profitability forecast.

Investor relations

The Company adopted principles of compliance, objectiveness, consistency, timeliness, interactivity and fairness in providing services actively, passionately and efficiently to the institutional and individual investors home and abroad, aiming at improving acquaintance between the Company and its investors, enhancing corporate governance and realizing the corporate value of fairness of the Company.

During the Reporting Period, the Company paid special attention to communication with the capital market in respect of its integrated financial strategy, cross-selling, strategic investment in SDB, rapid growth in all its business segments, implementation of Interpretation to Accounting Standard for Business Enterprises No. 2 and unlocking shares subject to trading moratorium. The Company provided illustration of its annual, interim and quarterly results by means of public presentation, video and telephone conferences, roadshows and online roadshows, etc.. As for special projects or activities, the Company resorted to telephone conferences, reverse roadshows, gathering of stock market critics and so on, to actively promote them in the market, so as to improve the knowledge of capital market about the Company and communication with it. While maintaining good communication with the institutional investors, the Company also established sufficient channels for communication with medium and small investors, including but not limited to online roadshows, corporate website, e-mail and telephone calls, so as to provide better services to them.

During 2010, the Company organized two results releases, one global tele-conference, one Open Day and one gathering of stock market critics, 7 roadshows and 2 online roadshows, received over 200 visits of investors/analysts home and abroad, attended around 50 conferences of investment banks and securities brokers, processed around 150 valid mails from individual investors and over 2000 inquiry phone calls of investors. Moreover, the Company was committed to collecting capital market analysis reports and shareholders' information, and paid special attention to the investors' concerns and advices, aiming at further enhancing the management and operation of the Company as well as its corporate governance. The Company also took great efforts in improving its internal workflow and policy formulation so as to provide the investors with better service in a more efficient way.

During the Reporting Period, the Company received the"Platinum Award for All-Round Excellence" from the Asset Magazine, the "Hong Kong Corporate Governance Excellence Award 2010 (Hang Seng Index Constituent Group)" from the Chamber of Hong Kong Listed Companies Limited and Centre for Corporate Governance and Financial Policy, Hong Kong Baptist University, the "Best Investor Relations by a CEO", "Best Investor Relations Website/Webcasting" and "Best Overall Investor Relations by a Mainland Chinese Company – Non- SOE" from IR Magazine, the "Award of Best Board of Directors of Main Board Listed Companies in China 2010", the "Award of Best Board of Directors of Listed Companies in Corporate Governance in China 2010" from Moneyweek, and many other awards in Corporate Governance and Investor Relations from Asia Money, Corporate Governance Asia, Finance Asia, Nanjing University, and so on. In addition, Mr. Yao Jun, Secretary to the Board of Directors of the Company, received an "Excellence" conclusion for his 2009-2010 appraisal by the Shanghai Stock Exchange, and he was also one of the Board Secretaries of the 30 Companies appraised publicly by the China Securities Regulatory Commission Shenzhen Bureau for their outstanding performances, which reflected the particular acknowledgement and affirmation of the regulatory authorities on our corporate governance efforts.

PERFORMANCE OF DUTIES BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The 8th session of the Board of Directors of the Company consists of 7 Independent Non-executive Directors, which is in compliance with the requirements of China Securities Regulatory Commission and China Insurance Regulatory Commission that the number of Independent Non-executive Directors should be one third or more of the total number of directors. The Independent Non-executive Directors all meet the specific independence guidelines as set out in Rule 3.13 of the Listing Rules of The Stock Exchange of Hong Kong Limited, and have presented their annual confirmation on independence to the Company. None of the Independent Non-executive Directors of the Company has any interests in the business or finance of the Company or its subsidiaries, and as a result, the Company continued to believe they are independent. In addition, Independent Non-executive Directors are not allowed to take any administrative positions in the Company. The Independent Non-executive Directors should be reliable to the Company and its shareholders, and are especially responsible for protecting the minority interests. They are playing a significant role in the decision-making of the Board of Directors and are a key link of our corporate governance. What's more, their valuable business and financial experience are crucial to the healthy growth of the Company. During 2010, the Independent Non-executive Directors sounded off their opinions and comments on a number of issues in relation to the Company and its shareholders as a whole.

The Establishment and Perfection of the Work System, Key Contents on Independent Directors and Performance of Duties by Independent Directors

The Company has established and considered and passed the Annual Report Work System of the Independent Non-Executive Directors on 19th March 2008, there are specific regulations on reviewing of connected transactions and responsibilities and obligations in preparing annual reports and disclosure. The Company has established Guidelines on Independent Directors in August 2007 and has also revised Guidelines on Independent Directors in accordance with the Rules Governing the Listing of Securities on Shanghai Stock Exchange (Revised 2008) in April 2009, which have detailed requirements such as the qualifications, nomination, election, change of independent directors, responsibilities and obligations of the Independent Directors and safeguards of performance of duties by independent directors.

The Independent Directors of the Company conscientiously perform their duties and responsibilities conferred by the Articles of Association of the Company, they promptly know the important information of operation of the Company, pay attention to the development of the Company and actively attend the meetings of the Board of Directors during the Reporting Period. The Independent Non-executive Directors have conscientiously considered and made independent advice severally to agree with the following resolutions that were considered by the 8th Session of the Board of the Company in 2010: the Resolution on Changes of Accounting Policies of the Company, the Resolution on Recommendation of Candidates for Directors of the 8th Session of the Board of the Company, the Resolution on Appointment of Mr. Ren Huichuan as Senior Vice President of the Company, related matters about the major assets reorganization and connected transactions, the Resolution on Adjustment of Remuneration for Independent Non-Executive Directors of the Company Who Are Residents in Mainland China, the Resolution on Consideration of the Connected Transaction with New Horse, the Resolution on the Acceptance of the Resignation of Mr. Cheung Chi Yan Louis as the President of the Company and the Appointment of Mr. Ren Huichuan as the President of the Company, the Resolution on the Appointment of Mr. Lee Yuansiong as the Senior Vice President of the Company and the Resolution on the Appointment of Ms. Ip So Lan as the Vice President of the Company.

The Attendance of the Meetings of the Board of Directors by Independent Non-Executive Directors

During the Reporting Period, the Independent Non-executive Directors conscientiously performed their duties and responsibilities in accordance with the relevant laws and regulations and the Articles of Association of the Company, and they fulfilled their credibility and due diligence obligations as well; they actively attended the meetings of the Board of Directors and the Specialized Committees under the Board, and they made some constructive advice and suggestions towards corporate governance, reform and development and operations; particularly, attention was paid to the legitimate interests of public shareholders and minority shareholders in decision-making process. The details of the attendance of the meetings of the Board of Directors by Independent Non-executive Directors are as follows:

the Names of Independent Non-Executive Directors	Meetings required to attend this year	Meetings attended in person(times)	Meetings attended by proxy(times)	Absence (times)	Remark
CHOW Wing Kin Anthony	7	7	–	–	/
ZHANG Hongyi	7	7	–	–	/
CHEN Su	7	7	–	–	/
XIA Liping	7	7	–	–	/
TANG Yunwei	7	7	–	–	/
LEE Carmelo Ka Sze	7	7	–	–	/
CHUNG Yu-wo Danny	7	7	–	–	/

Objections of Independent Non-executive Directors on Relevant Matters of the Company

During the Reporting period, the Independent Non-executive Directors of the Company did not have any objection on the resolutions at the meetings of the Board of Directors of the Company this year and other resolutions that were not at the meetings of the Board of Directors.

INDEPENDENCE OF THE COMPANY FROM THE CONTROLLING SHAREHOLDERS ON BUSINESS, STAFF, ASSETS, ORGANIZATION AND FINANCE

The ownership structure of the Company is diversified and there are no controlling shareholders or de facto controllers. As an integrated financial services group, the Company maintains full independence in terms of assets, staff, finance, organization and business under the regulation of China Insurance Regulatory Commission. The Company is an independent legal person responsible for its own profits and losses, running independent complete business and is capable of independent business operation. During the Reporting Period, none of the controlling shareholders nor other related parties had occupied the Company's capital. Ernst & Young Hua Ming hereby made the special-purpose explanation for it.

ESTABLISHMENT AND PERFECTION OF THE INTERNAL CONTROL POLICY

The Company is always committed to establish an internal control mechanism which meets the international standards and all the related regulatory requirements. Based on the Laws and Regulations of our Country and all the related regulatory requirements, benchmarking some international financial institutions' modern management practices, and together with our development strategy, we have established "Laws + 1" standard for better risk control and stable development, enhancing our risks avoidance capability. Our internal control mechanism is a "full coverage, operational-focused, results-oriented, implementation and supervision-focused", aiming to make sure that the Group and its subsidiaries are operating in strict compliance with the Laws and Regulations. Ensure single/accumulated risks are below the acceptable risk level and effectively and stable to develop our three pillar businesses, namely Insurance, Bank and Investment. In 2010, our Company has focused on building "Ping An Reliable Project" which we have integrated and enhanced our internal control mechanism and have followed the "effective consolidation" as core principle, using "Regulation as foundation, Risk base approached, Process as driver, Internal control as tool" in order to enhance our policy and procedure. We have strived to rely upon our platform, processes and systems, which should increase our public acceptance and awareness from the regulatory authorities, industrial counterparts and the media.

In regards to the internal control's structure and platform, the Board of the Company ("Board") has an overall responsibility for the establishment and the effective implementation of the internal control for the entire organization. The Audit and Risk Management Committee under the Board is responsible for supervising and reviewing the implementation and assessment of the internal control system as well as coordinating audit functions for the internal control and other relevant control matters. In 2010, the Company has continuously optimized its internal control functions, strengthening the internal cooperation, relevant information sharing and the linkage of the three key functions, namely compliance management, risk management and auditing & supervision for responsibility of "Front, Middle, Back" operational phases respectively. The Company has already established an operating mechanism for internal control assessment which was theory-based and has covered key business processes which linked with management, the internal control and all related business divisions. In the process, the compliance department has worked with the business divisions on conducting self assessment on internal control, the risk management department being worked on internal control assessments, and the auditing and supervision department focused on appraisal and finally external auditors work for an independent review.

In regards to the internal control mechanism and measurement, the Company has followed key principles such as Corporate Governance, Chinese Wall, and the Related Parties Transactions etc., which are being leveraged on our strong implementation-focused culture. In addition, the Company has established a solid foundation for the effective implementation of the internal control activities while preventing the systematic risks and risk dissemination.

- In 2010, successfully implemented "The Internal Control Guidelines for Enterprises" together with all other related guidelines, the Company has further improved its internal control assessment mechanism. It has integrated and has upgraded the internal control system, strengthening the standardization of the internal control focus and stressed the importance of the risk control awareness, with an aim of "Everybody involves Internal Control, Everybody responsible for Compliance, Internal Control integrated with business and process." In addition, we have revised the "Internal Control Assessment Manual" & "Internal Control Self-Assessment Manual" which should further regulate the internal control mechanism as a whole. A risk status is provided in order to facilitate the decision making of the management and a daily review of internal control assessment mechanism have also been implemented during the period;

- With steadfast adherence to the prudent philosophy and principal of risk management, the Company has been continuously improving and refining the risk governance structures, risk measurement techniques, and the Enterprise Risk Management (ERM) framework. In 2010, with the adaption of advanced experience from abroad, the Company has implemented the quantitative assessment of major risk factors through the scenario analyses and stress tests to ensure that the risk exposure undertaken by the Company is consistent with the corresponding returns. The group-level risk-reporting framework has been put in place encompassing the overall risk review and assessment as well as the quantitative management of the consolidated balance sheet. In addition, the Company has established risk management mechanism on the consolidated basis to manage the counterparty credit risk to various financial institutions in order to further prevent and control the systemic risks incurred by such risk exposures.

- In 2010, the Company has further promoted the risk-oriented auditing and supervision and has continuously perfected the independent and vertical centralized auditing and supervision management, with the automation level of the platform further improved, and realized the transition from periodic supervision to daily supervision with the help of all kinds of systematic tools, and utilized the high risk information analysis and early warning system to form the risk heat map to show the direction for the regular, special, remote, surprise and IT auditing and supervision. The Company has continuously been exploring and promoting innovative auditing and supervision measures, with the emphasis being placed on comprehensive financial projects, the significant embezzlement cases and other high risk areas, so as to promptly identify systematic risks and conduct special auditing and supervision on the areas where the embezzlement signals arose and possible serious cases could take place, with the auditing organization style and measures more reasonable and effective, our capability of risk identification further improved and the value of auditing and supervision advices in supporting the management more obvious. The Company has strived to build an industry-leading auditing and supervision system and strengthen the anti-embezzlement and violation prevention and control, so as to build a clean and well-compliant operating environment, improve the case management system, complaints management system, anti-corruption education management system and realise the standardization and systematic of the actual monitoring of auditing and supervision activities.

- In 2010, the Company has continuously promoted the institutional risk rating and management assessment program. Using the result of Internal Control Self Assessment, Monthly KRI, Audit History Findings and Regulatory Punishment Notice in order to evaluate each business unit's risk management level and category. The result also can help to make reasonable evaluation on the authenticity of the business volume, the compliance of business activities, the effectiveness of internal control and the science of management decision. It is to ensure the internal control and the risk management resources are reasonably applied with risk based approach and to increase the risk control level.

During the year, the internal control system of the Company is complete and effective. The Board of Directors has adopted resolution of the Annual Internal Control Assessment Report and hired Ernst & Young Hua Ming to issue an opinion on the effectiveness of the internal control in relation to the financial statement of the Company.

THE ASSESSMENT & EVALUATION AND REMUNERATION SYSTEMS OF THE COMPANY

The purpose of the Company's remuneration policy is to attract, retain and motivate talented people so as to help achieve the operational objectives of the Company. The principle of the remuneration policy characterizes a clear orientation, reflecting differences, motivating performances, responding to the market and cost optimization. The remuneration package for the Company's employees is based on the following aspects: the salary shall be determined according to its post value; the remuneration shall be in line with the market conditions; the bonus shall be determined in light of performance and contributions shall be given priority. In addition to remuneration and bonuses, employees also enjoy certain welfare treatment. However, the structure of remuneration packages of each subsidiary or business unit therefore may not be the same since they vary in its operating features, the development stage and remuneration level in the market.

As approved at the first extraordinary general meeting of the Company in 2004, the Company has also established a long-term award scheme system in the form of virtual option, which is to mobilize and reward the outstanding senior management and certain key employees. In 2010, there was no newly granted long-term award scheme in the form of virtual options, and none of the expired long-term award scheme in the form of virtual options was exercised.

The purpose and principle of the Company's remuneration policy is relatively long-term and stable while the specific strategies and structure of remuneration are to be adjusted and optimized according to the changes in the market and the development stage of the Group's business, etc. so as to help achieve the operational objectives of the Company.

With regard to the remuneration of directors, that of the executive directors is to be determined in accordance with their posts in the Company; independent non-executive directors came from domestic and overseas, while the fees are to be paid in accordance with the different market rates in the mainland and Hong Kong; non-executive directors nominated by shareholders will not receive remuneration. Remuneration of all the directors shall be considered and proposed by the Remuneration Committee under the Board of Directors, and shall also be considered and approved at the shareholders' meeting.

The Company sets forth a clear three-year rotation plan and annual accountability objectives for the senior management in accordance with the business plan, conducting severe accountability appraisals twice a year in light of the objectives achieved and evaluate the senior management on the basis of comprehensive feedback. Accountability results are closely linked to the long-term and short-term award and appointment and removal of cadres. The comprehensive evaluation results serve as an important reference in the promotion of cadres.

OUR COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS OF THE COMPANY (AS SET OUT IN APPENDICES 14 AND 10 TO THE HONG KONG LISTING RULES)

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 to 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, 2010 to December 31, 2010.

By order of the Board of Directors

Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC
March 29, 2011

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, 2010.

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.

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.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out in "Five-year summary".

RESULTS AND APPROPRIATIONS

The Group's results in 2010 are set out in the section titled "FINANCIAL STATEMENTS".

As stated in the 2010 audited financial statements of the Company prepared under CAS, the combined net profit was RMB17,938 million and net profit of the Company was RMB4,805 million. Pursuant to the Articles of Association and other relevant requirements, the Company shall make appropriation to the statutory surplus reserve fund based on the net profit of the Company as shown in the financial statements under CAS before determining the profit available for distribution to shareholders. The Company will make profit appropriation on such basis and set aside 10% of its net profit for the statutory surplus reserve fund. After making the above profit distribution and taken into account the retained profit carried forward from last year, according to financial statements prepared under CAS and IFRS, as well as the Articles of Association and other relevant requirements, the profit available for distribution to shareholders was RMB4,928 million.

The Company had distributed an interim dividend of RMB0.15 (including tax) per share for 2010, which amounted to a total of RMB1,146,621,313.80. The Company proposes to distribute a final dividend of RMB0.40 (tax inclusive) per share in cash for 2010, which will amount to RMB3,057,656,836.80 based on a total share capital of 7,644,142,092 shares, with the remaining retained profit being carried forward to 2011.

On the 13th Meeting of the 8th Session of the Board of Directors, the Company has approved the direct issuance of 272,000,000 new H shares to JINJUN LIMITED. If the direct issuance is approved by the relevant regulatory authorities and the issue of shares is completed on or before the Record Date, being Thursday, June 16, 2011, such 272,000,000 new H shares issued under the direct issuance shall also be entitled to the 2010 final dividend of RMB0.40 (tax inclusive) per share, which in aggregate amount to RMB108,800,000.00.

The above proposal will be implemented upon approval at 2010 Annual General Meeting.

The Company has no plan to capitalize from capital reserve and surplus reserve.

Particulars on dividend payouts of the Company over the past three years are set out as follows:

(in RMB million)	Cash dividend amount (including tax)	Net profit attributable to owners of the parent	Ratio (%)
2009	3,395	13,883	24.5
2008	1,469	1,418	103.6
2007	5,142	18,688*	27.5

* Net profit attributable to owners of the parent of 2007 had not been restated in accordance with the accounting policies after adoption of No. 2 Interpretation.

DISTRIBUTABLE RESERVES

As at December 31, 2010, the Company's reserves available for distribution totalled RMB4,928 million, of which RMB3,058 million has been proposed as a final dividend for the year. The retained profits were carried forward to 2011. In addition, the Company's capital reserve and surplus reserve fund, in the amount of RMB74,333 million, may be distributed by a future capitalization issue.

MANAGEMENT DISCUSSION AND ANALYSIS

For management discussion and analysis, please refer to the section headed "Management discussion and analysis".

PARTICULARS ON INVESTMENT DURING THE REPORTING PERIOD

The proceeds from the Company's initial public offering of H shares and A shares in 2004 and 2007, respectively were completely used for general corporate purposes, and applied in accordance with applicable regulations of the relevant regulatory authorities. The non-raised fund of the Company mainly comes from its core insurance business. The Company has been strictly following the relevant requirements of CIRC on the application of insurance fund. All investment in relation to insurance fund was conducted in the normal course of operation.

SHARE CAPITAL

The change in the share capital of the Company in 2010 and the share capital structure of the Company as at December 31, 2010 are set out in "Changes in the share capital and shareholders' profile".

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.

CHARITABLE DONATIONS

Charitable donations made by the Company during 2010 totalled RMB39 million.

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 financial statements, respectively.

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.

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.

DIRECTORS AND SUPERVISORS

The information about Directors and Supervisors of the Company during 2010 and as at the date of this annual report are set out in "Corporate governance report" and "Report of the supervisory committee".

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 in "Directors, supervisors, senior management and employees".

Report of the Directors

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 Directors, Mr. Guo Limin and Mr. David Fried, and Supervisor representing the employees, Mr. Sun Jianping, on March 3, 2010, August 24, 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, 2010, 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, 2010 are set out in note 46 to the financial statements.

DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS

On November 19, 2010, the 12th Meeting of the 8th Session of the Board of Directors has considered and passed the Resolution Relating to the Connected Transaction with New Horse. Ping An Trust, a subsidiary of the Company was approved to enter into the Agreement in respect of the Transfer of Equity Interests in Ping An Securities with New Horse, pursuant to which Ping An Trust shall acquire the 9.90% equity interests held by New Horse in Ping An Securities for a consideration of RMB1,218,368,586.60. This transaction is still pending the approval from CSRC. The Company has also acquired 42,160,000 shares in Ping An Life and 38,418,444 shares in Ping An Property and Casualty held by New Horse for a consideration of RMB83,097,200 and RMB104,015,133.40, respectively. As the transaction amount of these transactions did not reach the disclosure threshold, the same were not required to be submitted to the Board for approval. These two transactions had already been completed and submitted to CIRC for record and New Horse no longer held any shares in Ping An Life and Ping An Property and Casualty. As some of the Directors, Supervisors and senior management of the Company are the unit holders of the employee collective trust and they were deemed to have interests in the abovementioned equity transfer arrangement, they had already made Disclosure relating to the interests of Directors, Supervisors and Senior Management of the Company in the connected transactions with New Horse to the Board pursuant to Articles of Association of the Company.

Save as disclosed above, 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 2010.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES

Details of Directors' and Supervisors' interests and short positions in shares are set out in the section titled "Directors, supervisors, senior management and employees".

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, Supervisors or their respective spouse or minor children, 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.

DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS

During 2010 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 the Chief Executive of HSBC, 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. David Fried, a Non-executive Director of the Company, is currently the Group General Manager and Group Head of Insurance for HSBC Holdings plc, who has the overall responsibility for the insurance and pension scheme businesses of the HSBC Group; Mr. Fried is also the Chairman and Chief Executive Officer of HSBC Insurance (Asia-Pacific) Holdings Limited. He is also the Chairman of HSBC Insurance (Asia) Limited, HSBC Life (International) Limited and HSBC Life Insurance Company Limited in mainland China. 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.

BOARD COMMITTEES

The Company has established a Strategy and Investment Committee, an Audit and Risk Management Committee, a Remuneration Committee and a Nomination Committee. For details regarding these Board committees, please see the relevant sections in the "Corporate governance report".

THE WORK OF THE BOARD OF DIRECTORS

The work of the Board of Directors is set out under "Corporate governance report".

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

For substantial shareholders' and other persons' interests and short positions in shares and underlying shares, please refer to section entitled "Changes in the share capital and shareholders' profile".

CONTINUING CONNECTED TRANSACTIONS

For continuing connected transactions, please refer to section entitled "Significant events".

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in the note 53 to the financial statements.

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, 2010 to December 31, 2010 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 section headed "Corporate governance report".

AUDITORS

According to the resolutions of the 2009 shareholders' meeting of the Company, the Company re-appointed Ernst & Young Hua Ming as the PRC auditors of the Company for financial statements prepared in accordance with PRC Accounting Standards and Ernst & Young as the international auditors of the Company for financial statements prepared in accordance with International Financial Reporting Standards (hereinafter refer to "Ernst & Young") in 2010. As of the end of the reporting period, Ernst & Young has been providing audit services to the Company for nine consecutive years. The resolution on the re-appointment of Ernst & Young as the auditor of the Company will be proposed at the annual general meeting to be held on Thursday, June 16, 2011 for approval.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, being March 29, 2011, at all times during the year ended December 31, 2010, 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.

By order of the Board of Directors

Ma Mingzhe
Chairman and Chief Executive Officer

Shenzhen, PRC
March 29, 2011

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 shareholders, the Company and its employees 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 16, 2010, the Fourth 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 unanimously the Report of the Supervisory Committee of the Company for 2009, the Resolution Relating to Considering the Annual Report and its Summary of the Company for the Year 2009, Resolution on the Change of Company's Accounting Policies, the Resolution Relating to Reviewing Corporate Social Responsibility Statement of the Company for 2009, the Resolution Relating to Reviewing Duty Performance Report of Directors of the Company for 2009, Resolution on the Consideration of Report on Connected Transactions and Implementation of Management System of Connected Transactions for 2009, Brief Report on the Compliance with the Code of Corporate Governance for Listed Companies in China of the China Securities Regulatory Commission (CSRC) and the Code on Corporate Governance Practices of the Hong Kong Stock Exchange, 2009 Report on the Anti-Corruption Campaign and the Resolution Regarding the Consideration of the 2009 Assessment Report on Internal Control.

From April 26 to April 29, 2010, the Fifth Meeting of the Sixth 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 2010 was considered and approved unanimously.

On August 24, 2010, the Sixth Meeting of the Sixth Supervisory Committee was held at 7th Floor, No.2 Building of Shanghai Ping An's Integrated Operating Centre, No.1288 Shangfeng Road, Pudong New District, Shanghai. During the meeting, the Resolution Relating to Considering the Interim Report (Draft) of the Company for 2010 was considered and approved unanimously, and hearing the Brief Report on the Compliance of the Company with the Corporate Governance Standards for Listed Companies promulgated by the CSRC and the Code on Corporate Governance Practices promulgated by the Hong Kong Stock Exchange as well as the Assessment Report on the Internal Control of the Company for the First Half of 2010.

From October 21 to October 27, 2010, the Seventh 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 2010, the Resolution Regarding the Consideration of Self-Examination Report on the Establishment and Implement of Long Effect Mechanism to Prevent Funds Being Embezzled were considered and approved unanimously.

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

Class of Supervisors	Name	Date of appointment	Meetings attended/ Meetings required to attend	Percentage of attendance
Independent Supervisors	GU Liji (Chairman)	June 3, 2009	4/4	100%
	SUN Fuxin	May 16, 2003	4/4	100%
	PENG Zhijian	June 3, 2009	4/4	100%
Supervisors as representatives of shareholders	SONG Zhijiang	June 3, 2009	4/4	100%
Supervisors as representatives of employees	WANG Wenjun	May 25, 2006	4/4	100%
	DING Xinmin	June 3, 2009	4/4	100%
	SUN Jianping*	March 19, 2010	4/4	100%
	REN Huichuan (retired)*	June 3, 2009	0/0	–

* Mr. Ren Huichuan, Supervisor, resigned as Supervisor of the Company in March 2010 due to work arrangements. Accordingly, Mr. Sun Jianping was elected to succeed Mr. Ren Huichuan as the Employee Representative Supervisor for the sixth session of the Supervisory Committee of the Company at the Employee Representative Meeting held by the Company on March 19, 2010.

In September 2010, certain members of the Supervisory Committee conducted inspection and review in the Company's Property & Casualty, Life and Annuity Branches in Gansu and Qinghai provinces. Opinions collected from the vast ground-level staffs were considered and constituted as the investigation report to the management of the aforesaid subsidiaries. Meanwhile, feedback report by the management for settling relevant problems was addressed 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 2009 Annual General Meeting, the first Extraordinary General Meeting of 2010 as well as 7spot 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

During the reporting period, the acquisition and sale of assets by company are as follows:

According to the "Share Purchase Agreement" and the relevant "Supplemental Agreement of Share Purchase Agreement" entered into between the Company and NEWBRIDGE, former largest shareholder of Shenzhen Development Bank, as approved by CSRC in the Written Reply to Approve the Increase in the Issuance of Overseas Listed Foreign Shares by Ping An Insurance (Group) Company of China, Ltd. (Zheng Jian Xu Ke [2010] No. 542), the Company made a non-public directed issuance of additional 299,088,758 H shares to NEWBRIDGE, and the consideration of which is to be satisfied by the 520,414,439 shares in SDB held by NEWBRIDGE. The above-mentioned transaction was completed on May 7, 2010. In addition, on June 28, 2010, Ping An Life paid RMB6,931,130,800 as subscription money to SDB for subscription of the 379,580,000 new shares issued pursuant to the private issuing. SDB completed the registration procedures for the shares issued pursuant to the private issuing on June 29, 2010. Subsequent to the completion of the private issuing above, the Company and Ping An Life hold an aggregate of 1,045,322,687 shares of SDB, representing approximately 29.99% of SDB's total share capital of 3,485,013,762 shares after the private issuing.

Report of the supervisory committee

On June 29, 2010, the Company requested the trading in its shares be suspended from June 30, 2010 as it was contemplating an unprecedented major asset reorganization involving the integration of Ping An Bank and SDB,. On July 23, 2010, the proposal on the Company's subscription for the shares of SDB issued through private issuing with the 7,825,181,106 shares in Ping An Bank held by the Company and partly in cash as well as the subsequent integration of Ping An Bank and SDB were discussed at the 8th Meeting of the 8th Session of the Board of Directors of the Company, and subsequently the relevant resolutions involved in this transaction were discussed, considered and approved on September 1, 2010. On September 1, 2010, the Company entered into a conditional "Share Subscription Agreement" with SDB and agreed to subscribe for 1,638,336,654 shares in SDB issued through private issuing at a subscription price of RMB17.75 per share. The trading of the Company's shares was resumed on September 2, 2010. On September 14, 2010, the 8th Session of the Board of the Company had another discussion on the Company's subscription of shares of Shenzhen Development Bank by transferring its 7,825,181,106 shares of Ping An Bank and paying partly by cash and the following integration of Ping An Bank and SDB on its tenth Board meeting, and had considered and approved the resolutions in relation to the transactions. On September 14, 2010, the Company and the SDB had entered into a supplemental agreement to the Share Subscription Agreement and a profit forecast compensation agreement, subject to terms and conditions. On November 1, 2010, the first Extraordinary General Meeting of 2010 had considered and approved the resolution regarding matters involved in acquisition of material assets and connected transactions of the Company, the resolution regarding the supplemental agreement to the Share Subscription Agreement entered into between the Company and SDB, the resolution regarding the profits forecast compensation agreement entered into between the Company and SDB and the resolution regarding the grant of authorization to the Board to process matters relating to the major asset restructuring of the Company at the general meeting.

(5) Connected Transactions

During the reporting period, the major connected transactions of the Company are as follows:

The Company's subscription of Private Issuing Shares of SDB by transferring its 7,825,181,106 shares of Ping An Bank and paying partly by cash has constituted a connected transaction for the Company. Please refer to the "Assets Acquisition and Sales" for details.

On November 19, 2010, the 8th session of the Board of the Company had considered and approved the Resolution on the Consideration of the Connected Transaction with New Horse on its 12th meeting and agreed that Ping An Trust, a subsidiary of the Company, and New Horse entered into the Agreement in respect of the Transfer of Equity Interests in Ping An Securities Company, Ltd., pursuant to which Ping An Trust proposes to acquire the 9.90% equity interests held by New Horse in Ping An Securities Company, Ltd. for a consideration of RMB1,218,368,586.60. The transaction is subject to the approval from CSRC.

The Company proposes to acquire 42,160,000 shares held by New Horse in Ping An Life and 38,418,444 shares held in Ping An Property & Casualty for a consideration of RMB83,097,200 and RMB104,015,133.40, respectively. As the transaction amount was below the level that required reporting and disclosure, so it's not necessary to propose to the Board of the Company for consideration. The above transaction has been completed and reported to CIRC. New Horse no longer has any shares in Ping An Life and Ping An Property & Casualty after such transfer.

In addition, the Supervisory Committee has approved the Report on the Status of Connected Transactions and Execution of Connected Transactions Management System of the Company for the year 2010 and the Supervisory Committee consider the connected transaction of the Company was fair and reasonable, and did not find any harm against the interests of the shareholders and the Company.

(6) Internal Control System

The Supervisory Committee had heard and reviewed the First Half of 2010 Assessment Report on Internal Control and 2010 Assessment Report on Internal Control, and considered 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
March 29, 2011

SHARES HELD IN OTHER LISTED COMPANIES AND NON-LISTED FINANCIAL ENTERPRISES

Securities Investments Classified as Held for Trading Financial Assets

No.	Type	Code	Short name	Initial cost (RMB million)	Number of shares (million)	Carrying amount at the end of the period (RMB million)	Percentage to total securities investments (%)	Profit or loss for the reporting period (RMB million)
1	Convertible bond	125709	Tangsteel CB	278	250	274	8.4	(4)
2	Stock	601106	CFHI	96	17	100	3.0	4
3	Stock	002163	AVIC Sanxin	84	5	92	2.8	9
4	Stock	601166	CIB	92	3	79	2.4	(23)
5	Stock	002106	Laibao Hi-Tech	33	1	66	2.0	37
6	Stock	002522	ZJZC Packing Mat	57	1	62	1.9	4
7	Stock	601699	Lu An ENVIR	39	1	60	1.8	20
8	Stock	601688	Huatai Securities	80	4	55	1.7	(25)
9	Convertible bond	113002	ICBC CB	45	45	53	1.6	8
10	Stock	600875	Dongfang ELECT	49	1	51	1.6	2
Other securities investments held at the end of the period				2,040	–	2,385	72.8	79
Profit or loss upon disposal of securities investments for the reporting period				–	–	–	–	(4)
Total				2,893	–	3,277	100.0	107

Notes: (1) Securities investments listed in the table include stocks, warrants and convertible bonds.

(2) Other securities investments refer to securities investments other than the above top ten securities.

(3) Profit or loss for the reporting period includes dividend income and gain or loss from fair value change during the reporting period.

Top Ten Equity Investments in Other Listed Companies

No.	Stock code	Short name	Initial investment cost (RMB million)	Carrying amount at the end of the period (RMB million)	Percentage of shareholding in such companies (%)	Profit or loss for the reporting period (RMB million)	Change in shareholders' equity for the reporting period (RMB million)	Accounting item
1	000001	SDB	25,749	26,890	29.99	1,145	(4)	Investment in associates
2	601288	ABC	4,880	4,763	0.6	–	(117)	AFS
	HK1288		156	147		–	(9)	AFS
3	601398	ICBC	3,922	3,778	0.3	3	(247)	AFS
	HK1398		1,110	1,094		36	(165)	AFS
4	000538	Yunnan Baiyao	1,407	3,087	9.4	10	1,140	AFS
5	601939	CCB	1,892	1,760	0.2	3	(290)	AFS
	HK0939		1,144	1,150		39	11	AFS
6	BE0003801181	Ageas (original name: Fortis)	23,874	1,822	4.8	78	(1,287)	AFS
7	601106	CFHI	1,590	1,620	4.2	–	30	AFS
8	601006	Daqin Railway Co.	1,449	1,325	1.1	4	(164)	AFS
9	601628	China Life	57	46	0.2	3	(23)	AFS
	HK2628		1,286	1,155		31	(257)	AFS
10	600029	China South Airline	1,082	1,169	1.7	–	87	AFS
	HK1055		27	24		–	(3)	AFS

Notes: (1) Profit or loss for the reporting period refers to dividend income and investment income recognized using equity method.

(2) Percentage of shareholding in such companies is calculated using the total shares we held.

(3) Shares were acquired from the primary and secondary markets, non-public directed issuance or bonus issue etc.

Equity Investments in Non-listed Financial Enterprises

No.	Name	Initial investment cost (RMB million)	Number of shares (million)	Percentage of shareholding in such companies (%)	Carrying amount at the end of the period (RMB million)	Profit or loss for the reporting period (RMB million)	Change in shareholders' equity for the reporting period (RMB million)	Accounting item	Source
1	Taizhou City Commercial Bank Co., Ltd.	361	186	10.33	361	–	–	AFS	Purchased
2	Central China Securities Holdings Co., Ltd.	826	826	40.63	2,180	214	(2)	Investment in associates	Purchased
3	Sensible Asset Management Hong Kong Ltd.	20	1	50.00	15	(4)	–	Investment in joint ventures	Purchased

CORPORATE GOVERNANCE

Significant events

Particulars on Trading of Other Listed Companies' Shares

	Number of shares purchased/disposed during the reporting period (million shares)	Amount used (in RMB million)	Investment income (in RMB million)
Purchase	15,083	127,248	–
Disposal	11,472	–	1,914

Being a large integrated financial group, the Company covers all financial sectors including insurance, banking, securities, trust and asset management. Therefore, capital market investment is our key business of operating activities. The Company conducted its investment stringently in compliance with relevant regulatory requirements while actively seized any market opportunities and made timely adjustment to its investment strategies so as to bring long term and stable return for its shareholders. The above data summarizes the equity investment of the Company and its subsidiaries.

ASSET TRANSACTION

According to the "Share Purchase Agreement" and the relevant "Supplemental Agreement of Share Purchase Agreement" entered into between the Company and NEWBRIDGE, former largest shareholder of Shenzhen Development Bank (SDB), as approved by CSRC in the Written Reply to Approve the Increase in the Issuance of Overseas Listed Foreign Shares by Ping An Insurance (Group) Company of China, Ltd.(Zheng Jian Xu Ke [2010] No. 542), the Company made a non-public directed issuance of additional 299,088,758 H shares to NEWBRIDGE, and the consideration of which is to be satisfied by the 520,414,439 shares in SDB held by NEWBRIDGE. The above-mentioned transaction was completed on May 7, 2010. In addition, on June 28, 2010, Ping An Life paid RMB6,931,130,800 as subscription money to SDB for subscription of the 379,580,000 new shares issued pursuant to the private issuing. SDB completed the registration procedures for the shares issued pursuant to the private issuing on June 29, 2010. Subsequent to the completion of the private issuing above, the Company and Ping An Life hold an aggregate of 1,045,322,687 shares of SDB, representing approximately 29.99% of SDB's total share capital of 3,485,013,762 shares after the private issuing.

On June 29, 2010, the Company requested the trading in its shares be suspended from June 30, 2010 as it was contemplating an unprecedented major asset reorganization involving the integration of Ping An Bank and SDB. On July 23, 2010, the proposal on the Company's subscription for the shares of SDB issued through private issuing with the 7,825,181,106 shares in Ping An Bank held by the Company and partly in cash as well as the subsequent integration of Ping An Bank and SDB were discussed at the 8th Meeting of the 8th Session of the Board of Directors of the Company, and subsequently the relevant resolutions involved in this transaction were discussed, considered and approved on September 1, 2010. On September 1, 2010, the Company entered into a conditional "Share Subscription Agreement" with SDB and agreed to subscribe for 1,638,336,654 shares in SDB issued through private issuing at a subscription price of RMB17.75 per share. The trading of the Company's shares was resumed on September 2, 2010. On September 14, 2010, the 8th Session of the Board of the Company had another discussion on the Company's subscription of shares of Shenzhen Development Bank by transferring its 7,825,181,106 shares of Ping An Bank and paying partly by cash and the following integration of Ping An Bank and SDB on its 10th Board meeting, and had considered and approved the resolutions in relation to the transactions. On September 14, 2010, the Company and the SDB had entered into a supplemental agreement to the Share Subscription Agreement and a Profit Forecast Compensation Agreement, subject to terms and conditions. On November 1, 2010, the first Extraordinary General Meeting of 2010 had considered and approved the resolution regarding matters involved in acquisition of material assets and connected transactions of the Company, the resolution regarding the supplemental agreement to the Share Subscription Agreement entered into between the Company and SDB, the resolution regarding the profits forecast compensation agreement entered into between the Company and SDB and the resolution regarding the grant of authorization to the Board to process matters relating to the major asset restructuring of the Company at the general meeting.

On March 14, 2011, the 13th Meeting of the 8th Session of the Board of the Company considered and passed the Resolution on Direct Issuance of H Shares and agreed the issuance of 272,000,000 new H Shares to JINJUN LIMITED at an issue price of HK$71.50 per share by the Company under the general mandate granted to the Board at the 2009 Annual General Meeting, so as to raise funds of HK$19.448 billion. The direct issuance is subject to the approval of CIRC and CSRC and other relevant regulatory authorities.

For further details, please refer to the related announcement as at the date of April 29, 2010, May 5, 2010, May 7, 2010, May 8, 2010, June 12, 2010, June 29, 2010, June 30, 2010, July 3, 2010, September 2, 2010, September 15, 2010, November 2, 2010 and March 15, 2011, published on Shanghai Security News, China Security Journal, Securities Times, Securities Daily and the website of Shanghai Stock Exchange (www.sse.com.cn)

IMPLEMENTATION OF SHARE INCENTIVE SCHEME OF THE COMPANY AND ITS EFFECTS

During the reporting period, the Company has not implemented any share incentive scheme.

MATERIAL CONNECTED TRANSACTIONS

Continuing Connected Transactions

On December 18, 2009, resolutions were passed at the second extraordinary general meeting of the Company in 2009 to approve that the maximum deposit balance of the Group and its subsidiaries at HSBC on any given day during the period from 2010 to 2012 shall not exceed USD1,500 million and that the maximum deposit balance at the Bank of Communications Co., Ltd. ("Bank of Communications") on any given day during the period from 2011 to 2012 shall not exceed RMB39 billion.

Continuing connected transactions of deposit nature with HSBC

Since HSBC holds more than 5% of the shares in the Company, HSBC is a connected person of the Company pursuant to Rule 10.1.3 of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange ("SSE Listing Rules"). Further, HSBC Holdings plc is a substantial shareholder of the Company, HSBC, being an indirect subsidiary of HSBC Holdings plc is therefore also a connected person of the Company under Rule 14A.11(4) of the Listing Rules. Therefore, the ordinary transactions of deposit nature between the Group and HSBC constitute both connected transactions in the ordinary and usual course of business as defined under the SSE Listing Rules and continuing connected transactions as defined under the Listing Rules.

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, 2010, the aggregate bank balances maintained by the Group with HSBC was approximately USD16 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.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

Connected transactions of deposit nature with Bank of Communications

Since Mr. Wong Tung Shun Peter, being a Non-executive Director of the Company, is also a Non-executive Director of Bank of Communications, Bank of Communications is a connected person of the Company pursuant to Rule 10.1.3 of the SSE Listing Rules. Therefore, the ordinary transactions of deposit nature between the Group and Bank of Communications constitute connected transactions in the ordinary and usual course of business as defined under the SSE Listing Rules.

The maximum deposit balance of the Group at Bank of Communications on any given day during 2010 have not exceeded the annual cap of RMB39 billion.

Other Connected Transactions

The Company's subscription of Private Issuing Shares of SDB by transferring its 7,825,181,106 shares of Ping An Bank and paying partly by cash has constituted a connected transaction for the Company. Please refer to the "Assets Transaction" for details.

On November 19, 2010, the 12th meeting of the 8th Session of the Board of the Company had considered and approved the Resolution on the Consideration of the Connected Transaction with New Horse and agreed that Ping An Trust Co., Ltd., a subsidiary of the Company, and New Horse entered into the Agreement in respect of the Transfer of Equity Interests in Ping An Securities Company, Ltd., pursuant to which Ping An Trust proposes to acquire the 9.90% equity interests held by New Horse in Ping An Securities Company, Ltd. for a consideration of RMB1,218,368,586.60. The transaction is subject to the approval from CSRC.

The Company proposes to acquire 42,160,000 shares held by New Horse in Ping An Life and 38,418,444 shares held in Ping An Property & Casualty for a consideration of RMB83,097,200 and RMB104,015,133.40, respectively. As the transaction amount was below the level that required reporting and disclosure, so it is not necessary to propose to the Board of the Company for consideration. The above transaction has been completed and reported to CIRC. New Horse no longer has any shares in Ping An Life and Ping An Property & Casualty after such transfer.

For further details, please refer to the related announcement as at the date of November 20, 2010, published on Shanghai Security News, China Security Journal, Securities Times, Securities Daily and the website of Shanghai Stock Exchange (www.sse.com.cn).

MATERIAL CONTRACTS AND THEIR PERFORMANCE

Entrustment, Underwriting and Lease

No entrustment, underwriting and lease matters of the Company were required to be disclosed during the reporting period.

Guarantee

(in RMB million)	External guarantee of the Company (excluding the guarantee in favor of its subsidiaries)
Total guarantee incurred during the reporting period	–
Total guarantee balance as at the end of the reporting period	–

	Guarantee of the Company in favor of its subsidiaries
Total guarantee in favor of its subsidiaries incurred during the reporting period	3,217
Total guarantee balance in favor of its subsidiaries as at the end of the reporting period	6,296

	Total guarantee of the Company (including the guarantee in favor of its subsidiaries)
Total guarantee	6,296
Total guarantee as a percentage of the Company's net assets (%)	5.6

Asset under Management
No matters relating to assets under management of the Company were required to be disclosed during the reporting period.

Other Material Contracts
No other material contracts of the Company were required to be disclosed during the reporting period.

MATERIAL LITIGATIONS OR ARBITRATIONS
During the reporting period, the Company had no material litigation or arbitrations.

UNDERTAKINGS
Shareholders' Undertakings
Since the initial public offering of the Company's A shares in February 2007, the three shareholders of the Company, namely Linzhi New Horse Investment Development Co., Ltd.(formerly known as Shenzhen New Horse Investment Development Co., Ltd.), Linzhi Jingao Industrial Development Co., Ltd.(formerly known as Shenzhen Jingao Industrial Development Co., Ltd.) and Shenzhen Jiangnan Industrial Development Co., Ltd. undertook that they would not transfer or entrust others to manage the A shares of the Company directly or indirectly held by them, nor would they procure the Company to acquire these A shares of the Company held by them within 36 months from the date of listing of the Company's A shares on the Shanghai Stock Exchange. The abovementioned undertaking has lapsed on March 1, 2010. By March 1, 2010, each of the above shareholders has strictly fulfilled their undertakings.

The Company received written notices from the above three shareholders on February 22, 2010. According to such written notices, Linzhi New Horse Investment Development Co., Ltd. and Linzhi Jingao Industrial Development Co., Ltd. will reduce their shareholdings in the Company by not more than 30% of the 389,592,366 A shares and the 331,117,788 A shares respectively per annum through the offer for sale in the secondary market as well as the block trading platform in the next five years. Out of the A shares held by Shenzhen Jiangnan Industrial Development Co., Ltd., the holding of 88,112,886 A shares will also be reduced in the next five years through the offer for sale in the secondary market as well as the block trading platform, by not more than 30% of the 88,112,886 A shares per annum. As at December 31, 2010, all of the above three shareholders had fulfilled their respective undertakings given in the written notices.

Undertakings in Respect of Investment in SDB
1) Ping An Life undertakes, in respect of subscription for the 379,580,000 new shares of SDB issued through private issuing, that it shall not transfer the subscribed shares within 36 months from the date of listing of the above subscribed shares, being September 17, 2010, except for the transfer between Ping An Life and its connected parties (including its controlling shareholders, de facto controllers and the other entities under the control of its de facto controllers) to the extent permitted by the laws and approved by the relevant regulatory authorities. Should Ping An Life enter into any transaction in violation of the above undertakings, the China Securities Depository and Clearing Corporation Limited, Shenzhen branch ("Depository and Clearing Corporation") shall be authorized to transfer the proceeds from the sales of the subscription shares into the account of SDB owned by its shareholders as a whole.

2) The Company undertakes that it shall, in strict compliance with the relevant laws and regulations as well as the requirements of the regulatory authorities, take legal and practicable measures to integrate SDB and Ping An Bank within 36 months from the date of completion of the transaction, by means of, but not limited to, consolidation, so as to avoid competition between the Group members.

3) The 181,255,712 shares in SDB transferred to the Company by NEWBRIDGE, the former largest shareholder of SDB which were subject to trading moratorium were listed for trading on June 28, 2010, for which the Company undertakes that, should it intend to sell the shares in SDB free of trading moratorium through the Bid Trading System in the Shenzhen Stock Exchange and reduce its shareholding up to 5% within 6 months from the first sale of the shares, it shall make indicative announcement regarding the sales through SDB two trading days before the first sale of shares.

Undertakings in Respect of Acquisition of SDB

(1) The Company undertakes that it will, in strict compliance with the relevant laws and regulations as well as the requirements of the regulatory authorities, start integration of Ping An Bank and SDB as soon as possible while going through the necessary internal decision-making process and reporting to the relevant regulatory authorities for approval, aiming at completing the integration within one year. As there is uncertainty in obtaining approval from the regulatory authorities, the exact time of completing the integration will depend on the progress of consideration and granting approval by the regulatory authorities. The Company will conduct frequent communications with the authorities, aiming to obtain the approval and complete the integration as soon as possible.

(2) The Company undertakes that it shall not, within thirty-six (36) months since the date of completion of the private issuing of shares by SDB, transfer of the subscribed shares issued through private issuing, except for the transfer between the Company and its connected parties i.e. any parties directly or indirectly controlling the Company or under the direct or indirect control of the Company or under the control of the same controller as that of the Company, to the extent permitted by the applicable laws. Upon expiry of the above mentioned term, the Company will be free to dispose of the newly-issued shares pursuant to the requirements of the CSRC and the Shenzhen Stock Exchange.

(3) According to the Profit Forecast Compensation Agreement entered into between the Company and SDB on September 14, 2010, the Company shall prepare the pro forma net profit amount of Ping An Bank (the "Realized Profits") in accordance with the PRC Accounting Standards for Business Enterprises within four months after the end of each year within three years upon the completion of the issuing shares for purchase of assets (the "Compensation Period") and procure its appointed accounting firm to issue a special audit opinion (the "Special Audit Opinion") in respect of such Realized Profits and the difference between such Realized Profits and the Forecasted Profits as soon as possible. If, based on the Special Audit Opinion, the Actual Profits of Ping An Bank in any year during the Compensation Period is lower than the corresponding Forecasted Profits, the Company shall pay 90.75% of the shortfall between the Actual Profits and the Forecasted Profits to SDB in cash ("Compensation Amount").The Company shall, within the 20 business days after the issue of the Special Audit Opinion for the year, transfer the amount in full into the bank account designated by the SDB.

(4) The Company undertakes that, after the completion of the major assets reorganization and during the period when the Company remains as the controlling shareholder of SDB, and in respect of the businesses of the Company and the enterprises under its control intend to carry out or they obtaining the business or commercial opportunities similar to those of SDB whereby the assets and businesses arising from such business or commercial opportunities may possibly form potential competition with those of SDB, the Company and the enterprises under its control shall not be engaged in the businesses identical or similar to those carried out by SDB, so as to avoid direct or indirect competition with the operations of SDB.

(5) The Company undertakes that, after the completion of the major assets reorganization and in respect of the transactions between the Company and the enterprises under its control and SDB which constitute the connected transactions of SDB, the Company and the enterprises under its control shall enter into transaction with SDB following the principle of "fairness, justness and openness" at fair and reasonable prices, and shall go through the decision-making process according to the requirements of the relevant laws and regulations and regulatory documents and perform their obligations of information disclosure as required by law. The Company undertakes that the Company and the enterprises under its control shall not procure any illegal interests or let SDB undertake any illicit obligations through the transactions with SDB.

(6) The Company undertakes that, after the completion of the major assets reorganization and during the period when the Company remains as the controlling shareholder of SDB, the Company shall maintain the independence of SDB and ensure that SDB is independent from the Company and the enterprises under its control in respect of personnel, assets, finance, organization and business.

APPOINTMENT OF AUDITOR

Information of the Company's auditors and the remuneration paid to auditors are set out in the sections entitled " Report of the Directors" and "Corporate governance report".

PUNISHMENTS IMPOSED ON THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS AND DE FACTO CONTROLLERS AND RECTIFICATIONS

During the reporting period, the Company and its Directors, Supervisors, senior management, shareholders and de facto controllers were not subject to the inspection, administrative penalties, punishment notice by CSRC, and the public condemnation by the stock exchange.

ANALYSIS AND EXPLANATION OF OTHER SIGNIFICANT EVENTS AND THEIR EFFECTS AND SOLUTIONS

No further significant events of the Company were required to be disclosed during the reporting period.

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 (together the "Group") set out on pages 121 to 229, which comprise the consolidated and company statements of financial position as at 31 December 2010 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, 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
29 March 2011

Consolidated income statement

For the year ended 31 December 2010

(in RMB million)	Notes	2010	2009
Gross written premiums and policy fees	7	**159,384**	112,213
Less: Premiums ceded to reinsurers		**(8,181)**	(6,347)
Net written premiums and policy fees	7	**151,203**	105,866
Change in unearned premium reserves		**(10,079)**	(5,483)
Net earned premiums		**141,124**	100,383
Reinsurance commission income		**2,616**	1,939
Interest income of banking operations	8	**9,331**	6,674
Fees and commission income of non-insurance operations	9	**5,543**	3,179
Investment income	10	**31,083**	32,023
Share of profits and losses of associates and jointly controlled entities		**1,465**	182
Other income	11	**4,652**	8,458
Total income		**195,814**	152,838
Claims and policyholders' benefits	12	**(115,077)**	(83,946)
Commission expenses of insurance operations		**(14,545)**	(11,444)
Interest expenses of banking operations	8	**(3,397)**	(2,464)
Fees and commission expenses of non-insurance operations	9	**(609)**	(398)
Loan loss provisions, net of reversals	23	**(626)**	(228)
Foreign exchange losses		**(104)**	(17)
General and administrative expenses		**(34,385)**	(26,025)
Finance costs		**(913)**	(880)
Other expenses		**(3,811)**	(7,517)
Total expenses		**(173,467)**	(132,919)
Profit before tax	13	**22,347**	19,919
Income tax	14	**(4,409)**	(5,437)
Profit for the year		**17,938**	14,482
Attributable to:			
– Owners of the parent		**17,311**	13,883
– Non-controlling interests		**627**	599
		17,938	14,482
		RMB	RMB
Earnings per share attributable to ordinary equity holders of the parent:			
– Basic	17	**2.30**	1.89
– Diluted	17	**2.30**	1.89

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

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

For the year ended 31 December 2010

(in RMB million)	Note	2010	2009
Profit for the year		**17,938**	14,482
Other comprehensive income			
Available-for-sale financial assets		**(6,218)**	7,249
Shadow accounting adjustments		**2,358**	2,448
Exchange differences on translation of foreign operations		**8**	66
Share of other comprehensive income of associates		**(3)**	21
Income tax relating to components of other comprehensive income		**850**	(2,127)
Other comprehensive income for the year, net of tax	15	**(3,005)**	7,657
Total comprehensive income for the year		**14,933**	22,139
Attributable to:			
– Owners of the parent		**14,354**	21,530
– Non-controlling interests		**579**	609
		14,933	22,139

Consolidated statement of financial position

As at 31 December 2010

(in RMB million)	Notes	31 December 2010	31 December 2009
Assets			
Balances with central bank and statutory deposits	18	**42,110**	31,006
Cash and amounts due from banks and other financial institutions	19	**203,315**	158,219
Fixed maturity investments	20	**553,652**	428,417
Equity investments	21	**86,369**	82,116
Derivative financial assets	22	**6**	9
Loans and advances to customers	23	**131,960**	109,060
Investments in associates and jointly controlled entities	24	**39,601**	12,063
Premium receivables	25	**6,298**	4,576
Accounts receivable		**116**	3,284
Inventories		**97**	1,562
Reinsurers' share of insurance liabilities	26	**6,178**	4,983
Policyholder account assets in respect of insurance contracts		**40,284**	42,506
Policyholder account assets in respect of investment contracts		**3,994**	4,416
Investment properties	27	**8,866**	6,430
Property and equipment	28	**8,170**	10,666
Intangible assets	29	**9,902**	12,874
Deferred tax assets	39	**6,496**	7,001
Other assets	30	**24,213**	16,524
Total assets		**1,171,627**	935,712
Equity and liabilities			
Equity			
Share capital	31	**7,644**	7,345
Reserves	32	**75,777**	62,406
Retained profits	32	**28,609**	15,219
Equity attributable to owners of the parent		**112,030**	84,970
Non-controlling interests		**4,853**	6,773
Total equity		**116,883**	91,743
Liabilities			
Due to banks and other financial institutions	33	**38,822**	48,122
Assets sold under agreements to repurchase	34	**107,850**	60,364
Derivative financial liabilities	22	**15**	10
Customer deposits and payables to brokerage customers	35	**175,963**	140,544
Insurance payables		**20,007**	14,777
Insurance contract liabilities	36	**639,947**	518,654
Investment contract liabilities for policyholders	37	**29,991**	28,951
Policyholder dividend payable		**14,182**	10,819
Income tax payable		**1,359**	381
Bonds payable	38	**7,540**	4,990
Deferred tax liabilities	39	**869**	1,007
Other liabilities	40	**18,199**	15,350
Total liabilities		**1,054,744**	843,969
Total equity and liabilities		**1,171,627**	935,712

MA Mingzhe	**SUN Jianyi**	**YAO Jason Bo**
Director	Director	Director

FINANCIAL STATEMENTS

Consolidated statement of changes in equity

For the year ended 31 December 2010

(in RMB million)	Share capital	Share premium	Available-for-sale financial assets	Shadow accounting adjustments	Other capital reserve	Surplus reserve fund	General reserves	Retained profits	Translation of foreign operations	Non-controlling interests	Total equity
	2010										
	Equity attributable to owners of the parent										
		Reserves									
As at 1 January 2010	7,345	51,907	4,612	(759)	–	6,208	395	15,219	43	6,773	91,743
Profit for 2010	–	–	–	–	–	–	–	17,311	–	627	17,938
Other comprehensive income for 2010	–	–	(4,787)	1,825	(3)	–	–	–	8	(48)	(3,005)
Total comprehensive income for 2010	–	–	(4,787)	1,825	(3)	–	–	17,311	8	579	14,933
Appropriations to surplus reserve fund	–	–	–	–	–	481	–	(481)	–	–	–
Dividend declared	–	–	–	–	–	–	–	(3,440)	–	(81)	(3,521)
Issue of capital	299	15,737	–	–	–	–	–	–	–	–	16,036
Changes in subsidiaries	–	–	–	–	110	–	–	–	–	(2,418)	(2,308)
As at 31 December 2010	7,644	67,644	(175)	1,066	107	6,689	395	28,609	51	4,853	116,883

(in RMB million)	Share capital	Share premium	Available-for-sale financial assets	Shadow accounting adjustments	Surplus reserve fund	General reserves	Retained profits	Translation of foreign operations	Non-controlling interests	Total equity
	2009									
	Equity attributable to owners of the parent									
		Reserves								
As at 1 January 2009	7,345	51,907	(1,033)	(2,695)	6,125	395	2,521	(23)	2,617	67,159
Profit for 2009	–	–	–	–	–	–	13,883	–	599	14,482
Other comprehensive income for 2009	–	–	5,645	1,936	–	–	–	66	10	7,657
Total comprehensive income for 2009	–	–	5,645	1,936	–	–	13,883	66	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	4,612	(759)	6,208	395	15,219	43	6,773	91,743

Consolidated statement of cash flows

For the year ended 31 December 2010

(in RMB million)	Notes	2010	2009
Net cash from operating activities	45	**139,255**	93,301
Cash flows from investing activities			
Purchases of investment properties, items of property and equipment, and intangible assets		**(3,631)**	(3,639)
Proceeds from disposal of investment properties, items of property and equipment, and intangible assets		**206**	1,114
Purchases of investments, net		**(146,083)**	(95,196)
Term deposits placed, net		**(57,519)**	(1,515)
Acquisition of subsidiaries		**(165)**	2,492
Disposal of subsidiaries		**(828)**	–
Interests received		**18,760**	14,358
Dividends received		**2,339**	1,869
Rentals received		**443**	441
Others		**(2,997)**	(1,667)
Net cash used in investing activities		**(189,475)**	(81,743)
Cash flows from financing activities			
Capital injected into subsidiaries by non-controlling interests		**297**	484
Proceeds from bonds issued		**3,200**	4,990
Proceeds from sales in assets sold under agreements to repurchase		**41,767**	5,872
Proceeds from borrowed funds		**6,379**	18,403
Acquisition of non-controlling interests in subsidiaries		**(187)**	–
Repayment of borrowed funds		**(4,433)**	(11,912)
Interest paid		**(1,250)**	(1,030)
Dividends paid		**(3,520)**	(1,123)
Net cash from financing activities		**42,253**	15,684
Net increase/(decrease) in cash and cash equivalents		**(7,967)**	27,242
Net foreign exchange differences		**(60)**	48
Cash and cash equivalents at beginning of the year		**88,965**	61,675
Cash and cash equivalents at end of the year	44	**80,938**	88,965

Statement of financial position

As at 31 December 2010

(in RMB million)	Notes	31 December 2010	31 December 2009
Assets			
Cash and amounts due from banks and other financial institutions		**856**	7,748
Fixed maturity investments		**12,437**	11,512
Equity investments		**3,691**	5,354
Investments in subsidiaries and associates	24	**75,142**	52,514
Property and equipment		**71**	101
Other assets		**864**	395
Total assets		**93,061**	77,624
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	31	**7,644**	7,345
Reserves	32	**74,749**	58,558
Retained profits	32	**4,928**	4,668
Total equity		**87,321**	70,571
Liabilities			
Due to banks and other financial institutions		**5,230**	4,430
Assets sold under agreements to repurchase		**–**	2,000
Other liabilities		**510**	623
Total liabilities		**5,740**	7,053
Total equity and liabilities		**93,061**	77,624

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 investment deployment. 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 office 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.

- Amendment to IFRS 1 *First-time Adoption of IFRSs – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*[2]
- Amendment to IFRS 1 *First-time Adoption of IFRSs – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[4]
- Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[4]
- IAS 24 (Revised) *Related Party Disclosures*[3]
- Amendments to IAS 12 *Income Taxes: Deferred Tax – Recovery of Underlying Assets*[5]
- IFRIC 14 *Prepayments of a Minimum Funding Requirement (Amendment)*[3]
- Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*[2]
- IFRS 9 *Financial Instruments: Classification and Measurement*[6]

1 Effective from annual periods beginning on or after 1 February 2010
2 Effective from annual periods beginning on or after 1 July 2010
3 Effective from annual periods beginning on or after 1 January 2011
4 Effective from annual periods beginning on or after 1 July 2011
5 Effective from annual periods beginning on or after 1 January 2012
6 Effective from annual periods beginning on or after 1 January 2013

Apart from the above, Improvements in IFRSs issued in 2010 have not been adopted. It sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

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

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

IAS 24 (Revised) 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. The Group expects to adopt IAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures.

IFRS 9 issued in November 2009 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 amortized 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.

In November 2010, the International Accounting Standard Board ("IASB") issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2013.

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 certain financial instruments, which have been measured at fair value and insurance contract liabilities, which have been measured based on actuarial methods.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Changes in accounting policies

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

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

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after the adoption of the revised standard. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and had no material impact on the Group's financial statements.

Changes in accounting estimates

Material judgement 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 the reporting period. The Group has changed the above assumptions based on current information available as at 31 December 2010 with the corresponding impact on insurance contract liabilities taken into the current year's income statement. As a result of such changes in assumptions, long term life insurance policyholders' reserves were increased by RMB2,175 million as at 31 December 2010 and the profit before tax for the year 2010 was reduced by RMB2,175 million, while the long term life insurance policyholders' reserves as at 31 December 2009 were reduced by RMB824 million and the profit before tax for the year 2009 was increased by RMB824 million.

(3) BUSINESS COMBINATIONS AND GOODWILL

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group has an option to measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. No reclassification of insurance contracts is required for business combination. However, this does not preclude the Group from reclassifying insurance contracts to accord with its own policy only if classification needs to be made on the basis of the contractual terms and other factors at the inception or modification date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(3) BUSINESS COMBINATIONS AND GOODWILL (CONTINUED)

Business combinations from 1 January 2010 (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or a liability, will be recognised as measurement period adjustments in accordance with the applicable IFRS. If the contingent consideration is classified as equity, it will not be remeasured and its subsequent settlement will be accounted for within equity.

Goodwill is initially measured at cost, being the excess of the fair value of the consideration transferred over the Group's share in the net identifiable assets acquired and liabilities assumed and net of the fair value of any previously held equity interest in the acquiree. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to an appropriate cash-generating unit that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit 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.

Business combinations prior to 1 January 2010

In comparison with the above-mentioned requirements, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration affected goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) PRINCIPLES OF CONSOLIDATION

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Group as at 31 December each year.

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 when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting year 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 and dividends, are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if this results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction with the differences between the consideration paid or received and change in non-controlling interests adjusted to the share premium. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 January 2010, were 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 were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 1 January 2010 has not been restated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 associates 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.

Upon 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.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognized in profit or loss.

(7) JOINTLY CONTROLLED ENTITIES

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 rates ruling at the dates of the transactions occurring. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates 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 rates as at the dates of initial transactions. 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 they relate to items whose 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 the Hong Kong dollar. At the end of the reporting period, 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 rate 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 rate 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 rate for the year.

(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 the central bank and short term highly liquid investments which are readily convertible into known amounts of cash, 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 liabilities (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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(10) FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments at fair value through profit or loss have 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 the gains or losses on them 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.

The Group evaluates its financial assets at fair value through profit and loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

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.

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 investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(10) FINANCIAL INSTRUMENTS (CONTINUED)

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the asset is derecognised, at which time, the cumulative gain or loss is recognised in investment income, or determined to be impaired, or the cumulative loss is recognised in the income statement in investment income and removed from the available-for-sale reserve.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Group is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. Reclassification to held to maturity is permitted only when the Group has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the Effective Interest Rate ("EIR"). Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the 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 the 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 are 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 financial assets 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)

The Group also considers qualitative evidence that includes, 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 was 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 the 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) OFFSETTING OF FINANCIAL INSTRUMENTS

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

(16) 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; or

(b) the Group retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group 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.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(17) ASSETS PURCHASED UNDER AGREEMENTS TO RESELL AND 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 statement of financial position at the end of the reporting period.

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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(19) PROPERTY AND EQUIPMENT (CONTINUED)

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

	Estimated residual values	Estimated useful lives
Leasehold improvements	–	Over the shorter of economic useful lives and terms of the leases
Buildings	5%	30-35 years
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.

(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, and 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 the straight-line basis over the contract terms.

(c) Prepaid land premiums

Prepaid land premiums are prepaid under PRC law 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 in 50 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(21) INTANGIBLE ASSETS (CONTINUED)

(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 basis over their estimated useful lives of 10 to 15 years.

(22) SETTLED ASSETS

Settled assets are initially recognised at fair value. The difference between the initial fair value and the sum of the related loan principal, interest receivable and impairment provision is taken into the income statement. At the balance sheet date, the settled assets are measured at the lower of their carrying value and net realisable value. When the carrying value of the settled assets is higher than the net realisable value, a provision for the decline in value of settled assets is recognised in the income statement in "Impairment losses on assets".

(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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(24) INSURANCE GUARANTEE FUND

According to "Administrative Regulations on the Insurance Guarantee Fund" (Baojianhuiling [2008] No.2), the Group calculates the 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. ("Ping An Health") 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 the insurance guarantee fund is the premium agreed in the policies.

(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.

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 judgements in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

A 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 statement, but included in the insurance contract liabilities as a residual margin. At inception of an insurance contract, any "day-one" loss is recognized in the income statement. Any 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. For non-life insurance contracts, the Group amortizes the residual margin on a time basis during the whole insurance coverage period and records it in profit or loss. For life insurance contracts, the Group amortizes the residual margin on the basis of the sums insured or the number of policies during the whole insurance coverage period.

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. For short duration contracts whose duration is within one year, the cash flows are not discounted. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(27) INSURANCE CONTRACT LIABILITIES (CONTINUED)

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.

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 the 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, an 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) DISCRETIONARY PARTICIPATION FEATURES ("DPF") IN LONG TERM LIFE INSURANCE CONTRACTS

DPF are 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(30) INVESTMENT-LINKED BUSINESS (CONTINUED)

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

- 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.

- 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 follows:

- 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.

Unrealized gains or losses, based on the changes in fair value of available-for-sale financial assets of the 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

Except contingent considerations deriving from or contingent liabilities assumed in business combinations, 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 the present value. Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 provides to its customers. Fee income can be divided into the following main categories:

Fee 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.

Fee 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(33) REVENUE RECOGNITION (CONTINUED)

(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.

(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 the straight-line basis over the lease terms.

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

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(39) TAX (CONTINUED)

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 jointly controlled entities, 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 jointly controlled entities, 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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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).

(42) SEGMENT REPORTING

For management purposes, the Group is organized into operating segments based on the internal organization structure, management requirements and internal reporting. The reportable segments are determined and disclosed based on operating segments.

Operating segments refer to the Group's component that satisfies the following conditions:

(1) The component produces income and expenses in the daily operation.

(2) The management of the Company regularly assesses the operating results of its business units for the purpose of making decisions about resources allocations and performance assessment.

(3) The Group is able to obtain the accounting information such as the financial position, operating results and cash flows of the component.

Two or more operating segments can be merged as one if they have similar characteristics and satisfy certain conditions.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and judgements that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, in these financial statements. Estimates and judgements 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 judgements 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 judgements 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 judgements 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 judgement affects the unbundling of insurance contracts.

The Group makes significant judgements 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 judgement affects the classification of insurance contracts.

When determining whether the policies transfer a significant insurance risk, the Group makes the following judgements 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, judgement 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 from 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 JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(3) MEASUREMENT UNIT FOR INSURANCE CONTRACTS

The Group makes significant judgements 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 judgement 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 judgement.

(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 amounts 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 long-term life 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 the benchmarking yield curve for the measurement of insurance contract liabilities published by China Government Securities Depository Trust & Clearing Co., with consideration of the impact of the tax and liquidity premium. The current discount rate assumption for the measurement at the end of 2010 ranged from 2.60% – 5.40% (2009: 2.83% – 5.48%).

  For long-term non-life insurance contracts where the future insurance benefits are not affected by investment income of the underlying asset portfolio, as the risk margin has no material impact on the reserve measurement, the discount rate assumption used is the benchmarking yield curve for the measurement of insurance contract liabilities published by China Government Securities Depository Trust & Clearing Co..

  For long-term life 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. Future investment returns used in 2010 reserve valuation was assumed to be 4.75% in 2011 and to increase by 0.25% every year to 5.5% in 2014 and thereafter. Future investment returns used in 2009 reserve valuation was assumed to be 4.50% in 2010 and to increase by 0.25% every year to 4.75% in 2011 and 5.5% in 2014 and thereafter.

  For short-term insurance contracts whose duration are within one year, the future cash flows are not discounted.

  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.

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

(5) VALUATION OF INSURANCE CONTRACT LIABILITIES (CONTINUED)

- 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 the 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.

- The Group uses reasonable estimates, based on actual experience and future development trends, in deriving lapse rate assumptions.

  The assumptions of lapse rates are determined by reference to different pricing interest rates, product categories and sales channels separately.

  The assumptions of lapse rates are affected by factors such as future macro-economy and market competition, and hence subject to uncertainty.

- The Group uses reasonable estimates, based on an 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 assumptions include 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 is calculated at 90% of the spreads.

- In the measurement of unearned premium reserves for the property and casualty insurance and short term life insurance business, the Group uses 3% as the risk margin which is consistent with the industry guideline.

The major assumptions needed in measuring claim reserves include the 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 the measurement of claim reserves, the Group uses 2.5% as the risk margin which is consistent with the industry guideline.

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

(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 models.

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 also estimates 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.

(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, judgement 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 judgement 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 amounts 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 assets of approximately RMB5,513 million as at 31 December 2010 (31 December 2009: RMB5,191 million).

(9) CORPORATE INCOME TAX

Since 1 January 2009, the Group has implemented the "Interpretation No. 2 to China Accounting Standards" and the "Regulation on Accounting for Insurance Contracts" (Caikuai [2009] No. 15) issued by the Ministry of Finance. As the relevant tax laws and regulations have not clearly clarified how the implementation of the above accounting regulations would affect the manner in which corporate income tax would be imposed, the Group accrued the corporate income tax based on its understanding and judgement of the current prevailing tax laws and regulations when preparing the financial statements.

5. SCOPE OF CONSOLIDATION

(1) Particulars of the Company's principal subsidiaries as at 31 December 2010 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	99.51%	–	23,800,000,000	23,800,000,000	Life insurance
Ping An Property & Casualty Insurance Company of China, Ltd. (i)	The PRC	99.50%	–	12,000,000,000	12,000,000,000	Property and casualty insurance
Ping An Bank Co., Ltd.	The PRC	90.75%	–	8,622,824,478	8,622,824,478	Banking
China Ping An Trust Co., Ltd. (ii)	The PRC	99.88%	–	6,988,000,000	6,988,000,000	Investment and trust
Ping An Securities Company, Ltd.	The PRC	–	86.66%	3,000,000,000	3,000,000,000	Security investment and brokerage
Ping An Annuity Insurance Company of China, Ltd. (iii)	The PRC	79.91%	19.99%	3,360,000,000	3,360,000,000	Annuity insurance
Ping An Asset Management Co., Ltd.	The PRC	96.00%	3.98%	500,000,000	500,000,000	Asset management
Ping An Health Insurance Company of China, Ltd. (iv)	The PRC	76.00%	3.98%	500,000,000	625,000,000	Health insurance
China Ping An Insurance Overseas (Holdings) Limited (v)	Hong Kong	100.00%	–	HKD4,000,000,000	HKD935,000,000	Investment holding
China Ping An Insurance (Hong Kong) Company Limited (vi)	Hong Kong	–	100.00%	HKD490,000,000	HKD490,000,000	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
Shenzhen Ping An Property Investment Management Co., Ltd. (vii)	The PRC	–	99.88%	320,000,000	320,000,000	Property management
Shenzhen Ping An Real Estate Investment Co., Ltd.	The PRC	–	99.88%	1,800,000,000	1,800,000,000	Real estate investment
Shenzhen Xin An Investment Consultant Co., Ltd.	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 Ping An Commercial Property Investment Co., Ltd. (viii)	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

5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2010 are set out below: (continued)

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
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	Expressway operation
Shanxi Changjin Expressway Co., Ltd.	The PRC	–	59.60%	750,000,000	750,000,000	Expressway operation
Shanxi Jinjiao Expressway Co., Ltd.	The PRC	–	59.60%	504,000,000	504,000,000	Expressway operation
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%	600,000,000	600,000,000	Equity investment
Ping An Technology (Shenzhen) Co., Ltd. (ix)	The PRC	–	100.00%	USD30,000,000	USD30,000,000	IT services
Ping An Processing & Technology (Shenzhen) Co., Ltd. (x)	The PRC	–	100.00%	USD30,000,000	USD30,000,000	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 (xi)	Hong Kong	–	86.66%	HKD200,000,000	HKD200,000,000	Security investment and brokerage
Shanghai Huping Investment Management Co., Ltd.	The PRC	–	99.88%	1,000,000	1,000,000	Investment holding
The Store Corporation (xii)	The PRC	–	86.87%	40,212,000	40,212,000	E-commerce
Guangdong No. One Pharmaceutical Co., Ltd. (xiii)	The PRC	–	86.87%	30,000,000	30,000,000	Pharmacy, and medical equipment operation and wholesale
Beijing Huian Investment Management Co., Ltd. (xiv)	The PRC	–	99.88%	3,000,000	3,000,000	Investment consulting
Xuchang Central China Securities Investment Co., Ltd. (xiv)	The PRC	–	49.95%	5,000,000	5,000,000	Investment consulting
Shenzhen Xin An Small Loan Co., Ltd. (xiv)	The PRC	–	99.88%	80,000,000	80,000,000	Small loans investment
Suzhou Suping Investment Management Co., Ltd. (xiv)	The PRC	–	99.88%	2,000,000	2,000,000	Investment management
Chendu Xinping Investment Management Co., Ltd. (xiv)	The PRC	–	99.88%	1,000,000	1,000,000	Investment management
Xuchang XJ Investment Holding Co., Ltd. (xiv)	The PRC	–	99.88%	5,000,000	5,000,000	Industry investment and business management

5. SCOPE OF CONSOLIDATION (CONTINUED)

(1) Particulars of the Company's principal subsidiaries as at 31 December 2010 are set out below: (continued)

Notes:

(i) During 2010, the paid-up capital of Ping An Property & Casualty was increased to RMB12 billion.

(ii) During 2010, China Ping An Trust & Investment Co., Ltd. was renamed as China Ping An Trust Co., Ltd. ("Ping An Trust").

(iii) During 2010, the paid-up capital of Ping An Annuity was increased to RMB3.36 billion.

(iv) During 2010, the paid-up capital of Ping An Health was increased to RMB625 million. As at the date of approval of these financial statements, the business registration modification procedure was in progress.

(v) During 2010, the paid-up capital of China Ping An Insurance Overseas (Holdings) Limited was increased to HKD935 million.

(vi) During 2010, the paid-up capital of China Ping An Insurance (Hong Kong) Company Limited was increased to HKD490 million.

(vii) During 2010, the paid-up capital of Shenzhen Ping An Property Investment Management Co., Ltd. was increased to RMB320 million.

(viii) During 2010, Shenzhen CITIC City Plaza Investment Co., Ltd. was renamed as Shenzhen Ping An Commercial Property Investment Co., Ltd.

(ix) During 2010, the paid-up capital of Ping An Technology (Shenzhen) Co., Ltd. was increased to USD30 million.

(x) During 2010, the paid-up capital of Ping An Processing & Technology (Shenzhen) Co., Ltd. was increased to USD30 million.

(xi) During 2010, the paid-up capital of Ping An of China Securities (Hong Kong) Company Limited was increased to HKD200 million.

(xii) During 2010, the paid-up capital of the Store Corporation was increased to RMB40 million.

(xiii) This company is acquired through a business combination that is not under common control.

(xiv) These subsidiaries were newly set up during 2010.

(xv) During 2010, Rich All Investments Company Limited, Beijing Ping An Wanqi Shangdi Hotel Management Co., Ltd., Beijing Jingan Shihua Shangdi Hotel Management Co., Ltd., Beijing Huaxia Hotel Co., Ltd., XJ Group Corporation, XJ Electric Co., Ltd., Xuchang XJ Wind Electric Technology Co., Ltd. and Xuchang XJ Investment Management Co., Ltd., Fengtai No.128 Yiyang Changsha Expressway Single Fund Trust Scheme, Ping An Wanqi Equity Investment Single Fund Trust Scheme, Fengtai No.17 Beilun Port Single Fund Trust Scheme were liquidated or disposed.

Other than the changes above, there are no significant changes to the scope of consolidation as at 31 December 2010 from that as at 31 December 2009.

5. SCOPE OF CONSOLIDATION (CONTINUED)

(2) As at 31 December 2010, the Company had the following major special purpose entities:

Name	Controlling entity	Paid-in capital	Principal activities
Shanxi Taijiao Expressway Single Fund Trust Scheme	Ping An Life	2,346	Investment in expressways
Hubei Jindong Expressway Single Fund Trust Scheme	Ping An Life	638	Investment in expressways
Anhui Bofu Expressway Single Fund Trust Scheme	Ping An Life	804	Loans
Ping An Caifu Chuanghui Aggregated Fund Trust Scheme	Shenzhen Ping An New Capital Investment Co., Ltd. ("Ping An New Capital")	960	Investment in trust schemes
Chuangsheng Single Fund Trust Scheme	Ping An New Capital	1	Investment in trust schemes
Chuangsheng No.3 Single Fund Trust Scheme	Ping An New Capital	543	Investment in trust schemes
New Capital Risk Investment Single Fund Trust Scheme No.1	Ping An New Capital	50	Investment in financial products
New Capital Risk Investment Single Fund Trust Scheme No.2	Ping An New Capital	7	Investment in financial products
Fengtai No.13 Yuxi Single Fund Trust Scheme	Ping An New Capital	155	Loans
Ping An Wealth Huilongguan Property Investment Single Fund Trust Scheme	Ping An New Capital	105	Property Investment
Shangdihualian Property Investment No.1 Single Fund Trust Scheme	Shenzhen Ping An Real Estate Investment Co., Ltd.	132	Property Investment

5. SCOPE OF CONSOLIDATION (CONTINUED)

(3) Subsidiaries removed from the scope of consolidation due to the loss of control during the year

On 11 February 2010, Ping An Trust, the Company's subsidiary, China Electric Power Research Institute ("CEPRI") and XJ Group Corporation ("XJ Group") entered into the "General Agreement regarding Investment in XJ Group" and the "Agreement regarding Capital Injection into XJ Group". Under the agreements, CEPRI made capital injection into XJ Group using various equity investments it held. Upon completion of this capital injection, the CEPRI obtained control of XJ Group and the relevant registration of such changes in ownership was completed on 28 May 2010. As of that date, XJ Group was no longer a subsidiary but an associate of the Group.

Key financial information of XJ Group is as follows:

	Book value 28 May 2010
Total assets	12,950
Total liabilities	(10,807)
	2,143
Non-controlling interest	(2,660)
	(517)
Goodwill	256
Book value before partial disposal of interest in subsidiary	(261)
Fair value after partial disposal of interest in subsidiary	213
Gain on disposal	474

Cash flow from disposal of XJ Group's shares is shown as follows:

	1 January 2010 to 28 May 2010
Cash and cash equivalents received from disposal of subsidiary	–
Less: Cash and cash equivalents held by the subsidiary as at the disposal date	1,817
Net cash flow from disposal of XJ Group	(1,817)

Operating results of XJ Group from 1 January 2010 to 28 May 2010 are shown as follows:

	1 January 2010 to 28 May 2010
Operating income	1,678
Operating costs	(1,739)
Net losses	(52)

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 into 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 healthcare 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 with regard to resources allocation and performance assessment. Segment performance is assessed, 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 2010, the Group's top 5 customers in respect of total income are as follows:

(in RMB million)	2010	2009
Total income from top 5 customers	**932**	1,094
Percentage of total income	**0.5%**	0.7%

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6. SEGMENT REPORTING (CONTINUED)

The segment analysis as of 31 December 2010 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	96,877	62,507	–	–	–	–	–	159,384
Less: Premiums ceded to reinsurers	(1,357)	(6,824)	–	–	–	–	–	(8,181)
Change in unearned premium reserves	66	(10,145)	–	–	–	–	–	(10,079)
Net earned premiums	95,586	45,538	–	–	–	–	–	141,124
Reinsurance commission income	155	2,461	–	–	–	–	–	2,616
Interest income of banking operations	–	–	9,331	–	–	–	–	9,331
Fees and commission income of non-insurance operations	–	–	931	3,705	–	931	(24)	5,543
Including: inter-segment fees and commission income of non-insurance operations	–	–	7	–	–	17	(24)	–
Investment income	26,681	2,146	75	448	323	2,076	(666)	31,083
Including: Inter-segment investment income	549	34	–	21	29	33	(666)	–
Share of profits and losses of associates and jointly controlled entities	(20)	–	1,145	–	–	340	–	1,465
Other income	3,077	279	38	12	182	4,235	(3,171)	4,652
Including: Inter-segment other income	1,413	6	–	–	166	1,586	(3,171)	–
Total income	125,479	50,424	11,520	4,165	505	7,582	(3,861)	195,814
Claims and policyholders' benefits	(89,841)	(25,236)	–	–	–	–	–	(115,077)
Commission expenses of insurance operations	(8,790)	(5,934)	–	–	–	–	179	(14,545)
Interest expenses of banking operations	–	–	(3,893)	–	–	–	496	(3,397)
Fees and commission expenses of non-insurance operations	–	–	(130)	(315)	–	(181)	17	(609)
Loan loss provisions, net of reversals	–	–	(375)	–	–	(251)	–	(626)
Foreign exchange gains/(losses)	(102)	(34)	44	(1)	(5)	(6)	–	(104)
General and administrative expenses	(13,363)	(13,801)	(3,725)	(1,785)	(348)	(2,868)	1,505	(34,385)
Finance costs	(103)	(197)	–	–	(258)	(364)	9	(913)
Other expenses	(3,132)	(143)	(74)	(6)	(4)	(2,057)	1,605	(3,811)
Total expenses	(115,331)	(45,345)	(8,153)	(2,107)	(615)	(5,727)	3,811	(173,467)
Profit/(loss) before tax	10,148	5,079	3,367	2,058	(110)	1,855	(50)	22,347
Income tax	(1,731)	(1,214)	(485)	(464)	(10)	(505)	–	(4,409)
Profit/(loss) for the year	8,417	3,865	2,882	1,594	(120)	1,350	(50)	17,938

6. SEGMENT REPORTING (CONTINUED)

The segment analysis as of 31 December 2010 and for the year then ended is as follows: (continued)

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Balances with central bank and statutory deposits	5,532	2,400	34,178	–	–	–	–	42,110
Cash and amounts due from banks and other financial institutions	161,241	31,252	10,816	17,528	680	4,664	(22,866)	203,315
Fixed maturity investments	430,236	23,643	78,178	10,354	12,437	3,434	(4,630)	553,652
Equity investments	68,860	6,360	25	1,594	3,691	5,839	–	86,369
Loans and advances to customers	800	–	129,673	–	–	1,487	–	131,960
Investments in associates and jointly controlled entities	7,646	–	26,890	–	–	5,113	(48)	39,601
Others	88,763	15,700	3,011	500	1,019	7,580	(1,953)	114,620
Segment assets	763,078	79,355	282,771	29,976	17,827	28,117	(29,497)	1,171,627
Due to banks and other financial institutions	1,845	–	26,940	–	5,230	7,510	(2,703)	38,822
Assets sold under agreements to repurchase	82,557	–	23,773	6,045	–	105	(4,630)	107,850
Customer deposits and payables to brokerage customers	–	–	182,118	14,297	–	(289)	(20,163)	175,963
Insurance payables	13,317	6,710	–	–	–	–	(20)	20,007
Insurance contract liabilities	594,189	45,758	–	–	–	–	–	639,947
Investment contract liabilities for policyholders	29,359	632	–	–	–	–	–	29,991
Policyholder dividend payable	14,182	–	–	–	–	–	–	14,182
Bonds payable	–	4,548	2,992	–	–	–	–	7,540
Others	4,644	4,360	4,270	3,090	510	5,367	(1,799)	20,442
Segment liabilities	740,093	62,008	240,093	23,432	5,740	12,693	(29,315)	1,054,744
Other segment information:								
Capital expenditure	2,308	506	191	118	6	445	(45)	3,529
Depreciation and amortization	1,070	275	275	74	47	357	–	2,098
Total other non-cash expenses charged to consolidated results	8	306	373	2	–	303	–	992

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 jointly controlled entities	(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	(67,711)	(16,235)	–	–	–	–	–	(83,946)
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	(2,771)	(236)	(72)	(1)	(18)	(4,493)	74	(7,517)
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

6. SEGMENT REPORTING (CONTINUED)

The segment analysis as of 31 December 2009 and for the year then ended is as follows: (continued)

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Balances with central bank and statutory deposits	5,400	800	24,806	–	–	–	–	31,006
Cash and amounts due from banks and other financial institutions	111,614	18,602	21,827	17,053	7,572	5,124	(23,573)	158,219
Fixed maturity investments	330,725	14,663	64,587	5,382	11,512	1,548	–	428,417
Equity investments	64,783	5,248	25	1,564	5,346	5,150	–	82,116
Loans and advances to customers	800	–	106,791	–	–	1,549	(80)	109,060
Investments in associates and jointly controlled entities	7,569	–	–	–	–	4,542	(48)	12,063
Others	83,460	11,537	2,770	387	528	17,444	(1,295)	114,831
Segment assets	604,351	50,850	220,806	24,386	24,958	35,357	(24,996)	935,712
Due to banks and other financial institutions	2,035	–	31,212	–	4,430	11,774	(1,329)	48,122
Assets sold under agreements to repurchase	31,773	1,200	19,783	4,316	2,000	1,292	–	60,364
Customer deposits and payables to brokerage customers	–	–	149,066	13,842	–	(40)	(22,324)	140,544
Insurance payables	9,898	4,971	–	–	–	–	(92)	14,777
Insurance contract liabilities	489,791	28,863	–	–	–	–	–	518,654
Investment contract liabilities for policyholders	27,933	1,018	–	–	–	–	–	28,951
Policyholder dividend payable	10,819	–	–	–	–	–	–	10,819
Bonds payable	–	2,000	2,990	–	–	–	–	4,990
Others	3,226	3,637	3,316	1,293	623	5,774	(1,121)	16,748
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

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7. GROSS AND NET WRITTEN PREMIUMS AND POLICY FEES

(in RMB million)	2010	2009
Gross written premiums, policy fees and premium deposits	**226,955**	173,277
Less: Premium deposits of policies without significant insurance risk transfer	**(3,221)**	(3,016)
Premium deposits unbundled from universal life and investment-linked products	**(64,350)**	(58,048)
Gross written premiums and policy fees	**159,384**	112,213

(in RMB million)	2010	2009
Long term life business gross written premiums and policy fees	**90,685**	67,513
Short term life business gross written premiums	**6,192**	5,926
Property and casualty business gross written premiums	**62,507**	38,774
Gross written premiums and policy fees	**159,384**	112,213

(in RMB million)	2010	2009
Gross		
Life insurance		
Individual life insurance	**81,526**	64,315
Bancassurance	**10,555**	4,528
Group life insurance	**4,796**	4,596
	96,877	73,439
Property and casualty insurance		
Automobile insurance	**49,420**	29,561
Non-automobile insurance	**11,205**	7,476
Accident and health insurance	**1,882**	1,737
	62,507	38,774
Gross written premiums and policy fees	**159,384**	112,213

(in RMB million)	2010	2009
Net of reinsurance premiums ceded		
Life insurance		
Individual life insurance	**81,264**	64,082
Bancassurance	**10,550**	4,525
Group life insurance	**3,706**	3,430
	95,520	72,037
Property and casualty insurance		
Automobile insurance	**45,841**	27,278
Non-automobile insurance	**7,992**	4,858
Accident and health insurance	**1,850**	1,693
	55,683	33,829
Net written premiums and policy fees	**151,203**	105,866

8. NET INTEREST INCOME OF BANKING OPERATIONS

(in RMB million)	2010	2009
Interest income of banking operations		
Loans and advances to customers	**6,530**	4,853
Balances with central bank	**394**	294
Bonds	**1,795**	1,184
Amounts due from banks and other financial institutions	**612**	343
	9,331	6,674
Interest expenses of banking operations		
Customer deposits	**2,122**	1,782
Due to banks and other financial institutions	**1,150**	619
Bonds payable	**125**	63
	3,397	2,464
Net interest income of banking operations	**5,934**	4,210

9. NET FEES AND COMMISSION INCOME OF NON-INSURANCE OPERATIONS

(in RMB million)	2010	2009
Fees and commission income of non-insurance operations		
Brokerage fees	**1,173**	1,271
Underwriting commission income	**2,517**	887
Trust service fees	**714**	390
Fee and commission income of banking business	**931**	482
Others	**208**	149
	5,543	3,179
Fees and commission expenses of non-insurance operations		
Brokerage fees paid	**204**	170
Fee and commission expenses of banking business	**130**	65
Other fees paid	**275**	163
	609	398
Net fees and commission income of non-insurance operations	**4,934**	2,781

10. INVESTMENT INCOME

(in RMB million)	2010	2009
Net investment income	**25,972**	19,076
Realized gains	**5,788**	11,563
Unrealized (losses)/gains	**(137)**	1,814
Impairment losses	**(540)**	(430)
Total investment income	**31,083**	32,023

10. INVESTMENT INCOME (CONTINUED)

(1) NET INVESTMENT INCOME

(in RMB million)	2010	2009
Interest income of non-banking operations on fixed maturity investments		
Bonds		
– Held-to-maturity	11,191	6,414
– Available-for-sale	6,097	6,128
– Carried at fair value through profit or loss	414	436
– Loans and receivables	56	–
Term deposits		
– Loans and receivables	4,845	3,552
Current accounts		
– Loans and receivables	388	420
Others		
– Loans and receivables	813	716
Dividend income on equity investments		
Equity investment funds		
– Available-for-sale	1,595	597
– Carried at fair value through profit or loss	186	241
Equity securities		
– Available-for-sale	728	427
– Carried at fair value through profit or loss	23	26
Operating lease income from investment properties	443	441
Interest expenses on assets sold under agreements to repurchase and replacements from banks and other financial institutions	(807)	(322)
	25,972	19,076

(2) REALIZED GAINS/(LOSSES)

(in RMB million)	2010	2009
Fixed maturity investments		
- Available-for-sale	3,081	1,772
- Carried at fair value through profit or loss	31	293
Equity investments		
- Available-for-sale	2,313	9,448
- Carried at fair value through profit or loss	(87)	266
- Subsidiaries	450	(1)
Derivative financial instruments		
- Carried at fair value through profit or loss	–	(215)
	5,788	11,563

10. INVESTMENT INCOME (CONTINUED)

(3) UNREALIZED (LOSSES)/GAINS

(in RMB million)	2010	2009
Fixed maturity investments		
– Carried at fair value through profit or loss	**(174)**	(428)
Equity investments		
– Carried at fair value through profit or loss	**43**	1,996
Derivative financial instruments		
– Carried at fair value through profit or loss	**(6)**	246
	(137)	1,814

(4) IMPAIRMENT LOSSES

(in RMB million)	2010	2009
Equity investments		
– Available-for-sale	**(540)**	(430)

11. OTHER INCOME

(in RMB million)	2010	2009
Revenue of XJ Group	**1,664**	5,498
Expressway toll fee income	**913**	771
Management income of investment-linked products and income of investment contracts	**1,069**	718
Others	**1,006**	1,471
	4,652	8,458

12. CLAIMS AND POLICYHOLDERS' BENEFITS

(1)

(in RMB million)	2010 Gross	2010 Reinsurers' share	2010 Net
Claims and claim adjustment expenses	**34,867**	**(4,319)**	**30,548**
Surrenders	**3,816**	**–**	**3,816**
Annuities	**4,028**	**–**	**4,028**
Maturities and survival benefits	**6,640**	**–**	**6,640**
Policyholder dividends	**3,907**	**–**	**3,907**
Increase in policyholders' reserves	**60,573**	**1**	**60,574**
Interests credited to policyholder contract deposits	**5,564**	**–**	**5,564**
	119,395	**(4,318)**	**115,077**

(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	4,559	–	4,559
Increase in policyholders' reserves	38,303	(63)	38,240
Interests credited to policyholder contract deposits	4,241	–	4,241
	87,384	(3,438)	83,946

(2)

(in RMB million)	2010 Gross	2010 Reinsurers' share	2010 Net
Long term life insurance contracts benefits	**87,646**	**(197)**	**87,449**
Short term life insurance claims	**3,311**	**(919)**	**2,392**
Property and casualty insurance claims	**28,438**	**(3,202)**	**25,236**
	119,395	**(4,318)**	**115,077**

(in RMB million)	2009 Gross	2009 Reinsurers' share	2009 Net
Long term life insurance contracts benefits	65,609	(209)	65,400
Short term life insurance claims	3,221	(910)	2,311
Property and casualty insurance claims	18,554	(2,319)	16,235
	87,384	(3,438)	83,946

13. PROFIT BEFORE TAX

(1) PROFIT BEFORE TAX IS ARRIVED AT AFTER CHARGING/(CREDITING) THE FOLLOWING ITEMS:

(in RMB million)	2010	2009
Employee costs (Note 13. (2))	**12,806**	9,597
Cost of sales from XJ Group	**1,391**	3,900
Interest expenses on investment contract reserves	**748**	1,190
Provision for insurance guarantee fund	**784**	550
Regulatory charges	**249**	188
Depreciation of investment properties	**254**	207
Depreciation of property and equipment	**1,224**	1,167
Amortization of intangible assets	**620**	620
Rental expenses	**1,811**	1,327
Advertising expenses	**2,184**	1,177
Traveling expenses	**743**	590
Office miscellaneous expenses	**1,056**	960
Other taxes	**157**	133
Postage and telecommunication expenses	**838**	622
Vehicle and vessel usage tax	**533**	747
Losses on disposal of settled assets	**–**	11
Gains on disposal of investment properties, property and equipment	**(20)**	(194)
Provision for doubtful debts, net	**292**	5
Provision for loan, net	**626**	228
Auditors' remuneration – annual audit, half-year review and quarterly agreed-upon procedures	**39**	36

(2) EMPLOYEE COSTS

(in RMB million)	2010	2009
Wages, salaries and bonuses	**10,491**	7,864
Retirement benefits, social security contributions and welfare benefits	**2,315**	1,733
	12,806	9,597

14. INCOME TAX

(in RMB million)	2010	2009
Current income tax	**2,832**	2,843
Deferred income tax	**1,577**	2,594
	4,409	5,437

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 was unified the 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 would be transited to 25% over five years. During the transitional period, the applicable CIT rate for applicable subsidiaries and branches would 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 2010 was 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 was 16.5% for 2010 (2009:16.5%).

14. INCOME TAX (CONTINUED)

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate of 22% (2009: 20%) is as follows:

(in RMB million)	2010	2009
Profit before tax	**22,347**	19,919
Tax computed at the applicable tax rate of 22% (2009: 20%)	**4,916**	3,984
Tax effect of expenses not deductible in determining taxable income	**1,287**	892
Tax effect of income not taxable in determining taxable income	**(1,779)**	(1,089)
Tax effect of different tax rates in current year and future years	**15**	(142)
Tax effect of higher tax rate on branches and entities (in the PRC) located outside Special Economic Zones	**176**	74
Additional tax payable for 2004 – 2006	**–**	1,099
Impact of tax practices introduced in 2010 on taxation for 2009	**–**	619
Tax losses utilised from previous years	**(229)**	–
Additional tax provision	**23**	–
Income tax per consolidated income statement	**4,409**	5,437

The Group's tax position is subject to assessment and inspection of the tax authorities before finalization.

15. OTHER COMPREHENSIVE INCOME

(in RMB million)	2010	2009
Gains/(losses) of available-for-sale financial assets arising during the year	**(1,439)**	17,950
Less: Income tax relating to available-for-sale financial assets	**1,373**	(1,628)
Reclassification adjustments for losses/(gains) included in income statement		
– Gains on disposal	**(5,319)**	(11,131)
– Impairment losses	**540**	430
	(4,845)	5,621
Gains/(losses) of shadow accounting adjustments arising during the year	**328**	(1,942)
Less: Income tax relating to shadow accounting adjustments	**(523)**	(499)
Reclassification adjustments for losses included in income statement	**2,030**	4,390
	1,835	1,949
Exchange differences on translation of foreign operations	**8**	66
Share of other comprehensive income of associates	**(3)**	21
	(3,005)	7,657

16. DIVIDENDS

(in RMB million)	2010	2009
Interim dividend – RMB0.15 (2009: RMB0.15) per ordinary share	**1,147**	1,102
Proposed final dividend – RMB0.40 (2009: RMB0.30) per ordinary share (not recognized as a liability as at 31 December)	**3,058**	2,294

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

On 16 April 2010, the Board approved the Resolution of the Profit Appropriation Plan for 2009, agreeing to declare a final cash dividend of RMB0.30 per share for 2009 which amounted to RMB2,204 million based on the total shares of 7,345 million outstanding at that point in time. On 29 June 2010, at the shareholders' general meeting of the Company, the shareholders approved the above Profit Appropriation Plan and the resolution of "Declaration of 2009 Final Dividend to the Newly Issued H Shares", which proposed to declare a final cash dividend of RMB0.30 per share for 2009 to the new H share shareholder Newbridge Asia AIV III, L.P. ("Newbridge"), amounting to RMB90 million. In total, the shareholders' general meeting of the Company approved RMB2,294 million of a final dividend for 2009.

17. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Company's net profit attributable to ordinary shareholders by the weighted average number of outstanding shares.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

	2010	2009
Net profit attributable to ordinary shareholders (in RMB million)	**17,311**	13,883
Weighted average number of outstanding shares of the Company (million shares)	**7,519**	7,345
Basic earnings per share (in RMB)	**2.30**	1.89
Diluted earnings per share (in RMB)	**2.30**	1.89

18. BALANCES WITH CENTRAL BANK AND STATUTORY DEPOSITS

(in RMB million)	31 December 2010	31 December 2009
Mandatory reserve deposits with central bank for banking operations	**26,697**	17,562
Other deposits with central bank	**7,481**	7,244
Statutory deposits for insurance operations	**7,932**	6,200
	42,110	31,006

In accordance with relevant regulations, Ping An Bank Co., Ltd. ("Ping An Bank") is required to place mandatory reserve deposits with the People's Bank of China for customer deposits in both RMB and foreign currencies. As at 31 December 2010, the mandatory deposits are calculated at 16.5% (31 December 2009: 13.5%) of customer deposits denominated in RMB and 5% (31 December 2009: 5%) of customer deposits denominated in foreign currencies. Mandatory reserve deposits are not available for use by the Group in its day to day operations.

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 2010	31 December 2009
Cash on hand	**755**	512
Term deposits	**134,928**	89,285
Due from banks and other financial institutions	**63,984**	63,954
Loans and advances	**3,648**	4,468
	203,315	158,219

Of the above, RMB2,852 million of term deposits and RMB100 million of loans and advances have been designated at fair value.

As at 31 December 2010, cash and amounts due from banks and other financial institutions which are not available for use, as they had been pledged, amounted to RMB47 million (31 December 2009: RMB41million).

As at 31 December 2010, cash and amounts due from overseas banks and other financial institutions amounted to RMB1,357 million (31 December 2009: RMB438 million).

20. FIXED MATURITY INVESTMENTS

(in RMB million)	31 December 2010	31 December 2009
Bonds	**526,716**	408,235
Debt schemes	**1,070**	–
Policy loans	**8,431**	5,434
Assets purchased under agreements to resell	**17,435**	14,748
	553,652	428,417

(1) BONDS

(in RMB million)	31 December 2010	31 December 2009
Held-to-maturity, at amortized cost	**339,012**	218,598
Available-for-sale, at fair value	**168,757**	178,534
Carried at fair value through profit or loss		
– Held-for-trading	**17,661**	11,103
– Designated at fair value through profit or loss	**72**	–
Loans and receivables	**1,214**	–
	526,716	408,235

(in RMB million)	31 December 2010	31 December 2009
Government bonds	**138,020**	104,871
Central bank bills	**15,667**	12,116
Finance bonds	**212,891**	160,270
Corporate bonds	**160,138**	130,978
	526,716	408,235
Listed	**56,897**	60,217
Unlisted	**469,819**	348,018
	526,716	408,235

As at 31 December 2010, bonds with a par value of RMB107,590 million (31 December 2009: RMB60,596 million) were pledged as assets sold under agreements to repurchase. As of the date of approval of these financial statements, RMB107,490 million of the above amount has been released from such pledge.

20. FIXED MATURITY INVESTMENTS (CONTINUED)

(2) ASSETS PURCHASED UNDER AGREEMENTS TO RESELL

(in RMB million)	31 December 2010	31 December 2009
Securities	**8,635**	2,640
Bills	**8,800**	11,108
Loans	**–**	1,000
Total	**17,435**	14,748
Less: Provision for impairment losses	**–**	–
Net	**17,435**	14,748

The fair value of the assets held as collateral for assets purchased under agreements to resell approximates to their carrying value.

As at 31 December 2010, assets purchased under agreements to resell with a carrying amount of RMB599 million (31 December 2009: RMB1,000 million) were pledged as assets sold under agreements to repurchase. As of the date of approval of these financial statements, the above amount has been released from such pledge.

21. EQUITY INVESTMENTS

(in RMB million)	31 December 2010	31 December 2009
Equity investment funds	**28,027**	32,921
Equity securities	**54,947**	46,801
Other equity investments	**3,395**	2,394
	86,369	82,116

(1) EQUITY INVESTMENT FUNDS

(in RMB million)	31 December 2010	31 December 2009
Available-for-sale, at fair value	**21,983**	18,426
Carried at fair value through profit or loss	**6,044**	14,495
	28,027	32,921
Listed	**6,916**	5,520
Unlisted	**21,111**	27,401
	28,027	32,921

As at 31 December 2010, no equity investment funds (31 December 2009: RMB94 million) were pledged as assets sold under agreements to repurchase.

(2) EQUITY SECURITIES

(in RMB million)	31 December 2010	31 December 2009
Available-for-sale, at fair value	**51,688**	43,273
Held-for-trading	**3,259**	3,528
	54,947	46,801
Listed	**54,764**	46,761
Unlisted	**183**	40
	54,947	46,801

21. EQUITY INVESTMENTS (CONTINUED)

(3) OTHER EQUITY INVESTMENTS

(in RMB million)	31 December 2010	31 December 2009
Available-for-sale, at cost	**3,395**	2,394
Unlisted, at cost	**3,395**	2,394

As at 31 December 2010, other equity investments with a carrying amount of RMB105 million (31 December 2009: RMB106 million) were pledged as assets sold under agreements to repurchase. As of the date of approval of these financial statements, the amount has been released from such pledge.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2010			
	Assets		Liabilities	
(in RMB million)	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	**122**	**2**	**254**	**2**
Currency forwards and swaps	**634**	**4**	**1,463**	**10**
Credit default swaps	**–**	**–**	**66**	**3**
	756	**6**	**1,783**	**15**

	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

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 2010	31 December 2009
Individual customers		
Credit card loans	**10,559**	5,548
Mortgage loans	**25,767**	22,634
Others	**8,143**	4,898
Corporate customers		
Loans	**86,828**	69,342
Discounted bills	**2,199**	7,569
Gross	**133,496**	109,991
Loan loss provision		
Individually assessed	**(398)**	(211)
Collectively assessed	**(1,138)**	(720)
	(1,536)	(931)
Net	**131,960**	109,060

23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(2) LOANS AND ADVANCES BY INDUSTRY

(in RMB million)	31 December 2010	31 December 2009
Corporate loans		
Water conservancy, environment and public facilities	**15,824**	19,265
Manufacturing	**19,218**	13,074
Transportation, storage and postage	**9,349**	9,097
Wholesale and retail	**10,007**	6,220
Building and construction	**9,122**	5,768
Real estate	**9,274**	4,873
Rental and commercial services	**4,021**	4,275
Electricity, gas and water	**4,096**	2,891
Others	**5,917**	3,879
	86,828	69,342
Discounted bills	**2,199**	7,569
Retail loans	**44,469**	33,080
Total loans and advances to customers	**133,496**	109,991
Less: Loan impairment provisions	**(1,536)**	(931)
Net loans and advances to customers	**131,960**	109,060

(3) LOANS AND ADVANCES BY REGION

	31 December 2010		31 December 2009	
(in RMB million)	Amount	%	Amount	%
Southern China region	**77,928**	**58.37%**	65,530	59.58%
Eastern China region	**55,251**	**41.39%**	44,149	40.14%
Other regions	**317**	**0.24%**	312	0.28%
	133,496	**100.00%**	109,991	100.00%

(4) LOANS AND ADVANCES BY GUARANTEE TYPE

(in RMB million)	31 December 2010	31 December 2009
Unsecured loans	**42,265**	29,665
Guaranteed loans	**31,342**	25,603
Secured loans		
Loans secured by mortgages	**46,314**	38,724
Loans secured by other collateral	**13,575**	15,999
	133,496	109,991

23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(5) ANALYSIS OF OVERDUE LOANS

	31 December 2010				
(in RMB million)	Within 3 months	3 months to 1 year	1-3 years	More than 3 years	Total
Unsecured loans	**300**	**241**	**83**	**105**	**729**
Guaranteed loans	**36**	**26**	**40**	**3**	**105**
Secured loans					
Loans secured by mortgages	**387**	**92**	**87**	**23**	**589**
Loans secured by other collateral	**32**	**–**	**–**	**–**	**32**
	755	**359**	**210**	**131**	**1,455**

	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

(6) CREDIT QUALITY ANALYSIS

	31 December 2010		31 December 2009	
(in RMB million)	Amount	%	Amount	%
Pass	**131,165**	**98.25%**	107,973	98.17%
Special mention	**1,383**	**1.04%**	1,360	1.23%
Sub-total	**132,548**	**99.29%**	109,333	99.40%
Substandard	**177**	**0.13%**	238	0.22%
Doubtful	**179**	**0.14%**	134	0.12%
Loss	**592**	**0.44%**	286	0.26%
Non-performing loans sub-total	**948**	**0.71%**	658	0.60%
	133,496	**100.00%**	109,991	100.00%

(7) LOAN LOSS PROVISION

(in RMB million)	Individually assessed	Collectively assessed	Total
As at 1 January 2009	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
Charge for the year	205	421	626
Write-off during the year	(5)	(3)	(8)
Write-backs during the year			
Accreted interests on impaired loans	(13)	–	(13)
As at 31 December 2010	**398**	**1,138**	**1,536**

At as 31 December 2010, loans with a carrying amount of RMB195 million (31 December 2009: Nil) were pledged as assets sold under agreements to repurchase. As of the date of approval of these financial statements, RMB90 million of the above amount has been released from such pledge.

24. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

The Group's investments in principal associates and jointly controlled entities as at 31 December 2010 are as follows:

(in RMB million) Name of the invested entity	31 December 2010	31 December 2009
Shenzhen Development Bank Co., Ltd. ("SDB")	**26,890**	–
Veolia Water (Kunming) Investment Co., Ltd. ("Veolia Kunming")	**197**	195
Veolia Water (Yellow River) Investment Co., Ltd. ("Veolia Yellow River")	**629**	641
Veolia Water (Liuzhou) Investment Co., Ltd. ("Veolia Liuzhou")	**110**	111
Shanxi Taichang Expressway Co., Ltd. ("Shanxi Taichang")	**894**	987
Hubei Shumyip Huayin Traffic Development Co., Ltd. ("Hubei Shumyip Huayin")	**404**	467
Beijing-Shanghai High-speed Railway Equity Investment Scheme ("Beijing-Shanghai Railway")	**6,300**	6,066
Hangzhou Sundy Real Estate Group Co., Ltd. ("Hangzhou Sundy")	**489**	457
Shaoxing Pingan New Capital Co., Ltd. ("Shaoxing Pingan New Capital")	**37**	26
Central China Securities Holding Co., Ltd. ("Central China Securities")	**2,180**	2,150
Zhong You Jin Hong Natural Gas Transmission Co., Ltd. ("Zhong You Jin Hong")	**437**	403
Shanghai Richen Asset Management Co., Ltd. ("Shanghai Richen")	**–**	49
XJ Group	**187**	–
Ping An Cai Fu Jinkang Trust Schemes of Collective Funds ("Jinkang Trust")	**92**	97
Xi'an Ruilian Modern Electronic Chemical Co., Ltd. ("Xi'an Ruilian")	**313**	294
Sensible Asset Management Hongkong Limited ("Sensible Asset Management")	**15**	19
Others	**427**	101
	39,601	12,063

24. INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

Name of the invested entity	Place of incorporation	Corporate representative	Organization code	Registered/ authorized capital (RMB unless otherwise stated)	Paid-up Capital (RMB unless otherwise stated)	Percentage holding	Principal activities
SDB (i)	The PRC	Suining Xiao	B0014H144030001	3,485,013,762	3,485,013,762	29.99%	Banking
Veolia Kunming	Hong Kong	N/A	969663	USD95,000,000	USD91,875,208	24.00%	Water investment
Veolia Yellow River	Hong Kong	N/A	1096345	USD250,000,000	USD189,421,568	49.00%	Water investment
Veolia Liuzhou	Hong Kong	N/A	1059574	USD32,124,448	USD32,124,448	45.00%	Water investment
Shanxi Taichang	The PRC	Qingfei Wei	75409198-1	2,600,190,000	2,600,190,000	30.00%	Expressway operation
Hubei Shumyip Huayin	The PRC	Zhuo Yang	77758725	110,000,000	110,000,000	49.00%	Expressway investment
Beijing-Shanghai Railway	The PRC	N/A	N/A	16,000,000,000	16,000,000,000	39.375%	Railway investment
Hangzhou Sundy	The PRC	Jianwu Yu	25543169-7	75,000,000	75,000,000	20.00%	Real estate development
Shaoxing Pingan New Capital	The PRC	Shixiao Wei	67959860-X	300,000,000	90,000,000	30.00%	Investment holding
Central China Securities	The PRC	Baoshang Shi	744078476	2,033,515,700	2,033,515,700	40.63%	Security investment and brokerage
Zhong You Jin Hong	The PRC	Yihe Chen	76420303-5	549,396,700	549,396,700	19.24%	Gas distribution pipe network construction and operation
XJ Group	The PRC	Jinian Wang	17429416-8	603,033,599	603,033,599	40.00%	Investment in electricity equipment, and etc
Taoshi Equity Investment Management (Shanghai) Co.,Ltd.	The PRC	Shan Li	55153844-8	14,000,000	4,216,153	50.00%	Investment and business management
Jinkang Trust	N/A	N/A	N/A	200,000,000	200,000,000	50.00%	Chain clinic investment
Xi'an Ruilian	The PRC	Xiaochun Liu	62805371-4	34,375,000	34,375,000	40.63%	Liquid crystal materials manufacturing and selling
Sensible Asset Management	Hong Kong	N/A	N/A	HKD2,000,000	HKD2,000,000	50.00%	Funds management

(i) On 12 June 2009, the Company signed a Share Purchase Agreement with Newbridge to purchase the 520 million SDB shares it held and Newbridge had the option to elect to receive RMB11,449 million in cash or 299 million newly issued H shares of the company as consideration. With the regulatory bodies' approvals, the Company issued about 299 million H shares as the consideration to acquire the 520 million SDB shares held by Newbridge. Upon completion of this transaction on 7 May 2010, the Group held 21.44% of the total shares of SDB and accounted for it as an associate. On 12 June 2009, Ping An Life signed a Share Subscription Agreement with SDB to subscribe for 370 million to 585 million of new SDB shares. With the regulatory bodies' approvals, Ping An Life subscribed about 379 million SDB new shares at the consideration of RMB6,931 million. Upon completion of this transaction on 29 June 2010, the Group held 29.99% of the total shares of SDB.

25. PREMIUM RECEIVABLES

(in RMB million)	31 December 2010	31 December 2009
Premium receivables	**6,496**	4,654
Less: Provision for doubtful receivables	**(198)**	(78)
Premium receivables, net	**6,298**	4,576
Life insurance	**3,736**	2,905
Property and casualty insurance	**2,562**	1,671
Premium receivables, net	**6,298**	4,576

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 six months. Overdue balances are reviewed regularly by management.

An aging analysis of premium receivables is as follows:

(in RMB million)	31 December 2010	31 December 2009
Within 3 months	**6,095**	4,397
Over 3 months but within 1 year	**173**	167
Over 1 year	**30**	12
	6,298	4,576

26. REINSURERS' SHARE OF INSURANCE LIABILITIES

(in RMB million)	31 December 2010	31 December 2009
Reinsurers' share of unearned premium reserves	**2,627**	2,009
Reinsurers' share of claim reserves	**3,021**	2,443
Reinsurers' share of policyholders' reserves	**530**	531
	6,178	4,983

27. INVESTMENT PROPERTIES

(in RMB million)	2010	2009
Cost		
As at 1 January	**7,326**	7,143
Acquisition of subsidiaries	**315**	–
Additions	**3**	222
Transfer from property and equipment, net	**2,576**	138
Disposals of subsidiaries	**(83)**	–
Disposals	**(63)**	(177)
As at 31 December	**10,074**	7,326
Accumulated depreciation and impairment losses		
As at 1 January	**896**	754
Charge for the year	**254**	207
Transfer from property and equipment, net	**91**	–
Disposals of subsidiaries	**(28)**	–
Disposals	**(5)**	(65)
As at 31 December	**1,208**	896
Net book value		
As at 31 December	**8,866**	6,430
As at 1 January	**6,430**	6,389
Fair value	**12,844**	9,560

The fair values of the investment properties as at 31 December 2010 were estimated by the Group, based on valuations performed by independent valuers.

The rental income arising from investment properties during the year amounted to RMB443 million (2009: RMB441 million), which is included in net investment income.

Gains on disposal of investment properties during the year amounted to RMB16 million (2009: RMB7 million).

As at 31 December 2010, investment properties with a net book value of RMB1,959 million (31 December 2009: RMB2,226 million) were used to secure long term borrowings with an aggregate carrying amount of RMB1,517 million (31 December 2009: RMB1,721 million).

The Group was still in the process of applying for title certificates for investment properties with a net book of RMB2,631 million as at 31 December 2010 (31 December 2009: RMB1,653 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 2010	**1,493**	**5,505**	**3,923**	**679**	**3,249**	**14,849**
Acquisition of subsidiaries	**–**	**18**	**1**	**–**	**–**	**19**
Additions	**383**	**114**	**677**	**239**	**1,466**	**2,879**
Transfer of construction in progress	**285**	**251**	**1**	**1**	**(603)**	**(65)**
Transfer to investment properties, net	**–**	**(491)**	**–**	**–**	**(2,085)**	**(2,576)**
Disposals of subsidiaries	**–**	**(1,086)**	**(682)**	**(23)**	**(220)**	**(2,011)**
Disposals	**(220)**	**(98)**	**(245)**	**(52)**	**(4)**	**(619)**
As at 31 December 2010	**1,941**	**4,213**	**3,675**	**844**	**1,803**	**12,476**
Accumulated depreciation and impairment losses						
As at 1 January 2010	**569**	**1,445**	**1,847**	**311**	**11**	**4,183**
Acquisition of subsidiaries	**–**	**–**	**6**	**–**	**–**	**6**
Charge for the year	**431**	**194**	**522**	**77**	**–**	**1,224**
Disposals of subsidiaries	**–**	**(288)**	**(319)**	**(14)**	**–**	**(621)**
Disposals	**(141)**	**(130)**	**(178)**	**(37)**	**–**	**(486)**
As at 31 December 2010	**859**	**1,221**	**1,878**	**337**	**11**	**4,306**
Net book value						
As at 31 December 2010	**1,082**	**2,992**	**1,797**	**507**	**1,792**	**8,170**
As at 1 January 2010	**924**	**4,060**	**2,076**	**368**	**3,238**	**10,666**

(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

The Group was still in the process of applying for the title certificates for its buildings with a net book value of RMB216 million as at 31 December 2010 (31 December 2009: RMB157 million).

29. INTANGIBLE ASSETS

(in RMB million)	Goodwill	Expressway operating rights	Prepaid land premiums	Patents, know-how and others	Software and others	Total
Cost						
As at 1 January 2010	914	7,426	2,845	2,212	1,135	14,532
Acquisition of subsidiaries	–	–	–	–	12	12
Additions	–	–	429	–	218	647
Disposals of subsidiaries	(295)	–	(509)	(2,212)	(125)	(3,141)
Disposals	–	–	(8)	–	(6)	(14)
As at 31 December 2010	619	7,426	2,757	–	1,234	12,036
Accumulated amortization and impairment losses						
As at 1 January 2010	–	791	268	37	562	1,658
Acquisition of subsidiaries	–	–	–	–	–	–
Charge for the year	–	320	52	16	232	620
Disposals of subsidiaries	–	–	(29)	(53)	(56)	(138)
Disposals	–	–	(4)	–	(2)	(6)
As at 31 December 2010	–	1,111	287	–	736	2,134
Net book value						
As at 31 December 2010	619	6,315	2,470	–	498	9,902
As at 1 January 2010	914	6,635	2,577	2,175	573	12,874

(in RMB million)	Goodwill	Expressway operating rights	Prepaid land premiums	Patents, know-how and others	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

29. INTANGIBLE ASSETS (CONTINUED)

As at 31 December 2010, the expressway operating rights were used to secure long term borrowings with the carrying amount of RMB1,845 million (31 December 2009: RMB3,535 million).

The Group was still in the process of applying for title certificates for prepaid land premiums with a net book value of RMB1,641 million as at 31 December 2010 (31 December 2009: RMB1,242 million).

30. OTHER ASSETS

(in RMB million)	31 December 2010	31 December 2009
Other receivables*	**5,491**	3,507
Due from reinsurers	**2,830**	2,483
Interest receivables	**14,179**	9,268
Settled assets	**55**	64
Bills receivable	**–**	38
Prepayments	**729**	576
Others	**929**	588
	24,213	16,524

* Since 1 January 2009, the Group has implemented the "*Interpretation No. 2 to China Accounting Standards*" and the "*Regulation on Accounting for Insurance Contracts*" (Caikuai [2009] No. 15) issued by the Ministry of Finance. As the relevant tax laws and regulations have not clearly clarified how the implementation of the above accounting regulations would affect the manner in which corporate income tax would be imposed, the Group accrued the corporate income tax based on its understanding and judgement of the current prevailing tax laws and regulations when preparing the financial statements. The Group for the time being is paying corporate income tax based on tax practices that were in place prior to the introduction of the above new regulations. As there is a difference between the accrued corporate income tax amount and the actual payment of the corporate income tax, the Group recorded this difference of RMB2,499 million in other assets as at 31 December 2010 as prepaid income tax. The amount and timing as to the recoverability of such prepaid tax is subject to the final clarification from the relevant tax authorities.

31. SHARE CAPITAL

(in millions)	31 December 2010	31 December 2009
Number of shares registered, issued and fully paid, with a par value of RMB1 each	**7,644**	7,345

On 6 May 2010, the Company issued 299 million H shares to Newbridge, as the consideration to acquire the SDB shares it held. Upon completion of this issuance, the total shares of the Company increased from 7,345 million to 7,644 million, the paid-in capital also increased to RMB7,644 million. The change in share capital was verified by CPAs. As of the date of approval of these consolidated financial statements, the business registration procedures for the changes in share capital were in progress.

32. RESERVES AND RETAINED PROFITS

GROUP

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Out of the Group's retained profits, RMB5,110 million as at 31 December 2010 (31 December 2009: RMB2,128 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, RMB4,928 million as at 31 December 2010 (31 December 2009: RMB3,231 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 2010	**51,907**	**48**	**6,208**	**395**	**4,668**	**63,226**
Total comprehensive income for the year	**–**	**(27)**	**–**	**–**	**4,181**	**4,154**
Appropriations to surplus reserve fund	**–**	**–**	**481**	**–**	**(481)**	**–**
Shareholder's capital injection	**15,737**	**–**	**–**	**–**	**–**	**15,737**
Dividend declared	**–**	**–**	**–**	**–**	**(3,440)**	**(3,440)**
As at 31 December 2010	**67,644**	**21**	**6,689**	**395**	**4,928**	**79,677**
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

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 year-end 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 2009 was approved in the shareholders' meeting held on 29 June 2010.

33. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	31 December 2010	31 December 2009
Deposits from other banks and financial institutions	**25,237**	24,924
Short term borrowings	**3,681**	10,050
Long term borrowings	**9,904**	13,148
	38,822	48,122

For the mortgage and collateral of the above borrowings, please refer to Note 27 and 29.

34. ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

(in RMB million)	31 December 2010	31 December 2009
Bonds	**106,969**	59,067
Equity investment funds	**–**	94
Loans	**195**	–
Assets purchased under agreements to resell	**581**	1,000
Others	**105**	203
	107,850	60,364

For the collateral of the assets sold under agreements to repurchase, please refer to Note 20, 21 and 23.

35. CUSTOMER DEPOSITS AND PAYABLES TO BROKERAGE CUSTOMERS

(in RMB million)	31 December 2010	31 December 2009
Current and savings accounts		
– Corporate customers	**57,927**	45,732
– Individual customers	**19,371**	9,764
Term deposits		
– Corporate customers	**57,165**	50,792
– Individual customers	**12,319**	9,757
Guarantee deposits	**16,078**	11,007
Payables to brokerage customers		
– Corporate customers	**1,762**	1,689
– Individual customers	**11,341**	11,803
	175,963	140,544

36. INSURANCE CONTRACT LIABILITIES

(in RMB million)	31 December 2010	31 December 2009
Policyholders' reserves	**395,159**	336,014
Policyholder contract deposits	**155,628**	107,861
Policyholder account liabilities in respect of insurance contracts	**40,284**	42,506
Unearned premium reserves	**30,842**	20,145
Claim reserves	**18,034**	12,128
Total	**639,947**	518,654

	31 December 2010		
(in RMB million)	Insurance contract liabilities	Reinsurers' share	Net
Long term life insurance contracts	**591,071**	**(530)**	**590,541**
Short term life insurance contracts	**3,118**	**(589)**	**2,529**
Property and casualty insurance contracts	**45,758**	**(5,059)**	**40,699**
	639,947	**(6,178)**	**633,769**

	31 December 2009		
(in RMB million)	Insurance contract liabilities	Reinsurers' share	Net
Long term life insurance contracts	486,381	(531)	485,850
Short term life insurance contracts	3,410	(779)	2,631
Property and casualty insurance contracts	28,863	(3,673)	25,190
	518,654	(4,983)	513,671

(in RMB million)	31 December 2010	31 December 2009
Current portion*		
Long term life	**(8,039)**	(8,375)
Short term life	**3,102**	3,175
Property and casualty	**30,287**	19,207
Non-current portion		
Long term life	**599,110**	494,756
Short term life	**16**	235
Property and casualty	**15,471**	9,656
Total gross insurance contract liabilities	**639,947**	518,654

* 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 2010	31 December 2009
Policyholders' reserves	**395,159**	336,014
Policyholder contract deposits	**155,628**	107,861
Policyholder account liabilities in respect of insurance contracts	**40,284**	42,506
	591,071	486,381

The policyholders' reserves are analyzed as follows:

(in RMB million)	2010	2009
As at 1 January	**336,014**	298,892
Increase during the year	**93,404**	70,170
Decrease during the year		
– Claims and benefits paid	**(24,816)**	(23,289)
– Surrender	**(8,549)**	(8,007)
– Others	**(894)**	(1,752)
As at 31 December	**395,159**	336,014

The policyholder contract deposits are analyzed as follows:

(in RMB million)	2010	2009
As at 1 January	**107,861**	62,403
Premiums received	**59,972**	53,927
Accretion of investment income	**4,191**	3,424
Liabilities released for benefits paid	**(7,413)**	(5,121)
Policy administration fees and surrender charges deducted	**(94)**	(85)
Others	**(8,889)**	(6,687)
As at 31 December	**155,628**	107,861

(2) SHORT TERM LIFE INSURANCE CONTRACTS

(in RMB million)	31 December 2010	31 December 2009
Unearned premium reserves	**1,988**	2,199
Claim reserves	**1,130**	1,211
	3,118	3,410

36. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(2) SHORT TERM LIFE INSURANCE CONTRACTS (CONTINUED)

The unearned premium reserves of short term life insurance are analyzed as follows:

	2010			2009		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**2,199**	**(412)**	**1,787**	2,007	(381)	1,626
Premiums written during the year	**6,192**	**(1,357)**	**4,835**	5,926	(1,157)	4,769
Premiums earned during the year	**(6,403)**	**1,502**	**(4,901)**	(5,734)	1,126	(4,608)
As at 31 December	**1,988**	**(267)**	**1,721**	2,199	(412)	1,787

The claim reserves of short term life insurance are analyzed as follows:

	2010			2009		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**1,211**	**(367)**	**844**	1,213	(381)	832
Claims incurred during the year	**3,311**	**(919)**	**2,392**	3,221	(910)	2,311
Claims paid during the year	**(3,392)**	**964**	**(2,428)**	(3,223)	924	(2,299)
As at 31 December	**1,130**	**(322)**	**808**	1,211	(367)	844

(3) PROPERTY AND CASUALTY INSURANCE CONTRACTS

(in RMB million)	31 December 2010	31 December 2009
Unearned premium reserves	**28,854**	17,946
Claim reserves	**16,904**	10,917
	45,758	28,863

The unearned premium reserves of property and casualty insurance are analyzed as follows:

	2010			2009		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**17,946**	**(1,597)**	**16,349**	12,548	(1,521)	11,027
Premiums written during the year	**62,507**	**(6,824)**	**55,683**	38,774	(4,945)	33,829
Premiums earned during the year	**(51,599)**	**6,061**	**(45,538)**	(33,376)	4,869	(28,507)
As at 31 December	**28,854**	**(2,360)**	**26,494**	17,946	(1,597)	16,349

36. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(3) PROPERTY AND CASUALTY INSURANCE CONTRACTS (CONTINUED)

The claim reserves of property and casualty insurance are analysed as follows:

	2010			2009		
(in RMB million)	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
As at 1 January	**10,917**	**(2,076)**	**8,841**	8,781	(2,308)	6,473
Claims incurred during the year	**28,438**	**(3,202)**	**25,236**	18,554	(2,319)	16,235
Claims paid during the year	**(22,451)**	**2,579**	**(19,872)**	(16,418)	2,551	(13,867)
As at 31 December	**16,904**	**(2,699)**	**14,205**	10,917	(2,076)	8,841

37. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

(in RMB million)	31 December 2010	31 December 2009
Policyholder account liabilities in respect of investment contracts	**3,994**	4,416
Investment contract reserves	**25,997**	24,535
	29,991	28,951

The investment contract liabilities are analyzed as follows:

(in RMB million)	2010	2009
As at 1 January	**28,951**	26,683
Premiums received	**7,065**	5,676
Accretion of investment income	**607**	2,344
Liabilities released for benefits paid	**(5,797)**	(4,933)
Policy administration fees and surrender charges deducted	**(61)**	(100)
Others	**(774)**	(719)
As at 31 December	**29,991**	28,951

As at 31 December 2009 and 2010, the Group had no reinsurance contracts without significant insurance risk transfer.

38. BONDS PAYABLE

(in RMB million)	31 December 2010	31 December 2009
Subordinated debts		
– Ping An Property & Casualty	**4,548**	2,000
– Ping An Bank	**2,992**	2,990
	7,540	4,990

Ping An P&C issued RMB2,000 million and RMB2,500 million of subordinated bonds in 2009 and 2010 respectively. Ping An Bank issued RMB3,000 million of subordinated bonds in 2009. These are unsecured subordinated debts which have a maturity period of 10 years. Ping An Property & Casualty and Ping An Bank have the option to redeem the debts at the end of the fifth year.

39. DEFERRED TAX ASSETS AND LIABILITIES

(in RMB million)	31 December 2010	31 December 2009
Deferred tax assets	**6,496**	7,001
Deferred tax liabilities	**(869)**	(1,007)
Net	**5,627**	5,994

	2010				
(in RMB million)	As at 1 January	Charged to profit or loss	Charged to equity	Other changes	As at 31 December
Fair value adjustment on financial assets and liabilities carried at fair value through profit or loss	**(73)**	**25**	**–**	**–**	**(48)**
Fair value adjustment and impairment loss on available-for-sale investments	**4,653**	**75**	**1,373**	**–**	**6,101**
Insurance contract liabilities	**1,761**	**(1,562)**	**(523)**	**–**	**(324)**
Others	**(347)**	**(115)**	**–**	**360**	**(102)**
	5,994	**(1,577)**	**850**	**360**	**5,627**

	2009				
(in RMB million)	As at 1 January	Charged to profit or loss	Charged to equity	Other 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

40. OTHER LIABILITIES

(in RMB million)	31 December 2010	31 December 2009
Other payables	**5,102**	5,159
Salaries and welfare payable	**4,016**	3,033
Accounts payable	**280**	1,614
Interest payable	**1,782**	1,378
Other tax payable	**1,377**	1,010
Bonds payable	**–**	790
Deposit received	**1,959**	693
Payables on underwriting securities	**2,030**	700
Contingency provision	**252**	374
Insurance guarantee fund	**369**	248
Accruals	**503**	143
Dividend payable	**79**	105
Bills payable	**–**	49
Long term payable	**–**	20
Others	**450**	34
	18,199	15,350

41. FIDUCIARY ACTIVITIES

(in RMB million)	31 December 2010	31 December 2009
Assets under trust schemes	**133,356**	123,739
Assets under corporate annuity schemes	**29,350**	20,095
Entrusted loans	**2,604**	1,841
Assets under asset management schemes	**25,089**	14,377
	190,399	160,052

All of the above are off-balance sheet items.

42. RISK AND CAPITAL MANAGEMENT

(1) INSURANCE RISK

Insurance risk refers 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.

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 lifestyles 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.

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.

The Group's concentration of insurance risk is reflected by its major lines of business as analyzed by insurance contract liabilities in Note 36.

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

(a) Long term life insurance contracts

Assumptions

Material judgement 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.

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.

	31 December 2010				
(in RMB million)	Change in assumptions	Impact on gross policyholders' reserves Increase/(decrease)	Impact on net policyholders' reserves Increase/(decrease)	Impact on profit before tax Increase/(decrease)	Impact on equity before tax Increase/(decrease)
Discount rate/Investment return	+10bps	(4,392)	(4,384)	4,384	4,384
Discount rate/Investment return	-10bps	4,668	4,660	(4,660)	(4,660)
Morbidity/mortality rates	-10%/+10%	4,178	3,699	(3,699)	(3,699)
Policy lapse rates	+10%	2,255	2,270	(2,270)	(2,270)
Maintenance expense rates	+5%	1,124	1,124	(1,124)	(1,124)

	31 December 2009				
(in RMB million)	Change in assumptions	Impact on gross policyholders' reserves Increase/(decrease)	Impact on net policyholders' reserves Increase/(decrease)	Impact on profit before tax Increase/(decrease)	Impact on equity before tax 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)

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(1) INSURANCE RISK (CONTINUED)

(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. Judgement 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 including 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				
(in RMB million)	2007	2008	2009	**2010**	Total
Estimated cumulative claims paid as of:					
End of current year	10,880	16,512	17,487	**26,776**	
One year later	10,925	16,749	17,652	**–**	
Two years later	11,044	16,840	–	**–**	
Three years later	11,058	–	–	**–**	
Estimated cumulative claims	11,058	16,840	17,652	**26,776**	72,326
Cumulative claims paid	(10,804)	(16,108)	(15,403)	**(14,187)**	(56,502)
Sub-total					15,824
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin					1,080
Unpaid claim expenses					16,904

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)	Property and casualty insurance (accident year) – net 2007	2008	2009	2010	Total
Estimated cumulative claims paid as of:					
End of current year	9,021	13,278	15,286	**23,964**	
One year later	9,080	13,300	15,243	**–**	
Two years later	9,154	13,295	–	**–**	
Three years later	9,146	–	–	**–**	
Estimated cumulative claims	9,146	13,295	15,243	**23,964**	61,648
Cumulative claims paid	(8,952)	(13,048)	(13,544)	**(12,885)**	(48,429)
Sub-total					13,219
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin					986
Unpaid claim expenses					14,205

(in RMB million)	Short term life insurance (accident year) – gross 2007	2008	2009	2010	Total
Estimated cumulative claims paid as of:					
End of current year	2,316	3,235	3,486	**3,327**	
One year later	2,336	2,951	3,378	**–**	
Two years later	2,354	2,935	–	**–**	
Three years later	2,354	–	–	**–**	
Estimated cumulative claims	2,354	2,935	3,378	**3,327**	11,994
Cumulative claims paid	(2,354)	(2,935)	(3,332)	**(2,299)**	(10,920)
Sub-total					1,074
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin					56
Unpaid claim expenses					1,130

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	2008	2009	**2010**	Total
Estimated cumulative claims paid as of:					
End of current year	1,790	2,266	2,452	**2,371**	
One year later	1,682	2,081	2,404	**–**	
Two years later	1,670	2,115	–	**–**	
Three years later	1,670	–	–	**–**	
Estimated cumulative claims	1,670	2,115	2,404	**2,371**	8,560
Cumulative claims paid	(1,670)	(2,115)	(2,366)	**(1,649)**	(7,800)
Sub-total					760
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin					48
Unpaid claim expenses					808

To illustrate the sensitivities of ultimate claims costs, for example, a respective percentage change in the average claim costs alone results in a similar percentage change in claim reserves:

	31 December 2010				
(in RMB million)	Change in assumptions	Impact on gross liabilities Increase/(decrease)	Impact on net liabilities Increase/(decrease)	Impact on profit before tax Increase/(decrease)	Impact on equity before tax Increase/(decrease)
Average claim costs					
Property and casualty insurance	**+5%**	**845**	**710**	**(710)**	**(710)**
Short term life insurance	**+5%**	**57**	**40**	**(40)**	**(40)**

	31 December 2009				
(in RMB million)	Change in assumptions	Impact on gross liabilities Increase/(decrease)	Impact on net liabilities Increase/(decrease)	Impact on profit before tax Increase/(decrease)	Impact on equity before tax Increase/(decrease)
Average claim costs					
Property and casualty insurance	+5%	546	442	(442)	(442)
Short term life insurance	+5%	61	42	(42)	(42)

(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.

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK

Market risk is the risk of changes in fair value of financial instruments from fluctuation in foreign exchange rates (foreign 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 position 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 2010		31 December 2009	
(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%	**82**	**82**	164	181
HKD	-5%	**43**	**1,012**	42	803
Other currencies	-5%	**3**	**95**	11	166
		128	**1,189**	217	1,150

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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 2010					
(in millions)	RMB	USD (Original)	HKD (Original)	EUR (Original)	Others (RMB equivalent)	RMB equivalent total
Assets						
Balances with central bank and statutory deposits	42,017	9	39	–	–	42,110
Cash and amounts due from banks and other financial institutions	197,680	272	4,438	1	48	203,315
Fixed maturity investments	552,368	192	16	–	–	553,652
Equity investments	61,713	2	22,815	207	11	82,974
Loans and advances to customers	130,736	182	22	–	–	131,960
Premium receivables	5,938	49	40	–	1	6,298
Accounts receivable	92	–	28	–	–	116
Reinsurers' share of insurance liabilities	2,814	98	103	–	–	3,551
Other assets	22,171	75	50	–	–	22,710
	1,015,529	879	27,551	208	60	1,046,686
Liabilities						
Due to banks and other financial institutions	34,977	189	3,057	–	–	38,822
Assets sold under agreements to repurchase	107,850	–	–	–	–	107,850
Customer deposits and payables to brokerage customers	174,159	224	377	–	–	175,963
Insurance payables	14,771	18	35	–	1	14,928
Investment contract liabilities for policyholders	25,997	–	–	–	–	25,997
Policyholder dividend payable	14,174	1	–	–	1	14,182
Insurance contract liabilities	568,049	101	120	–	1	568,821
Bonds payable	7,540	–	–	–	–	7,540
Other liabilities	12,499	98	165	–	–	13,289
	960,016	631	3,754	–	3	967,392

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(a) Foreign currency risk (continued)

	31 December 2009					
(in millions)	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	24,535	–	–	–	–	24,535
Policyholder dividend payable	10,819	–	–	–	–	10,819
Insurance contract liabilities	455,450	64	118	–	12	456,003
Bonds 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)

(b) Price risk

The Group's price risk exposure relates to financial assets 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 conditions 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. The 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 interval.

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 the VaR module in the normal market.

(in RMB million)	31 December 2010	31 December 2009
Listed stocks and equity investment funds	**6,693**	8,114

The Group expects that current listed stocks and equity investments funds will not lose more than RMB6,693 million due to market price movements in a 10-trading-day holding period on 99% of 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 rate risk, whereas fixed rate instruments expose the Group to fair value interest risk.

The Group's interest rate 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

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on the Group's profit (fair value change on held-for-trading bonds) and equity (fair value change on held-for-trading bonds and available-for-sale bonds).

		31 December 2010		31 December 2009	
(in RMB million)	Change in interest rate	Decrease in profit before tax	Decrease in equity before tax	Decrease in profit before tax	Decrease in equity before tax
Bonds carried at fair value through profit or loss and available-for-sale	+50 basis points	**207**	**4,255**	184	4,962

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 a 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, the 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 pre-tax impact on the Group's profit and equity as a result of actual increases or decreases in interest rates may differ from that of the following sensitivity analysis.

		31 December 2010		31 December 2009	
(in RMB million)	Change in interest rate	Increase/(decrease) in profit before tax	Increase/(decrease) in equity before tax	Increase/(decrease) in profit before tax	Increase/(decrease) in equity before tax
Floating interest rate bonds	+50 basis points	**173**	**173**	126	126
Floating rate term deposits	+50 basis points	**175**	**175**	153	153
Loans and advances to customers	+50 basis points	**518**	**518**	370	370
Customer deposits and payables to brokerage customers	+50 basis points	**(742)**	**(742)**	(520)	(520)

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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 2010	31 December 2009
Fixed interest rate		
Less than 3 months (including 3 months)	4,839	16,835
3 months to 1 year (including 1 year)	16,257	3,566
1-2 years (including 2 years)	1,900	14,770
2-3 years (including 3 years)	19,670	1,900
3-4 years (including 4 years)	–	19,670
4-5 years (including 5 years)	54,050	–
More than 5 years	3,242	2,044
Floating interest rate	34,970	30,500
	134,928	89,285

The following table sets out the Group's bonds and debt schemes (excluding balances of investment-linked contracts) by maturity:

	31 December 2010				
(in RMB million)	Held-to-maturity	Available-for-sale	Carried at fair value through profit or loss	Loans and receivables	Total
Fixed interest rate					
Less than 3 months (including 3 months)	599	4,244	1,646	150	6,639
3 months to 1 year (including 1 year)	19,672	6,610	5,446	100	31,828
1-2 years (including 2 years)	5,325	5,288	701	–	11,314
2-3 years (including 3 years)	15,104	20,411	2,263	964	38,742
3-4 years (including 4 years)	13,972	10,330	1,188	–	25,490
4-5 years (including 5 years)	26,403	14,185	1,331	–	41,919
More than 5 years	250,018	70,701	2,991	–	323,710
Floating interest rate	7,919	36,988	2,167	1,070	48,144
	339,012	168,757	17,733	2,284	527,786

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(2) MARKET RISK (CONTINUED)

(c) Interest rate risk (continued)

(in RMB million)	31 December 2009			
	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

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.

Credit quality

The following table sets forth amounts due from banks and other financial institutions placed with the 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.

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(3) CREDIT RISK (CONTINUED)

Credit quality (continued)

(in RMB million)	31 December 2010	31 December 2009
Central bank	**34,178**	24,806
Top five commercial banks		
China Minsheng Banking Corp., Ltd.	**29,131**	17,216
Bank of China Limited	**26,739**	20,328
Shanghai Pudong Development Bank Co., Ltd.	**21,143**	12,000
Industrial Bank Co., Ltd.	**17,104**	11,533
China Everbright Bank Co., Ltd.	**13,509**	6,012
Other major banks and financial institutions		
Industrial and Commercial Bank of China Limited	**10,521**	11,336
Bank of Communication Co., Ltd.	**5,222**	6,591
The Hongkong and Shanghai Banking Corp., Ltd. ("HSBC")	**105**	165
Shenzhen Development Bank Co., Ltd.	**3,293**	3,840
Agricultural Bank of China Limited	**10,807**	9,306
China Construction Bank Corporation	**10,699**	27,212
Others	**51,335**	32,168
	233,786	182,513

The Group's debt securities investment mainly includes domestic government bonds, central bank bills, financial institution bonds and corporate bonds. As at 31 December 2010, 99.71% (31 December 2009: 99.99%) 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 2010, 100% (31 December 2009: 99.99%) 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 2010 and 31 December 2009.

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 (excluding balances of investment-linked contracts) 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 2010	31 December 2009
Balances with central bank and statutory deposits	**42,110**	31,006
Cash and amounts due from banks and other financial institutions	**203,315**	158,219
Fixed maturity investments	**553,652**	428,417
Equity investments	**86,369**	82,116
Derivative financial assets	**6**	9
Loans and advances to customers	**131,960**	109,060
Premium receivables	**6,298**	4,576
Accounts receivable	**116**	3,284
Other assets	**22,710**	15,296
	1,046,536	831,983
Credit commitments Note 49. (3)	**141,081**	104,003
Total credit risk exposure	**1,187,617**	935,986

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 2010						
		Past due but not impaired					
(in RMB million)	Not due and not impaired	Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired	Impaired	Total
Loans and advances to customers	**131,742**	**592**	**147**	**178**	**917**	**837**	**133,496**
Premium receivables	**5,788**	**1**	**366**	**177**	**544**	**164**	**6,496**
Due from reinsurers	**2,716**	**1**	**39**	**43**	**83**	**65**	**2,864**
Gross total	**140,246**	**594**	**552**	**398**	**1,544**	**1,066**	**142,856**

	31 December 2009						
		Past due but not impaired					
(in RMB million)	Not due and not impaired	Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired	Impaired	Total
Loans and advances to customers	108,116	892	278	123	1,293	582	109,991
Accounts receivable	3,264	–	–	176	176	–	3,440
Premium receivables	4,176	8	236	227	471	7	4,654
Due from reinsurers	2,249	1	35	116	152	94	2,495
Gross total	117,805	901	549	642	2,092	683	120,580

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 2010 was RMB1,464 million (31 December 2009: RMB1,271 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 2010 was RMB160 million (31 December 2009: RMB245 million).

Financial assets whose terms have been renegotiated

(in RMB million)	31 December 2010	31 December 2009
Loans and advances to customers	**1,068**	128

(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.

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

	31 December 2010				
(in RMB million)	Past due	Less than 3 months	3 to 12 months	Over 1 year	Total
Derivative financial liabilities	–	9	2	4	15
Due to banks and other financial institutions	–	24,438	5,481	11,016	40,935
Assets sold under agreements to repurchase	–	117,195	–	–	117,195
Customer deposits and payables to brokerage customers	–	130,941	37,949	10,523	179,413
Insurance payable	–	14,429	401	98	14,928
Investment contract liabilities for policyholders	–	1,624	2,465	28,859	32,948
Policyholder dividend payable	–	14,182	–	–	14,182
Bonds payable	–	20	104	9,841	9,965
Other liabilities	2	10,131	1,594	1,562	13,289
	2	312,969	47,996	61,903	422,870

	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	24,028	28,812
Policyholder dividend payable	–	10,819	–	–	10,819
Bonds payable	–	84	–	5,946	6,030
Other liabilities	16	8,583	2,856	1,675	13,130
	16	191,003	69,750	63,417	324,186

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(4) LIQUIDITY RISK (CONTINUED)

The table below summarizes the expected recovery or settlement of assets (excluding balances of investment-linked contracts).

	31 December 2010		
(in RMB million)	Current*	Non-current	Total
Balances with central bank and statutory deposits	**7,481**	**34,629**	**42,110**
Cash and amounts due from banks and other financial institutions	**91,441**	**111,874**	**203,315**
Fixed maturity investments	**78,688**	**474,964**	**553,652**
Equity investments	**9,722**	**76,647**	**86,369**
Derivative financial assets	**6**	**–**	**6**
Loans and advances to customers	**72,144**	**59,816**	**131,960**
Investments in associates and jointly controlled entities	**–**	**39,601**	**39,601**
Premium receivables	**4,809**	**1,489**	**6,298**
Accounts receivable	**116**	**–**	**116**
Inventories	**97**	**–**	**97**
Reinsurers' share of insurance liabilities	**3,692**	**2,486**	**6,178**
Investment properties	**–**	**8,866**	**8,866**
Property and equipment	**–**	**8,170**	**8,170**
Intangible assets	**–**	**9,902**	**9,902**
Deferred tax assets	**–**	**6,496**	**6,496**
Other assets	**22,678**	**1,535**	**24,213**
	290,874	**836,475**	**1,127,349**

	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 jointly controlled entities	–	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

* Expected recovery within 12 months from the end of the reporting period.

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(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.

(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 to maintain 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 2010 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 2010			31 December 2009		
(in RMB million)	Regulatory capital held	Minimum regulatory capital	Solvency margin ratio	Regulatory capital held	Minimum regulatory capital	Solvency margin ratio
The Group	**124,207**	**62,778**	**197.9%**	117,560	38,916	302.1%
Ping An Life	**50,981**	**28,295**	**180.2%**	50,898	22,453	226.7%
Ping An Property & Casualty	**15,002**	**8,353**	**179.6%**	7,268	5,061	143.6%

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 Ping An Bank is analyzed below.

42. RISK AND CAPITAL MANAGEMENT (CONTINUED)

(7) CAPITAL MANAGEMENT

(in RMB million)	31 December 2010 Regulatory capital held	31 December 2010 Minimum regulatory capital	31 December 2009 Regulatory capital held	31 December 2009 Minimum regulatory capital
Core capital	**15,681**	**6,770**	14,309	5,266
Capital	**18,551**	**13,540**	17,173	10,531
Risk weighted assets	**169,254**		131,638	
Core capital adequacy ratio	**9.3%**		10.9%	
Capital adequacy ratio	**11.0%**		13.0%	

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, term deposits, bonds, funds, stocks, loans, customer deposits and payables to brokerage customers, etc. 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.

(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:

	Carrying values		Fair values	
(in RMB million)	**31 December 2010**	31 December 2009	**31 December 2010**	31 December 2009
Financial assets				
Available-for-sale				
Bonds	**168,757**	178,534	**168,757**	178,534
Funds	**21,983**	18,426	**21,983**	18,426
Stocks	**51,688**	45,667	**51,688**	45,667
Others	**3,395**	2,394	**3,395**	2,394
Carried at fair value through profit or loss				
Bonds	**17,733**	11,103	**17,733**	11,103
Funds	**6,044**	14,495	**6,044**	14,495
Stocks	**3,259**	3,528	**3,259**	3,528
Others	**3,628**	–	**3,628**	–
Derivative financial assets	**6**	9	**6**	9
Held-to-maturity				
Bonds	**339,012**	218,598	**331,290**	221,441
Loans and receivables				
Balances with central bank and statutory deposits	**42,110**	31,006	**42,110**	31,006
Cash and amounts due from banks and other financial institutions	**203,315**	158,219	**203,315**	158,219
Loans and advances to customers	**131,960**	109,060	**131,960**	109,060
Bonds	**1,214**	–	**1,214**	–
Debt schemes	**1,070**	–	**1,070**	–
Policy loans	**8,431**	5,434	**8,431**	5,434
Assets purchased under agreements to resell	**17,435**	14,748	**17,435**	14,748
Premium receivables	**6,298**	4,576	**6,298**	4,576
Other assets	**22,710**	15,296	**24,288**	15,296
Total financial assets	**1,050,048**	831,093	**1,043,904**	833,936
Financial liabilities				
Derivative financial liabilities	**15**	10	**15**	10
Other financial liabilities				
Due to banks and other financial institutions	**38,822**	48,122	**38,822**	48,122
Assets sold under agreements to repurchase	**107,850**	60,364	**107,850**	60,364
Customer deposits and payables to brokerage customers	**175,963**	140,544	**175,963**	140,544
Insurance payables	**14,928**	11,389	**14,928**	11,389
Investment contract liabilities for policyholders	**25,894**	22,482	**25,894**	22,482
Policyholder dividend payable	**14,182**	15,196	**14,182**	15,196
Bonds payable	**7,540**	4,990	**7,444**	5,000
Other liabilities	**14,498**	12,848	**14,498**	12,848
Total financial liabilities	**399,692**	315,945	**399,596**	315,955

The assets and liabilities of investment-linked business are not included in the above financial assets and liabilities.

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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 recorded at fair value in the financial statements, i.e., held-to-maturity and loans and receivables.

Assets for which fair value approximates to 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 to 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 to their fair values.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost is 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 valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: valuation techniques which use any 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:

	31 December 2010			
(in RMB million)	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Carried at fair value through profit or loss				
Bonds	740	16,931	62	17,733
Equity investment funds	5,957	87	–	6,044
Equity securities	3,259	–	–	3,259
Others	–	3,628	–	3,628
	9,956	20,646	62	30,664
Derivative financial assets				
Interest rate swaps	–	2	–	2
Currency forwards and swaps	–	4	–	4
	–	6	–	6
Available-for-sale financial assets				
Bonds	21,876	146,881	–	168,757
Equity investment funds	21,743	240	–	21,983
Equity securities	46,125	5,383	180	51,688
	89,744	152,504	180	242,428
Total financial assets	99,700	173,156	242	273,098
Financial liabilities				
Derivative financial liabilities				
Interest rate swaps	–	2	–	2
Currency forwards and swaps	–	10	–	10
Credit default swaps	–	3	–	3
Total financial liabilities	–	15	–	15

43. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

	31 December 2009			
(in RMB million)	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

	Carried at fair value through profit or loss		Available-for-sale financial assets	
	Debt securities		Equity securities	
(in RMB million)	2010	2009	2010	2009
At 1 January	–	–	186	200
Additions	60	–	–	–
Total gain in investment income in income statement	2	–	–	–
Total losses in other comprehensive income	–	–	(6)	(14)
At 31 December	62	–	180	186

Realized and unrealized losses of Level 3 financial instruments measured at fair value included in income statement and in other comprehensive income for the year are presented in the consolidated other comprehensive income as follows:

	2010		
(in RMB million)	Realized losses	Unrealized losses/(gains)	Total
Total gain included in income statement for the year	–	(2)	(2)
Total losses included in other comprehensive income for the year	–	6	6
Total losses included in other comprehensive income for assets and liabilities held at 31 December 2010	–	6	6

	2009		
(in RMB million)	Realized losses	Unrealized losses/(gains)	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 2010, 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.

43. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY (CONTINUED)

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)	31 December 2010 Carrying amount	31 December 2010 Effect of reasonably possible alternative assumptions Increase/(decrease) in fair value	31 December 2009 Carrying amount	31 December 2009 Effect of reasonably possible alternative assumptions Increase/(decrease) in fair value
Carried at fair value through profit or loss				
Debit securities				
– Discount rate -5%	**62**	**5**	–	–
– Discount rate +5%	**62**	**(4)**	–	–
Available-for-sale financial assets				
Equity securities				
– Discount rate -5%	**180**	**14**	186	14
– Discount rate +5%	**180**	**(13)**	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 other listed companies.

44. CASH AND CASH EQUIVALENTS

(in RMB million)	31 December 2010	31 December 2009
Balances with central bank	**7,481**	7,244
Cash and amounts due from banks and other financial institutions		
– Cash on hand	**755**	512
– Term deposits	**952**	15,680
– Due from banks and other financial institutions	**48,553**	39,628
– Placements with banks and other financial institutions	**3,548**	3,963
Equity investments		
– Money-market placements	**4,657**	11,983
Fixed maturity investments		
– Bonds of original maturities within 3 months	**–**	1,296
– Assets purchased under agreements to resell	**14,992**	8,659
Total	**80,938**	88,965

The carrying amounts disclosed above approximate to their fair value at year end.

45. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to net cash from operating activities:

(in RMB million)	2010	2009
Profit before tax	**22,347**	19,919
Adjustments for:		
Depreciation	**1,478**	1,374
Amortization of intangible assets	**620**	620
Gains on disposal of investment properties, property and equipment, and intangible assets	**(20)**	(194)
Investment income	**(34,098)**	(32,903)
Finance cost	**913**	880
Foreign exchange losses	**104**	17
Provision for doubtful debts, net	**366**	5
Losses on disposal of settled assets	**–**	11
Loan loss provisions, net of reversals	**626**	228
Operating loss before working capital changes	**(7,664)**	(10,043)
Changes in operational assets and liabilities:		
Increase in balances with central bank and statutory deposits	**(10,867)**	(5,073)
Decrease/(increase) in amounts due from banks and other financial institutions	**9,011**	(36,240)
Increase in premium receivables	**(1,986)**	(164)
Increase in accounts receivable	**(560)**	(3,284)
Increase in inventories	**(213)**	(1,562)
Decrease/(increase) in reinsurers' share of insurance liabilities	**(1,194)**	76
Increase in loans and advances to customers	**(24,097)**	(34,900)
Decrease/(increase) in assets purchased under agreements to resell of banking and securities business	**4,321**	(5,221)
Decrease/(increase) in other assets	**(2,240)**	2,493
Increase/(decrease) in amounts due to banks and other financial institutions	**(4,726)**	35,134
Increase/(decrease) in derivative financial liabilities	**5**	(255)
Increase in customer deposits and payables to brokerage customers	**35,808**	40,897
Increase in insurance payables	**5,230**	2,027
Increase in insurance contract liabilities	**125,807**	104,054
Increase in investment contract liabilities for policyholders	**1,701**	1,105
Increase in policyholder dividend payable	**3,363**	3,830
Increase in assets sold under agreements to repurchase of banking and securities business	**5,719**	13,369
Increase/(decrease) in other liabilities	**6,190**	(11,049)
Cash generated from operations	**143,608**	95,194
Income tax paid	**(4,353)**	(1,893)
Net cash from operating activities	**139,255**	93,301

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)	2010	2009
Salaries and other short term employee benefits	**90**	92

During 2010, no additional new share appreciation rights were issued by the Group.

(2) DIRECTORS' AND SUPERVISORS' REMUNERATION

	2010					
(in RMB thousand)	Fees before tax	Salaries, allowances and other benefits before tax	Bonus before tax	Contributions to pension schemes	Total before tax	Total after tax
Current directors						
MA Mingzhe	–	4,820	5,000	53	9,873	5,684
SUN Jianyi	–	2,420	3,000	53	5,473	3,262
CHEUNG Chi Yan Louis	–	4,842	5,828	2	10,672	6,014
WANG Liping	–	2,032	1,250	52	3,334	2,085
YAO Jason Bo	–	4,580	1,500	2	6,082	3,573
LIN Lijun	–	438	150	43	631	523
CHEN Hongbo	–	–	–	–	–	–
WONG Tung Shun Peter	–	–	–	–	–	–
NG Sing Yip	–	–	–	–	–	–
LI Zhe	–	–	–	–	–	–
GUO Limin	–	–	–	–	–	–
David FRIED	–	–	–	–	–	–
CHOW Wing Kin Anthony	300	–	–	–	300	232
ZHANG Hongyi	200	–	–	–	200	160
CHEN Su	200	–	–	–	200	160
XIA Liping	200	–	–	–	200	160
TANG Yunwei	200	–	–	–	200	160
LEE Carmelo Ka Sze	300	–	–	–	300	232
CHUNG Yu Wo Danny	300	–	–	–	300	232
Sub-total	1,700	19,132	16,728	205	37,765	22,477

46. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(2) DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	2010					
(in RMB thousand)	Fees before tax	Salaries, allowances and other benefits before tax	Bonus before tax	Contributions to pension schemes	Total before tax	Total after tax
Past directors						
HU Aimin	–	–	–	–	–	–
Clive BANNISTER	–	–	–	–	–	–
Sub-total	–	–	–	–	–	–
Current supervisors						
GU Liji	250	–	–	–	250	198
SUN Fuxin	60	–	–	–	60	50
PENG Zhijian	–	–	–	–	–	–
SONG Zhijiang	–	–	–	–	–	–
WANG Wenjun	–	468	180	39	687	559
DING Xinmin	–	1,768	1,059	79	2,906	1,950
SUN Jianping	–	878	1,083	49	2,010	1,359
Sub-total	310	3,114	2,322	167	5,913	4,116
Past supervisors						
REN Huichuan	–	–	–	–	–	–
Sub-total	–	–	–	–	–	–
Total	2,010	22,246	19,050	372	43,678	26,593

46. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(2) DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	2009					
(in RMB thousand)	Fees before tax	Salaries, allowances and other benefits before tax	Bonus before tax	Contributions to pension schemes	Total before tax	Total after tax
Current directors						
MA Mingzhe	–	4,820	–	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)

	2009					
(in RMB thousand)	Fees before tax	Salaries, allowances and other benefits before tax	Bonus before tax	Contributions to pension schemes	Total before tax	Total after tax
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. Mr. Hu Aimin, a director designated by Shum Yip Group Limited, retired from Shum Yip Group Limited. Under the recommendation of Shum Yip Group Limited, the resolution regarding the appointment of Mr. Guo Limin as Non-executive Director of the Company to fill in for Mr. Hu Aimin was passed at the 2009 Second Extraordinary General Meeting held by the Company on 18 December, 2009. The directorship qualifications of Mr. Guo Limin have been approved by the CIRC on 11 February, 2010.

2. Mr. Ren Huichuan, Supervisor, resigned as Supervisor of the Company in March 2010 due to work arrangements. Accordingly, Mr. Sun Jianping was elected to replace Mr. Ren Huichuan as the Employee Representative Supervisor for the sixth session of the Supervisory Committee of the Company at the Employee Representative Meeting held by the Company on 19 March, 2010.

3. As nominated by HSBC Insurance Holdings Limited, the Company considered and approved the resolution regarding the appointment of Mr. David Fried in replacement of Mr. Clive Bannister as a Non-Executive Director of the Company at the 2009 AGM held on 29 June, 2010. The directorship qualifications of Mr. David Fried have been approved by the CIRC on 10 August, 2010, and Mr. David Fried replaced Mr. Clive Bannister as a Non-Executive Director of the Company officially on the same date.

4. Mr. Ren Huichuan was the Senior Vice President of the Company between June 2010 and March 2011, and has been the President of the Company since March 2011. Mr. Cheung Chi Yan Louis ceased to be the President of the Company from March 2011.

5. Mr. Leung Ka Kui ceased to be the Executive Senior Vice President of the Company from June 2010.

6. Mr. Richard JACKSON ceased to be the Chief Finance Business Officer of the Company from May 2010.

7. Mr. Yao Jason Bo retired as the Chief Actuarial Officer and Mr. Cheung Chun Tong was appointed as the Chief Actuarial Officer of the Company in June 2010.

During 2010, 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.

(3) COMPENSATION OF KEY MANAGEMENT PERSONNEL OTHER THAN DIRECTORS AND SUPERVISORS IS AS FOLLOWS:

(in RMB million)	2010	2009
Salaries and other short term employee benefits	**46**	57

The number of key management personnel other than directors and supervisors whose compensation fell within the following bands is as follows:

	2010	2009
Nil – RMB1,000,000	**–**	1
RMB1,500,001 – RMB2,000,000	**1**	3
RMB2,000,001 – RMB2,500,000	**3**	–
RMB2,500,001 – RMB3,000,000	**1**	–
RMB3,000,001 – RMB3,500,000	**2**	–
RMB3,500,001 – RMB4,000,000	**1**	–
RMB4,000,001 – RMB4,500,000	**–**	1
RMB4,500,001 – RMB5,000,000	**1**	2
RMB9,000,001 – RMB9,500,000	**–**	1
RMB19,000,001 – RMB19,500,000	**1**	–
RMB28,500,001 – RMB29,000,000	**–**	1
	10	9

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 29.37% – 43.50% (2009: 26.50% – 44.33%) for 2010 and the average effective tax rate was approximately 39.89% (2009: 41.57%).

46. COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

(3) COMPENSATION OF KEY MANAGEMENT PERSONNEL OTHER THAN DIRECTORS AND SUPERVISORS IS AS FOLLOWS: (CONTINUED)

During 2010, no additional new share appreciation rights were issued by the Group.

During 2010, 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 (2009: 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)	2010	2009
Salaries and other short term employee benefits	**20**	18

The number of non-key management personnel whose emoluments fell within the following bands is as follows:

	2010	2009
Nil – RMB1,000,000	**–**	–
RMB6,500,001 – RMB7,000,000	**–**	1
RMB8,500,001 – RMB9,000,000	**1**	–
RMB11,000,001 – RMB11,500,000	**1**	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 42.37% – 43.65% (2009: 41.60% – 44.33%) for 2010 and the average effective tax rate was approximately 43.09% (2009: 43.19%).

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 2010, neither new share appreciation rights were issued by the Group.

During 2010, 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, jointly controlled entities (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

As at 31 December 2010, HSBC Holdings held, through its subsidiaries, over 16% equity interest in the Company and is deemed to have significant influence over the Group.

The summary of significant related party transactions is as follows:

(in RMB million)	2010	2009
Interest income from		
SDB	**96**	–
Interest income to		
SDB	**4**	–

Since 7 May 2010, SDB has been an associate of the Group. The above interest income and expenses covered the period from 7 May 2010 to 31 December 2010.

The Group charges and pays interest to related parties. Interest income takes up 1.9% of the Group's interest income of the same type in the current year (2009: Nil), while interest expense takes up 1.3% of the Group's interest expense of the same type in the current year (2009: Nil).

A resolution regarding Continuing Daily Connected Transactions between Ping An Group and the Connected Banks was passed at the general meeting of the Group.

The summary of balance of the Group with related parties is as follows:

(in RMB million)	31 December 2010	31 December 2009
HSBC		
Cash and amounts due from banks and other financial institutions	**105**	165
Due to banks and other financial institutions	**530**	–
SDB		
Cash and amounts due from banks and other financial institutions	**3,293**	–
Interest receivable	**145**	–
Bonds payable	**100**	–

49. COMMITMENTS

(1) CAPITAL COMMITMENTS

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

(in RMB million)	31 December 2010	31 December 2009
Contracted, but not provided for	**2,125**	3,629
Authorized, but not contracted for	**8,301**	8,140
	10,426	11,769

(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 2010	31 December 2009
Within 1 year	**1,512**	1,150
1 – 5 years	**2,707**	2,283
More than 5 years	**320**	309
	4,539	3,742

(3) CREDIT COMMITMENTS

(in RMB million)	31 December 2010	31 December 2009
Irrevocable loan commitments		
– Within one year under original maturity	**51,853**	40,915
– One year or above under original maturity	**12,228**	8,667
– Credit limit of credit cards	**37,795**	22,219
	101,876	71,801
Financial guarantee contracts		
– Letters of credit issued	**1,388**	501
– Guarantees issued	**13,001**	12,640
– Bank acceptance	**24,816**	19,061
	39,205	32,202
	141,081	104,003

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.

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.

49. COMMITMENTS (CONTINUED)

(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 2010	31 December 2009
Within 1 year	**249**	416
1 – 5 years	**406**	1,021
More than 5 years	**186**	318
	841	1,755

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 in and make contributions to various government-sponsored funds for housing purposes. 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.

51. CONTINGENT LIABILITIES

Owing to the nature of the insurance and financial service business, the Group is involved in estimates for 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

On 1 September 2010 and 14 September 2010, the Group and SDB entered into a share subscription agreement and a supplementary agreement respectively. According to the two agreements, the Group would subscribe to 1,638 million ordinary A shares specifically issued by SDB, and the consideration would be 7,825 million shares in Ping An Bank (approximately 90.75% of Ping An Bank's total issued shares) held by the Company and RMB2,690 million of cash. The above deal was approved by the shareholders of the Company on 1 November 2010 and the transaction is subject to regulatory approvals as of the date of approval of these financial statements. As of 31 December 2010, the Company directly and indirectly held 29.99% of SDB's total issued shares. Upon the completion of the transaction, the equity interest in SDB held by the Group will increase to 52.38% and the Company will become the controlling shareholder of SDB.

53. EVENTS AFTER THE REPORTING PERIOD

(1) The Company entered into the "Subscription Agreement relating to the Subscription for H Shares in Ping An Insurance (Group) Company of China, Ltd." ("Subscription Agreement") with Jinjun Limited ("Jinjun"), a company wholly owned by Chow Tai Fook Nominee Limited. on 14 March 2011 according to the resolution of the Board. Pursuant to the resolution, the Company would issue 272 million H shares at the price of HKD71.50 per share to Jinjun at the aggregate consideration of HKD19,448 million. As at the date of approval of these financial statements, the directional add-issuance is subject to approvals from relevant regulatory bodies and the Stock Exchange.

(2) On 29 March 2011, the directors proposed to distribute a final dividend of RMB3,058 million as stated in Note 16.

54. COMPARATIVE FIGURES

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

55. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2011.

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 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 Securities (Hong Kong)	Ping An of China Securities (Hong Kong) 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
Ping An-UOB Fund	Ping An-UOB Fund Management Company Limited, a subsidiary of Ping An Trust

SDB, Shenzhen Development Bank	Shenzhen Development Bank Co., Ltd.
Discovery	Discovery Holdings Limited
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
HSBC Insurance	HSBC Insurance Holdings Limited
ICBC	Industrial and Commercial Bank of China
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
Listing Rules	the Rules Governing the List of Securities of The Stock Exchange of Hong Kong Limited
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
Articles of Association of the Company	the Articles of Association of the Ping An Insurance (Group) Company of China, Ltd
NEWBRIDGE	NEWBRIDGE ASIA AIV III, L.P.
MOC	Ministry of Commerce of the People's Republic of China

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.

Short name of the Company (Chinese/English)
中國平安
Ping An of China

LEGAL REPRESENTATIVE
MA Mingzhe

AUTHORIZED REPRESENTATIVES
SUN Jianyi
YAO Jun

SECRETARY OF THE BOARD/COMPANY SECRETARY
YAO Jun

REPRESENTATIVE OF SECURITIES AFFAIRS
ZHOU Qiang

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FAX
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REGISTERED ADDRESS
Offices at 15, 16, 17, 18 Floors,
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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

POSTAL CODE
518048

COMPANY WEBSITE
http://www.pingan.com

DESIGNATED NEWSPAPERS FOR INFORMATION DISCLOSURE OF A SHARE
China Securities Journal,
Shanghai Securities News,
Securities Times and Securities Daily

WEBSITE DESIGNATED BY CSRC FOR THE PUBLICATION OF THE REGULAR REPORT OF THE COMPANY
http://www.sse.com.cn

REGULAR REPORT AVAILABLE FOR INSPECTION
Board office of the Company

TYPE OF STOCK AND LISTING PLACE

A share	The Shanghai Stock Exchange
H share	The Stock Exchange of Hong Kong Limited

STOCK NAME AND STOCK CODE

A share	Ping An of China	601318
H share	Ping An of China	2318

CONSULTING ACTUARIES
Ernst & Young (China) Advisory Limited

AUDITORS AND PLACE OF BUSINESS

Domestic auditor
Ernst & Young Hua Ming
Level 16, Ernst & Young Tower E3, Oriental Plaza,
No.1 East Chang An Ave.
Dong Cheng District, Beijing, China

International auditor
Ernst & Young
18th Floor, Two International Finance Centre,
8 Finance Street, Central, Hong Kong

LEGAL ADVISORS
DLA Piper Hong Kong

H SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AMERICAN DEPOSITARY SHARES
The Bank of New York

OTHER RELEVANT INFORMATION

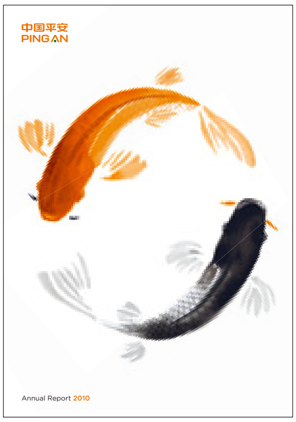
First-time registration date
March 21, 1988

Place of registration
State Administration for Industry and Commerce of the PRC

Registration number of the business license of the legal entity
100000000012314

Tax registration numbers
Shen Shui Deng Zi No. 440300100012316

Organization code
10001231-6



The design concept for the 2010 Annual Report is linked to Ping An's annual communication theme: Every step to prosperity – with Ping An by your side. A time-honored arrangement of flowers, birds, fish and butterflies combines to demonstrate the charm of modern China, the energy of integrated financial services, and a sense of harmony, bliss and prosperity.

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