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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, 2009

CHAIRMAN'S STATEMENT

2009 was a year full of challenges. Facing the serious impact of the global financial crisis and complex internal and external environment, the Chinese people persevered and overcame these challenges. As a result, China was the first major economy to recover from the financial crisis. In 2009, Ping An Insurance (Group) Company of China, Ltd. ("Ping An", "the Group", "the Company") resolutely sought business opportunities and achieved rapid, healthy and sustainable development in all of its three core businesses – insurance, banking and investment. Overall profitability greatly improved: the Company realized a net profit of RMB14,482 million for the year, representing a significant increase over 2008.

Business Highlights

Looking back 2009, our notable achievements are highlighted as follows:

- **Our insurance business maintained strong growth momentum. Market share of both the life insurance business and the property and casualty insurance business increased.** Our life insurance business achieved total written premiums of RMB134,503 million, an increase of 31.4% compared to the previous year. Market share increased 2.5 percentage points compared to that of 2008. The relatively more profitable individual life insurance sector continued its core contribution to our life insurance business, increased by 26.2% year-on-year. Premium income for our property and casualty insurance business reached the unprecedented level of RMB30 billion, with market share at 12.9%, putting us at 2nd place in the market. Despite the rapid increase in our business scale, the quality of our services has continuously improved. Combined ratio for our property and casualty insurance business improved by 5.1 percentage points to 98.9% compared to the previous year. Our annuity business also progressed smoothly, with three major indicators – annuity payments received, assets entrusted and assets under investment management – all ranking high compared to peer professional annuity companies.

- **Our banking business grew rapidly and solidly.** As of the end of 2009, the total assets of Ping An Bank Co., Ltd. (“Ping An Bank”) exceeded RMB220 billion, with deposit and loan balances increased by 39.6% and 48.4% respectively year-over-year. The number of accumulated credit cards in circulation exceeded 3.4 million, with the total transaction amount above RMB36 billion. While growing at this fast pace, we managed to maintain good asset quality and keep the ratio of non-performing loans at 0.46%, a result that was at top-tier level within the industry. We opened our Guangzhou, Hangzhou and Dongguan branches successfully, and we were able to launch our credit card business without having a physical branch presence in Beijing. All these achievements further expanded our business channels.
- **Our investment business dealt skillfully with capital market volatility, optimizing asset allocation, and achieving excellent results in our securities investment banking and trust asset management businesses.** Ping An Asset Management Co., Ltd. strengthened its macroeconomic research capability and grasped market opportunities which resulted in a total investment yield of 6.4% in 2009. This not only contributed to the Company’s profits but also further enhanced its good reputation in the industry. The investment banking division of Ping An Securities Company, Ltd. (“Ping An Securities”) maintained its leading position among small and medium-sized enterprises (SMEs) market and in the Growth Enterprises Market (GEM), acting as a lead underwriter. Assets held in trust under the management of China Ping An Trust & Investment Co., Ltd. (“Ping An Trust”) amounted to RMB130,551 million, representing year-on-year growth of more than 100%, a historical breakthrough that further strengthens Ping An’s industry leading position.
- **The construction of our integrated financial platform progressed smoothly, and our cross-selling strategy captured synergies across our businesses.** In 2009, the results of cross-selling were remarkable and its contribution had been adding weight: 56.5% of newly issued credit cards and 14.5% of premium income for the property and casualty insurance business came from cross-selling. In addition, we completed the first phase of our back office centralization project, resulting in an efficient, stable, cost-effective shared operating platform. In August 2009, the Company officially launched the Ping An One Account Management Services, offering centralized account integration and account management. This platform provides our customers with one-stop services for multiple financial products, a significant milestone in Ping An’s efforts to offer integrated financial services. At the end of December 2009, Ping An One Account Management Services had 4 million registered accounts.

Commitment to Our Shareholders, Customers, Employees and Society Was Fulfilled

In summary, Ping An has been resilient in facing challenges and made good achievements in 2009 to start our third decade of development. Since 2008, Ping An has faced a series of unprecedented challenges and has endured one of the harshest periods since the Company’s establishment. As we have stuck to our core principles, with a stable financial strength and our leading position in integrated financial services, together with the joint efforts of every Ping An staff, we have successfully overcome the challenges. We are a young company and will prevail and grow more mature and robust in the midst of this challenging environment. Written premiums of our life insurance business reached RMB130 billion, and premium income of our property and casualty insurance business ranked the second in the market. We made the strategic decision to invest in Shenzhen Development Bank Co., Ltd. (“Shenzhen Development Bank”), and we successfully launched the innovative service platform, namely Ping An One Account Management Services. All of these achievements in 2009 demonstrated again that Ping An can overcome various difficulties and become stronger and more mature. We are very confident in Ping An’s prospects and long-term investment value.

In 2009, we introduced the tagline “Ping An, our Commitment to You” to emphasize the quality of our customer service. Several campaigns were successfully launched to support this commitment, setting several industry-leading standards. Ping An Property & Casualty Insurance Company of China, Ltd. (“Ping An Property & Casualty”) pledged to abide by “claim reimbursement within 3 days for claims below RMB10,000 when submitted with complete documentation”. Ping An Life Insurance Company of China, Ltd. launched “let us help you find reasons to claim”. Ping An Credit Card introduced “72-hour protection in the event of card loss” and Ping An Bank offered customers “free global ATM withdrawal and online remittance, E-banking security”. The market strongly welcomed these campaigns, which further enhanced Ping An’s brand awareness and reputation and effectively promoted the business of our various subsidiaries in a synergistic way, reinforcing the advantages of our integrated model. All these efforts are in the spirit of our motto: “Go first, Act first, Innovate and Develop”.

2009 was a year which Ping An put more efforts in supporting our staff and propelling mutual development between staff and the Company. It was our corporate culture that stuck us together cohesively in tough times, it was the expertise and dedication of our highly loyal staff that had helped us endure the challenges brought about by the financial crisis. For staff development, in 2009 we launched the “Horn Action”, a corporate cultural campaign which promoted a sound and effective performance measurement system that based on clear accountability and positive internal competition. Embracing the spirit of performance-driven staff compensation system, we assure our staff a flexible and competitive compensation system which enables them to benefit from the fast development of the Company. We continued to emphasize staff training and education, providing them with an open and state-of-the-art learning environment. By the end of 2009, we have established 80 training centers in China and our annual training cost reached RMB387 million. Meanwhile, we also concern very much about our staff’s physical and mental health, through creating an amicable atmosphere with diversified recreational activities.

2009 was also a year demonstrating Ping An’s full commitment to Corporate Social Responsibility. One year lapsed, the devastating May 12, 2008 earthquake in Wenchuan, Sichuan province was still in our mind, therefore, we donated a first tranche of RMB10 million to establish the China Ping An Hope Scholarship to help students who are living in poverty attending Ping An Hope primary schools across China. So far, Ping An has established 52 Hope Primary Schools in poor areas across China and has a plan to get to a total of 100 schools by the end of 2011. In December 2009, the Company contributed RMB5 million to “China Ping An Encouragement Fund” to be administered by the China Youth Development Foundation to encourage and help misfortunate college students, as well as to support the China Ping An Encouraging Scheme to operate continuously and orderly. Ping An was widely acknowledged by the public for its corporate social practices in 2009: winning “Most Respected Enterprise in China” for the 8th time, “Best Corporate Citizen in China” for the 5th time, and being nominated for the “Outstanding Enterprise Award for Corporate Social Responsibility in China” from varied authoritative rating agencies.

Looking Ahead

Ping An has strived to become a “leading integrated financial services provider”. We have been exploring this core strategy ever since our establishment. It is a strategy which comes naturally with our core competency and advantages that built up throughout our development. It is a strategy that forms the core part of our development in the next decade. It is a strategy that we choose to cope with the mega trend in the development of financial industry of China. In 2009, we made a good start, and in 2010, we will stay confidently on course, be committed to enhancing our competitiveness on all fronts and to maintaining profitable, sustainable business growth, surpassing the market benchmark. We will deepen and widen our cross-selling efforts to further realize synergies of integrated finance. We will push forward the second phase in our back office centralization plan.

We will continuously deepen reforms of the front and middle office, and realize more advantages from integration and resource sharing. Meanwhile, we will steadily push on the execution of investment in Shenzhen Development Bank to support our integrated financial services strategy and enhance our long-term corporate value.

The global financial crisis has a profound impact on the global economy and the financial services industry. The ever changing macroeconomic picture makes the operating environment of the financial industry increasingly complicated, posing great challenges to our long-term steady development. However, we also see that China’s economy is moving toward a promising direction. As personal wealth continues to accumulate in China, we maintain an optimistic outlook and believe that there is huge potential demand for the integrated financial products and services. Therefore, these are rare and valuable opportunities presented to us. We shall keep up with the pace of change, strengthen our core values, exploit potential opportunities, turn pressure into motivation, turn challenge into opportunity, take our efforts to become “an integrated financial services provider”, and continue to generate long-term steady value for our shareholders, customers, employees and society at-large.

KEY FINANCIAL AND OPERATION INFORMATION

Overview

In 2009, Ping An has overcome adversity and delivered positive results despite economic challenges.

Our three pillars: insurance, banking and investment businesses, achieved rapid, healthy and sustainable growth. The market share of our property and casualty and life insurance businesses edged up. Total assets of our banking business saw solid growth, and the investment banking business of our securities company hit a record high. Third-party assets under Ping An Trust’s management surpassed RMB100 billion. Cross-selling activities strengthened further and the first phase for centralization was fully completed. Ping An One Account Management Services were officially launched nationwide. We are steadily implementing our integrated financial strategy and strengthening our overall competitiveness.

Overall profitability improved visibly while we maintained a rapid growth and momentum. In 2009, we recorded a net profit of RMB14,482 million, a significant increase over last year, while our net assets amounted to RMB91,743 million, up by 36.6% as compared with the end of 2008.

Our results were mainly driven by three factors: firstly, the improvement in business quality of our insurance businesses; secondly, proactively capturing market opportunities, which led to a stronger than expected result in investment returns; and lastly, additional profit contributions by our non-insurance lines of businesses.

Consolidated results

(in RMB million)	2009	2008
Total income	152,838	87,658
Total expenses	(132,919)	(89,144)
Operating profit before tax	19,919	(1,486)
Net profit	14,482	1,635

Net profit by business segment

(in RMB million)	2009	2008
Life insurance	10,374	(1,464)
Property and casualty insurance	675	500
Banking	1,080	1,444
Securities	1,072	550
Other businesses ⁽¹⁾	1,281	605
Net profit	14,482	1,635

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

Net profit from our life insurance business was RMB10,374 million in 2009, while there was a loss of RMB1,464 million in 2008. This change was mainly due to the business growth as well as the increased profit contribution from investment income as a result of the rise of the domestic stock market. Net profit from our property and casualty insurance business increased 35.0% from RMB500 million in 2008 to RMB675 million in 2009, mainly due to the fact that Ping An Property & Casualty enhanced its profitability and the combined ratio improved as a result. Net profit from our banking business decreased by 25.2% to RMB1,080 million in 2009 from RMB1,444 million in 2008, largely due to squeezed net interest spread brought about by consecutive rate cuts of the People’s Bank of China, continuous investment in strategic initiatives, and the one-off positive impact of deductible loss as approved by the tax authority in 2008. Ping An Securities achieved excellent performance in its brokerage and investment banking business, therefore net profit increased by 94.9% to RMB1,072 million in 2009 from RMB550 million in 2008. Net profit of our other businesses recorded an increase, mainly due to the fact that Ping An Trust completed the acquisition of XJ Group Corporation (“XJ Group”) in January 2009 and its net profit has been consolidated since then.

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.

Under the easy monetary policy implemented by the PRC government in 2009, liquidity and credit was kept at a relatively high level. Industries of automobile and real estate maintained prosperous, which guaranteed a stable growth in domestic demand. Government investments ensured a rapid growth in fixed assets investments. Positive policies stimulation, together with the improving economy promoted the steady rise in stock market. Based on its in-depth research of macro-economic trend, the Company, grasping market opportunities, adopted a comparatively proactive equity assets allocation strategy in the first half year, thus yielding a result of steady advancement. Meanwhile, it made prompt adjustments and locked up revenue in the second half year while the stock market fluctuated. In terms of fixed income assets, as the price of bond market showed downturn, with consideration of the confidence over economic uplift and worries about future inflation by the investors, the Company adopted the strategy of reducing bonds allocation in 2009. Allocation remained low for the whole year and the effect is obvious.

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

(in RMB million)	2009	2008
Net investment income	18,863	18,735
Net realized and unrealized gains/(losses)	12,431	(907)
Impairment losses	(392)	(25,855)
Others	(174)	92
	<hr/>	<hr/>
Total investment income/(losses)	30,728	(7,935)
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Net investment yield (%) ⁽¹⁾	3.9	4.1
Total investment yield (%) ⁽¹⁾	6.4	(1.7)
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(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.

Our net investment income recorded a little increase to RMB18,863 million in 2009 from RMB18,735 million in 2008. This increase was primarily due to the fact that although there was a rise in the interest income from fixed maturity investments as a result of enlarged investment assets scale, the dividend income from equity investments decreased sharply which partially offset the positive effect brought by the interest income. Net investment yield declined to 3.9% in 2009 from 4.1% in 2008, primarily due to the decreased dividend rate of equity investments.

Due to the rise of the domestic stock market along with our strategy of actively making timely equity assets allocation adjustment, net realized and unrealized gains were RMB12,431 million in 2009, while there was a loss of RMB907 million in 2008. Impairment losses on the available-for-sale equity investments in 2009 were RMB392 million, representing a significant reduction from the year 2008. The impairment loss made in Fortis shares in 2008 was RMB22,790 million.

As a result, total investment income was RMB30,728 million in 2009, while there was a loss of RMB7,935 million in 2008. Total investment yield rose to 6.4% in 2009 from -1.7% in 2008.

The following table presents our investment portfolio allocations of insurance funds:

(in RMB million)	December 31, 2009		December 31, 2008	
	Carrying Value	%	Carrying Value	%
Fixed maturity investments				
Term deposits ⁽¹⁾	91,599	15.5%	84,412	18.2%
Bond investments ⁽¹⁾	351,432	59.6%	286,791	61.7%
Other fixed maturity investments ⁽¹⁾	5,434	0.9%	3,725	0.8%
Equity investments				
Equity investment funds ⁽¹⁾	19,196	3.3%	13,443	2.9%
Equity securities	44,380	7.5%	22,929	4.9%
Infrastructure investments	8,932	1.5%	5,509	1.2%
Cash, cash equivalents and others	<u>68,740</u>	<u>11.7%</u>	<u>47,856</u>	<u>10.3%</u>
Total investments	<u>589,713</u>	<u>100.0%</u>	<u>464,665</u>	<u>100.0%</u>

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

To cope with the new market situation, we have proactively improved the asset allocation of our investment portfolio. The percentage of fixed maturity investments out of total investments fell from 80.7% as at December 31, 2008 to 76.0% as at December 31, 2009, and that of equity investments jumped to 10.8% from 7.8%.

General and administrative expenses

(in RMB million)	2009	2008
Business tax and surcharges	3,482	2,537
Other general and administrative expenses	<u>22,543</u>	<u>14,361</u>
Total	<u>26,025</u>	<u>16,898</u>

General and administrative expenses increased by 54.0% to RMB26,025 million in 2009 from RMB16,898 million in 2008, mainly due to the rapid growth of our businesses, as well as increased marketing inputs and investment in strategic initiatives. In addition, other general and administrative expenses in 2009 included administrative expenses from XJ Group amounting to RMB1,078 million.

Income tax

(in RMB million)	2009	2008
Current income tax	2,843	2,840
Deferred income tax	<u>2,594</u>	<u>(5,961)</u>
Total	<u>5,437</u>	<u>(3,121)</u>

Income tax was RMB-3,121 million in 2008 due to the recognized deferred income tax assets arising from the impairment loss attributable to our available-for-sale equity investments. Income tax was RMB5,437 million in 2009 mainly due to two reasons. First, relevant tax provisions have been made based on results of the tax inspection. Second, there were income tax impacts when adopting the No.2 Interpretation for our insurance subsidiaries.

The State Administration of Taxation has completed their regular inspection of the Group's tax affairs for fiscal years ended December 31, 2004, 2005 and 2006. We have made relevant tax provisions based on the result of the inspection as well as our current understanding of tax laws. As at December 31, 2009, the total provisions of corporate income tax, business tax and individual income tax, etc. made for fiscal years ended December 31, 2004, 2005 and 2006 amounted to RMB1,426 million, among which RMB1,055 million was made by Ping An Property & Casualty and RMB359 million by Ping An Life. Among the total tax provisions of RMB1,426 million, RMB1,279 million was made in 2009, while RMB147 million was made in 2008.

Insurance business

Life insurance business

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

(in RMB million)	2009	2008
Written premiums		
Individual life	99,863	79,104
Including: new business	31,024	22,874
renewal business	68,839	56,230
Bancassurance	27,783	14,827
Group insurance	6,857	8,438
	<hr/>	<hr/>
Total written premiums ⁽¹⁾	134,503	102,369
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Market share ⁽²⁾	16.5%	14.0%
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(1) Written premiums mean all premiums received from the policies underwritten by the Company, which is prior to the significant insurance risk testing and unbundling of hybrid risks contracts.

(2) Calculated in accordance with the PRC insurance industry data published by the China Insurance Regulatory Commission ("CIRC").

	2009	2008
Number of customers		
Individual (in thousands)	40,737	36,492
Corporate (in thousands)	<u>561</u>	<u>458</u>
Total (in thousands)	<u><u>41,298</u></u>	<u><u>36,950</u></u>
Persistency ratio		
13-month	90.8%	91.6%
25-month	<u>87.3%</u>	<u>86.2%</u>
Agent productivity		
First-year written premiums per agent per month (in RMB)	6,261	5,423
New individual life insurance policies per agent per month	<u>1.1</u>	<u>1.1</u>
Distribution network		
Number of individual life sales agents	416,570	355,852
Number of group sales representatives	3,006	3,366
Bancassurance outlets	<u>51,269</u>	<u>39,878</u>

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)	2009	2008
Automobile insurance	29,561	19,377
Non-automobile insurance	7,476	6,185
Accident and health insurance	<u>1,737</u>	<u>1,452</u>
Total premium income	<u><u>38,774</u></u>	<u><u>27,014</u></u>
Market share of premium income ⁽¹⁾	<u><u>12.9%</u></u>	<u><u>10.9%</u></u>

(1) Calculated in accordance with the PRC insurance industry data published by the CIRC.

	2009	2008
Combined ratio		
Expense ratio	41.9%	35.9%
Loss ratio	<u>57.0%</u>	<u>68.1%</u>
Combined ratio	<u><u>98.9%</u></u>	<u><u>104.0%</u></u>
Number of customers		
Individual (in thousands)	10,543	8,206
Corporate (in thousands)	<u>1,578</u>	<u>1,611</u>
Total (in thousands)	<u><u>12,121</u></u>	<u><u>9,817</u></u>
Distribution network		
Number of direct sales representatives	12,473	10,656
Number of insurance agents	<u>13,714</u>	<u>13,461</u>

Banking business

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

(in RMB million)	2009	2008
Interest income	6,674	7,020
Interest expenses	<u>(3,249)</u>	<u>(3,206)</u>
Net interest income	<u><u>3,425</u></u>	<u><u>3,814</u></u>
Net interest spread ⁽¹⁾	<u><u>1.77%</u></u>	<u><u>2.66%</u></u>

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

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

(in RMB million)	December 31, 2009	December 31, 2008
Corporate loans	67,828	44,754
Discounted bills	7,569	3,784
Retail loans	<u>32,165</u>	<u>23,948</u>
Total loans	<u><u>107,562</u></u>	<u><u>72,486</u></u>

(in RMB million)	December 31, 2009	December 31, 2008
Pass	106,166	69,210
Special mention	901	2,885
Substandard	218	176
Doubtful	113	180
Loss	164	35
	<hr/>	<hr/>
Total loans	107,562	72,486
Total non-performing loans	495	391
Non-performing loan ratio	0.46%	0.54%
Impairment provision balance	772	601
Provision coverage ratio	156.0%	153.7%
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Investment business

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

(in RMB million)	2009	2008
Securities business		
Operating income	2,477	1,471
Net profit	1,072	550
	<hr/> <hr/>	<hr/> <hr/>
Trust business⁽¹⁾		
Operating income	1,192	1,661
Net profit	606	1,207
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(1) The figures for our trust business are presented at company level, where interests in subsidiaries are accounted at cost.

Impact of changes in accounting policies

Background and overall implementation

On August 7, 2008, the Ministry of Finance issued the “No.2 Interpretation of Accounting Standards for Business Enterprises” (Cai Kuai [2008] No.11) (hereinafter referred to as the “No.2 Interpretation”), requiring listed companies which issue both A shares and H shares to, save for differences in relation to the reversal of impairment losses of certain long-term assets and disclosures of related party transactions, and to use the same accounting policies and estimates to recognize, measure and report the same transaction in their A share and H share financial statements (the use of different accounting treatments in A share and H share financial statements is prohibited).

On January 5, 2009, the CIRC issued the “Notice of Relevant Issues Regarding the Implementation of the No.2 Interpretation of Accounting Standards for Business Enterprises in the Insurance Industry” (Bao Jian Fa [2009] No.1), whereby insurance companies should make simultaneous changes to the existing accounting policies that cause differences between domestic and overseas financial statements when preparing their 2009 annual financial statements, such that the same accounting policies and estimates will apply to the same transaction, thereby eliminating differences between domestic and overseas financial statements.

On December 22, 2009, the Ministry of Finance released the “Regulations regarding the Accounting Treatment of Insurance Contracts” (Cai Kuai [2009] No.15), regulating issues relating to the unbundling for insurance contracts with hybrid risk, testing for the significance of insurance risk and measurement for insurance contract liabilities, and requiring insurance companies to adopt such regulations since the preparation of their 2009 annual financial statements. For the accounting treatments of any transactions and items adopted in previous years which differ from those set out in the above regulations, they should be retrospectively adjusted unless the adjustments are not practicable in the circumstances.

On January 25, 2010, the CIRC issued the “Notice Concerning Sound Implementation of the No.2 Interpretation of Accounting Standards for Business Enterprises in the Insurance Industry” (Bao Jian Fa [2010] No.6), making industry regulatory rules on the issues related to implementation of No.2 Interpretation.

The regulatory rules mentioned above are collectively known as the “Regulations Related to the No.2 Interpretation”.

In order to comply with statutory requirements, carry out the regulation of the Ministry of Finance and the CIRC, the Company has changed certain accounting policies when preparing its 2009 A share financial statements. The Company also decided to change the related accounting policies for insurance contracts in H share financial statements, as allowable under IFRSs, by making reference to the principles of Caikuai [2009] No. 15, Baojianfa [2010] No. 6 and recognized practices in the insurance industry. The financial data in 2008 have been adjusted retrospectively. After above changes, there will be no significant difference between A share and H share financial statements in respect of accounting policies used in the unbundling of insurance contracts with hybrid risk, testing for the significance of insurance risk and measurement for insurance contract liabilities.

The changes in accounting policies by the Company in accordance with the Regulations Related to the No.2 Interpretation, which are made in order to comply with the requirements of the unified accounting standards and regulatory rules of the state, will cause changes to net assets, net profit, premium income and other financial figures of the Company. However, the changes in accounting policies do not affect the normal operations of the Company. Our business strategy and development direction will not alter and there is no impact on the interests of our customers.

Insurance contracts classification

After the changes in accounting policies, the methodology for the testing of insurance risk significance has become more prescriptive and consequently, some policies are no longer regarded as insurance contracts if they fail the insurance risk significance testing. Previously, investment contracts with discretionary participation features were accounted for as insurance contracts. After the change in accounting policies, these contracts are accounted for as investment contracts. These changes have affected the recognition and presentation of premium income from insurance contracts. Nevertheless, such changes do not reflect a decrease in the overall insurance business scale of the Company and have no significant impact on the Company’s total assets and total profits.

Measurement for insurance contract liabilities

After the changes of accounting policies, insurance contract liabilities of the Company are measured based on the reasonable estimated amount of the expenditure incurred for performing the obligations related to insurance contracts. The expenditure incurred for performing the obligations related to insurance contracts refers to the difference between expected future cash outflows and expected future cash inflows arising from insurance contracts, namely expected future net cash outflows. The

Company measures and determines the reasonable estimated amount of expected future net cash outflows based on the current information available at the balance sheet date. The Company considers and separately measures the margin in determining insurance contract liabilities, and the time value of money is also considered. Furthermore, after the change in accounting policies, the acquisition costs are not recognized separately as an asset but are instead considered in the measurement of insurance contract liabilities.

Solvency and embedded value

Pursuant to “Rules on the Preparation of Insurance Company Solvency Reports – Q&A No.9: Connection between Rule on the Preparation of Solvency Reports and No.2 Interpretation of Accounting Standards for Business Enterprises” promulgated by CIRC on January 25, 2010 (Bao Jian Fa [2010] No.7) (hereinafter referred to as “Q&A No.9”), after the adoption of new measurement principles on policyholders’ reserve, admitted principles for insurance contract liabilities in solvency reports still follow the statutory assessment standards set up by CIRC (means statutory policyholders’ reserve), while admitted principles for non-insurance contract liabilities in solvency reports should apply to accounting standards. The Company stringently assessed the solvency of the Company and its insurance subsidiaries according to Q&A No.9. The results showed that the implementation of the Regulations Related to the No.2 Interpretation does not cause any significant change in solvency. As at December 31, 2009, the Company and its insurance subsidiaries had adequate solvency.

The future profit involved in the calculation of embedded value shall be the distributable profit when solvency requirements are satisfied. Therefore, during the preparation of 2009 embedded value report, relevant contract liabilities were measured according to the assessment standards of the liabilities pursuant to the solvency regulations, and the adjusted net assets and income tax were also based on the results before adoption of the “Regulations regarding the Accounting Treatment of Insurance Contracts”. As such, upon the implementation of the Regulations Related to the No.2 Interpretation, by adopting original assessment method on embedded value, the Company’s embedded value remained stable.

Effect of changes in accounting policies

Details of accounting policies before and after the changes are set out in supplementary information 2. “changes in accounting policies” of financial statements.

Effects on major financial data prepared according to International Financial Reporting Standards resulted from the above changes in accounting policies are as follow:

(in RMB million)	December 31, 2009		December 31, 2008	
	After the changes	Before the changes	After the changes	Before the changes
Total equity	91,743	107,210	67,159	85,696
Equity attributable to owners of the parent	84,970	100,330	64,542	82,951

(in RMB million)	2009		2008	
	After the changes	Before the changes	After the changes	Before the changes
Premium income	112,213	122,913	89,103	98,010
Net profit	14,482	11,097	1,635	477
Net profit attributable to owners of the parent	13,883	10,522	1,418	268

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

Consolidated Income Statement

For the year ended December 31, 2009

(in RMB million)	<i>Notes</i>	2009	2008 <i>(Restated)</i>
Gross written premiums and policy fees	4	112,213	89,103
Less: Premiums ceded to reinsurers		<u>(6,347)</u>	<u>(5,813)</u>
Net written premiums and policy fees		105,866	83,290
Change in unearned premium reserves		<u>(5,483)</u>	<u>(1,019)</u>
Net earned premiums		100,383	82,271
Reinsurance commission income		1,939	1,642
Interest income of banking operations	5	6,674	7,020
Fees and commission income of non-insurance operations		3,179	1,980
Investment income	6	32,023	(7,416)
Share of profits and losses of associates and joint ventures		182	25
Other income		<u>8,458</u>	<u>2,136</u>
Total income		<u>152,838</u>	<u>87,658</u>
Claims and policyholders’ benefits		(84,089)	(56,517)
Commission expenses of insurance operations		(11,444)	(8,672)
Interest expenses of banking operations	5	(2,464)	(2,677)
Fees and commission expenses of non-insurance operations		(398)	(204)
Loan loss provisions, net of reversals		(228)	(220)
Foreign exchange losses		(17)	(465)
General and administrative expenses		(26,025)	(16,898)
Finance costs		(880)	(550)
Other expenses		<u>(7,374)</u>	<u>(2,941)</u>
Total expenses		<u>(132,919)</u>	<u>(89,144)</u>
Profit/(loss) before tax	7	19,919	(1,486)
Income tax	8	<u>(5,437)</u>	<u>3,121</u>
Profit for the year		<u>14,482</u>	<u>1,635</u>
Attributable to:			
– Owners of the parent		13,883	1,418
– Non-controlling interests		<u>599</u>	<u>217</u>
		<u>14,482</u>	<u>1,635</u>
		RMB	RMB
Earnings per share attributable to ordinary equity holders of the parent:			
– Basic	10	1.89	0.19
– Diluted	10	<u>1.89</u>	<u>0.19</u>

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2009

(in RMB million)	Note	2009	2008 (Restated)
Profit for the year		<u>14,482</u>	<u>1,635</u>
Other comprehensive income			
Available-for-sale financial assets		7,249	(32,339)
Shadow accounting adjustments		2,448	1,963
Exchange differences on translation of foreign operations		66	19
Share of other comprehensive income of associates		21	–
Income tax relating to components of other comprehensive income		<u>(2,127)</u>	<u>6,112</u>
Other comprehensive income/(loss) for the year, net of tax	9	<u>7,657</u>	<u>(24,245)</u>
Total comprehensive income/(loss) for the year		<u><u>22,139</u></u>	<u><u>(22,610)</u></u>
Attributable to:			
– Owners of the parent		21,530	(22,661)
– Non-controlling interests		<u>609</u>	<u>51</u>
		<u><u>22,139</u></u>	<u><u>(22,610)</u></u>

Consolidated Statement of Financial Position

As at December 31, 2009

(in RMB million)	31 December 2009	31 December 2008 <i>(Restated)</i>	31 December 2007 <i>(Restated)</i>
Assets			
Balances with central bank and statutory deposits	31,006	25,963	20,794
Cash and amounts due from banks and other financial institutions	158,219	105,279	87,859
Fixed maturity investments	428,417	344,449	274,241
Equity investments	82,116	54,599	128,931
Derivative financial assets	9	17	177
Loans and advances to customers	109,060	74,160	63,125
Investments in associates and joint ventures	12,063	5,468	1,472
Premium receivables	4,576	4,412	4,434
Accounts receivable	3,284	–	–
Inventories	1,562	–	–
Reinsurers' share of insurance liabilities	4,983	5,059	3,829
Policyholder account assets in respect of insurance contracts	42,506	30,749	34,871
Policyholder account assets in respect of investment contracts	4,416	3,979	4,622
Investment properties	6,430	6,389	3,882
Property and equipment	10,666	8,287	8,165
Intangible assets	12,874	10,279	4,400
Deferred tax assets	7,001	11,679	935
Other assets	16,524	13,796	9,057
Total assets	<u>935,712</u>	<u>704,564</u>	<u>650,794</u>

(in RMB million)	31 December 2009	31 December 2008 <i>(Restated)</i>	31 December 2007 <i>(Restated)</i>
Equity and liabilities			
Equity			
Share capital	7,345	7,345	7,345
Reserves	62,406	54,676	81,803
Retained profits	<u>15,219</u>	<u>2,521</u>	<u>3,197</u>
Equity attributable to owners of the parent	84,970	64,542	92,345
Non-controlling interests	<u>6,773</u>	<u>2,617</u>	<u>1,887</u>
Total equity	<u>91,743</u>	<u>67,159</u>	<u>94,232</u>
Liabilities			
Due to banks and other financial institutions	48,122	24,192	14,644
Assets sold under agreements to repurchase	60,364	41,124	13,556
Derivative financial liabilities	10	265	189
Customer deposits and payables to brokerage customers	140,544	94,991	91,925
Insurance payables	14,777	12,750	11,652
Insurance contract liabilities	516,330	413,648	381,164
Investment contract liabilities for policyholders	26,898	24,605	23,455
Policyholder dividend payable	15,196	12,012	7,006
Income tax payable	381	2,274	807
Subordinated debts	4,990	–	–
Deferred tax liabilities	1,007	472	1,577
Other liabilities	<u>15,350</u>	<u>11,072</u>	<u>10,587</u>
Total liabilities	<u>843,969</u>	<u>637,405</u>	<u>556,562</u>
Total equity and liabilities	<u>935,712</u>	<u>704,564</u>	<u>650,794</u>

Consolidated Statement of Changes in Equity

For the year ended December 31, 2009

(in RMB million)	2009									
	Equity attributable to owners of the parent									
	Reserves									Total equity
	Share capital	Share premium	Translation of foreign operations	Available-for-sale financial assets	Shadow accounting adjustments	Surplus reserve fund	General reserves	Retained profits	Non-controlling interests	
As at 1 January 2009										
As previously reported	7,345	51,907	(23)	(1,033)	(3,094)	6,125	395	21,329	2,745	85,696
Changes in accounting policies	-	-	-	-	399	-	-	(18,808)	(128)	(18,537)
As restated	7,345	51,907	(23)	(1,033)	(2,695)	6,125	395	2,521	2,617	67,159
Total comprehensive income for 2009	-	-	66	5,645	1,936	-	-	13,883	609	22,139
Appropriations to surplus reserve fund	-	-	-	-	-	83	-	(83)	-	-
Dividend declared	-	-	-	-	-	-	-	(1,102)	(24)	(1,126)
Changes in subsidiaries	-	-	-	-	-	-	-	-	3,571	3,571
As at 31 December 2009	<u>7,345</u>	<u>51,907</u>	<u>43</u>	<u>4,612</u>	<u>(759)</u>	<u>6,208</u>	<u>395</u>	<u>15,219</u>	<u>6,773</u>	<u>91,743</u>

(in RMB million)	Equity attributable to owners of the parent									
	Reserves									Total equity (Restated)
	Share capital	Share premium	Translation of foreign operations	Available-for-sale financial assets (Restated)	Shadow accounting adjustments (Restated)	Surplus reserve fund	General reserves	Retained profits (Restated)	Non-controlling interests (Restated)	
As at 1 January 2008										
As previously reported	7,345	51,907	(42)	24,792	(4,903)	7,629	1,939	23,155	2,029	113,851
Changes in accounting policies	-	-	-	-	481	-	-	(19,958)	(142)	(19,619)
As restated	7,345	51,907	(42)	24,792	(4,422)	7,629	1,939	3,197	1,887	94,232
Total comprehensive income for 2008	-	-	19	(25,825)	1,727	-	-	1,418	51	(22,610)
Appropriations to surplus reserve fund	-	-	-	-	-	470	-	(470)	-	-
Transfer of surplus reserve fund	-	-	-	-	-	(1,974)	-	1,974	-	-
Transfer of general reserves	-	-	-	-	-	-	(1,544)	1,544	-	-
Dividend declared	-	-	-	-	-	-	-	(5,142)	(86)	(5,228)
Changes in subsidiaries	-	-	-	-	-	-	-	-	765	765
As at 31 December 2008	<u>7,345</u>	<u>51,907</u>	<u>(23)</u>	<u>(1,033)</u>	<u>(2,695)</u>	<u>6,125</u>	<u>395</u>	<u>2,521</u>	<u>2,617</u>	<u>67,159</u>

Supplementary Information

1. Organization and principal activities

Ping An Insurance (Group) Company of China, Ltd. (the “Company”) was incorporated in Shenzhen, the People’s Republic of China (the “PRC”) on 21 March 1988. The business scope of the Company includes investing in financial and insurance enterprises, as well as supervising and managing various domestic and overseas businesses of subsidiaries, and utilizing funds. The Company and its subsidiaries are collectively referred to as the Group. The Group mainly provides integrated financial products and services and is engaged in the life insurance, property and casualty insurance, trust, securities, banking and other businesses.

The registered address of the Company is 15/F, 16/F, 17/F and 18/F, Galaxy Development Center, Fu Hua No.3 Road, Futian District, Shenzhen, Guangdong Province, China.

2. *Changes in accounting policies*

On 7 August 2008 and 22 December 2009, the Ministry of Finance (the “MOF”) issued “*Interpretation No. 2 to China Accounting Standards*” (Caikuai [2008] No. 11) and “*Regulation on Accounting for Insurance Contracts*” (Caikuai [2009] No. 15) which are applicable to all insurance companies reporting under PRC GAAP for the year ended 31 December 2009. Subsequently on 25 January 2010, the China Insurance Regulatory Commission (the “CIRC”) issued “*Circular on Insurance Industry’s Implementation of Interpretation No. 2 to New China Accounting Standards*” (Baojianfa [2010] No. 6) which provides additional implementation guidance to Caikuai [2009] No. 15.

Pursuant to the approval of the board of directors of the Company, the Group decided to change the following principal accounting policies for insurance contracts in these financial statements, as allowable under IFRSs, by making reference to the principles of Caikuai [2009] No. 15, Baojianfa [2010] No. 6 and recognized practices in the insurance industry. The directors believe that such changes would make these financial statements more relevant and reliable to the economic decision making needs of users.

(a) Insurance contracts classification

Previously, investment contracts with discretionary participation features were accounted for as insurance contracts. After the change in accounting policies, these contracts are accounted for as investment contracts. Further, the methodology for the testing of insurance risk significance has become more prescriptive and consequently, some policies are no longer regarded as insurance contracts if they fail the insurance risk significance test. These changes have affected the recognition and presentation of premium income from insurance contracts, as well as fees earned from investment contracts.

(b) Acquisition costs

Previously, eligible direct and indirect acquisition costs were capitalized and deferred and deferred acquisition costs were shown separately on the consolidated statement of financial position as an asset. After the change in accounting policies, the acquisition costs are not recognized separately as an asset but are instead considered in the measurement of insurance contract liabilities.

(c) Other key aspects of insurance contract liabilities

Previously, the assumptions on discount rates for traditional life products were locked based on best estimates upon the issuance of the contracts, subject to liability adequacy tests. In addition, for property and casualty insurance contracts and short term life insurance contracts, time value of money was not considered when measuring insurance contract liabilities. After the change in accounting policies, when the time value of money is significant, a discount rate based on prevailing information available at the end of the reporting period is used to measure insurance contract liabilities, i.e. discount rate should no longer be locked and expected future cash flows would be based on the management’s current estimates. For insurance contracts whereby the policyholder benefits will not be affected by the investment return of the underlying investment portfolio, the discount rate should be determined based on the current market interest rate considering the tax impact and liquidity risk; for insurance contracts whereby the policyholder benefits will be affected by investment return of the underlying investment portfolio, the discount rate should be determined based on the expected future investment return.

Previously, no explicit margin was considered other than provision for adverse deviation relating to traditional life products. After the change in accounting policies, an explicit margin is required when measuring insurance contract liabilities. It is released into the income statement over the insurance coverage period on a systematic and reasonable basis.

Retrospective adjustments were made and assets and liabilities as at 1 January 2008 and 1 January 2009, income and expenses for the year ended 31 December 2008 were restated. Comparative financial statements are presented based on restated figures. In addition, income and expenses for the year ended 31 December 2009 before and after changes in accounting policies were disclosed to demonstrate the impacts of such changes on the operating results of 2009.

Assets, liabilities, income and expenses in the Group's consolidated financial statements affected by the above changes in accounting policies are as follow:

(in RMB million)	2009		
	Before changes in accounting policies	Impact of changes in accounting policies	After changes in accounting policies
Gross written premiums and policy fees	122,913	(10,700)	112,213
Change in unearned premium reserves	(6,845)	1,362	(5,483)
Reinsurance commission income	1,759	180	1,939
Other income	8,281	177	8,458
Change in deferred policy acquisition costs	15,337	(15,337)	–
Claims and policyholders' benefits	(105,593)	21,504	(84,089)
Commission expenses of insurance operations	(19,172)	7,728	(11,444)
General and administrative expenses	(26,044)	19	(26,025)
Other expenses	(6,387)	(987)	(7,374)
Others	31,724	–	31,724
Profit before tax	15,973	3,946	19,919
Income tax	(4,876)	(561)	(5,437)
Profit for the year	<u>11,097</u>	<u>3,385</u>	<u>14,482</u>
Attributable to:			
– Owners of the parent	10,522	3,361	13,883
– Non-controlling interests	575	24	599
Basic earnings per share attributable to ordinary equity holders of the parent	1.43	0.46	1.89
Diluted earnings per share attributable to ordinary equity holders of the parent	<u>1.43</u>	<u>0.46</u>	<u>1.89</u>

	1 January 2009		
(in RMB million)	Before changes in accounting policies	Impact of changes in accounting policies	After changes in accounting policies
Assets			
Reinsurers' share of insurance liabilities	8,872	(3,813)	5,059
Deferred policy acquisition costs	50,599	(50,599)	–
Deferred tax assets	6,876	4,803	11,679
Others	688,371	(545)	687,826
Total assets	<u>754,718</u>	<u>(50,154)</u>	<u>704,564</u>
Equity			
Share capital	7,345	–	7,345
Reserves	54,277	399	54,676
Retained profits	21,329	(18,808)	2,521
Equity attributable to owners of the parent	82,951	(18,409)	64,542
Non-controlling interests	2,745	(128)	2,617
Total equity	<u>85,696</u>	<u>(18,537)</u>	<u>67,159</u>
Liabilities			
Insurance payable	13,701	(951)	12,750
Insurance contract liabilities	462,341	(48,693)	413,648
Investment contract liabilities for policyholders	6,636	17,969	24,605
Deferred tax liabilities	998	(526)	472
Others	185,346	584	185,930
Total liabilities	<u>669,022</u>	<u>(31,617)</u>	<u>637,405</u>
Total equity and liabilities	<u>754,718</u>	<u>(50,154)</u>	<u>704,564</u>

(in RMB million)	2008		
	Before changes in accounting policies	Impact of changes in accounting policies	After changes in accounting policies
Gross written premiums and policy fees	98,010	(8,907)	89,103
Change in unearned premium reserves	(1,979)	960	(1,019)
Reinsurance commission income	1,456	186	1,642
Other income	1,909	227	2,136
Change in deferred policy acquisition costs	9,294	(9,294)	–
Claims and policyholders' benefits	(70,188)	13,671	(56,517)
Commission expenses of insurance operations	(14,660)	5,988	(8,672)
General and administrative expenses	(16,861)	(37)	(16,898)
Other expenses	(1,640)	(1,301)	(2,941)
Others	(8,320)	–	(8,320)
Loss before tax	(2,979)	1,493	(1,486)
Income tax	3,456	(335)	3,121
Profit for the year	<u>477</u>	<u>1,158</u>	<u>1,635</u>
Attributable to:			
– Owners of the parent	268	1,150	1,418
– Non-controlling interests	209	8	217
Basic earnings per share attributable to ordinary equity holders of the parent	0.04	0.15	0.19
Diluted earnings per share attributable to ordinary equity holders of the parent	<u>0.04</u>	<u>0.15</u>	<u>0.19</u>

	1 January 2008		
(in RMB million)	Before changes in accounting policies	Impact of changes in accounting policies	After changes in accounting policies
Assets			
Reinsurers' share of insurance liabilities	4,880	(1,051)	3,829
Deferred policy acquisition costs	41,305	(41,305)	–
Deferred tax assets	87	848	935
Others	645,950	80	646,030
Total assets	<u>692,222</u>	<u>(41,428)</u>	<u>650,794</u>
Equity			
Share capital	7,345	–	7,345
Reserves	81,322	481	81,803
Retained profits	23,155	(19,958)	3,197
Equity attributable to owners of the parent	111,822	(19,477)	92,345
Non-controlling interests	2,029	(142)	1,887
Total equity	<u>113,851</u>	<u>(19,619)</u>	<u>94,232</u>
Liabilities			
Insurance payable	10,970	682	11,652
Insurance contract liabilities	416,474	(35,310)	381,164
Investment contract liabilities for policyholders	5,421	18,034	23,455
Deferred tax liabilities	6,369	(4,792)	1,577
Others	139,137	(423)	138,714
Total liabilities	<u>578,371</u>	<u>(21,809)</u>	<u>556,562</u>
Total equity and liabilities	<u>692,222</u>	<u>(41,428)</u>	<u>650,794</u>

In addition, the Group has revised certain other accounting policies following the adoption of the revised IFRSs set out below which management considers being the most relevant to the Group's current operations:

- IAS 1 (Revised) *Presentation of Financial Statements*

This standard separates owner and non-owner changes in equity requiring all owner changes in equity to be presented in a statement of changes in equity, and all non-owner changes either in one statement of comprehensive income or in two separate statements, which are an income statement and a statement of comprehensive income. The previous standard required components of comprehensive income to be presented in the statement of changes in equity. The revised standard also requires that the income tax effect of each component of comprehensive income to be disclosed. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the financial statements.

The Group has elected to present comprehensive income in two separate statements of income and comprehensive income. Information about the individual components of comprehensive income as well as the tax effects have been disclosed in the notes to the financial statements.

- Amendments to IFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The amendments to the standard require an entity to provide a quantitative and qualitative analysis of those instruments recognised at fair value based on a three-level measurement hierarchy. Furthermore, for those instruments which have significant unobservable inputs (classified as Level 3), the amendment requires disclosures on the transfers into and out of Level 3, a reconciliation of the opening and closing balances, total gains and losses for the period split between those recognised in other comprehensive income, purchases, sales issues and settlements, and sensitivity analysis of reasonably possible changes in assumptions. In addition, disclosure is required of the movements between different levels of the fair value hierarchy and the reason for those movements. Finally, the standard amends the previous liquidity risk disclosures as required under IFRS 7 for non-derivative and derivative financial liabilities.

Entities are required to apply this amendment for annual periods beginning on or after 1 January 2009, with no requirement to provide comparatives on transition.

- IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations (Amendment)*

This amendment to IFRS 2 Share-based payments was issued in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The standard restricts the definition of “vesting condition” to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted.

- IFRS 1 and IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity (Amendment)*

This amendment to IAS 27 is effective for financial years beginning on or after 1 January 2009. The amendment removes the definition of the “cost method” under IAS 27, thereby removing the distinction between pre- and post-acquisition profits in its separate financial statements. The entity therefore can recognise all dividends from a subsidiary, jointly controlled entity or associate, but must consider whether any payment of such dividends provides an indication of impairment. In addition, IAS 27 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary rather than its fair value.

- IFRS 8 *Operating Segments*

IFRS 8 was issued in November 2006 and becomes effective for annual periods beginning on or after 1 January 2009 and will replace the existing IAS 14 Segment Reporting. IFRS 8 specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group’s major customers.

- IFRIC 13 *Customer Loyalty Programmes*

The IFRIC issued IFRIC interpretation 13 in June 2007. This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. It is effective for financial years beginning on or after 1 July 2008. The adoption of this interpretation has had no material impact on the Group’s financial statements.

- *Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)*

In March 2009, the IASB issued Embedded Derivatives (Amendments to IFRIC 9 and IAS 39). The amendment to IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. IAS 39 is also amended to state that, if the fair value of the embedded derivative that would have to be separated on reclassification cannot be reliably measured, the entire hybrid (combined) contract must remain classified as at fair value through profit or loss. An entity shall apply the amendments for annual periods ending on or after 30 June 2009.

- *Improvements to IFRSs*

In May 2008, the IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- IFRS 7 *Financial Instruments: Disclosures*: the amendment removed the reference to “total interest income” as a component of finance costs.
- IAS 1 *Presentation of Financial Statements*: assets and liabilities classified as “held-for-trading” in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* are not automatically classified as current in the statement of financial position.
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*: the amendment clarifies that only implementation guidance that is an integral part of an IFRS is mandatory when selecting an accounting policy.
- IAS 10 *Events after the Reporting Period*: the amendment clarifies that dividends declared after the end of the reporting period are not obligations.
- IAS 16 *Property, Plant and Equipment*: replaces the term “net selling price” with “fair value less costs to sell”.
- IAS 18 *Revenue*: the amendment replaces the term “direct costs” with *transaction costs* as defined in IAS 39.
- IAS 19 *Employee Benefits*: revised the definition of “past service costs”, “return on plan assets” and “short term” and “other long term” employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. Deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37. Changes to definitions on return on plan assets, contingent liability and short term and other long term benefits are to be applied retrospectively. The change to the past service cost definition is to be applied prospectively.
- IAS 27 (Amended) *Consolidated and Separate Financial Statements*: this amendment requires that any subsidiaries held in accordance with IAS 39 continue to be treated at that value when they meet the definition of held for sale.
- IAS 28 *Investment in Associates*: if an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. This amendment has had no impact on the Group.

An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

- IAS 36 *Impairment of Assets*: when discounted cash flows are used to estimate “fair value less cost to sell” additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate “value in use”.

- IAS 38 *Intangible Assets*: expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.
- IAS 40 *Investment Property*: the Group has always considered whether fair value can be applied for their investment properties under construction. Where management is unable to determine fair value reliably, the Group measures the property at cost.

3. *Segment reporting*

Business activities of the Group are first segregated by product and type of service: insurance activities, banking activities, securities activities and corporate activities. Due to differences in the nature of products, risks and capital allocation, insurance activities are further divided between life insurance and property and casualty insurance.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is based on indicators such as net profit.

The segment analysis for the year ended December 31, 2009 is as follows:

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Gross written premiums and policy fees	73,439	38,774	-	-	-	-	-	112,213
Less: Premiums ceded to reinsurers	(1,402)	(4,945)	-	-	-	-	-	(6,347)
Change in unearned premium reserves	(161)	(5,322)	-	-	-	-	-	(5,483)
Net earned premiums	71,876	28,507	-	-	-	-	-	100,383
Reinsurance commission income	241	1,698	-	-	-	-	-	1,939
Interest income of banking operations	-	-	6,674	-	-	-	-	6,674
Fees and commission income of non-insurance operations	-	-	482	2,170	-	575	(48)	3,179
Including: inter-segment fees and commission income of non-insurance operations	-	-	-	-	-	48	(48)	-
Investment income	28,668	1,662	409	483	539	1,176	(914)	32,023
Including: Inter-segment investment income	764	34	-	(3)	77	42	(914)	-
Share of profits and losses of associates and joint ventures	(183)	-	-	-	-	365	-	182
Other income	2,057	202	172	22	2	7,707	(1,704)	8,458
Including: Inter-segment other income	557	10	-	-	-	1,137	(1,704)	-
Total income	102,659	32,069	7,737	2,675	541	9,823	(2,666)	152,838
Claims and policyholders' benefits	(67,854)	(16,235)	-	-	-	-	-	(84,089)
Commission expenses of insurance operations	(7,233)	(4,780)	-	-	-	-	569	(11,444)
Interest expenses of banking operations	-	-	(3,249)	-	-	-	785	(2,464)
Fees and commission expenses of non-insurance operations	-	-	(65)	(198)	-	(140)	5	(398)
Loan loss provisions, net of reversals	-	-	(194)	-	-	(34)	-	(228)
Foreign exchange gains/(losses)	(37)	(2)	25	-	(2)	(1)	-	(17)
General and administrative expenses	(11,093)	(8,830)	(2,834)	(1,152)	(469)	(2,832)	1,185	(26,025)
Finance costs	(140)	(78)	-	-	(72)	(595)	5	(880)
Other expenses	(2,628)	(236)	(72)	(1)	(18)	(4,493)	74	(7,374)
Total expenses	(88,985)	(30,161)	(6,389)	(1,351)	(561)	(8,095)	2,623	(132,919)
Profit/(loss) before tax	13,674	1,908	1,348	1,324	(20)	1,728	(43)	19,919
Income tax	(3,300)	(1,233)	(268)	(252)	(98)	(286)	-	(5,437)
Profit/(loss) for the year	10,374	675	1,080	1,072	(118)	1,442	(43)	14,482

The segment analysis for the year ended December 31, 2008 is as follows:

(in RMB million)	Life insurance (Restated)	Property and casualty insurance (Restated)	Banking	Securities	Corporate	Others	Elimination	Total (Restated)
Gross written premiums and policy fees	62,089	27,014	-	-	-	-	-	89,103
Less: Premiums ceded to reinsurers	(980)	(4,833)	-	-	-	-	-	(5,813)
Change in unearned premium reserves	(127)	(892)	-	-	-	-	-	(1,019)
Net earned premiums	60,982	21,289	-	-	-	-	-	82,271
Reinsurance commission income	171	1,471	-	-	-	-	-	1,642
Interest income of banking operations	-	-	7,020	-	-	-	-	7,020
Fees and commission income of non-insurance operations	-	-	242	1,321	-	454	(37)	1,980
Including: inter-segment fees and commission income of non-insurance operations	-	-	-	-	-	37	(37)	-
Investment income	(9,436)	1,659	(231)	233	(253)	1,210	(598)	(7,416)
Including: Inter-segment investment income	485	9	-	(12)	98	18	(598)	-
Share of profits and losses of associates and joint ventures	25	-	-	-	-	-	-	25
Other income	1,550	88	44	9	1	1,052	(608)	2,136
Including: Inter-segment other income	215	4	-	-	-	389	(608)	-
Total income	53,292	24,507	7,075	1,563	(252)	2,716	(1,243)	87,658
Claims and policyholders' benefits	(42,023)	(14,494)	-	-	-	-	-	(56,517)
Commission expenses of insurance operations	(5,823)	(3,052)	-	-	-	-	203	(8,672)
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 gains/(losses)	(374)	(40)	18	(4)	(66)	1	-	(465)
General and administrative expenses	(7,762)	(6,145)	(2,085)	(772)	144	(763)	485	(16,898)
Finance costs	(130)	-	-	-	-	(421)	1	(550)
Other expenses	(2,232)	(62)	(177)	(9)	(48)	(434)	21	(2,941)
Total expenses	(58,344)	(23,793)	(5,698)	(877)	30	(1,705)	1,243	(89,144)
Profit/(loss) before tax	(5,052)	714	1,377	686	(222)	1,011	-	(1,486)
Income tax	3,588	(214)	67	(136)	34	(218)	-	3,121
Profit/(loss) for the year	(1,464)	500	1,444	550	(188)	793	-	1,635

4. *Gross written premiums and policy fees*

(in RMB million)	2009	2008 <i>(Restated)</i>
Gross written premiums, policy fees and premium deposits	173,277	129,383
Less: Premium deposits of policies without significant insurance risk transfer	(3,016)	(2,836)
Premiums deposits unbundled from universal life and investment-linked products	(58,048)	(37,444)
Gross written premiums and policy fees	<u>112,213</u>	<u>89,103</u>
Long term life business gross written premiums and policy fees	67,513	56,682
Short term life business gross written premiums	5,926	5,407
Property and casualty business gross written premiums	38,774	27,014
Gross written premiums and policy fees	<u>112,213</u>	<u>89,103</u>

5. *Net interest income of banking operations*

(in RMB million)	2009	2008
Interest income of banking operations		
Loans and advances to customers	4,853	4,839
Balances with central bank	294	319
Bonds	1,184	1,331
Amounts due from banks and other financial institutions	343	531
	<u>6,674</u>	<u>7,020</u>
Interest expenses of banking operations		
Customer deposits	1,782	2,031
Due to banks and other financial institutions	619	646
Debt issued	63	–
	<u>2,464</u>	<u>2,677</u>
Net interest income of banking operations	<u>4,210</u>	<u>4,343</u>

6. *Investment income*

(in RMB million)	2009	2008
Net investment income	19,076	18,629
Realized gains	11,563	7,421
Unrealized gains/(losses)	1,814	(7,506)
Impairment losses	(430)	(25,960)
	<hr/>	<hr/>
Total investment income	<u>32,023</u>	<u>(7,416)</u>

(1) Net investment income

(in RMB million)	2009	2008
Interest income of non-banking operations on fixed maturity investments		
Bonds		
– Held-to-maturity	6,414	5,038
– Available-for-sale	6,128	5,011
– Carried at fair value through profit or loss	436	622
Term deposits		
– Loans and receivables	3,552	2,717
Current accounts		
– Loans and receivables	420	841
Others		
– Loans and receivables	716	278
Dividend income on equity investments		
Equity investment funds		
– Available-for-sale	597	2,510
– Carried at fair value through profit or loss	241	659
Equity securities		
– Available-for-sale	427	993
– Carried at fair value through profit or loss	26	91
Operating lease income from investment properties	441	367
Interest expenses on assets sold under agreements to repurchase	(322)	(498)
	<hr/>	<hr/>
	<u>19,076</u>	<u>18,629</u>

(2) Realized gains		
(in RMB million)	2009	2008
Fixed maturity investments		
– Available-for-sale	1,772	1,231
– Carried at fair value through profit or loss	293	156
Equity investments		
– Available-for-sale	9,359	9,197
– Carried at fair value through profit or loss	354	(3,412)
Derivative financial instruments		
– Carried at fair value through profit or loss	(215)	249
	<u>11,563</u>	<u>7,421</u>
(3) Unrealized gains/(losses)		
(in RMB million)	2009	2008
Fixed maturity investments		
– Carried at fair value through profit or loss	(428)	641
Equity investments		
– Carried at fair value through profit or loss	1,996	(7,742)
Derivative financial instruments		
– Carried at fair value through profit or loss	246	(405)
	<u>1,814</u>	<u>(7,506)</u>
(4) Impairment losses		
(in RMB million)	2009	2008
Bonds		
– Available-for-sale	–	(73)
Equity investments		
– Available-for-sale	(430)	(25,887)
	<u>(430)</u>	<u>(25,960)</u>

7. *Profit before tax*

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

(in RMB million)	2009	2008 <i>(Restated)</i>
Employee costs (Supplementary Information 7. (2))	9,597	4,418
Cost of sales from XJ Group	3,900	–
Interest expenses on investment contract reserves	1,047	1,342
Provision for insurance guarantee fund	550	409
Depreciation of investment properties	207	169
Depreciation of property and equipment	1,167	669
Amortization of intangible assets	620	455
Losses on disposal of settled assets	11	87
Losses/(gains) on disposal of investment properties, property and equipment	(194)	8
Provision for doubtful debts, net	5	(81)
Auditors' remuneration – annual audit, interim review and agreed upon procedures	36	32
Operating lease payments in respect of land and buildings	1,328	965
	<u>1,328</u>	<u>965</u>

(2) Employee costs

(in RMB million)	2009	2008
Wages, salaries and bonuses	7,864	3,385
Retirement benefits, social security contributions and welfare benefits	1,733	1,033
	<u>1,733</u>	<u>1,033</u>
	<u>9,597</u>	<u>4,418</u>

The employee costs reversed for the scheme of share appreciation rights during the year amount to RMB12 million (2008: expense reversal of RMB2,202 million).

8. *Income tax*

(in RMB million)	2009	2008 <i>(Restated)</i>
Current income tax	2,843	2,840
Deferred income tax	2,594	(5,961)
	<u>2,594</u>	<u>(5,961)</u>
	<u>5,437</u>	<u>(3,121)</u>

On 16 March 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 1 January 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 years 2008, 2009, 2010, 2011 and 2012, respectively. For other subsidiaries and branches of the Group, the CIT rate for 2009 is 25%.

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 16.5% for 2009 (2008: 16.5%).

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate of 20% (2008:18%) is as follows:

(in RMB million)	2009	2008 <i>(Restated)</i>
Profit/(loss) before tax	<u>19,919</u>	<u>(1,486)</u>
Tax computed at the applicable tax rate of 20% (2008:18%)	3,984	(267)
Tax effect of expenses not deductible in determining taxable income	892	426
Tax effect of income not taxable in determining taxable income	(1,089)	(1,988)
Tax effect of different tax rates in current year and future years	(142)	(1,117)
Tax effect of higher tax rate on branches and entities (in the PRC) located outside Special Economic Zones	74	(97)
Additional tax payable for 2004 – 2006	1,099	27
Impact of tax practices introduced in 2009 on taxation for 2008	619	–
Tax refund	<u>–</u>	<u>(105)</u>
Income tax per consolidated income statement	<u>5,437</u>	<u>(3,121)</u>

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

9. *Other comprehensive income*

(in RMB million)	2009	2008 <i>(Restated)</i>
Gains/(losses) of available-for-sale financial assets arising during the year	17,950	(47,871)
Less: Income tax relating to available-for-sale financial assets	(1,628)	6,332
Reclassification adjustments for losses/(gains) included in income statement		
– Gains on disposal	(11,131)	(10,428)
– Impairment losses	430	25,960
	5,621	(26,007)
Gains/(losses) of shadow accounting adjustments arising during the year	(1,942)	380
Less: Income tax relating to shadow accounting adjustments	(499)	(220)
Reclassification adjustments for losses included in income statement	4,390	1,583
	1,949	1,743
Exchange differences on translation of foreign operations	66	19
Share of other comprehensive income of associates	21	–
	7,657	(24,245)

10. *Earnings per share*

Earnings per share is calculated by dividing the Company's net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year.

	2009	2008 <i>(Restated)</i>
Net profit attributable to ordinary shareholders (in RMB million)	13,883	1,418
Weighted average number of outstanding shares of the Company (million shares)	7,345	7,345
Basic earnings per share (in RMB)	1.89	0.19
Diluted earnings per share (in RMB)	1.89	0.19

No adjustment has been made to the basis earnings per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

11. Dividends

(in RMB million)	2009	2008
Interim – RMB0.15 (2008: RMB0.20) per ordinary share	<u>1,102</u>	<u>1,469</u>
Proposed final – RMB0.30 (2008: Nil) per ordinary share (not recognized as a liability as at 31 December)	<u>2,204</u>	<u>–</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. Distributable reserves

As at December 31, 2009, the Company's reserves available for distribution, calculated in accordance with the relevant regulations, totalled RMB4,321 million of which RMB2,204 million has been proposed as a final dividend for the year. After deduction of such proposed final dividend, 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 2010. In addition, the Company's capital reserve and surplus reserve fund, in the amount of RMB58,115 million, may be distributed by a future capitalization issue.

13. Major customers

In the year under review, operating income from the Group's five largest customers accounted for less than 1% of the total operating income 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 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.

15. *Other significant events*

- (1) On 12 June 2009, Ping An Life entered into a share subscription agreement with Shenzhen Development Bank Co., Ltd. (“SDB”) pursuant to which it conditionally agreed to subscribe for not less than 370,000,000 but not more than 585,000,000 new SDB shares, based on its average market price for the 20 consecutive trading days preceding the date of announcement of the resolutions of SDB’s board of directors approving the transaction. On the same day, the Company entered into a share purchase agreement with Newbridge Asia AIV III L.P. (“Newbridge”), the existing largest shareholder of SDB, pursuant to which the Company conditionally agreed to purchase from Newbridge 520,414,439 SDB shares, representing approximately 16.76% of the issued share capital of SDB as at 12 June 2009. The consideration for such acquisition shall be satisfied by the Company, at the election of Newbridge, by way of the cash consideration of RMB11,449,117,658 or 299,088,758 of the Company’s H shares. The above deals were approved by the shareholders of SDB on 29 June 2009 and the specific mandate to issue the new H shares was approved by shareholders of the Company at the Extraordinary General Meeting and the class meeting of H shareholders and A shareholders, respectively, on 7 August 2009. The transactions are subject to and pending regulatory approvals.

Since the “Long Stop Date” as defined in the “Share Purchase Agreement” expired on 31 December 2009, the Company, after conferred with the Vendor, has entered into a supplemental agreement relating to the “Share Purchase Agreement”, namely the “Supplemental Agreement of Share Purchase Agreement on 12 June 2009”, with the Newbridge on 24 December 2009, to change the definition of “Long Stop Date” into “30 April 2010 or other date being further extended by no more than 180 days on condition”.

- (2) The State Administration of Taxation has completed their regular inspection of the Group’s tax affairs for fiscal years ended 31 December 2004, 2005 and 2006. The Group has made relevant tax provisions based on the results of the inspection and the Group’s current understanding of the tax laws. As at 31 December 2009, the total amount of provision for corporate income tax, business tax and individual income tax, etc. made arising from this tax inspection amounted to RMB1,426 million, of which RMB1,055 million was provided by Ping An Property & Casualty, and RMB359 million was provided by Ping An Life. Of the total amount provided, RMB147 million was charged to the income statement for the year ended 31 December 2008 and RMB1,279 million was charged to the income statement for the year ended 31 December 2009. The final results and tax provision amount of tax inspection are subject to confirmation of tax authorities.

16. *Post balance sheet events*

- (1) On 16 April 2010, the directors proposed to distribute final dividend of RMB2,204 million as stated in Supplementary Information 11.
- (2) On 11 February 2010, China Electric Power Research Institute (“CEPRI”), Ping An Trust and XJ Group entered into “General Agreement Regarding Investment in XJ Group” and “Agreement Regarding Capital Injection into XJ Group”. Upon completion of this capital injection, CEPRI and Ping An Trust will hold 60% and 40% of equity interest in XJ Group respectively.

The financial figures above in respect of the Announcement of Audited Results for the Year Ended December 31, 2009 (“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, 2009. 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, 2009 (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	<u>217</u>	<u>1,150</u>

EMBEDDED VALUE

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

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, 2009.

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.

On December 22, 2009, the Ministry of Finance issued the "Regulations regarding the Accounting Treatment of Insurance Contracts" (Cai Kuai [2009] No.15), regulating the measurement of the premiums income and the reserves on accounting terms, and requiring insurance companies to adopt such regulations since the preparation of their 2009 annual financial statements. On January 25, 2010, CIRC promulgated the "Rules on the Preparation of Insurance Company Solvency Reports – Q&A No.9: Connection between Rules on the Preparation of Solvency Reports and No.2 Interpretation of Accounting Standards for Business Enterprises" (Bao Jian Fa [2010] No.7), pursuant to which, admitted principles for insurance contract liabilities in solvency reports still follow the statutory assessment standards set up by CIRC, while admitted principles for non-insurance contract liabilities in solvency reports should apply to accounting standards. The future profit involved in the calculation of embedded value shall be the distributable profit when solvency requirements are satisfied. Therefore, during the preparation of 2009 embedded value report, relevant contract liabilities were measured according to the assessment standards of the liabilities pursuant to the solvency regulations, and the adjusted net assets and income tax were also based on the results before adoption of the "Regulations regarding the Accounting Treatment of Insurance Contracts".

Components of economic value

(in RMB million)	December 31, 2009	December 31, 2008
Risk discount rate	Earned Rate/ 11.0%	Earned Rate/ 11.5%
Adjusted net asset value	94,606	79,016
Adjusted net asset value of life insurance business	40,052	25,800
Value of in-force insurance business written prior to June 1999	(11,614)	(11,340)
Value of in-force insurance business written since June 1999	86,579	66,859
Cost of holding the required solvency margin	(14,314)	(11,676)
Embedded value	155,258	122,859
Embedded value of life insurance business	100,704	69,643
	December 31, 2009	December 31, 2008
Risk discount rate	11.0%	11.5%
Value of one year's new business	13,945	10,039
Cost of holding the required solvency margin	(2,141)	(1,498)
Value of one year's new business after cost of solvency	11,805	8,541

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 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, 2009 to December 31, 2009 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 2009 annual report.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND SUPERVISORS

As at December 31, 2009 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"), 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
Yao Jason Bo	Executive Director	H	Beneficial owner	12,000	Long position	0.00047	0.000
Chow Wing Kin Anthony	Independent Non-executive Director	H	Interest held jointly with another person*	7,500	Long position	0.00029	0.000

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

Save as disclosed above, as at December 31, 2009, 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 are 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 are to enable the Articles of Association to satisfy the actual condition and requirements of relevant regulatory authorities.

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 Tuesday, June 29, 2010 at Ping An School of Financial Services, Kukeng, Guanlan, Shenzhen, PRC.

CLOSURE OF THE REGISTER OF MEMBERS

In order to determine the list of holders of H shares of the Company who are entitled to attend the annual general meeting of the Company and receive the final dividend for the period ended December 31, 2009, the H shares register of members will be closed from Friday, May 28, 2010 to Tuesday, June 29, 2010, both days inclusive. Holders of the Company’s H shares whose names appear on the register of members on Tuesday, June 29, 2010 are entitled to attend the meeting. In order to attend and vote at the meeting and receive the final dividend for the period ended December 31, 2009, 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 Thursday, May 27, 2010. 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 holders of A shares of the Company to attend the annual general meeting of the Company and receive the final dividend for the period ended December 31, 2009 will be separately announced in the PRC.

FINAL DIVIDEND

The Board recommended that a final dividend of RMB0.30 per share for the year ended December 31, 2009, subject to the approval of shareholders of the Company at the forthcoming annual general meeting. If approved, holders of H shares whose names are on the Company’s register of members of H shares on June 29, 2010 (the “Record Date”) will be entitled to receive the final dividend. The registration date and arrangements in relation to the rights of holders of A shares to receive the final dividend for the period ended December 31, 2009 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. Tang Yunwei, Mr. Chow Wing Kin Anthony, Mr. Zhang Hongyi, Mr. Chen Su and Mr. Chung Yu-wo Danny 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, 2009.

PUBLICATION OF RESULTS ANNOUNCEMENT ON THE WEBSITE OF THE COMPANY

This results announcement is published on the Company’s website (www.pingan.com) at the same time as it is published on the website of the Stock Exchange (www.hkexnews.hk).

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

The 2009 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 16, 2010

As at the date of this announcement, the Executive Directors of the Company are Ma Mingzhe, Sun Jianyi, Cheung Chi Yan Louis, Wang Liping and Yao Jason Bo, the Non-executive Directors are Lin Lijun, Chen Hongbo, Wong Tung Shun Peter, Ng Sing Yip, Clive Bannister, Li Zhe and Guo Limin, the Independent Non-executive Directors are Chow Wing Kin Anthony, Zhang Hongyi, Chen Su, Xia Liping, Tang Yunwei, Lee Ka Sze Carmelo and Chung Yu-wo Danny.