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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, 2010**

CHAIRMAN'S STATEMENT

We believe integrated financial solutions are increasingly becoming an industry trend, and will be critical for China to maintain its competitive position in the international financial industry. Following years of testing and practice, Ping An Insurance (Group) Company of China, Ltd. ("Ping An", "the Company" or "the Group") has established a mature operational platform underpinned by cross-selling which effectively drives well-balanced growth of the Group's three major businesses: insurance, banking and investment. It is the collective commitment, relentless effort and innovation of our 450 thousands agents and 130 thousands staff that are the backbone of our business success and enable us to pursue our vision of becoming a global leader in integrated financial services.

2010 was a year of major breakthroughs for Ping An, a direct result of our proactive initiatives in face of the changing economic environment. Our total and net assets crossed over RMB1 trillion and RMB100 billion, respectively. Our three-pillar businesses, namely insurance, banking and investment, achieved an above industry-average growth, further enhancing our overall competitive edge. During the year, we made notable progress in the banking sector by becoming the largest shareholder of Shenzhen Development Bank Co., Ltd. ("SDB", or "Shenzhen Development Bank"). The Company has established strategic cooperative partnership with Discovery Holdings Limited ("Discovery"), the largest health insurance company in South Africa. We also obtained official approval to set up Ping An-UOB Fund Management Company Limited ("Ping An-UOB Fund"). These are all concrete steps taken by Ping An to implement its strategy of building a competitive integrated financial services business. In 2010, our overall profitability improved and the Company recorded a net profit of RMB17,938 million, representing a year-on-year growth of 23.9%, of which the banking and investment contribution increased to 31.5% from 23.7% in 2009.

Business Highlights

In 2010, each pillar of Ping An's businesses performed strongly. Notable achievements include:

- **Our insurance business continued to grow at a rapid pace with premium income from the property and casualty division and life insurance business reaching a new high.** Ping An Life Insurance Company of China, Ltd. ("Ping An Life") realized total written premiums of over RMB150 billion for the year, an increase of 20.2% compared to the previous 12 months. The increase was driven primarily by the growth in individual life insurance which commands a higher profit margin. First-year written premiums from individual life insurance grew by 37.6% over the previous year. Premium income from Ping An Property & Casualty Insurance Company of China, Ltd. ("Ping An Property & Casualty") also posted a record high of over RMB60 billion, an increase of 61.4%, as our market share grew 2.5 percentage points to 15.4%. The second largest market position has been further consolidated. Meanwhile, the combined ratio improved to 93.2%, our best to date, demonstrating the continuous improvement in the quality of our business. Our annuity business also kept a rapid and healthy development, three major performance indicators – annuity payments received, assets entrusted and assets under management – all maintained leading position in the industry. Our health insurance business has taken Discovery, the largest health insurance company in South Africa, as a strategic investor. This partnership will undoubtedly elevate Ping An's position within the highly competitive domestic health care insurance and health management market.
- **Ping An Bank reported a rapid and above market growth; Our strategic investment in Shenzhen Development Bank made a significant progress.** Ping An Bank Co., Ltd. ("Ping An Bank") saw a stronger than average growth, reporting a net profit of RMB1,737 million, an increase of 60.8% compared to the previous year. Profit contribution from major businesses improved significantly. Balance of retail deposits increased by 61.9%, again outpacing the industry average. Credit card business, with over 6 million cards issued, saw profit for the first time while loans to SMEs grew by 78.6%. The proportion of contribution from cross-selling increased across all businesses. In the first half of 2010, with the approvals from the relevant regulatory authorities, the Company accomplished share-swap transaction with NEWBRIDGE ASIA AIV III, L.P. and subscription of new shares of Shenzhen Development Bank, and became the largest shareholder of SDB. The proposed restructuring plan of SDB and Ping An Bank has been passed in the extraordinary general meeting of SDB and Ping An respectively in September and November, and is subject to approval from regulatory bodies. At present, the Company holds 29.99% of SDB's total shares. As an associate company of Ping An, Shenzhen Development Bank has already contributed a profit of RMB1,145 million in 2010.
- **Investment banking business of Ping An Securities continued to hold its leading position in the market. The transformation of our trust business progressed remarkably. Formal approval to set up Ping An-UOB Fund was obtained successfully.** Ping An Securities Company, Ltd. ("Ping An Securities") recorded a net profit of RMB1,594 million, representing an increase of 48.7% compared to last year. The investment banking business continued to top the SMEs and the GEM underwriting market, sponsoring 39 IPOs and 11 refinancing projects as lead underwriter. We were ranked top in the league table by number of deals and underwriting fees for IPO transactions. Net profit of China Ping An Trust Co., Ltd. ("Ping An Trust") increased by 71.5% to RMB1,039 million. We accelerated the wealth management business and optimized product structure, achieving remarkable progress in trust business transformation. Ping An Asset Management Co., Ltd. achieved a total investment yield of 4.9%, further demonstrating Ping An's investment capabilities in the industry. On December 28, 2010, Ping An-UOB Fund was established with the approval of the regulatory authorities, which is expected to add another dimension to the services offered by the Group and hence putting us one step closer to be an integrated financial services provider.

- **We put continuous efforts to build an integrated financial services platform, with synergies further realized from cross-selling among our business units.** The second phase of our back-office centralization project which focuses on the further optimization of cost and support of cross-selling reported good progress and operated with efficient multi-centers. Our move towards centralization and resources sharing offered further cost-saving benefits. Ping An has established an effective management mechanism for cross-selling and a leading telesales platform. We are actively exploring innovative sales models and hardware facilities incorporating state-of-the-art IT. In 2010, 41.6% of automobile premium income of Ping An Property & Casualty came from cross-selling and telesales; 54.5% of the newly issued credit cards of Ping An Bank were generated from cross-selling channels, and 34.8% of the newly added retail deposits grew out of cross-selling. In addition, cross-selling significantly contributed to the trust business and the increment in daily average size of corporate deposits, reached the percentage of 14.1% and 21.1% in contribution, respectively.

Corporate Honors

In 2010, the Ping An brand continued to lead the market, with general recognition for overall strength, financial credibility, investor relations and corporate social responsibility from rating agencies and both the domestic and international media. The honors we received include:

- Ranked 383 in *Fortune's* Global 500, an improvement of 79 places from 2008 and we came first among the non-SOE mainland Chinese companies.
- Placed among the top 500 of *Forbes'* Global 2000 and *Financial Times'* Global 500 largest companies by market capitalization.
- Recognized by *the Wall Street Journal* in their latest corporate ranking, "2010 Asia Top 200", as one of the top ten companies with the "Financial Reputation" in China.
- Awarded the "Best investor relations by a CEO", "Best investor relations website/webcasting" and "Best overall investor relations by a mainland Chinese company – non-SOE" by *IR Magazine*. Ping An was the only insurance company on the winners' roster.
- Received three prestigious awards for corporate social responsibility in China. Recognized as the "Most Socially Responsible Company in China" for the fifth time; named the "2010 Best Chinese Corporate Citizen" for the sixth time; and presented with the "2010 Chinese Excellent Enterprise in *China Business News'* List of Corporate Social Responsibility".

Corporate Governance

In 2010, we were committed to improving our corporate governance practice against higher standards moving from merely in compliance with listing rules and regulations. The General Meeting, the Board, the Supervisory Committee and the senior management operated independently and performed their respective rights and obligations in accordance with the Articles of Association of the Company. The Board actively contributed in various aspects, including strategic planning, investment decision, risk management, internal control and compliance, corporate social responsibility as well as talent recruitment and appointment. For the outstanding performance of the Company's corporate governance, we received awards including the "Asian Excellence Recognition Awards" by *Corporate Governance Asia*, "Hong Kong Corporate Governance Excellence Awards 2010" by Chamber of Hong Kong Listed Companies (CHKLC) and the Centre for Corporate Governance and Financial Policy in conjunction with Hong Kong Baptist University (CCGFP), the "Best Managed Insurance Company in Asia 2010" by *Euromoney* and "China's Best Managed Company Awards" by *Asiamoney*.

Prospects

The year 2011 is one full of challenges and opportunities and we believe opportunities abound. Domestic and global macroeconomic conditions and the financial industry are undergoing fundamental changes. Rising cost pressures from inflation in mainland China is expected to present more complex operational challenges. Nevertheless, we believe that China's economy will continue to maintain a relatively fast and healthy development, resident income and the demand for financial services will continue to rise, and China will deepen its reform of the financial system. All of these factors present vast opportunities for the growth of China's financial and insurance industry.

To embrace and tackle these challenges, we have made thorough plans and we are committed and ready to take on the challenges. In line with the strategic goal of becoming a leading international integrated financial group, we will continue to strengthen the core competences of all business lines and maintain a steady growth. At the same time, we will continue to improve channels, products and management platforms to facilitate cross-selling. We will strive to move forward with the integrated financial services back-office centralization project and actively explore an innovative development model that combines modern technology with financial services. We will also actively and efficiently integrate SDB with Ping An Bank, fully leverage the synergies of the Group to achieve a rapid and effective development of our banking business, and strengthen the implementation of our strategic objective, to offer integrated approach to financial services.

As a final note, I would like to say thank you to all our directors and supervisors for their invaluable contributions; to our shareholders and to the public for their long-term support; to all our Ping An staff for their dedication and team work. I believe that, as we work together in the pursuit of excellence, we will continue to reach new heights, achieve new breakthroughs, and deliver a brighter future for Ping An as an international leading integrated financial services provider.

KEY FINANCIAL AND OPERATION INFORMATION

Overview

The year 2010 is one in which Ping An achieved a procession of successes across all business lines and recorded remarkable breakthroughs. Our three pillars: insurance, banking and investment businesses, achieved a sustainable, rapid and healthy growth. Written premiums from Ping An Life surpassed RMB150 billion. Premium income from Ping An Property & Casualty rose to RMB60 billion and the most optimum combined ratio in record was achieved. We made substantial progress in our strategic investment in Shenzhen Development Bank. In addition, Ping An Bank reported a significant growth in results and the credit card business achieved profitability for the first time in the last three years, with the number of accumulated credit cards issued exceeding 6 million. Ping An Securities made excellent performance in investment banking business and Ping An Trust achieved remarkable progress in business transformation. The Group obtained approval to set up a fund company. We further strengthened cross-selling activities and recorded notable success for the second phase of centralization. We are steadily implementing our integrated financial strategy and strengthening our overall competitiveness.

With a rapid business development, the Company continues to maintain a high level of overall profitability at the same time. Net profit recorded for 2010 was RMB17,938 million, a growth of 23.9% compared with the previous year. As at December 31, 2010, total assets reached RMB1,171.63 billion and total equity was RMB116.88 billion, representing an increase of 25.2% and 27.4%, respectively compared with the end of 2009.

Consolidated results

(in RMB million)	2010	2009
Total income	195,814	152,838
Total expenses	(173,467)	(132,919)
Profit before tax	22,347	19,919
Net profit	17,938	14,482

Net profit by business segment

(in RMB million)	2010	2009
Life insurance	8,417	10,374
Property and casualty insurance	3,865	675
Banking	2,882	1,080
Securities	1,594	1,072
Other businesses ⁽¹⁾	1,180	1,281
Net profit	17,938	14,482

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

Our life insurance business continues to be profitable although net profit for the year decreased by 18.9% to RMB8,417 million from RMB10,374 million in 2009. The profit contribution brought by the sharp increase in first-year life insurance written premiums was offset by the declined total investment income and the increase in insurance reserves as a result of the benchmarking yield curve for the measurement of insurance contract liabilities going down. The 2010 net profit from our property and casualty insurance business increased significantly to RMB3,865 million, up from RMB675 million in 2009. This is a direct result of Ping An Property & Casualty’s success in capturing growth opportunities in the market to increase profitability. A substantial premium growth was recorded as a result and the combined ratio significantly improved. Net profit announced by our banking business increased to RMB2,882 million, compared with RMB1,080 million in 2009. Among this, we recorded RMB1,145 million share of profits from Shenzhen Development Bank since it became our associate company in May 2010. In addition, as a result of the enhancement in its profitability, Ping An Bank improved its net interest spread and reduced cost/income ratio, followed by a net profit increase of 60.8% from RMB1,080 million in 2009 to RMB1,737 million in 2010. Ping An Securities achieved an outstanding performance from its investment banking business, net profit increasing by 48.7% to RMB1,594 million in 2010 from RMB1,072 million in 2009.

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 the 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.

In 2010, the world economy presented a more complex picture. With appropriate and proactive macroeconomic policies and measures, the PRC government achieved a favourable economic development that emphasized on maintaining a steady and rapid economic development, adjusting the economic structure and managing inflation. Meanwhile, the tightening of macroeconomics measures, the adjustment of the real estate market, the launch of stock index futures and that of margin trading and securities lending had a strong impact on the capital market, triggering stronger market fluctuation with investment challenges. By conducting an in-depth research into the macroeconomic conditions, proactively grasping the market opportunities and optimising assets allocation, we gained favourable returns.

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

(in RMB million)	2010	2009
Net investment income ⁽¹⁾	25,343	18,863
Net realized and unrealized gains ⁽²⁾	4,372	12,431
Impairment losses	(540)	(392)
Others	97	(174)
Total investment income	<u>29,272</u>	<u>30,728</u>
Net investment yield (%)⁽³⁾	4.2	3.9
Total investment yield (%)⁽³⁾	<u>4.9</u>	<u>6.4</u>

- (1) Net investment income includes interest income from bonds and deposits, dividend income from equity investments, and operating lease income from investment properties, etc.
- (2) Net realized and unrealized gains include realized gains from security investments and profit or loss through fair value change.
- (3) 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.

Net investment income increased by 34.4% to RMB25,343 million in 2010 from RMB18,863 million in 2009. This improvement was primarily due to the increase in interest income from fixed maturity investments as a result of an expanded scale of investment assets as well as the increase in dividend income from equity investments as compared with the previous year. Net investment yield increased to 4.2% in 2010 from 3.9% in 2009, contributed by the increase in dividend income from equity investments.

As a result of the depressed and volatile domestic stock market, reported net realized and unrealized gains were down to RMB4,372 million in 2010 from RMB12,431 million in 2009, and impairment losses on the available-for-sale equity investments in 2010 were RMB540 million, increasing by 37.8% compared with RMB392 million in 2009.

As a result, total investment income was RMB29,272 million in 2010, compared to RMB30,728 million in 2009. Total investment yield fell to 4.9% in 2010 from 6.4% in 2009.

To manage the evolving market environment, we proactively optimized the asset allocation of our investment portfolio. The percentage of fixed maturity investments out of total investments increased to 77.8% as at December 31, 2010 from 76.0% as at December 31, 2009, and that of equity investments fell from 10.8% to 9.8%.

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

(in RMB million)	December 31, 2010		December 31, 2009	
	Carrying value	%	Carrying value	%
By category				
Fixed maturity investments				
Term deposits ⁽¹⁾	133,105	17.5	91,599	15.5
Bond investments ⁽¹⁾	451,882	59.2	351,432	59.6
Other fixed maturity investments ⁽¹⁾	8,633	1.1	5,434	0.9
Equity investments				
Equity investment funds ⁽¹⁾	22,615	3.0	19,196	3.3
Equity securities	51,673	6.8	44,380	7.5
Infrastructure investments	9,235	1.2	8,932	1.5
Cash, cash equivalents and others	85,810	11.2	68,740	11.7
Total investments	<u>762,953</u>	<u>100.0</u>	<u>589,713</u>	<u>100.0</u>
By purpose				
Carried at fair value through profit or loss	21,122	2.8	21,469	3.7
Available-for-sale	188,418	24.7	196,462	33.3
Held-to-maturity	318,937	41.8	208,299	35.3
Loans and receivables	217,771	28.5	149,204	25.3
Others	16,705	2.2	14,279	2.4
Total investments	<u>762,953</u>	<u>100.0</u>	<u>589,713</u>	<u>100.0</u>

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

General and administrative expenses

General and administrative expenses increased by 32.1% to RMB34,385 million in 2010 from RMB26,025 million in 2009, mainly due to the rapid growth of our businesses, as well as increased marketing inputs and investment in strategic initiatives.

Income tax

(in RMB million)	2010	2009
Current income tax	2,832	2,843
Deferred income tax	<u>1,577</u>	<u>2,594</u>
Total	<u>4,409</u>	<u>5,437</u>

Income tax decreased 18.9% to RMB4,409 million for 2010 from RMB5,437 million in 2009. The larger figure of 2009 was due to a one-off income tax provision the Company made based on the results of a tax inspection, while increased dividend income from certain equity investment funds which are exempted from tax contributed to a decreased effective income tax rate in 2010.

Insurance business

Life insurance business

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

(in RMB million)	2010	2009
Written premiums		
Individual life	130,146	99,863
Including: new business	42,699	31,024
renewal business	87,447	68,839
Bancassurance	27,098	27,783
Group insurance	7,204	6,857
Total written premiums ⁽¹⁾	164,448	134,503
Market share (%) ⁽²⁾	15.7	16.5

(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 China Insurance Regulatory Commission (“CIRC”).

	2010	2009
Number of customers (in thousands)		
Individual	45,318	40,737
Corporate	652	561
Total	45,970	41,298
Persistency ratio (%)		
13-month	93.1	90.8
25-month	87.0	87.3
Agent productivity		
First-year written premiums per agent per month (in RMB)	7,922	6,261
New individual life insurance policies per agent per month	1.1	1.1
Distribution network		
Number of individual life sales agents	453,392	416,570
Number of group sales representatives	2,906	3,006
Bancassurance outlets	60,222	51,269

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)	2010	2009
Premium income		
Automobile insurance	49,420	29,561
Non-automobile insurance	11,205	7,476
Accident and health insurance	1,882	1,737
	<hr/>	<hr/>
Total premium income	62,507	38,774
	<hr/> <hr/>	<hr/> <hr/>
Market share (%) ⁽¹⁾	15.4	12.9
	<hr/> <hr/>	<hr/> <hr/>

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

	2010	2009
Combined ratio (%)		
Expense ratio	37.8	41.6
Loss ratio	55.4	57.0
	<hr/>	<hr/>
Combined ratio	93.2	98.6
	<hr/> <hr/>	<hr/> <hr/>
Number of customers (in thousands)		
Individual	14,898	10,543
Corporate	1,781	1,578
	<hr/>	<hr/>
Total	16,679	12,121
	<hr/> <hr/>	<hr/> <hr/>
Distribution network		
Number of direct sales representatives	9,764	12,473
Number of insurance agents ⁽¹⁾	22,349	19,316
	<hr/> <hr/>	<hr/> <hr/>

(1) The number of insurance agents includes individual agents, professional agents and ancillary agents. The data of 2009 has been restated.

Banking business

Ping An Bank

The following tables set forth certain financial and operating data for Ping An Bank:

(in RMB million)	2010	2009
Interest income	9,331	6,674
Interest expenses	(3,893)	(3,249)
Net interest income	5,438	3,425
Net interest spread (%) ⁽¹⁾	2.18	1.77
Net interest margin (%) ⁽²⁾	2.30	1.89

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

(2) Net interest margin refers to net interest income/average interest-earning assets balance.

The following tables set forth loan mix and loan quality for Ping An Bank:

(in RMB million)	December 31, 2010	December 31, 2009
Corporate loans	85,427	67,828
Retail loans	43,172	32,165
Discounted bills	2,199	7,569
Total loans	130,798	107,562

(in RMB million)	December 31, 2010	December 31, 2009
Pass	129,497	106,166
Special mention	768	901
Sub-standard	147	218
Doubtful	153	113
Loss	233	164
Total loans	130,798	107,562
Total non-performing loans	533	495
Non-performing loan ratio	0.41%	0.46%
Impairment provision balance	1,125	772
Provision coverage ratio	211.1%	156.0%

Shenzhen Development Bank

On May 7, 2010, the Company completed the non-public directed issuance of H shares and NEWBRIDGE transferred all its shares of SDB to the Company; on June 29, SDB successfully completed its non-public directed share issuance to Ping An Life. After the completion of these two transactions, the Company and Ping An Life hold a total of 1,045 million SDB shares, representing 29.99% of its total equity.

In 2010, the Company recognized its share of profits from SDB, an associate company, of RMB1,145 million based on the equity method.

Investment business

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

(in RMB million)	2010	2009
<i>Securities business</i>		
Operating income	3,850	2,477
Net profit	1,594	1,072
	=====	=====
<i>Trust business</i> ⁽¹⁾		
Operating income	2,155	1,192
Net profit	1,039	606
	=====	=====

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

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

Consolidated Income Statement

For the year ended December 31, 2010

(in RMB million)	Notes	2010	2009
Gross written premiums and policy fees	5	159,384	112,213
Less: Premiums ceded to reinsurers		(8,181)	(6,347)
Net written premiums and policy fees		151,203	105,866
Change in unearned premium reserves		(10,079)	(5,483)
Net earned premiums		141,124	100,383
Reinsurance commission income		2,616	1,939
Interest income of banking operations	6	9,331	6,674
Fees and commission income of non-insurance operations		5,543	3,179
Investment income	7	31,083	32,023
Share of profits and losses of associates and jointly controlled entities		1,465	182
Other income		4,652	8,458
Total income		195,814	152,838
Claims and policyholders’ benefits		(115,077)	(83,946)
Commission expenses of insurance operations		(14,545)	(11,444)
Interest expenses of banking operations	6	(3,397)	(2,464)
Fees and commission expenses of non-insurance operations		(609)	(398)
Loan loss provisions, net of reversals		(626)	(228)
Foreign exchange losses		(104)	(17)
General and administrative expenses		(34,385)	(26,025)
Finance costs		(913)	(880)
Other expenses		(3,811)	(7,517)
Total expenses		(173,467)	(132,919)
Profit before tax	8	22,347	19,919
Income tax	9	(4,409)	(5,437)
Profit for the year		17,938	14,482
Attributable to:			
– Owners of the parent		17,311	13,883
– Non-controlling interests		627	599
		17,938	14,482
		RMB	RMB
Earnings per share attributable to ordinary equity holders of the parent:			
– Basic	11	2.30	1.89
– Diluted	11	2.30	1.89

Consolidated Statement of Comprehensive Income*For the year ended December 31, 2010*

(in RMB million)	<i>Note</i>	2010	2009
Profit for the year		<u>17,938</u>	<u>14,482</u>
Other comprehensive income			
Available-for-sale financial assets		(6,218)	7,249
Shadow accounting adjustments		2,358	2,448
Exchange differences on translation of foreign operations		8	66
Share of other comprehensive income of associates		(3)	21
Income tax relating to components of other comprehensive income		<u>850</u>	<u>(2,127)</u>
Other comprehensive income for the year, net of tax	<i>10</i>	<u>(3,005)</u>	<u>7,657</u>
Total comprehensive income for the year		<u>14,933</u>	<u>22,139</u>
Attributable to:			
– Owners of the parent		14,354	21,530
– Non-controlling interests		<u>579</u>	<u>609</u>
		<u>14,933</u>	<u>22,139</u>

Consolidated Statement of Financial Position

As at December 31, 2010

(in RMB million)	31 December 2010	31 December 2009
Assets		
Balances with central bank and statutory deposits	42,110	31,006
Cash and amounts due from banks and other financial institutions	203,315	158,219
Fixed maturity investments	553,652	428,417
Equity investments	86,369	82,116
Derivative financial assets	6	9
Loans and advances to customers	131,960	109,060
Investments in associates and jointly controlled entities	39,601	12,063
Premium receivables	6,298	4,576
Accounts receivable	116	3,284
Inventories	97	1,562
Reinsurers' share of insurance liabilities	6,178	4,983
Policyholder account assets in respect of insurance contracts	40,284	42,506
Policyholder account assets in respect of investment contracts	3,994	4,416
Investment properties	8,866	6,430
Property and equipment	8,170	10,666
Intangible assets	9,902	12,874
Deferred tax assets	6,496	7,001
Other assets	24,213	16,524
Total assets	1,171,627	935,712

(in RMB million)	31 December 2010	31 December 2009
Equity and liabilities		
Equity		
Share capital	7,644	7,345
Reserves	75,777	62,406
Retained profits	28,609	15,219
	<hr/>	<hr/>
Equity attributable to owners of the parent	112,030	84,970
Non-controlling interests	4,853	6,773
	<hr/>	<hr/>
Total equity	116,883	91,743
	<hr/>	<hr/>
Liabilities		
Due to banks and other financial institutions	38,822	48,122
Assets sold under agreements to repurchase	107,850	60,364
Derivative financial liabilities	15	10
Customer deposits and payables to brokerage customers	175,963	140,544
Insurance payables	20,007	14,777
Insurance contract liabilities	639,947	518,654
Investment contract liabilities for policyholders	29,991	28,951
Policyholder dividend payable	14,182	10,819
Income tax payable	1,359	381
Bonds payable	7,540	4,990
Deferred tax liabilities	869	1,007
Other liabilities	18,199	15,350
	<hr/>	<hr/>
Total liabilities	1,054,744	843,969
	<hr/>	<hr/>
Total equity and liabilities	1,171,627	935,712
	<hr/>	<hr/>

Consolidated Statement of Changes in Equity

For the year ended December 31, 2010

		2010										
		Equity attributable to owners of the parent										
		Reserves										
		Available- for-sale financial assets										
		Shadow accounting adjustments										
		Other capital reserve										
		Surplus reserve fund										
		General reserves										
		Retained profits										
		Translation of foreign operations										
		Non- controlling interests										
(in RMB million)	Note	Share capital	Share premium	financial assets	accounting adjustments	Other capital reserve	Surplus reserve fund	General reserves	Retained profits	Translation of foreign operations	Non- controlling interests	Total equity
As at 1 January 2010		7,345	51,907	4,612	(759)	-	6,208	395	15,219	43	6,773	91,743
Profit for 2010		-	-	-	-	-	-	-	17,311	-	627	17,938
Other comprehensive income for 2010	10	-	-	(4,787)	1,825	(3)	-	-	-	8	(48)	(3,005)
Total comprehensive income for 2010		-	-	(4,787)	1,825	(3)	-	-	17,311	8	579	14,933
Appropriations to surplus reserve fund		-	-	-	-	-	481	-	(481)	-	-	-
Dividend declared		-	-	-	-	-	-	-	(3,440)	-	(81)	(3,521)
Issue of capital		299	15,737	-	-	-	-	-	-	-	-	16,036
Changes in subsidiaries		-	-	-	-	110	-	-	-	-	(2,418)	(2,308)
As at 31 December 2010		7,644	67,644	(175)	1,066	107	6,689	395	28,609	51	4,853	116,883

		2009									
		Equity attributable to owners of the parent									
		Reserves									
		Available- for-sale financial assets									
		Shadow accounting adjustments									
		Surplus reserve fund									
		General reserves									
		Retained profits									
		Translation of foreign operations									
		Non- controlling interests									
(in RMB million)	Note	Share capital	Share premium	financial assets	accounting adjustments	Surplus reserve fund	General reserves	Retained profits	Translation of foreign operations	Non- controlling interests	Total equity
As at 1 January 2009		7,345	51,907	(1,033)	(2,695)	6,125	395	2,521	(23)	2,617	67,159
Profit for 2009		-	-	-	-	-	-	13,883	-	599	14,482
Other comprehensive income for 2009	10	-	-	5,645	1,936	-	-	-	66	10	7,657
Total comprehensive income for 2009		-	-	5,645	1,936	-	-	13,883	66	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		7,345	51,907	4,612	(759)	6,208	395	15,219	43	6,773	91,743

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 investment deployment. 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 office 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 and estimates

Changes in accounting policies

The Group has revised certain accounting policies following the adoption of the revised IFRSs set out below which management considers the most relevant to the Group’s current operations:

- *IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)*

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after the adoption of the revised standard. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and had no material impact on the Group’s financial statements.

Changes in accounting estimates

Material judgement is required in determining insurance contract liabilities and in choosing discount rates/investment return, mortality, morbidity, lapse rates, expenses assumptions relating to long term life insurance contracts. Such assumptions should be determined based on current information available at the end of the reporting period. The Group has changed the above assumptions based on current information available as at 31 December 2010 with the corresponding impact on insurance contract liabilities taken into the current year's income statement. As a result of such changes in assumptions, long term life insurance policyholders' reserves were increased by RMB2,175 million as at 31 December 2010 and the profit before tax for the year 2010 was reduced by RMB2,175 million, while the long term life insurance policyholders' reserves as at 31 December 2009 were reduced by RMB824 million and the profit before tax for the year 2009 was increased by RMB824 million.

3. *Changes in major subsidiaries and associates*

(1) Disposal of XJ Group Corporation ("XJ Group")

On 11 February 2010, the Company's subsidiary, China Ping An Trust Co., Ltd. ("Ping An Trust"), China Electric Power Research Institute ("CEPRI") and XJ Group entered into the "General Agreement regarding Investment in XJ Group" and the "Agreement regarding Capital Injection into XJ Group". Under the agreements, CEPRI made capital injection into XJ Group using various equity investments it held. Upon completion of this capital injection, the CEPRI obtained control of XJ Group and the relevant registration of such changes in ownership was completed on 28 May 2010. As of that date, XJ Group was no longer a subsidiary but an associate of the Group.

(2) Investment in Shenzhen Development Bank Co., Ltd. ("SDB")

On 12 June 2009, the Company signed a Share Purchase Agreement with Newbridge Asia AIV III, L.P. ("Newbridge") to purchase the 520 million SDB shares it held and Newbridge had the option to elect to receive RMB11,449 million in cash or 299 million newly issued H shares of the company as consideration. With the regulatory bodies' approvals, the Company issued about 299 million H shares as the consideration to acquire the 520 million SDB shares held by Newbridge. Upon completion of this transaction on 7 May 2010, the Group held 21.44% of the total shares of SDB and accounted for it as an associate.

On 12 June 2009, Ping An Life signed a Share Subscription Agreement with SDB to subscribe for 370 million to 585 million of new SDB shares. With the regulatory bodies' approvals, Ping An Life subscribed about 379 million SDB new shares at the consideration of RMB6,931 million. Upon completion of this transaction on 29 June 2010, the Group held 29.99% of the total shares of SDB.

4. 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 into 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 with regard to resources allocation and performance assessment. Segment performance is assessed, based on indicators such as net profit.

The segment analysis as of 31 December 2010 and for the year then ended is as follows:

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Gross written premiums and policy fees	96,877	62,507	-	-	-	-	-	159,384
Less: Premiums ceded to reinsurers	(1,357)	(6,824)	-	-	-	-	-	(8,181)
Change in unearned premium reserves	66	(10,145)	-	-	-	-	-	(10,079)
Net earned premiums	95,586	45,538	-	-	-	-	-	141,124
Reinsurance commission income	155	2,461	-	-	-	-	-	2,616
Interest income of banking operations	-	-	9,331	-	-	-	-	9,331
Fees and commission income of non-insurance operations	-	-	931	3,705	-	931	(24)	5,543
Including: inter-segment fees and commission income of non-insurance operations	-	-	7	-	-	17	(24)	-
Investment income	26,681	2,146	75	448	323	2,076	(666)	31,083
Including: Inter-segment investment income	549	34	-	21	29	33	(666)	-
Share of profits and losses of associates and jointly controlled entities	(20)	-	1,145	-	-	340	-	1,465
Other income	3,077	279	38	12	182	4,235	(3,171)	4,652
Including: Inter-segment other income	1,413	6	-	-	166	1,586	(3,171)	-
Total income	125,479	50,424	11,520	4,165	505	7,582	(3,861)	195,814
Claims and policyholders' benefits	(89,841)	(25,236)	-	-	-	-	-	(115,077)
Commission expenses of insurance operations	(8,790)	(5,934)	-	-	-	-	179	(14,545)
Interest expenses of banking operations	-	-	(3,893)	-	-	-	496	(3,397)
Fees and commission expenses of non-insurance operations	-	-	(130)	(315)	-	(181)	17	(609)
Loan loss provisions, net of reversals	-	-	(375)	-	-	(251)	-	(626)
Foreign exchange gains/(losses)	(102)	(34)	44	(1)	(5)	(6)	-	(104)
General and administrative expenses	(13,363)	(13,801)	(3,725)	(1,785)	(348)	(2,868)	1,505	(34,385)
Finance costs	(103)	(197)	-	-	(258)	(364)	9	(913)
Other expenses	(3,132)	(143)	(74)	(6)	(4)	(2,057)	1,605	(3,811)
Total expenses	(115,331)	(45,345)	(8,153)	(2,107)	(615)	(5,727)	3,811	(173,467)
Profit/(loss) before tax	10,148	5,079	3,367	2,058	(110)	1,855	(50)	22,347
Income tax	(1,731)	(1,214)	(485)	(464)	(10)	(505)	-	(4,409)
Profit/(loss) for the year	8,417	3,865	2,882	1,594	(120)	1,350	(50)	17,938

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Balances with central bank and statutory deposits	5,532	2,400	34,178	–	–	–	–	42,110
Cash and amounts due from banks and other financial institutions	161,241	31,252	10,816	17,528	680	4,664	(22,866)	203,315
Fixed maturity investments	430,236	23,643	78,178	10,354	12,437	3,434	(4,630)	553,652
Equity investments	68,860	6,360	25	1,594	3,691	5,839	–	86,369
Loans and advances to customers	800	–	129,673	–	–	1,487	–	131,960
Investments in associates and jointly controlled entities	7,646	–	26,890	–	–	5,113	(48)	39,601
Others	88,763	15,700	3,011	500	1,019	7,580	(1,953)	114,620
Segment assets	763,078	79,355	282,771	29,976	17,827	28,117	(29,497)	1,171,627
Due to banks and other financial institutions	1,845	–	26,940	–	5,230	7,510	(2,703)	38,822
Assets sold under agreements to repurchase	82,557	–	23,773	6,045	–	105	(4,630)	107,850
Customer deposits and payables to brokerage customers	–	–	182,118	14,297	–	(289)	(20,163)	175,963
Insurance payables	13,317	6,710	–	–	–	–	(20)	20,007
Insurance contract liabilities	594,189	45,758	–	–	–	–	–	639,947
Investment contract liabilities for policyholders	29,359	632	–	–	–	–	–	29,991
Policyholder dividend payable	14,182	–	–	–	–	–	–	14,182
Bonds payable	–	4,548	2,992	–	–	–	–	7,540
Others	4,644	4,360	4,270	3,090	510	5,367	(1,799)	20,442
Segment liabilities	740,093	62,008	240,093	23,432	5,740	12,693	(29,315)	1,054,744

The segment analysis as of 31 December 2009 and for the year then ended 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 jointly controlled entities	(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	(67,711)	(16,235)	–	–	–	–	–	(83,946)
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	(2,771)	(236)	(72)	(1)	(18)	(4,493)	74	(7,517)
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	<u>10,374</u>	<u>675</u>	<u>1,080</u>	<u>1,072</u>	<u>(118)</u>	<u>1,442</u>	<u>(43)</u>	<u>14,482</u>
Balances with central bank and statutory deposits	5,400	800	24,806	–	–	–	–	31,006
Cash and amounts due from banks and other financial institutions	111,614	18,602	21,827	17,053	7,572	5,124	(23,573)	158,219
Fixed maturity investments	330,725	14,663	64,587	5,382	11,512	1,548	–	428,417
Equity investments	64,783	5,248	25	1,564	5,346	5,150	–	82,116
Loans and advances to customers	800	–	106,791	–	–	1,549	(80)	109,060
Investments in associates and jointly controlled entities	7,569	–	–	–	–	4,542	(48)	12,063
Others	83,460	11,537	2,770	387	528	17,444	(1,295)	114,831
Segment assets	<u>604,351</u>	<u>50,850</u>	<u>220,806</u>	<u>24,386</u>	<u>24,958</u>	<u>35,357</u>	<u>(24,996)</u>	<u>935,712</u>

(in RMB million)	Life insurance	Property and casualty insurance	Banking	Securities	Corporate	Others	Elimination	Total
Due to banks and other financial institutions	2,035	–	31,212	–	4,430	11,774	(1,329)	48,122
Assets sold under agreements to repurchase	31,773	1,200	19,783	4,316	2,000	1,292	–	60,364
Customer deposits and payables to brokerage customers	–	–	149,066	13,842	–	(40)	(22,324)	140,544
Insurance payables	9,898	4,971	–	–	–	–	(92)	14,777
Insurance contract liabilities	489,791	28,863	–	–	–	–	–	518,654
Investment contract liabilities for policyholders	27,933	1,018	–	–	–	–	–	28,951
Policyholder dividend payable	10,819	–	–	–	–	–	–	10,819
Bonds payable	–	2,000	2,990	–	–	–	–	4,990
Others	3,226	3,637	3,316	1,293	623	5,774	(1,121)	16,748
Segment liabilities	575,475	41,689	206,367	19,451	7,053	18,800	(24,866)	843,969

5. *Gross written premiums and policy fees*

(in RMB million)	2010	2009
Gross written premiums, policy fees and premium deposits	226,955	173,277
Less: Premium deposits of policies without significant insurance risk transfer	(3,221)	(3,016)
Premiums deposits unbundled from universal life and investment-linked products	(64,350)	(58,048)
Gross written premiums and policy fees	159,384	112,213
Long term life business gross written premiums and policy fees	90,685	67,513
Short term life business gross written premiums	6,192	5,926
Property and casualty business gross written premiums	62,507	38,774
Gross written premiums and policy fees	159,384	112,213

6. *Net interest income of banking operations*

(in RMB million)	2010	2009
Interest income of banking operations		
Loans and advances to customers	6,530	4,853
Balances with central bank	394	294
Bonds	1,795	1,184
Amounts due from banks and other financial institutions	612	343
	9,331	6,674
Interest expenses of banking operations		
Customer deposits	2,122	1,782
Due to banks and other financial institutions	1,150	619
Bonds payable	125	63
	3,397	2,464
Net interest income of banking operations	5,934	4,210

7. *Investment income*

(in RMB million)	2010	2009
Net investment income	25,972	19,076
Realized gains	5,788	11,563
Unrealized (losses)/gains	(137)	1,814
Impairment losses	(540)	(430)
Total investment income	31,083	32,023

(1) Net investment income

(in RMB million)	2010	2009
Interest income of non-banking operations on fixed maturity investments		
Bonds		
– Held-to-maturity	11,191	6,414
– Available-for-sale	6,097	6,128
– Carried at fair value through profit or loss	414	436
– Loans and receivables	56	–
Term deposits		
– Loans and receivables	4,845	3,552
Current accounts		
– Loans and receivables	388	420
Others		
– Loans and receivables	813	716
Dividend income on equity investments		
Equity investment funds		
– Available-for-sale	1,595	597
– Carried at fair value through profit or loss	186	241
Equity securities		
– Available-for-sale	728	427
– Carried at fair value through profit or loss	23	26
Operating lease income from investment properties	443	441
Interest expenses on assets sold under agreements to repurchase and replacements from banks and other financial institutions	(807)	(322)
	25,972	19,076

(2) Realized gains/(losses)

(in RMB million)	2010	2009
Fixed maturity investments		
– Available-for-sale	3,081	1,772
– Carried at fair value through profit or loss	31	293
Equity investments		
– Available-for-sale	2,313	9,448
– Carried at fair value through profit or loss	(87)	266
– Subsidiaries	450	(1)
Derivative financial instruments		
– Carried at fair value through profit or loss	–	(215)
	5,788	11,563

(3) Unrealized gains/(losses)

(in RMB million)	2010	2009
Fixed maturity investments		
– Carried at fair value through profit or loss	(174)	(428)
Equity investments		
– Carried at fair value through profit or loss	43	1,996
Derivative financial instruments		
– Carried at fair value through profit or loss	(6)	246
	(137)	1,814

(4) Impairment losses

(in RMB million)	2010	2009
Equity investments		
– Available-for-sale	(540)	(430)
	(540)	(430)

8. *Profit before tax*

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

(in RMB million)	2010	2009
Employee costs (Supplementary Information 8. (2))	12,806	9,597
Cost of sales from XJ Group	1,391	3,900
Interest expenses on investment contract reserves	748	1,190
Provision for insurance guarantee fund	784	550
Regulatory charges	249	188
Depreciation of investment properties	254	207
Depreciation of property and equipment	1,224	1,167
Amortization of intangible assets	620	620
Rental expenses	1,811	1,327
Advertising expenses	2,184	1,177
Traveling expenses	743	590
Office miscellaneous expenses	1,056	960
Other taxes	157	133
Postage and telecommunication expenses	838	622
Vehicle and vessel usage tax	533	747
Losses on disposal of settled assets	–	11
Gains on disposal of investment properties, property and equipment	(20)	(194)
Provision for doubtful debts, net	292	5
Provision for loan, net	626	228
Auditors' remuneration – annual audit, half-year review and quarterly agreed-upon procedures	39	36

(2) Employee costs

(in RMB million)	2010	2009
Wages, salaries and bonuses	10,491	7,864
Retirement benefits, social security contributions and welfare benefits	2,315	1,733
	<u>12,806</u>	<u>9,597</u>

9. Income tax

(in RMB million)	2010	2009
Current income tax	2,832	2,843
Deferred income tax	1,577	2,594
	<u>4,409</u>	<u>5,437</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 unified the 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 would be transited to 25% over five years. During the transitional period, the applicable CIT rate for applicable subsidiaries and branches would 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 2010 was 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 was 16.5% for 2010 (2009: 16.5%).

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate of 22% (2009: 20%) is as follows:

(in RMB million)	2010	2009
Profit before tax	<u>22,347</u>	<u>19,919</u>
Tax computed at the applicable tax rate of 22% (2009:20%)	4,916	3,984
Tax effect of expenses not deductible in determining taxable income	1,287	892
Tax effect of income not taxable in determining taxable income	(1,779)	(1,089)
Tax effect of different tax rates in current year and future years	15	(142)
Tax effect of higher tax rate on branches and entities (in the PRC) located outside Special Economic Zones	176	74
Additional tax payable for 2004 – 2006	–	1,099
Impact of tax practices introduced in 2010 on taxation for 2009	–	619
Tax losses utilised from previous years	(229)	–
Additional tax provision	<u>23</u>	<u>–</u>
Income tax per consolidated income statement	<u><u>4,409</u></u>	<u><u>5,437</u></u>

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

10. *Other comprehensive income*

(in RMB million)	2010	2009
Gains/(losses) of available-for-sale financial assets arising during the year	(1,439)	17,950
Less: Income tax relating to available-for-sale financial assets	1,373	(1,628)
Reclassification adjustments for losses/(gains) included in income statement		
– Losses/(gains) on disposal	(5,319)	(11,131)
– Impairment losses	540	430
	(4,845)	5,621
Gains/(losses) of shadow accounting adjustments arising during the year	328	(1,942)
Less: Income tax relating to shadow accounting adjustments	(523)	(499)
Reclassification adjustments for losses included in income statement	2,030	4,390
	1,835	1,949
Exchange differences on translation of foreign operations	8	66
Share of other comprehensive income of associates	(3)	21
	(3,005)	7,657

11. *Earnings per share*

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

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

	2010	2009
Net profit attributable to ordinary shareholders (in RMB million)	17,311	13,883
Weighted average number of outstanding shares of the Company (million shares)	7,519	7,345
Basic earnings per share (in RMB)	2.30	1.89
Diluted earnings per share (in RMB)	2.30	1.89

12. Dividends

(in RMB million)	2010	2009
Interim dividend – RMB0.15 (2009: RMB0.15) per ordinary share	<u>1,147</u>	<u>1,102</u>
Proposed final dividend – RMB0.40 (2009: RMB0.30) per ordinary share (not recognized as a liability as at 31 December)	<u>3,058</u>	<u>2,294</u>

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

On 16 April 2010, the Board approved the Resolution of the Profit Appropriation Plan for 2009, agreeing to declare a final cash dividend of RMB0.30 per share for 2009 which amounted to RMB2,204 million based on the total shares of 7,345 million outstanding at that point in time. On 29 June 2010, at the shareholders' general meeting of the Company, the shareholders approved the above Profit Appropriation Plan and the resolution of "Declaration of 2009 Final Dividend to the Newly Issued H Shares", which proposed to declare a final cash dividend of RMB0.30 per share for 2009 to the new H share shareholder Newbridge, amounting to RMB90 million. In total, the shareholders' general meeting of the Company approved RMB2,294 million of a final dividend for 2009.

13. Distributable reserves

As at December 31, 2010, the Company's reserves available for distribution totalled RMB4,928 million, of which RMB3,058 million has been proposed as a final dividend for the year. The retained profits were carried forward to 2011. In addition, the Company's capital reserve and surplus reserve fund, in the amount of RMB74,333 million, may be distributed by a future capitalization issue.

14. 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.

15. *Contingent liabilities*

Owing to the nature of the insurance and financial service business, the Group is involved in estimates for 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.

16. *Other significant events*

On 1 September 2010 and 14 September 2010, the Group and SDB entered into a share subscription agreement and a supplementary agreement respectively. According to the two agreements, the Group would subscribe to 1,638 million ordinary A shares specifically issued by SDB, and the consideration would be 7,825 million shares in Ping An Bank (approximately 90.75% of Ping An Bank's total issued shares) held by the Company and RMB2,690 million of cash. The above deal was approved by the shareholders of the Company on 1 November 2010 and the transaction is subject to regulatory approvals. As of 31 December 2010, the Company directly and indirectly held 29.99% of SDB's total issued shares. Upon the completion of the transaction, the equity interest in SDB held by the Group will increase to 52.38% and the Company will become the controlling shareholder of SDB.

17. *Post balance sheet events*

- (1) The Company entered into the "Subscription Agreement relating to the Subscription for H Shares in Ping An Insurance (Group) Company of China, Ltd." ("Subscription Agreement") with JINJUN LIMITED ("JINJUN"), a company wholly owned by Chow Tai Fook Nominee Limited on 14 March 2011 according to the resolution of the Board. Pursuant to the resolution, the Company would issue 272 million H shares at the price of HKD71.50 per share to JINJUN at the aggregate consideration of HKD19,448 million. The directional add-issuance is subject to approvals from relevant regulatory bodies and the Stock Exchange.
- (2) On 29 March 2011, the directors proposed to distribute a final dividend of RMB3,058 million as stated in Supplementary Information 12.

The financial figures above in respect of the Announcement of Audited Results for the Year Ended December 31, 2010 (the “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, 2010. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the Announcement.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Foreign currency-denominated assets 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, 2010 (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>128</u>	<u>1,189</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, 2010.

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 2010 embedded value report, relevant contract liabilities of life insurance business were measured according to the assessment standards of the liabilities pursuant to the solvency regulations, and the income tax was 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, 2010	December 31, 2009
	Earned Rate/	Earned Rate/
Risk discount rate	11.0%	11.0%
Adjusted net asset value	123,573	94,606
Adjusted net asset value of life insurance business	43,673	40,052
Value of in-force insurance business written prior to June 1999	(9,858)	(11,614)
Value of in-force insurance business written since June 1999	104,816	86,579
Cost of holding the required solvency margin	(17,545)	(14,314)
Embedded value	200,986	155,258
Embedded value of life insurance business	121,086	100,704
	December 31, 2010	December 31, 2009
(in RMB million)		
Risk discount rate	11.0%	11.0%
Value of one year's new business	18,192	13,945
Cost of holding the required solvency margin	(2,686)	(2,141)
Value of one year's new business after cost of solvency	15,507	11,805

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, 2010 to December 31, 2010 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 in the Corporate Governance Report contained in the Company's 2010 annual report.

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 Thursday, June 16, 2011 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, 2010, the H shares register of members will be closed from Tuesday, May 17, 2011 to Thursday, June 16, 2011, both days inclusive. Holders of the Company's H shares whose names appear on the register of members on Thursday, June 16, 2011 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, 2010, 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 Monday, May 16, 2011. 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, 2010 will be separately announced in the PRC.

FINAL DIVIDEND

The Board recommended that a final dividend of RMB0.40 (tax inclusive) per share for the year ended December 31, 2010, subject to the approval of shareholders of the Company at the forthcoming annual general meeting. If approved, holders of H shares whose names appear on the Company's register of members of H shares on Thursday, June 16, 2011 (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, 2010 will be separately announced in the PRC.

On the 13th Meeting of the 8th Session of the Board of Directors, the Company has approved the direct issuance of 272,000,000 new H shares to JINJUN LIMITED. If the direct issuance is approved by the relevant regulatory authorities and the issue of new H shares is completed on or before the Record Date, such 272,000,000 new H shares issued under the direct issuance shall also be entitled to the 2010 final dividend of RMB0.40 (tax inclusive) per share, which in aggregate amount to RMB108.8 million.

AUDIT AND RISK MANAGEMENT COMMITTEE

The audit and risk management committee of the Board of Directors of the Company (the "Audit and Risk Management 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 and Risk Management 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, 2010.

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 2010 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 websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pingan.com) in due course.

By order of the Board

Ma Mingzhe

Chairman and Chief Executive Officer

Shenzhen, PRC, March 29, 2011

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, Li Zhe, Guo Limin and David Fried; 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.