

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, 2008**

CHAIRMAN'S STATEMENT

In the first half of 2008, China faced and overcame a number of hardships brought about by unfavorable domestic and international economic environment, and by a number of catastrophic natural disasters. Whilst China's economic development remains promising and continues to grow as forecasted under the current macro-economic policy and control, the number of unfavorable factors that would hinder micro-economic growth has clearly grown. In the face of such complex operating environment, during the first half of the year, the Company has actively tackled the unfavorable factors, such as the heightened combined ratio of the property and casualty insurance business caused by the natural disasters and excessive market competition, the increase in cost driven by inflation and extreme volatility in the global capital market. By focusing on our strategy of profitable growth, we have maintained strong growth momentum of our three key businesses of insurance, banking and asset management.

For the six months ended June 30, 2008, the Company realized premium income of RMB69,228 million, representing an increase of 28.5% when compared with the corresponding period of the previous year. Due to the significant decrease in investment income, our net profit was RMB9,719 million, representing a decrease of 2.5% over the corresponding period of the previous year. Reviewing our operations for the first half of the year, the Company has achieved outstanding performance in the following sectors:

- Our core insurance business continued to sustain a healthy growth. In terms of our life insurance business, we have successfully implemented our "Reaching New Heights" and "Two-Tier Market Development" strategies. Our individual life sales force has maintained its growth momentum, and the number of sales agents has reached 315,000. The market share of our property and casualty insurance business has been steadily increasing with premium income reaching RMB14,671 million, representing an increase of 26.1% when compared with the corresponding period of the previous year. The asset entrusted under our pension annuity and the assets under investment management annuity business have doubled since the end of 2007, placing us No.1 in the market in terms of asset size and pension contribution.
- Our banking business has enjoyed an excellent start, and we have accelerated the build-out of our nationwide network. Both the corporate and retail businesses have achieved sound and steady growth. The accumulated number of in-force credit cards in Shanghai and Shenzhen has exceeded 700,000. Non-performing loan ratio was controlled at 0.5%, amongst the lowest in the industry. Quanzhou Branch, our first branch in a new region following the bank's merger and re-naming, obtained regulatory approval to operate, marking an important step forward for our cross-region operation. At the same time, we have increased investment in the banking business' infrastructure and developed strategic initiatives to strengthen the headquarters' ability to support a nationwide service network.

- Our third-party asset management business has made good progress. The first batch of domestic QDII accounts entrusted to Ping An Asset Management has entered into the substantive operating stage, the size of assets under management has continued to grow. Ping An Trust has continually developed new and creative wealth management products, both asset size and customer number have increased steadily. Ping An Securities has successfully launched the first collective asset management product. With the backing of an integrated financial service platform, the advantages of our third-party asset management business in terms of customers, channels, products and services are starting to become apparent.
- Our investment business responded vigilantly to fluctuations in the capital markets. We have made timely adjustments to our asset allocation, increased the proportion of investment in fixed income assets, and focused on non-capital markets investments. All our investment projects remain on track. Furthermore, our overseas investment plan and the establishment of our global investment platform are proceeding smoothly. Taking advantage of the cooperation opportunities that brought by our investment in Fortis SA/NV and Fortis N.V. (“Fortis”), we have entered into formal agreement with Fortis Bank NV/SA to acquire an equity stake in Fortis Investment Management NV/SA, in order to accelerate the establishment of our global investment capability and to build a global asset management and QDII platform.
- Cross-selling has achieved remarkable result, and the synergies brought about by an integrated financial platform are becoming increasingly apparent. In the first half of the year, cross-selling accounted for 14.0% of the premium income for the property and casualty insurance business, 9.1% of the bank’s new corporate deposits, 55.8% of new credit cards issued, 12.5% of new assets entrusted under the pension annuity and 12.7% of new assets under the investment management annuity business. The above figures demonstrate the efforts that we have endeavored to promote cross-selling for the past few years, through resource sharing and service integration, we have greatly increased the breadth and depth of our cross-selling activities.

May 27, 2008 marked the 20th anniversary of the establishment of Ping An. As a way of expressing our deep condolence for the victims of the Wenchuan earthquake, we had simplified our 20th anniversary celebration. Immediately after the disaster, our Company announced donations of approximately RMB40 million in total for disaster-relief in the disaster-hit areas and the reconstruction and repairment of elementary schools in Wenchuan and Beichuan counties. At the same time, our staff across all levels have made donations totalling over RMB35 million, the largest amount of staff donation amongst all insurance companies in China to date. In the face of this disaster, Ping An has resolutely taken up the sacred duty of helping people in distress and protecting people’s livelihoods by taking concrete actions to assist the victims and affected customers to overcome their hardships.

Our Company is dedicated to fulfilling our social responsibility. Our role as a charitable corporate citizen has received widespread attention and high regards from all walks of society. In the fifth “2008 China Charity Ranking Announcement Ceremony”, our Company was granted the “China’s Top 10 Charitable Enterprises for 2008” award for the first time. In the “China’s Most Respected Enterprises” poll jointly sponsored by the Economic Observer Newspaper and the Management Case Study Center of Peking University, our Company was granted the honour of “China’s Most Respected Enterprises” for the seventh consecutive year. In the report on the “Assessment of Corporate Governance of Top 100 Chinese Listed Companies for 2008” issued by the Chinese Academy of Social Sciences, our Company was ranked No. 1 amongst 100 elected enterprises. With our outstanding operating results and strong profit growth and having been named twice as a Forbes 500 company, our Company marched into the Fortune 500 for the first time, ranking as No. 1 amongst Chinese private enterprises on the list.

Looking ahead to the second half of 2008, the fundamentals of the Chinese economy are sound and the macro-economic control measures will become more flexible. However, with the woes of the U.S. sub-prime problem yet to dissipate, worldwide economic growth slowing down and the global inflation rising, there will be potential pressure on slowing down the growth of the Chinese economy, our Company's goal of surpassing the annual profit target will be a major challenge. In the second half of the year, our life insurance business will continue to implement the "Two Tier Market Development" strategy and enhance the average productivity per agent through the week unit working system. Our property and casualty insurance business will continue with its strategy to build sales channel aggressively and to control costs of sale effectively so we can achieve our goal of "surpassing targets healthily". For the banking business, various systems and operation platforms will be erected to expedite our development into a nationwide bank. For the investment business, risk management and control will be strengthened, investments will be actively sought in non-capital market, whilst third-party asset management business will be further expanded. Meanwhile, the Company will continue to expand the breadth and depth of cross-selling, ensuring that our synergies will be fully maximized.

Since the fourth quarter of last year, the global economy has suffered from the impact of the sub-prime issue in the U.S., investor confidence has fallen sharply and stock markets worldwide have experienced deep correction, our Company's share price also experienced significant fluctuations. However, the Company's fundamentals remain sound, and strong growth continues to be recorded across all businesses with the competitive advantages of our integrated financial platform remaining apparent. In the second half of 2008, China will host the Beijing Olympic Games which will draw the attention of the world, and at the same time, it will mark the beginning of Ping An's third decade of operations. Looking at the opportunities and challenges that lie ahead, from the perspective of an enterprise that is striving to be a century-old financial institution, we clearly recognize that the past twenty years has merely been an important stage in our founding and development. Our dream of becoming a century-old enterprise can only be realized through having the ability to maintain sustainable growth, and in this sense, we are fully confident in our Company's long-term investment value.

We firmly believe that, with the advantages of our Company's integrated financial platform, prudent investment and financial policies, strong customer base and centralized operation, Ping An is ready for all kinds of challenges that lie ahead, and each of our businesses will strive to achieve "sustainable, valuable and superior" growth in order to deliver long-term sustainable value to our clients, shareholders and society.

KEY FINANCIAL AND OPERATION INFORMATION

Group's consolidated performance

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

For the six months ended June 30, (in RMB million)	2008	2007
Total income	63,633	69,819
Total expenses	(53,289)	(59,003)
Operating profit before tax	10,344	10,816
Net profit	9,719	9,969

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

For the six months ended June 30, (in RMB million)	2008	2007
Life insurance	8,325	6,018
Property and casualty insurance	339	760
Banking	795	1,086
Securities	401	676
Other businesses ⁽¹⁾	(141)	1,429
	<hr/>	<hr/>
Net profit	<u>9,719</u>	<u>9,969</u>

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

Consolidated net profit decreased 2.5% to RMB9,719 million in the six months ended June 30, 2008 from RMB9,969 million in the same period in 2007. This decrease was primarily due to the decrease in both investment returns and profit from our investment business, as a result of fluctuations in the capital markets.

In the first half of 2008, the occurrence of natural disasters such as heavy snow storm, earthquakes and rain storm, as well as the decrease in premium rates of compulsory third party liability insurance for automobiles, have led to an increase in combined ratio and exerted pressure on the profitability of our property and casualty insurance business.

For our banking business, if taken out the one-off benefits of non-performing package assets disposal and reversals of litigation provisions from the first half results of 2007 (RMB409 million in total), the net profit in the six months ended June 30, 2008 in fact increased even though significant capital expenditure and investments for future has been made.

The significant decrease in net profit of other businesses was primarily due to the significant decrease in net profit of our corporate business to RMB-339 million in the six months ended June 30, 2008 from RMB1,140 million in the same period in 2007, as a result of the decrease in investment income.

Consolidated investment income

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

	2008	2007
Net investment income	10,259	9,893
Net realized and unrealized gains	601	15,844
Impairment losses	(1,585)	—
Total investment income	<u>9,275</u>	<u>25,737</u>
Net investment yield ⁽¹⁾	3.8%	4.3%
Total investment yield ⁽¹⁾	<u>3.6%</u>	<u>8.5%</u>

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

In the first half of 2008, our domestic and overseas investments were affected by the negative factors from both domestic and overseas capital markets. In the face of the market fluctuations, we proactively managed to adjust asset allocation for stable investment returns, and achieved the objectives in different phases of our investment business. However, the significant decrease in total investment income definitely has certain negative impact on our net profit.

Our certain available-for-sale equity investments have incurred relatively significant and prolonged unrealized losses. We have impaired those available-for-sale equity investments which met objective evidence of impairment criteria as at June 30, 2008. Our holding of Fortis shares are classified as available-for-sale equity investments. According to our long term holding strategy and relevant accounting policies, impairment provision on Fortis shares was not considered to be necessary as at June 30, 2008.

We managed to improve the asset allocation of our investment portfolio in response to fluctuations in the capital markets. As a result, our fixed maturity investments as a percentage of our total investment assets increased to 64.2% as at June 30, 2008 from 47.7% as at December 31, 2007, while our equity investments decreased to 15.6% as at June 30, 2008 from 24.7% as at December 31, 2007.

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

(in RMB million, except percentages)	As at June 30, 2008		As at December 31, 2007	
	Carrying Value	% of Total	Carrying Value	% of Total
Fixed maturity investments				
Term deposits ⁽¹⁾	49,622	11.1%	33,188	7.0%
Bond investments ⁽¹⁾	235,184	52.4%	191,023	40.2%
Other fixed maturity investments ⁽¹⁾	2,946	0.7%	2,411	0.5%
Equity investments				
Equity investment fund ⁽¹⁾	15,379	3.4%	15,792	3.3%
Equity securities	51,390	11.4%	100,015	21.1%
Investment in associates	3,401	0.8%	1,472	0.3%
Investment properties	3,608	0.8%	3,812	0.8%
Cash, cash equivalents and others	86,999	19.4%	127,174	26.8%
	<hr/>	<hr/>	<hr/>	<hr/>
Total investments ⁽²⁾	<u>448,529</u>	<u>100.0%</u>	<u>474,887</u>	<u>100.0%</u>

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

(2) Investment assets exclude banking business.

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)	2008	2007
Gross written premiums and policy fees	39,521	32,203
Individual life insurance	32,991	27,705
Bancassurance	1,112	367
Group insurance	5,418	4,131
Premium deposits	15,036	10,045
Individual life insurance	9,293	6,528
Bancassurance	5,743	3,517
	<u>54,557</u>	<u>42,248</u>
	As at June 30, 2008	As at December 31, 2007
Market share of gross written premiums, policy fees and premium deposits ⁽¹⁾	<u>12.8%</u>	<u>16.0%</u>
Number of customers:		
Individual (in thousands)	35,048	33,808
Corporate (in thousands)	399	351
	<u>35,447</u>	<u>34,159</u>
Persistency ratio:		
13-month	92.5%	90.4%
25-month	<u>84.1%</u>	<u>81.2%</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 CIRC.
Market share as at June 30, 2008 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, 2007 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:

For the six months ended June 30, (in RMB million)	2008	2007
Automobile insurance	10,225	7,801
Non-automobile insurance	3,650	3,254
Accident and health insurance	796	582
	<hr/>	<hr/>
Total gross written premiums	<u>14,671</u>	<u>11,637</u>
	As at June 30, 2008	As at December 31, 2007
Market share of gross written premiums ⁽¹⁾	<u>10.7%</u>	<u>10.3%</u>
Number of customers:		
Individual (in thousands)	8,680	7,140
Corporate (in thousands)	2,036	1,617
	<hr/>	<hr/>
Total (in thousands)	<u>10,716</u>	<u>8,757</u>
	For the six months ended June 30, 2008	For the year ended December 31, 2007
Combined ratio:		
Expense ratio	36.5%	36.5%
Loss ratio	69.6%	61.1%
	<hr/>	<hr/>
Combined ratio	<u>106.1%</u>	<u>97.6%</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 CIRC.
Market share as at June 30, 2008 was computed based on gross written premiums accumulated over a period of six months.
Market share as at December 31, 2007 was computed based on gross written premiums accumulated over a period of one year.

Banking business

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

For the six months ended June 30,

(in RMB million, except percentages)

	2008	2007
Interest income	3,376	2,257
Interest expenses	<u>(1,391)</u>	<u>(798)</u>
Net interest income	<u>1,985</u>	<u>1,459</u>
Net interest spread ⁽¹⁾	<u>2.9%</u>	<u>2.4%</u>

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

The following tables set forth loans and advances mix and loan quality for our banking business:

(in RMB million)	As at June 30, 2008	As at December 31, 2007
Corporate loans	43,398	36,142
Discounted bills	4,956	5,976
Retail loans	<u>20,689</u>	<u>19,782</u>
Total loans and advances	<u>69,043</u>	<u>61,900</u>

(in RMB million, except percentages)	As at June 30, 2008	As at December 31, 2007
Pass	64,712	58,370
Special mention	3,999	3,019
Substandard	204	296
Doubtful	84	167
Loss	<u>44</u>	<u>48</u>
Total loans and advances	<u>69,043</u>	<u>61,900</u>
Total non performing loans	332	511
Non-performing loans ratio	0.5%	0.8%
Impairment provisions balance	422	420
Provisions coverage ratio	<u>127.1%</u>	<u>82.2%</u>

FINANCIAL STATEMENTS

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

Consolidated Income Statement

For the six months ended June 30, 2008

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

	Notes	2008	2007
Gross written premiums and policy fees	4	54,192	43,840
Less: Premiums ceded to reinsurers		(3,344)	(2,600)
Net written premiums and policy fees		50,848	41,240
Change in unearned premium reserves		(2,734)	(2,191)
Net earned premiums		48,114	39,049
Reinsurance commission income		760	675
Interest income of banking operations	5	3,369	2,257
Fees and commission income of non-insurance operations		1,282	1,357
Investment income	6	9,275	25,737
Share of profits of associates		41	–
Other income		792	744
Total income		63,633	69,819
Change in deferred policy acquisition costs		5,316	4,136
Claims and policyholders’ benefits		(40,619)	(47,849)
Commission expenses of insurance operations		(7,257)	(5,673)
Interest expenses of banking operations	5	(1,265)	(689)
Fees and commission expenses of non-insurance operations		(118)	(213)
Loan loss provisions, net of reversals		(16)	105
Foreign exchange losses		(525)	(335)
General and administrative expenses		(8,805)	(8,485)
Total expenses		(53,289)	(59,003)
Profit before tax	7	10,344	10,816
Income taxes	8	(625)	(847)
Net profit		9,719	9,969
Attributable to:			
– Equity holders of the parent		9,487	9,690
– Minority interests		232	279
		9,719	9,969
		RMB	RMB
Earnings per share attributable to equity holders of the parent:			
– basic	10	1.29	1.39
– diluted	10	1.29	1.39

Consolidated Balance Sheet

As at June 30, 2008

(in RMB million)	June 30, 2008	December 31, 2007
ASSETS		
Balances with central bank and statutory deposits	19,781	20,794
Cash and amounts due from banks and other financial institutions	93,384	87,859
Fixed maturity investments	284,469	274,241
Equity investments	83,673	128,931
Derivative financial assets	121	177
Loans and advances to customers	70,806	63,125
Investments in associates	3,401	1,472
Premium receivables	6,172	4,434
Reinsurers' share of insurance liabilities	7,077	4,880
Policyholder account assets in respect of insurance contracts	32,554	34,871
Policyholder account assets in respect of investment contracts	4,120	4,622
Deferred policy acquisition costs	46,621	41,305
Investment properties	3,677	3,882
Property and equipment	8,516	8,165
Intangible assets	10,583	4,400
Deferred tax assets	1,985	87
Other assets	11,833	8,977
Total assets	<u>688,773</u>	<u>692,222</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	7,345	7,345
Reserves	52,324	81,322
Retained profits	28,259	23,155
Equity attributable to equity holders of the parent	87,928	111,822
Minority interests	2,492	2,029
Total equity	<u>90,420</u>	<u>113,851</u>
Liabilities		
Due to banks and other financial institutions	13,784	14,644
Assets sold under agreements to repurchase	16,356	13,556
Derivative financial liabilities	120	189
Customer deposits and payables to brokerage customers	90,090	91,925
Insurance contract liabilities	433,658	416,474
Investment contract liabilities for policyholders	6,936	5,421
Policyholder dividend payable	10,635	7,006
Income tax payable	725	807
Deferred tax liabilities	967	6,369
Other liabilities	25,082	21,980
Total liabilities	<u>598,353</u>	<u>578,371</u>
Total equity and liabilities	<u>688,773</u>	<u>692,222</u>

Consolidated Statement of Changes in Equity

For the six months ended June 30, 2008

(in RMB million)	Notes	Equity attributable to equity holders of the parent									
		Share capital	Capital reserve	Surplus reserve fund	General reserve	Reserves			Retained profits	Minority interests	Total
						Net unrealized gains/ (losses)	Foreign currency translation differences				
As at January 1, 2008		7,345	51,907	7,629	1,939	19,889	(42)	23,155	2,029	113,851	
Net profit for the six months ended June 30, 2008		-	-	-	-	-	-	9,487	232	9,719	
Net losses on available-for-sale investments		-	-	-	-	(39,362)	-	-	(395)	(39,757)	
Net gains on available-for-sale investments removed from equity and reported in net profit		-	-	-	-	(9,140)	-	-	(91)	(9,231)	
Impairment charges reclassified to the income statement	6	-	-	-	-	1,569	-	-	16	1,585	
Deferred tax recognized, net		-	-	-	-	7,532	-	-	75	7,607	
Dividends declared	9	-	-	-	-	-	-	(3,673)	-	(3,673)	
Appropriations to statutory reserve		-	-	710	-	-	-	(710)	-	-	
Changes in subsidiaries		-	-	-	-	-	-	-	577	577	
Currency translation adjustments		-	-	-	-	-	(28)	-	-	(28)	
Dividends for minority interests		-	-	-	-	-	-	-	(49)	(49)	
Shadow accounting adjustment		-	-	-	-	9,721	-	-	98	9,819	
As at June 30, 2008		<u>7,345</u>	<u>51,907</u>	<u>8,339</u>	<u>1,939</u>	<u>(9,791)</u>	<u>(70)</u>	<u>28,259</u>	<u>2,492</u>	<u>90,420</u>	

For the six months ended June 30, 2007

(in RMB million)	Notes	Equity attributable to equity holders of the parent									
		Reserves							Retained profits	Minority interests	Total
		Share capital	Capital reserve	Surplus reserve fund	General reserve	Net unrealized gains	Foreign currency translation differences				
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	
Share 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		-	-	-	-	(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	-	-	
Changes in subsidiaries		-	-	-	-	-	-	-	(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>	

Supplementary information

1. Organization and principal activities

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

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

2. Changes in accounting policies

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

- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*

This interpretation requires arrangements whereby an employee is granted rights to an entity’s equity instruments, to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The adoption of this interpretation did not have significant impact on the financial position or performance of the Group.

- *IFRIC 12 Service Concession Arrangements*

This interpretation requires an operator under public-to-private service concession arrangements to recognize the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. This interpretation also addresses how an operator shall apply existing IFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. The adoption of this interpretation did not have significant impact on the financial position or performance of the Group.

- *IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 Employee Benefits. As the Group had no significant defined benefit schemes currently, this interpretation had no significant impact on the financial position or performance of the Group.

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 during the reporting 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, 2008 is as follows:

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Income statement								
Gross written premiums and policy fees	39,521	14,671	-	-	-	-	-	54,192
Less: Premiums ceded to reinsurers	(605)	(2,739)	-	-	-	-	-	(3,344)
Change in unearned premium reserves	(421)	(2,313)	-	-	-	-	-	(2,734)
Net earned premiums	38,495	9,619	-	-	-	-	-	48,114
Reinsurance commission income	103	657	-	-	-	-	-	760
Interest income of banking operations	-	-	3,376	-	-	-	(7)	3,369
Fees and commission income of non-insurance operations	-	-	101	912	-	288	(19)	1,282
Investment income	8,768	990	(127)	103	(624)	345	(180)	9,275
Share of profits of associates	27	-	-	-	-	14	-	41
Other income	659	29	14	3	-	339	(252)	792
Total income	48,052	11,295	3,364	1,018	(624)	986	(458)	63,633
Change in deferred policy acquisition costs	4,966	350	-	-	-	-	-	5,316
Claims and policyholders' benefits	(33,922)	(6,697)	-	-	-	-	-	(40,619)
Commission expenses of insurance operations	(5,934)	(1,405)	-	-	-	-	82	(7,257)
Interest expenses of banking operations	-	-	(1,391)	-	-	-	126	(1,265)
Fees and commission expenses of non-insurance operations	-	-	(14)	(58)	-	(46)	-	(118)
Loan loss provisions, net of reversals	-	-	(9)	-	-	(7)	-	(16)
Foreign exchange losses	(403)	(37)	(1)	(4)	(62)	(18)	-	(525)
General and administrative expenses	(3,837)	(3,177)	(986)	(456)	48	(636)	239	(8,805)
Total expenses	(39,130)	(10,966)	(2,401)	(518)	(14)	(707)	447	(53,289)
Profit before tax	8,922	329	963	500	(638)	279	(11)	10,344
Income taxes	(597)	10	(168)	(99)	299	(70)	-	(625)
Net profit	8,325	339	795	401	(339)	209	(11)	9,719

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

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Income statement								
Gross written premiums and policy fees	32,203	11,637	-	-	-	-	-	43,840
Less: Premiums ceded to reinsurers	(476)	(2,124)	-	-	-	-	-	(2,600)
Change in unearned premium reserves	(277)	(1,914)	-	-	-	-	-	(2,191)
Net earned premiums	31,450	7,599	-	-	-	-	-	39,049
Reinsurance commission income	111	564	-	-	-	-	-	675
Interest income of banking operations	-	-	2,257	-	-	-	-	2,257
Fees and commission income of non-insurance operations	-	-	68	1,046	-	258	(15)	1,357
Investment income	22,038	957	35	491	1,870	454	(108)	25,737
Other income	259	12	455	-	34	209	(225)	744
Total income	<u>53,858</u>	<u>9,132</u>	<u>2,815</u>	<u>1,537</u>	<u>1,904</u>	<u>921</u>	<u>(348)</u>	<u>69,819</u>
Change in deferred policy acquisition costs	3,727	409	-	-	-	-	-	4,136
Claims and policyholders' benefits	(43,045)	(4,804)	-	-	-	-	-	(47,849)
Commission expenses of insurance operations	(4,601)	(1,124)	-	-	-	-	52	(5,673)
Interest expenses of banking operations	-	-	(798)	-	-	-	109	(689)
Fees and commission expenses of non-insurance operations	-	-	(16)	(71)	-	(126)	-	(213)
Loan loss provisions, net of reversals	-	-	111	-	-	(6)	-	105
Foreign exchange losses	(316)	(11)	22	(2)	(25)	(3)	-	(335)
General and administrative expenses	(3,649)	(2,551)	(892)	(605)	(560)	(393)	165	(8,485)
Total expenses	<u>(47,884)</u>	<u>(8,081)</u>	<u>(1,573)</u>	<u>(678)</u>	<u>(585)</u>	<u>(528)</u>	<u>326</u>	<u>(59,003)</u>
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

For the six months ended June 30, (in RMB million)	2008	2007
Gross written premiums, policy fees and premium deposits (as reported in accordance with PRC Accounting Standards)	69,228	53,885
Less: Premium deposits allocated to policyholder contract deposits	(10,272)	(8,372)
Premium deposits allocated to policyholder accounts	(4,764)	(1,673)
	<hr/>	<hr/>
Gross written premiums and policy fees	<u>54,192</u>	<u>43,840</u>
Long term life business gross written premiums and policy fees	36,540	29,626
Short term life business gross written premiums	2,981	2,577
Property and casualty business gross written premiums	14,671	11,637
	<hr/>	<hr/>
Gross written premiums and policy fees	<u>54,192</u>	<u>43,840</u>

5. Net interest income of banking operations

For the six months ended June 30, (in RMB million)	2008	2007
Interest income of banking operations		
Loans and advances to customers	2,274	1,348
Balances with central bank	146	73
Bonds	633	541
Cash and amounts due from banks and other financial institutions	316	295
	<hr/>	<hr/>
Total	<u>3,369</u>	<u>2,257</u>
Interest expenses of banking operations		
Customer deposits	996	532
Due to banks and other financial institutions	269	157
	<hr/>	<hr/>
Total	<u>1,265</u>	<u>689</u>
	<hr/>	<hr/>
Net interest income of banking operations	<u>2,104</u>	<u>1,568</u>

6. Investment income

(1) Net investment income

For the six months ended June 30, (in RMB million)	2008	2007
Interest income on fixed maturity investments		
Bonds		
– Held-to-maturity	2,488	2,526
– Available-for-sale	1,929	1,170
– Carried at fair value through profit or loss	296	205
Term deposits		
– Loans and receivables	1,223	1,277
Current accounts		
– Loans and receivables	401	397
Others		
– Loans and receivables	184	126
Dividend income on equity investments		
Equity investment funds		
– Available-for-sale	2,250	2,975
– Carried at fair value through profit or loss	508	1,364
Equity securities		
– Available-for-sale	955	96
– Carried at fair value through profit or loss	68	35
Operating lease income from investment properties	139	151
Interest expenses on assets sold under agreements to repurchase	(182)	(429)
Total	<u>10,259</u>	<u>9,893</u>

(2) Realized gains

For the six months ended June 30, (in RMB million)	2008	2007
Fixed maturity investments		
– Available-for-sale	3	98
– Carried at fair value through profit or loss	18	117
Equity investments		
– Available-for-sale	9,228	8,717
– Carried at fair value through profit or loss	1,023	6,303
Derivative financial instruments		
– Carried at fair value through profit or loss	248	3
Total	<u>10,520</u>	<u>15,238</u>

(3) Unrealized gains/(losses)

For the six months ended June 30, (in RMB million)	2008	2007
Fixed maturity investments		
– Carried at fair value through profit or loss	(126)	(188)
Equity investments		
– Carried at fair value through profit or loss	(9,526)	684
Derivative financial instruments		
– Carried at fair value through profit or loss	(267)	110
Total	<u>(9,919)</u>	<u>606</u>

(4) Impairment losses		
For the six months ended June 30, (in RMB million)	2008	2007
Equity investments		
– Available-for-sale	<u>(1,585)</u>	<u>–</u>

(5) Total investment income		
For the six months ended June 30, (in RMB million)	2008	2007
Net investment income	10,259	9,893
Realized gains	10,520	15,238
Unrealized gains/(losses)	(9,919)	606
Impairment losses	<u>(1,585)</u>	<u>–</u>
Total	<u>9,275</u>	<u>25,737</u>

7. Profit before tax

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

For the six months ended June 30, (in RMB million)	2008	2007
Employee costs (<i>Note 7(2)</i>)	2,444	4,301
Provision for insurance guarantee fund	219	176
Depreciation of investment properties	77	76
Depreciation of property and equipment	273	324
Amortization of intangible assets	211	81
Gains on disposal of non-performing assets	–	(284)
Loss on disposal of investment properties, property and equipment	3	1
Impairment losses on property and equipment, and intangible assets	1	9
Provision for doubtful debts, net	(63)	76
Auditor's remuneration-review and audit fee	15	12
Operating lease payments in respect of land and buildings	<u>398</u>	<u>283</u>

(2) Employee costs

For the six months ended June 30, (in RMB million)	2008	2007
Wages, salaries and bonuses	1,722	3,829
Retirement benefits, social security contributions and welfare benefits	<u>722</u>	<u>472</u>
Total	<u>2,444</u>	<u>4,301</u>

The employee costs reversed for the scheme of share appreciation rights during the Period are RMB1,068 million due to the decrease in stock price of the Company's H share (Six months ended June 30, 2007: expense accrued of RMB777 million).

8. Income taxes

For the six months ended June 30, (in RMB million)	2008	2007
Current income tax	644	666
Deferred income tax	(19)	181
Total	<u>625</u>	<u>847</u>

On March 16, 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 reduces the domestic corporate income tax rate from 33% to 25% with effect from January 1, 2008. For subsidiaries and branches of the Group located in Special Economic Zones that were entitled to preferential income tax, the applicable CIT rate will be transited to 25% in five years. During the transitional period, the applicable CIT rate for applicable subsidiaries and branches will be 18%, 20%, 22%, 24% and 25% for year 2008, 2009, 2010, 2011 and 2012, respectively. For other subsidiaries and branches of the Group, the CIT rates are reduced from 33% to 25% from January 1, 2008.

Subsidiaries of the Group located in the Hong Kong Special Administrative Region are subject to Hong Kong profits tax. The tax rate of Hong Kong profits tax is reduced from 17.5% to 16.5% for the year from April 1, 2008 to March 31, 2009.

Reconciliation between tax expense and the product of accounting profit multiplied by the main applicable tax rate of 18% is as follows:

For the six months ended June 30, (in RMB million)	2008	2007
Profit before tax	<u>10,344</u>	<u>10,816</u>
Tax computed at the main applicable tax rate of 18% (2007:15%)	1,862	1,622
Tax effect of expenses not deductible in determining taxable income	225	573
Tax effect of income not taxable in determining taxable income	(1,435)	(1,558)
Tax effect of changes in tax rate	58	5
Tax effect of higher tax rate on branches and entities (in the PRC) located outside Special Economic Zones	18	205
Tax refund	(103)	–
Income taxes per consolidated income statement	<u>625</u>	<u>847</u>

The Group's tax position is subject to assessment and inspection of the tax authorities.

9. Dividends

For the six months ended June 30, (in RMB million)	2008	2007
Final dividend on ordinary shares approved and paid for the previous year:		
Final dividend for 2007: RMB0.50 per share (2006: RMB0.22 per share)	<u>3,673</u>	<u>1,616</u>
Interim dividends on ordinary shares approved (not recognized as a liability as at 30 June):		
Interim dividend for 2008: RMB0.20 per share (2007: RMB0.20 per share)	<u>1,469</u>	<u>1,469</u>

10. Earnings per share

Earnings per share is calculated by dividing the Company's net profit attributable to ordinary shareholders by the weighted average number of outstanding shares.

For the six months ended June 30,	2008	2007
Net profit attributable to ordinary shareholders (in RMB million)	9,487	9,690
Weighted average number of outstanding shares of the Company (million shares)	7,345	6,962
Basic earnings per share (in RMB)	1.29	1.39
Diluted earnings per share (in RMB)	1.29	1.39

11. Contingent liabilities

(1) Litigation

Owing to the nature of the insurance and financial service business, the Group is involved in estimates, contingencies and legal proceedings in the ordinary course of business, including but not limited to being the plaintiff or the defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies and other claims. Provision has been made for probable losses to the Group, including those claims where management can reasonably estimate the outcome of the lawsuits taking into account of any legal advice.

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

(2) Tax inspection

In March 2008, the State Tax Bureau commenced regular inspection of the Group's tax filing positions for fiscal years ended 31 December 2004, 2005 and 2006. The Group has made relevant tax provision based on the understanding of the current tax laws. However, the inspection results would not be finalized in a short period of time and, currently, it is not feasible to make a reliable estimate of all under-provisions for the said fiscal years.

12. Post balance sheet events

On August 15, 2008, the directors approved 2008 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, 2008

For the six months ended June 30, (in RMB million)	2008	2007
Operating income		
Premium income	69,228	53,885
Including: reinsurance premium income	59	47
Less: Premium ceded to reinsurers	(3,344)	(2,600)
Change in unearned premium reserves	(2,535)	(2,105)
Net earned premiums	<u>63,349</u>	<u>49,180</u>
Interest income of banking operations	3,369	2,257
Interest expense of banking operations	(1,265)	(689)
Net interest income from banking operations	<u>2,104</u>	<u>1,568</u>
Fees and commission income of non-insurance operations	1,282	1,357
Fees and commission expense of non-insurance operations	(118)	(213)
Net fees and commission income of non-insurance operations	<u>1,164</u>	<u>1,144</u>
Investment income	23,445	29,108
Fair value gains and losses	(18,759)	3,094
Foreign exchange losses	(525)	(335)
Other income	707	292
Total operating income	<u>71,485</u>	<u>84,051</u>
Operating expenses		
Surrenders	(6,840)	(5,919)
Claims paid	(17,505)	(11,791)
Less: Reinsurers' share of claims paid	1,106	1,167
Change in insurance contract liabilities	(21,776)	(44,949)
Less: Reinsurers' share of insurance contract liabilities	1,311	348
Policyholder dividends	(4,162)	(897)
Expenses for reinsurance accepted	(11)	(7)
Commission expenses of insurance operations	(7,246)	(5,666)
Business tax and surcharges	(1,702)	(1,742)
General and administrative expenses	(6,013)	(6,571)
Less: Reinsurers' share of expenses	760	675
Other expenses	(696)	(195)
Impairment losses	(1,539)	(17)
Total operating expenses	<u>(64,313)</u>	<u>(75,564)</u>

For the six months ended June 30, (in RMB million)	2008	2007
Operating profit	7,172	8,487
Add: Non-operating income	27	435
Less: Non-operating expenses	(80)	(50)
	<hr/>	<hr/>
Profit before tax	7,119	8,872
Less: Income taxes	191	(546)
	<hr/>	<hr/>
Net profit	<u>7,310</u>	<u>8,326</u>
 Attributable to:		
Equityholders of the parent	7,102	8,063
Minority interests	208	263
	<hr/>	<hr/>
	<u>7,310</u>	<u>8,326</u>
	 RMB	 RMB
Earnings per share		
Basic earnings per share	0.97	1.16
Diluted earnings per share	0.97	1.16
	<hr/>	<hr/>

Consolidated Balance Sheet

As at June 30, 2008

(in RMB million)	June 30, 2008	December 31, 2007
ASSETS		
Cash on hand and at bank	69,127	72,740
Balances with clearing companies	3,648	2,027
Placements with banks and other financial institutions	532	1,192
Held-for-trading financial assets	76,070	84,938
Derivative financial assets	127	177
Financial assets purchased under agreements to resell	8,911	36,457
Interest receivables	6,011	4,187
Premium receivables	6,377	4,568
Due from reinsurers	1,967	2,452
Reinsurers' share of insurance liabilities	7,077	4,931
Policy loans	2,946	2,411
Loans and advances to customers	70,806	63,125
Refundable deposits	167	887
Term deposits	49,178	41,731
Available-for-sale financial assets	177,647	178,539
Held-to-maturity investments	126,397	127,736
Long-term equity investments	3,554	2,207
Goodwill	722	610
Statutory deposits	1,560	1,560
Investment properties	3,843	4,051
Fixed assets	8,223	7,894
Intangible assets	9,695	3,621
Deferred tax assets	4,022	87
Other assets	4,999	3,216
	<hr/>	<hr/>
Total assets	643,606	651,344
	<hr/> <hr/>	<hr/> <hr/>

(in RMB million)	June 30, 2008	December 31, 2007
LIABILITIES AND EQUITY		
LIABILITIES		
Short-term borrowings	3,819	3,719
Due to banks and other financial institutions	5,883	7,532
Guarantee deposits	6,320	5,398
Placements from banks and other financial institutions	128	175
Derivative financial liabilities	120	189
Financial assets sold under agreements to repurchase	16,936	13,980
Customer deposits	72,949	72,133
Payables to brokerage customers	10,821	14,394
Premiums received in advance	996	2,981
Commission payable	1,387	1,104
Due to reinsurers	3,392	2,656
Salaries and welfare payable	3,486	4,732
Taxes payable	1,431	1,907
Interest payable	644	574
Claims payable	6,005	5,161
Policyholder dividends payable	10,635	7,006
Investment contract liabilities for policyholders	6,856	5,287
Insurance contract liabilities	396,274	380,947
Long-term borrowings	3,954	3,218
Deferred tax liabilities	641	4,822
Other liabilities	7,551	4,211
	<hr/>	<hr/>
Total liabilities	560,228	542,126
EQUITY		
Share capital	7,345	7,345
Capital reserve	42,431	72,111
Surplus reserve fund	8,339	7,629
General reserve	1,939	1,939
Retained profits	20,971	18,252
Foreign currency translation differences	(70)	(42)
	<hr/>	<hr/>
Equity attributable to equityholders of the parent	80,955	107,234
Minority interests	2,423	1,984
	<hr/>	<hr/>
Total equity	83,378	109,218
	<hr/>	<hr/>
Total liabilities and equity	643,606	651,344
	<hr/> <hr/>	<hr/> <hr/>

Income Statement of the Company
For the six months ended June 30, 2008

For the six months ended June 30, (in RMB million)	2008	2007
Operating income		
Investment income	6,584	4,974
Fair value gains and losses	(2,090)	359
Foreign exchange losses	(62)	(25)
Other income	–	34
	<hr/>	<hr/>
Total operating income	4,432	5,342
	<hr/>	<hr/>
Operating expenses		
Business tax and surcharges	(18)	(54)
General and administrative expenses	109	(504)
Impairment losses	(228)	–
	<hr/>	<hr/>
Total operating expenses	(137)	(558)
	<hr/>	<hr/>
Operating profit	4,295	4,784
Less: Non-operating expenses	(43)	(1)
	<hr/>	<hr/>
Profit before tax	4,252	4,783
Less: Income taxes	299	(179)
	<hr/>	<hr/>
Net profit	4,551	4,604
	<hr/> <hr/>	<hr/> <hr/>

Balance Sheet of the Company

As at June 30, 2008

(in RMB million)	June 30, 2008	December 31, 2007
ASSETS		
Cash on hand and at bank	14,058	40,858
Held-for-trading financial assets	19,655	8,176
Derivative financial assets	1	–
Financial assets purchased under agreements to resell	200	1,700
Interest receivables	349	75
Refundable deposits	2	–
Term deposits	287	289
Available-for-sale financial assets	18,637	4,311
Long-term equity investments	17,868	17,868
Fixed assets	94	85
Intangible assets	33	24
Deferred tax assets	603	10
Other assets	561	16
Total assets	72,348	73,412
LIABILITIES AND EQUITY		
LIABILITIES		
Salaries and welfare payable	914	1,325
Taxes payable	131	380
Other liabilities	75	219
Total liabilities	1,120	1,924
EQUITY		
Share capital	7,345	7,345
Capital reserve	51,368	52,506
Surplus reserve fund	6,110	5,655
General reserve	395	395
Retained profits	6,010	5,587
Total equity	71,228	71,488
Total liabilities and equity	72,348	73,412

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:

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

Consolidated net profit	<i>Notes</i>	2008	2007
Prepared in accordance with PRC Accounting Standards		7,102	8,063
Unearned premium reserves	<i>(i)</i>	(199)	(86)
Policyholders' reserves	<i>(ii)</i>	(1,888)	(2,106)
Deferred policy acquisition costs	<i>(iii)</i>	5,316	4,136
Deferred tax	<i>(iv)</i>	(816)	(301)
Minority interests and others		(28)	(16)
		<u>9,487</u>	<u>9,690</u>
Prepared in accordance with IFRS			
(in RMB million)		June 30,	December 31,
Consolidated equity	<i>Notes</i>	2008	2007
Prepared in accordance with PRC Accounting Standards		80,955	107,234
Unearned premium reserves	<i>(i)</i>	–	199
Policyholders' reserves	<i>(ii)</i>	(37,150)	(35,262)
Deferred policy acquisition costs	<i>(iii)</i>	46,621	41,305
Deferred tax	<i>(iv)</i>	(2,363)	(1,547)
Minority interests and others		(135)	(107)
		<u>87,928</u>	<u>111,822</u>

Minority interests have been deducted from the above amounts.

Notes:

- (i) Under PRC Accounting Standards, unearned premium reserves of life insurance subsidiaries are provided using actuarial valuation results (1/365 method), and should be no less than 50% of the retained premium for the current period (1/2 method). Under IFRS, unearned premium reserves are provided using actuarial valuation results (1/365 method).
- (ii) Under PRC Accounting Standards, policyholders' reserves are provided in accordance with related actuarial regulations promulgated by CIRC. Under IFRS, policyholders' reserves are provided in accordance with IFRS 4 Insurance Contracts and by reference to US GAAP.
- (iii) Under PRC Accounting Standards, handling costs and commission expenses of acquiring new policies are recognized in the income statement when incurred. Under IFRS, handling costs and commission expenses of acquiring new policies are deferred and amortized over the expected life of the insurance contracts at a constant percentage of expected premiums or at a constant percentage of the present value of estimated gross profits expected to be realized over the life of the insurance contracts by product type, in accordance with IFRS 4 Insurance Contracts and by reference to US GAAP.
- (iv) The above differences between PRC Accounting Standards and IFRS are temporary differences in accordance with IAS 12 Income Taxes. The Group recognizes deferred tax assets and liabilities on the basis of the above differences and the tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The financial figures above in respect of the Announcement of Audited Results for the Six Months Ended June 30, 2008 (“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, 2008. 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.

LIQUIDITY AND FINANCIAL RESOURCES

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

(in RMB million)	As at June 30, 2008	As at December 31, 2007
Cash and cash equivalents	67,514	94,058
Held-for-trading investments	31,614	36,568
Total liquid assets	<u>99,128</u>	<u>130,626</u>

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

(in RMB million)	As at June 30, 2008	As at December 31, 2007
Short-term borrowings	3,947	3,894
Assets sold under agreements to repurchase	<u>16,356</u>	<u>13,556</u>

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

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

As at June 30, 2008 (in RMB million)	Decrease in profit	Decrease in equity
Net exposure to fluctuations in exchange rates assuming a simultaneous and uniform 5% depreciation of all foreign currency denominated monetary assets and monetary liabilities as well as all non-monetary assets and non-monetary liabilities measured at fair value against the Renminbi	<u>597</u>	<u>1,638</u>

EMBEDDED VALUE

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

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

Components of Economic Value

(in RMB million)	June 30, 2008	December 31, 2007
Risk discount rate	Earned Rate/11.5%	Earned Rate/11.5%
Adjusted net asset value	80,938	107,032
Adjusted net asset value of life insurance business	6,201	30,128
Value of in-force insurance business written prior to June 1999	(5,997)	(9,058)
Value of in-force insurance business written since June 1999	66,255	61,921
Cost of holding the required solvency margin	(11,207)	(9,585)
Embedded value	129,989	150,311
Embedded value of life insurance business	55,252	73,407
(in RMB million)	June 30, 2008	December 31, 2007
Risk discount rate	11.5%	11.5%
Value of one year's new business	9,465	8,254
Cost of holding the required solvency margin	(1,262)	(1,067)
Value of one year's new business after cost of solvency	8,202	7,187
Value of first half year's new business after cost of solvency	4,911	3,896

Note: Figures may not be additive due to rounding.

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, 2008 to June 30, 2008.

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 five Independent Non-executive Directors, namely Mr. Kwong Che Keung Gordon, Mr. Zhang Honyi, Mr. Chen Su, Mr. Cheung Wing Yui and Mr. Chow Wing Kin Anthony and one Non-executive Director, namely Mr. Ng Sing Yip, 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, 2008 to June 30, 2008 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 the Company has built up a board structure of international standard and has developed a very structured and strict operation system and a set of procedural rules for meeting of the Board of Directors. The Chairman does not have any special power different from that of other directors in relation to the decision making process. Also, in the day-to-day operation of the Company, the Company has in place an established management system and structure. 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. Further, the current management model of the Company has been recognised in the industry and this model proves to be reliable, efficient and successful, therefore the continuous adoption of this model will be beneficial to the future development of the Company. There is also clear delineation in the responsibilities of the Board and the management set out in the articles of association of the Company.

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 to the greatest extent. 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 37 to 38 of the Company's 2007 annual report dated March 19, 2008.

Interim dividend

The Board approved that an interim dividend of RMB0.20 per share for the six months ended June 30, 2008 be paid to shareholders of the Company. According to the Articles of Association of the Company, dividends will be denominated 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, record date and arrangements in relation to the entitlements of holders of H shares to receive the interim dividends for the period ended June 30, 2008 will be separately announced according to the regulatory requirements and the Articles of Association of the Company.

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.hkexnews.hk>) and the website of the Company (<http://www.pingan.com.cn>) respectively in due course.

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

Shenzhen, PRC, August 15, 2008

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, Clive Bannister, 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.