

# **中国平安保险(集团)股份有限公司**

PING AN INSURANCE (GROUP) COMPANY OF CHINA, LTD.  
(A joint stock limited company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 2318)

## **ANNOUNCEMENT OF AUDITED RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2007**

### **CHAIRMAN'S STATEMENT**

For the first half of 2007, the PRC economy sustained fast and steady development, and saw continued strong growth momentum in the three major demands, namely consumption, investment and export. As the reform and opening-up of the financial sector progressed, the financial and insurance industry continued its fast development. Under favorable macro environment, the Group achieved outstanding results in the first half of the year by leveraging on its solid business foundation and competitive advantages and improving profitability across various businesses. Net profit for the six months ended June 30, 2007 was RMB9,969 million, representing a substantial increase of 139.5% as compared to the same period last year. Total income for the six months ended June 30, 2007 was RMB69,021 million, representing an increase of 56.9% as compared to the same period last year. The A shares of the Company were successfully listed on the Shanghai Stock Exchange on March 1, 2007 and the H shares of the Company were selected to be included in the Hang Seng Index on June 4, 2007.

The Group achieved the following outstanding performance in the first half of the year:

#### **Steady growth from insurance business**

Our core life insurance and property and casualty insurance businesses achieved steady growth. The product mix of life insurance business has been further optimized. Thanks to the strong economy, individual life insurance business recorded robust growth unseen in the past few years, in particular the number of individual life insurance sales agents increased to approximately 244,000 from approximately 205,000 at the beginning of the year, representing an increase of 19.0%. Meanwhile, the Group has been proactively seeking new business growth opportunities and has implemented the "Two Tier Market Development" strategy that focused on the balanced development of both urban and rural areas. Ping An Life initiated the pilot programs in the rural areas of Jiangsu and Zhejiang provinces. Ping An Life was the first to offer foreign exchange insurance products in the PRC and received encouraging market response. Ping An Property & Casualty maintained its market position and more than doubled its net profits. Ping An Annuity obtained business licences for all 35 branches to start operation across the nation.

#### **Successful integration of banking business**

As approved by the China Banking Regulatory Commission ("CBRC"), Shenzhen Commercial Bank merged with and took in Ping An Bank and was renamed as Shenzhen Ping An Bank Co., Ltd. ("Shenzhen Ping An Bank"). Shenzhen Ping An Bank has branches and sub-branches in Shenzhen, Shanghai and Fuzhou, providing corporate and individual customers with comprehensive financial services and products. The merger of the two banks further integrated the banking resources within

the Group and helped strengthen the banking business by creating a single banking brand name and laying a strong banking business platform for nationwide expansion. On May 21, 2007, after years of dedicated preparations, we successfully launched the Wanlitong Affinity Credit Card, a China UnionPay standard credit card. This is one of the affinity credit cards offering the most comprehensive insurance protection in the PRC, demonstrating the combined strength of our insurance and banking platforms.

### **Breakthrough development in investment and asset management business**

Benefiting from the rapid development of the domestic equity market and the surge in trading volume, the Group recorded strong growth in its securities brokerage, investment banking and derivative products businesses; total investment return on its insurance funds increased significantly; non-capital market investment of our trust business generated encouraging results and third-party asset management business achieved breakthrough development. Ping An Asset Management (Hong Kong) obtained its asset management licence and a global investment platform has been gradually established. Besides record-breaking operating results from our securities business, four analysts from Ping An Securities were ranked among the “Top Analysts of 2006 for Earnings Estimates and Stockpickers” in Asia by StarMine, a world renowned professional evaluation agency of securities analysts. Ping An Securities as a whole was ranked No. 8 among a large number of prestigious research institutions.

### **Refinement of our integrated financial services platform**

The Group’s integrated financial services platform has been further refined. Along with the smooth integration of various back-office functions, the performance of cross-selling various financial products within the Group exceeded targets. The synergy across our three business pillars, namely insurance, banking and asset management, has been gradually realized, and the Group is steadily progressing toward its “One Customer, Multiple Products” strategic goal.

### **Fulfillment of corporate citizenship responsibilities**

Apart from the outstanding business performance, the Group is continuously and actively fulfilling its corporate citizenship responsibilities to contribute to the cause of public welfare. The Group issued its “Corporate Citizenship Report of 2007” in the first half of the year and initiated a series of large-scale public welfare programs, including the “Little Orange Lamp Program”, aimed at establishing libraries for elementary schools in rural areas; “Ping An Education Support Program for Hope Primary Schools”, “Chinese Youth Safety Program”, and “Ping An Scholarship for Elite University Students”.

In the first half of the year, Ping An won accolades from various sectors of the society. In April 2007, the Group was ranked 440 among the top 500 of Forbes Global 2000 top public companies. In the same month, the Group was ranked first and accredited with the “Best Company in China in Corporate Governance” by The Asset Magazine, an internationally renowned financial publication, in its 2007 Corporate Governance Awards. In June 2007, Ping An became the first financial and insurance company from the PRC to be granted the “Best of Asia Class in Corporate Governance Asia Recognition Awards 2007” by Corporate Governance Asia, a prominent magazine in the Asia-Pacific Region. Ping An was the only company from the insurance sector to be named as one of the “Most Respected Enterprises in China 2006” for six consecutive years since the commencement of this award in 2001. The Group was also awarded first place as the “Most Viable Corporates” for three consecutive years.

In general, the Group has delivered outstanding operating results to the shareholders in the first half of 2007. Looking ahead at the second half of the year, we expect that the PRC macro economy will continue to maintain its steady growth and the country will further stimulate domestic demands to proactively increase the quality and efficiency of economic growth. Meanwhile, the further escalation of market competition and the fluctuations in the capital market will also expose us to certain challenges and earnings volatility. In the second half of the year, according to its strategic targets and business plan, the Group will continue to execute balanced development of the three major businesses of insurance, banking and asset management. We will maintain our leading market position within the insurance sector and strengthen the performance of our banking and asset management businesses. With the concerted efforts from our employees, I firmly believe that the Group's core competencies will be further strengthened to deliver more value to our shareholders and our customers.

## KEY FINANCIAL AND OPERATION INFORMATION

### Group's consolidated performance

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

<b>For the six months ended June 30, (in RMB million)</b>	<b>2007</b>	2006
Total income	<b>69,021</b>	43,977
Total expenses	<b>(58,205)</b>	(39,259)
Operating profit before tax	<b>10,816</b>	4,718
Net profit	<b>9,969</b>	4,162

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

<b>For the six months ended June 30, (in RMB million)</b>	<b>2007</b>	2006
Life insurance	<b>6,018</b>	3,530
Property and casualty insurance	<b>760</b>	317
Banking	<b>1,086</b>	1
Securities	<b>676</b>	174
Other businesses <sup>(1)</sup>	<b>1,429</b>	140
Net profit	<b>9,969</b>	4,162

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

## Consolidated investment income

For the six months ended June 30,  
(in RMB million, except percentages)

	2007	2006
Net investment income	9,930	5,722
Net realized and unrealized gains	<u>15,738</u>	<u>3,871</u>
Total investment income	<u>25,668</u>	<u>9,593</u>
Net investment yield <sup>(1)</sup>	4.9%	4.2%
Total investment yield <sup>(1)</sup>	<u>9.9%</u>	<u>5.8%</u>

(1) Lease income from investment properties and net foreign currency gains/losses on investment assets denominated in foreign currencies are excluded in the calculation of the above yields.

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

(in RMB million, except percentages)	As at June 30, 2007		As at December 31, 2006	
	Carrying Value	% of Total	Carrying Value	% of Total
Fixed maturity investments				
Term deposits <sup>(3)</sup>	43,994	13.1%	59,107	19.0%
Bond investments <sup>(1)(3)</sup>	222,992	66.5%	204,282	65.6%
Other fixed maturity investments <sup>(3)</sup>	2,149	0.6%	1,600	0.5%
Equity investments <sup>(2)(3)</sup>	62,698	18.7%	44,791	14.4%
Investment properties	<u>3,656</u>	<u>1.1%</u>	<u>1,528</u>	<u>0.5%</u>
Total investments	<u>335,489</u>	<u>100.0%</u>	<u>311,308</u>	<u>100.0%</u>

(1) Bond investments include the carrying value of derivatives embedded with the host contracts.

(2) Equity investments include equity investment funds, equity securities and investment in an associate.

(3) The above figures exclude items that are classified as cash and cash equivalents.

## Life insurance business

The following tables set forth certain financial and operating data for our life insurance business:

For the six months ended June 30, (in RMB million)	2007	2006
Gross written premiums and policy fees	32,134	29,097
Individual life insurance	27,680	24,686
Bancassurance	347	479
Group insurance	4,107	3,932
Premium deposits	10,045	7,894
Individual life insurance	6,528	4,824
Bancassurance	<u>3,517</u>	<u>3,070</u>
Gross written premiums, policy fees and premium deposits	<u>42,179</u>	<u>36,991</u>

	As at <b>June 30, 2007</b>	As at December 31, 2006
Market share of gross written premiums, policy fees and premium deposits <sup>(1)</sup>	<u><b>16.3%</b></u>	<u>17.0%</u>
Number of customers:		
Individual (in thousands)	<b>32,853</b>	31,761
Corporate (in thousands)	<u>321</u>	<u>307</u>
Total (in thousands)	<u><b>33,174</b></u>	<u>32,068</u>
Persistency ratio:		
13-month	<b>89.0%</b>	89.0%
25-month	<u><b>80.7%</b></u>	<u>80.3%</u>

- (1) Based on our financial data and the PRC insurance industry data calculated in accordance with the PRC Accounting Standards and published by the National Bureau of Statistics of China.  
Market share as at June 30, 2007 was computed based on gross written premiums, policy fees and premium deposits accumulated over a period of six months.  
Market share as at December 31, 2006 was computed based on gross written premiums, policy fees and premium deposits accumulated over a period of one year.

### Property and casualty insurance business

The following tables set forth certain financial and operating data for our property and casualty insurance business:

<b>For the six months ended June 30, (in RMB million)</b>	<b>2007</b>	2006
Automobile insurance	<b>7,366</b>	5,482
Non-automobile insurance	<b>3,084</b>	2,490
Accident and health insurance	<u>554</u>	<u>417</u>
Total gross written premiums	<u><b>11,004</b></u>	<u>8,389</u>
	As at <b>June 30, 2007</b>	As at December 31, 2006
Market share of gross written premiums <sup>(1)</sup>	<u><b>10.2%</b></u>	<u>10.7%</u>
Number of customers:		
Individual (in thousands)	<b>6,895</b>	6,222
Corporate (in thousands)	<u>1,628</u>	<u>1,724</u>
Total (in thousands)	<u><b>8,523</b></u>	<u>7,946</u>

	<b>For the six months ended June 30, 2007</b>	For the year ended December 31, 2006
Combined ratio:		
Expense ratio	<b>29.7%</b>	25.8%
Loss ratio	<b>69.0%</b>	69.6%
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Combined ratio	<b>98.7%</b>	95.4%
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- (1) Based on our financial data and the PRC insurance industry data calculated in accordance with the PRC Accounting Standards and published by the National Bureau of Statistics of China.  
Market share as at June 30, 2007 was computed based on gross written premiums accumulated over a period of six months.  
Market share as at December 31, 2006 was computed based on gross written premiums accumulated over a period of one year.

### **Banking business**

<b>For the six months ended June 30, (in RMB million)</b>	<b>2007</b>	2006
<b>Interest income</b>		
Loans and advances to customers	<b>1,348</b>	7
Balances with central bank	<b>73</b>	–
Due from banks and other financial institutions	<b>295</b>	15
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Total interest income	<b>1,716</b>	22
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<b>Interest expenses</b>		
Customers deposits	<b>(641)</b>	(2)
Due to banks and other financial institutions	<b>(157)</b>	(9)
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Total interest expenses	<b>(798)</b>	(11)
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<b>Lending business net interest income</b>	<b>918</b>	11
<b>Bond interest income</b>	<b>570</b>	–
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<b>Net interest income</b>	<b>1,488</b>	11
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## FINANCIAL STATEMENTS

### A. Prepared in accordance with International Financial Reporting Standards (“IFRSs”)

#### Consolidated Income Statement

For the six months ended June 30, 2007

For the six months ended June 30, (in RMB million)	Notes	(Audited) 2007	(Unaudited) 2006
Gross written premiums and policy fees	4	43,138	37,486
Less: Premiums ceded to reinsurers		(2,600)	(2,466)
Net written premiums and policy fees		40,538	35,020
Increase in unearned premium reserves, net		(2,191)	(2,156)
Net earned premiums		38,347	32,864
Reinsurance commission income		675	922
Interest income of banking operations	5	1,716	22
Other fees and commission income		1,357	218
Investment income	6	25,668	9,593
Share of profits and losses of an associate		–	–
Other income		1,258	358
<b>Total income</b>		<b>69,021</b>	43,977
Change in deferred policy acquisition costs		4,136	2,611
Claims and policyholders’ benefits		(47,849)	(33,727)
Changes in fair value of derivative financial liabilities		106	86
Commission expenses of insurance operations		(5,673)	(3,933)
Interest expenses of banking operations	5	(689)	(1)
Other fees and commission expenses		(213)	(30)
Loan loss provisions, net of reversals		105	–
Foreign currency losses		(335)	(130)
General and administrative expenses		(7,793)	(4,135)
<b>Total expenses</b>		<b>(58,205)</b>	(39,259)
Operating profit before tax	7	10,816	4,718
Income taxes	8	(847)	(556)
<b>Net profit</b>		<b>9,969</b>	4,162
<b>Attributable to:</b>			
– Equity holders of the parent		9,690	4,099
– Minority interests		279	63
		<b>9,969</b>	4,162
		RMB	RMB
<b>Earnings per share for net profit attributable to equity holders of the parent – basic</b>	10	<b>1.39</b>	0.66

**Consolidated Balance Sheet**  
As at June 30, 2007

<b>(in RMB million)</b>	<b>(Audited) June 30, 2007</b>	<b>(Audited) December 31, 2006</b>
<b>ASSETS</b>		
Balances with central bank and statutory deposits	11,220	9,234
Cash and amounts due from banks and other financial institutions	119,403	95,912
Fixed maturity investments	261,587	213,041
Equity investments	66,542	46,729
Derivative financial assets	16	21
Loans and advances to customers	58,427	49,152
Investments in an associate	176	176
Premium receivables	5,123	2,939
Reinsurance assets	5,120	4,130
Policyholder account assets in respect of insurance contracts	27,340	20,961
Policyholder account assets in respect of investment contracts	4,550	3,971
Deferred policy acquisition costs	36,069	31,866
Investment properties	3,656	1,528
Property and equipment	7,047	4,766
Intangible assets	1,530	1,484
Deferred income tax assets	260	417
Other assets and receivables	9,706	8,108
<b>Total assets</b>	<b>617,772</b>	<b>494,435</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	7,345	6,195
Reserves	70,939	29,703
Retained profits	17,749	10,477
Equity attributable to equity holders of the parent	96,033	46,375
Minority interests	1,540	1,375
<b>Total equity</b>	<b>97,573</b>	<b>47,750</b>
<b>Liabilities</b>		
Due to banks and other financial institutions	9,382	5,138
Assets sold under agreements to repurchase	22,805	13,436
Derivative financial liabilities	356	178
Customer deposits	77,930	75,960
Insurance contract liabilities	379,315	329,541
Investment contract liabilities for policyholders	5,020	4,233
Policyholder dividend payable and provisions	4,771	4,107
Income tax payable	681	691
Deferred income tax liabilities	4,189	1,657
Other liabilities	15,750	11,744
<b>Total liabilities</b>	<b>520,199</b>	<b>446,685</b>
<b>Total equity and liabilities</b>	<b>617,772</b>	<b>494,435</b>



## Consolidated Statement of Changes in Equity

For the six months ended June 30, 2007

		Equity attributable to equity holders of the parent								
		Reserves								
				Surplus	General	Net	Foreign	Retained	Minority	Total
		Share	Capital	reserve	reserve	unrealized	currency	profits	interests	
		capital	reserve	fund	reserve	gains	differences			
(in RMB million)	Notes	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
As at January 1, 2007		6,195	14,835	6,126	517	8,250	(25)	10,477	1,375	47,750
Issue of new shares in the PRC		1,150	37,720	-	-	-	-	-	-	38,870
Shares issue expenses		-	(648)	-	-	-	-	-	-	(648)
Net profit for the six months ended June 30, 2007		-	-	-	-	-	-	9,690	279	9,969
Net gains on available-for-sale investments		-	-	-	-	15,397	-	-	154	15,551
Net gains on available-for-sale investments removed from equity and reported in net profit		-	-	-	-	(8,727)	-	-	(88)	(8,815)
Deferred tax recognized, net	8	-	-	-	-	(2,422)	-	-	(24)	(2,446)
Dividends declared	9	-	-	-	-	-	-	(1,616)	-	(1,616)
Appropriations to statutory reserve		-	-	808	-	-	-	(808)	-	-
Transfer of surplus reserve fund		-	-	(6)	-	-	-	6	-	-
Acquisition of minority interests		-	-	-	-	-	-	-	(113)	(113)
Currency translation adjustments		-	-	-	-	-	(23)	-	-	(23)
Dividends for minority interests		-	-	-	-	-	-	-	(34)	(34)
Shadow accounting adjustment		-	-	-	-	(863)	-	-	(9)	(872)
As at June 30, 2007		<u>7,345</u>	<u>51,907</u>	<u>6,928</u>	<u>517</u>	<u>11,635</u>	<u>(48)</u>	<u>17,749</u>	<u>1,540</u>	<u>97,573</u>

For the six months ended June 30, 2006

		Equity attributable to equity holders of the parent									
		Reserves									Total
		Share capital	Capital reserve	Surplus reserve fund	Statutory public welfare fund	General reserve	Net unrealized gains	Foreign currency translation differences	Retained profits	Minority interests	
(in RMB million)	Notes	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at January 1, 2006		6,195	14,835	4,743	783	430	715	(13)	5,308	526	33,522
Net profit for the six months ended June 30, 2006		-	-	-	-	-	-	-	4,099	63	4,162
Net gains on available-for-sale investments		-	-	-	-	-	3,961	-	-	38	3,999
Net gains on available-for-sale investments removed from equity and reported in net profit		-	-	-	-	-	(1,204)	-	-	(12)	(1,216)
Deferred tax recognized, net	8	-	-	-	-	-	(300)	-	-	(3)	(303)
Dividends declared	9	-	-	-	-	-	-	-	(1,239)	-	(1,239)
Transfer to surplus reserve fund		-	-	783	(783)	-	-	-	-	-	-
Currency translation adjustments		-	-	-	-	-	-	(3)	-	(1)	(4)
Dividends for minority interests		-	-	-	-	-	-	-	-	(50)	(50)
Shadow accounting adjustment		-	-	-	-	-	(759)	-	-	(8)	(767)
As at June 30, 2006		<u>6,195</u>	<u>14,835</u>	<u>5,526</u>	<u>-</u>	<u>430</u>	<u>2,413</u>	<u>(16)</u>	<u>8,168</u>	<u>553</u>	<u>38,104</u>

## Supplementary information

### 1. Corporate information

Ping An Insurance (Group) Company of China, Ltd. (the “Company”) was incorporated in Shenzhen, the People’s Republic of China (the “PRC”) on March 21, 1988. Its business scope includes investing in insurance enterprises, supervising and managing various domestic and overseas businesses of subsidiaries, and utilizing insurance funds. The Company’s principal subsidiaries are mainly engaged in the provision of life insurance, property and casualty insurance, banking and other financial services.

### 2. Changes in accounting policies

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

- International Accounting Standard (“IAS”) 1 Amendment: Capital Disclosure

IAS 1 Amendment affects the disclosure about qualitative information about the Group’s objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

- IFRS 7 Financial Instruments: Disclosure

IFRS 7 requires disclosures that enable users of the financial statements to evaluate the significance of the Group’s financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of IAS 32.

- IFRIC-Int 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- IFRIC-Int 8 Scope of IFRS 2
- IFRIC-Int 9 Reassessment of Embedded Derivatives
- IFRIC-Int 10 Interim Financial Reporting and Impairment

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

The above revised accounting policies have no significant impact on these financial statements, and the Group considers other new or revised IFRSs and related pronouncements effective in the six months ended June 30, 2007 ("the Period") do not have significant impact on these financial statements either.

### 3. Segment reporting

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

The segment analysis for the six months ended June 30, 2007 is as follows:

(in RMB million)	Life insurance (Audited)	Property and casualty insurance (Audited)	Banking (Audited)	Securities (Audited)	Corporate (Audited)	Others (Audited)	Elimination (Audited)	Total (Audited)
<b>Income statement</b>								
Gross written premiums and policy fees	32,134	11,004	-	-	-	-	-	43,138
Less: Premiums ceded to reinsurers	(476)	(2,124)	-	-	-	-	-	(2,600)
Increase in unearned premium reserves, net	(277)	(1,914)	-	-	-	-	-	(2,191)
Net earned premiums	31,381	6,966	-	-	-	-	-	38,347
Reinsurance commission income	111	564	-	-	-	-	-	675
Interest income of banking operations	-	-	1,716	-	-	-	-	1,716
Other fees and commission income	52	-	68	1,046	-	258	(67)	1,357
Investment income	21,607	930	586	396	1,774	384	(9)	25,668
Other income	618	38	455	-	130	289	(272)	1,258
Total income	53,769	8,498	2,825	1,442	1,904	931	(348)	69,021
Change in deferred policy acquisition costs	3,727	409	-	-	-	-	-	4,136
Claims and policyholders' benefits	(43,045)	(4,804)	-	-	-	-	-	(47,849)
Changes in fair value of derivative financial liabilities	13	-	(2)	95	-	-	-	106
Commission expenses of insurance operations	(4,601)	(1,124)	-	-	-	-	52	(5,673)
Interest expenses of banking operations	-	-	(798)	-	-	-	109	(689)
Other fees and commission expenses	-	-	(16)	(71)	-	(126)	-	(213)
Loan loss provisions, net of reversals	-	-	111	-	-	(6)	-	105
Foreign currency losses	(316)	(11)	22	(2)	(25)	(3)	-	(335)
General and administrative expenses	(3,573)	(1,917)	(900)	(605)	(560)	(403)	165	(7,793)
Total expenses	(47,795)	(7,447)	(1,583)	(583)	(585)	(538)	326	(58,205)
Operating profit before tax	5,974	1,051	1,242	859	1,319	393	(22)	10,816
Income taxes	44	(291)	(156)	(183)	(179)	(82)	-	(847)
Net profit	<u>6,018</u>	<u>760</u>	<u>1,086</u>	<u>676</u>	<u>1,140</u>	<u>311</u>	<u>(22)</u>	<u>9,969</u>

#### 4. Gross written premiums and policy fees

	(Audited) 2007	(Unaudited) 2006
<b>For the six months ended June 30, (in RMB million)</b>		
Gross written premiums, policy fees and premium deposits, as reported in accordance with PRC Accounting Standards	53,885	46,000
Less: Business tax and surcharges	(702)	(620)
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Gross written premiums, policy fees and premium deposits (net of business tax and surcharges)	53,183	45,380
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Less: Premium deposits allocated to policyholder contract deposits	(8,372)	(6,037)
Premium deposits allocated to policyholder accounts	(1,673)	(1,857)
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Gross written premiums and policy fees	<u>43,138</u>	<u>37,486</u>
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Long term life business gross written premiums and policy fees	29,605	26,338
Short term life business gross written premiums	2,529	2,759
Property and casualty business gross written premiums	11,004	8,389
	<hr/>	<hr/>
Gross written premiums and policy fees	<u>43,138</u>	<u>37,486</u>

#### 5. Interest income and interest expenses of banking operations

##### (1) Interest income of banking operations

	(Audited) 2007	(Unaudited) 2006
<b>For the six months ended June 30, (in RMB million)</b>		
Loans and advances to customers	1,348	7
Balances with central bank	73	–
Cash and amounts due from banks and other financial institutions	295	15
	<hr/>	<hr/>
Total	<u>1,716</u>	<u>22</u>

##### (2) Interest expenses of banking operations

	(Audited) 2007	(Unaudited) 2006
<b>For the six months ended June 30, (in RMB million)</b>		
Customer deposits	532	1
Due to banks and other financial institutions	157	–
	<hr/>	<hr/>
Total	<u>689</u>	<u>1</u>

## 6. Investment income

### (1) Net investment income

<b>For the six months ended June 30, (in RMB million)</b>	<b>(Audited) 2007</b>	<b>(Unaudited) 2006</b>
Interest income on fixed maturity investments		
Bonds		
– Held-to-maturity	<b>2,669</b>	2,457
– Available-for-sale	<b>1,272</b>	681
– Carried at fair value through profit or loss	<b>501</b>	13
Term deposits		
– Loans and receivables	<b>1,170</b>	1,570
Others		
– Loans and receivables	<b>126</b>	5
Dividend income on equity investments		
Equity investment funds		
– Available-for-sale	<b>2,975</b>	449
– Carried at fair value through profit or loss	<b>1,364</b>	314
Equity securities		
– Available-for-sale	<b>96</b>	114
– Carried at fair value through profit or loss	<b>35</b>	91
Operating lease income from investment properties	<b>151</b>	58
Interest expenses on assets sold under agreements to repurchase	<b>(429)</b>	(30)
<b>Total</b>	<b><u>9,930</u></b>	<b><u>5,722</u></b>
 Yield of net investment income (% per annum)	 <b><u>4.9</u></b>	 <b><u>4.2</u></b>

Lease income from investment properties and net foreign currency losses on investment assets denominated in foreign currencies are excluded in the calculation of the above yield.

### (2) Realized gains

<b>For the six months ended June 30, (in RMB million)</b>	<b>(Audited) 2007</b>	<b>(Unaudited) 2006</b>
Fixed maturity investments		
– Available-for-sale	<b>98</b>	99
– Carried at fair value through profit or loss	<b>117</b>	64
Equity investments		
– Available-for-sale	<b>8,717</b>	1,117
– Carried at fair value through profit or loss	<b>6,303</b>	671
Derivative financial instruments		
– Carried at fair value through profit or loss	<b>3</b>	139
<b>Total</b>	<b><u>15,238</u></b>	<b><u>2,090</u></b>

**(3) Unrealized gains/(losses)**

	(Audited) 2007	(Unaudited) 2006
<b>For the six months ended June 30, (in RMB million)</b>		
Fixed maturity investments		
– Carried at fair value through profit or loss	(188)	31
Equity investments		
– Carried at fair value through profit or loss	684	1,680
Derivative financial instruments		
– Carried at fair value through profit or loss	4	70
Total	<u>500</u>	<u>1,781</u>

**(4) Total investment income**

	(Audited) 2007	(Unaudited) 2006
<b>For the six months ended June 30, (in RMB million)</b>		
Net investment income	9,930	5,722
Realized gains	15,238	2,090
Unrealized gains	500	1,781
Total	<u>25,668</u>	<u>9,593</u>
Yield of total investment income (% per annum)	<u>9.9</u>	<u>5.8</u>

Lease income from investment properties and net foreign currency losses on investment assets denominated in foreign currencies are excluded in the calculation of the above yield.

**7. Operating profit before tax**

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

	(Audited) 2007	(Unaudited) 2006
<b>For the six months ended June 30, (in RMB million)</b>		
Employee costs ( <i>Note 7(2)</i> )	3,731	2,053
Provision for insurance guarantee fund	176	141
Depreciation of investment properties	76	32
Depreciation of property and equipment	324	196
Amortization of intangible assets	81	9
Gains on disposal of non-performing assets	(284)	–
Loss on disposal of property and equipment and investment properties	1	6
Charge of impairment losses on investment properties, property and equipment, and intangible assets	9	34
Provision for doubtful debts, net	76	11
Operating lease payments in respect of land and buildings	<u>283</u>	<u>254</u>

(2) **Employee costs**

	(Audited) 2007	(Unaudited) 2006
<b>For the six months ended June 30, (in RMB million)</b>		
Wages, salaries and bonuses	3,106	1,595
Retirement benefits, social security contributions and welfare benefits	<u>625</u>	<u>458</u>
Total	<u><u>3,731</u></u>	<u><u>2,053</u></u>

**8. Income taxes**

According to the “Provisional Regulations of the PRC on Enterprise Income Tax”, which remains effective in 2007, the taxable income of the Group represents its income for financial reporting purposes, net of deductible and non-taxable items for income tax purposes. The enterprise income tax rates applicable to the Group, the subsidiaries and their branches during the period are as follows:

Tax	Subsidiaries and branches	Tax rate
Enterprise income tax in the PRC	– Located in Special Economic Zones and Ping An Bank	15%
	– Located outside the Special Economic Zones	33%
Hong Kong profits tax	– Subsidiaries in Hong Kong Special Administrative Region	17.5%

	(Audited) 2007	(Unaudited) 2006
<b>For the six months ended June 30, (in RMB million)</b>		
<b>Consolidated income statement</b>		
Current income tax	<u>666</u>	<u>319</u>
Deferred income tax relating to the origination and reversal of temporary differences:		
Policyholders’ reserves	(3,910)	(337)
Claim reserves	(24)	(51)
Unearned premium reserves	(13)	(15)
Deferred policy acquisition costs	3,914	392
Fair value adjustment on financial assets and liabilities carried at fair value through profit or loss	457	271
Others	<u>(243)</u>	<u>(23)</u>
Total deferred income tax	<u>181</u>	<u>237</u>
Income taxes reported in consolidated income statement	<u><u>847</u></u>	<u><u>556</u></u>
<b>Consolidated statement of changes in equity</b>		
Deferred income tax related to net unrealized gains charged directly to equity	<u><u>2,446</u></u>	<u><u>303</u></u>

A reconciliation between tax expense and the product of accounting profit multiplied by the main applicable tax rate of 15% is as follows:

<b>For the six months ended June 30, (in RMB million)</b>	<b>(Audited) 2007</b>	<b>(Unaudited) 2006</b>
Accounting profit before income taxes	<u><b>10,816</b></u>	<u>4,718</u>
Tax computed at the main applicable tax rate of 15%	<b>1,622</b>	708
Tax effect of income not taxable in determining taxable income	<b>(1,558)</b>	(562)
Tax effect of expenses not deductible in determining taxable income	<b>573</b>	240
Tax effect of higher tax rate on branches and entities (in the PRC) that are located outside the Special Economic Zones	<b>205</b>	170
Tax effect of changes in tax rate	<u><b>5</b></u>	<u>–</u>
Income taxes reported in consolidated income statement	<u><b>847</b></u>	<u>556</u>

On March 16, 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law"), which is effective from January 1, 2008. Under the New CIT Law, corporate income tax rate for domestic companies will decrease from 33% to 25% since January 1, 2008. In addition, for those enterprises benefiting from lower preferential tax rates (e.g. 15%), such preferential rates will be gradually phased out by increasing them over the next five years. This change in the income tax rate will directly increase the Group's effective tax rate prospectively from 2008. According to IAS 12, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. As a result, based on current best estimate of impact which could be reasonably estimated, management estimated that the change in the corporate income tax rate has had the following impact on the results and financial position of the Group:

	<b>RMB million</b>
Increase in income tax expense for current period (net impact of deferred tax on applicable temporary differences)	<b>5</b>
Decrease in revaluation reserve for available-for-sale financial assets as at June 30, 2007	<b>1,567</b>
Increase in deferred tax assets as at June 30, 2007	<b>104</b>
Increase in deferred tax liabilities as at June 30, 2007	<u><b>1,676</b></u>

The net impact for the current period operating results is relatively small because there are temporary differences with offsetting deferred tax and liabilities.

At the date of these financial statements, detailed implementation and administrative requirements for the New CIT Law have not been announced. These detailed requirements include regulations concerning the computation of taxable income, specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact on its operating results and financial positions of future periods as more detailed requirements are issued.



## 9. Dividends

	(Audited) 2007	(Unaudited) 2006
<b>For the six months ended June 30, (in RMB million)</b>		
Final dividend approved and paid for the previous year: RMB0.22 per ordinary share (Six months ended June 30, 2006: Nil)	1,616	–
Special interim dividend approved and paid: Nil (Six months ended June 30, 2006: RMB0.20 per ordinary share)	<u>–</u>	<u>1,239</u>

On August 16, 2007, the board of directors proposed an interim dividend distribution of RMB0.20 per share totaling RMB1,469 million to be paid (2006: RMB0.12 per share totaling RMB743 million).

## 10. Earnings per share

The basic earnings per share for the Period is computed by dividing the net profit attributable to equity holders of the Company for the Period by the weighted average number of 6,961,720,001 shares in issue (June 30, 2006: weighted average number of 6,195,053,334 shares in issue).

The Company had no dilutive potential shares, hence no diluted earnings per share amount is presented.

## 11. Contingent liabilities

### (1) Guarantees

Shenzhen Ping An Real Estate Investment Co., Ltd. provided guarantees for value of certain investment properties under trust schemes managed by China Ping An Trust & Investment Co., Ltd. (“Ping An Trust”). The guarantees provided were RMB160 million as at June 30, 2007 (Audited December 31, 2006: RMB426 million).

### (2) Litigation

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

No provision has been made for pending 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.

## 12. Post balance sheet events

- (1) By July 20, 2007, the Group completed, through Ping An Trust, its acquisition of 30% equity interests in Shanxi Taichang Expressway Co., Ltd., 60% equity interests in Shanxi Changjin Expressway Co., Ltd. and 60% equity interests in Shanxi Jiaojin Expressway Co., Ltd. at an aggregate consideration of RMB2.3 billion.
- (2) On August 16, 2007, the directors proposed 2007 interim dividend distribution of RMB0.20 per ordinary share totaling RMB1,469 million.

**B. Prepared in accordance with PRC Accounting Standards**

**Consolidated Income Statement**

*For the six months ended June 30, 2007*

<b>For the six months ended June 30, (in RMB million)</b>	<b>(Audited) 2007</b>	<b>(Unaudited) 2006</b>
<b>Operating income</b>		
Premium income	53,885	46,000
Including reinsurance premium income	47	7
Less: Premium ceded to reinsurers	(2,600)	(2,466)
Change in unearned premium reserves	(2,105)	(2,054)
	<hr/>	<hr/>
<b>Earned premium</b>	<b>49,180</b>	<b>41,480</b>
	<hr/>	<hr/>
Interest income from banking operations	1,716	22
Interest expense of banking operations	(689)	(1)
	<hr/>	<hr/>
<b>Net interest income from banking operations</b>	<b>1,027</b>	<b>21</b>
	<hr/>	<hr/>
Fees and commission income	1,357	218
Fees and commission expenses	(213)	(30)
	<hr/>	<hr/>
<b>Net income from fees and commission</b>	<b>1,144</b>	<b>188</b>
	<hr/>	<hr/>
Investment income	29,124	8,802
Gains from changes in fair values	3,094	4,001
Foreign exchange losses	(335)	(130)
Other operating income	817	265
	<hr/>	<hr/>
<b>Total operating income</b>	<b>84,051</b>	<b>54,627</b>
	<hr/>	<hr/>

<b>For the six months ended June 30, (in RMB million)</b>	<b>(Audited) 2007</b>	<b>(Unaudited) 2006</b>
<b>Operating expenses</b>		
Surrenders	(5,919)	(3,910)
Claims paid	(11,791)	(7,814)
Less: Reinsurers' share of claims paid	1,167	1,132
Change in insurance contract reserves	(44,949)	(30,021)
Less: Reinsurers' share of insurance contract reserves	348	9
Policyholder dividends	(897)	(1,714)
Expenses for reinsurance accepted	(7)	(1)
Business tax and surcharges	(1,742)	(774)
Insurance related handling charges and commission	(5,666)	(3,932)
General and administrative expenses	(6,571)	(3,986)
Less: Reinsurers' share of expenses	675	922
Other operating expenses	(195)	(66)
Impairment losses	(17)	(45)
<b>Total operating expenses</b>	<b><u>(75,564)</u></b>	<b><u>(50,200)</u></b>
<b>Operating profit</b>	<b>8,487</b>	<b>4,427</b>
Add: Non-operating income	435	16
Less: Non-operating expenses	(50)	(17)
<b>Profit before tax</b>	<b>8,872</b>	<b>4,426</b>
Less: Income taxes	(546)	(420)
<b>Net Profit</b>	<b><u>8,326</u></b>	<b><u>4,006</u></b>
<b>Attributable to:</b>		
Shareholders of the parent	8,063	3,945
Minority interests	263	61
	<b><u>8,326</u></b>	<b><u>4,006</u></b>
	<b>RMB</b>	<b>RMB</b>
<b>Earnings per share</b>		
<b>Basic and diluted earnings per share</b>	<b><u>1.16</u></b>	<b><u>0.64</u></b>

## Consolidated Balance Sheet

As at June 30, 2007

<b>(in RMB million)</b>	<b>(Audited) June 30, 2007</b>	<b>(Audited) December 31, 2006</b>
<b>ASSETS</b>		
Cash on hand and at bank	<b>83,789</b>	42,585
Balances with clearing companies	<b>1,591</b>	875
Precious metal	<b>1</b>	111
Placements with banks and other financial institutions	<b>1,101</b>	1,727
Held-for-trading financial assets	<b>73,436</b>	44,003
Derivative financial assets	<b>16</b>	21
Financial assets purchased under agreements to resell	<b>12,854</b>	7,251
Interest receivables	<b>4,716</b>	3,249
Premium receivables	<b>5,307</b>	3,073
Receivable from reinsurers	<b>2,205</b>	795
Unearned premium reserves receivable from reinsurers	<b>3,048</b>	2,437
Claim reserves receivable from reinsurers	<b>2,058</b>	1,724
Policyholders' reserves for life insurance receivable from reinsurers	<b>7</b>	–
Long-term reserves for health insurance receivable from reinsurers	<b>7</b>	–
Policy loans	<b>1,799</b>	1,381
Loans and advances to customers	<b>58,427</b>	49,152
Deposits with stock and futures exchanges	<b>1,139</b>	334
Term deposits	<b>50,503</b>	65,416
Available-for-sale financial assets	<b>132,443</b>	95,200
Held-to-maturity investments	<b>130,193</b>	129,250
Long-term equity investments	<b>211</b>	415
Goodwill	<b>475</b>	409
Statutory deposits	<b>1,520</b>	1,520
Investment properties	<b>3,789</b>	1,660
Fixed assets	<b>6,839</b>	4,552
Intangible assets	<b>922</b>	940
Deferred tax assets	<b>592</b>	888
Other assets	<b>4,155</b>	4,320
<b>Total assets</b>	<b><u>583,143</u></b>	<b><u>463,288</u></b>

	(Audited) June 30, 2007	(Audited) December 31, 2006
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Short-term borrowings	557	527
Due to banks and other financial institutions	5,318	3,465
Guarantee deposits	5,865	5,485
Placements from banks and other financial institutions	1,871	992
Derivative financial liabilities	356	178
Financial assets sold under agreements to repurchase	22,883	14,573
Customer bank deposits	62,219	66,725
Customer brokerage deposits	9,846	3,750
Premiums received in advance	666	1,352
Handling charges and commission payable	1,427	894
Due to reinsurers	2,786	746
Salary and welfare payable	3,381	2,133
Taxes payable	1,509	1,166
Interest payable	355	287
Claims payable	4,274	3,981
Policyholder dividends payable	4,771	4,107
Policyholder deposits and investments	4,945	4,049
Unearned premium reserves	15,653	12,937
Claim reserves	7,436	6,480
Policyholders' reserves for life insurance	289,351	248,574
Long-term reserves for health insurance	34,399	30,694
Long-term borrowings	1,636	155
Deferred tax liabilities	3,555	1,441
Other liabilities	3,173	1,971
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>488,232</b>	<b>416,662</b>
	<hr/>	<hr/>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	7,345	6,195
Capital reserves	63,833	23,246
Surplus reserves	6,928	6,120
General risk provision	517	517
Retained profits	14,821	9,182
Foreign currency translation differences	(48)	–
	<hr/>	<hr/>
<b>Attributable to shareholders of the parent</b>	<b>93,396</b>	<b>45,260</b>
Minority interests	1,515	1,366
	<hr/>	<hr/>
<b>Total shareholders' equity</b>	<b>94,911</b>	<b>46,626</b>
	<hr/>	<hr/>
<b>Total liabilities and shareholders' equity</b>	<b>583,143</b>	<b>463,288</b>
	<hr/>	<hr/>

**Income Statement of the Company**  
*For the six months ended June 30, 2007*

<b>For the six months ended June 30, (in RMB million)</b>	<b>(Audited) 2007</b>	(Unaudited) 2006
<b>Operating income</b>		
Investment income	4,878	5,213
Gains from changes in fair values	359	69
Foreign exchange losses	(25)	(5)
Other operating income	130	30
	<hr/>	<hr/>
<b>Total operating income</b>	<b>5,342</b>	5,307
	<hr/>	<hr/>
<b>Operating expenses</b>		
Business tax and surcharges	(54)	(3)
General and administrative expenses	(504)	(265)
	<hr/>	<hr/>
<b>Total operating expenses</b>	<b>(558)</b>	(268)
	<hr/>	<hr/>
<b>Operating profit</b>	<b>4,784</b>	5,039
Less: Non-operating expenses	(1)	–
	<hr/>	<hr/>
<b>Profit before tax</b>	<b>4,783</b>	5,039
Less: Income taxes	(179)	(38)
	<hr/>	<hr/>
<b>Net profit</b>	<b>4,604</b>	5,001
	<hr/> <hr/>	<hr/> <hr/>

**Balance Sheet of the Company**  
*As at June 30, 2007*

<b>(in RMB million)</b>	<b>(Audited) June 30, 2007</b>	<b>(Audited) December 31, 2006</b>
<b>ASSETS</b>		
Cash on hand and at bank	<b>44,458</b>	3,139
Held-for-trading financial assets	<b>5,318</b>	5,458
Interest receivables	<b>92</b>	29
Term deposits	<b>448</b>	776
Available-for-sale financial assets	<b>5,455</b>	4,227
Long-term equity investments	<b>17,568</b>	17,368
Fixed assets	<b>63</b>	69
Intangible assets	<b>10</b>	18
Other assets	<b>328</b>	422
	<hr/>	<hr/>
<b>Total assets</b>	<b><u>73,740</u></b>	<b><u>31,506</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Placements from banks and other financial institutions	<b>1,751</b>	820
Salary and welfare payable	<b>890</b>	586
Taxes payable	<b>179</b>	75
Deferred tax liabilities	<b>170</b>	93
Other liabilities	<b>132</b>	146
	<hr/>	<hr/>
<b>Total liabilities</b>	<b><u>3,122</u></b>	<b><u>1,720</u></b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	<b>7,345</b>	6,195
Capital reserves	<b>52,425</b>	15,731
Surplus reserves	<b>5,429</b>	4,969
General risk provision	<b>395</b>	395
Retained profits	<b>5,024</b>	2,496
	<hr/>	<hr/>
<b>Total shareholders' equity</b>	<b><u>70,618</u></b>	<b><u>29,786</u></b>
	<hr/>	<hr/>
<b>Total liabilities and shareholders' equity</b>	<b><u>73,740</u></b>	<b><u>31,506</u></b>

### C. Reconciliation of GAAP differences between PRC Accounting Standards and IFRS

The material GAAP differences between PRC Accounting Standards and IFRS in preparing financial statements are as follows:

	<i>Notes</i>	<b>(Audited) For the six months ended June 30, 2007 in RMB million</b>	<b>(Unaudited) For the six months ended June 30, 2006 in RMB million</b>
<b>Consolidated net profit</b>			
Financial statements prepared in accordance with PRC Accounting Standards		<b>8,063</b>	3,945
Unearned premium reserves	<i>(i)</i>	<b>(86)</b>	(102)
Policyholders' reserves	<i>(ii)</i>	<b>(2,106)</b>	(2,249)
Deferred policy acquisition costs	<i>(iii)</i>	<b>4,136</b>	2,611
Deferred tax	<i>(iv)</i>	<b>(301)</b>	(136)
Minority interests and others		<b>(16)</b>	30
		<hr/>	<hr/>
Financial statements prepared in accordance with IFRS		<b><u>9,690</u></b>	<b><u>4,099</u></b>
		<b>(Audited) June 30, 2007 in RMB million</b>	<b>(Audited) December 31, 2006 in RMB million</b>
<b>Consolidated equity</b>			
Financial statements prepared in accordance with PRC Accounting Standards		<b>93,396</b>	45,260
Unearned premium reserves	<i>(i)</i>	<b>-</b>	86
Policyholders' reserves	<i>(ii)</i>	<b>(32,380)</b>	(30,023)
Deferred policy acquisition costs	<i>(iii)</i>	<b>36,069</b>	31,866
Deferred tax	<i>(iv)</i>	<b>(966)</b>	(687)
Minority interests and others		<b>(86)</b>	(127)
		<hr/>	<hr/>
Financial statements prepared in accordance with IFRS		<b><u>96,033</u></b>	<b><u>46,375</u></b>

Minority interests have been deducted from the above amounts.

*Notes:*

- (i) Under PRC Accounting Standards, unearned premium reserves of life insurance businesses should be no less than 50% of the net premium for the current period. Under IFRS, unearned premium reserves are provided using actuarial valuation results (1/365 method).
- (ii) Under PRC Accounting Standards, policyholders' reserves are provided in accordance with related actuarial regulations released by CIRC. Under IFRS, policyholders' reserves are provided in accordance with IFRS 4 Insurance Contracts and by reference to US GAAP.
- (iii) Under PRC Accounting Standards, handling costs and commission expenses of acquiring new policies are recognized in the income statement when incurred. Under IFRS, handling costs and commission expenses of acquiring new policies are deferred and amortized by category in proportion to expected premiums over the life of the insurance contracts or the present value of estimated gross profits expected to be realized over the life of the insurance contracts, in accordance with IFRS 4 Insurance Contracts and by reference to US GAAP.



- (iv) The above differences between PRC Accounting Standards and IFRS are temporary differences in accordance with IAS 12 Income Taxes. The Group recognizes deferred tax assets on the basis of the above differences and the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The financial figures above in respect of the Announcement of Audited Results for the Six Months Ended June 30, 2007 (“Announcement”) have been agreed by the Group’s auditors, Ernst & Young, to the amounts set out in the Group’s audited financial statements for the six months ended June 30, 2007. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the Announcement.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES**

Foreign currency denominated investments and cash assets held by the Group are exposed to foreign currency risks. These assets include term deposits, cash and cash equivalents, financial assets at fair value held in foreign currency that are considered as monetary assets. In addition to foreign currency denominated monetary assets, the Group’s foreign currency denominated monetary liabilities are also exposed to fluctuations in exchange rates. These liabilities include foreign currency denominated claim reserves and payable to reinsurers. The exposures to fluctuations in exchange rates from monetary assets and monetary liabilities offset each other.

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

**As at June 30, 2007 (in RMB million)**

**Foreign currency risk**

Net exposure to fluctuations in exchange rates assuming a simultaneous and uniform 5% depreciation of all foreign currency denominated monetary assets and monetary liabilities against the Renminbi

**770**

## **EMBEDDED VALUE**

In order to provide investors with an additional tool to understand our economic value and business performance results, the Group has disclosed information regarding embedded value in this section. The embedded value represents the shareholders’ adjusted net asset value plus the value of the Group’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.

## Components of economic value

(in RMB million)	As at June 30, 2007	As at December 31, 2006
Adjusted net asset value	95,567	46,282
Value of in-force insurance business written prior to June 1999	(16,446)	(20,932)
Value of in-force insurance business written since June 1999	51,251	48,011
Cost of holding the required solvency margin	(9,573)	(7,788)
<b>Embedded value</b>	<b>120,799</b>	<b>65,573</b>
Value of one year's new business	7,323	6,007
Cost of holding the required solvency margin	(1,108)	(875)
<b>Value of one year's new business after cost of solvency</b>	<b>6,215</b>	<b>5,132</b>

## OTHER INFORMATION

### Purchase, sale, or redemption of listed shares

Neither the Company, nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed shares from January 1, 2007 to June 30, 2007.

### Audit committee

The Company has established an audit committee in compliance with the Code on Corporate Governance Practices (the "Code on Corporate Governance Practices") contained in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the Company's financial reporting process, internal audit and control procedures. The audit committee, comprising four Independent Non-executive Directors, namely Mr. Bao Youde, Mr. Kwong Che Keung Gordon, Mr. Cheung Wing Yui and Mr. Chow Wing Kin Anthony and one Non-executive Director, namely Mr. Anthony Philip HOPE, has reviewed with the management the accounting principles and practices adopted by the Company and discussed the internal controls and financial reporting matters including a review of the interim accounts of the Company.

### Compliance with the Code on Corporate Governance Practices of the Listing Rules

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the Code on Corporate Governance Practices for any part of the period from January 1, 2007 to June 30, 2007 except that Mr. Ma Mingzhe has occupied the positions of both the Chairman of the Board of Directors and Chief Executive Officer of the Company.

Code Provision A.2.1 of the Code on Corporate Governance Practices provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. However, the Board is of the opinion that Board decisions are not decisions of the Chairman of the Board alone but are nevertheless collective decisions of all Directors made by way of voting. Further, there is a clear division of the responsibilities between the management of the

Board, which is a collective decision reached by way of majority voting, and the day-to-day management of the Company's business, which relies on the support of the Company's senior management. As such, the management power of the Company is not concentrated in any one individual.

Therefore, the Board is of the opinion that the Company's management structure is able to provide the Company with efficient management and at the same time, protect shareholders' rights. The Company therefore does not currently intend to separate the roles of the Chairman of the Board of Directors and the 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 were set out under the paragraph headed "Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules" in the Corporate Governance Report on pages 36 to 37 of the Company's 2006 annual report issued on April 19, 2007.

### **Interim dividend and closure of register**

The Board declared that an interim dividend of RMB0.20 (equivalent to HK\$0.2065) per share for the six months ended June 30, 2007 be paid to shareholders of the Company. H shares shareholders whose names are on the Company's registers of members on September 4, 2007 will be entitled to the interim dividend. The registration date and arrangements in relation to the rights of holders of A shares to receive the interim dividend for the period ended June 30, 2007 will be separately announced in the PRC.

According to the Articles of Association of the Company, dividends will be denominated and declared in Renminbi. Dividends on A shares will be paid in Renminbi and dividends on H shares will be paid in Hong Kong dollars. The relevant exchange rate will be the average middle exchange rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of declaration of dividends (RMB0.9687 equivalent to HK\$1.00).

In order to determine the list of holders of H shares who are entitled to receive the interim dividend for the period ended June 30, 2007, the Company's register of members of H shares will be closed from Thursday, August 30, 2007 to Tuesday, September 4, 2007, both days inclusive, during which period no transfer of H shares will be effected. In order to qualify for the interim dividend, holders of H shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on Wednesday, August 29, 2007. The address of the transfer office of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The Company has appointed Bank of China (Hong Kong) Trustees Limited as the receiving agent in Hong Kong (the "Receiving Agent") and will pay to the Receiving Agent the interim dividend declared for payment to holders of H shares. The interim dividend will be paid by the Receiving Agent and relevant cheques will be dispatched on or before September 7, 2007 to holders of H Shares whose names appear on the registers of members of the Company on September 4, 2007 by ordinary post at their own risk.

## **Disclosure of information on the Stock Exchange's website and the Company's website**

The interim results announcement and the interim report of the Company containing all information required by paragraphs 46(1) to 46(9) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.pingan.com.cn>) respectively in due course.

By order of the Board of Directors  
**Ma Mingzhe**  
*Chairman and Chief Executive Officer*

Shenzhen, PRC, August 16, 2007

*As of the date of this announcement, the Executive Directors of the Company are Ma Mingzhe, Sun Jianyi and Cheung Chi Yan Louis, the Non-executive Directors are Lin Yu Fen, Cheung Lee Wah, Anthony Philip HOPE, Fan Gang, Lin Lijun, Hu Aimin, Chen Hongbo, Wong Tung Shun Peter and Ng Sing Yip, the Independent Non-executive Directors are Bao Youde, Kwong Che Keung Gordon, Cheung Wing Yui, Chow Wing Kin Anthony, Zhang Hongyi, Chen Su and Xia Liping.*