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### Cautionary Statements Regarding Forward-Looking Statements

To the extent any statements made in this report contains information that is not historical are essentially forward-looking. These forward-looking statements include but are not limited to projections, targets, estimates and business plans that the Company expects or anticipates will or may occur in the future. These forward-looking statements are subject to known and unknown risks and uncertainties that may be general or specific. Certain statements, such as those include the words or phrases "potential", "estimates", "expects", "anticipates", "objective", "intends", "plans", "believes", "will", "may", "should", and similar expressions or variations on such expressions may be considered forward-looking statements.

Readers should be cautioned that a variety of factors, many of which are beyond the Company's control, affect the performance, operations and results of the Company, and could cause actual results to differ materially from the expectations expressed in any of the Company's forward-looking statements. These factors include, but are not limited to, exchange rate fluctuations, market shares, competition, environmental risks, changes in legal, financial and regulatory frameworks, international economic and financial market conditions and other risks and factors beyond our control. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. In addition, the Company undertakes no obligation to publicly update or revise any forward-looking statement that is contained in this report as a result of new information, future events or otherwise. None of the Company, or any of its employees or affiliates is responsible for, or is making, any representations concerning the future performance of the Company.

# Introduction

**Ping An is China's leading integrated financial services group.** Our seamless structure allows us to serve the insurance, banking and investment needs of about 56 million individual customers and over 2 million corporate clients. We do this by combining local knowledge with high international standards of corporate governance.

## HIGHLIGHTS

- Our three pillars: insurance, banking and investment businesses achieved solid growth and are well-positioned for further development.
- Our strategic investment in Shenzhen Development Bank made breakthrough progress.
- Net profit reached RMB9,866 million, up 27.9% compared to the same period last year.
- First-year written premiums from individual life insurance business recorded 52.1% growth over the same period last year; property and casualty insurance business achieved substantial improvement in both scale and quality.

### Total Assets (in RMB million)



### Total Income (in RMB million)



### Total Equity (in RMB million)



### Net Profit (in RMB million)



### Total Liabilities (in RMB million)



### Basic Earnings Per Share (in RMB)



# Corporate information

## REGISTERED NAMES

### Chinese name

中國平安保險(集團)股份有限公司

### Short name of the Company (Chinese)

中國平安

### English name

Ping An Insurance (Group) Company of China, Ltd.

### Short name of the Company (English)

Ping An of China

## LEGAL REPRESENTATIVE

MA Mingzhe

## AUTHORIZED REPRESENTATIVES

SUN Jianyi

YAO Jun

## SECRETARY TO THE BOARD

YAO Jun

## COMPANY SECRETARY

YAO Jun

## REPRESENTATIVE OF SECURITIES AFFAIRS

ZHOU Qiang

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## REGISTERED ADDRESS

15/F, 16/F, 17/F and 18/F,  
Galaxy Development Centre,  
Fu Hua No. 3 Road,  
Futian District,  
Shenzhen, Guangdong Province, China

## PLACE OF BUSINESS

15/F, 16/F, 17/F and 18/F,  
Galaxy Development Centre,  
Fu Hua No. 3 Road,  
Futian District,  
Shenzhen, Guangdong Province, China

## POSTAL CODE

518048

## COMPANY WEBSITE

<http://www.pingan.com>

## DESIGNATED NEWSPAPERS FOR INFORMATION DISCLOSURE OF A SHARE

China Securities Journal,  
Shanghai Securities News,  
Securities Times and Securities Daily

## WEBSITE DESIGNATED BY CSRC FOR THE PUBLICATION OF THE REGULAR REPORT OF THE COMPANY

<http://www.sse.com.cn>

## REGULAR REPORT AVAILABLE FOR INSPECTION

Board office of the Company

## TYPE OF STOCK AND LISTING PLACE

A share The Shanghai Stock Exchange

H share The Stock Exchange of Hong Kong Limited

## STOCK NAME AND STOCK CODE

A share Ping An of China 601318

H share Ping An of China 2318

## CONSULTING ACTUARIES

Ernst & Young (China) Advisory Limited

## AUDITORS AND PLACE OF BUSINESS

### Domestic auditor

Ernst & Young Hua Ming

Level 16, Ernst & Young Tower E3,

Oriental Plaza

No. 1 East Chang An Ave.

Dong Cheng District, Beijing, China

### International auditor

Ernst & Young

18th Floor, Two International Finance Centre,

8 Finance Street,

Central, Hong Kong

## LEGAL ADVISORS

DLA Piper Hong Kong

## H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

## AMERICAN DEPOSITARY SHARES

The Bank of New York

## OTHER RELEVANT INFORMATION

### First-time registration date

March 21, 1988

### Place of registration

State Administration for Industry and

Commerce of the PRC

### Registration number of the business license of the legal entity

100000000012314

### Tax registration numbers

Guo Shui Shen Zi No. 440300100012316

Shen Di Shui Zi No. 440300100012316

### Organization code

10001231-6

# Financial highlights

(in RMB million)	For the six months ended June 30, 2010/ June 30, 2010	For the six months ended June 30, 2009/ December 31, 2009
<b>GROUP<sup>(1)</sup></b>		
Total income	<b>96,980</b>	75,171
Net profit	<b>9,866</b>	7,712
Basic earnings per share (in RMB)	<b>1.30</b>	1.02
Total assets	<b>1,032,908</b>	935,712
Total liabilities	<b>923,013</b>	843,969
Total equity	<b>109,895</b>	91,743
Net investment yield (%)	<b>4.1</b>	3.7
Total investment yield (%)	<b>3.7</b>	4.8
Embedded value	<b>184,338</b>	155,258
<b>INSURANCE BUSINESS</b>		
<b>Life Insurance Business<sup>(1)</sup></b>		
Written premiums	<b>93,125</b>	73,921
Net profit	<b>6,551</b>	6,942
Net investment yield (%)	<b>4.1</b>	3.8
Total investment yield (%)	<b>3.8</b>	5.2
Solvency margin ratio - Ping An Life (%)	<b>206.3</b>	226.7
<b>Property and Casualty Insurance Business<sup>(1)</sup></b>		
Premium income	<b>30,191</b>	18,764
Net profit	<b>1,088</b>	(25)
Net investment yield (%)	<b>3.6</b>	3.6
Total investment yield (%)	<b>3.3</b>	4.1
Combined ratio (%)	<b>96.5</b>	101.2
Solvency margin ratio - Ping An Property & Casualty (%)	<b>136.2</b>	143.6
<b>BANKING BUSINESS<sup>(2)</sup></b>		
Net interest income	<b>2,457</b>	1,508
Net profit	<b>1,104</b>	577
Net interest spread (%)	<b>2.0</b>	1.7
Net interest margin (%)	<b>2.1</b>	1.8
Cost/income ratio (%)	<b>50.5</b>	54.4
Total deposits	<b>167,839</b>	149,065
Total loans	<b>120,621</b>	107,562
Capital adequacy ratio (%)	<b>11.8</b>	13.0
Non-performing loan ratio (%)	<b>0.45</b>	0.46
<b>INVESTMENT BUSINESS</b>		
<b>Securities Business</b>		
Total income	<b>1,814</b>	863
Net profit	<b>828</b>	367
<b>Trust Business</b>		
Total income	<b>706</b>	413
Net profit	<b>326</b>	192

(1) The figures of corresponding period 2009 have been restated according to the accounting policies adopted by the Company after implementation of No. 2 Interpretation.

(2) Net profit includes investment income based on the equity method from Shenzhen Development Bank, an associate of the Company. The other figures only refer to Ping An Bank.

# Chairman's statement

We will pursue relentlessly our strategic plans to build an integrated financial services platform, with balanced development of our three core businesses - insurance, banking and investment, and push ahead with the merger of Ping An Bank and Shenzhen Development Bank.

In the first half of 2010, the world's financial markets were preoccupied with fears on Europe's sovereign debt crisis and concerns of a setback in the global economic recovery. In contrast, China's economy continued its robust and steady growth. However, challenges remained. Faced with such a complex situation, Ping An kept focus on its stated strategic direction and operational targets for the year, continuing to drive towards achieving the goal of building an integrated financial services model. Our core businesses, insurance, banking and investment, all recorded healthy and strong growth. Concurrently, we made a major breakthrough in our strategic investment in Shenzhen Development Bank. For the six months ended June 30, 2010, the Company achieved a net profit of RMB9,866 million, representing an increase of 27.9% compared with the same period last year. This on one hand, was due to the rapid growth in written premiums from our insurance businesses. On the other hand, strong profit growth from our banking, securities and trust businesses also made a significant contribution.

Looking back over the first half of the year, our notable achievements are highlighted below:

- **Our insurance businesses maintained a healthy and fast growing momentum with a significant increase in written premiums from our individual life insurance new businesses. Our property and casualty insurance business made significant progress in improving both scale and quality.** Our life insurance business boosted its efforts to expand its profitable individual life insurance business over the period. First-year written premiums from individual life insurance business soared, increasing 52.1% compared with the corresponding period in 2009. Leveraging specialized sales channels, Ping An Property & Casualty achieved 61.1% significant growth in premium income in the first half of 2010 and its market share increased by 1.5 percentage points compared with the end of 2009. As the quality of our property and casualty insurance business further improved, the combined ratio decreased by 4.7 percentage points to 96.5% from the corresponding period of last year. In addition, three major performance indicators of our annuity business - annuity payments received, assets entrusted and assets under investment management - all maintained leading position in the industry.
- **Our strategic investment in Shenzhen Development Bank made breakthrough progress. Ping An Bank delivered strong**

**results and robust business growth.** We made steady progress in our strategic investment in Shenzhen Development Bank. As at June 30, 2010, we hold 29.99% shares in the company. As an associate company of Ping An since May, Shenzhen Development Bank has already started to contribute profit to Ping An. At the same time, Ping An Bank also achieved good performance and superb organic growth, realizing a net profit of RMB900 million in the first half of 2010, an increase of 56.0% on a year-on-year basis. As our business expanded rapidly, our non-performing loan ratio was comfortably controlled at an industry leading level of 0.45% and capital adequacy ratio at 11.8%. Our retail deposits and credit card businesses are growing rapidly, with cross-selling driving a significant part of the strong growth.

- **Investment banking business of Ping An Securities continued to hold its leading position in the market. The transformation of our trust business progressed smoothly.** Ping An Securities reported a growth of 125.6% in net profit. Our investment banking arm continued to maintain its leading position in the SMEs and the GEM underwriting market, sponsoring 22 IPOs and 6 refinancing projects as a lead underwriter. We ranked top in the league table by number of deals and volume of underwriting fees received. Ping An Trust strived to build an asset management platform serving high worth individuals. Driven by the product innovation and the expanded direct sales channels, the scale of high margin products increased steadily.



1. In March 2010, Ping An launched "Green Commitments, Ping An China" Low Carbon 100 campaign, aiming to promote sustainable social development through innovation in financial products and services.



2. In July 2010, Ping An again made Fortune's Global 500 list and was ranked No.1 among the PRC non state-owned enterprises with the place of 383.

In 2010, the Ping An brand continued its outstanding performance in the market. The Company received widespread recognition from domestic and overseas rating agencies and media for its comprehensive strength, corporate governance and corporate social responsibility, as evidenced by several awards received including:

- In January 2010, the Fifth China International Conference on Corporate Social Responsibility was held at the Great Hall of the People. At the event, Ping An was awarded the “Most Responsible Enterprise in China” for the fourth consecutive year and became the only financial insurance corporation among the 15 award winners.
- In March 2010, Ping An was named the “Best Managed Insurance Company in Asia” for the second year in a row in a survey by the international well-known financial magazine *Euromoney*.
- In May 2010, Ping An received four Awards of Excellence from the distinguished financial magazine *Finance Asia*, namely the “Best Managed Company”, “Best Investor Relations”, “Best Corporate Social Responsibility” and “Most Committed to a Strong Dividend Policy”.
- In July 2010, Ping An was successfully elected as the “Best Low-carbon Enterprise in China” jointly by the *Economic Observer* and the Economic Observer Research Institute and was the only financial insurance corporation among the top 20 enterprises.
- In July 2010, Ping An again made *Fortune’s* Global 500 list and was ranked top among the PRC non-state owned enterprises. We occupied the 383rd position in the overall list, jumping 79 places from our previous ranking in 2008.

In the first half of the year, we got lots of support and understanding from the relevant regulatory bodies and community at large on our strategic investment in Shenzhen Development Bank. After the share-swap transaction with NEWBRIDGE and subscription of new shares of Shenzhen Development Bank, we are now the largest shareholder of Shenzhen Development Bank. We fully understand that the completion of previous investment transactions just signifies a start. The key to value creation and synergy lies in how to get the best part of the two banks and fully leverage on our integrated financial strategy. We will comply with laws and regulations and achieve a balance of interests. In future, we will pursue on the restructuring and integration of Shenzhen Development Bank and Ping An Bank. We aim at a “win-win” situation for different parties.



Looking into the second half of the year, China’s economy is expected to continue its robust growth. However, at the same time, we face challenges caused by the fade out of stimulus monetary policies and economic structural adjustments. As market expectations on the timing and magnitude of interest rates increase ease, it is possible that the bond yields will remain at a relatively low level. Together with the volatile stock market, all these will put pressure on our second half year results. In order to maintain steady growth in each business line and improve the overall value of the Company in a sustainable way under such a complex economic situation, we will pursue relentlessly to push ahead with the implementation of our stated plans to build an integrated financial services platform. While continuously focusing on the healthy growth of our insurance business, we will accelerate the pace of development of our banking and investment businesses and push ahead with the centralization of the mid- and back-office operations to reinforce the foundations of the integrated platform of our financial services and to fully support enhanced cross-selling. We will continue to make progress on the merger of Ping An Bank and Shenzhen Development Bank, further exploiting and leveraging the synergies, and will move steadily forward towards our goal of developing Ping An into a leading international integrated financial services provider.

Chairman and Chief Executive Officer

Shenzhen, PRC  
August 24, 2010

# Management discussion and analysis<sup>1</sup>

## Overview

- Our three pillars: insurance, banking and investment businesses achieved solid growth and are well-positioned for further development.
- Our strategic investment in Shenzhen Development Bank made breakthrough progress.
- Net profit reached RMB9,866 million, up 27.9% compared to the same period last year.

We offer a broad variety of financial products and services to clients under a single brand. We achieve this through a multitude of distribution networks and leverage the capabilities of our major subsidiaries, which include Ping An Life, Ping An Property & Casualty, Ping An Trust, Ping An Securities, Ping An Bank, Ping An Annuity, Ping An Health, Ping An Asset Management, and Ping An Asset Management (Hong Kong).

During the first half of 2010, China continued its momentum of development and achieved rapid economic growth, despite the unsteady recovery of the global economy. Leveraging this relatively stable operating environment in China, the Company accelerated the development of integrated finance. Our three pillars: insurance, banking and investment, all achieved rapid and healthy growth. Written premiums from our new individual life insurance business grew vigorously. Property and casualty insurance business achieved substantial improvement in both scale and quality. Annuity business continued to maintain its leading position in the market. Total assets of Ping An Bank expanded rapidly with the number of credit cards issued approaching 5 million. Our investment business swiftly adapted to the changes in the capital market. Investment banking business of

Ping An Securities accomplished remarkable achievements, and the transformation of the individual trust business advanced smoothly. Our investment in the banking business achieved substantive results as we made steady progress in our strategic investment in Shenzhen Development Bank. This was an important step forward towards our goal to develop into a leading international integrated financial services provider.

For the six months ended June 30, 2010, the Company recorded a net profit of RMB9,866 million, representing an increase of 27.9% compared to the same period last year. This was partly attributable to the sharp increase in written premiums of the insurance business, and partly due to the strong growth in profit generated by banking, securities and trust businesses.

### CONSOLIDATED RESULTS

For the six months ended June 30 (in RMB million)	2010	2009
Total income	<b>96,980</b>	75,171
Total expenses	<b>(84,772)</b>	(64,044)
Profit before tax	<b>12,208</b>	11,127
Net profit	<b>9,866</b>	7,712

<sup>1</sup> The figures of corresponding period 2009 have been restated according to the accounting policies adopted by the Company after implementation of No. 2 Interpretation.



## NET PROFIT BY BUSINESS SEGMENT

For the six months ended June 30 (in RMB million)	2010	2009
Life insurance	<b>6,551</b>	6,942
Property and casualty insurance	<b>1,088</b>	(25)
Banking	<b>1,104</b>	577
Securities	<b>828</b>	367
Other businesses <sup>(1)</sup>	<b>295</b>	(149)
<b>Net profit</b>	<b>9,866</b>	7,712

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

For a detailed analysis of the operational results of each business line, please refer to the respective sections below.

## 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 assets of insurance funds account for a majority of the investment assets of the Group. This section analyzes the investment portfolio of insurance funds.

### Investment Income

For the six months ended June 30 (in RMB million)	2010	2009
Net investment income <sup>(1)</sup>	<b>12,618</b>	8,746
Net realized and unrealized gains <sup>(2)</sup>	<b>(2,156)</b>	5,562
Impairment losses	<b>(89)</b>	(270)
Others	<b>(8)</b>	(114)
<b>Total investment income</b>	<b>10,365</b>	13,924
Net investment yield (%) <sup>(3)</sup>	<b>4.1</b>	3.7
Total investment yield (%) <sup>(3)</sup>	<b>3.7</b>	4.8

(1) Net investment income includes interest income from bonds and deposits, dividend income from equity investments, and operating lease income from investment properties.

(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 from the calculation of the above yields. Average investment assets used as the denominator are computed based on the Modified Dietz method in principle.

Net investment income increased by 44.3% to RMB12,618 million in the six months ended June 30, 2010 from RMB8,746 million in the same period 2009. This was primarily due to the increase of interest income from fixed maturity investments as a result of the increase in scale of investment assets, as well as the increase in dividend income from equity investments as compared with the same period 2009. Net investment yield increased to 4.1% in the six months ended June 30, 2010 from 3.7% in the same period 2009, mainly because of the above mentioned increase in dividend income from equity investments.

As total investment income declined by 25.6% to RMB10,365 million in the six months ended June 30, 2010 from RMB13,924 million in the same period 2009, total investment yield fell to 3.7% from 4.8%. This was mainly due to the significant reduction in net realized and unrealized gains as a result of the depressed and volatile domestic stock market.

### Investment Portfolio

In the first half of 2010, the macroeconomic policies implemented by the PRC government were tightened, and bank lending slowed down. Dragged by real estate control policies and the launch of stock index futures, the A-share stock market tumbled significantly. The Hong Kong stock market also underwent considerable corrections. Bond rates fell sharply and hovered at a low level. Against this backdrop, the Company conducted in-depth studies of the macroeconomic conditions in order to mitigate market risks and adjusted the ratio of equity assets to total investments in a timely manner. The Company continued to seek high yield fixed income products and steadily increased its investments in such products so as to strengthen its avenue for fixed rate returns.

# Management discussion and analysis

## Overview

We have proactively optimized the asset allocation of investment portfolio to respond to the new economic environment. The percentage of fixed maturity investments increased to 79.3% of total investments as at June 30, 2010 from 76.0% as at December 31, 2009, while the equity investments decreased from 10.8% to 8.1%.

The following table sets out the allocations of our investment portfolio with regard to our insurance funds:

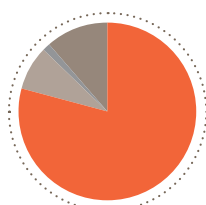
(in RMB million)	June 30, 2010		December 31, 2009	
	Carrying Value	%	Carrying Value	%
<b>By category</b>				
Fixed maturity investments				
Term deposits <sup>(1)</sup>	101,758	15.5	91,599	15.5
Bond investments <sup>(1)</sup>	411,131	62.7	351,432	59.6
Other fixed maturity investments <sup>(1)</sup>	7,025	1.1	5,434	0.9
Equity investments				
Equity investment funds <sup>(1)</sup>	16,236	2.5	19,196	3.3
Equity securities	36,967	5.6	44,380	7.5
Infrastructure investments	9,121	1.4	8,932	1.5
Cash, cash equivalents and others	73,409	11.2	68,740	11.7
<b>Total investments</b>	<b>655,647</b>	<b>100.0</b>	<b>589,713</b>	<b>100.0</b>
<b>By purpose</b>				
Carried at fair value through profit or loss	20,260	3.1	21,469	3.7
Available-for-sale	189,974	29.0	196,462	33.3
Held-to-maturity	257,390	39.3	208,299	35.3
Loans and receivables	173,288	26.4	149,204	25.3
Others	14,735	2.2	14,279	2.4
<b>Total investments</b>	<b>655,647</b>	<b>100.0</b>	<b>589,713</b>	<b>100.0</b>

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

### Investment portfolio

(%)

June 30, 2010 (December 31, 2009)



- Fixed maturity investments - 79.3 (76.0)
- Equity investments - 8.1 (10.8)
- Infrastructure investments - 1.4 (1.5)
- Cash, cash equivalents and others - 11.2 (11.7)

### FOREIGN CURRENCY LOSSES

In the first half of 2010, the Renminbi appreciated slightly against other major currencies, especially the US dollar. As a result, we recorded a net exchange loss of RMB28 million on foreign currency-denominated assets in the six months ended June 30, 2010 as compared to a loss of RMB17 million in the same period 2009.

### GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by 42.4% to RMB15,611 million in the six months ended June 30, 2010 from RMB10,959 million in the same period 2009, mainly due to the rapid growth of our businesses, as well as increased marketing inputs and investment in strategic initiatives.

### INCOME TAX

For the six months ended  
June 30 (in RMB million)

	2010	2009
Current income tax	<b>1,315</b>	2,747
Deferred income tax	<b>1,027</b>	668
Total	<b>2,342</b>	3,415

Income tax decreased by 31.4% to RMB2,342 million in the six months ended June 30, 2010 from RMB3,415 million in the same period 2009, mainly due to two reasons. First, taxable income of subsidiaries decreased due to the increase in dividend income from certain equity investment funds, which are exempted from tax. Second, the Company made one-off corporate income tax provisions of RMB812 million in the first half of 2009 based on the results of a tax inspection.

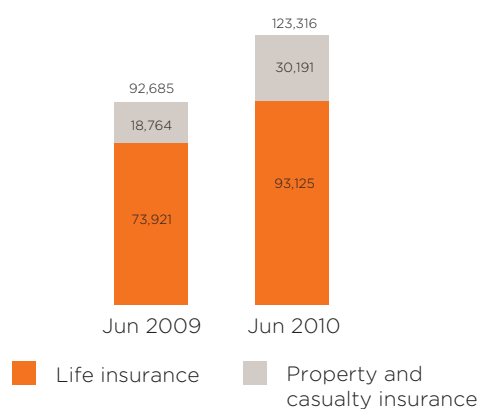
# Management discussion and analysis

## Insurance business

- First-year written premiums from individual life insurance business recorded 52.1% growth over the same period last year.
- Property and casualty insurance business achieved substantial improvement in both scale and quality.
- Ping An Annuity maintained its leading position in the industry.

Our insurance business continued to grow rapidly and healthily. We placed emphasis on expanding further into individual life insurance business that offers higher profitability. As a result, first-year written premiums from our individual life insurance business increased by 52.1% from the same period last year. Leveraging its specialized distribution channels, Ping An Property & Casualty achieved a growth of 61.1% in terms of premium income, with its market share increasing by 1.5 percentage points from the end of 2009. Furthermore, we continued to strengthen our business operation, the combined ratio of our property and casualty insurance business improved by 4.7 percentage points to 96.5% compared to the same period last year. Three major performance indicators of our annuity business – annuity payments received, assets entrusted, and assets under investment management – maintained their leading position in the annuity industry.

**Written premiums**  
(in RMB million)



## LIFE INSURANCE BUSINESS

### Business Overview

We conduct our life insurance business through Ping An Life, Ping An Annuity and Ping An Health.

### Market share

The written premiums received and market share enjoyed by our life insurance business are as follows:

For the six months ended June 30 (in RMB million)	2010	2009
Ping An Life	<b>90,496</b>	73,346
Ping An Annuity	<b>2,549</b>	528
Ping An Health	<b>80</b>	47
Total written premiums <sup>(1)</sup>	<b>93,125</b>	73,921

	June 30, 2010	December 31, 2009
Market share (%) <sup>(2)</sup>	<b>15.8</b>	16.5

(1) Written premiums refers to 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 CIRC.

For the six months ended June 30, 2010, our life insurance business accounted for approximately 15.8% of the total written premiums received by all life insurance companies in China. The number is calculated in accordance with the PRC insurance industry data published by the CIRC. In terms of written premiums, Ping An Life is the second largest life insurance company in China.

During the first half of 2010, the Company insisted on the principle to develop business fast with excellent result, backed by compliance operation and professional management. In this regard, written premiums from our life insurance business grew by 26.0% over the same period last year. Going forward, we are committed to maintaining strong growth in the more profitable individual life insurance business by building a broader and more efficient distribution network, with a view to continuously enhance our market competitiveness.

### Ping An Life

Ping An Life, through its countrywide service network including 35 branches and over 2,600 business outlets, provides individual and corporate customers with life insurance products.

The following is a summary of operating data:

	June 30, 2010	December 31, 2009
<b>Number of customers (in thousands)</b>		
Individual	<b>43,044</b>	40,737
Corporate	<b>611</b>	561
Total	<b>43,655</b>	41,298
<b>Persistency ratio (%)</b>		
13-month	<b>93.6</b>	90.8
25-month	<b>87.3</b>	87.3
<b>Agent productivity</b>		
First-year written premiums (per agent per month in RMB)	<b>10,311</b>	6,261
New individual life insurance policies (per agent per month)	<b>1.2</b>	1.1
<b>Distribution network</b>		
Number of individual life sales agents	<b>411,709</b>	416,570
Number of group sales representatives	<b>2,873</b>	3,006
Bancassurance outlets	<b>55,433</b>	51,269

During the first half of 2010, by executing the strategies of "Reaching New Heights" and "Two-Tier Market Development", Ping An Life continued to optimize its operating platform and achieved healthy and sustainable development. For the six months ended June 30, 2010, written premiums from our individual life insurance business amounted to RMB73,358 million, representing an increase of 35.9% over the same period last year.

# Management discussion and analysis

## Insurance business

While actively expanding the team of individual life insurance sales agents, Ping An Life further upgraded the professionalism and productivity of the team through continuous refinement of training programs. As a result, the first-year written premiums per agent per month saw a significant increase from the same period last year. Ping An Life is also committed to improving its customer service. As at the end of June 2010, we had approximately 43.04 million individual customers and 611,000 corporate customers. The 13-month and 25-month persistency ratios for our individual life insurance customers were maintained at a satisfactory level of above 90.0% and 85.0% respectively.

Our life insurance products are primarily distributed through a network that includes a sales force of approximately 412,000 individual sales agents, over 2,800 group insurance sales representatives, and about 55,000 bank outlets that have bancassurance arrangements with Ping An Life.

### **Ping An Annuity**

Ping An Annuity was set up on December 13, 2004. Having obtained approval from the CIRC on December 27, 2006, Ping An Annuity underwent a restructuring exercise. Upon completion of the restructuring, Ping An Annuity primarily provides corporate annuity and supplementary pension insurance businesses. Ping An Annuity has successfully obtained three licenses in the areas of fiduciary management, investment management and account management to operate annuity business since its incorporation, and has become one of the few professional annuity companies in China to be awarded with all these three licenses. At present, Ping An Annuity has 35 branches and 68 sub-branches (or central sub-branches) nationwide.

During the first half of 2010, the annuity business of Ping An Annuity progressed smoothly with cumulative annuity payments received of RMB5,929 million. As at June 30, 2010, assets entrusted were RMB25,123 million, and assets under investment management amounted to RMB32,298 million. We were ranked top in all these three performance indicators among domestic professional annuity industry.

### **Ping An Health**

Ping An Health is principally engaged in providing corporate and individual customers with a series of comprehensive mid- to high-end healthcare insurance products and services. During the first half of 2010, in addition to the high-end healthcare insurance products and services for the corporate customers, Ping An Health also launched a number of high-end healthcare insurance products and services catering for individuals. Ping An Health boosted its product sales by cooperation with our life insurance agents and external banks, and at the same time, focused on cultivation of its healthcare network and service platform. In order to improve the medical risk management capability, Ping An Health successfully introduced foreign partners.

## Financial Analysis

### Results of operation

For the six months ended June 30 (in RMB million)	2010	2009
Written premiums	<b>93,125</b>	73,921
Less: Written premiums on products not passing significant insurance risk testing	<b>(1,316)</b>	(1,511)
Less: Premium deposits unbundled from universal life products and investment linked products	<b>(36,921)</b>	(31,672)
Premium income	<b>54,888</b>	40,738
Net earned premiums	<b>53,822</b>	39,551
Investment income	<b>9,595</b>	13,680
Other income	<b>1,486</b>	1,025
Total income	<b>64,903</b>	54,256
Claims and policyholders' benefits	<b>(44,586)</b>	(35,149)
Commission expenses of insurance operations	<b>(5,041)</b>	(3,859)
Foreign currency losses	<b>(35)</b>	(25)
General and administrative expenses	<b>(5,735)</b>	(4,553)
Other expenses	<b>(1,628)</b>	(1,177)
Total expenses	<b>(57,025)</b>	(44,763)
Income tax	<b>(1,327)</b>	(2,551)
Net profit	<b>6,551</b>	6,942

In the first half of 2010, the profit contribution brought by the sharp increase in first-year life insurance written premiums was offset by the declined total investment income. Therefore, net profit from our life insurance business recorded a slight decrease of 5.6% to RMB6,551 million in the six months ended June 30, 2010 from RMB6,942 million in the same period 2009.

### Written premiums

For the six months ended  
June 30 (in RMB million)

	2010	2009
<b>Individual life</b>		
New business		
First-year regular premiums	<b>23,840</b>	15,158
First-year single premiums	<b>1,101</b>	883
Short-term accident and health premiums	<b>1,002</b>	1,014
Total new business	<b>25,943</b>	17,055
Renewal business	<b>47,415</b>	36,935
Total individual life	<b>73,358</b>	53,990
<b>Bancassurance</b>		
New business		
First-year regular premiums	<b>665</b>	102
First-year single premiums	<b>15,220</b>	15,875
Short-term accident and health premiums	<b>1</b>	1
Total new business	<b>15,886</b>	15,978
Renewal business	<b>383</b>	321
Total bancassurance	<b>16,269</b>	16,299
<b>Group insurance</b>		
New business		
First-year regular premiums	<b>31</b>	-
First-year single premiums	<b>1,104</b>	1,403
Short-term accident and health premiums	<b>2,333</b>	2,216
Total new business	<b>3,468</b>	3,619
Renewal business	<b>30</b>	13
Total group insurance	<b>3,498</b>	3,632
Total written premiums	<b>93,125</b>	73,921

# Management discussion and analysis

## Insurance business

*Individual life insurance.* Written premiums for our individual life insurance business increased by 35.9% to RMB73,358 million in the six months ended June 30, 2010 from RMB53,990 million in the same period 2009. This increase was primarily due to the continued improvement in the quantity and productivity of our agency sales force. As a result, there was a 52.1% increase in first-year written premiums to RMB25,943 million in the six months ended June 30, 2010 from RMB17,055 million in the same period last year. In addition, renewal written premiums for our individual life insurance business increased by 28.4% to RMB47,415 million in the six months ended June 30, 2010 from RMB36,935 million in the same period 2009.

*Bancassurance.* Written premiums for our bancassurance business decreased slightly to RMB16,269 million in the six months ended June 30, 2010 from RMB16,299 million in the same period 2009. This decrease was primarily due to a decline in first-year single premiums from our bancassurance business as a result of product restructuring and optimization.

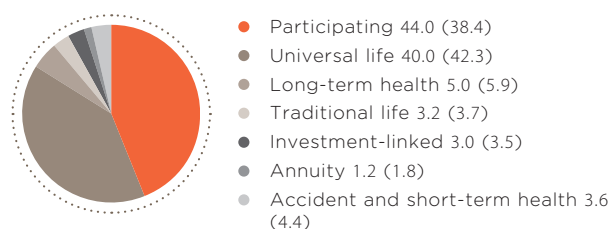
*Group insurance.* Written premiums for our group insurance business declined by 3.7% to RMB3,498 million in the six months ended June 30, 2010 from RMB3,632 million in the same period 2009. This decrease was primarily due to the fact that professional annuity products have gradually become substitutes for the group insurance products, and the Company adjusted sales strategy accordingly. Written premiums for our short-term group accident and health insurance business increased by 5.3% to RMB2,333 million in the six months ended June 30, 2010 from RMB2,216 million in the same period 2009.

The following is the breakdown of written premiums for our life insurance business by product type:

For the six months ended June 30 (in RMB million)	2010	2009
Participating	<b>40,980</b>	28,358
Universal life	<b>37,263</b>	31,293
Long-term health	<b>4,630</b>	4,350
Traditional life	<b>2,938</b>	2,755
Investment-linked	<b>2,790</b>	2,570
Annuity	<b>1,172</b>	1,361
Accident and short-term health	<b>3,352</b>	3,234
<b>Total written premiums</b>	<b>93,125</b>	73,921

### By product type

(%)  
2010 (2009)



The following is the breakdown of written premiums for our life insurance business by region:

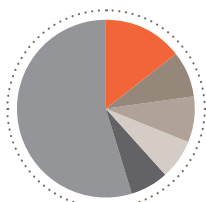
For the six months ended June 30 (in RMB million)	2010	2009
Guangdong	<b>13,466</b>	10,233
Shanghai	<b>7,848</b>	6,787
Beijing	<b>7,695</b>	6,255
Jiangsu	<b>6,674</b>	5,407
Liaoning	<b>6,400</b>	5,103
<b>Subtotal</b>	<b>42,083</b>	33,785
<b>Total written premiums</b>	<b>93,125</b>	73,921



## By region

(%)

2010 (2009)



● Guangdong	14.5 (13.8)
● Shanghai	8.4 (9.2)
● Beijing	8.3 (8.5)
● Jiangsu	7.2 (7.3)
● Liaoning	6.9 (6.9)
● Others	54.7 (54.3)

### Total investment income

For the six months ended  
June 30 (in RMB million)

	2010	2009
Net investment income <sup>(1)</sup>	<b>11,375</b>	7,970
Net realized and unrealized gains <sup>(2)</sup>	<b>(1,642)</b>	6,043
Impairment losses	<b>(85)</b>	(214)
Others	<b>(8)</b>	(114)
Total investment income	<b>9,640</b>	13,685
Net investment yield (%) <sup>(3)</sup>	<b>4.1</b>	3.8
Total investment yield (%) <sup>(3)</sup>	<b>3.8</b>	5.2

(1) Net investment income includes interest income from bonds and deposits, dividend income from equity investments, and operating lease income from investment properties.

(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 the Modified Dietz method in principle.

Net investment income for our life insurance business increased by 42.7% to RMB11,375 million in the six months ended June 30, 2010 from RMB7,970 million in the same period 2009. This was primarily due to the increase of interest income from fixed maturity investments as a result of the increase in scale of investment assets, as well as the increase in dividend income from equity investments as compared with the same period 2009. Net investment yield increased to 4.1% in the six months ended June 30, 2010 from 3.8% in the same period last year, mainly because of the above mentioned increase in dividend income from equity investments.

As the total investment income for our life insurance business declined by 29.6% to RMB9,640 million in the six months ended June 30, 2010 from RMB13,685 million in the same period 2009, total investment yield fell to 3.8% from 5.2%. This was mainly due to the significant reduction in net realized and unrealized gains coming as a result of the depressed and volatile domestic stock market.

### Claims and policyholders' benefits

For the six months ended  
June 30 (in RMB million)

	2010	2009
Surrenders	<b>1,728</b>	2,116
Claims	<b>2,385</b>	2,125
Annuities	<b>1,964</b>	1,611
Maturities and survival benefits	<b>3,167</b>	3,470
Policyholder dividends	<b>2,434</b>	1,999
Interest credited to policyholder contract deposits	<b>2,033</b>	2,228
Net increase in policyholders' reserves	<b>30,875</b>	21,600
Total claims and policyholders' benefits	<b>44,586</b>	35,149

Payments for surrenders were down by 18.3% to RMB1,728 million in the six months ended June 30, 2010 from RMB2,116 million in the same period 2009. This was primarily due to the smaller payments for surrenders of certain participating products as compared to those payments made in the same period of 2009.

Payments for claims rose by 12.2% to RMB2,385 million in the six months ended June 30, 2010 from RMB2,125 million in the same period 2009. This was primarily due to the continuous growth in our accident and health insurance business.

Payments for annuities increased by 21.9% to RMB1,964 million in the six months ended June 30, 2010 from RMB1,611 million in the same period 2009. This was primarily due to the fact that the policies entitled to annuity payments gradually increased.

# Management discussion and analysis

## Insurance business

Maturities and survival benefits expenses decreased by 8.7% from RMB3,470 million for the six months ended June 30, 2009 to RMB3,167 million in the same period of 2010, which was mainly because the peak season for such payments for certain banassurance products has passed.

Payments for policyholder dividends increased by 21.8% to RMB2,434 million in the six months ended June 30, 2010 from RMB1,999 million in the same period 2009. This was primarily due to the increase in sales of participating insurance policies.

Payments for interest credited to policyholder contract deposits decreased by 8.8% to RMB2,033 million in the six months ended June 30, 2010 from RMB2,228 million in the same period 2009. This was primarily due to the decrease in interest payments as a result of the lower investment returns on universal accounts.

Net increase in policyholders' reserves was RMB30,875 million in the six months ended June 30, 2010, while in the same period of 2009 it was RMB21,600 million. The bigger net increase in policyholders' reserves was primarily due to the fast growth of our business in the first half of 2010.

### Commission expenses of insurance operations

For the six months ended June 30 (in RMB million)	2010	2009
Health insurance	637	639
Accident insurance	202	162
Life insurance and others	4,202	3,058
Total commission expenses of insurance operations	5,041	3,859

Commission expenses of insurance operations which are mainly paid to our sales agents increased by 30.6% to RMB5,041 million in the six months ended June 30, 2010 from RMB3,859 million in the same period 2009. This was primarily due to the increase in premium income.

### General and administrative expenses

General and administrative expenses increased by 26.0% to RMB5,735 million in the six months ended June 30, 2010 from RMB4,553 million in the same period 2009. This increase was primarily due to the growth in our insurance business.

## PROPERTY AND CASUALTY INSURANCE BUSINESS

### Business Overview

We conduct our property and casualty insurance business mainly through Ping An Property & Casualty. In addition, Ping An Hong Kong also offers property and casualty insurance service in the Hong Kong market. In the first half of 2010, Ping An Property & Casualty successfully completed the issuance of RMB2.5 billion fixed term subordinated debts, enhancing its solvency further. On June 24, 2010, Ping An Property & Casualty was granted "A" long-term counterparty credit and insurer financial strength ratings with a stable outlook by Standard & Poor's, the internationally renowned credit rating agency.

### Market share

The premium income and market share of Ping An Property & Casualty are as follows:

For the six months ended June 30 (in RMB million)	2010	2009
Premium income	29,975	18,606
	June 30, 2010	December 31, 2009
Market share (%) <sup>(1)</sup>	14.4	12.9

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

During the first half of 2010, the Chinese economy kept moving towards a promising direction and the sales of motor vehicles climbed. The environment for the development of business within the industry has become more regulated. Ping An Property & Casualty seized the opportunity, setting a goal to establish itself as the “Industry-Role Model” and promoted the building of distribution channels, thereby achieving a steady climb in its market share. For the first six months ended June 30, 2010, Ping An Property & Casualty recorded a premium income of RMB29,975 million, representing an increase of 61.1% compared to the same period of 2009. In particular, premium income via telesales recorded a strong growth of 242.5%. Ping An Property & Casualty accounted for approximately 14.4% of the total premium income received by property and casualty insurance companies in China, an increase of 1.5 percentage points compared with the end of 2009. Ping An Property & Casualty is the second largest property and casualty insurance company in China in terms of premium income.

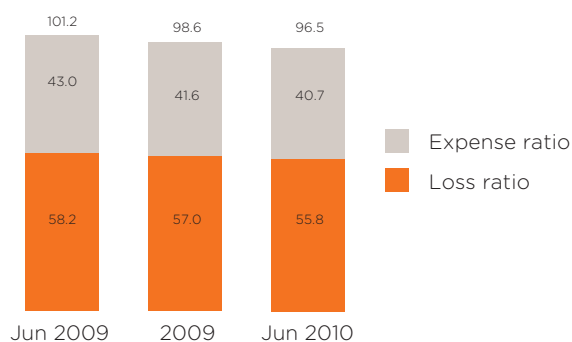
#### Combined ratio

In the first half of 2010, our property and casualty insurance business remained relatively profitable through the continuous enhancement of its risk management and cost control capabilities. As a result, combined ratio improved to 96.5% while expense ratio and loss ratio improved by 2.3 percentage points and 2.4 percentage points respectively compared to the same period 2009.

In the face of the disastrous widespread floods across the south of China this June which resulted in personal casualty and property losses, we activated without delay our contingency plan for disaster prevention to mitigate the impact. While the incident affected our profitability to a certain extent, the adverse impacts were contained and manageable.

#### Combined ratio

(%)



#### Summary of operating data

	June 30, 2010	December 31, 2009
<b>Number of customers (in thousands)</b>		
Individual	12,275	10,543
Corporate	1,639	1,578
<b>Total</b>	<b>13,914</b>	12,121
<b>Distribution network</b>		
Number of direct sales representatives	10,133	12,473
Number of insurance agents	22,229	13,714

The product distribution network of Ping An Property & Casualty comprises 40 branches located in various provinces, autonomous regions and centrally supervised municipalities in China, and 1,885 sub-branches located throughout China. Ping An Property & Casualty distributes its insurance products mainly through its in-house sales representatives and through various intermediaries, such as banks, automobile dealerships and insurance brokers.

# Management discussion and analysis

## Insurance business

### Reinsurance arrangement

For the six months ended June 30, 2010, Ping An Property & Casualty's outward reinsurance premiums amounted to RMB3,622 million in total, of which, RMB15 million was from accident and health insurance business, while RMB1,575 million and RMB2,032 million were from automobile insurance and non-automobile insurance business respectively. Ping An Property & Casualty's gross inward reinsurance premiums amounted to RMB115 million, all of which were from non-automobile insurance business.

Ping An Property & Casualty has engaged actively in reinsurance arrangements that help diversify its underwriting risks and at the same time enhance its underwriting capabilities. It endeavours to expand the scope of collaboration and step up its efforts to work with reinsurers to broaden its reinsurance channels and acquire quality inward reinsurance businesses. In 2010, major reinsurers that Ping An has partnered with include China Property & Casualty Reinsurance Company Ltd., Allianz SE Reinsurance Branch Asia Pacific, Everest Reinsurance Company and SCOR Reinsurance Company (Asia) Ltd..

### Financial Analysis

Financial data in this section include that of Ping An Property & Casualty together with Ping An Hong Kong.

### Results of operation

For the six months ended June 30 (in RMB million)	2010	2009
Premium income	<b>30,191</b>	18,764
Net earned premiums	<b>20,763</b>	12,784
Reinsurance commission income	<b>1,248</b>	871
Investment income	<b>717</b>	637
Other income	<b>71</b>	57
Total income	<b>22,799</b>	14,349
Claim expenses	<b>(11,579)</b>	(7,441)
Commission expenses of insurance operations	<b>(3,202)</b>	(2,309)
Foreign currency losses	<b>(10)</b>	(6)
General and administrative expenses	<b>(6,524)</b>	(4,068)
Including: investment- related general and administrative expenses	<b>(26)</b>	(7)
Finance costs	<b>(68)</b>	(22)
Other expenses	<b>(52)</b>	(76)
Total expenses	<b>(21,435)</b>	(13,922)
Income tax	<b>(276)</b>	(452)
Net profit	<b>1,088</b>	(25)

Net profit from our property and casualty insurance business increased significantly to RMB1,088 million in the six months ended June 30, 2010, from a loss of RMB25 million in the same period 2009. Under the improved market conditions, Ping An Property & Casualty made great efforts in enhancing its profitability as well as focusing on its business growth, and recorded a substantial premium growth and an improved combined ratio. Besides, large amounts of income tax were recorded in the first half of 2009 as Ping An Property & Casualty made relevant tax provisions based on the results of the tax inspection.

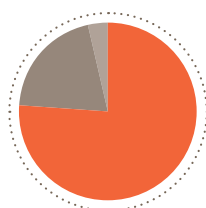
### Premium income

In the first half of 2010, all three principal lines of our property and casualty insurance business recorded steady growth.

For the six months ended June 30 (in RMB million)	2010	2009
Automobile insurance	<b>22,990</b>	13,378
Non-automobile insurance	<b>6,169</b>	4,418
Accident and health insurance	<b>1,032</b>	968
<b>Total premium income</b>	<b>30,191</b>	18,764

### By product type

(%)  
2010 (2009)



- Automobile insurance 76.2 (71.3)
- Non-automobile insurance 20.4 (23.5)
- Accident and health insurance 3.4 (5.2)

*Automobile insurance.* Premium income increased by 71.8% to RMB22,990 million in the six months ended June 30, 2010 from RMB13,378 million in the same period 2009. This increase was mainly because the Company managed to grasp the opportunities in the automobile insurance market by actively promoting the building of distribution channels.

*Non-automobile insurance.* Premium income increased by 39.6% to RMB6,169 million in the six months ended June 30, 2010 from RMB4,418 million in the same period 2009. This was primarily driven by the rapid growth of premium income from commercial property insurance, guarantee insurance and liability insurance. Premium income attributable to commercial property insurance rose by 34.9% to RMB2,595 million in the six months ended June 30, 2010 from RMB1,923 million in the same

period 2009. Premium income attributable to guarantee insurance increased significantly to RMB442 million in the six months ended June 30, 2010 from RMB105 million in the same period 2009. Premium income attributable to liability insurance grew by 47.5% to RMB764 million in the six months ended June 30, 2010 from RMB518 million in the same period 2009.

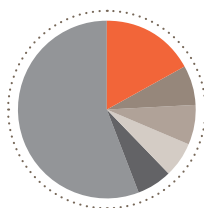
*Accident and health insurance.* Premium income increased by 6.6% to RMB1,032 million in the six months ended June 30, 2010 from RMB968 million in the same period 2009. The relatively low growth was primarily because the accident and health insurance market has slowed down in the recent two years; thus the Company proactively optimized its business structure and reduced those health insurance products with lower profitability.

The following is the breakdown of premium income for our property and casualty insurance business by region:

For the six months ended June 30 (in RMB million)	2010	2009
Guangdong	<b>5,167</b>	3,606
Jiangsu	<b>2,175</b>	1,316
Shanghai	<b>2,156</b>	1,221
Sichuan	<b>1,976</b>	1,046
Beijing	<b>1,928</b>	1,174
<b>Subtotal</b>	<b>13,402</b>	8,363
<b>Total premium income</b>	<b>30,191</b>	18,764

### By region

(%)  
2010 (2009)



- Guangdong 17.1 (19.2)
- Jiangsu 7.2 (7.0)
- Shanghai 7.1 (6.5)
- Sichuan 6.5 (5.6)
- Beijing 6.4 (6.3)
- Others 55.7 (55.4)

# Management discussion and analysis

## Insurance business

### Total investment income

For the six months ended June 30 (in RMB million)	2010	2009
Net investment income <sup>(1)</sup>	<b>891</b>	506
Net realized and unrealized gains <sup>(2)</sup>	<b>(174)</b>	150
Impairment losses	<b>-</b>	(19)
Total investment income	<b>717</b>	637
Net investment yield (%) <sup>(3)</sup>	<b>3.6</b>	3.6
Total investment yield (%) <sup>(3)</sup>	<b>3.3</b>	4.1

(1) Net investment income includes interest income from bonds and deposits, dividend income from equity investments, and operating lease income from investment properties.

(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 the Modified Dietz method in principle.

Net investment income from our property and casualty insurance business recorded a rise of 76.1% to RMB891 million in the six months ended June 30, 2010 from RMB506 million in the same period 2009, mainly due to the significant increase in investment assets corresponding to the rapid growth in the premium income, hence interest income from bonds and term deposits increased accordingly. Net investment yield for our property and casualty insurance business was consistent with the same period of 2009, remaining at 3.6%.

For the six months ended June 30, 2010, we reported net realized and unrealized loss of RMB174 million, compared to an income of RMB150 million in the same period 2009. This decline was mainly due to the substantial reduction of realized gains from equity investments as a result of the depressed and volatile stock market.

Overall, although total investment income attributable to our property and casualty insurance business had increased by 12.6% to RMB717 million in the six months ended June 30, 2010 from RMB637 million in the same period 2009, the increase in investment assets exceeded the growth in total investment income; as a result, total investment yield decreased to 3.3% in the six months ended June 30, 2010 from 4.1% in the same period 2009.

### Claims expenses

For the six months ended June 30 (in RMB million)	2010	2009
Automobile insurance	<b>9,888</b>	6,207
Non-automobile insurance	<b>1,222</b>	822
Accident and health insurance	<b>469</b>	412
Total claims expenses	<b>11,579</b>	7,441

Claims attributable to automobile insurance business increased by 59.3% to RMB9,888 million in the six months ended June 30, 2010 from RMB6,207 million in the same period 2009. This was primarily due to the growth in premium income during the past twelve months.

Claims attributable to non-automobile insurance business increased by 48.7% to RMB1,222 million in the six months ended June 30, 2010 from RMB822 million in the same period 2009. This was primarily due to the growth in premium income during the past twelve months, besides, the heavy disastrous floods in the south of China resulted in the higher claims expenses in the first half of 2010.

Claims attributable to accident and health insurance business rose by 13.8% to RMB469 million in the six months ended June 30, 2010 from RMB412 million in the same period 2009. This was primarily due to the increase in premium income during the past twelve months.

### Commission expenses

For the six months ended June 30 (in RMB million)	2010	2009
Automobile insurance	<b>2,094</b>	1,620
Non-automobile insurance	<b>888</b>	528
Accident and health insurance	<b>220</b>	161
Total commission expenses	<b>3,202</b>	2,309
Commission expenses as a percentage of premium income (%)	<b>10.6</b>	12.3

Commission expenses of our property and casualty insurance business increased by 38.7% to RMB3,202 million in the six months ended June 30, 2010 from RMB2,309 million in the

same period 2009, mainly due to the growth of premium income. Commission expenses as a percentage of premium income fell to 10.6% in the six months ended June 30, 2010 from 12.3% in the same period 2009. This was primarily due to the fact that the market environment has become more regulated, at the same time the Company actively developed and pushed the sales of automobile insurance through telephone marketing channels.

### General and administrative expenses

General and administrative expenses increased by 60.4% to RMB6,524 million in the six months ended June 30, 2010 from RMB4,068 million in the same period 2009. This increase was primarily due to the growth in our insurance business. General and administrative expenses as a percentage of premium income remained at the same level as in the same period of 2009.

### SOLVENCY MARGIN

The following table sets forth the solvency margin ratios for Ping An Life and Ping An Property & Casualty:

(in RMB million)	Ping An Life		Ping An Property & Casualty	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Actual capital	<b>52,796</b>	50,898	<b>9,063</b>	7,268
Minimum capital	<b>25,588</b>	22,453	<b>6,652</b>	5,061
Solvency margin ratio (%)	<b>206.3</b>	226.7	<b>136.2</b>	143.6

The solvency margin ratio is a measure of capital adequacy for insurance companies. It is calculated by dividing the actual capital by the statutory minimum capital. Under the applicable CIRC regulations, the PRC insurance companies are required to maintain specified solvency margin ratios. As at June 30, 2010, the solvency margins of Ping An Life and Ping An Property & Casualty were comfortably above the regulatory requirement.

In the first half of 2010, Ping An Property & Casualty achieved solid growth which brought about a corresponding significant increase in the regulatory minimum capital. In order to enhance capital adequacy, Ping An Property & Casualty successfully issued RMB2.5 billion subordinated debts in the second quarter, thereby increasing its actual capital.

The solvency margin ratio of Ping An Life decreased as compared with the end of 2009, mainly due to the decline in the admitted value of investment assets as a result of fluctuation in the capital market.

# Management discussion and analysis

## Banking business

- Business volume of Ping An Bank grew robustly, with net profit increasing by 56% compared to the same period of last year.
- Cross-selling continues to pay off. 22% and 62% of new corporate deposits and newly-issued credit cards respectively were sourced from the cross-selling channel.
- Asset quality continues to top the industry, capital adequacy position enables future growth.

The Company conducts banking business through Ping An Bank, while Shenzhen Development Bank has become our associated company since May, 2010. Net profit from our banking business was RMB1,104 million in the six months ended June 30, 2010, including RMB900 million of net profit from Ping An Bank and RMB204 million share of profits from Shenzhen Development Bank based on the equity method.

### PING AN BANK

The banking industry faced a tighter monetary and credit environment in 2010. The upward adjustment of the deposit reserve ratio, coupled with the capital adequacy requirements put in place by the authorities, has put restrictions on the pace and ability of banks to offer loans. Moreover, policy changes made for real estate and the creation of financing platforms by local governments have presented potential risks to the quality of assets in the banking industry. However, as net interest spread gradually increases, net interest income generated by the banking industry is expected to experience faster growth in 2010. Faced with these opportunities and challenges, Ping An Bank has implemented various measures prudently and achieved fast, healthy and sustainable growth.

Business volume grew robustly. During the first half of the year, the net profit reached RMB900 million, registering a strong year-on-year growth of 56.0%. Deposit balance was up to RMB167,839 million, increasing by 12.6%

compared with the end of 2009. The Guangzhou and Hangzhou branches led the local markets in terms of deposit growth rate. Business structure continued to be optimized with the percentage of consumer deposit and SME loan going up steadily.

Asset quality continues to top the industry. Although the business expanded rapidly, capital adequacy ratio (CAR) was 11.8% and non-performing loan (NPL) ratio was 0.45%, both of which led the industry. Ping An Bank performed well in controlling NPL ratio, maintaining CAR and preventing fraud, and has laid a solid foundation for a sound long-term development.

Cross-selling begins to show effect and our channels and products continue to develop with increasing number of innovations. We have enhanced the management by each specialized industry as well as batch marketing with regard to corporate business and actively promoted cooperation with channels. 22.0% of the new corporate deposits were from cross-selling. Retail business line has launched Unsecured Personal Loan (Xin Yi Dai), Cun Dai Tong and other innovative products and has increased the percentage of new consumer deposits from the life insurance cross-selling channel. The newly-issued credit cards totalled 1.097 million, 61.9% of which were from cross-selling. The number of accumulated issued credit cards approached 5 million. In June 2010, Ping An Bank officially opened Huizhou branch, the 9th branch of the bank in China.



## Results of Operation

For the six months ended June 30 (in RMB million)	2010	2009
Net interest income	<b>2,457</b>	1,508
Net fees and commission income	<b>320</b>	186
Investment income	<b>92</b>	321
Income from other businesses <sup>(1)</sup>	<b>52</b>	33
Total operating income	<b>2,921</b>	2,048
Asset impairment losses	<b>(83)</b>	(69)
Net operating income	<b>2,838</b>	1,979
General, administrative and other expenses <sup>(2)</sup>	<b>(1,676)</b>	(1,257)
Profit before tax	<b>1,162</b>	722
Income tax	<b>(262)</b>	(145)
Net profit	<b>900</b>	577

(1) Income from other businesses include foreign exchange gains/(losses), other operating income and non-operating income.

(2) General, administrative and other expenses include operating expense, business tax and surcharges, other expenses and non-operating expenses.

Net profit from Ping An Bank increased by 56.0% to RMB900 million in the six months ended June 30, 2010 from RMB577 million in the same period 2009. This increase was mainly because Ping An Bank implemented a number of actions such as proactively adjusting asset/liability mix, increasing focus on pricing, especially loans and strict expense control, with special emphasis on productivity improvements, which resulted in an increased net interest spread and a decreased cost/income ratio.

## Net Interest Income

For the six months ended June 30 (in RMB million)	2010	2009
<b>Interest income</b>		
Loans to customers	<b>2,998</b>	2,179
Balance with the PBOC	<b>191</b>	133
Due from banks and other financial institutions	<b>397</b>	162
Bond interest income	<b>785</b>	591
Total interest income	<b>4,371</b>	3,065
<b>Interest expenses</b>		
Customer deposits	<b>(1,334)</b>	(1,274)
Due to banks and other financial institutions	<b>(580)</b>	(283)
Total interest expenses	<b>(1,914)</b>	(1,557)
Net interest income	<b>2,457</b>	1,508
Net interest spread (%) <sup>(1)</sup>	<b>2.0</b>	1.7
Net interest margin (%) <sup>(2)</sup>	<b>2.1</b>	1.8
Average interest- earning assets balance	<b>234,668</b>	163,539
Average interest- bearing liabilities balance	<b>218,560</b>	153,914

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

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

Net interest income increased by 62.9% to RMB2,457 million in the six months ended June 30, 2010 from RMB1,508 million in the same period last year. This increase was primarily due to the rapid growth of loan scale in the first half, coupled with a great emphasis on higher yielding assets, such as Unsecured Personal Loans, SME loans etc., and reducing the proportion of higher cost negotiated deposits. As a result, NIS increased to 2.0% in the six months ended June 30, 2010 from 1.7% in the same period last year, and NIM increased to 2.1% in the six months ended June 30, 2010 from 1.8% in the same period last year.

# Management discussion and analysis

## Banking business

### Net Fees and Commission Income

For the six months ended  
June 30 (in RMB million)

	2010	2009
<b>Fees and commission income</b>		
Entrusted business fee income	84	70
Bank card fee income	164	83
Others	130	54
<b>Total fees and commission income</b>	<b>378</b>	207
<b>Fees and commission expenses</b>		
Bank card fee expenses	(43)	(12)
Others	(15)	(9)
<b>Total fees and commission expenses</b>	<b>(58)</b>	(21)
<b>Net fees and commission income</b>	<b>320</b>	186

Net fees and commission income increased by 72.0% to RMB320 million in the six months ended June 30, 2010 from RMB186 million in the same period last year, mainly because of the rapid growth of our credit card business and robust fees generated by breakthroughs in our syndication loans, corporate financing and asset management business.

### Investment Income

Investment income was RMB92 million in the six months ended June 30, 2010, which represents a decrease of 71.3% compared with RMB321 million in the same period 2009. This was mainly due to the fact that the realized gains from the disposal of bonds had decreased.

### General, Administrative and Other Expenses

For the six months ended  
June 30 (in RMB million)

	2010	2009
General and administrative expenses	1,462	1,111
Business tax and surcharges	185	135
Other expenses and non-operating expenses	29	11
<b>Total general, administrative and other expenses</b>	<b>1,676</b>	1,257
<b>Cost/income ratio<sup>(1)</sup></b>	<b>50.5%</b>	54.4%

(1) Cost/income ratio refers to general and administrative expenses/operating income (excluding non-operating income).

General, administrative and other expenses in the six months ended June 30, 2010 increased by 33.3% to RMB1,676 million from RMB1,257 million in the same period 2009, mainly because Ping An Bank continued to invest in network expansion, growing the credit card business and improving the overall IT infrastructure. However, the cost/income ratio improved to 50.5% from 54.4%, thanks to strict expense control and the income effect from the previous strategic investment.

### Asset Impairment Losses

Asset impairment losses increased by 20.3% to RMB83 million in the six months ended June 30, 2010 from RMB69 million in the same period 2009, mainly because the risk assets have increased as a result of expanding loan volume.

### Income Tax

For the six months ended  
June 30

	2010	2009
Effective tax rate (%)	22.5	20.1

Effective tax rate increased to 22.5% in the six months ended June 30, 2010 from 20.1% in the same period 2009, mainly because the corporate income tax rate in Shenzhen had been raised to 22.0% in 2010 from 20.0% in 2009.

### Loan Mix

(in RMB million)	June 30, 2010	December 31, 2009
Corporate loans	81,565	67,828
Retail loans	34,410	32,165
Discounted bills	4,646	7,569
<b>Total loans</b>	<b>120,621</b>	107,562

### Loan mix

(%)  
June 30, 2010 (December 31, 2009)



Total loans increased by 12.1% to RMB120,621 million as at June 30, 2010 from RMB107,562 million as at December 31, 2009. Corporate loans increased by 20.3% to RMB81,565 million, contributing 67.6% (as at December 31, 2009: 63.1%) to total loans as at June 30, 2010. Retail loans increased by 7.0% to RMB34,410 million, contributing 28.5% (as at December

31, 2009: 29.9%) to total loans as at June 30, 2010. Discounted bills decreased by 38.6% to RMB4,646 million, contributing 3.9% (as at December 31, 2009: 7.0%) to total loans as at June 30, 2010.

### Deposit Mix

(in RMB million)	June 30, 2010	December 31, 2009
Corporate deposits	<b>124,142</b>	117,925
Retail deposits	<b>24,440</b>	19,521
Margin deposits	<b>11,505</b>	11,007
Outward remittance and remittance outstanding	<b>7,752</b>	612
Total customer deposits and margin deposits	<b>167,839</b>	149,065

### Deposit mix

(%)  
June 30, 2010 (December 31, 2009)



The total amount of customer deposits and margin deposits increased by 12.6% to RMB167,839 million as at June 30, 2010 from RMB149,065 million as of December 31, 2009. All types of deposits maintained stable growth.

### Loan Quality

(in RMB million)	June 30, 2010	December 31, 2009
Pass	<b>119,388</b>	106,166
Special mention	<b>692</b>	901
Sub-Standard	<b>209</b>	218
Doubtful	<b>114</b>	113
Loss	<b>218</b>	164
Total loans	<b>120,621</b>	107,562
Total non-performing loans	<b>541</b>	495
Non-performing loan ratio	<b>0.45%</b>	0.46%
Impairment provision balance	<b>848</b>	772
Provision coverage ratio	<b>156.7%</b>	156.0%

Loan quality remained at a satisfactory level in the first half of 2010. Due to the enlarged loan volume, the balance of non-performing loans increased by 9.3% to RMB541 million as at June 30, 2010 from RMB495 million as at December 31, 2009. However, non-performing loan ratio decreased to 0.45% as at June 30, 2010 from 0.46% as at December 31, 2009. Credit risks are under control since we have greatly encouraged growth of high-quality loans, improved risk control mechanism and strengthened early warning and supervision on non-performing assets.

Provision coverage ratio slightly increased to 156.7% as at June 30, 2010 from 156.0% as at December 31, 2009.

### Capital Adequacy Ratio

(in RMB million)	June 30, 2010	December 31, 2009
Net capital	<b>18,187</b>	17,173
Net risk weighted asset	<b>154,755</b>	131,638
CAR (regulatory requirement $\geq 8\%$ )	<b>11.8%</b>	13.0%
Core CAR (regulatory requirement $\geq 4\%$ )	<b>9.9%</b>	10.9%

As at June 30, 2010, Ping An Bank's CAR and Core CAR were above the regulatory requirement level of 8% and 4%, at 11.8% and 9.9% respectively.

### 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 issuance with 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.

### Shares of Profits from Associate Company

In the first half of 2010, the Company recognized its share of profits from SDB, an associate company, of RMB204 million based on the equity method.

# Management discussion and analysis

## Investment business

- Net profit of Ping An Securities increased by 125.6%, ranking the first in the IPO and refinance league tables.
- Ping An Trust actively develops its wealth management business, business transformation going well.
- Investment management business remains innovative, launching the 1<sup>st</sup> exchange traded fund in Hong Kong utilising fundamental index approach to obtain exposure to the A share market.

### SECURITIES BUSINESS

We conduct our securities business through Ping An Securities, providing brokerage, investment banking, asset management and financial advisory services.

During the first half of 2010, Ping An Securities demonstrated rapid growth in its business, achieving raised high rankings in many fields of the industry. While the CSI 300 Index plunged 28.3% in the first half year, the turnover of the whole market was down by 4.4% compared to the same period of last year and commission rates in the industry trended lower. All of the above put pressure on both of our brokerage and investment businesses. Despite this, Ping An Securities managed to leverage its strengths in the primary market and further enhanced its sales channels in the secondary market, achieving a satisfactory result in the first half year. Based on its outstanding performance in project underwriting during the year of 2009, Ping An Securities was awarded “the Best Sponsor at the SMEs Board” by Shenzhen Stock Exchange for the fourth consecutive year. Moving into 2010, our investment banking business continued to benefit from its leading position in the SMEs and GEM underwriting markets, sponsoring 22 IPOs and 6 refinancing projects as the lead underwriter, ranking the first in terms of the number of deals. For the brokerage business, we expanded our distribution channels and operation outlets, winning approval for the opening of five more branch offices. With regard to the fixed

income business, Ping An Securities led and underwrote 5 corporate debt issues, and made progresses in product innovation. Furthermore, Ping An Securities is currently in the process of applying for licenses to offer margin trading and securities lending services, which is expected to be a new profit driver for the Company.

Looking ahead, leveraging the integrated financial strategy of the Group and focusing on its brokerage, investment banking and fixed income businesses, Ping An Securities will strive for steady growth in all lines of its business with controlled operational risk and improved service quality.

### Results of Operation

For the six months ended  
June 30 (in RMB million)

	2010	2009
Net fees and commission income	<b>1,652</b>	606
Investment income	<b>158</b>	255
Other income	<b>4</b>	2
Total operating income	<b>1,814</b>	863
General, administrative and other expenses	<b>(736)</b>	(407)
Total operating expenses	<b>(736)</b>	(407)
Income tax	<b>(250)</b>	(89)
Net profit	<b>828</b>	367

During the first half of 2010, Ping An Securities achieved excellent performance in its investment banking business, net profit increased significantly to RMB828 million in the first half of 2010 from RMB367 million in the same period 2009.

### Net Fees and Commission Income

For the six months ended  
June 30 (in RMB million)

	2010	2009
<b>Fees and commission income</b>		
Brokerage fees income	521	532
Underwriting commission income	1,226	137
Others	4	2
<b>Total fees and commission income</b>	<b>1,751</b>	671
<b>Fees and commission expenses</b>		
Brokerage fees paid	(83)	(65)
Others	(16)	-
<b>Total fees and commission expenses</b>	<b>(99)</b>	(65)
<b>Net fees and commission income</b>	<b>1,652</b>	606

In the first half of 2010, although the trading volume in the stock market increased when compared with the same period of last year, the commission rate has declined as market competition became more intense. As a result, our brokerage fees income decreased by 2.1% to RMB521 million in the six months ended June 30, 2010 from RMB532 million in the same period 2009.

Due to the rapid growth of our investment banking business, underwriting commission income increased sharply to RMB1,226 million in the six months ended June 30, 2010 from RMB137 million in the same period 2009. We successfully underwrote 22 IPOs, and 6 re-financing projects in the first half of 2010, while there was a suspension of IPO activity on the A-share market resulting in the lower income in the same period 2009.

Brokerage fees expenses increased by 27.7 % to RMB83 million in the six months ended June 30, 2010 from RMB65 million in the same period 2009. This was mainly due to the increases in both the market share of Ping An Securities and the trading volume of the stock market.

As a result, net fees and commission income increased significantly to RMB1,652 million in the six months ended June 30, 2010 from RMB606 million in the same period 2009.

### Total Investment Income

For the six months ended  
June 30 (in RMB million)

	2010	2009
Net investment income <sup>(1)</sup>	212	147
Net realized and unrealized gains <sup>(2)</sup>	(54)	108
<b>Total investment income</b>	<b>158</b>	255

(1) Net investment income includes interest income from bonds and deposits, and dividend income from equity investments.

(2) Net realized and unrealized gains include realized gains from security investments and profit or loss through fair value change.

Total investment income from our securities business decreased 38.0% to RMB158 million in the six months ended June 30, 2010 from RMB255 million in the same period 2009.

This was primarily due to a decrease in net realized and unrealized gains as a result of the fluctuation in the A-share market.

### TRUST BUSINESS

We provide asset management service to our high net worth customers through Ping An Trust. In addition, Ping An Trust also provides non-capital market investment services, such as infrastructure, properties and PE, to other subsidiaries of Ping An.

# Management discussion and analysis

## Investment business

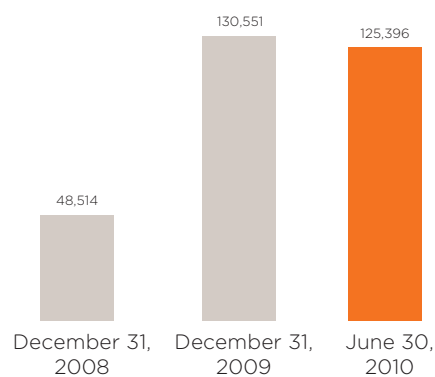
During the first half of 2010, the stock market in China went through a sharp correction as the authorities tightened their grip on real estate trusts and financing, putting pressure on the trust industry. Fortunately, leveraging the advantages of the Group's integrated financial services platform, Ping An Trust achieved a rapid growth. Ping An Trust continued to pursue the three major priorities for our business namely "offering a broad range of quality products, building effective and stable channels, as well as optimizing a high efficiency system platform". We modulate our R&D towards the changes in the market, aiming at improvement of our assets management capabilities. Now we provide our customers with a full spectrum of financial products and services, which include PE, securities, real estate, fixed income and cash-related products. Our sales channels were expanded further and our team of private wealth management professionals strengthened, in line with our commitment to offering wealth management services that truly meet our customers' needs. Ping An Trust has already introduced the Odyssey system platform, which is focusing on high-end individual customer relation and investment portfolio management. The system helps integrate the various components of our value chain including customers, channels and related investments, and perform a variety of functions such as customer information management, tracking of customer services, investment and financial planning advisory and product sales. As at June 30, 2010, Ping An Trust's entrusted assets amounted to RMB125,396 million. Productivity of individual direct sales channel was further advanced.

Through its outstanding performance and maintaining excellent standards of services, Ping An Trust has earned broad recognition in the market. During the first half year, Ping An Trust won a number of awards, including the "Golden Shell Award - The Best Service Team of the Year" awarded by *21st Century Business Herald*; the "Golden Bull Sunshine Private Equity Trust" by *China Securities Journal*; the "2009 Sunshine Private Equity Star Trust" by *Securities Times*; and the "2009 Honesty Trust - Excellent Enterprise Award" awarded jointly by *Shanghai Securities News* and *China Securities Journal*.

In addition, with a continuous upgrade of the investment platform and expansion of the investment team, Ping An Trust made good progress in all its investments in non-capital markets. This business segment is expected to be a major profit driver for the Group in the future.

### Assets held in trust

(in RMB million)



## Results of Operation

For the six months ended June 30 (in RMB million)	2010	2009
Net fees and commission income	<b>283</b>	84
Investment income	<b>419</b>	329
Other income	<b>4</b>	-
Total operating income	<b>706</b>	413
Asset impairment losses	<b>(26)</b>	(14)
General, administrative and other expenses	<b>(253)</b>	(144)
Total operating expenses	<b>(279)</b>	(158)
Income tax	<b>(101)</b>	(63)
Net profit	<b>326</b>	192

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

Net profit increased by 69.8% to RMB326 million in the six months ended June 30, 2010 from RMB192 million in the same period 2009. This was primarily due to the increase in investment income as well as the management fees of trust products.

## Net Fees and Commission Income

For the six months ended June 30 (in RMB million)	2010	2009
<b>Fees and commission income</b>		
Management fees of trust products	<b>275</b>	116
Commission income from custodian and other fiduciary services	<b>9</b>	-
Others	<b>77</b>	40
Total fees and commission income	<b>361</b>	156
<b>Fees and commission expenses</b>		
Handling charges of trust products	<b>(52)</b>	(39)
Others	<b>(26)</b>	(33)
Total fees and commission expenses	<b>(78)</b>	(72)
Net fees and commission income	<b>283</b>	84

Management fees of trust products increased significantly to RMB275 million in the six months ended June 30, 2010 from RMB116 million in the same period 2009. This was primarily due to the fact that the scale of assets held in trust saw a big growth compared with the first half of 2009.

Handling charges of trust products went up by 33.3% to RMB52 million in the six months ended June 30, 2010 from RMB39 million in the same period 2009. This was primarily due to an increase in investment consultation fees arising from the enlarged scale of securities trust products.

As a result, net fees and commission income rose substantially to RMB283 million in the six months ended June 30, 2010 from RMB84 million in the same period 2009.

# Management discussion and analysis

## Investment business

### Total Investment Income

For the six months ended June 30 (in RMB million)	2010	2009
Net investment income <sup>(1)</sup>	187	259
Net realized and unrealized gains <sup>(2)</sup>	232	70
<b>Total investment income</b>	<b>419</b>	329

(1) Net investment income includes interest income from bonds, loans and deposits, and dividend income from equity investments.

(2) Net realized and unrealized gains include realized gains from security investments, profit or loss through fair value change, and equity investment income excluding dividend.

Total investment income increased by 27.4% to RMB419 million in the six months ended June 30, 2010 from RMB329 million in the same period 2009, mainly due to the increase in realized gains from equity investment.

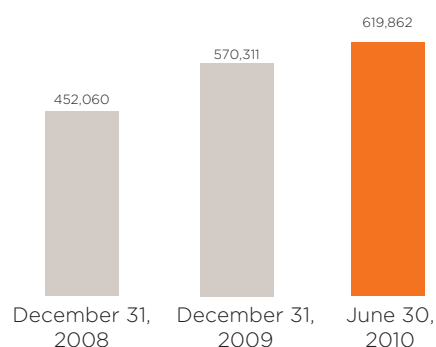
### INVESTMENT MANAGEMENT BUSINESS

We provide investment management services primarily through two subsidiaries of the Group, Ping An Asset Management and Ping An Asset Management (Hong Kong).

Ping An Asset Management is responsible for our domestic investment management business. It is entrusted to manage the insurance funds of the Group as well as investment assets of other subsidiaries under the Group. It also provides investment products and third-party asset management services to other investors through various channels.

### Assets under management

(in RMB million)



As at June 30, 2010, assets under management of Ping An Asset Management amounted to approximately RMB619,862 million, a rise compared to that at the end of 2009. This was mainly attributed to an increase in investable assets generated on the back of a steady growth in our insurance business.

During the first half of 2010, the tightening of macroeconomic policies, correction in the real estate market, as well as waning momentum of economic growth all put pressure on the capital markets. The domestic stock market saw a sharp correction with the SSE Composite Index diving 27% within half a year. The bond market, however, continued a steady recovery, and the CSI Aggregate Bond Index grew 2.84%. Concurrently, the launch of stock index futures fuelled volatility in the market. All these developments posed challenges to our investment initiatives.



Leveraging our expertise in investment assessment and effective risk management, Ping An Asset Management provided a timely response to the changes in the equity markets, taking prudent steps to increase investment in fixed income assets and optimize asset allocation. This raised the Company's capability to drive returns from some fixed income streams. We also expanded our third-party business with the introduction of new projects. Cash management, private banking, and investment advisory service for high-end wealth management all sustained sound growth momentum. Ping An Asset Management ranked the first in the industry in terms of the scale of assets entrusted from small and medium insurance companies. The scale of our third-party asset management business maintained rapid growth. Our system, which enables direct investment to be made electronically from abroad, has laid a solid foundation for the Company to expand its business footprint overseas, especially in the global investment segment.

Moving forward, Ping An Asset Management will continue to strengthen its analysis and understanding of macroeconomic trends as well as its overall investment strategy. We seek to unlock the full potential of asset allocation, strengthen the interaction between investment and research units, improve our risk control and build a world class system platform. This will help strengthen our competitive advantage and cement our image as a leading brand in the industry.

Ping An Asset Management (Hong Kong) is responsible for the overseas investment management business of the Group, as well as managing investments for other subsidiaries under the Group. It also provides a range of overseas investment products and third party investment management services to clients from China and overseas. Ping An Asset Management (Hong Kong) has a strong team with professional expertise and wealth of experience in international investment that is responsible for global macroeconomics research, strategic asset allocation, investment in Hong Kong stocks and third-party asset management. We launched Paragon CSI RAFI 50 ETF in May 2010. It is the 1st exchange trade fund in Hong Kong utilising fundamental index approach to obtain exposure to the A Share market. This marks a significant milestone for the Company by providing investors with innovative products and services. As at June 30, 2010, the assets denominated in foreign currency under management of Ping An Asset Management (Hong Kong) amounted to HK\$23,547 million.

# Management discussion and analysis

## Synergy

- Centralization initiatives progressed steadily as planned.
- Remarkable results achieved in cross-selling, resulting in increasingly visible synergies for integrated financial services.

### **NATIONWIDE INTEGRATED OPERATING CENTER**

Being the backbone of Ping An's business operation, our operating center remained the key element in providing top-class professional financial operating services in the first half of 2010. This follows the concept of "one customer, one account, multiple products and one-stop services" on which our integrated financial service platform is based. Ping An Processing & Technology was awarded "the 2010 Growth Enterprise in Service Outsourcing in China" for the second time and was the fifth most outstanding Chinese service outsourcing enterprise under the financial-related category in the trade selection. With our sub-centers in Xuchang and Luoyang becoming operational, our ability to control operating costs and prepare for special or emergency situations has been greatly enhanced. We have also completed the overall planning for our mid- and back-office projects, as well as the research for some of our sub-projects. This laid a concrete foundation for the development of our "one-stop service" platform.

Looking ahead, leveraging the wealth of our management experience and advanced information platform, we will proceed with the implementation of our back-office projects and the centralization of the mid- and back-offices. Additional support for our integrated financial development will be provided by targeting cost optimization and better cross-selling.

### **CROSS-SELLING**

Through years of hard work, the breadth and depth of our cross-selling capabilities have been significantly boosted. We have achieved remarkable results in cross-selling performance, bringing in increasingly visible synergies. The following table sets out our cross-selling performance for the six months ended June 30, 2010:

## New Business Acquired through Cross-selling

(in RMB million, unless otherwise stated)	Amount	Business Contribution Percentage (%)
Property and casualty insurance business		
Premium income	4,091	13.6
Annuity business		
Entrusted assets	679	17.7
Assets under investment management	388	6.0
Trust business		
Trust schemes	6,174	11.6
Banking business		
Corporate deposits (increment in daily average size)	4,200	22.0
Corporate loans (increment in daily average size)	3,000	17.0
Credit cards (in ten thousands)	67.9	61.9

### PING AN ONE ACCOUNT MANAGEMENT SERVICES, WANLITONG LOYALTY POINTS PROGRAM, AND PING AN VIP CLUB

In line with our online services integration for different business segments, Ping An One Account Management Services continues to unfold new features to optimize service experience, providing Ping An's subsidiaries with a value-added platform to enable optimal execution of marketing, sales and customer service. As at June 30, 2010, the number of cumulative registered users reached 6 million. The volume of online self-services, which include personal information updates, customer inquiries and service applications, accounted for 28% of the total volume of customer services across all of our subsidiaries.

Wanlitong Loyalty Points Program is aimed at inspiring loyalty of customers using the Group's integrated financial services under one roof. Through loyalty sales, points accumulation and reward programs offered by strategic partners, Wanlitong aims to attract and retain quality customers of various subsidiaries across the Group. As at June 30, 2010, the program had about 4.55 million registered members and approximately 10.47 million basic members.

Ping An VIP Club is committed to building its brand image as a high-end membership club in the financial industry. It rewards and helps retain premier customers from across all our subsidiaries through a range of value-added services, member activities and Ping An-specific integrated financial services. As at June 30, 2010, the number of our VIP members reached around 1.07 million.

# Management discussion and analysis

## Liquidity and financial resources

- The Company manages its liquidity and financial resources from the perspective of the Group as a whole.
- As at June 30, 2010, the solvency of the Group was adequate.

### GENERAL PRINCIPLES

The Company is a holding company and, with the exception of investment activities, does not conduct any substantive business at an operational level. As a result, the Company's operating cash inflows mainly come from dividends of its subsidiaries and investment returns generated from investment activities.

The Company manages its liquidity and financial resources from the perspective of the Group as a whole. The Company maintains liquidity through holding a certain proportion of highly liquid assets and managing the liquidation process of the assets. In addition, short-term borrowings, assets sold under agreements to repurchase, and other financing abilities also constitute part of the sources of the Company's liquidity and financial resources in daily operations.

In the first half of 2010, the capital injection into our subsidiaries by the Company is as follows:

- Injection of HKD380 million to Ping An Overseas Holdings has been approved by the CIRC on June 23, and payment of this injection was completed on July 16.

### CAPITAL STRUCTURE

As at June 30, 2010, the Group's total equity was RMB109,895 million, representing an increase of 19.8% as compared to the end of 2009. On May 7, 2010, the Company issued 299,088,758 H shares to NEWBRIDGE, with a consideration of the shares in SDB that NEWBRIDGE held, and its net assets increased accordingly.

As at June 30, 2010, capital structure of the Company mainly comprised contributions from shareholders as well as proceeds from the H share and A share listing. The Company did not issue any debt securities.

In the first half of 2010, debt issued by subsidiaries of the Group is set out as follows:

- Ping An Property & Casualty issued RMB2.5 billion subordinated term debts.

### GEARING RATIO

	June 30, 2010	December 31, 2009
Gearing ratio (%)	<b>89.8</b>	90.9

The gearing ratio is computed by dividing the sum of total liabilities and minority interests by total assets.

## CASH FLOW ANALYSIS

For the six months ended June 30 (in RMB million)	2010	2009
Net cash flows from operating activities	<b>67,201</b>	57,263
Net cash flows from investing activities	<b>(101,731)</b>	(6,087)
Net cash flows from financing activities	<b>4,923</b>	(14,216)

Net cash inflows from operating activities increased to RMB67,201 million in the six months ended June 30, 2010 from RMB57,263 million in the same period 2009. This was mainly due to the constant increase in cash premiums from our insurance businesses.

Net cash outflows from investing activities increased to RMB101,731 million in the six months ended June 30, 2010 from RMB6,087 million in the same period 2009. This was mainly due to an increase in investable funds generated from the rapid growth of cash premiums.

For the financing activities, there were net cash inflows of RMB4,923 million in the first half of 2010, while net cash outflows of RMB14,216 million in the same period last year. This was mainly due to the fact that there were more cash outflows arising from financial assets sold under agreements to repurchase of our insurance subsidiaries in the first half of 2009.

## CASH AND CASH EQUIVALENTS

(in RMB million)	June 30, 2010	December 31, 2009
Cash	<b>46,520</b>	67,027
Money market funds	<b>4,722</b>	11,983
Bond investments with an original maturity of less than 3 months	<b>30</b>	1,296
Assets purchased under agreements to resell with an original maturity of less than 3 months	<b>8,083</b>	8,659
Total cash and cash equivalents	<b>59,355</b>	88,965

The Group believes that the liquid assets currently held, together with the net cash generated from future operations, and the availability of short-term borrowings, can sufficiently meet the expected liquidity requirements of the Group.

## GROUP SOLVENCY MARGIN

The group solvency margin represents the consolidated solvency margin calculated as if the company and its subsidiaries, joint ventures and associates were a single reporting entity. The group solvency margin ratio is an important regulatory measure of an insurance group's capital adequacy, calculated by dividing the actual capital of the insurance group by its minimum capital requirement.

The following table sets out the relevant data in relation to the solvency of the Group:

(in RMB million)	June 30, 2010	December 31, 2009
Actual capital	<b>121,395</b>	117,560
Minimum capital	<b>55,653</b>	38,916
Solvency margin ratio (%)	<b>218.1</b>	302.1

The above figures indicate that the solvency of the Group was adequate as at June 30, 2010.

The Group's solvency margin ratio decreased compared with the end of 2009. This was mainly attributable to two reasons. First, the minimum capital increased as a result of the rapid growth of insurance business and banking business in the first half of 2010. Second, since SDB became an associate of the Group, its capital adequacy was considered and calculated in proportion when evaluating the Group's solvency margin. SDB had a lower solvency margin ratio calculated by using its capital adequacy ratio than the Company's original.

# Management discussion and analysis

## Other important information

### SHARES HELD IN OTHER LISTED COMPANIES AND NON-LISTED FINANCIAL ENTERPRISES Securities Investments Classified as Held for Trading Financial Assets

No.	Type	Code	Short name	Initial cost (RMB million)	Number of shares (million)	Carrying amount at the end of the period (RMB million)	Percentage to total securities investments (%)	Profit or loss for the reporting period (RMB million)
1	Stock	601106	CFHI	1,933	339	1,821	39.3	(112)
2	Convertible bond	125709	Tangsteel CB	272	244	264	5.7	(8)
3	Stock	600111	Steel Rare-Earth	98	3	91	2.0	(7)
4	Stock	002123	Rongxin	82	2	77	1.7	(5)
5	Stock	601299	China CNR	79	14	69	1.5	(18)
6	Stock	000826	Sound Environmental	67	3	67	1.4	6
7	Stock	002163	AVIC Sanxin	65	5	62	1.3	(3)
8	Stock	600805	Yueda Investment	66	6	57	1.2	(17)
9	Stock	601398	ICBC	61	13	53	1.1	(9)
10	Stock	601688	Huatai Securities	79	4	50	1.1	(28)
Other securities investments held at the end of the period				2,205	-	2,024	43.7	(413)
Profit or loss upon disposal of securities investments for the reporting period				-	-	-	-	(300)
Total				5,007	-	4,635	100.0	(914)

(1) Securities investments listed in the table include stocks, warrants and convertible bonds.

(2) Other securities investments refer to securities investments other than the above top ten securities.

(3) Profit or loss for the reporting period includes dividend income and gain or loss from fair value change during the reporting period.

### Top Ten Equity Investments in Other Listed Companies

No.	Stock code	Short name	Initial investment cost (RMB million)	Carrying amount at the end of the period (RMB million)	Percentage of shareholding in such companies (%)	Profit or loss for the reporting period (RMB million)	Change in shareholders' equity for the reporting period (RMB million)	Accounting item
1	000001	SDB	25,610	25,814	29.99	204	-	Investment in associates
2	000538	Yunnan Baiyao	1,407	2,313	9.4	-	366	AFS
3	BE0003801181	Ageas (original name: Fortis)	23,874	1,852	4.8	78	(1,257)	AFS
4	600000	SPD Bank	1,751	1,829	1.2	16	(85)	AFS
5	601628	China Life	97	95	0.2	3	(21)	AFS
6	HK2628	CCB	1,334	1,300	0.1	34	(128)	AFS
	601939		117	106		-	(34)	AFS
7	HK0939	ICBC	1,197	1,202	0.1	44	(74)	AFS
	601398		63	55		3	(19)	AFS
8	HK1398	CSG	1,170	1,138	4.9	36	(155)	AFS
	000012		478	884		16	(106)	AFS
9	601988	BOC	2	2	0.1	-	-	AFS
	HK3988		874	842		31	(57)	AFS
10	HK0005	HSBC	883	763	0.1	14	(185)	AFS

(1) Profit or loss for the reporting period refers to dividend income and investment income recognized using equity method.

(2) Percentage of shareholding in such companies is calculated using the total shares we held.

(3) Shares were acquired from the primary and secondary markets, non-public directed issuance or bonus issue etc.

## Equity Investments in Non-listed Financial Enterprises

No.	Name	Initial investment cost (RMB million)	Number of shares (million)	Percentage of shareholding in such companies (%)	Carrying amount at the end of the period (RMB million)	Profit or loss for the reporting period (RMB million)	Change in shareholders' equity for the reporting period (RMB million)	Accounting item	Source
1	Taizhou City Commercial Bank Co., Ltd.	361	93	10.33	361	-	-	AFS	Purchased
2	Central China Securities Holdings Co., Ltd.	826	826	40.63	2,218	68	-	Investment in associates	Purchased
3	Sensible Asset Management Hong Kong Ltd.	20	1	50.00	18	(1)	-	Investment in joint ventures	Purchased

## FOREIGN CURRENCY RISK

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 currencies, and non-monetary assets measured at fair value such as our stocks and funds held in foreign currencies. The Group's foreign currency denominated liabilities are also exposed to fluctuations in exchange rates. These liabilities include monetary liabilities, such as borrowings, customer's deposits and claim reserves denominated in foreign currencies and non-monetary liabilities measured at fair value. The exposures to fluctuations in exchange rates from the above assets and liabilities offset each other.

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

As at June 30, 2010 (in RMB million)	Decrease in profit	Decrease in equity
Net exposure to fluctuations in exchange rates assuming a simultaneous and uniform 5% depreciation of all foreign currency denominated monetary assets and monetary liabilities as well as all non-monetary assets and non-monetary liabilities measured at fair value against the Renminbi	248	1,052

## GUARANTEE

(In RMB million)

### External guarantee of the Company (excluding the guarantee in favor of its subsidiaries)

Total guarantee incurred during the reporting period	-
Total guarantee balance as at the end of the reporting period <sup>(1)</sup>	1,500

### Guarantee of the Company in favor of its subsidiaries

Total guarantee in favor of its subsidiaries incurred during the reporting period	1,901
Total guarantee balance in favor of its subsidiaries as at the end of the reporting period	6,101

### Total guarantee of the Company (including the guarantee in favor of its subsidiaries)

Total guarantee	7,601
Total guarantee as a percentage of the Company's net assets (%)	7.2

(1) The Company provided guarantee of RMB1,500 million to Xuji Group, a subsidiary of the Company originally. Since May 28, 2010, Xuji Group was no longer a subsidiary of the Company, the nature of this guarantee has changed to be external. As of the date of the interim report issued, the above guarantee has been released.

# 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.

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 constructed 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 interim 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".

## (1) COMPONENTS OF ECONOMIC VALUE

(in RMB million)	June 30, 2010	December 31, 2009
Risk discount rate	<b>Earned rate/11.0%</b>	Earned rate/11.0%
Adjusted net asset value	<b>112,865</b>	94,606
Adjusted net asset value of life insurance business	<b>42,557</b>	40,052
Value of in-force insurance business written prior to June 1999	<b>(10,504)</b>	(11,614)
Value of in-force insurance business written since June 1999	<b>98,838</b>	86,579
Cost of holding the required solvency margin	<b>(16,862)</b>	(14,314)
<b>Embedded value</b>	<b>184,338</b>	155,258
Embedded value of life insurance business	<b>114,029</b>	100,704

(in RMB million)	June 30, 2010	December 31, 2009
Risk discount rate	<b>11.0%</b>	11.0%
Value of one year's new business	<b>17,229</b>	13,945
Cost of holding the required solvency margin	<b>(2,641)</b>	(2,141)
<b>Value of one year's new business after cost of solvency</b>	<b>14,588</b>	11,805
<b>Value of first half year's new business after cost of solvency</b>	<b>9,122</b>	6,339

Notes: (1) Figures may not be additive due to rounding.  
 (2) In the table above, the assumptions used to calculate the value of first half year's new business in 2009 are the same with current assumptions used to calculate the new business value. If the 2009 mid-year valuation's assumptions were used, the value of first half year's new business in 2009 would be RMB6,246 million.

The adjusted net asset value is based on the shareholders net assets of the Company and the relative life insurance business as measured on the PRC statutory basis. The relative life insurance business includes business conducted through Ping An Life, Ping An Annuity and Ping An Health. The values placed on certain assets have been adjusted to the market value.

## (2) KEY ASSUMPTIONS

The key assumptions used in the embedded value calculation as at June 30, 2010 have been the same as those used in 2009 year-end valuation.



**(3) NEW BUSINESS VOLUMES AND BUSINESS MIX**

The volume of new business sold and modeled during the past 12 months prior to June 30, 2010 to calculate the value of one year's new business was RMB70,854 million in terms of first year premium, while that was RMB63,630 million during 2009. The mix of the new business measured by first year premium was:

Business Mix	June 30, 2010	December 31, 2009
<b>Individual life</b>	<b>51.3%</b>	43.7%
Long-term business	<b>51.0%</b>	43.3%
Short-term business	<b>0.3%</b>	0.4%
<b>Group life</b>	<b>10.5%</b>	13.6%
Long-term business	<b>4.6%</b>	7.3%
Short-term business	<b>5.9%</b>	6.3%
<b>Bancassurance</b>	<b>38.2%</b>	42.7%
Long-term business	<b>38.2%</b>	42.7%
Short-term business	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%</b>	100.0%

Note: Figures may not be additive due to rounding.

**(4) SENSITIVITY ANALYSIS**

The Company has investigated the effect, on the value of in-force business and the value of one year's new business, of independent variations in certain assumptions regarding future experience. Specifically, the following changes in assumptions have been considered:

- Risk discount rate
- Investment return increased by 50 basis points every year
- Investment return decreased by 50 basis points every year
- A 10% reduction in mortality and morbidity for assured lives
- A 10% reduction in policy discontinuance rates
- A 10% reduction in maintenance expenses
- A 5% increase in the policyholders' dividend payout ratio
- Solvency margin at 150% of the regulatory level

(in RMB million)	Risk Discount Rate			11.0%
	Earned rate/10.5%	Earned rate/11.0%	Earned rate/11.5%	
Value of in-force business	74,661	71,473	68,452	72,617
	<b>10.5%</b>	<b>11.0%</b>	<b>11.5%</b>	<b>Earned rate/11.0%</b>
Value of one year's new business	15,476	14,588	13,764	15,404

Assumptions (in RMB million)	Value of in-force business	Value of one year's new business
Central case	71,473	14,588
Investment return increased by 50bp every year	83,754	15,501
Investment return decreased by 50bp every year	57,948	13,694
10% reduction in mortality and morbidity rates	72,347	14,866
10% reduction in policy discontinuance rates	73,800	15,192
10% reduction in maintenance expense	72,834	14,820
5% increase in the policyholders' dividend payout ratio	68,749	14,150
Solvency margin at 150% of the regulatory level	62,804	13,270

Note: Risk discount rates were earned rate/11.0% and 11.0% for in-force business and new business, respectively.

# Changes in the share capital and substantial shareholders' profile

## SHAREHOLDINGS DISCLOSED UNDER A SHARES REGULATORY REQUIREMENTS

### Changes in Share Capital

#### Statement of changes in share capital

Unit: shares	Prior to the change		Change (+,-)					After the change	
	Number of shares	Percentage (%)	Issue of new shares	Bonus issue	Transfer from reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Selling-restricted shares									
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-	-	-
3. Other domestic shares	859,823,040	11.71	-	-	-	-859,823,040	-	-	-
Including:									
Domestic legal person shares	859,823,040	11.71	-	-	-	-859,823,040	-	-	-
Domestic natural person shares	-	-	-	-	-	-	-	-	-
4. Foreign shares	-	-	-	-	-	-	-	-	-
Including:									
Foreign legal person shares	-	-	-	-	-	-	-	-	-
Foreign natural person shares	-	-	-	-	-	-	-	-	-
Total	859,823,040	11.71	-	-	-	-859,823,040	-	-	-
II. Selling-unrestricted shares									
1. RMB ordinary shares	3,926,586,596	53.46	-	-	-	+859,823,040	-	4,786,409,636	62.62
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	2,558,643,698	34.83	-	-	-	+299,088,758	-	2,857,732,456	37.38
4. Others	-	-	-	-	-	-	-	-	-
Total	6,485,230,294	88.29	-	-	-	+1,158,911,798	-	7,644,142,092	100.00
III. Total number of shares	7,345,053,334	100.00	-	-	-	+299,088,758	-	7,644,142,092	100.00

### Share issuance and listing

#### Offering of shares of the Company

The Company entered into a share purchase agreement with NEWBRIDGE, former largest shareholder of SDB, pursuant to which the Company would be transferred with all the shares in SDB held by NEWBRIDGE, i.e. 520,414,439 shares, and NEWBRIDGE required the Company to issue 299,088,758 new H shares pursuant to the agreement as consideration. As approved by CSRC in the *Written Reply to Approve the Increase in the Issuance of Overseas Listed Foreign Shares by Ping An Insurance (Group) Company of China, Ltd.* (Zheng Jian Xu Ke [2010] No. 542), the Company's non-public directed issuance of additional H shares to NEWBRIDGE was completed on May 7, 2010. Hereafter the total share capital of the Company increased to 7,644,142,092 shares (ordinary shares), of which, there were 4,786,409,636 domestic shares (A shares), accounting for 62.62% of the total share capital; and there were 2,857,732,456 overseas listed foreign shares (H shares), accounting for 37.38% of the total share capital.

### Timetable for listing and circulation of selling-restricted shares

No.	Name of shareholder	Number of selling-restricted shares held	Time of listing and circulation
1	Shenzhen New Horse Investment Development Co., Ltd.	389,592,366	March 1, 2010
2	Shenzhen Jingao Industrial Development Co., Ltd.	331,117,788	March 1, 2010
3	Shenzhen Jiangnan Industrial Development Co., Ltd.	139,112,886	March 1, 2010

### Total number of shares and changes in shareholding structure of the Company

During the reporting period, the total number of shares of the Company changed to 7,644,142,092 shares.

### Existing staff shares

At the end of the reporting period, the Company had no staff shares.

### Shareholders' Information

#### Number of shareholders and their shareholdings

#### Total number of shareholders as at the end of the reporting period

344,018 shareholders (of which there were 337,969 domestic shareholders)

#### Shareholdings of top ten shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held (share)	Type of shares	Change during the reporting period (+, -)	Number of selling-restricted shares held	Number of pledged or frozen shares
HSBC Insurance Holdings Limited	Overseas legal person	8.10	618,886,334	H	-	-	-
The Hongkong and Shanghai Banking Corporation Limited	Overseas legal person	8.03	613,929,279	H	-	-	-
Shenzhen Investment Holdings Co., Ltd.	State	6.30	481,359,551	A	-	-	-
Shenzhen New Horse Investment Development Co., Ltd.	Domestic non-state-owned legal person	5.10	389,592,366	A	-	-	-
Yuan Trust Investment Co., Ltd.	Domestic non-state-owned legal person	4.97	380,000,000	A	-	-	-
Shenzhen Jingao Industrial Development Co., Ltd.	Domestic non-state-owned legal person	4.33	331,117,788	A	-	-	-
Shum Yip Group Limited	State-owned legal person	2.71	207,478,860	A	-	-	-
Shenzhen Wuxin Yufu Industrial Co., Ltd.	Domestic non-state-owned legal person	2.34	178,802,104	A	-	-	-
Shenzhen Jiangnan Industrial Development Co., Ltd.	Domestic non-state-owned legal person	1.82	139,112,886	A	-	-	33,000,000 pledged shares
Shenzhen Liye Group Co., Ltd.	Domestic non-state-owned legal person	1.49	113,687,008	A	-9,999,993	-	104,860,000 pledged shares

# Changes in the share capital and substantial shareholders' profile

## Shareholdings of top ten holders of selling unrestricted shares

Name of shareholder	Number of selling unrestricted shares held	Type of shares
HSBC Insurance Holdings Limited	618,886,334	H shares
The Hongkong and Shanghai Banking Corporation Limited	613,929,279	H shares
Shenzhen Investment Holdings Co., Ltd.	481,359,551	A shares
Shenzhen New Horse Investment Development Co., Ltd.	389,592,366	A shares
Yuan Trust Investment Co., Ltd.	380,000,000	A shares
Shenzhen Jingao Industrial Development Co., Ltd.	331,117,788	A shares
Shum Yip Group Limited	207,478,860	A shares
Shenzhen Wuxin Yufu Industrial Co., Ltd.	178,802,104	A shares
Shenzhen Jiangnan Industrial Development Co., Ltd.	139,112,886	A shares
Shenzhen Liye Group Co., Ltd.	113,687,008	A shares

Explanation of the connected relationship or acting in concert relationship of the above shareholders:

HSBC Insurance Holdings Limited and The Hongkong and Shanghai Banking Corporation Limited are wholly-owned subsidiaries of HSBC Holdings Plc.

Shenzhen New Horse Investment Development Co., Ltd., Shenzhen Jingao Industrial Development Co., Ltd. and Shenzhen Jiangnan Industrial Development Co., Ltd. are connected as a result of the duplication in actual contributor.

Save as the above, the Company is not aware of any connected relationship among the abovementioned shareholders.

## Particulars of controlling shareholder and de facto controller

The shareholding structure of the Company is relatively scattered. There is no controlling shareholder, nor de facto controller. The largest and second largest shareholders of the Company are two wholly-owned subsidiaries of HSBC Holdings Plc - HSBC Insurance Holdings Limited and The Hongkong and Shanghai Banking Corporation Limited. As at June 30, 2010, the total number of H shares of the Company held by such two companies amounted to 1,232,815,613 shares, accounting for approximately 16.13% of the total existing share capital of the Company of 7,644 million shares.

## Other legal person holding more than 10% shares

As at the end of the reporting period, the Company did not have any other legal person holding more than 10% shares.

## SHAREHOLDINGS DISCLOSED UNDER H SHARES REGULATORY REQUIREMENTS Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

As at June 30, 2010, the following persons (other than the Directors and Supervisors of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	H/A shares	Capacity	Notes	No. of H/A shares	Nature of interest	Percentage of total number of H/A shares in issue (%)	Percentage of total shares in issue (%)
HSBC Holdings plc	H	Interest of controlled corporations	1,2,3	1,240,569,099	Long position	43.41	16.23

## Interests and Short Positions of Other Substantial Shareholders

Name of substantial shareholder	H/A shares	Capacity	Notes	No. of H/A shares	Nature of interest	Percentage of total number of H/A shares in issue (%)	Percentage of total shares in issue (%)
HSBC Insurance Holdings Limited	H	Beneficial owner	1	618,886,334	Long position	21.66	8.10
The Hongkong and Shanghai Banking Corporation Limited	H	Beneficial owner	3	614,429,279	Long position	21.50	8.04
JPMorgan Chase & Co.	H	Beneficial owner Investment Manager Custodian		10,414,913	Long position	0.36	0.14
				91,611,000	Long position	3.21	1.20
				105,511,646	Long position	3.69	1.38
		Total:	4	207,537,559		7.26	2.71
		Beneficial owner	4	6,854,692	Short position	0.24	0.09
Shenzhen Investment Holdings Co., Ltd.	A	Beneficial owner		481,359,551	Long position	10.06	6.30
Shenzhen Jingao Industrial Development Co., Ltd.	A	Beneficial owner	5	331,117,788	Long position	6.92	4.33
Ping An Securities Company, Ltd. Labor Union	A	Interest of controlled corporations	5	331,117,788	Long position	6.92	4.33
China Ping An Trust & Investment Co., Ltd. Labor Union	A	Interest of controlled corporations	5	331,117,788	Long position	6.92	4.33
Shenzhen New Horse Investment Development Co., Ltd.	A	Beneficial owner	6	389,592,366	Long position	8.14	5.10
Ping An Insurance (Group) Company of China, Ltd. Labor Union	A	Interest of controlled corporations	6	389,592,366	Long position	8.14	5.10
Yuan Trust Investment Company Ltd.	A	Beneficial owner		380,000,000	Long position	7.94	4.97

### Notes:

- (1) Each of HSBC Insurance Holdings Limited and HSBC Bank plc is a wholly-owned subsidiary of HSBC Holdings plc and their respective interests in 618,886,334 H shares and 60,532 H shares of the Company were deemed to be the interest of HSBC Holdings plc.
- (2) Apart from (1) above, HSBC Holdings plc by virtue of its control over (i) The Hongkong and Shanghai Banking Corporation Limited; (ii) Hang Seng Bank (Trustee) Limited; and (iii) Hang Seng Bank Trustee International Limited, which respectively held a direct interest in 614,429,279 H shares, 120,295 H shares and 7,072,659 H shares in the Company, were also deemed to be interested in an aggregate of 621,622,233 H Shares of the Company.

The shareholding of 614,429,279 H shares held by The Hongkong and Shanghai Banking Corporation Limited was recorded in the interests disclosure form completed by the relevant substantial shareholder before 30 June 2010. The aforesaid shareholding has decreased to 613,929,279 H shares before 30 June 2010 but such change did not result in a disclosure obligation in accordance with SFO.

- (3) The Hongkong and Shanghai Banking Corporation Limited was wholly owned by HSBC Asia Holdings BV, a wholly-owned subsidiary of HSBC Asia Holdings (UK) Limited, which in turn was a wholly-owned subsidiary of HSBC Holdings BV. HSBC Finance (Netherlands), a wholly-owned subsidiary of HSBC Holdings plc., owned 100% interest in HSBC Holdings BV.

# Changes in the share capital and substantial shareholders' profile

- (4) JPMorgan Chase & Co. held interest in a total of 207,537,559 H shares (Long position) and 6,854,692 H shares (Short position) in the Company by virtue of its control over the following corporations:
- (i) JP Morgan Chase Bank, N.A, which is a wholly-owned subsidiary of JPMorgan Chase & Co., held 108,699,146 H shares (Long position) in the Company;
  - (ii) J.P. Morgan Whitefriars Inc. held 7,760,213 H shares (Long position) and 4,016,290 H shares (Short position) in the Company. J.P. Morgan Whitefriars Inc. was a wholly-owned subsidiary of J.P. Morgan Overseas Capital Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Finance Limited. J.P. Morgan International Finance Limited was wholly owned by Bank One International Holdings Corporation, being a corporation wholly owned by J.P. Morgan International Inc. and J.P. Morgan International Inc. was wholly owned by JPMorgan Chase Bank, N.A. which was in turn wholly owned by JPMorgan Chase & Co.;
  - (iii) J.P. Morgan Securities Ltd. held 1,917,500 H shares (Long position) and 1,850,000 H shares (Short position) in the Company. J.P. Morgan Securities Ltd. is a 98.95% owned subsidiary of J.P. Morgan Chase International Holdings Limited which was in turn a wholly-owned subsidiary of J.P. Morgan Chase (UK) Holdings Limited. J.P. Morgan Chase (UK) Holdings Limited is wholly-owned subsidiary of J.P. Morgan Capital Holdings Limited which in turn was wholly owned by J.P. Morgan International Finance Limited as mentioned in (ii) above;
  - (iv) J.P. Morgan Investment Management Inc. held 8,659,000 H shares (Long position) in the Company and was a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc. which was in turn wholly owned by JPMorgan Chase & Co.;
  - (v) JF Asset Management Limited held 34,661,500 H shares (Long position) in the Company. JF Asset Management Limited was wholly owned by JPMorgan Asset Management (Asia) Inc. which is in turn wholly owned by JPMorgan Asset Management Holdings Inc. as referred to in (iv) above;
  - (vi) JPMorgan Asset Management (UK) Limited held 24,794,500 H shares (Long position) in the Company. JPMorgan Asset Management (UK) Limited was wholly owned by JPMorgan Asset Management Holdings (UK) Limited. JPMorgan Asset Management Holdings (UK) Limited was wholly owned by JPMorgan Asset Management International Limited which was in turn wholly owned by JPMorgan Asset Management Holdings Inc. referred to in (iv) above;
  - (vii) JPMorgan Asset Management (Taiwan) Limited held 2,642,500 H shares (Long position) in the Company and was wholly owned by JPMorgan Asset Management (Asia) Inc. referred to in (v) above;
  - (viii) J.P. Morgan Structured Products B.V. held 215,928 H shares (Short position) in the Company and was wholly owned by J.P. Morgan International Finance Limited as referred to in (ii) above.
  - (ix) JPMorgan Asset Management (Singapore) Limited held 16,080,000 H shares (Long position) in the Company and was wholly owned by JPMorgan Asset Management (Asia) Inc. as referred to in (v) above.
  - (x) JF International Management Inc. held 336,000 H shares (Long position) in the Company and was wholly owned by JPMorgan Asset Management (Asia) Inc. as referred to in (v) above.
  - (xi) J.P. Morgan Markets Limited held 737,200 H shares (Long position) and 737,200 H shares (Short position) in the Company and was wholly owned by Bear Stearns Holdings Limited, which was in turn wholly owned by Bear Stearns UK Holdings Limited, being a corporation wholly owned by The Bear Stearns Companies LLC. The Bear Stearns Companies LLC was wholly owned by JPMorgan Chase & Co.
  - (xii) China International Fund Management Co Ltd held 1,250,000 H shares (Long position) in the Company and was owned as to 49% by JPMorgan Asset Management (UK) Limited as referred to in (vi) above.
  - (xiii) J.P. Morgan Whitefriars (UK) held 35,274 H shares (Short position) in the Company. J.P. Morgan Whitefriars (UK) is a 99.99% owned subsidiary of J.P. Morgan Whitefriars Inc. as referred to in (ii) above;
- The entire interest of JPMorgan Chase & Co. in the Company included a lending pool of 105,511,646 H shares (Long position). Besides, 5,019,402 H shares (Long position) and 4,267,492 H shares (Short position) were held through derivatives as follows:
- |  |  |
|--|--|
| 487,100 H shares (Short position)  | - through cash settled listed securities         |
| 4,260,696 H shares (Long position) and 3,780,392 H shares (Short position) | - through physically settled unlisted securities |
| 758,706 H shares (Long position)   | - through cash settled unlisted securities       |
- (5) Shenzhen Jingao Industrial Development Co., Ltd. was owned as to 80% and 20% by Ping An Securities Company, Ltd. Labor Union and China Ping An Trust & Investment Co., Ltd. Labor Union respectively. The interest in 331,117,788 A shares relates to the same block of shares in the Company.
- (6) Shenzhen New Horse Investment Development Co., Ltd. was owned as to 95% by Ping An Insurance (Group) Company of China, Ltd. Labor Union. The interest in 389,592,366 A shares relates to the same block of shares in the Company.

Save as disclosed above, the Company is not aware of any other person (other than the Directors and Supervisors of the Company) having any interest or short position in the shares and underlying shares of the Company as at June 30, 2010 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

# Directors, Supervisors and Senior Management

## CHANGES IN THE NUMBER OF SHARES, SHARE OPTIONS AND RESTRICTED SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

### Direct Shareholding

During the reporting period, there was no change in the H shares of the Company held by Mr. Cheung Chi Yan Louis, Executive Director and President, Mr. Yao Jason Bo, Executive Director, Senior Vice President and Chief Financial Officer and Mr. Chow Wing Kin Anthony, Independent Non-executive Director. As at June 30, 2010, the interests of the Directors, Supervisors and Senior Management (including chief executive) of the Company in the shares which shall be disclosed pursuant to the “Standards Concerning the Contents and Formats of Information Disclosure by Listed Companies No. 3 – The Contents and Formats of Interim Report” (Revised in 2007) issued by CSRC, and the interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations shall have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (within the meaning of Part XV of the SFO), including interests and short positions which the Directors, Supervisors and Senior Management (including chief executive) 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 to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules, were as follows:

Name	Position	Capacity	H/A Shares	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Change	Reason for the change	Nature of interest	Percentage of total issued H/A shares (%)	Percentage of total issued shares (%)
Cheung Chi Yan Louis	Executive Director and President	Beneficial owner	H	248,000	248,000	-	-	Long position	0.00868	0.00324
Yao Jason Bo	Executive Director, Senior Vice President and Chief Financial Officer	Beneficial owner	H	12,000	12,000	-	-	Long position	0.00042	0.00016
Chow Wing Kin Anthony	Independent Non-executive Director	Interest held jointly with another person*	H	7,500	7,500	-	-	Long position	0.00026	0.00010

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

### Indirect Shareholding

Some of the Directors, Supervisors and Senior Management of the Company indirectly held A shares of the Company through Employee Investment Pool and Shenzhen Jiangnan Industrial Development Co., Ltd. During the reporting period, there was no change in their shares held in the Company.

The group of participants of the Employee Investment Pool beneficially owns approximately 9.43% of the total existing share capital of the Company; whereas Shenzhen Jiangnan Industrial Development Co., Ltd. holds 139,112,886 A shares in the Company. The indirect shareholdings of the Directors, Supervisors and Senior Management of the Company are as follows:

# Directors, Supervisors and Senior Management

## Share of interests in employee investment pool

Name	Position	Share of interests in employee investment pool at the beginning of the period	Share of interests in employee investment pool at the end of the period	Change in the share of interests in employee investment pool	Reason for the change
Ma Mingzhe	Chairman and Chief Executive Officer	4,743,600	4,743,600	-	-
Sun Jianyi	Vice Chairman and Executive Vice President	4,168,300	4,168,300	-	-
Cheung Chi Yan Louis	Executive Director and President	500,000	500,000	-	-
Wang Liping	Executive Director and Senior Vice President	1,721,520	1,721,520	-	-
Yao Jason Bo	Executive Director, Senior Vice President and Chief Financial Officer	100,000	100,000	-	-
Lin Lijun	Director	992,800	992,800	-	-
Wang Wenjun	Supervisor	64,602	64,602	-	-
Ding Xinmin	Supervisor	602,400	602,400	-	-
Sun Jianping	Supervisor	1,118,600	1,118,600	-	-
Ren Huichuan	Senior Vice President	735,040	735,040	-	-
Cao Shifan	Senior Vice President	1,307,680	1,307,680	-	-
Goh Yethun	Senior Vice President	300,000	300,000	-	-
Lo Sai Lai	Senior Vice President	300,000	300,000	-	-
Chen Kexiang	Senior Vice President	1,373,040	1,373,040	-	-
Ku Man	Senior Vice President	200,000	200,000	-	-
Cheung Chun Tong	Chief Actuary	300,000	300,000	-	-
Total		18,527,582	18,527,582	-	-

## Percentage of shares beneficially held in Shenzhen Jiangnan Industrial Development Co., Ltd.

Name	Position	Shareholding percentage at the beginning of the period (%)	Shareholding percentage at the end of the period (%)	Change in the number of shares	Reason for the change
Ma Mingzhe	Chairman and Chief Executive Officer	5.86	5.86	-	-
Sun Jianyi	Vice Chairman and Executive Vice President	3.83	3.83	-	-
Cheung Chi Yan Louis	Executive Director and President	2.93	2.93	-	-
Wang Liping	Executive Director and Senior Vice President	1.17	1.17	-	-
Yao Jason Bo	Executive Director, Senior Vice President and Chief Financial Officer	0.18	0.18	-	-
Lin Lijun	Director	0.12	0.12	-	-
Ding Xinmin	Supervisor	0.65	0.65	-	-
Sun Jianping	Supervisor	0.59	0.59	-	-
Ren Huichuan	Senior Vice President	1.41	1.41	-	-
Cao Shifan	Senior Vice President	0.59	0.59	-	-
Goh Yethun	Senior Vice President	3.57	3.57	-	-
Lo Sai Lai	Senior Vice President	0.70	0.70	-	-
Chen Kexiang	Senior Vice President	3.81	3.81	-	-
Ku Man	Senior Vice President	0.59	0.59	-	-
Yao Jun	Secretary to the Board and Chief Legal Officer	0.59	0.59	-	-
Total		26.59	26.59	-	-



### Changes in the Number of Share Options and Restricted Shares Granted

During the reporting period, there were no share options held by the Directors, Supervisors and Senior Management of the Company, nor were there restricted shares granted.

Save as disclosed above, as at June 30, 2010, none of the Directors, Supervisors and Senior Management (including chief executive) held or was deemed to hold any interest or short position in the shares and underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors, Supervisors and Senior Management (including chief executive) to the Company and the Stock Exchange pursuant to the Model Code nor have they been granted the right to acquire any interest in shares or debentures of the Company or any of its associated corporations.

### APPOINTMENT OR REMOVAL OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

1. Mr. Hu Aimin, a director designated by Shum Yip Group Limited, retired from Shum Yip Group Limited. Under the recommendation of Shum Yip Group Limited, the resolution regarding the appointment of Mr. Guo Limin as Non-executive Director of the Company to fill in for Mr. Hu Aimin was passed at the 2009 second extraordinary general meeting held by the Company on December 18, 2009. The directorship qualifications of Mr. Guo Limin have been approved by CIRC on February 11, 2010.
2. Mr. Ren Huichuan, Supervisor, resigned as Supervisor of the Company in March 2010 due to work arrangements. Accordingly, Mr. Sun Jianping was elected to replace Mr. Ren Huichuan as the Employee Representative Supervisor for the sixth session of the Supervisory Committee of the Company at the employee representative meeting held by the Company on March 19, 2010.
3. Mr. Ren Huichuan has been appointed as Senior Vice President of the Company since June 2010.
4. Mr. Yao Jason Bo, Senior Vice President of the Company, resigned as Chief Actuary of the Company in June 2010. Accordingly, Mr. Cheung Chun Tong has been appointed to fill in for the position of Chief Actuary of the Company.
5. Mr. Leung Ka Kui Dominic is no longer the Executive Vice President of the Company since June 2010.
6. Mr. Richard JACKSON is no longer the Chief Finance Business Officer of the Company since May 2010.
7. The resolution regarding the appointment of Mr. David Fried as a Non-executive Director of the Company to fill in for Mr. Clive Bannister was passed at the 2009 annual general meeting held by the Company on June 29, 2010. Following the approval of the directorship qualifications of Mr. David Fried by CIRC on August 10, 2010, Mr. Clive Bannister retired as and Mr. David Fried was appointed as a non-executive Director of the Company on the same date.

### CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

Pursuant to the disclosure requirement under Rule 13.51B(1) of the Listing Rules, the change in information of Directors and Supervisors is as follows:

Mr. Wong Tung Shun Peter, a Non-executive Director of the Company, has been appointed as a director of Hong Kong Institute for Monetary Research since July 29, 2010.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

# Report of the Directors

## MANAGEMENT DISCUSSION AND ANALYSIS

For management discussion and analysis, please refer to the section entitled “Management Discussion and Analysis”.

## COMPARISON BETWEEN ACTUAL OPERATING ACHIEVEMENT AND THAT LISTED IN THE LISTING DOCUMENT/PROFIT FORECASTS/PLANS, AND EXPLANATION ON THE PROGRESS MADE WITH RESPECT TO SUCH FORECASTS OR PLANS

During the first half of 2010, the Company pushed forward on a series of tasks according to its pre-set development plan, comprehensively putting its business strategies into action. As a result, our core businesses grew strongly and our integrated capabilities deepened further. We made steady progress in our strategic investment in Shenzhen Development Bank. This was an important step forward towards our goal to develop into a leading international integrated financial services provider. For the six months ended June 30, 2010, the Company realized a net profit of RMB9,866 million and an operating income of RMB96,980 million.

### Insurance Business

Written premiums from property and casualty as well as life insurance businesses grew rapidly. Our life insurance business realized written premiums of RMB93,125 million for the first half of the year, representing a year-on-year increase of 26.0%. Ping An Property & Casualty realized a premium income of RMB29,975 million in the first half year, up 61.1% from the corresponding period of last year, with market share increasing 1.5 percentage points over that at the end of 2009. Ping An Annuity continued to maintain its leading position in the market, with its three major performance indicators, namely annuity payment received, assets entrusted, and assets under investment management. Ping An Health focused on offering a broad range of mid- to high-end healthcare insurance products and services. With the introduction of foreign partners and a continual improvement of its healthcare network and services platform, Ping An Health’s risk management in healthcare operations was further empowered.

### Banking Business

Our banking business demonstrated robust growing momentum and our cross-selling performed well. During the first half of 2010, Ping An Bank recorded a net profit of RMB900 million, representing a year-on-year growth of 56.0%. Deposits balance amounted to RMB167,839 million, representing an increase of 12.6% as compared to the end of 2009. We took steps to further optimize the business structure, the percentage of retail deposits and SME loans grew steadily. As our business expanded rapidly, the capital adequacy ratio was maintained at 11.8% and non-performing loan ratio at 0.45%, allowing us to continue to stay at the forefront of the industry. Cross-selling reaped good results. For our new corporate deposits and new credit card issuance, contribution from cross-selling was 22.0% and 61.9% of the total respectively. As our initiatives of back office centralization, IT platform development, risk management and cultural system establishment were well underway as scheduled, we have built a solid foundation for Ping An Bank to develop into a top-ranking market player nationwide. In addition, we made steady progress in our strategic investment in Shenzhen Development Bank, and now hold 29.99% of its total shares.

### Investment Business

Ping An Securities won approval for opening five more branch offices. Its investment banking arm successfully underwrote 28 IPOs and re-financing projects as a lead underwriter, ranking first in terms of the number of deals. Ping An Trust’s wealth management business recorded rapid growth in both the number of customers and customer assets. Assets held in trust under the management of Ping An Trust amounted to RMB125,396 million. Ping An Asset Management responded to the changes in domestic equity market proactively, taking prudent steps to increase its investment in fixed income assets and optimize its asset allocation. Our net and total investment yields stood at 4.1% and 3.7%, respectively.

## AMENDMENTS TO THE OPERATING PLANS DISCLOSED IN LAST YEAR’S ANNUAL REPORT

In adherence to the continuity and stability of our development and operating plans, there is no change in the long-term operating objectives of the Company compared with the operating plans disclosed last year and the plans upon the listing of A-shares.

# Significant events

## CORPORATE GOVERNANCE

The Company is committed to implementing the relevant requirements in relation to corporate governance issued by the regulatory departments, in strict compliance with the Company Law of the People's Republic of China and continues to improve the corporate governance structure and enhance the level of corporate governance based on the actual conditions of the Company.

During the reporting period, one general meeting, i.e. the 2009 annual general meeting, was held by the Company; two meetings were held by the Board; and two meetings were held by the Supervisory Committee. The general meetings, Board, Supervisory Committee and senior management operated independently and performed their respective rights and obligations in accordance with the terms of reference in the Articles of Association of the Company and the laws, and no irregularities or breaches were identified.

The Company discloses various important information of the Company in a timely, accurate, true and complete manner in strict compliance with the requirements of the laws, regulations and the Articles of Association of the Company, which is to ensure that all shareholders have the same chance of obtaining such information. The Company endeavors to maintain a high level of corporate governance and believes that a sound corporate governance structure can further enhance the effectiveness and reliability of the management of the Company and such is crucial to maximize shareholders' value of the Company.

During the reporting period, at the Sixth Board Summit of the PRC Listed Companies cum "Gold Round Table" Ceremony organized by the *Journal for Board of Directors*, the Company was awarded the "Best Board of Directors" three years in a row. In another poll, "Asia's Best Managed Companies", organized by *Finance Asia*, a renowned financial magazine, the Company was granted four excellence awards namely the "Best Managed Company", "Best Investor Relations", "Best Corporate Social Responsibility" and "Most Committed to a Strong Dividend Policy". Based on the rankings announced by *Euromoney*, an internationally famous financial magazine, for the "Best Managed Insurance Companies in Asia" in 2009, the Company was ranked No. 1 among Asia's best managed companies. Leveraged on its regulated, systematic and highly transparent corporate governance structure, in 2010, the Company was granted the "Outstanding Performance Award for Corporate Governance in Asia" issued by *Corporate Governance Asia*, a famous corporate governance magazine in Asia four years in a row.

## IMPLEMENTATION OF PROFIT DISTRIBUTION PROPOSAL DURING THE REPORTING PERIOD

The profit distribution proposal of the Company for 2009 was approved at the 2009 annual general meeting held on June 29, 2010, according to which a final cash dividend for 2009 of RMB0.30 (tax inclusive) per share was proposed to be distributed to all the shareholders based on the total share capital of 7,644,142,092 shares, totaling RMB2,293,242,627.60, with the remaining undistributed profit carried forward to the year of 2010. The announcement on the poll results of the general meeting was published in *China Securities Journal*, *Shanghai Securities News*, *Securities Times* and *Securities Daily* on June 30, 2010. The record date for distribution of dividends in respect of A shares was July 12, 2010. The record date for distribution of dividends in respect of H shares was June 29, 2010. The dividend distribution date was July 21, 2010. The announcement regarding the distribution of dividend in respect of A shares and H shares of the Company was published on the websites of Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited, and in *China Securities Journal*, *Shanghai Securities News*, *Securities Times* and *Securities Daily* on July 7, 2010. The implementation of the distribution proposal has been completed.

# Significant events

## **IMPLEMENTATION OF CASH DIVIDEND POLICY DURING THE REPORTING PERIOD**

Pursuant to Article 213 of the Articles of Association of the Company, the Company shall attach importance to the reasonable investment return of investors in terms of its profit distribution. The profit distribution policy of the Company shall maintain its continuity and stability. In the case that the distributable profits of the Company in that year (namely profits after tax of the Company after making up for the losses and making contributions to the reserve fund) are positive, the profit shall in principle be distributed to shareholders in the form of cash dividend based on a certain ratio. In determining the detailed ratio of the distribution of cash dividend, the Company shall take into account its profit, cash flow, solvency and operation and business development requirements. The Board of the Company shall be responsible for formulating and implementing a distribution proposal under the requirements of the Articles of Association of the Company.

During the reporting period, the Company executed the cash dividend policy and implemented the profit distribution proposal of the Company for 2009, pursuant to which a final cash dividend for 2009 of RMB0.30 per share (tax inclusive) was distributed to all the shareholders based on the total share capital of 7,644,142,092 shares, totaling RMB2,293,242,627.60.

## **INTERIM DIVIDEND AND CLOSURE OF REGISTER OF H SHARES**

Under the Articles of Association of the Company and other relevant requirements, as at June 30, 2010, the profit available for distribution to shareholders of the Company amounted to RMB2,438 million. According to the Articles of Association of the Company, the amount of interim dividend shall not exceed 50% of the profit available for distribution in the interim period.

The Board declared that an interim dividend of RMB0.15 (equivalent to HK\$0.1716) per share for the six months ended June 30, 2010 totalling RMB1,146,621,313.80, will be paid to shareholders of the Company, based on the total share capital of 7,644,142,092 shares. Holders of H shares whose names are on the Company's register of members of H shares on September 9, 2010 (the "Record Date") will be entitled to the interim dividend. The registration date and arrangements in relation to the rights of holders of A shares to receive the interim dividend for the six months ended June 30, 2010 will be separately announced in the PRC.

According to the Articles of Association of the Company, dividends will be denominated and declared in Renminbi. Dividends on A shares will be paid in Renminbi and dividends on H shares will be paid in Hong Kong dollars. The relevant exchange rate will be the average middle exchange rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of declaration of interim dividends (RMB0.8740 equivalent to HK\$1.00).

In order to determine the list of holders of H shares who are entitled to receive the interim dividend for the period ended June 30, 2010, the Company's register of members of H shares will be closed from Thursday, September 9, 2010 to Wednesday, September 15, 2010, both days inclusive, during which period no transfer of H shares will be effected. In order to qualify for the interim dividend, holders of H shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on Wednesday, September 8, 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 Company has appointed Bank of China (Hong Kong) Trustees Limited as the receiving agent in Hong Kong (the "Receiving Agent") and will pay to the Receiving Agent the interim dividend declared for payment to holders of H shares. The interim dividend will be paid by the Receiving Agent and relevant cheques will be despatched on or before September 17, 2010 to holders of H shares whose names appear on the register of members of the Company on the Record Date by ordinary post at their own risk.

## MATERIAL LITIGATIONS OR ARBITRATIONS

During the reporting period, the Company had no material litigation or arbitrations.

## ASSET TRANSACTION

On April 28, 2010, as mentioned in the announcement of the Company, Ping An Life and SDB entered into a supplemental agreement relating to the Share Subscription Agreement, to amend the definition of the Subscription Long Stop Date by replacing “April 30, 2010” with “June 28, 2010” in Appendix I. Save as the amendment mentioned above, all other provisions of the Share Subscription Agreement shall remain unchanged.

On May 4, 2010, as mentioned in the announcement of the Company, the Company recently received the reply from CSRC, approving the issue of 299,088,758 H Shares by the Company to NEWBRIDGE and the consideration of which is to be satisfied by the transfer of 520,414,439 shares in SDB held by NEWBRIDGE. The Company also received replies from CIRC and MOC respectively. CIRC, in principle, agreed with the investment in shares of SDB by the Company and Ping An Life; while the Anti-monopoly Bureau of MOC considered the investment in shares of SDB by the Company and Ping An Life shall not, or might not, have the exclusive or restrictive competition effect, and hence the transaction could be effectuated immediately.

On May 6, 2010, as mentioned in the announcement of the Company, the relevant procedures of the issue of 299,088,758 H Shares by the Company to NEWBRIDGE as the consideration for the acquisition have been completed. The total number of issued shares of the Company changed from 7,345,053,334 shares to 7,644,142,092 shares. NEWBRIDGE has also issued an irrevocable transfer order to transfer the 520,414,439 shares in SDB held by it to the Company while the relevant procedures were in process.

On May 7, 2010, as mentioned in the announcement of the Company, NEWBRIDGE has transferred all of the 520,414,439 shares in SDB held by it to the Company. Prior to the completion of the transfer, the Company and Ping An Life held a total of 145,328,248 shares in SDB, representing approximately 4.68% of the existing share capital of SDB, made up of 3,105,433,762 shares. Subsequent to the completion of the transfer, the Company and Ping An Life held 665,742,687 shares in SDB in total, representing approximately 21.44% of the existing share capital of SDB.

On June 11, 2010, as mentioned in the announcement of the Company, the application in respect of the private issuing of shares by SDB to Ping An Life, was approved by the Public Offering Review Committee of CSRC on June 11, 2010.

On June 28, 2010, as mentioned in the announcement of the Company, SDB had received the “Approval in Respect of the Private Issuing of Shares by Shenzhen Development Bank Co., Ltd.” (Zheng Jian Xu Ke [2010] No. 862) (the “Approval”) from CSRC on June 28, 2010, which approved its private issuing of not more than 379,580,000 new shares to Ping An Life. The Approval is valid for a period of 6 months from the date of the issue of the Approval.

On June 29, 2010, as mentioned in the announcement of the Company, the Company had recently been contemplating an unprecedented major asset restructuring project involving the integration of Ping An Bank (a subsidiary of the Company) and SDB, which is subject to consultation with or discussion by relevant parties due to its great uncertainties in nature. In order to protect the interests of investors, ensure a fair disclosure of information, and avoid unusual movements in share price of the Company, trading in the shares of the Company has been suspended from June 30, 2010 at the request of the Company.

# Significant events

On July 2, 2010, as mentioned in the announcement of the Company, on June 28, 2010, Ping An Life paid RMB6,931,130,800 as subscription money to SDB for subscription of the 379,580,000 new shares issued pursuant to the Private Issuing. SDB completed the registration procedures for the shares issued pursuant to the Private Issuing on June 29, 2010 and received the Confirmation of Securities Registration issued by the Registration Depository Division of China Securities Depository and Clearing Co., Ltd., Shenzhen Branch. Prior to the completion of the Private Issuing, the Company and Ping An Life held an aggregate of 665,742,687 shares of SDB, representing 21.44% of SDB's then total share capital of 3,105,433,762 shares before the Private Issuing. Subsequent to the completion of the Private Issuing, the Company and Ping An Life hold an aggregate of 1,045,322,687 shares of SDB, representing 29.99% of SDB's total share capital of 3,485,013,762 shares after the Private Issuing.

The detailed information has also been published in designated Chinese newspapers *China Securities Journal*, *Shanghai Securities News*, *Securities Times*, *Securities Daily*, and on SSE's website ([www.sse.com.cn](http://www.sse.com.cn)), respectively on April 29, 2010, May 5, 2010, May 7, 2010, May 8, 2010, June 12, 2010, June 29, 2010, June 30, 2010, and July 3, 2010.

## **MAJOR CONNECTED TRANSACTIONS**

During the reporting period, the Company had no major connected transactions.

## **MATERIAL CONTRACTS AND THEIR PERFORMANCE**

### **Entrustment**

No entrusted matters of the Company were required to be disclosed during the reporting period.

### **Underwriting**

No underwriting matters of the Company were required to be disclosed during the reporting period.

### **Lease**

No lease matters of the Company were required to be disclosed during the reporting period.

### **Guarantee**

Details regarding the guarantees of the Company are set out in "Other Important Information" under "Management Discussion and Analysis".

### **Asset under Management**

No matters relating to assets under management of the Company were required to be disclosed during the reporting period.

### **Other Material Contracts**

No other material contracts of the Company were required to be disclosed during the reporting period.

## UNDERTAKINGS

Since the initial public offering of the Company's A shares in February 2007, the three shareholders of the Company, namely Shenzhen New Horse Investment Development Co., Ltd., Shenzhen Jingao Industrial Development Co., Ltd. and Shenzhen Jiangnan Industrial Development Co., Ltd., undertook that they would not transfer or entrust others to manage the A shares of the Company directly or indirectly held by them, nor would they procure the Company to acquire these A shares of the Company held by them within 36 months from the date of listing of the Company's A shares on the Shanghai Stock Exchange. The abovementioned undertaking has lapsed on March 1, 2010. By March 1, 2010, each of the above shareholders has strictly fulfilled their undertakings.

The Company received written notices from the above three shareholders on February 22, 2010. According to such written notices, Shenzhen New Horse Investment Development Co., Ltd. and Shenzhen Jingao Industrial Development Co., Ltd. will reduce their shareholdings in the Company by not more than 30% of the 389,592,366 A shares and the 331,117,788 A shares respectively per annum through the offer for sale in the secondary market as well as the block trading platform in the next five years. Out of the A shares held by Shenzhen Jiangnan Industrial Development Co., Ltd., the holding of 88,112,886 A shares will also be reduced in the next five years through the offer for sale in the secondary market as well as the block trading platform, by not more than 30% of the 88,112,886 A shares per annum. As at June 30, 2010, all of the above three shareholders had fulfilled their respective undertakings given in the written notices.

## APPOINTMENT OR REMOVAL OF AUDITOR

At the 2009 annual general meeting, Ernst & Young Hua Ming and Ernst & Young were re-appointed as auditors of the Company's financial statements under the PRC accounting standards and International Financial Reporting Standards, respectively for the year 2010. The interim financial statements of the Company are unaudited.

## PUNISHMENTS IMPOSED ON THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS AND DE FACTO CONTROLLERS AND RECTIFICATIONS

During the reporting period, the Company and its Directors, Supervisors, senior management, shareholders and de facto controllers were not subject to the inspection, administrative penalties, punishment notice by CSRC, and the public condemnation by the stock exchange.

## EXPLANATION OF THE SHARES HELD IN OTHER LISTED COMPANIES AND FINANCE ENTERPRISES

Details of the shares held by the Company in other listed companies and finance enterprises are set out in "Other Important Information" under "Management Discussion and Analysis".

## PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed shares from January 1, 2010 to June 30, 2010.

# Significant events

## AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

The primary duties of the audit committee are to review and supervise the Company's financial reporting process. The audit committee is also responsible for reviewing the external auditor's appointment and remuneration and any matters relating to the termination of the appointment or resignation of the external auditors. In addition, the audit committee also examines the effectiveness of the Company's internal controls, which involves regular reviews of the internal controls of various corporate structures and business processes on a continuous basis, and takes into account their respective potential risk and urgency, to ensure the effectiveness of the Company's business operations and the realization of its corporate objectives and strategies. The scope of such examinations and reviews includes finance, operations, regulatory compliance and risk management. The audit committee also reviews the Company's internal audit plan, and submits relevant reports and recommendations to the Board of Directors on a regular basis.

The audit committee comprises five Independent Non-executive Directors, namely 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, namely Mr. Ng Sing Yip. The audit committee is chaired by Mr. Tang Yunwei, an Independent Non-executive Director, who possesses the professional qualifications of Accounting and related financial management expertise.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed the internal controls and financial reporting matters including a review of the interim accounts of the Company.

The Company has also established a remuneration committee and a nomination committee. Further details of the roles and functions, composition and summary of the work of these Board committees were set out under the paragraph headed "Board Committees" in the Corporate Governance Report on pages 76 to 78 of the Company's 2009 annual report of H Shares dated April 16, 2010.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the Code on Corporate Governance Practices for any part of the period from January 1, 2010 to June 30, 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.

Code Provision A.2.1 of the Code on Corporate Governance Practices provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. However, the Board is of the opinion that the Company has built up a board structure of international standard and has developed a very structured and strict operation system and a set of procedural rules for meeting of the Board of Directors. The Chairman does not have any special power different from that of other Directors in relation to the decision making process. Also, in the day-to-day operation of the Company, the Company has in place an established management system and structure. Decisions on all material matters will be subject to complete and stringent deliberation and decision making procedures in order to ensure that the Chief Executive Officer can perform his duties diligently and effectively. Further, the current management model of the Company has been recognised in the industry and this model proves to be reliable, efficient and successful, therefore the continuous adoption of this model will be beneficial to the future development of the Company. There is also clear delineation in the responsibilities of the Board and the management set out in the Articles of Association of the Company.



Therefore, the Board is of the opinion that the Company's management structure is able to provide the Company with efficient management and at the same time, protect shareholders' rights to the greatest extent. The Company therefore does not currently intend to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer of the Company.

Further details of the Company's arrangements and 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 were set out under the paragraph headed "Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules" in the Corporate Governance Report on pages 73 to 74 of the Company's 2009 annual report of H Shares dated April 16, 2010.

#### **CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS OF THE COMPANY**

On May 28, 2004, the Company adopted the Code of Conduct, which was amended on April 16, 2010, regarding securities transactions by Directors and Supervisors of the Company ("Code of Conduct") on terms no less exacting than the required standard set out in the Model Code. Specific enquiry has been made of all Directors and Supervisors of the Company who have confirmed that they complied with the required standard set out in the Model Code and the Code of Conduct for the period from January 1, 2010 to June 30, 2010.

#### **ENTERPRISE INCOME TAX WITHHOLDING OF OVERSEAS NON-RESIDENT ENTERPRISES**

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China which came into effect on January 1, 2008 and its implementing rules, the Company shall be obligated to withhold 10% enterprise income tax when it distributes 2010 interim dividends to non-resident enterprise holders of H shares, including Hong Kong Securities Clearing Company Nominees Limited, as listed on the Company's register of members of H shares on the Record Date; after the legal opinion is provided by the resident enterprise shareholders within the stipulated time frame and upon the Company's confirmation of such opinion, the Company will not withhold any enterprise income tax when it distributes 2010 interim dividends to resident enterprise holders of H shares listed on the Company's register of members of H shares on the Record Date. The Company will also not withhold any individual income tax for natural person holders of H shares listed on the Company's register of members of H shares on the Record Date.

If any resident enterprise (as defined in the Enterprise Income Tax Law) listed on the Company's register of members of H shares which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire to have the Company withhold the said 10% enterprise income tax, it shall submit to Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Wednesday, September 8, 2010 a legal opinion, issued by a PRC qualified lawyer (inscribed with the seal of the applicable law firm), that establishes its resident enterprise status.

All investors are requested to read this report carefully. Should you wish to change your shareholder status, please consult your agent or trust institution over the relevant procedure. The Company will withhold the enterprise income tax for the non-resident enterprise shareholders as required by law based on the record shown on the Company's register of members of H shares on the Record Date. The Company assumes no liability and will not deal with any dispute over enterprise income tax withholding triggered by failure to submit proof materials within the stipulated time frame.

#### **ANALYSIS AND EXPLANATION OF OTHER SIGNIFICANT EVENTS AND THEIR EFFECTS AND SOLUTIONS**

No further significant events of the Company were required to be disclosed during the reporting period.

# Report on review of interim condensed consolidated financial statements

To the shareholders of  
**Ping An Insurance (Group) Company of China, Ltd.**

## INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 57 to 89 which comprise the interim consolidated statement of financial position of Ping An Insurance (Group) Company of China, Ltd. and its subsidiaries (the "Group") as at 30 June 2010 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited requires the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**  
*Certified Public Accountants*

Hong Kong  
24 August 2010

# Interim consolidated income statement

For the six months ended 30 June 2010

For the six months ended 30 June (in RMB million)	Notes	2010 (Unaudited)	2009 (Unaudited) (Restated)
Gross written premiums and policy fees	6	85,079	59,502
Less: Premiums ceded to reinsurers		(4,542)	(3,706)
Net written premiums and policy fees	6	80,537	55,796
Change in unearned premium reserves		(5,952)	(3,461)
Net earned premiums		74,585	52,335
Reinsurance commission income		1,337	996
Interest income of banking operations	7	4,371	3,065
Fees and commission income of non-insurance operations	8	2,492	1,029
Investment income	9	10,909	14,682
Share of profits and losses of associates and joint ventures		282	52
Other income	10	3,004	3,012
<b>Total income</b>		<b>96,980</b>	<b>75,171</b>
Claims and policyholders' benefits	11	(56,165)	(42,590)
Commission expenses of insurance operations		(7,663)	(5,952)
Interest expenses of banking operations	7	(1,585)	(1,141)
Fees and commission expenses of non-insurance operations	8	(228)	(123)
Loan loss provisions, net of reversals		(110)	(85)
Foreign exchange losses		(28)	(17)
General and administrative expenses		(15,611)	(10,959)
Finance costs		(391)	(420)
Other expenses		(2,991)	(2,757)
<b>Total expenses</b>		<b>(84,772)</b>	<b>(64,044)</b>
Profit before tax	12	12,208	11,127
Income tax	13	(2,342)	(3,415)
<b>Profit for the period</b>		<b>9,866</b>	<b>7,712</b>
<b>Attributable to:</b>			
- Owners of the parent		9,611	7,477
- Non-controlling interests		255	235
		<b>9,866</b>	<b>7,712</b>
		<b>RMB</b>	<b>RMB</b>
<b>Earnings per share attributable to ordinary equity holders of the parent:</b>	16		
- Basic		1.30	1.02
- Diluted		1.30	1.02

The accompanying notes form an integral part of these financial statements.

# Interim consolidated statement of comprehensive income

For the six months ended 30 June 2010

For the six months ended 30 June (in RMB million)	Note	2010 (Unaudited)	2009 (Unaudited) (Restated)
<b>Profit for the period</b>		<b>9,866</b>	7,712
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		25	72
Available-for-sale financial assets		<b>(5,561)</b>	8,422
Shadow accounting adjustments		<b>1,468</b>	448
Income tax relating to components of other comprehensive income		<b>829</b>	(1,804)
<b>Other comprehensive income for the period, net of tax</b>	14	<b>(3,239)</b>	7,138
<b>Total comprehensive income for the period</b>		<b>6,627</b>	14,850
<b>Attributable to:</b>			
- Owners of the parent		<b>6,398</b>	14,606
- Non-controlling interests		<b>229</b>	244
		<b>6,627</b>	14,850

The accompanying notes form an integral part of these financial statements.

# Interim consolidated statement of financial position

As at 30 June 2010

(in RMB million)	Notes	30 June 2010 (Unaudited)	31 December 2009 (Audited)
<b>Assets</b>			
Balances with central bank and statutory deposits		30,964	31,006
Cash and amounts due from banks and other financial institutions	17	161,798	158,219
Fixed maturity investments	18	507,230	428,417
Equity investments	19	62,780	82,116
Derivative financial assets		6	9
Loans and advances to customers	20	122,398	109,060
Investments in associates and joint ventures	21	38,386	12,063
Premium receivables		5,784	4,576
Accounts receivable		-	3,284
Inventories		-	1,562
Reinsurers' share of insurance liabilities		6,346	4,983
Policyholder account assets in respect of insurance contracts		37,620	42,506
Policyholder account assets in respect of investment contracts		4,055	4,416
Investment properties		6,677	6,430
Property and equipment		9,576	10,666
Intangible assets		9,794	12,874
Deferred tax assets		6,895	7,001
Other assets		22,599	16,524
<b>Total assets</b>		<b>1,032,908</b>	<b>935,712</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	22	7,644	7,345
Reserves		74,976	62,406
Retained profits		22,491	15,219
Equity attributable to owners of the parent		105,111	84,970
Non-controlling interests		4,784	6,773
<b>Total equity</b>		<b>109,895</b>	<b>91,743</b>
<b>Liabilities</b>			
Due to banks and other financial institutions		38,553	48,122
Assets sold under agreements to repurchase		57,905	60,364
Derivative financial liabilities		12	10
Customer deposits and payables to brokerage customers	23	159,584	140,544
Insurance payables		17,039	14,777
Insurance contract liabilities	24	579,511	516,330
Investment contract liabilities for policyholders		27,307	26,898
Policyholder dividend payable		17,338	15,196
Income tax payable		1,014	381
Bonds payable	25	7,517	4,990
Deferred tax liabilities		734	1,007
Other liabilities		16,499	15,350
<b>Total liabilities</b>		<b>923,013</b>	<b>843,969</b>
<b>Total equity and liabilities</b>		<b>1,032,908</b>	<b>935,712</b>

**MA Mingzhe**  
Director

**CHEUNG Chi Yan Louis**  
Director

**YAO Jason Bo**  
Director

The accompanying notes form an integral part of these financial statements.

# Interim consolidated statement of changes in equity

For the six months ended 30 June 2010

For the six months ended 30 June 2010 (in RMB million)	Equity attributable to owners of the parent										
	Notes	Reserves									Total equity
		Share capital (Unaudited)	Share premium (Unaudited)	Foreign currency translation reserve (Unaudited)	Available-for-sale investments reserve (Unaudited)	Shadow accounting adjustments (Unaudited)	Surplus reserve fund (Unaudited)	General reserve (Unaudited)	Retained profits (Unaudited)	Non-controlling interests (Unaudited)	
As at 1 January 2010		7,345	51,907	43	4,612	(759)	6,208	395	15,219	6,773	91,743
Profit for the period		-	-	-	-	-	-	-	9,611	255	9,866
Other comprehensive income for the period	14	-	-	25	(4,404)	1,166	-	-	-	(26)	(3,239)
Total comprehensive income for the period		-	-	25	(4,404)	1,166	-	-	9,611	229	6,627
Appropriations to surplus reserve fund		-	-	-	-	-	46	-	(46)	-	-
Dividend declared		-	-	-	-	-	-	-	(2,293)	(1)	(2,294)
Issue of share capital	22	299	15,737	-	-	-	-	-	-	-	16,036
Changes in subsidiaries		-	-	-	-	-	-	-	-	(2,217)	(2,217)
As at 30 June 2010		7,644	67,644	68	208	407	6,254	395	22,491	4,784	109,895

For the six months ended 30 June 2009 (in RMB million)	Equity attributable to owners of the parent										
	Note	Reserves									Total equity
		Share capital (Unaudited)	Share premium (Unaudited)	Foreign currency translation reserve (Unaudited)	Available-for-sale investments reserve (Unaudited) (Restated)	Shadow accounting adjustments (Unaudited) (Restated)	Surplus reserve fund (Unaudited)	General reserve (Unaudited)	Retained profits (Unaudited) (Restated)	Non-controlling interests (Unaudited) (Restated)	
As at 1 January 2009		7,345	51,907	(23)	(1,033)	(2,695)	6,125	395	2,521	2,617	67,159
Profit for the period		-	-	-	-	-	-	-	7,477	235	7,712
Other comprehensive income for the period	14	-	-	72	6,735	322	-	-	-	9	7,138
Total comprehensive income for the period		-	-	72	6,735	322	-	-	7,477	244	14,850
Changes in subsidiaries		-	-	-	-	-	-	-	-	3,424	3,424
As at 30 June 2009		7,345	51,907	49	5,702	(2,373)	6,125	395	9,998	6,285	85,433

The accompanying notes form an integral part of these financial statements.

# Interim consolidated statement of cash flows

For the six months ended 30 June 2010

For the six months ended 30 June (in RMB million)	Note	2010 (Unaudited)	2009 (Unaudited) (Restated)
<b>Net cash from operating activities</b>		<b>67,201</b>	57,263
<b>Cash flows from investing activities</b>			
Purchases of investment properties, items of property and equipment, and intangible assets		<b>(1,174)</b>	(1,362)
Proceeds from disposal of investment properties, items of property and equipment, and intangible assets		<b>16</b>	185
Purchases of investments, net		<b>(79,534)</b>	(15,072)
Term deposits withdrawal/(placed), net		<b>(26,263)</b>	2,366
Disposal of subsidiaries		<b>(1,614)</b>	-
Acquisition of subsidiaries		<b>-</b>	2,517
Interests received		<b>6,956</b>	5,596
Dividends received		<b>1,273</b>	443
Increase of policy loans		<b>(1,391)</b>	(760)
<b>Net cash used in investing activities</b>		<b>(101,731)</b>	(6,087)
<b>Cash flows from financing activities</b>			
Changes in assets sold under agreements to repurchase		<b>(116)</b>	(20,174)
Proceeds from borrowed funds		<b>5,648</b>	8,835
Interests paid		<b>(594)</b>	(441)
Proceeds from bonds issued		<b>3,200</b>	4,990
Repayment of borrowed funds		<b>(3,322)</b>	(7,431)
Capital injected into subsidiaries by non-controlling interests		<b>107</b>	5
<b>Net cash from/(used in) financing activities</b>		<b>4,923</b>	(14,216)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(29,607)</b>	36,960
Net foreign exchange differences		<b>(3)</b>	(9)
Cash and cash equivalents at beginning of the period		<b>88,965</b>	61,675
<b>Cash and cash equivalents at end of the period</b>	30	<b>59,355</b>	98,626

The accompanying notes form an integral part of these financial statements.

# Notes to interim condensed consolidated financial statements

As at 30 June 2010

## 1. CORPORATE INFORMATION

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 the deployment of 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, which have no significantly seasonal or periodic characteristic.

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

## 2. BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited annual financial statements for the year ended 31 December 2009.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009, except for the adoption of new standards and interpretations as of 1 January 2010, noted below:

► *Amendment to IFRS 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions*

The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

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

The Group applies the revised standards from 1 January 2010. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. 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 also impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 they give rise to gains or losses. 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) 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 financial position or performance of the Group.

- ▶ Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* - Eligible Hedged Items

The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The adoption of this amendment did not have any effect on the financial position or performance of the Group.

- ▶ IFRIC 17 *Distribution of Non-cash Assets to Owners*

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position nor performance of the Group.

#### IMPROVEMENTS TO IFRSs (ISSUED MAY 2008)

In May 2008, the International Accounting Standard Board (the "Board") issued its first omnibus of amendments to its standards. All amendments issued are effective for the Group as at 31 December 2009, apart from the following:

- ▶ Amendment to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and had no impact on the financial position nor financial performance of the Group.

#### IMPROVEMENTS TO IFRSs (ISSUED APRIL 2009)

In April 2009 the Board issued its second 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 8 *Operating Segment Information*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. The amendment has no impact on the Group.

# Notes to interim condensed consolidated financial statements

As at 30 June 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### IMPROVEMENTS TO IFRSs (ISSUED APRIL 2009) (CONTINUED)

▶ IAS 36 *Impairment of Assets*: The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

The amendments to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- ▶ IFRS 2 *Share-based Payment*
- ▶ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- ▶ IAS 1 *Presentation of Financial Statements*
- ▶ IAS 7 *Statement of Cash Flows*
- ▶ IAS 17 *Leases*
- ▶ IAS 38 *Intangible Assets*
- ▶ IAS 39 *Financial Instruments: Recognition and Measurement*
- ▶ IFRIC 9 *Reassessment of Embedded Derivatives*
- ▶ IFRIC 16 *Hedge of a Net Investment in a Foreign Operation*

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

## 4. CHANGES IN MAJOR SUBSIDIARIES AND ASSOCIATES

### (1) DISPOSAL OF XJ GROUP CORPORATION (“XJ GROUP”)

On 11 February 2010, China Electric Power Research Institute (“CEPRI”), China Ping An Trust & Investment Co., Ltd. (now renamed as “China Ping An Trust Co., Ltd.”, “Ping An Trust”) and XJ Group entered into “General Agreement Regarding Investment in XJ Group” and “Agreement Regarding Capital Injection into XJ Group”. According to these agreements, CEPRI would inject certain assets it holds into XJ Group to acquire 60% equity interest in XJ Group. Upon completion of this capital injection on 28 May 2010, CEPRI and Ping An Trust held 60% and 40% of equity interests in XJ Group respectively, and XJ Group has become an associate of Ping An Trust since then.

### (2) INVESTMENT IN SHENZHEN DEVELOPMENT BANK CO., LTD. (“SDB”)

On 12 June 2009, the Company entered into a share purchase agreement with Newbridge Asia AIV III, L.P. (“Newbridge”), to purchase from Newbridge 520 million SDB shares at the consideration of 299 million of new H shares of the Company or RMB11.4 billion in cash. Upon receipt of all regulatory approvals, the Company issued 299 million of new H shares as the consideration to acquire 520 million SDB shares held by Newbridge. Upon completion of this transaction on 7 May 2010, the Group held 21.44% equity interest in SDB and accounted for SDB as an associate.

On 12 June 2009, Ping An Life Insurance Company of China Ltd. (“Ping An Life”) entered into a share subscription agreement with SDB to subscribe for not less than 370 million but not more than 585 million new SDB shares. Upon receipt of all regulatory approvals, Ping An Life subscribed for 379.58 million of new SDB shares at the consideration of RMB6,931 million in cash. Upon completion of this transaction on 29 June 2010, the Group held 29.99% equity interest in SDB.

## 5. SEGMENT INFORMATION

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. The types of products and services from which reportable segments derive revenue are listed below.

- ▶ The life insurance segment offers a comprehensive range of life insurance products on individual and group basis, including term, whole-life, endowment, annuity, investment-linked, universal life as well as healthcare insurance.
- ▶ The property and casualty insurance segment offers a wide variety of insurance products to both private and corporate customers, including automobile insurance, non-automobile insurance, and accident and health insurance.
- ▶ The banking segment undertakes loan and intermediary businesses with corporate customers and retail business as well as wealth management and credit card services with individual customers.
- ▶ The securities segment undertakes brokerage, trading, investment banking and offers asset management services.
- ▶ The corporate segment includes the management and support of the Group's business through its strategy, risk, treasury, finance, legal, human resources functions, etc. The corporate segment derives revenue from investing activities.

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.

Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

More than 99% of the Group's revenue is derived from its operations in the PRC. More than 99% of the Group's non-current assets are located in the PRC.

# Notes to interim condensed consolidated financial statements

As at 30 June 2010

## 5. SEGMENT INFORMATION (CONTINUED)

The segment analysis for the six months ended 30 June 2010 is as follows:

(in RMB million)	Life insurance (Unaudited)	Property and casualty insurance (Unaudited)	Banking (Unaudited)	Securities (Unaudited)	Corporate (Unaudited)	Others (Unaudited)	Elimination (Unaudited)	Total (Unaudited)
<b>Income statement</b>								
Gross written premiums and policy fees	54,888	30,191	-	-	-	-	-	85,079
Less: Premiums ceded to reinsurers	(868)	(3,674)	-	-	-	-	-	(4,542)
Change in unearned premium reserves	(198)	(5,754)	-	-	-	-	-	(5,952)
Net earned premiums	53,822	20,763	-	-	-	-	-	74,585
Reinsurance commission income	89	1,248	-	-	-	-	-	1,337
Interest income of banking operations	-	-	4,371	-	-	-	-	4,371
Fees and commission income of non-insurance operations	-	-	378	1,751	-	371	(8)	2,492
Including: Inter-segment fees and commission income of non-insurance operations	-	-	2	-	-	6	(8)	-
Investment income/(loss)	9,648	717	92	158	(8)	700	(398)	10,909
Including: Inter-segment investment income	343	8	-	(14)	21	40	(398)	-
Share of profits and losses of associates and joint ventures	(53)	-	204	-	-	131	-	282
Other income	1,397	71	33	4	88	2,666	(1,255)	3,004
Including: Inter-segment other income	573	14	-	-	83	585	(1,255)	-
<b>Total income</b>	<b>64,903</b>	<b>22,799</b>	<b>5,078</b>	<b>1,913</b>	<b>80</b>	<b>3,868</b>	<b>(1,661)</b>	<b>96,980</b>
Claims and policyholders' benefits	(44,586)	(11,579)	-	-	-	-	-	(56,165)
Commission expenses of insurance operations	(5,041)	(3,202)	-	-	-	-	580	(7,663)
Interest expenses of banking operations	-	-	(1,914)	-	-	-	329	(1,585)
Fees and commission expenses of non-insurance operations	-	-	(58)	(99)	-	(76)	5	(228)
Loan loss provisions, net of reversals	-	-	(84)	-	-	(26)	-	(110)
Foreign exchange gains/(losses)	(35)	(10)	19	-	(1)	(1)	-	(28)
General and administrative expenses	(5,735)	(6,524)	(1,646)	(735)	(152)	(1,500)	681	(15,611)
Finance costs	(53)	(68)	-	-	(123)	(151)	4	(391)
Other expenses	(1,575)	(52)	(29)	(1)	-	(1,377)	43	(2,991)
<b>Total expenses</b>	<b>(57,025)</b>	<b>(21,435)</b>	<b>(3,712)</b>	<b>(835)</b>	<b>(276)</b>	<b>(3,131)</b>	<b>1,642</b>	<b>(84,772)</b>
Profit/(loss) before tax	7,878	1,364	1,366	1,078	(196)	737	(19)	12,208
Income tax	(1,327)	(276)	(262)	(250)	(10)	(217)	-	(2,342)
<b>Profit/(loss) for the period</b>	<b>6,551</b>	<b>1,088</b>	<b>1,104</b>	<b>828</b>	<b>(206)</b>	<b>520</b>	<b>(19)</b>	<b>9,866</b>

## 5. SEGMENT INFORMATION (CONTINUED)

The segment analysis for the six months ended 30 June 2009 is as follows:

(in RMB million)	Life insurance (Unaudited) (Restated)	Property and casualty insurance (Unaudited) (Restated)	Banking (Unaudited)	Securities (Unaudited)	Corporate (Unaudited)	Others (Unaudited)	Elimination (Unaudited)	Total (Unaudited) (Restated)
<b>Income statement</b>								
Gross written premiums and policy fees	40,738	18,764	-	-	-	-	-	59,502
Less: Premiums ceded to reinsurers	(904)	(2,802)	-	-	-	-	-	(3,706)
Change in unearned premium reserves	(283)	(3,178)	-	-	-	-	-	(3,461)
Net earned premiums	39,551	12,784	-	-	-	-	-	52,335
Reinsurance commission income	125	871	-	-	-	-	-	996
Interest income of banking operations	-	-	3,065	-	-	-	-	3,065
Fees and commission income of non-insurance operations	-	-	207	671	-	151	-	1,029
Investment income/(loss)	13,799	637	321	255	(415)	563	(478)	14,682
Including: Inter-segment investment income	393	21	-	(2)	37	29	(478)	-
Share of profits and losses of associates and joint ventures	(119)	-	-	-	-	171	-	52
Other income	900	57	18	2	-	2,731	(696)	3,012
Including: Inter-segment other income	212	4	-	-	-	480	(696)	-
<b>Total income</b>	<b>54,256</b>	<b>14,349</b>	<b>3,611</b>	<b>928</b>	<b>(415)</b>	<b>3,616</b>	<b>(1,174)</b>	<b>75,171</b>
Claims and policyholders' benefits	(35,149)	(7,441)	-	-	-	-	-	(42,590)
Commission expenses of insurance operations	(3,859)	(2,309)	-	-	-	-	216	(5,952)
Interest expenses of banking operations	-	-	(1,557)	-	-	-	416	(1,141)
Fees and commission expenses of non-insurance operations	-	-	(21)	(65)	-	(39)	2	(123)
Loan loss provisions, net of reversals	-	-	(69)	-	-	(16)	-	(85)
Foreign exchange gains/(losses)	(25)	(6)	15	-	(1)	-	-	(17)
General and administrative expenses	(4,553)	(4,068)	(1,246)	(406)	(97)	(1,119)	530	(10,959)
Finance costs	(73)	(22)	-	-	-	(328)	3	(420)
Other expenses	(1,104)	(76)	(11)	(1)	(10)	(1,562)	7	(2,757)
<b>Total expenses</b>	<b>(44,763)</b>	<b>(13,922)</b>	<b>(2,889)</b>	<b>(472)</b>	<b>(108)</b>	<b>(3,064)</b>	<b>1,174</b>	<b>(64,044)</b>
Profit/(loss) before tax	9,493	427	722	456	(523)	552	-	11,127
Income tax	(2,551)	(452)	(145)	(89)	(71)	(107)	-	(3,415)
<b>Profit/(loss) for the period</b>	<b>6,942</b>	<b>(25)</b>	<b>577</b>	<b>367</b>	<b>(594)</b>	<b>445</b>	<b>-</b>	<b>7,712</b>

# Notes to interim condensed consolidated financial statements

As at 30 June 2010

## 6. GROSS AND NET WRITTEN PREMIUMS AND POLICY FEES

For the six months ended 30 June (in RMB million)	2010 (Unaudited)	2009 (Unaudited) (Restated)
Gross written premiums, policy fees and premium deposits	<b>123,316</b>	92,685
Less: Premium deposits of policies without significant insurance risk transfer	<b>(1,316)</b>	(1,511)
Premium deposits unbundled from universal life and investment-linked products	<b>(36,921)</b>	(31,672)
Gross written premiums and policy fees	<b>85,079</b>	59,502
Long term life business gross written premiums and policy fees	<b>51,554</b>	37,510
Short term life business gross written premiums	<b>3,334</b>	3,228
Property and casualty business gross written premiums	<b>30,191</b>	18,764
Gross written premiums and policy fees	<b>85,079</b>	59,502

For the six months ended 30 June (in RMB million)	2010 (Unaudited)	2009 (Unaudited) (Restated)
<b>Gross</b>		
Life Insurance		
Individual life insurance	<b>47,358</b>	36,475
Bancassurance	<b>4,936</b>	1,751
Group life insurance	<b>2,594</b>	2,512
	<b>54,888</b>	40,738
Property and casualty Insurance		
Automobile insurance	<b>22,990</b>	13,378
Non-automobile insurance	<b>6,169</b>	4,418
Accident and health insurance	<b>1,032</b>	968
	<b>30,191</b>	18,764
Gross written premiums and policy fees	<b>85,079</b>	59,502

For the six months ended 30 June (in RMB million)	2010 (Unaudited)	2009 (Unaudited) (Restated)
<b>Net of reinsurance premiums ceded</b>		
Life Insurance		
Individual life insurance	<b>47,121</b>	36,246
Bancassurance	<b>4,933</b>	1,749
Group life insurance	<b>1,966</b>	1,839
	<b>54,020</b>	39,834
Property and casualty Insurance		
Automobile insurance	<b>21,395</b>	13,352
Non-automobile insurance	<b>4,109</b>	1,650
Accident and health insurance	<b>1,013</b>	960
	<b>26,517</b>	15,962
Net written premiums and policy fees	<b>80,537</b>	55,796

## 7. NET INTEREST INCOME OF BANKING OPERATIONS

For the six months ended 30 June (in RMB million)	2010 (Unaudited)	2009 (Unaudited)
<b>Interest income of banking operations</b>		
Loans and advances to customers	2,998	2,179
Balances with central bank	191	133
Bonds	785	591
Amounts due from banks and other financial institutions	397	162
	<b>4,371</b>	3,065
<b>Interest expenses of banking operations</b>		
Customer deposits	1,030	893
Due to banks and other financial institutions	493	248
Debt issued	62	-
	<b>1,585</b>	1,141
Net Interest income of banking operations	<b>2,786</b>	1,924

## 8. NET FEES AND COMMISSION INCOME OF NON-INSURANCE OPERATIONS

For the six months ended 30 June (in RMB million)	2010 (Unaudited)	2009 (Unaudited)
<b>Fees and commission income of non-insurance operations</b>		
Brokerage fees	521	532
Underwriting commission income	1,226	137
Trust service fees	275	116
Others	470	244
	<b>2,492</b>	1,029
<b>Fees and commission expenses of non-insurance operations</b>		
Brokerage fees paid	83	65
Other fees paid	145	58
	<b>228</b>	123
Net fees and commission income of non-insurance operations	<b>2,264</b>	906

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As at 30 June 2010

## 9. INVESTMENT INCOME

For the six months ended 30 June (in RMB million)	2010 (Unaudited)	2009 (Unaudited)
Net investment income	12,765	8,836
Realized gains/(losses)	(1,043)	4,266
Unrealized gains/(losses)	(724)	1,875
Impairment losses	(89)	(295)
Total investment income	10,909	14,682

### (1) NET INVESTMENT INCOME

For the six months ended 30 June (in RMB million)	2010 (Unaudited)	2009 (Unaudited)
Interest income of non-banking operations on fixed maturity investments:		
Bonds		
- Held-to-maturity	4,970	2,693
- Available-for-sale	3,194	3,045
- Carried at fair value through profit or loss	158	245
- Loans and receivables	11	-
Term deposits		
- Loans and receivables	1,975	1,711
Current accounts		
- Loans and receivables	213	538
Others		
- Loans and receivables	398	52
Dividend income on equity investments:		
Equity investment funds		
- Available-for-sale	1,255	77
- Carried at fair value through profit or loss	89	87
Equity securities		
- Available-for-sale	529	267
- Carried at fair value through profit or loss	13	12
Operating lease income from investment properties	240	212
Interest expenses of assets sold under agreements to repurchase and replacements from banks and other financial institutions	(280)	(103)
Total	12,765	8,836



## 9. INVESTMENT INCOME (CONTINUED)

### (2) REALIZED GAINS/(LOSSES)

For the six months ended 30 June (in RMB million)	2010 (Unaudited)	2009 (Unaudited)
Fixed maturity investments		
- Available-for-sale	642	1,777
- Carried at fair value through profit or loss	42	228
Equity investments		
- Available-for-sale	(1,400)	3,288
- Carried at fair value through profit or loss	(326)	(810)
Derivative financial instruments		
- Carried at fair value through profit or loss	(1)	(217)
<b>Total</b>	<b>(1,043)</b>	<b>4,266</b>

### (3) UNREALIZED GAINS/(LOSSES)

For the six months ended 30 June (in RMB million)	2010 (Unaudited)	2009 (Unaudited)
Fixed maturity investments		
- Carried at fair value through profit or loss	131	(316)
Equity investments		
- Carried at fair value through profit or loss	(853)	1,958
Derivative financial instruments		
- Carried at fair value through profit or loss	(2)	233
<b>Total</b>	<b>(724)</b>	<b>1,875</b>

### (4) IMPAIRMENT LOSSES

For the six months ended 30 June (in RMB million)	2010 (Unaudited)	2009 (Unaudited)
Equity investments		
- Available-for-sale	(89)	(295)

## 10. OTHER INCOME

For the six months ended 30 June (in RMB million)	2010 (Unaudited)	2009 (Unaudited)
Revenue of XJ Group	1,616	2,005
Expressway toll fee income	412	354
Management income of investment-linked products and income of investment contracts	573	359
Others	403	294
<b>Total</b>	<b>3,004</b>	<b>3,012</b>

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As at 30 June 2010

## 11. CLAIMS AND POLICYHOLDERS' BENEFITS

(1)

For the six months ended 30 June (in RMB million)	2010		
	Gross (Unaudited)	Reinsurers' share (Unaudited)	Net (Unaudited)
Claims and claim adjustment expenses	16,083	(2,119)	13,964
Surrenders	1,728	-	1,728
Annuities	1,964	-	1,964
Maturities and survival benefits	3,167	-	3,167
Policyholder dividends	2,434	-	2,434
Increase in policyholders' reserves	30,975	(100)	30,875
Interest credited to policyholder contract deposits	2,033	-	2,033
<b>Total</b>	<b>58,384</b>	<b>(2,219)</b>	<b>56,165</b>

For the six months ended 30 June (in RMB million)	2009		
	Gross (Unaudited) (Restated)	Reinsurers' share (Unaudited) (Restated)	Net (Unaudited) (Restated)
Claims and claim adjustment expenses	10,972	(1,406)	9,566
Surrenders	2,116	-	2,116
Annuities	1,611	-	1,611
Maturities and survival benefits	3,470	-	3,470
Policyholder dividends	1,999	-	1,999
Increase in policyholders' reserves	21,760	(160)	21,600
Interest credited to policyholder contract deposits	2,228	-	2,228
<b>Total</b>	<b>44,156</b>	<b>(1,566)</b>	<b>42,590</b>

(2)

For the six months ended 30 June (in RMB million)	2010		
	Gross (Unaudited)	Reinsurers' share (Unaudited)	Net (Unaudited)
Long term life insurance contracts benefits	43,743	(198)	43,545
Short term life insurance claims	1,433	(392)	1,041
Property and casualty insurance claims	13,208	(1,629)	11,579
<b>Total</b>	<b>58,384</b>	<b>(2,219)</b>	<b>56,165</b>

For the six months ended 30 June (in RMB million)	2009		
	Gross (Unaudited) (Restated)	Reinsurers' share (Unaudited) (Restated)	Net (Unaudited) (Restated)
Long term life insurance contracts benefits	34,408	(221)	34,187
Short term life insurance claims	1,342	(380)	962
Property and casualty insurance claims	8,407	(966)	7,441
<b>Total</b>	<b>44,157</b>	<b>(1,567)</b>	<b>42,590</b>

## 12. PROFIT BEFORE TAX

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

For the six months ended 30 June (in RMB million)	2010 (Unaudited)	2009 (Unaudited) (Restated)
Employee costs	6,165	4,211
Cost of sales from XJ Group	1,064	1,419
Interest expenses on investment contract reserves	467	439
Provision for insurance guarantee fund	401	282
Depreciation of investment properties	126	116
Depreciation of property and equipment	584	521
Amortization of intangible assets	319	278
Loss/(gain) on disposal of settled assets	6	(20)
Loss/(gain) on disposal of investment properties, property and equipment	2	(1)
Provision for doubtful debts, net	213	76
Operating lease payments in respect of land and buildings	709	618

## 13. INCOME TAX

For the six months ended 30 June (in RMB million)	2010 (Unaudited)	2009 (Unaudited) (Restated)
Current income tax	1,315	2,747
Deferred income tax	1,027	668
Total	2,342	3,415

## 14. OTHER COMPREHENSIVE INCOME

For the six months ended 30 June (in RMB million)	2010 (Unaudited)	2009 (Unaudited) (Restated)
Gains/(losses) of available-for-sale financial assets arising during the period	(6,868)	13,181
Less: Income tax relating to available-for-sale financial assets	1,131	(1,678)
Reclassification adjustments for losses/(gains) included in income statement		
- Losses/(gains) on disposal	1,218	(5,054)
- Impairment losses	89	295
	(4,430)	6,744
Gains of shadow accounting adjustments arising during the period	2,070	1,628
Less: Income tax relating to shadow accounting adjustments	(302)	(126)
Reclassification adjustments for losses included in income statement	(602)	(1,180)
	1,166	322
Exchange differences on translation of foreign operations	25	72
Total other comprehensive income	(3,239)	7,138

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## 15. DIVIDENDS

For the six months ended 30 June (in RMB million)	2010 (Unaudited)	2009 (Unaudited)
Final dividend on ordinary shares declared for 2009: RMB0.30 per ordinary share (2008: Nil)	<b>2,293</b>	-
Interim dividends on ordinary shares approved (not recognized as a liability as at 30 June) for 2010: RMB0.15 per share (2009: RMB0.15 per share)	<b>1,147</b>	1,102

## 16. 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 period ended 30 June 2010 and 2009 in respect of a dilution as the Group has no potentially dilutive ordinary shares in issuance during those periods.

The calculations of basic and diluted earnings per share are based on:

For the six months ended 30 June (in RMB million)	2010 (Unaudited)	2009 (Unaudited) (Restated)
Net profit attributable to ordinary shareholders (in RMB million)	<b>9,611</b>	7,477
Weighted average number of outstanding shares of the Company (million shares)	<b>7,395</b>	7,345
Basic earnings per share (in RMB)	<b>1.30</b>	1.02
Diluted earnings per share (in RMB)	<b>1.30</b>	1.02

## 17. CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

(in RMB million)	30 June 2010 (Unaudited)	31 December 2009 (Audited)
Cash on hand	<b>674</b>	512
Term deposits	<b>107,490</b>	89,285
Due from banks and other financial institutions	<b>51,828</b>	63,954
Loans and advances	<b>1,806</b>	4,468
Total	<b>161,798</b>	158,219

As at 30 June 2010, RMB198 million of the term deposits and RMB470 million of the amount due from banks and other financial institutions have been designated at fair value through profit or loss.

## 18. FIXED MATURITY INVESTMENTS

(in RMB million)	30 June 2010 (Unaudited)	31 December 2009 (Audited)
Bonds	<b>480,861</b>	408,235
Policy loans	<b>6,826</b>	5,434
Assets purchased under agreements to resell	<b>19,543</b>	14,748
<b>Total</b>	<b>507,230</b>	428,417

### BONDS

(in RMB million)	30 June 2010 (Unaudited)	31 December 2009 (Audited)
Held-to-maturity, at amortized cost	<b>273,114</b>	218,598
Available-for-sale, at fair value	<b>187,467</b>	178,534
Carried at fair value through profit or loss		
Held-for-trading	<b>18,653</b>	11,103
Designed at fair value through profit or loss	<b>57</b>	-
Loan and receivables	<b>1,570</b>	-
<b>Total</b>	<b>480,861</b>	408,235
Government bonds	<b>117,943</b>	104,871
Central bank bills	<b>12,327</b>	12,116
Finance bonds	<b>192,278</b>	160,270
Corporate bonds	<b>158,313</b>	130,978
<b>Total</b>	<b>480,861</b>	408,235
Listed	<b>60,804</b>	60,217
Unlisted	<b>420,057</b>	348,018
<b>Total</b>	<b>480,861</b>	408,235

As at 30 June 2010, bonds with par value of RMB57,629 million (31 December 2009: RMB60,956 million) and assets purchased under agreements to resell with par value of RMB988 million (31 December 2009: Nil) were pledged as assets sold under agreements to repurchase. Up to the approval date of these condensed financial statements, all of the pledged assets have been released.

As at 30 June 2010, RMB600 million of the above assets purchased under agreement to resell has been designated at fair value through profit or loss.

# Notes to interim condensed consolidated financial statements

As at 30 June 2010

## 19. EQUITY INVESTMENTS

(in RMB million)	30 June 2010 (Unaudited)	31 December 2009 (Audited)
Equity investment funds	22,070	32,921
Equity securities	38,155	46,801
Other equity investments	2,555	2,394
<b>Total</b>	<b>62,780</b>	<b>82,116</b>

### (1) EQUITY INVESTMENT FUNDS

(in RMB million)	30 June 2010 (Unaudited)	31 December 2009 (Audited)
Available-for-sale, at fair value	15,948	18,426
Held-for-trading	6,122	14,495
<b>Total</b>	<b>22,070</b>	<b>32,921</b>
Listed	4,265	5,520
Unlisted	17,805	27,401
<b>Total</b>	<b>22,070</b>	<b>32,921</b>

### (2) EQUITY SECURITIES

(in RMB million)	30 June 2010 (Unaudited)	31 December 2009 (Audited)
Available-for-sale, at fair value	33,784	43,273
Held-for-trading	4,371	3,528
<b>Total</b>	<b>38,155</b>	<b>46,801</b>
Listed	38,130	46,761
Unlisted	25	40
<b>Total</b>	<b>38,155</b>	<b>46,801</b>

### (3) OTHER EQUITY INVESTMENTS

(in RMB million)	30 June 2010 (Unaudited)	31 December 2009 (Audited)
Available-for-sale, at cost	2,555	2,394
Unlisted, at cost	2,555	2,394

As at 30 June 2010, other equity investments with carrying amount of RMB108 million (31 December 2009: RMB106 million) were pledged as assets sold under agreements to repurchase.

As of the approval date of these financial statements, the amount has not been released from such pledge.

## 20. LOANS AND ADVANCES TO CUSTOMERS

### (1) LOANS AND ADVANCES BY INDIVIDUAL AND CORPORATE CUSTOMERS

(in RMB million)	30 June 2010 (Unaudited)	31 December 2009 (Audited)
Individual customers		
Credit card loans	<b>6,740</b>	5,548
Mortgage loans	<b>23,360</b>	22,634
Others	<b>5,372</b>	4,898
Corporate customers		
Loans	<b>83,312</b>	69,342
Discounted bills	<b>4,646</b>	7,569
<b>Total</b>	<b>123,430</b>	109,991
Loan loss provision		
Individually assessed	<b>(212)</b>	(211)
Collectively assessed	<b>(820)</b>	(720)
	<b>(1,032)</b>	(931)
<b>Net</b>	<b>122,398</b>	109,060

### (2) LOAN LOSS PROVISION

(in RMB million)	Individually assessed (Unaudited)	Collectively assessed (Unaudited)	Total (Unaudited)
As at 1 January 2010	<b>211</b>	<b>720</b>	<b>931</b>
Charge for the period	<b>8</b>	<b>100</b>	<b>108</b>
Write-backs during the period			
Accreted interest on impaired loans	<b>(7)</b>	-	<b>(7)</b>
<b>As at 30 June 2010</b>	<b>212</b>	<b>820</b>	<b>1,032</b>

(in RMB million)	Individually assessed (Unaudited)	Collectively assessed (Unaudited)	Total (Unaudited)
As at 1 January 2009	215	510	725
Charge for the period	(13)	101	88
Write-backs during the period			
Accreted interest on impaired loans	(15)	-	(15)
<b>As at 30 June 2009</b>	<b>187</b>	<b>611</b>	<b>798</b>

# Notes to interim condensed consolidated financial statements

As at 30 June 2010

## 21. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investments in principal associates and joint ventures as at 30 June 2010 are as follows:

(in RMB million) Name of the invested entity	30 June 2010 (Unaudited)	31 December 2009 (Audited)
SDB	25,814	-
Beijing-Shanghai High-speed Railway Equity Investment Scheme	6,300	6,066
Central China Securities Holding Co., Ltd.	2,218	2,150
XJ Group	200	-
Veolia Water (Kunming) Investment Co., Ltd.	196	195
Veolia Water (Yellow River) Investment Co., Ltd.	645	641
Veolia Water (Liuzhou) Investment Co., Ltd.	111	111
Shanxi Taichang Expressway Co., Ltd.	971	987
Hubei Shumyip Huayin Traffic Development Co., Ltd.	381	467
Hangzhou Sundry Real Estate Group Co., Ltd.	451	457
Ping An Cai Fu Jinkang Trust Schemes of Aggregate Funds	94	97
Shaoxing Pingan New Capital Co., Ltd.	26	26
Zhong You Jin Hong natural gas transmission Co., Ltd.	420	403
Xi'an Ruilian Modern Electronic Chemical Co., Ltd.	317	294
Sichuan Ying Feng Industries Ltd.	69	69
Shanghai Richen Asset Management Co., Ltd.	69	49
Xuchang XJ Wind Electric Technology Co., Ltd.	44	-
Others	60	51
<b>Total</b>	<b>38,386</b>	<b>12,063</b>

## 22. SHARE CAPITAL

(in million)	30 June 2010 (Unaudited)	31 December 2009 (Audited)
Number of shares registered, issued and fully paid at RMB1 each	7,644	7,345

On 6 May 2010, the Company issued 299 million of new H shares to Newbridge as the consideration to acquire 520 million shares in SDB held by Newbridge. Please refer to Note 4.(2) for details. Upon completion of the share issuance, the Company's share capital increased to RMB7,644 million.

## 23. CUSTOMER DEPOSITS AND PAYABLES TO BROKERAGE CUSTOMERS

(in RMB million)	30 June 2010 (Unaudited)	31 December 2009 (Audited)
Current and saving accounts		
- Corporate customers	53,674	9,787
- Individual customers	14,788	47,340
Term deposits		
- Corporate customers	67,941	9,789
- Individual customers	11,222	60,136
Payables to brokerage customers		
- Corporate customers	9,518	11,803
- Individual customers	2,441	1,689
<b>Total</b>	<b>159,584</b>	<b>140,544</b>



## 24. INSURANCE CONTRACT LIABILITIES

(in RMB million)	30 June 2010 (Unaudited)	31 December 2009 (Audited)
Policyholders' reserves	<b>363,762</b>	333,690
Policyholder contract deposits	<b>135,912</b>	107,861
Policyholder account liabilities in respect of insurance contracts	<b>37,620</b>	42,506
Unearned premium reserves	<b>27,054</b>	20,145
Claim reserves	<b>15,163</b>	12,128
<b>Total</b>	<b>579,511</b>	516,330

## 25. BONDS PAYABLE

(in RMB million)	30 June 2010 (Unaudited)	31 December 2009 (Audited)
Subordinated debts		
Ping An Property & Casualty Insurance Company of China, Ltd. ("Ping An Property & Casualty")	<b>4,526</b>	2,000
Ping An Bank Co., Ltd. ("Ping An Bank")	<b>2,991</b>	2,990
<b>Total</b>	<b>7,517</b>	4,990

These are subordinated debts which have a maturity period of 10 years. Ping An Property & Casualty and Ping An Bank have the option to redeem the debts at the end of the fifth year.

## 26. FIDUCIARY ACTIVITIES

(in RMB million)	30 June 2010 (Unaudited)	31 December 2009 (Audited)
Assets under trust schemes	<b>124,642</b>	123,739
Assets under corporate annuity schemes	<b>25,123</b>	20,095
Entrusted loans	<b>2,507</b>	1,841
Assets under asset management schemes	<b>20,233</b>	14,377
<b>Total</b>	<b>172,505</b>	160,052

All of the above are off-balance sheet items.

# Notes to interim condensed consolidated financial statements

As at 30 June 2010

## 27. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

A maturity analysis for certain financial assets and liabilities that shows the remaining contractual maturities is presented below:

(in RMB million)	30 June 2010					Total (Unaudited)
	On demand (Unaudited)	Within 3 months (Unaudited)	3-12 months (Unaudited)	1-5 years (Unaudited)	More than 5 years (Unaudited)	
<b>Assets:</b>						
Cash and amounts due from banks and other financial institutions	55,030	8,990	7,846	74,619	15,313	161,798
Bonds						
- Loan and receivable	-	-	150	714	706	1,570
- Held-to-maturity	-	429	7,266	67,744	197,675	273,114
- Available-for-sale	-	3,832	9,478	72,455	101,702	187,467
- Held-for-trading	-	4,017	6,315	5,666	2,655	18,653
- Designated at fair value through profit or loss	-	57	-	-	-	57
Loans and advances to customers	969	21,757	47,828	33,291	18,553	122,398
<b>Liabilities:</b>						
Due to banks and other financial institutions	7,043	16,887	2,214	8,869	3,540	38,553
Customer deposits and payables to brokerage customers	80,425	34,542	33,955	10,662	-	159,584
Bonds payable	-	-	-	-	7,517	7,517

(in RMB million)	31 December 2009					Total (Audited)
	On demand (Audited)	Within 3 months (Audited)	3-12 months (Audited)	1-5 years (Audited)	More than 5 years (Audited)	
<b>Assets:</b>						
Cash and amounts due from banks and other financial institutions	63,637	18,033	8,360	66,140	2,049	158,219
Bonds						
- Held-to-maturity	-	1,228	2,620	53,923	160,827	218,598
- Available-for-sale	-	2,908	4,676	74,240	96,710	178,534
- Held-for-trading	-	665	4,398	3,570	2,470	11,103
Loans and advances to customers	857	21,626	40,227	29,294	17,056	109,060
<b>Liabilities:</b>						
Due to banks and other financial institutions	3,617	11,249	18,193	12,264	2,799	48,122
Customer deposits and payables to brokerage customers	71,568	29,866	37,460	1,650	-	140,544
Bonds payable	-	-	-	-	4,990	4,990

## 28. RISK AND CAPITAL MANAGEMENT

### (1) INSURANCE RISK

Insurance risk refers to the risk that actual indemnity might exceed expected indemnity due to the frequency and severity of insurance accidents, as well as the possibility that insurance surrender rates are being underestimated. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This could occur due to any of the following factors:

Occurrence risk - the possibility that the number of insured events will differ from those expected.

Severity risk - the possibility that the cost of the events will differ from those expected.

Development risk - the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategies and guidelines.

The business of the Group mainly comprises long term life insurance contracts, property and casualty insurance contracts and short term life insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continuing improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

These risks currently do not vary significantly in relation to the location of the risk insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. However, for contracts with DPF, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

Insurance risk is also affected by the policyholders' rights to terminate the contract, pay reduced premiums, refuse to pay premiums or exercise annuity conversion option, etc.. Thus, the resultant insurance risk is subject to policyholders' behaviour and decisions.

The Group's concentration of insurance risk is reflected by its major lines of business as analyzed by insurance contract liabilities in Note 24.

The Group runs its insurance business primarily within the PRC. Hence the geographical insurance risk is concentrated primarily within the PRC.

# Notes to interim condensed consolidated financial statements

As at 30 June 2010

## 28. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (1) INSURANCE RISK (CONTINUED)

#### (a) Long term life insurance contracts

Material judgment 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 reporting period. On 30 June 2010, the Group has updated the relevant discount rate assumptions by means of “the benchmark yield curve for the measurement of insurance contract reserves” compiled by China Government Securities Depository Trust & Clearing Co. Ltd. The current income statement has taken into account the impact on the insurance contract reserves due to the change in discount rate assumptions. As a result of such changes in assumptions, the long term life insurance policyholders’ reserves were reduced by RMB963 million with a corresponding increase in profit before tax for the same amount.

#### (b) Property and casualty and short term life insurance contracts

The principal assumption underlying the estimates includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year which are determined based on the Group’s past claim experiences. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

#### (c) Reinsurance

The Group limits its exposure to losses from insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on the quota share basis and the surplus basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurers’ share of insurance liabilities.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

### (2) MARKET RISK

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), such change in market price may be caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

#### (a) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial condition and results of operations. The foreign currency risk facing the Group mainly comes from movements in the USD/RMB, HKD/RMB and EUR/RMB exchange rates. The Group seeks to limit its exposure to foreign currency risk by minimizing its net foreign currency position.

## 28. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (2) MARKET RISK (CONTINUED)

#### (b) Price risk

The Group's price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include listed equity securities and equity investment funds classified as available-for-sale financial assets and financial assets at fair value through profit or loss.

The above investments are exposed to price risk because of changes in market prices, where changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group managed price risks by diversification of investments, setting limits for investments in specific securities, etc..

#### (c) Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on floating rate instruments is re-priced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

### (3) CREDIT RISK

Credit risk refers to the risk of losses incurred by the inabilities of debtors or counterparties to fulfill their contractual obligations or by the adverse changes in their credit conditions. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, loans and advances to customers, investments in bonds, equity investments, reinsurance arrangements with reinsurers, policy loans, etc.. The Group mitigates credit risk by using a variety of controls including credit control policies, credit analysis on prospective investments, and imposing aggregate counterparty exposure limits.

The Group's banking business carries out credit assessment before granting credit to customers and monitors the credit granted on a regular basis. Credit risk is also managed through obtaining collateral and guarantees. In the case of off-balance sheet credit related facilities, guarantee deposits are in general received by the Group to reduce credit risk.

# Notes to interim condensed consolidated financial statements

As at 30 June 2010

## 28. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### (4) LIQUIDITY RISK

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet the Group's obligations as they become due.

The Group is exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. The Group seeks to manage its liquidity risk by matching to the extent possible the duration of its investment assets with the duration of its insurance policies and to ensure that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis. The banking business of the Group is also exposed to liquidity risk. The Group seeks to mitigate the liquidity risk of the banking business by optimizing the assets and liabilities structure, maintaining stable customer deposits, etc..

### (5) MISMATCHING RISK OF ASSETS AND LIABILITIES

The objective of the Group's asset and liability management is to match assets with liabilities on the basis of both duration and interest rate. In the current regulatory and market environment, however, the Group is unable to invest in assets that have duration of sufficient length to match the duration of its insurance and investment contract liabilities. When the current regulatory and market environment permits, however, the Group aims to lengthen the duration of its assets so as to match more recent liabilities of lower guarantee rates, while narrowing the gap for existing liabilities with higher guarantee rates.

### (6) OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failure of proper internal controls on business processes, people and systems or from uncontrollable external events. The Group is exposed to many types of operational risks in the conduct of its business from inadequate or failure to obtain proper authorizations, supporting documentation and ensuring operational and informational security procedures as well as from fraud or errors by employees. The Group attempts to manage operational risk by establishing clear policies and requiring well-documented business processes to ensure transactions are properly authorized, supported and recorded.

### (7) CAPITAL MANAGEMENT

The Group's capital requirements are primarily dependent on the scale and the type of business that it undertakes, as well as the industry and geographic location in which it operates. The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital requirements by assessing shortfalls, if any, between the reported and the required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to ordinary shareholders or issue capital securities.

The Group has complied with the relevant externally imposed capital requirements as at 30 June 2010 and no changes were made to its capital base, objectives, policies and processes from the previous period with regard to capital management.

## 29. DETERMINATION OF FAIR VALUE AND THE FAIR VALUE HIERARCHY

The methods used to determine fair values of financial assets and liabilities are disclosed in the 2009 annual report, including a breakdown of fair value determined by reference to published price quotations in active markets (Level 1), by using valuation techniques supported by observable inputs (Level 2) and by using valuation techniques supported by unobservable inputs (Level 3). During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfer into or out of Level 3 fair value measurements.

## 30. CASH AND CASH EQUIVALENTS

(in RMB million)	30 June 2010 (Unaudited)	31 December 2009 (Audited)
Balances with central bank	2,657	7,244
Cash and amounts due from banks and other financial institutions		
- Cash on hand	674	512
- Term deposits	5,874	15,680
- Due from banks and other financial institutions	36,483	39,628
- Placements with banks and other financial Institutions	832	3,963
Equity investments		
- Money-market placements	4,722	11,983
Fixed maturity investments		
- Bonds of original maturities within 3 months	30	1,296
- Assets purchased under agreements to resell	8,083	8,659
<b>Total</b>	<b>59,355</b>	<b>88,965</b>

The carrying amounts disclosed above approximate fair values at the period end.

## 31. SIGNIFICANT RELATED PARTY TRANSACTIONS

- (1) The Company's related parties where control exists are mainly subsidiaries of the Company.
- (2) The Company's related parties where significant influence exists include associates, joint ventures and certain shareholders set out below:

Name of related parties	Relationship with the Company
HSBC Holdings plc ("HSBC Holdings")	Parent of shareholders
HSBC Insurance Holdings Limited ("HSBC Insurance")	Shareholder
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	Shareholder
SDB	Associate
XJ Group	Associate

In late August 2005, HSBC Holdings through its wholly owned subsidiaries, HSBC Insurance and HSBC, held 19.90% of the Company's shares. Since then, HSBC Holdings and its subsidiaries became the Company's related parties who had significant influence over the Group.

As at 30 June 2010, HSBC Holdings held, through its subsidiaries, 16.13% equity interest in the Company and is deemed to have significant influence over the Group.

# Notes to interim condensed consolidated financial statements

As at 30 June 2010

## 31. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(2) (CONTINUED)

The summary of balance of the Group with related parties is as below:

<small>(in RMB million)</small>	<b>30 June 2010 (Unaudited)</b>	31 December 2009 (Audited)
HSBC		
Cash and amounts due from banks and other financial institutions	<b>138</b>	165
SDB		
Cash and amounts due from banks and other financial institutions	<b>4,066</b>	-
Bonds payable	<b>100</b>	-
	<b>4,304</b>	165

The summary of significant related party transactions is as below:

a. The interest income the Group earned from related parties for the period is as below:

<small>For the six months ended 30 June (in RMB million)</small>	<b>2010 (Unaudited)</b>	2009 (Unaudited)
SDB	<b>26</b>	-

b. The interest expenses the Group paid to related parties for the period is as below:

<small>For the six months ended 30 June (in RMB million)</small>	<b>2010 (Unaudited)</b>	2009 (Unaudited)
SDB	<b>1</b>	-

c. The guarantee the Group provided to related parties for the period is as below:

<small>(in RMB million)</small>	<b>30 June 2010 (Unaudited)</b>	31 December 2009 (Unaudited)
XJ Group	<b>1,500</b>	-

(3) Key management personnel comprise the Company's directors, supervisors, and senior officers as defined in the Company's articles of association. The summary of compensation of key management personnel for the period is as follows:

<small>For the six months ended 30 June (in RMB million)</small>	<b>2010 (Unaudited)</b>	2009 (Unaudited)
Salaries and other short term employee benefits	<b>16</b>	56

Apart from the above, certain key management personnel are also eligible for benefits under a long term incentive plan in the form of share appreciation rights. During the period, no new share appreciation rights were issued by the Group, and there was also no settlement of share appreciation rights that had vested up to the end of the period.



## 32. COMMITMENTS

### (1) CAPITAL COMMITMENTS

The Group had the following capital commitments relating to property development projects and investments:

(in RMB million)	30 June 2010 (Unaudited)	31 December 2009 (Audited)
Contracted but not provided for	3,074	3,629
Authorized but not contracted for	7,965	8,140
<b>Total</b>	<b>11,039</b>	11,769

### (2) OPERATING LEASE COMMITMENTS

The Group leases office premises and staff quarters under various rental agreements. Future minimum lease payments under non-cancellable operating leases are as follow:

(in RMB million)	30 June 2010 (Unaudited)	31 December 2009 (Audited)
Within 1 year	1,276	1,150
1 – 5 years	2,701	2,283
More than 5 years	285	309
<b>Total</b>	<b>4,262</b>	3,742

### (3) CREDIT COMMITMENTS

(in RMB million)	30 June 2010 (Unaudited)	31 December 2009 (Audited)
Irrevocable loan commitments		
– Within one year under original maturity	15,486	40,915
– One year or above under original maturity	40,957	8,667
– Credit limit of credit cards	29,464	22,219
<b>Subtotal</b>	<b>85,907</b>	71,801
Financial guarantee contracts		
– Letters of credit issued	626	501
– Guarantees issued	14,831	12,640
– Bank acceptance	20,235	19,061
– Loan guarantee	1,500	–
<b>Subtotal</b>	<b>37,192</b>	32,202
<b>Total</b>	<b>123,099</b>	104,003

Irrevocable loan commitments represent contractual amount to grant loans to customers in future. Irrevocable loan commitments contain unused credit card facilities. Since the commitment amounts and credit card facilities are the maximum amounts that could be used by customers, the total contract amounts do not necessarily represent future cash outflow requirements.

Financial guarantee contracts commit the Group to make payments on behalf of customers upon the failures of the customers to perform under the terms of the contracts.

# Notes to interim condensed consolidated financial statements

As at 30 June 2010

## 32. COMMITMENTS (CONTINUED)

### (4) OPERATING LEASE RENTAL RECEIVABLES

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

(in RMB million)	30 June 2010 (Unaudited)	31 December 2009 (Audited)
Within 1 year	507	416
1 - 5 years	978	1,021
More than 5 years	306	318
Total	1,791	1,755

## 33. CONTINGENT LIABILITIES

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

## 34. POST BALANCE SHEET EVENT

On 24 August 2010, the Board of Directors of the Company approved the 2010 interim dividend distribution of RMB0.15 per ordinary share totalling RMB1,147 million.

### 35. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and restated to conform to the current period's presentation. The restatement has been made as accounting policies for insurance contracts were changed at the end of 2009 due to the implementation of "Interpretation No.2 to China Accounting Standards", which is allowable under IFRSs. For detailed description of the restatements, please refer to the 2009 annual report. Income and expenses in the Group's interim condensed consolidated financial statements affected by the above changes in accounting policies are as follows:

(in RMB million)	For the six months ended 30 June 2009		
	Before changes in accounting policies (Unaudited)	Impact of changes in accounting policies	After changes in accounting policies (Unaudited)
Gross written premiums and policy fees	64,774	(5,272)	59,502
Change in unearned premium reserves	(4,278)	817	(3,461)
Reinsurance commission income	904	92	996
Other income	2,917	95	3,012
Change in deferred policy acquisition costs	8,123	(8,123)	-
Claims and policyholders' benefits	(54,137)	11,547	(42,590)
Commission expenses of insurance operations	(9,843)	3,891	(5,952)
General and administrative expenses	(10,975)	16	(10,959)
Other expenses	(2,334)	(423)	(2,757)
Others	13,336	-	13,336
Profit before tax	8,487	2,640	11,127
Income tax	(3,046)	(369)	(3,415)
Profit for the period	5,441	2,271	7,712
Attributable to:			
- Owners of the parent	5,222	2,255	7,477
- Non-controlling interests	219	16	235
Basic earnings per share attributable to ordinary equity holders of the parent	0.71	0.31	1.02
Diluted earnings per share attributable to ordinary equity holders of the parent	0.71	0.31	1.02

### 36. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements have been approved and authorized for issue by the Company's board of directors on 24 August 2010.

# Definition

In this report, unless the context otherwise indicated, the following expressions shall have the following meanings:

Ping An, Company, the Company, Group, the Group	Ping An Insurance (Group) Company of China, Ltd.
Ping An Life	Ping An Life Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Property & Casualty	Ping An Property & Casualty Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Health	Ping An Health Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Annuity	Ping An Annuity Insurance Company of China, Ltd., a subsidiary of the Company
Ping An Trust	China Ping An Trust Co., Ltd., a subsidiary of the Company
Ping An Securities	Ping An Securities Company, Ltd., a subsidiary of Ping An Trust
Ping An Asset Management	Ping An Asset Management Co., Ltd., a subsidiary of the Company
Ping An Bank	Ping An Bank Co., Ltd., a subsidiary of the Company
Ping An Overseas Holdings	China Ping An Insurance Overseas (Holdings) Limited, a subsidiary of the Company
Ping An Hong Kong	China Ping An Insurance (Hong Kong) Company Limited, a subsidiary of Ping An Overseas Holdings
Ping An Asset Management (Hong Kong)	Ping An of China Asset Management (Hong Kong) Company Limited, a subsidiary of Ping An Overseas Holdings
Ping An Processing & Technology	Ping An Processing & Technology (Shenzhen) Co., Ltd., a subsidiary of Ping An Overseas Holdings
SDB, Shenzhen Development Bank	Shenzhen Development Bank Co., Ltd.
CAS	The Accounting Standards for Business Enterprises and the other relevant regulations issued by the Ministry of Finance of the People's Republic of China
IFRS	International Financial Reporting Standards issued by International Accounting Standards Board
Written premiums	All premiums received from the policies underwritten by the Company, which is prior to the significant insurance risk testing and unbundling of hybrid risk contracts
CSRC	China Securities Regulatory Commission

CIRC	China Insurance Regulatory Commission
CBRC	China Banking Regulatory Commission
PBOC	The People's Bank of China
Stock Exchange	The Stock Exchange of Hong Kong Limited
HSBC	The Hongkong and Shanghai Banking Corporation Limited
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Code on Corporate Governance Practices	the Code on Corporate Governance Practices as contained in Appendix 14 to the Listing Rules
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules
Articles of Association of the Company	the Articles of Association of the Ping An Insurance (Group) Company of China, Ltd
No. 2 Interpretations	The "No. 2 Interpretation of Accounting Standards for Business Enterprises" (Cai Kuai [2008] No. 11) issued by the Ministry of Finance
NEWBRIDGE	NEWBRIDGE ASIA AIV III, L.P.
MOC	Ministry of Commerce of the People's Republic of China

# Documents available for inspection

Full text of the interim report signed by the authorized representative of the Company.

Full text of the financial statements signed by and affixed with the seal of the authorized representative of the Company, accountant in charge and person in charge of accounting office.

Full text of the review report affixed with the seal of the accounting firm and signed by and affixed with the seal of the registered accountant.

Full text of all documents and original copies of the announcements publicly disclosed by the Company on the *China Securities Journal*, *Shanghai Securities News*, *Securities Times* and *Securities Daily* during the reporting period.

Articles of Association of the Company.



