PING AN

Insurance · Banking · Investment

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 YEAR ENDED DECEMBER 31, 2008

CHAIRMAN'S STATEMENT

2008 was the most extraordinary year for the economic development of China and the whole world, presenting formidable challenges for Ping An Insurance (Group) Company of China, Ltd. ("Ping An", "the Group" or "the Company"). The magnitude and depth of the impact of this "once-in-a-century" global financial crisis cannot be underestimated and its destructive power is also unprecedented. China's economic growth and financial industry have been significantly affected. In the face of such a complex and capricious operating environment, we maintained a healthy and stable development across our core businesses, including insurance, banking, trust and securities. However, due to the substantial falling across global stock markets, Ping An suffered significant losses associated with our overseas investments. In 2008, after the impairment loss of RMB22,790 million made for investment in Fortis shares, Ping An recorded a net profit of RMB477 million. Although there was a substantial decrease in net profit as compared with last year, the Company remains fundamentally sound, with our core businesses growing steadily and healthily, and we maintain a solid financial position. The Group's solvency ratio is above 300%, solvency ratio of Ping An Life Insurance Company of China, Ltd. ("Ping An Life") is above 180% and capital adequacy ratio of Ping An Bank Co., Ltd. is above 10%. All of these are paving the way for our long-term stable development.

Looking back over 2008, Ping An's outstanding achievements in such a difficult year included:

- **Sustainable, fast and healthy growth in our core insurance business.** For our life insurance business, we have successfully implemented a strategy that focuses on "Reaching New Heights", resulting in a record premium income (gross written premiums, policy fees and premium deposits) of over RMB100 billion. While our profitable individual life insurance business maintained steady growth, premium income for our bancassurance business exhibited strong growth and recorded an increase of more than 100%. In our property and casualty insurance business, our strategy of "Surpassing Targets Healthily" achieved better-than-market growth and increased our market share. Our annuity business progressed smoothly across three major indicators, namely annuity payment, assets entrusted and assets under investment management, earning a ranking that was among the highest in the sector.

- **Stable development in our banking business with accelerated nationwide expansion.** Significant progress has been made in our network expansion. Quanzhou, Xiamen and Hangzhou branches began operation and Guangzhou Branch received approval to operate. Our credit card business broke the record for first-year card issuance in China, and the accumulated number of credit cards in circulation exceeded 1.5 million by the end of 2008. On top of this, our assets and workforce are growing day by day, retail banking and SME products are continuously evolving and enriching to meet customers' needs. We are proactive across every business line but also maintain operation stability. Moreover, our asset quality is among the best in the industry, with non-performing loan ratio at 0.54% and provision coverage ratio at 153.7%.

- **Vigilant response to market volatility, optimized asset allocation, increased proportion of investment in fixed income assets, and reduction in equity assets exposure to less than 10%.** Our investment in the Beijing-Shanghai High-Speed Railway led by Ping An Asset Management Co., Ltd. has given us valuable experiences in direct investment of insurance funds while strengthening our brand presence. Ping An Securities Company, Ltd. achieved a market leader position as leading underwriters in terms of the number of IPOs. We have made a successful breakthrough in underwriting big projects and recorded steady progress in the underwriting of bonds. China Ping An Trust & Investment Co., Ltd. ("Ping An Trust") has continued to enrich its product line in response to market demand, while third-party trusted assets under its management reached RMB48,514 million by end of 2008.

- **Accelerated execution of our integrated financial strategy with the resulting synergies increasingly visible.** Ping An's 47 million customers are our most valuable resources, providing enormous opportunities for cross-selling. In 2008 the contribution of cross-selling was particularly promising: cross-selling accounted for 50.5% of newly issued bank credit cards, 14.3% of the premium income for the property and casualty insurance business and 14.9% of new assets entrusted under pension annuity investment management business. In addition, we completed the first phase of our back office centralization project, gradually putting in place an efficient, stable, cost-effective and multitask sharing operating platform. Meanwhile, we successively launched Ping An One Account Management Services to enhance wealth management efficiency and Ping An Wanlitong Loyalty Points Program to promote customer loyalty in 2008. These initiatives are the first of their kind in the financial industry of China and are expected to become our unique edge and an important means for accelerating our integrated financial strategies.

While being committed to business development and being responsible to our shareholders and customers, at Ping An we always bear in mind and actively fulfil our corporate social responsibility. When a major earthquake struck Wenchuan in Sichuan in May 2008, we swiftly organized teams to carry out rescue and relief operations in the disaster-hit areas. We also began immediate work on claims investigations and verifications. Instead of celebrating Ping An's 20th anniversary, we donated all funds that were earmarked for this event to the disaster-hit areas. Together with other donations, the Company donated approximately RMB40 million for disaster-relief in Sichuan, focusing in particular on the reconstruction and restoration of the elementary schools in the region. On a more personal level, staff throughout the Group donated a total of over RMB35 million – the largest staff donation amongst insurance companies in China.

In 2008, Ping An continued to maintain a leading position in terms of brand value. With regard to integrated strength, corporate governance and corporate social responsibility, we have won widespread recognition from Chinese and overseas rating agencies and media, and received a range of awards:

- In July 2008, after having been named twice as a Forbes 500 company, Ping An formally became a Fortune 500 company for the first time, ranking No. 1 amongst Chinese non-state-owned enterprises on the list.

- In April 2008, the Group received its seventh consecutive award as "Most Respectable Enterprise in China" by Economic Observer and the Management Case Research Center of Peking University.

- In the "Assessment of Corporate Governance of Top 100 Chinese Listed Companies for 2008" issued by, among others, the Chinese Academy of Social Sciences in June 2008, Ping An was ranked No. 1 amongst 100 elected enterprises.

- In December 2008, the Group was, for the second time, named as "the Best Managed Insurance Company in Asia" by Euromoney, an internationally renowned finance magazine.

- In December 2008, Ping An was identified as "the Most Caring Domestic Enterprise", the highest national award in the philanthropic sector of China, by the second session of the China Philanthropy Conference.

In order to mitigate geographic concentration risk, diversify financial returns through global asset allocation, leverage foreign expertise in the development of an integrated financial platform and cross-selling, we acquired an aggregate 4.81% equity interests in Fortis after prudent consideration and due diligence. Unfortunately, the global financial crisis has caught many investors off guard and the share price of Fortis was not immune and dropped significantly. Consequently, the financial returns and synergies we expected at initial investment have since eroded. We will continue our efforts in Fortis to safeguard our investment interests. The 2008 global financial crisis prompted us to rethink the development path of the global economy and financial industries. The relationship between risk and reward goes hand in hand with our operating and investing activities, and we will always bear these lessons in mind. Looking forward, we will be mindful of risks associated with global financial market, and take measures to enhance and reinforce risk management in the pursuit of long-term stable returns.

2008 marked the 30th anniversary of China's economic reform and open door policy. Being an enterprise born in such a great time and in Shekou, Shenzhen, the first Chinese city to implement such policy, Ping An has, within a short span of twenty years, transformed itself from a property and casualty insurer with only 13 staff members into an integrated financial services group that offers comprehensive financial services, as well as a Forbes 500 and Fortune 500 company. We would say that the development of Ping An over the past 20 years is a microcosm of China's thirty years of successful economic transformation.

Like China's reform and opening-up process, Ping An has also experienced a bumpy ride and suffered many setbacks and failures over the past twenty years of its development. That said, provided we can reflect on such occasions and profit from the lessons they impart, any setbacks and failures will strengthen us with valuable experience in the long term. This will allow greater stability as we progress, more robustness as we face new challenges and more optimism for our long-term vision. Accordingly, we are fully confident in Ping An's continuing development outlook and long-term investment value.

Looking ahead into 2009, the negative impact of the global financial crisis will continue. The global economy slowdown intensifies, domestic economy remain severe and financial market is uncertain and unstable. All of these factors contribute to a more complex and unpredictable operating environment in which our performance will face much pressure and ongoing challenges. We will remain prepared and vigilant, strengthen our market assessment capabilities and implement corresponsive measures. We will fully capitalize on various resources to realize the healthy and steady growth of our performance results.

In the coming five years, we will continue to achieve the strategic objective of being "financially integrated and internationally leading", and build an integrated financial services platform based on the concept of "one customer, one account, multiple products and one-stop services". We will gradually achieve a balance among our three major businesses – insurance, banking and investment – and accomplish new advancements in company value, profitability, business structure, customer base and total assets.

For now, it is time to express our appreciation for the continuous support of Ping An's shareholders, the unparalleled leadership of our Board of Directors and the dedication of colleagues throughout the Group. Thanks to them, based on the advantages of the Group as an integrated financial services provider, our solid foundation and sound operation and management, we strongly believe that Ping An will achieve its objectives and deliver long-term, sustainable returns to all of our stakeholders, including the society of which we are a part.

KEY FINANCIAL AND OPERATION INFORMATION

Overview

Consolidated results

(in RMB million)	2008	2007
Total income	**95,192**	138,213
Total expenses	**(98,171)**	(116,209)
Operating profit before tax	**(2,979)**	22,004
Net profit	**477**	19,219

Net profit by business segment

(in RMB million)	2008	2007
Life insurance	**(2,956)**	10,883
Property and casualty insurance	**834**	2,073
Banking	**1,444**	1,537
Securities	**550**	1,492
Other businesses[1]	**605**	3,234
Net profit	**477**	19,219

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

In 2008, the net profit of our business segments was adversely affected at different levels by the global financial crisis. Our life insurance business recorded a loss of RMB2,956 million, which was primarily due to the provision of impairment loss of our investment in Fortis shares. Net profit from our property and casualty insurance business significantly decreased to RMB834 million in 2008 from RMB2,073 million in 2007, largely the result of increased claim payments from natural disasters such as the heavy snowstorm and earthquakes, combined with decreased investment income caused by stock market fluctuations. Our banking business realized a net profit of RMB1,444 million, representing a slight drop as compared with that of 2007. This was primarily due to the fact that net profit of 2007 was affected more by the one-off benefits from the packaged disposal of non-performing assets and the reversals of litigation provisions. Our securities business realized a net profit of RMB550 million, representing a significant decrease as compared with that of 2007. Again, this was mainly the result of the negative impact of stock market fluctuations on net fees and commission income, and also total investment income. The net profit of our other businesses recorded a significant decrease, reflecting the significant decrease in the net profit of our corporate business to RMB-188 million in 2008 from RMB2,536 million in 2007 as a result of decreased investment income.

Investment portfolio of insurance funds

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

The following table sets forth the investment income from insurance funds:

(in RMB million)	**2008**	2007
Net investment income	**18,735**	16,268
Net realized and unrealized gains/(losses)	**(907)**	34,513
Impairment losses	**(25,855)**	–
Others	**92**	–
Total investment income/(losses)	**(7,935)**	50,781
Net investment yield (%)(1)	**4.1**	4.5
Total investment yield (%)(1)	**(1.7)**	14.1

(1) Net foreign currency gains/losses on investment assets denominated in foreign currencies are excluded in the calculation of the above yields. Average investment assets used as the denominator are computed based on Modified Dietz method in principle.

In 2008, our domestic and overseas investments were affected by the significant fluctuations of both domestic and overseas stock markets. Facing the market fluctuations, we have proactively managed to adjust asset allocation. However, the significant decrease in total investment income definitely had a significant negative impact on our net profit.

Our net investment income increased 15.2% to RMB18,735 million in 2008 from RMB16,268 million in 2007. This increase was primarily due to the increase in interest income from our fixed maturity investments. Net investment yield decreased to 4.1% in 2008 from 4.5% in 2007. This decrease was primarily due to the reduced dividend income from our equity investment funds.

Certain of our available-for-sale equity investments have incurred relatively significant and prolonged unrealized losses. As a result, we have made impairment provision amounting to RMB25,855 million for those available-for-sale equity investments which met objective evidence of impairment criteria as at December 31, 2008. This included RMB22,790 million in impairment provision made for the investment in Fortis shares.

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

	December 31, 2008		December 31, 2007	
(in RMB million)	**Carrying Value**	**%**	Carrying Value	%
Fixed maturity investments				
Term deposits[1]	**84,412**	**18.2%**	33,189	7.5%
Bond investments[1]	**286,791**	**61.7%**	188,888	42.8%
Other fixed maturity investments[1]	**3,725**	**0.8%**	2,411	0.6%
Equity investments				
Equity investment funds[1]	**13,443**	**2.9%**	15,627	3.5%
Equity securities	**22,929**	**4.9%**	91,707	20.8%
Infrastructure investments	**5,509**	**1.2%**	1,389	0.3%
Cash, cash equivalents and others	**47,856**	**10.3%**	108,097	24.5%
Total investments	**464,665**	**100.0%**	441,308	100.0%

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

We have proactively improved the asset allocations of investment portfolio in response to stock market turbulence. The percentage of fixed maturity investments out of total investments increased from 50.9% as at December 31, 2007 to 80.7% as at December 31, 2008, and that of equity investments declined from 24.3% to 7.8%.

We have seriously reflected upon and learned from the experience of the investment loss in Fortis shares as a result of the financial crisis. We have had a better insight into the risks of global financial markets and have put in place improved and strengthened risk controls for the sake of seeking long-term, stable investment returns.

Insurance business

Life insurance business

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

(in RMB million)	**2008**	2007
Gross written premiums and policy fees	**70,996**	60,009
Individual life	**60,414**	51,596
Bancassurance	**2,144**	707
Group insurance	**8,438**	7,706
Premium deposits	**31,373**	19,270
Individual life	**18,690**	12,714
Bancassurance	**12,683**	6,556
Gross written premiums, policy fees and premium deposits	**102,369**	79,279
Market share of gross written premiums, policy fees and premium deposits[1]	**14.0%**	16.0%

(1) Based on our financial data and the PRC insurance industry data calculated in accordance with China Accounting Standards ("CAS") and published by the China Insurance Regulatory Commission ("CIRC").

	2008	2007
Number of customers		
Individual (in thousands)	**36,492**	33,808
Corporate (in thousands)	**458**	351
Total (in thousands)	**36,950**	34,159
Persistency ratio		
13-month	**91.6%**	90.4%
25-month	**86.2%**	81.2%
Agent productivity		
First-year premiums per agent per month	**5,423**	5,316
New individual life insurance policies per agent per month[1]	**1.1**	1.3
Distribution network		
Number of individual life sales agents	**355,852**	301,801
Number of group sales representatives	**3,366**	2,857
Bancassurance outlets	**39,878**	26,310

(1) In 2008, as the number of agents increased significantly and new agents accounted for a relatively high portion, the number of new individual life insurance policies per agent recorded a slight decrease.

Property and casualty insurance business

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

(in RMB million)	2008	2007
Automobile insurance	**19,377**	15,241
Non-automobile insurance	**6,185**	5,277
Accident and health insurance	**1,452**	1,148
Gross written premiums	**27,014**	21,666
Market share of gross written premiums(1)	**10.9%**	10.3%

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

	2008	2007
Combined ratio		
Expense ratio	**35.5%**	36.5%
Loss ratio	**66.5%**	61.1%
Combined ratio	**102.0%**	97.6%
Number of customers(1)		
Individual (in thousands)	**8,206**	7,122
Corporate (in thousands)	**1,611**	1,623
Total (in thousands)	**9,817**	8,745
Distribution network		
Number of direct sales representatives	**10,656**	10,420
Number of insurance agents	**13,461**	10,948

(1) The number of customers in 2007 has been restated to conform to the current year's presentation.

Banking business

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

(in RMB million)	2008	2007
Interest income	**7,020**	5,314
Interest expenses	**(3,206)**	(1,836)
Net interest income	**3,814**	3,478
Net interest spread(1)	**2.66%**	2.81%

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

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

(in RMB million)	December 31, 2008	December 31, 2007
Corporate loans	**44,754**	36,142
Discounted bills	**3,784**	5,976
Retail loans	**23,948**	19,782
Total loans	**72,486**	61,900

(in RMB million)	December 31, 2008	December 31, 2007
Pass	**69,210**	58,370
Special mention	**2,885**	3,019
Substandard	**176**	296
Doubtful	**180**	167
Loss	**35**	48
Total loans	**72,486**	61,900
Total non-performing loans	**391**	511
Non-performing loan ratio	**0.54%**	0.83%
Impairment provision balance	**601**	420
Provision coverage ratio	**153.7%**	82.2%

Investment business

The following tables set forth certain financial data for our investment business:

(in RMB million)	2008	2007
Securities business		
Operating income	**1,471**	3,271
Net profit	**550**	1,492
Trust business[(1)]		
Operating income	**1,661**	1,216
Net profit	**1,207**	744

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

FINANCIAL STATEMENTS

A. Prepared in accordance with International Financial Reporting Standards ("IFRS")

Consolidated income statement
For the year ended December 31, 2008

(in RMB million)	*Notes*	**2008**	2007
Gross written premiums and policy fees	*4*	**98,010**	81,675
Less: Premiums ceded to reinsurers		**(5,813)**	(4,298)
Net written premiums and policy fees		**92,197**	77,377
Change in unearned premium reserves		**(1,979)**	(2,502)
Net earned premiums		**90,218**	74,875
Reinsurance commission income		**1,456**	1,167
Interest income of banking operations	*5*	**7,020**	5,314
Fees and commission income of non-insurance operations		**1,980**	2,814
Investment income	*6*	**(7,416)**	52,842
Share of profits of associates and joint ventures		**25**	4
Other income		**1,909**	1,197
Total income		**95,192**	138,213
Change in deferred policy acquisition costs		**9,294**	9,372
Claims and policyholders' benefits		**(70,188)**	(92,392)
Commission expenses of insurance operations		**(14,660)**	(10,854)
Interest expenses of banking operations	*5*	**(2,677)**	(1,565)
Fees and commission expenses of non-insurance operations		**(204)**	(502)
Loan loss provisions, net of reversals		**(220)**	118
Foreign exchange losses		**(465)**	(501)
General and administrative expenses		**(19,051)**	(19,885)
Total expenses		**(98,171)**	(116,209)
Profit/(loss) before tax	*7*	**(2,979)**	22,004
Income tax	*8*	**3,456**	(2,785)
Net profit		**477**	19,219
Attributable to:			
– Equity holders of the parent		**268**	18,688
– Minority interests		**209**	531
		477	19,219
		RMB	*RMB*
Earnings per share attributable to equity holders of the parent:			
– Basic	*10*	**0.04**	2.61
– Diluted	*10*	**0.04**	2.61

Consolidated balance sheet
As at December 31, 2008

(in RMB million)	Notes	December 31, 2008	December 31, 2007
ASSETS			
Balances with central bank and statutory deposits		**25,963**	20,794
Cash and amounts due from banks and other financial institutions		**105,279**	87,859
Fixed maturity investments		**344,449**	274,241
Equity investments		**54,599**	128,931
Derivative financial assets		**17**	177
Loans and advances to customers		**74,160**	63,125
Investments in associates and joint ventures		**5,468**	1,472
Premium receivables		**4,412**	4,434
Reinsurers' share of insurance liabilities	*11*	**8,872**	4,880
Policyholder account assets in respect of insurance contracts		**30,749**	34,871
Policyholder account assets in respect of investment contracts		**3,979**	4,622
Deferred policy acquisition costs		**50,599**	41,305
Investment properties		**6,389**	3,882
Property and equipment		**8,287**	8,165
Intangible assets		**10,279**	4,400
Deferred tax assets		**6,876**	87
Other assets		**14,341**	8,977
Total assets		**754,718**	692,222
EQUITY AND LIABILITIES			
Equity			
Share capital		**7,345**	7,345
Reserves		**54,277**	81,322
Retained profits		**21,329**	23,155
Equity attributable to equity holders of the parent		**82,951**	111,822
Minority interests		**2,745**	2,029
Total equity		**85,696**	113,851
Liabilities			
Due to banks and other financial institutions		**24,192**	14,644
Assets sold under agreements to repurchase		**41,124**	13,556
Derivative financial liabilities		**265**	189
Customer deposits and payables to brokerage customers		**94,991**	91,925
Insurance contract liabilities		**462,341**	416,474
Investment contract liabilities for policyholders		**6,636**	5,421
Policyholder dividend payable		**12,012**	7,006
Income tax payable		**2,274**	807
Deferred tax liabilities		**998**	6,369
Other liabilities		**24,189**	21,980
Total liabilities		**669,022**	578,371
Total equity and liabilities		**754,718**	692,222

Consolidated statement of changes in equity

For the year ended December 31, 2008

		Equity attributable to equity holders of the parent								
			Reserves							
(in RMB million)	*Notes*	Share capital	Capital reserve	Surplus reserve fund	General reserve	Net unrealized gains/ (losses)	Foreign currency translation differences	Retained profits	Minority interests	Total
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 2008		–	–	–	–	–	–	268	209	477
Net losses on available-for-sale investments		–	–	–	–	(47,547)	–	–	(321)	(47,868)
Net gains on available-for-sale investments removed from equity and reported in net profit		–	–	–	–	(10,358)	–	–	(70)	(10,428)
Impairment charges reclassified to the income statement	*6*	–	–	–	–	25,786	–	–	174	25,960
Deferred tax recognized, net		–	–	–	–	6,047	–	–	41	6,088
Dividends declared	*9*	–	–	–	–	–	–	(5,142)	(86)	(5,228)
Appropriations to surplus reserve fund		–	–	470	–	–	–	(470)	–	–
Transfer of surplus reserve fund		–	–	(1,974)	–	–	–	1,974	–	–
Transfer of general reserve		–	–	–	(1,544)	–	–	1,544	–	–
Changes in subsidiaries		–	–	–	–	–	–	–	755	755
Foreign currency translation differences		–	–	–	–	–	19	–	–	19
Shadow accounting adjustment		–	–	–	–	2,056	–	–	14	2,070
As at December 31, 2008		7,345	51,907	6,125	395	(4,127)	(23)	21,329	2,745	85,696

For the year ended December 31, 2007

		Equity attributable to equity holders of the parent								
			Reserves							
(in RMB million)	*Notes*	Share capital	Capital reserve	Surplus reserve fund	General reserve	Net unrealized gains/ (losses)	Foreign currency translation differences	Retained profits	Minority interests	Total
As at January 1, 2007		6,195	14,835	6,126	517	8,250	(25)	10,477	1,375	47,750
Issue of new shares in the PRC		1,150	37,720	–	–	–	–	–	–	38,870
Share issue expenses		–	(648)	–	–	–	–	–	–	(648)
Net profit for 2007		–	–	–	–	–	–	18,688	531	19,219
Net gains on available-for-sale investments		–	–	–	–	37,906	–	–	379	38,285
Net gains on available-for-sale investments removed from equity and reported in net profit		–	–	–	–	(20,676)	–	–	(207)	(20,883)
Impairment charges reclassified to the income statement	6	–	–	–	–	97	–	–	1	98
Deferred tax recognized, net		–	–	–	–	(3,403)	–	–	(34)	(3,437)
Dividends declared	9	–	–	–	–	–	–	(3,085)	(43)	(3,128)
Appropriations to surplus reserve fund		–	–	1,509	–	–	–	(1,509)	–	–
Appropriations to general reserve		–	–	–	1,422	–	–	(1,422)	–	–
Transfer of surplus reserve fund		–	–	(6)	–	–	–	6	–	–
Changes in subsidiaries		–	–	–	–	–	–	–	50	50
Foreign currency translation differences		–	–	–	–	–	(17)	–	–	(17)
Shadow accounting adjustment		–	–	–	–	(2,285)	–	–	(23)	(2,308)
As at December 31, 2007		7,345	51,907	7,629	1,939	19,889	(42)	23,155	2,029	113,851

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 financial and insurance enterprises, supervising and managing domestic and overseas businesses of subsidiaries and utilizing 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 Company and its subsidiaries are collectively named as the Group.

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 below revised IFRSs which management considers being most relevant to its current operations:

- Amendments to IAS 39 and IFRS 7 – Reclassification of Financial Assets

  The amendments to IAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

  A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

  In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

  The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable. The amendments to IFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from July 1, 2008.

  As the Group has not reclassified any of its financial instruments during 2008, the amendments have had no impact on the financial position or results of operations of the Group.

- 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 businesses. 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 year ended December 31, 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	70,996	27,014	–	–	–	–	–	98,010
Less: Premiums ceded to reinsurers	(980)	(4,833)	–	–	–	–	–	(5,813)
Change in unearned premium reserves	(272)	(1,707)	–	–	–	–	–	(1,979)
Net earned premiums	69,744	20,474	–	–	–	–	–	90,218
Reinsurance commission income	171	1,285	–	–	–	–	–	1,456
Interest income of banking operations	–	–	7,020	–	–	–	–	7,020
Fees and commission income of non-insurance operations	–	–	242	1,321	–	454	(37)	1,980
Investment income	(9,436)	1,659	(231)	233	(253)	1,210	(598)	(7,416)
Share of profits of associates and joint ventures	25	–	–	–	–	–	–	25
Other income	1,323	88	44	9	1	1,052	(608)	1,909
Total income	61,827	23,506	7,075	1,563	(252)	2,716	(1,243)	95,192
Change in deferred policy acquisition costs	8,732	562	–	–	–	–	–	9,294
Claims and policyholders' benefits	(56,576)	(13,612)	–	–	–	–	–	(70,188)
Commission expenses of insurance operations	(11,811)	(3,052)	–	–	–	–	203	(14,660)
Interest expenses of banking operations	–	–	(3,206)	–	–	–	529	(2,677)
Fees and commission expenses of non-insurance operations	–	–	(36)	(92)	–	(80)	4	(204)
Loan loss provisions, net of reversals	–	–	(212)	–	–	(8)	–	(220)
Foreign exchange losses	(374)	(40)	18	(4)	(66)	1	–	(465)
General and administrative expenses	(8,786)	(6,207)	(2,262)	(781)	96	(1,618)	507	(19,051)
Total expenses	(68,815)	(22,349)	(5,698)	(877)	30	(1,705)	1,243	(98,171)
Profit/(loss) before tax	(6,988)	1,157	1,377	686	(222)	1,011	–	(2,979)
Income tax	4,032	(323)	67	(136)	34	(218)	–	3,456
Net profit/(loss)	(2,956)	834	1,444	550	(188)	793	–	477

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

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Income statement								
Gross written premiums and policy fees	60,009	21,666	–	–	–	–	–	81,675
Less: Premiums ceded to reinsurers	(710)	(3,588)	–	–	–	–	–	(4,298)
Change in unearned premium reserves	(219)	(2,283)	–	–	–	–	–	(2,502)
Net earned premiums	59,080	15,795	–	–	–	–	–	74,875
Reinsurance commission income	175	992	–	–	–	–	–	1,167
Interest income of banking operations	–	–	5,314	–	–	–	–	5,314
Fees and commission income of non-insurance operations	–	–	145	2,163	–	741	(235)	2,814
Investment income	43,756	2,534	(93)	1,257	4,450	1,263	(325)	52,842
Share of profits of associates and joint ventures	–	–	–	–	–	4	–	4
Other income	702	38	456	16	2	267	(284)	1,197
Total income	103,713	19,359	5,822	3,436	4,452	2,275	(844)	138,213
Change in deferred policy acquisition costs	8,820	552	–	–	–	–	–	9,372
Claims and policyholders' benefits	(82,741)	(9,651)	–	–	–	–	–	(92,392)
Commission expenses of insurance operations	(9,004)	(2,003)	–	–	–	–	153	(10,854)
Interest expenses of banking operations	–	–	(1,836)	–	–	–	271	(1,565)
Fees and commission expenses of non-insurance operations	–	–	(33)	(165)	–	(304)	–	(502)
Loan loss provisions, net of reversals	–	–	116	–	–	2	–	118
Foreign exchange losses	(510)	(10)	35	(4)	(4)	(8)	–	(501)
General and administrative expenses	(8,872)	(5,486)	(1,951)	(1,379)	(1,558)	(972)	333	(19,885)
Total expenses	(92,307)	(16,598)	(3,669)	(1,548)	(1,562)	(1,282)	757	(116,209)
Profit before tax	11,406	2,761	2,153	1,888	2,890	993	(87)	22,004
Income tax	(523)	(688)	(616)	(396)	(354)	(208)	–	(2,785)
Net profit	10,883	2,073	1,537	1,492	2,536	785	(87)	19,219

4. *Gross written premiums and policy fees*

(in RMB million)	2008	2007
Gross written premiums, policy fees and premium deposits (as reported in accordance with CAS)	**129,383**	100,945
Less: Premium deposits allocated to policyholder contract deposits	**(25,339)**	(15,090)
Premium deposits allocated to policyholder accounts	**(6,034)**	(4,180)
Gross written premiums and policy fees	**98,010**	81,675
Long term life business gross written premiums and policy fees	**65,575**	55,371
Short term life business gross written premiums	**5,421**	4,638
Property and casualty business gross written premiums	**27,014**	21,666
Gross written premiums and policy fees	**98,010**	81,675

5. *Net interest income of banking operations*

(in RMB million)	2008	2007
Interest income of banking operations		
Loans and advances to customers	**4,839**	3,200
Balances with central bank	**319**	163
Bonds	**1,331**	1,305
Amounts due from banks and other financial institutions	**531**	646
	7,020	5,314
Interest expenses of banking operations		
Customer deposits	**2,031**	1,228
Due to banks and other financial institutions	**646**	337
	2,677	1,565
Net interest income of banking operations	**4,343**	3,749

6. *Investment income*

(in RMB million)	2008	2007
Net investment income	**18,629**	16,453
Realized gains	**7,421**	33,987
Unrealized gains/(losses)	**(7,506)**	2,500
Impairment losses	**(25,960)**	(98)
Total investment income	**(7,416)**	52,842

(1) Net investment income

(in RMB million)	2008	2007
Interest income of non-banking operations on fixed maturity investments		
Bonds		
– Held-to-maturity	**5,038**	5,064
– Available-for-sale	**5,011**	2,592
– Carried at fair value through profit or loss	**622**	473
Term deposits		
– Loans and receivables	**2,717**	2,191
Current accounts		
– Loans and receivables	**841**	1,196
Others		
– Loans and receivables	**278**	222
Dividend income on equity investments		
Equity investment funds		
– Available-for-sale	**2,510**	3,653
– Carried at fair value through profit or loss	**659**	1,874
Equity securities		
– Available-for-sale	**993**	251
– Carried at fair value through profit or loss	**91**	67
Operating lease income from investment properties	**367**	299
Interest expenses on assets sold under agreements to repurchase	**(498)**	(1,429)
Total	**18,629**	16,453

(2) Realized gains

(in RMB million)	2008	2007
Fixed maturity investments		
– Available-for-sale	**1,231**	(1,538)
– Carried at fair value through profit or loss	**156**	10
Equity investments		
– Available-for-sale	**9,197**	22,421
– Carried at fair value through profit or loss	**(3,412)**	12,896
Derivative financial instruments		
– Carried at fair value through profit or loss	**249**	494
Others		
– Loans and receivables	**–**	(296)
Total	**7,421**	33,987

(3) Unrealized gains/(losses)

(in RMB million)	2008	2007
Fixed maturity investments		
– Carried at fair value through profit or loss	**641**	(258)
Equity investments		
– Carried at fair value through profit or loss	**(7,742)**	2,518
Derivative financial instruments		
– Carried at fair value through profit or loss	**(405)**	240
Total	**(7,506)**	2,500

(4) Impairment losses

(in RMB million)	2008	2007
Bonds		
– Available-for-sale	**(73)**	(98)
Equity investments		
– Available-for-sale	**(25,887)**	–
Total	**(25,960)**	(98)

As at December 31, 2008, Ping An Life held 121 million Fortis shares, the accumulated cost of which amounted to approximately RMB23,874 million. The investment was classified as available-for-sale financial assets. Because of the financial crisis, share price of Fortis plummeted significantly. Ping An Life provided impairment losses amounting to approximately RMB22,790 million for Fortis investment in income statement based on fair market value of Fortis share as at December 31, 2008.

7. *Profit before tax*

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

(in RMB million)	**2008**	2007
Employee costs (Note 7.(2))	**4,418**	8,993
Provision for insurance guarantee fund	**409**	331
Depreciation of investment properties	**169**	119
Depreciation of property and equipment	**660**	609
Amortization of intangible assets	**455**	96
Losses/(gains) on disposal of settled assets	**87**	(267)
Losses on disposal of investment properties, property and equipment	**8**	10
Impairment losses on property and equipment, and intangible assets	**–**	20
Provision for doubtful debts, net	**(81)**	93
Auditor's remuneration-annual and interim audit and agreed upon procedures	**32**	23
Operating lease payments in respect of land and buildings	**965**	614

(2) Employee costs

(in RMB million)	**2008**	2007
Wages, salaries and bonuses	**3,385**	7,846
Retirement benefits, social security contributions and welfare benefits	**1,033**	1,147
Total	**4,418**	8,993

The employee costs reversed for the scheme of share appreciation rights during the year amount to RMB2,202 million due to the decrease in stock price of the Company's H share (2007: expense accrued of RMB2,127 million).

8. *Income tax*

(in RMB million)	**2008**	2007
Current income tax	**2,840**	1,488
Deferred income tax	**(6,296)**	1,297
Total	**(3,456)**	2,785

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 unifies domestic corporate income tax rate at 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 rates, the applicable CIT rate will be transited to 25% over five years. During the transitional period, the applicable CIT rate for applicable subsidiaries and branches will be 18%, 20%, 22%, 24% and 25% for 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 period 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% (2007: 15%) is as follows:

(in RMB million)	**2008**	2007
Profit/(loss) before tax	**(2,979)**	22,004
Tax computed at the main applicable tax rate of 18% (2007: 15%)	**(536)**	3,301
Tax effect of expenses not deductible in determining taxable income	**426**	712
Tax effect of income not taxable in determining taxable income	**(1,988)**	(1,762)
Tax effect of changes in tax rate	**(1,150)**	180
Tax effect of higher tax rate on branches and entities (in the PRC) located outside Special Economic Zones	**(103)**	354
Tax refund	**(105)**	–
Income tax per consolidated income statement	**(3,456)**	2,785

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

9. *Dividends*

(in RMB million)	**2008**	2007
Interim dividends on ordinary shares declared during the year:		
Interim dividend for 2008: RMB0.20 per share (2007: RMB0.20 per share)	**1,469**	1,469
Dividends on ordinary shares proposed for approval at the annual general meeting (not recognized as a liability as at December 31):		
Final dividend for 2008: nil (2007: RMB0.50 per share)	**–**	3,673

As resolved at the 25th Meeting of the Seventh Session of the Board of Directors of the Company held on April 8, 2009, the Directors did not recommend the distribution of final dividend for the year ended December 31, 2008.

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.

	2008	2007
Net profit attributable to ordinary shareholders (in RMB million)	**268**	18,688
Weighted average number of outstanding shares of the Company (million shares)	**7,345**	7,153
Basic earnings per share (in RMB)	**0.04**	2.61
Diluted earnings per share (in RMB)	**0.04**	2.61

11. *Reinsurers' share of insurance liabilities*

In 2008, Ping An Life entered into reinsurance contract with no expiry terms with Munich Reinsurance Company Beijing Branch in order to reinsure 100% of the retained sum at risk on 47 types of in force traditional non-participating life insurance policies as at December 31, 2008. This contract is not cancellable by the reinsurer. Management believes that this reinsurance arrangement would transfer mortality risk for the said policies, lock in the related mortality profit for further years. Upon inception of the said reinsurance contract, the amount of recognized gain before tax is RMB2.39 billion which has been reflected in the income statement for 2008.

12. *Distributable reserves*

As at December 31, 2008, the Company's reserves available for distribution, calculated in accordance with the relevant regulations, totaled RMB4,678 million. No final dividend has been proposed for the year. All the retained profits (including unrealized gains arising from the fair value changes of the financial assets carried at fair value through profit or loss) were carried forward to 2009. In addition, the Company's capital reserve and surplus reserve fund, in the amount of RMB58,032 million, may be distributed by a future capitalization issue.

13. *Major customers*

In the year under review, gross written premiums, policy fees and premium deposits from the Group's five largest customers accounted for less than 1% of the total gross written premiums, policy fees and premium deposits for the year.

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

14. 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 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 Administration Taxation commenced a regular inspection of certain Group companies' tax filing positions for fiscal years ended December 31, 2004, 2005 and 2006. The Group has made relevant tax provisions based on preliminary results of the said inspection. However, the inspection results may not be finalized shortly and, currently, it is not feasible to make a reliable estimate of all under-provisions for the said fiscal years.

15. Post balance sheet events

(1) On April 8, 2009, the directors proposed not to distribute 2008 final dividend as stated in Note 9.

(2) On January 6, 2009, Ping An Trust completed acquisition of 100% equity interest of Xuji Group Corporation ("Xuji Group") at a consideration of RMB960 million. Since the valuation of Xuji Group's identifiable net assets as of the acquisition date was still in progress as at the approval date of the financial statements, the fair values of the said net assets and other relevant information were not disclosed in these financial statements.

B. Prepared in accordance with CAS

Consolidated income statement
For the year ended December 31, 2008

(in RMB million)	2008	2007
Operating income		
Premium income	**129,383**	100,945
Including: reinsurance premium income	**119**	85
Less: Premium ceded to reinsurers	**(5,813)**	(4,298)
Change in unearned premium reserves	**(1,780)**	(2,615)
Net earned premiums	**121,790**	94,032
Interest income of banking operations	**7,020**	5,314
Interest expenses of banking operations	**(2,677)**	(1,565)
Net interest income from banking operations	**4,343**	3,749
Fees and commission income of non-insurance operations	**1,980**	2,814
Fees and commission expenses of non-insurance operations	**(204)**	(502)
Net fees and commission income of non-insurance operations	**1,776**	2,312
Investment income	**28,248**	58,182
Fair value gains and losses	**(17,668)**	6,885
Foreign exchange losses	**(465)**	(501)
Other income	**1,779**	604
Total operating income	**139,803**	165,263
Operating expenses		
Surrenders	**(13,362)**	(13,333)
Claims paid	**(34,592)**	(26,998)
Less: Reinsurers' share of claims paid	**2,960**	2,443
Change in insurance contract liabilities	**(38,792)**	(77,545)
Less: Reinsurers' share of insurance contract liabilities	**5,808**	592
Policyholder dividends	**(6,276)**	(3,514)
Expenses for reinsurance accepted	**(23)**	(16)
Commission expenses of insurance operations	**(14,637)**	(10,838)
Business tax and surcharges	**(2,576)**	(3,656)
General and administrative expenses	**(14,025)**	(15,524)
Less: Reinsurers' share of expenses	**1,456**	1,167
Other expenses	**(1,931)**	(585)
Impairment losses	**(26,120)**	(289)
Total operating expenses	**(142,110)**	(148,096)

(in RMB million)	2008	2007
Operating profit	**(2,307)**	17,167
Add: Non-operating income	**114**	569
Less: Non-operating expenses	**(260)**	(253)
Profit/(loss) before tax	**(2,453)**	17,483
Less: Income tax	**3,326**	(1,902)
Net profit	**873**	15,581
Attributable to:		
Equityholders of the parent	**662**	15,086
Minority interests	**211**	495
	873	15,581
	RMB	*RMB*
Earnings per share		
Basic earnings per share	**0.09**	2.11
Diluted earnings per share	**0.09**	2.11

Consolidated balance sheet
As at December 31, 2008

(in RMB million)	**December 31, 2008**	December 31, 2007
ASSETS		
Cash on hand and at bank	**52,445**	72,740
Balances with clearing companies	**1,177**	2,027
Placements with banks and other financial institutions	**304**	1,192
Held-for-trading financial assets	**65,486**	84,938
Derivative financial assets	**17**	177
Financial assets purchased under agreements to resell	**13,084**	36,457
Interest receivables	**6,931**	4,187
Premium receivables	**4,554**	4,568
Due from reinsurers	**2,733**	2,452
Reinsurers' share of insurance contract liabilities	**11,354**	4,931
Policy loans	**3,725**	2,411
Loans and advances to customers	**74,160**	63,125
Refundable deposits	**108**	887
Term deposits	**83,003**	41,731
Available-for-sale financial assets	**212,236**	178,539
Held-to-maturity investments	**126,502**	127,736
Long-term equity investments	**6,025**	2,207
Goodwill	**617**	610
Statutory deposits	**5,860**	1,560
Investment properties	**6,551**	4,051
Fixed assets	**7,641**	7,894
Intangible assets	**9,500**	3,621
Deferred tax assets	**7,767**	87
Other assets	**5,860**	3,216
Total assets	**707,640**	651,344

(in RMB million)	**December 31, 2008**	December 31, 2007
LIABILITIES AND EQUITY		
LIABILITIES		
Short-term borrowings	**3,071**	3,719
Due to banks and other financial institutions	**17,204**	7,532
Guarantee deposits	**7,413**	5,398
Placements from banks and other financial institutions	**33**	175
Derivative financial liabilities	**265**	189
Financial assets sold under agreements to repurchase	**41,334**	13,980
Customer deposits	**80,649**	72,133
Payables to brokerage customers	**6,929**	14,394
Premiums received in advance	**2,210**	2,981
Commission payable	**1,243**	1,104
Due to reinsurers	**3,571**	2,656
Salaries and welfare payable	**2,156**	4,732
Taxes payable	**3,073**	1,907
Interest payable	**975**	574
Claims payable	**6,222**	5,161
Policyholder dividends payable	**12,012**	7,006
Investment contract liabilities for policyholders	**6,420**	5,287
Insurance contract liabilities	**420,064**	380,947
Long-term borrowings	**3,884**	3,218
Deferred tax liabilities	**472**	4,822
Other liabilities	**6,971**	4,211
Total liabilities	**626,171**	542,126
EQUITY		
Share capital	**7,345**	7,345
Capital reserve	**48,095**	72,111
Surplus reserve fund	**6,125**	5,655
General reserve	**395**	395
Retained profits	**16,820**	21,770
Foreign currency translation differences	**(23)**	(42)
Equity attributable to equityholders of the parent	**78,757**	107,234
Minority interests	**2,712**	1,984
Total equity	**81,469**	109,218
Total liabilities and equity	**707,640**	651,344

C. Reconciliation of GAAP differences between CAS and IFRS

The material GAAP differences between CAS and IFRS in preparing financial statements are as follows:

Consolidated net profit (in RMB million)	*Notes*	**2008**	2007
Prepared in accordance with CAS		**662**	15,086
Unearned premium reserves	*(1)*	**(199)**	113
Policyholders' reserves	*(2)*	**(9,658)**	(4,988)
Deferred policy acquisition costs	*(3)*	**9,294**	9,373
Deferred tax	*(4)*	**130**	(883)
Minority interests and others		**39**	(13)
Prepared in accordance with IFRS		**268**	18,688

Consolidated equity (in RMB million)	*Notes*	**December 31, 2008**	December 31, 2007
Prepared in accordance with CAS		**78,757**	107,234
Unearned premium reserves	*(1)*	**–**	199
Policyholders' reserves	*(2)*	**(44,920)**	(35,262)
Deferred policy acquisition costs	*(3)*	**50,599**	41,305
Deferred tax	*(4)*	**(1,417)**	(1,547)
Minority interests and others		**(68)**	(107)
Prepared in accordance with IFRS		**82,951**	111,822

Minority interests have been deducted from the above amounts.

Notes:

(1) Before July 1, 2008, under CAS, unearned premium reserves of the Group 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) as for life insurance subsidiaries of the Group. Under IFRS, unearned premium reserves are provided using actuarial valuation results (1/365 method). According to the CIRC's new actuarial regulations effective from July 1, 2008, life insurance subsidiaries used the same actuarial valuation results (1/365 method) for provision of unearned premium reserves under both CAS and IFRS.

(2) Under CAS, 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.

(3) Under CAS, 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.

(4) The above differences between CAS 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 Year Ended December 31, 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 year ended December 31, 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.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

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

December 31, 2008 (in RMB million)	**Decrease in profit**	**Decrease in equity**
Net exposure to the fluctuations in exchange rates assuming a simultaneous and uniform 5% depreciation of all foreign currency denominated monetary assets and liabilities and non-monetary assets and liabilities measured at fair value against the Renminbi	411	821

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.

In accordance with the related provisions of the Rules for the Compilation of Information Disclosures by the Companies Offering Securities to the Public (No. 4) – Special Provisions on Information Disclosures by Insurance Companies, the Company has engaged Ernst & Young (China) Advisory Limited to review the reasonableness of the methodology, the assumptions and the calculation results of the Company's embedded value as at December 31, 2008.

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

Components of economic value

(in RMB million)	**December 31, 2008**	December 31, 2007
Risk discount rate	**Earned Rate/ 11.5%**	Earned Rate/ 11.5%
Adjusted net asset value	**79,016**	107,032
Adjusted net asset value of life insurance business	**25,800**	30,128
Value of in-force insurance business written prior to June 1999	**(11,340)**	(9,058)
Value of in-force insurance business written since June 1999	**66,859**	61,921
Cost of holding the required solvency margin	**(11,676)**	(9,585)
Embedded value	**122,859**	150,311
Embedded value of life insurance business	**69,643**	73,407

(in RMB million)	**December 31, 2008**	December 31, 2007
Risk discount rate	**11.5%**	11.5%
Value of one year's new business	**10,039**	8,254
Cost of holding the required solvency margin	**(1,498)**	(1,067)
Value of one year's new business after cost of solvency	**8,541**	7,187

Note: Figures may not match totals due to rounding.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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

None of the directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the Code on Corporate Governance Practices (the "Code on Corporate Governance Practices") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for any part of the period from January 1, 2008 to December 31, 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. 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 will be set out under the paragraph headed "Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules" in the Corporate Governance Report to be contained in the Company's 2008 annual report.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND SUPERVISORS

As at December 31, 2008 the interests and short positions of the Directors and Supervisors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and Supervisors of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified by the Directors or Supervisors to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (the "Model Code") or which are recorded in the register of A shares of the Company maintained at Shanghai Branch of China Securities Depository and Clearing Corporation Limited, were as follows:

Interests in ordinary shares of the Company

Name of Director/ Supervisor	Position	H/A Shares	Capacity	No. of H/A Shares	Nature of interest	Percentage of total number of H/A Shares in issue (%)	Percentage of total shares in issue (%)
Cheung Chi Yan Louis	Executive Director	H	Beneficial owner	248,000	Long position	0.01	0.003
Chow Wing Kin Anthony	Independent Non-executive Director	H	Interest held jointly with another person*	7,500	Long position	0.00029	0.000
Lin Li	Supervisor	A	Interest of controlled corporations**	146,693,000	Long position	3.065	1.997

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

** Lin Li was interested in the Company by virtue of his control over 93.33% shareholding of Shenzhen Liye Group Company Limited, which held a direct interest in 146,693,000 A shares in the Company.

Save as disclosed above, as at December 31, 2008, none of the Directors or Supervisors of the Company held or was deemed to hold any interests or short positions in the shares and underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors or Supervisors to the Company and the Stock Exchange pursuant to the Model Code nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board of Directors of the Company proposed to put forward a special resolution to shareholders of the Company at the forthcoming annual general meeting to amend the articles of association of the Company (the "Articles of Association"). The proposed amendments to the Articles of Association will deal with matters relating to, inter alia, (i) compliance with the requirements under The Opinions on Standardising Articles of Association of Insurance Companies (Bao Jian Fa【2008】No. 57) which was issued on July 8, 2008 by CIRC and came into effect on October 1, 2008, requiring insurance companies to make corresponding amendments to their articles of association; (ii) compliance with the requirements set out in the PRC Company Law, and the Guidelines on Articles of Association of Listed Companies and the Decision in relation to the Amendments to Certain Regulations Governing the Distribution of Cash Dividend by Listed Companies issued by China Securities Regulatory Commission; and (iii) adoption of the use of the Company's website as a means of effecting corporate communication to holders of H Shares.

A circular containing, inter alia, full terms of the proposed amendments to the Articles of Association will be despatched to shareholders in due course. The proposed amendments to the Articles of Association will be subject to approval of the shareholders of the Company by way of a special resolution at the annual general meeting.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at 10:00 a.m. on Wednesday, June 3, 2009 at Ping An School of Financial Services, Kukeng, Guanlan, Shenzhen, PRC.

CLOSURE OF THE REGISTER OF MEMBERS

In order to determine the list of H share shareholders who are entitled to attend the annual general meeting of the Company, the H shares register of members will be closed from Thursday, April 30, 2009 to Wednesday, June 3, 2009, both days inclusive, during which period no transfer of shares will be effected. Holders of the Company's H shares whose names appear on the register of members on Thursday, April 30, 2009 are entitled to attend the meeting. In order to attend and vote at the meeting, holders of H shares of the Company whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Wednesday, April 29, 2009. The address of the transfer office of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The registration date and arrangements in relation to the rights of A share shareholders to attend the annual general meeting of the Company will be separately announced in the PRC.

AUDIT COMMITTEE

The audit committee of the Board of Directors of the Company (the "Audit Committee") comprises five Independent Non-executive Directors, Mr. Kwong Che Keung Gordon, Mr. Cheung Wing Yui, Mr. Chow Wing Kin Anthony, Mr. Zhang Hong Yi and Mr. Chen Su and one Non-executive Director, Mr. Ng Sing Yip. The Audit Committee has reviewed, in the presence of the internal and external auditors, the Group's principal accounting policies and the audited financial statements for the year ended December 31, 2008.

PUBLICATION OF RESULTS ANNOUNCEMENT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.pingan.com).

PUBLICATION OF DETAILED RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The 2008 annual report of the Company containing all the information required under Appendix 16 to the Listing Rules will be despatched to shareholders of the Company and published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.pingan.com) in due course.

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

Shenzhen, PRC, April 8, 2009

As at 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, Lin Lijun, Fan Gang, Hu Aimin, Chen Hongbo, Wong Tung Shun Peter and Ng Sing Yip, and 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.