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# **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: 02318)**

## **ANNOUNCEMENT PROPOSED A SHARE ISSUE**

### **PROPOSED A SHARE ISSUE**

Reference is made to the announcements and circular of the Company dated September 26, 2006, October 11, 2006, October 16, 2006 and November 13, 2006. The Company submitted a draft of the Prospectus to the CSRC on January 26, 2007 in connection with its application to proceed with the proposed A Share Issue.

The Prospectus contains consolidated financial information of the Group for the Relevant Periods and will be made available on the CSRC's website after close of trading on the Hong Kong Stock Exchange on January 26, 2007. To ensure the timely release of such financial information in Hong Kong and to enable Shareholders and investors to better understand the material differences between the consolidated financial information of the Group for the Relevant Periods prepared under IFRS (the basis on which the figures in the consolidated financial statements incorporated in the Company's published annual reports for the years ended December 31, 2004, and 2005 were prepared) and those prepared under PRC GAAP, this announcement presents the consolidated financial information of the Group for the Relevant Periods and a reconciliation of the net profit/net assets attributable to equity holders of the Company prepared under IFRS to those prepared under PRC GAAP.

**As the proposed A Share Issue is subject to the approvals of the Relevant Governing Authorities, there is no assurance that it will proceed. Investors are advised to exercise caution in dealing in the H Shares. Further details about the A Share Issue will be disclosed by the Company in the newspapers in the PRC when the A Share Issue materialises and all material information of which will be disclosed by the Company in the newspapers in Hong Kong concurrently in accordance with the Listing Rules.**

### **1. PROPOSED A SHARE ISSUE**

Reference is made to the Company's announcements dated September 26, 2006, October 11, 2006 and November 13, 2006 and circular to Shareholders dated October 16, 2006 in respect of the proposed A Share Issue. Unless otherwise defined herein, terms used in this announcement shall have the same meanings as in the said circular.

The Company submitted a draft of the Prospectus to the CSRC on January 26, 2007 in connection with its application to proceed with the proposed A Share Issue. The Prospectus will be made available on the CSRC's website after close of trading on the Hong Kong Stock Exchange on January 26, 2007.

The proposed A Share Issue will comprise the allotment and issue of not more than 1.15 billion A Shares to members of the PRC public, i.e. PRC individuals, entities and other institutions having A share accounts with the Shanghai Stock Exchange (except those prohibited under PRC laws and regulations) by way of placing and public offering of new shares and/or such other manner as shall be approved by the Relevant Governing Authorities. The offer price of the proposed A Share Issue will be determined on the basis of market conditions, the condition prevailing in the PRC securities market at the time of the proposed A Share Issue, price consultation as requested by the relevant PRC regulators and in line with market practice and such other ways as may be approved by the CSRC.

**As the proposed A Share Issue is subject to the approvals of the Relevant Governing Authorities, there is no assurance that it will proceed. Investors are advised to exercise caution in dealing in the H Shares. Further details about the A Share Issue will be disclosed by the Company in the newspapers in the PRC when the A Share Issue materialises and all material information of which will be disclosed by the Company in the newspapers in Hong Kong concurrently in accordance with the Listing Rules.**

## **2. CONSOLIDATED FINANCIAL INFORMATION FOR THE RELEVANT PERIODS AND RECONCILIATION OF THE NET PROFIT/NET ASSETS OF THE GROUP PREPARED UNDER PRC GAAP TO THE NET PROFIT/NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY PREPARED UNDER IFRS**

The Prospectus contains consolidated financial information of the Group for the Relevant Periods. To ensure the timely release of such financial information in Hong Kong and to enable Shareholders and investors to better understand the material differences between the consolidated financial information of the Group for the Relevant Periods prepared under IFRS (the basis on which the figures in the consolidated financial statements incorporated in the Company's published annual reports for the years ended December 31, 2004, and 2005 were prepared) and PRC GAAP, this announcement presents the consolidated financial information of the Group for the Relevant Periods and a reconciliation of the net profit/net assets attributable to equity holders of the Company prepared under IFRS to those prepared under PRC GAAP.

All amounts in this announcement are expressed in millions of RMB.

# Consolidated net profit/net assets of the Group for the Relevant Periods under PRC GAAP

	For the nine months ended September 30, 2006	2005	2004	2003
<b>INCOME FROM INSURANCE OPERATIONS</b>				
Premium income	64,810	71,609	65,608	67,459
Reinsurance premium income	25	15	10	38
Less: Premiums ceded to reinsurers	(3,420)	(4,241)	(4,122)	(3,800)
<b>Total income from insurance operations</b>	<b>61,415</b>	<b>67,383</b>	<b>61,496</b>	<b>63,697</b>
<b>OPERATING EXPENSES</b>				
Claim expenses	(7,645)	(8,222)	(6,561)	(6,032)
Less: Claims recoverable from reinsurers	1,773	2,475	1,929	1,737
Subrogation income	36	49	44	33
Claims for reinsurance accepted	(4)	(4)	(18)	(17)
Payments on death and medical claims	(813)	(982)	(829)	(649)
Payments on maturities	(1,888)	(3,263)	(2,210)	(2,352)
Payments on annuities	(1,692)	(2,447)	(2,705)	(1,821)
Payments on surrenders	(5,803)	(6,956)	(4,542)	(4,312)
Expenses for reinsurance accepted	(2)	(2)	(4)	(14)
Handling charges	(1,269)	(964)	(877)	(843)
Commission expenses	(4,499)	(4,962)	(4,374)	(4,819)
Business tax and surcharges	(1,238)	(910)	(769)	(564)
Operating expenses	(6,084)	(7,032)	(6,098)	(5,606)
Less: Expenses recoverable from reinsurers	1,255	1,371	1,376	1,247
Provision for insurance guarantee fund	(203)	(209)	(106)	(84)
<b>Total operating expenses</b>	<b>(28,076)</b>	<b>(32,058)</b>	<b>(25,744)</b>	<b>(24,096)</b>
<b>CHANGES IN RESERVES</b>				
Provision for outstanding claim reserves	(5,960)	(4,928)	(3,874)	(3,102)
Less: Reversal of outstanding claim reserves	4,928	3,874	3,102	1,871
Provision for unearned premium reserves	(8,538)	(6,241)	(4,869)	(3,833)
Less: Reversal of unearned premium reserves	6,241	4,869	3,833	3,681
Provision for long term unearned premium reserves	(2,478)	(2,414)	(1,895)	(1,471)
Less: Reversal of long term unearned premium reserves	2,414	1,895	1,471	1,170
Provision for policyholders' reserves for life insurance	(231,683)	(198,372)	(167,143)	(135,780)
Less: Reversal of policyholders' reserves for life insurance	198,372	167,143	135,780	99,628
Provision for long term reserves for health insurance	(29,942)	(24,569)	(18,626)	(13,337)
Less: Reversal of long term reserves for health insurance	24,569	18,626	13,337	8,829
<b>Total changes in reserves</b>	<b>(42,077)</b>	<b>(40,117)</b>	<b>(38,884)</b>	<b>(42,344)</b>

<b>Underwriting loss</b>	<b>(8,738)</b>	<b>(4,792)</b>	<b>(3,132)</b>	<b>(2,743)</b>
Add: Other operating profit	<b>19</b>	215	170	111
Investment income	<b>10,894</b>	5,885	2,986	2,608
Interest income	<b>2,704</b>	3,800	3,885	3,720
Income from securities purchased under agreements to resell	<b>6</b>	–	41	133
Commission income	<b>259</b>	131	143	73
Securities underwriting income	<b>85</b>	79	107	28
Income from financial institutions	<b>106</b>	83	49	14
Foreign exchange gain/(loss)	<b>(295)</b>	(408)	1	–
Less: Interest expenses	<b>(40)</b>	(16)	(22)	(19)
Policyholder dividends	<b>(977)</b>	(1,064)	(843)	(988)
Expenses of securities sold under agreements to repurchase	<b>(50)</b>	(91)	(21)	(224)
<b>Operating profit</b>	<b>3,973</b>	3,822	3,364	2,713
Add: Non-operating income	<b>29</b>	57	29	27
Less: Non-operating expenses	<b>(92)</b>	(123)	(176)	(85)
<b>Profit before tax</b>	<b>3,910</b>	3,756	3,217	2,655
Less: Income tax	<b>(172)</b>	(388)	(580)	(524)
<b>Profit after tax</b>	<b>3,738</b>	3,368	2,637	2,131
Less: Minority interests	<b>(61)</b>	(30)	(29)	(25)
<b>Net profit</b>	<b>3,677</b>	3,338	2,608	2,106
	<b>As at September 30, 2006</b>	<b>As at December 31, 2005</b>	<b>As at December 31, 2004</b>	<b>As at December 31, 2003</b>
<b>TOTAL ASSETS</b>	<b>332,893</b>	288,104	238,967	182,657
<b>TOTAL LIABILITIES</b>	<b>297,936</b>	254,915	208,338	167,414
<b>MINORITY INTERESTS</b>	<b>598</b>	525	452	361
<b>SHAREHOLDERS' EQUITY</b>	<b>34,359</b>	32,664	30,177	14,882

**Consolidated financial information of the Group for the nine months ended September 30, 2006 under IFRS**

**Consolidated income statement under IFRS**

	<b>For the nine months ended September 30, 2006</b>
Gross written premiums and policy fees	52,385
Less: Premiums ceded to reinsurers	(3,420)
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Net written premiums and policy fees	48,965
Increase in unearned premium reserves, net	(2,463)
	<hr/>
Net earned premiums	46,502
Reinsurance commission income	1,255
Net investment income	8,550
Realized gains	3,240
Unrealized gains	1,163
Foreign currency losses	(287)
Other income	805
	<hr/>
<b>Total revenue</b>	<b>61,228</b>
	<hr/>
Change in deferred policy acquisition costs	3,872
Claims and policyholders' benefits	(16,922)
Increase in policyholders' reserves	(30,184)
Changes in fair value of derivative financial liabilities	97
Commission expenses	(5,770)
General and administrative expenses	(6,268)
Provision for insurance guarantee fund	(203)
	<hr/>
<b>Total expenses</b>	<b>(55,378)</b>
	<hr/>
Operating profit	5,850
Income taxes	(452)
	<hr/>
<b>Net profit</b>	<b>5,398</b>
	<hr/> <hr/>
<b>Attributable to:</b>	
– Equity holders of the parent	5,317
– Minority interests	81
	<hr/>
	<b>5,398</b>
	<hr/> <hr/>
	<i>RMB</i>
<b>Earnings per share for net profit attributable to equity holders of the parent – basic</b>	<b>0.86</b>
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## Consolidated balance sheet under IFRS

As at  
September 30, 2006

### ASSETS

#### Investments

##### Fixed maturity investments

Bonds	176,312
Term deposits	64,737
Policy loans	1,220
Securities purchased under agreements to resell	850
Loans and advances to customers	2,295

##### Equity investments

Equity investment funds	12,462
Equity securities	14,960

##### Derivative financial assets

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##### Investment in an associate

	124
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##### Investment properties

	1,167
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#### Total investments

274,135

#### Cash and cash equivalents

29,421

#### Due from banks

105

#### Premium receivables

2,899

#### Interest receivables

1,931

#### Policyholder account assets in respect of insurance contracts

16,804

#### Policyholder account assets in respect of investment contracts

3,412

#### Reinsurance assets

5,267

#### Deferred policy acquisition costs

30,355

#### Property, plant and equipment

3,532

#### Construction-in-progress

612

#### Land use rights

941

#### Goodwill

327

#### Statutory deposits

1,240

#### Other assets

2,269

#### Total assets

373,250

## **EQUITY AND LIABILITIES**

### **Equity attributable to equity holders of the parent**

Share capital	6,195
Reserves	23,557
Retained profits	8,619

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38,371

### **Minority interests**

638

### **Total equity**

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39,009

### **Liabilities**

Borrowings	1,034
Customer deposits	3,383
Securities sold under agreements to repurchase	3,271
Premiums received in advance	618
Commission payable	711
Due to reinsurers	753
Dividends payable to shareholders	86
Income tax payable	554
Insurance guarantee fund	115
Policyholder dividend payable and provisions	3,688
Insurance contract liabilities	
Policyholders' reserves	254,698
Policyholder contract deposits	18,071
Policyholder account liabilities in respect of insurance contracts	16,804
Unearned premium reserves	13,737
Claim reserves	6,735
Annuity and other insurance payable balance	2,514
Investment contract liabilities	
Policyholder account liabilities in respect of investment contracts	3,412
Investment contract reserves	204
Derivative financial liabilities	162
Deferred income tax liabilities	633
Other liabilities	3,058

### **Total liabilities**

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334,241

### **Total equity and liabilities**

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373,250

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## Consolidated statement of changes in equity under IFRS

	Equity attributable to equity holders of the parent									
	Reserves							Retained profits	Minority interests	Total
	Share capital	Capital reserve	Revenue reserve fund	Common welfare fund	General reserve	Net unrealized gains/ (losses)	Foreign currency translation differences			
As at January 1, 2006	6,195	14,835	4,743	783	430	715	(13)	5,308	526	33,522
Net profit for the nine months ended September 30, 2006	–	–	–	–	–	–	–	5,317	81	5,398
Net gains on available-for-sale investments	–	–	–	–	–	3,936	–	–	39	3,975
Net gains on available-for-sale investments removed from equity and reported in net profit	–	–	–	–	–	(1,524)	–	–	(15)	(1,539)
Deferred tax recognized, net	–	–	–	–	–	(361)	–	–	(3)	(364)
Dividends declared	–	–	–	–	–	–	–	(1,982)	–	(1,982)
Transfer to revenue reserve fund	–	–	783	(783)	–	–	–	–	–	–
Increase in equity interests in subsidiaries	–	–	–	–	–	–	–	–	62	62
Increase in general reserve	–	–	–	–	24	–	–	(24)	–	–
Currency translation adjustments	–	–	–	–	–	–	(11)	–	(2)	(13)
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	(50)	(50)
<b>As at September 30, 2006</b>	<b>6,195</b>	<b>14,835</b>	<b>5,526</b>	<b>–</b>	<b>454</b>	<b>2,766</b>	<b>(24)</b>	<b>8,619</b>	<b>638</b>	<b>39,009</b>



**Consolidated cash flow statement under IFRS****For the  
nine months ended  
September 30, 2006**

<b>Net cash from operating activities</b>	<b>31,350</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of property, plant and equipment, investment properties, construction-in-progress, and land use rights	(1,122)
Proceeds from disposal of property, plant and equipment and investment properties	186
Proceeds from sales in securities sold under agreements to repurchase	(3,824)
Purchases of investments, net	(24,448)
Term deposits placed, net	4,222
Interest expenses paid on securities sold under agreements to repurchase	(47)
Interest received	5,340
Dividends received	1,240
Rentals received	87
<b>Net cash used in investing activities</b>	<b>(18,366)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Net increase in borrowings	1,034
Capital injected into subsidiaries by minority interests	76
Dividends paid	(2,022)
<b>Net cash used in financing activities</b>	<b>(912)</b>
Net increase in cash and cash equivalents	12,072
Net foreign exchange differences	(287)
Cash and cash equivalents at beginning of period	17,636
<b>Cash and cash equivalents at end of period</b>	<b>29,421</b>

## Reconciliation of the net profit/net assets of the Group prepared under PRC GAAP and IFRS

The major GAAP differences between the financial statements prepared under PRC GAAP and the financial statements prepared under IFRS are as follows:

Net profit attributable to equity holders of the parent*	Notes	For the nine months ended September 30, 2006	2005	2004	2003
As reported in the financial statements prepared under PRC GAAP		<b>3,677</b>	3,338	2,608	2,106
Claim reserves	(i)	(31)	(440)	(536)	(288)
Unearned premium reserves	(ii)	(102)	310	269	(32)
Policyholders' reserves	(iii)	(3,161)	(3,006)	(1,622)	(2,347)
Deferred policy acquisition costs	(iv)	3,872	3,830	2,261	2,885
Fair value adjustments on investments	(v)	1,269	360	18	61
Deferred tax	(vi)	(280)	(159)	(19)	39
Minority interests and others		73	(7)	137	(104)
		<u>5,317</u>	<u>4,226</u>	<u>3,116</u>	<u>2,320</u>
As reported in the financial statements prepared under IFRS					
Equity attributable to equity holders of the parent*	Notes	September 30, 2006	December 31, 2005	December 31, 2004	December 31, 2003
As reported in the financial statements prepared under PRC GAAP		<b>34,359</b>	32,664	30,177	14,882
Claim reserves	(i)	(1,581)	(1,550)	(1,110)	(574)
Unearned premium reserves	(ii)	–	102	(208)	(477)
Policyholders' reserves	(iii)	(29,953)	(25,816)	(22,599)	(20,977)
Deferred policy acquisition costs	(iv)	30,355	26,428	22,622	20,361
Fair value adjustments on investments	(v)	6,066	1,440	(883)	(312)
Deferred tax	(vi)	(713)	(69)	350	282
Minority interests and others		(162)	(203)	(152)	(233)
		<u>38,371</u>	<u>32,996</u>	<u>28,197</u>	<u>12,952</u>
As reported in the financial statements prepared under IFRS					

\* Net profit attributable to equity holders of the parent is called "Net Profit" in the PRC GAAP financial statements. Equity attributable to equity holders of the parent is called "Shareholders' Equity" in the PRC GAAP financial statements.

Notes:

- (i) For PRC GAAP reporting purposes, claim reserves comprise reserves for claims incurred and reported and for claims incurred but not yet reported ("IBNR"), and IBNR is estimated at 4% of gross claims paid for the year. However, IBNR of health insurance is provided for using best estimates, which is the higher of actuarial results using either the Chain-ladder method or Bornhuetter-Ferguson method, in accordance with the Health Insurance Management Regulation (Bao Jian Hui Ling [2006] No. 8) effective on September 1, 2006. For IFRS reporting purposes, all IBNR is provided using actuarial methods.
- (ii) For PRC GAAP reporting purposes, unearned premium reserves ("UPR") of life insurance should not be less than 50% of retained premium for the period; prior to 2005, long term UPR of property and casualty insurance (UPR for property and casualty insurance policies more than 1 year) is estimated based on the accumulated premiums after deduction of related expenses. For IFRS reporting purposes, all UPR is provided using actuarial methods (1/365 method).
- (iii) For PRC GAAP reporting purposes, policyholders' reserves are calculated in accordance with actuarial regulations issued by CIRC. For IFRS reporting purposes, policyholders' reserves are calculated in accordance with IFRS 4 "Insurance Contracts" and by reference to specific accounting principles generally accepted in the United States of America ("US GAAP").

- (iv) For PRC GAAP reporting purposes, the costs of acquiring new business, which comprise commission and handling fees and other related costs are expensed upon occurrence. For IFRS reporting purposes, the costs of acquiring new business are deferred and amortized over the expected life of the contracts in accordance with IFRS 4 “Insurance Contracts” and by reference to US GAAP.
- (v) For PRC GAAP reporting purposes, investments are classified into short-term investments and long-term investments based on their liquidity and expected holding period. Short-term investments are measured at the lower of cost and market value while long-term investments are measured at the lower of cost and recoverable amount.

In accordance with IAS 32 “Financial Instruments: Disclosure and Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement”, investments are mainly classified into four categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. Available-for-sale financial assets and financial assets at fair value through profit or loss are measured at fair value. Held-to-maturity financial assets and loans and receivables are measured at amortized cost. Unrealized gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognized in the income statement in the period in which they arise. Unrealized gains or losses arising from changes in the fair value of available-for-sale financial assets are recognized in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments previously recognized in equity are recognized in the income statement as realized gains or losses.

- (vi) In accordance with IAS 12 “Income Taxes”, GAAP differences in respect of (i) to (v) above mainly represent temporary differences. Therefore, deferred tax assets are recognized based on the such differences using tax rates expected to apply to taxable income in the year in which those differences are recovered or settled.

## 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. 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 company’s actuaries have performed detailed calculations to derive the components of the embedded value. Watson Wyatt Consultancy (Shanghai) Ltd., an independent actuarial consulting firm has reviewed and checked our methodology, assumptions and results.

## Components of economic value

	As at September 30, 2006	As at December 31, 2005
Adjusted net asset value	37,663	33,072
Value of in-force insurance business written prior to June 1999	(21,263)	(18,089)
Value of in-force insurance business written since June 1999	44,723	38,537
Cost of holding the required solvency margin	(5,677)	(5,157)
<b>Embedded value</b>	<b>55,446</b>	<b>48,363</b>
Value of one year’s new business	5,471	5,148
Cost of holding the required solvency margin	(548)	(609)
<b>Value of one year’s new business after costs of solvency</b>	<b>4,922</b>	<b>4,539</b>

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Group”	the Company and its subsidiaries
“IFRS”	International Financial Reporting Standards
“PRC GAAP”	the Accounting Standards for Business Enterprises, the Accounting System for Financial Institutions issued by the Ministry of Finance, and other relevant accounting regulations as promulgated in the PRC
“Prospectus”	the prospectus to be issued by the Company in relation to the proposed A Share Issue, a draft of which will be available on the CSRC’s website after close of trading on the Hong Kong Stock Exchange on January 26, 2007
“Relevant Periods”	the three years ended December 31, 2005 and the nine months ended September 30, 2006

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

Shenzhen, PRC, January 26, 2007

*As of the date of this announcement, the Executive Directors of the Company are Ma Mingzhe, Sun Jianyi and Cheung Chi Yan Louis, the Non-executive Directors are Huang Jianping, Lin Yu Fen, Cheung Lee Wah, Anthony Philip HOPE, Dou Wenwei, Fan Gang, Lin Lijun, Shi Yuxin, 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 and Chow Wing Kin Anthony.*