

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, 2005

CHAIRMAN'S STATEMENT

The PRC economy sustained steady and rapid growth in 2005. The reform in the finance industry achieved remarkable results and the insurance sector showed healthy and well-coordinated development. In 2005, Ping An continued to achieve its strategic objectives and deliver excellent results with a growth rate that was above the industry average. This was the result of our proactive reform and transformation which was at the forefront of the industry during the past 3 years. For the year ended December 31, 2005, Ping An recorded a net profit of RMB4,265 million, representing an increase of 35.6% from the previous year, while our total assets reached RMB319,706 million, and our total equity increased to RMB33,522 million. Sufficient capital and steady profit growth has provided Ping An with a favorable head-start position for accelerated development. In addition, the Group became one of Forbes Global top 2000's and was ranked 10th among the listed Chinese companies in 2005.

Inspired by the steady build-up of the Group's overall strength, together with the optimistic market outlook for the Chinese finance industry, Ping An's stock price performed well, and the market value of Ping An reached HKD100 billion for the first time at closing on January 9, 2006. This puts Ping An at an unprecedented height in terms of market value, ranking among the top 20 listed companies on Hong Kong Stock Exchange.

Business review

In 2005, the Group recorded a total revenue of RMB64,590 million, among which gross written premiums and policy fees accounted for RMB59,021 million and total investment income accounted for RMB9,655 million. Our consolidated net investment yield and total investment yield both increased from last year. The embedded value of the Group reached RMB48,363 million. Our core insurance business has laid a solid profit-generating foundation, our business in transformation has achieved its periodic objectives and our new business has set up its infrastructure.

Core business laid a solid profit-generating foundation and regained premium growth momentum

Our life insurance business recorded total gross written premiums, policy fees and premium deposits of RMB58,691 million, representing an increase of 7.2% from the previous year and taking up 16.1% of the PRC life insurance market. The value of one year's new business was RMB4,539 million, representing an increase of 16.0% from the previous year; net profit for 2005 totaled RMB3,551 million, representing an increase of 31.3% from the previous year. In particular, total premium income from our individual life insurance totaled RMB46,169 million, representing an increase of 15.0% from the previous year. Quality of our business was maintained and our 13-month and 25-month persistency ratios were 85.9% and 81.9%, respectively. The sales team was maintained at a stable scale with improved productivity.

Our property and casualty insurance business experienced strong growth together with improved profitability. Gross written premiums and net profit reached RMB12,076 million and RMB422 million, representing an increase of 19.0% and 94.5% respectively from the previous year, both were higher than the industry's average growth rate. We witnessed growth from business segments by product types, by distribution channels, by geographic regions and by customer types. Our market share was 9.9%, an increase of 0.4% from the previous year, while the combined ratio improved to 95.3%. Meanwhile, cross-selling from our life insurance agents continued to grow, and new sales channels such as direct telemarketing showed promising development. Our newly implemented sales and service support platform would substantially boost the business development into the next stage.

The key performance indicators of our core insurance business remained healthy. Although, the entire insurance industry went through restructuring, our life and property and casualty insurance business managed to reach new historic highs in net profit. This success was made possible as a result of our proactive reform and transformation over the past few years, laying a solid foundation for accelerated growth in the future.

Transformed business ready to launch, and new business accomplished its infrastructure set up

In 2005, the Group carried out initiatives to transform our group life insurance, bancassurance, securities and trust businesses. Though the scale of these businesses did not increase, their operational models and business structures continued to optimize, and quality improvements were obvious.

After one year's strategic transformation, our group insurance business has gradually transformed into a group sales channel that offers comprehensive financial services, and has achieved positive results in product structuring, team quality and back-office support management. The productivity of the sales team has also improved steadily and the future growth potential of the corporate pension and welfare security market will bring new development opportunities to our group insurance business.

Throughout the transformation process of the industry, our bancassurance business has effectively maintained its business platform, team scale and core branch network. In addition, we continued to explore innovative business models of cooperation with other banks.

In 2005, the capital market was under continuous restructuring, the stock market experienced another bear market year, and the whole industry suffered big loss. Nevertheless, our security business achieved profits for 3 consecutive years, gained market share in brokerage business and secured a market-leading position in the investment bank business.

Our trust operation has been proactively recruiting professionals and talents from outside to build property and infrastructure investment teams with international experience. The total assets under its custody increased to RMB3,330 million by the end of 2005.

In our newly developed business sector, Ping An Bank accelerated its business deployment and steadily rolled out its structure building after moving its headquarter to Shanghai in mid 2005. The Group has also tapped into a new market with the launch of its small-amount consumer financing business. Ping An Asset Management Co., Ltd. and Ping An Health Insurance Company of China, Ltd. were established in mid 2005, and Ping An Annuity Insurance Company of China, Ltd., established in 2004, was later granted both trustee and investment management licenses. With the development of these new businesses, the Group's integrated financial service platform has gradually materialized.

Upgraded nation-wide back-office center providing strong support to business development

The Group has sped up the pace of our nation-wide back-office centralization process and proactively pushed on the construction of IT platform for integrated financial service. At the same time, the Group kicked off its "Olympic project", a project which aims to enhance the Group's operation through utilising its strong individual and corporate customer bases, integrating its internal resources and channels, and maximizing intra-group's synergy so as to provide efficient, fast and well-oriented comprehensive financial services.

Internationally recognized management platform

Under the leadership of the Group's experienced management team, both our corporate governance structure and risk management system have continued to improve, and internal compliance management has been enhanced. Supported by our highly centralized finance, risk and HR management systems, Ping An's operation remained solid, with the aim at maximizing shareholders' value through the best corporate governance. In 2005, Ping An was ranked third for "Best Corporate Governance in Global Emerging Markets' Insurance Industry 2005" by *Euromoney* Magazine, and third in the China region for "Asia's Best Managed Companies 2005" with both rankings being among the top of all insurance companies in PRC.

Prospects

In 2006, the PRC economy is expected to continue its growth at a fast and healthy pace, and with the improvement in purchasing power and living standard of the Chinese citizens, the demand for finance services will develop towards comprehensive wealth management. As per the provisions governing China's admission to the WTO, by the end of 2006, the finance industry in China will be completely open to the world, thus signaling the end of the transitional period. By that time, it is expected that more foreign financial institutions will enter into China. With the increase in market competitors, domestic financial institutions will have to speed up their reform and restructuring process in order to compete in the international financial services market.

Facing the huge market potential and increasingly fierce competition, we will rely on our solid foundation built in the past and follow the government's direction and policy of "Encouraging financial innovation, promoting trials of integrated financial services" closely. We will capitalize on our clear and mature strategic advantages to speed up the development of our integrated financial services platform.

Regarding business development, the Group will make strong efforts to improve the economy of scale and profitability of our core businesses, enhance the margin and profit contribution from the transformed business, and set up solid platform and high industry standards for our new business.

Regarding back-office construction, the businesses of the Group will coordinate and grow with each other through a robust resources sharing platform, together with the back-office center, which has been put into use, to provide the distribution channels with customer-oriented support.

Regarding investment, the Group will seek to broaden its investment channels, such as infrastructure investment projects to diversify investment risks, enhance investment return and improve our asset-liability management, so as to increase the competitiveness of our financial products.

My colleagues and I have never been more confident of our future. We are well positioned to achieve profitable growth. Ping An will definitely adhere to its pioneering spirit, strive with perseverance, pool our wisdom and efforts, face the challenge with confidence and capture business opportunities, so as to repay the long-term support and trust of our shareholders.

KEY FINANCIAL AND OPERATION INFORMATION

Life insurance business

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

**For the year ended December 31,
(in RMB million, except percentages)**

	2005	2004
Gross written premiums and policy fees	46,945	49,883
Individual life insurance	38,758	35,949
Bancassurance	1,133	5,836
Group insurance	7,054	8,098
Premium deposits	11,746	4,846
Individual life insurance	7,411	4,215
Bancassurance	4,091	81
Group insurance	244	550
Gross written premiums, policy fees and premium deposits	58,691	54,729
Market share of gross written premiums, policy fees and premium deposits ⁽¹⁾	<u>16.1%</u>	<u>17.2%</u>

(1) Based on our PRC GAAP financial data and PRC insurance industry data calculated in accordance with PRC GAAP and published by the National Bureau of Statistics of China.

As at or for the year ended December 31,

	2005	2004
Number of customers:		
Individual (in thousands)	30,312	28,362
Corporate (in thousands)	267	177
Total (in thousands)	<u>30,579</u>	<u>28,539</u>
Persistency ratio:		
13-month	85.9%	87.5%
25-month	81.9%	80.3%
Agent productivity:		
First year premiums, policy fees and premium deposits per agent per month	4,446	3,245
New life insurance policies per agent per month	2.3	2.3

The following table sets forth certain information of our life insurance distribution channels as at the dates indicated:

As at December 31,	2005	2004
Number of individual life sales agents	200,193	199,997
Number of group sales representatives	1,644	1,605
Bancassurance outlets	27,222	20,023

Property and casualty insurance business

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

For the year ended December 31, (in RMB million, except percentages)

	2005	2004
Gross written premiums	12,076	10,150
Automobile	7,497	6,232
Non-automobile	4,044	3,545
Accident and health	535	373
Market share of gross written premiums ⁽¹⁾	9.9%	9.5%

(1) Based on our PRC GAAP financial data and PRC insurance industry data calculated in accordance with PRC GAAP and published by the National Bureau of Statistics of China.

As at or for the year ended December 31,

	2005	2004
Combined Ratio:		
Expense ratio	23.3%	20.2%
Loss ratio	72.0%	77.0%
Combined ratio	95.3%	97.2%
Number of customers:		
Individual (in thousands)	6,006	5,519
Corporate (in thousands)	1,680	613
Total (in thousands)	7,686	6,132

The following table sets forth certain information of our property and casualty insurance distribution channels as at the dates indicated:

As at December 31,	2005	2004
Number of direct sales representatives	7,708	6,975
Number of insurance agents	6,176	6,168

Consolidated Investment Income

For the year ended December 31, (in RMB million, except percentages)

	2005	2004
Net investment income	9,338	7,219
Net realized and unrealized gains/(losses)	317	(773)
Total investment income	9,655	6,446
Net investment yield ⁽¹⁾	4.2%	4.1%
Total investment yield ⁽¹⁾	4.3%	3.6%

(1) Net investment yield and total investment yield are computed without considering exchange gains/(losses) associated with foreign currency denominated investment assets.

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

As at December 31, (in RMB million, except percentages)	2005		2004	
	Carrying Value	% of Total	Carrying Value	% of Total
Fixed maturity investments				
Term deposits	68,959	27.9%	80,320	39.9%
Bond investments ⁽¹⁾	159,776	64.8%	112,860	56.1%
Other fixed maturity investments	1,526	0.6%	675	0.3%
Equity investments ⁽²⁾	15,244	6.2%	5,766	2.9%
Investment properties	1,243	0.5%	1,504	0.8%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total investments	<u>246,748</u>	<u>100.0%</u>	<u>201,125</u>	<u>100.0%</u>

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

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

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2005

For the year ended December 31,
(in RMB million)

	Notes	2005	2004 (Restated)
Gross written premiums and policy fees	4	59,021	60,033
Less: Premiums ceded to reinsurers		(4,241)	(4,122)
Net written premiums and policy fees		54,780	55,911
Increase in unearned premium reserves, net		(1,581)	(1,191)
Net earned premiums		53,199	54,720
Reinsurance commission income		1,371	1,376
Net investment income	5 (1)	9,338	7,219
Realized gains/(losses)	5 (2)	(505)	(56)
Unrealized gains/(losses)	5 (3)	822	(717)
Foreign currency gains/(losses)		(405)	3
Other income		770	648
Total revenue		64,590	63,193
Change in deferred policy acquisition costs		3,830	2,261
Claims and policyholders' benefits		(20,818)	(16,472)
Increase in policyholders' reserves		(29,557)	(33,872)
Changes in fair value of derivative financial liabilities		(6)	(80)
Commission expenses		(5,928)	(5,255)
General and administrative expenses		(7,090)	(5,922)
Provision for insurance guarantee fund		(209)	(106)
Total expenses		(59,778)	(59,446)
Operating profit	6	4,812	3,747
Income taxes	7	(547)	(601)
Net profit		4,265	3,146
Attributable to:			
– Equity holders of the parent		4,226	3,116
– Minority interests		39	30
		4,265	3,146
		RMB	RMB
Earnings per share for net profit attributable to equity holders of the parent – basic	9	0.68	0.56

CONSOLIDATED BALANCE SHEET

As at December 31, 2005

As at December 31, (in RMB million)	2005	2004 (Restated)
ASSETS		
Investments		
Fixed maturity investments		
Bonds	159,749	112,798
Term deposits	68,959	80,320
Policy loans	864	545
Loans and advances to customers	662	130
Equity investments		
Equity investment funds	10,058	5,497
Equity securities	5,183	266
Derivative financial assets	27	62
Investment in an associate	3	3
Investment properties	1,243	1,504
Total investments	246,748	201,125
Cash and cash equivalents	17,636	15,945
Premium receivables	749	617
Interest receivables	438	382
Policyholder account assets in respect of insurance contracts	12,820	9,758
Policyholder account assets in respect of investment contracts	3,078	3,145
Reinsurance assets	4,889	4,356
Deferred policy acquisition costs	26,428	22,622
Property, plant and equipment	2,918	2,735
Construction-in-progress	620	204
Land use rights	955	928
Goodwill	327	322
Deferred income tax assets	–	362
Statutory deposits	1,240	1,200
Other assets	860	738
Total assets	319,706	264,439

EQUITY AND LIABILITIES

Equity attributable to equity holders of the parent

Share capital	6,195	6,195
Reserves	21,493	19,517
Retained profits	5,308	2,485
	<hr/>	<hr/>
	32,996	28,197
Minority interests	526	430
	<hr/>	<hr/>
Total equity	33,522	28,627
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Liabilities

Customers' deposits	1,862	1,849
Securities sold under agreements to repurchase	7,095	601
Premiums received in advance	1,880	1,627
Commission payable	633	556
Due to reinsurers	533	209
Dividends payable to shareholders	76	74
Income tax payable	445	490
Insurance guarantee fund	60	827
Policyholder dividend payable and provisions	2,864	1,977
Insurance contract liabilities		
Policyholders' reserves	223,538	193,770
Policyholder contract deposits	9,795	1,411
Policyholder account liabilities in respect of insurance contracts	12,820	9,758
Unearned premium reserves	11,048	9,472
Claim reserves	7,933	6,642
Investment contract liabilities		
Policyholder account liabilities in respect of investment contracts	3,078	3,145
Investment contract reserves	14	15
Derivative financial liabilities	133	127
Deferred income tax liabilities	49	–
Other liabilities	2,328	3,262
	<hr/>	<hr/>
Total liabilities	286,184	235,812
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Total equity and liabilities	319,706	264,439
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2005

(Restated) (in RMB million)	Notes	Equity attributable to equity holders of the parent								Total
		Reserves						Retained profits	Minority interests	
		Share capital	Capital reserve	Revenue reserve fund	Common welfare fund	General reserve	Net unrealized gains/ (losses)			
As at January 1, 2004										
As previously reported		4,933	2,818	4,148	486	395	(180)	352	337	13,289
Effect of implementation of new/revised accounting standards	2	—	—	—	—	—	(61)	—	(1)	(62)
As restated		4,933	2,818	4,148	486	395	(241)	352	336	13,227
Net profit for 2004		—	—	—	—	—	—	3,116	30	3,146
Net losses on available-for-sale investments		—	—	—	—	—	(653)	—	(6)	(659)
Net losses on available-for-sale investments removed from equity and reported in net profit		—	—	—	—	—	69	—	1	70
Deferred tax recognized, net	7	—	—	—	—	—	87	—	1	88
Issue of shares through initial public offering		1,262	12,564	—	—	—	—	—	—	13,826
Share issue expenses		—	(547)	—	—	—	—	—	—	(547)
Changes in equity interests in subsidiaries		—	—	—	—	—	—	—	(68)	(68)
Acquisition of a subsidiary		—	—	—	—	—	—	—	136	136
2003 dividends declared	8	—	—	—	—	—	—	(592)	—	(592)
Appropriations to statutory reserves		—	—	261	130	—	—	(391)	—	—
As at December 31, 2004		6,195	14,835	4,409	616	395	(738)	2,485	430	28,627

Equity attributable to equity holders of the parent

(in RMB million)	Notes	Reserves								Total	
		Share capital	Capital reserve	Revenue reserve fund	Common welfare fund	General reserve	Net unrealized gains/ (losses)	Foreign currency translation differences	Retained profits		Minority interests
As at January 1, 2005											
As previously reported		6,195	14,835	4,409	616	395	(682)	-	2,485	431	28,684
Effect of implementation of new/revised accounting standards	2	-	-	-	-	-	(56)	-	-	(1)	(57)
As restated		6,195	14,835	4,409	616	395	(738)	-	2,485	430	28,627
Net profit for 2005		-	-	-	-	-	-	-	4,226	39	4,265
Net gains on available-for-sale investments		-	-	-	-	-	1,718	-	-	18	1,736
Net gains on available-for-sale investments removed from equity and reported in net profit		-	-	-	-	-	(9)	-	-	-	(9)
Deferred tax recognized, net	7	-	-	-	-	-	(256)	-	-	(3)	(259)
Increase in equity interests in subsidiaries		-	-	-	-	-	-	-	-	46	46
Increase in general reserve		-	-	-	-	35	-	-	(35)	-	-
2004 dividends declared	8	-	-	-	-	-	-	-	(867)	-	(867)
Currency translation adjustments		-	-	-	-	-	-	(13)	-	(4)	(17)
Appropriations to statutory reserves		-	-	334	167	-	-	-	(501)	-	-
As at December 31, 2005		6,195	14,835	4,743	783	430	715	(13)	5,308	526	33,522

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 and its principal subsidiaries (the “Group”) are mainly engaged in life insurance, property and casualty insurance and other financial services.

2. Changes in accounting policies

In the current year, the Group has adopted new and revised standards issued by the International Accounting Standards Board that are relevant to its operations and effective for accounting periods beginning on January 1, 2005. The adoption of these new and revised standards has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current and prior years:

- *International Financial Reporting Standard ("IFRS") 4, Insurance Contracts*

Effective January 1, 2005, the Group adopted IFRS 4. IFRS 4 represents the completion of phase 1 of the first IFRS to deal with insurance contracts. The main features of IFRS 4 include but are not limited to the definition of an insurance contract, the use of liability adequacy tests and impairment tests for reinsurance assets, and prohibition of catastrophe and equalization provisions. Based on this standard, the Group continues to account for investment contracts containing discretionary participation features as if they are insurance contracts. In addition, premium income from certain contracts, which are regarded as investment contracts by IFRS 4, is accounted for as financial liabilities, and related policyholders' benefits to the extent covered by the said contracts are accounted for as a direct debit to the financial liabilities. Further, certain investment-linked contracts meet the definition of an insurance contract under IFRS 4 and the Group separately presents assets and liabilities related to such investment-linked contracts, which were originally grouped in "separate account (investment-linked) assets and liabilities". The assets and liabilities related to the remaining investment-linked contracts, which are regarded as investment contracts, are presented as policyholder account assets and liabilities in respect of investment contracts.

As a result of the adoption of IFRS 4, certain contracts were reclassified as investment contracts.

The Group recorded the following effects in the consolidated income statement to reflect the reclassification of contracts:

For the year ended December 31, (in RMB million)	2005	2004
(Debit)/Credit		
Gross written premiums and policy fees	–	(16)
Claims and policyholders' benefits	1	1
Increase in policyholders' reserves	(1)	15
	<u>–</u>	<u>15</u>
Net impact on net profit	<u>–</u>	<u>–</u>

Further, the Group recorded the following effects in the consolidated balance sheet:

As at December 31, (in RMB million)	2005	2004
Debit/(Credit)		
Policyholders' reserves	14	15
Investment contract reserves	(14)	(15)
Policyholder account assets in respect of insurance contracts	12,820	9,758
Policyholder account assets in respect of investment contracts	3,078	3,145
Separate account (investment-linked) assets	(15,898)	(12,903)
Policyholder account liabilities in respect of insurance contracts	(12,820)	(9,758)
Policyholder account liabilities in respect of investment contracts	(3,078)	(3,145)
Separate account (investment-linked) liabilities	<u>15,898</u>	<u>12,903</u>

- *International Accounting Standard (“IAS”) 39 (revised 2004), Financial Instruments: Recognition and Measurement*

Effective January 1, 2005, the Group has adopted IAS 39 (revised 2004). Among the changes, IAS 39 (revised 2004) has eliminated “loans and receivables originated by the enterprise” and defined a “loans and receivables” category. By such definition, loans and receivables exclude investments quoted in an active market. As a result, the Group has reclassified quoted bonds as held-to-maturity or available-for-sale investments in accordance with the related requirements and investment strategy. The Group recorded the following effects in the consolidated balance sheet:

As at December 31, (in RMB million)	2005	2004
Debit/(Credit)		
Fixed maturity investments – bonds	233	(67)
Deferred income tax assets	(35)	10
Reserves – net unrealized losses	(196)	56
Minority interests	<u>(2)</u>	<u>1</u>

- *IFRS 2, Share-based Payment*

Effective January 1, 2005, the Group has adopted IFRS 2. It requires the Group to recognize share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets or equity instruments of the Company. This standard has given more guidance on recognition, measurement and disclosure of the Group’s share appreciation rights scheme. There was no significant impact on the Group’s financial statements upon the adoption of IFRS 2. The charge to income statement is as follows:

For the year ended December 31, (in RMB million)	2005	2004
Charge for the year	<u>61</u>	<u>29</u>

- *IFRS 3, Business Combinations*

IFRS 3, Business Combinations, was already effective since March 31, 2004. Among its requirements, the Group has, since 2005, ceased amortization of the Group’s goodwill.

- *IAS 27 (revised 2004), Consolidated and Separate Financial Statements*

IAS 27 (revised 2004) requires that the investments in subsidiaries be accounted for at cost or in accordance with IAS 39 in the parent’s separate financial statements. In prior years, the Company’s investments in subsidiaries were accounted for using the equity method. Upon the implementation of IAS 27 (revised 2004), the Company’s investments in subsidiaries are accounted for at cost in its unconsolidated, separate financial statements. The Company recorded the following effects on its separate balance sheet as at December 31, 2005 and 2004:

As at December 31, (in RMB million)	2005	2004
Debit/(Credit)		
Investments in subsidiaries	(7,673)	(2,315)
Reserves	713	(1,064)
Retained profits	<u>6,960</u>	<u>3,379</u>

In addition to the standards referred to above, the key revised standards that the Group has also adopted during the year which mainly affect the presentation and disclosures of the financial statements are as follows:

- *IAS 1 (revised 2004), Presentation of Financial Statements*

IAS 1 (revised 2004) affects the presentation of minority interests in the income statement (separate allocation at the bottom of the income statement) and in the statement of changes in equity (separate column for minority interests) and other disclosures.

- *IAS 8 (revised 2004), Accounting Policies, Changes in Accounting Estimates and Errors*

IAS 8 (revised 2004) requires disclosure of an impending change in accounting policy when the Group has yet to implement a new IFRS or interpretation that has been issued but not yet come into effect. In addition, it has required disclosure of known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS or interpretation will have on the Group's financial statements in the period of initial application.

- *IAS 32 (revised 2004), Financial Instruments: Disclosure and Presentation*

IAS 32 (revised 2004) requires additional disclosures of information in respect of financial assets and financial liabilities, including information about the use of valuation techniques, and the carrying amounts of financial assets and financial liabilities that are classified as held-for-trading and those designated by the entity upon initial recognition as financial assets and financial liabilities at fair value through profit or loss.

3. Segment reporting

The Group's business segment information is currently divided into four business segments – life insurance business, property and casualty insurance business, corporate business, 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 year ended December 31, 2005 is as follows:

(in RMB million)	Life insurance	Property and casualty insurance	Corporate	Others	Elimination	Total
Income statement						
Gross written premiums and policy fees	46,945	12,076	–	–	–	59,021
Less: Premiums ceded to reinsurers	(810)	(3,431)	–	–	–	(4,241)
Increase in unearned premium reserves, net	(331)	(1,250)	–	–	–	(1,581)
Net earned premiums	45,804	7,395	–	–	–	53,199
Reinsurance commission income	227	1,144	–	–	–	1,371
Net investment income	8,293	390	590	82	(17)	9,338
Realized gains/(losses)	(577)	(5)	34	43	–	(505)
Unrealized gains/(losses)	820	13	–	(11)	–	822
Foreign currency losses, net	(379)	(8)	(3)	(15)	–	(405)
Other income	410	52	74	402	(168)	770
Total revenue	54,598	8,981	695	501	(185)	64,590
Change in deferred policy acquisition costs	3,645	185	–	–	–	3,830
Claims and policyholders' benefits	(15,559)	(5,259)	–	–	–	(20,818)
Increase in policyholders' reserves	(29,557)	–	–	–	–	(29,557)
Changes in fair value of derivative financial liabilities	(6)	–	–	–	–	(6)
Commission expenses	(5,168)	(820)	–	–	60	(5,928)
General and administrative expenses	(4,162)	(2,201)	(416)	(419)	108	(7,090)
Provision for insurance guarantee fund	(116)	(93)	–	–	–	(209)
Total expenses	(50,923)	(8,188)	(416)	(419)	168	(59,778)
Operating profit	3,675	793	279	82	(17)	4,812
Income taxes	(124)	(371)	(40)	(12)	–	(547)
Net profit	3,551	422	239	70	(17)	4,265

4. Gross written premiums and policy fees

For the year ended December 31, (in RMB million)	2005	2004 (Restated)
Gross written premiums, policy fees and premium deposits, as reported in accordance with PRC GAAP	71,624	65,618
Less: Business tax and surcharges	(857)	(739)
Gross written premiums, policy fees and premium deposits (net of business tax and surcharges)	70,767	64,879
Less: Premium deposits allocated to policyholder accounts	(3,214)	(3,416)
Premium deposits allocated to investment contracts	–	(16)
Premium deposits allocated to policyholder contract deposits	(8,532)	(1,414)
Gross written premiums and policy fees	59,021	60,033
For the year ended December 31, (in RMB million)	2005	2004 (Restated)
Long term life business gross written premiums and policy fees	42,420	46,018
Short term life business gross written premiums	4,525	3,865
Property and casualty business gross written premiums	12,076	10,150
Gross written premiums and policy fees	59,021	60,033

5. Investment income

(1) Net investment income

For the year ended December 31, (in RMB million)	2005	2004 (Restated)
Interest income on fixed maturity investments		
Bonds		
– Held-to-maturity	4,568	2,393
– Available-for-sale	901	614
– Carried at fair value through profit or loss	50	67
Term deposits		
– Loans and receivables	3,463	3,592
Others		
– Loans and receivables	63	72
Dividend income on equity investments		
Equity investment funds		
– Available-for-sale	82	88
– Carried at fair value through profit or loss	90	294
Equity securities		
– Available-for-sale	84	9
– Carried at fair value through profit or loss	11	2
Operating lease income from investment properties	107	130
Interest expenses on securities sold under agreements to repurchase	(81)	(42)
Total	9,338	7,219
Yield of net investment income (% per annum)	4.2	4.1

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

(2) *Realized gains/(losses)*

For the year ended December 31, (in RMB million)	2005	2004 (Restated)
Fixed maturity investments		
– Available-for-sale	253	15
– Carried at fair value through profit or loss	43	42
Equity investments		
– Available-for-sale	(258)	(84)
– Carried at fair value through profit or loss	(543)	(29)
Total	<u>(505)</u>	<u>(56)</u>

(3) *Unrealized gains/(losses)*

For the year ended December 31, (in RMB million)	2005	2004 (Restated)
Fixed maturity investments		
– Carried at fair value through profit or loss	10	(35)
Equity investments		
– Carried at fair value through profit or loss	808	(676)
Derivative financial assets		
– Carried at fair value through profit or loss	4	(6)
Total	<u>822</u>	<u>(717)</u>

(4) *Total investment income*

For the year ended December 31, (in RMB million)	2005	2004 (Restated)
Net investment income	9,338	7,219
Realized gains/(losses)	(505)	(56)
Unrealized gains/(losses)	822	(717)
Total	<u>9,655</u>	<u>6,446</u>
Yield of total investment income (% per annum)	<u>4.3</u>	<u>3.6</u>

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

6. Operating profit

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

For the year ended December 31, (in RMB million)	2005	2004 (Restated)
Employee costs, excluding directors' emoluments (<i>Note 6(2)</i>)	3,095	2,720
Depreciation of investment properties	50	66
Depreciation of property, plant and equipment	486	460
Amortization of land use rights	20	19
Loss on disposal of property, plant and equipment and investment properties	19	10
Impairment losses for investment properties, property, plant and equipment, construction-in-progress, and land use rights	75	73
Amortization of goodwill	–	24
Provision/(write-back) of provision for doubtful debts, net	122	(39)
Write-back of provision for loans and advances to customers	(73)	(12)
Auditors' remuneration	10	10
Operating lease payments in respect of land and buildings	506	521

(2) *Employee costs, excluding directors' emoluments*

For the year ended December 31, (in RMB million)	2005	2004
Wages, salaries and bonuses	2,626	2,225
Retirement benefits, social security contributions and welfare benefits	469	495
Total	3,095	2,720

7. Income taxes

According to the "Provisional Regulations of the PRC on Enterprise Income Tax", the taxable income of the Group represents its income for financial reporting purposes, net of deductible items for income tax purposes. The enterprise income tax rates applicable to the Group, the subsidiaries and their branches during the year are as follows:

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

For the year ended December 31, (in RMB million)	2005	2004 (Restated)
Consolidated income statement		
Current income tax	<u>392</u>	<u>572</u>
Deferred income tax		
Relating to the origination and reversal of temporary differences:		
Policyholders' reserves	(450)	(246)
Claim reserves	(64)	(81)
Unearned premium reserves	46	41
Deferred policy acquisition costs	575	339
Fair value adjustment on financial assets and liabilities carried at fair value through profit or loss	46	7
Others	<u>2</u>	<u>(31)</u>
Total deferred income tax	<u>155</u>	<u>29</u>
Income taxes reported in consolidated income statement	<u>547</u>	<u>601</u>
Consolidated statement of changes in equity		
Deferred income tax related to items credited/(charged) directly to equity:		
Unrealized gains and losses	<u>(256)</u>	<u>87</u>

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

For the year ended December 31, (in RMB million)	2005	2004 (Restated)
Accounting profit before income taxes	<u>4,812</u>	<u>3,747</u>
Tax computed at the main applicable tax rate of 15% (2004: 15%)	722	562
Tax effect of income not taxable in determining taxable income	(580)	(423)
Tax effect of expenses not deductible in determining taxable income	228	393
Tax effect of higher tax rate on branches and entities (in the PRC) that are located outside the Special Economic Zones	<u>177</u>	<u>69</u>
Income taxes reported in consolidated income statement	<u>547</u>	<u>601</u>

8. Dividends

During the year, the Company paid dividends of RMB865 million (2004: RMB518 million) to its shareholders, relating to dividends previously proposed of RMB867 million or RMB0.14 per share (2004: RMB592 million or RMB0.12 per share).

On March 29, 2006, the directors proposed 2006 special interim dividend distribution of RMB0.20 per share totaling RMB1,239 million, which will be paid by the Company out of dividends amounting to RMB4,364 million to be received by the Company from one of its subsidiaries in early May 2006. This proposal is subject to Company shareholders' approval on May 25, 2006.

9. Earnings per share

The basic earnings per share for the year is computed by dividing the net profit for the year by the weighted average number of 6,195,053,334 shares in issue during 2005 (2004: weighted average number of 5,588,324,591 shares in issue during the year).

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

10. Embedded value

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

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 Group is measured by the value of the Group's shares on any particular day. In valuing the Group'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

As at December 31, (in RMB million)	2005	2004
Adjusted net asset value	33,072	25,161
Value of in-force insurance business written prior to June 1999	(18,089)	(16,743)
Value of in-force insurance business written since June 1999	38,537	33,127
Cost of holding the required solvency margin	(5,157)	(4,297)
Embedded Value	48,363	37,248
Value of one year's new business	5,148	4,331
Cost of holding the required solvency margin	(609)	(418)
Value of one year's new business after cost of solvency	4,539	3,913

11. Accumulated losses and distributable reserves

As at December 31, 2005, the Company's reserves available for distribution, calculated in accordance with the relevant regulations, represent accumulated losses totaling RMB1,652 million. As at the same date, the Group had a consolidated retained profits of RMB5,308 million. On March 23, 2006, dividends were proposed by one of the Company's subsidiaries, in respect of which the Company will receive a sum of RMB4,364 million in early May 2006. The Company's receipt of such dividends will then result in retained profits in the Company's reserves available for distribution.

12. Use of proceeds from the Company's initial public offering

The net proceeds from the Company's issue of new shares at the time of its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in June 2004, after deduction of related issuance expenses, amounted to approximately RMB13,279 million. As at December 31, 2005, the net proceeds were used, as stated in the prospectus of the Company, for general corporate purposes and improvement of business operations. The proceeds form part of the Group's liquid capital and were invested in accordance with the relevant PRC regulations.

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 30% 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

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

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

15. Post balance sheet events

Refer to note 8 for the profit appropriations.

The financial figures above in respect of the Announcement of Audited Results for the Year Ended December 31, 2005 ("Announcement") have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year ended December 31, 2005. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the Announcement.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

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

As at December 31, 2005 (in RMB million)

Foreign currency risk

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold 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 (the "Listing Rules") on the Stock Exchange for any part of the period from January 1, 2005 to December 31, 2005 except that Mr. Ma Mingzhe has occupied the positions of both the Chairman of the Board of Directors and Chief Executive Officer of the Company. Further details of the Company's arrangements and considered reasons for the Company's intention not to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer of the Company are set out under the paragraph headed "Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules" in the Corporate Governance Report to be contained in the Company 2005 annual report.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND SUPERVISORS

As at December 31, 2005, none of the Directors or Supervisors of the Company held or was deemed to hold interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO) which 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 for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at 10:00 a.m. on Thursday, May 25, 2006 at 6th Floor, Ping An Building, Ba Gua No.3 Road, Shenzhen, PRC.

CLOSURE OF THE REGISTERS OF MEMBERS

In order to determine the list of shareholders who are entitled to attend the annual general meeting of the Company and to receive 2006 special interim dividend, the registers of members will be closed from Tuesday, April 25, 2006 to Thursday, May 25, 2006, both days inclusive, during which period no transfer of shares will be effected. Holders of the Company's H shares and domestic shares whose names appear on the registers of members on Thursday, May 25, 2006 are entitled to attend the meeting.

AUDIT COMMITTEE

The audit committee of the Board of Directors of the Company (the "Audit Committee") comprises four Independent Non-executive Directors, Mr. Bao Youde, Mr. Kwong Che Keung Gordon, Mr. Cheung Wing Yui and Mr. Chow Wing Kin Anthony, and one Non-executive Director, Mr. Anthony Philip HOPE. 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, 2005.

DETAILED RESULTS ANNOUNCEMENT ON THE WEBSITE OF THE COMPANY

The above detailed results announcement will be published on the website of the Company (www.pingan.com.cn) at around 9:00 a.m. on March 30, 2006.

PUBLICATION OF DETAILED RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

The 2005 annual report of the Company containing all the information required under Appendix 16 to the Listing Rules will be submitted to the Stock Exchange and published on the website of the Stock Exchange (www.hkex.com.hk) in due course.

By order of the Board

Ma Mingzhe

Chairman and Chief Executive Officer

Shenzhen, PRC, March 29, 2006

As at the date of this announcement, the Executive Directors of the Company are Ma Mingzhe, Sun Jianyi, the Non-executive Directors of the Company are Henry CORNELL, Huang Jianping, Liu Haifeng David, Lin Yu Fen, Cheung Lee Wah, Anthony Philip HOPE, Dou Wenwei, Fan Gang, Lin Lijun, Shi Yuxin, Hu Aimin, Chen Hongbo, and the Independent Non-executive Directors are Bao Youde, Kwong Che Keung Gordon, Cheung Wing Yui and Chow Wing Kin Anthony.