

Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended December 31, 2007.

1. Principal activities

The principal activities of the Group comprise the provision of a wide range of financial products and services with a focus on life and property and casualty insurance products. There were no significant changes in the nature of the Group’s principal activities during the year.

2. Results and dividends

The Group’s net profit in 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 78 to 162.

On August 16, 2007, the Directors declared an interim dividend of RMB0.20 per share for the six months ended June 30, 2007, which was paid to the shareholders on September 7, 2007.

The Board recommend the payment of a final dividend of RMB0.50 per share totalling RMB3,673 million in respect of the year to shareholders of the Company. Holders of H shares whose names appear on the Company’s register of members maintained by Computershare Hong Kong Investor Services Limited on Tuesday, May 13, 2008 will be entitled to the final dividend. The record date entitling holders of A shares of the Company to the final dividend will be separately announced by the Company in the PRC.

3. Summary financial information

A summary of the published results, assets and liabilities of the Group for the last five financial years, is set out as follows:

Profit and loss

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

	2003	2004	2005	2006	2007
Total Income	66,623	63,193	64,995	88,198	137,051
Net Profit	2,327	3,146	4,265	8,000	19,219

Balance sheet

As at December 31, (in RMB million)

	2003	2004	2005	2006	2007
Total Assets	206,044	264,439	319,706	494,435	691,298
Total Liabilities	192,755	235,812	286,184	446,685	577,447
Total Equity	13,289	28,627	33,522	47,750	113,851

* Certain comparative figures have been reclassified or restated. See footnotes in “Financial Highlights” for further details.

4. Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

5. Charitable donations

Charitable donations made by the Company during 2007 totaled RMB4 million.

6. Property and equipment and investment properties

Details of movements in property and equipment and investment properties of the Group during the year are set out in notes 28 and 27 to the consolidated financial statements.

7. Share capital

During 2007, the change in the share capital structure of the Company is as follows:

	January 1, 2007		Increase in the year		December 31, 2007	
	Number	Percentage (%)	Number	Percentage (%)	Number	Percentage (%)
A shares	3,636,409,636	58.70	1,150,000,000	100.00	4,786,409,636	65.17
H shares	2,558,643,698	41.30	–	–	2,558,643,698	34.83
Total	6,195,053,334	100.00	1,150,000,000	100.00	7,345,053,334	100.00

The Company issued 1.15 billion ordinary A Shares with par value of RMB1.00 at the offer price of RMB33.80 per A share in February 2007. The A Shares were listed on the Shanghai Stock Exchange on March 1, 2007. The net proceeds from the issue of A Shares amounted to RMB38,222 million and were used to replenish the capital of the Company as stated in the A share prospectus of the Company.

8. Pre-emptive rights

There are no provisions regarding pre-emptive rights under the PRC Company Law or the Articles of Association, which would oblige the Company to issue new shares to its existing shareholders in proportion to their existing shareholdings.

9. Purchase, redemption or sale of listed securities of the Company

Neither the Company, nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed shares during the year.

10. Distributable reserves

As at December 31, 2007, the Company's reserves available for distribution, calculated in accordance with the relevant regulations, totaled RMB5,587 million, of which RMB3,673 million has been proposed as a final dividend for the year. After deduction of such proposed final dividend, the retained profits (including unrealised gains arising from the fair value changes of the financial assets carried at fair value through profit or loss) were carried forward to 2008. In addition, the Company's capital reserve and surplus reserve fund, in the amount of RMB57,562 million, may be distributed by a future capitalization issue.

11. Major customers

In the year under review, gross written premiums, policy fees and premium deposits from the Group's five largest customers accounted for less than 2% of the total gross written premiums, policy fees and premium deposits for the year.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

12. Directors and Supervisors

The Directors of the Company during the year were as follows:

Name	Date of Appointment as Director
Executive Directors:	
MA Mingzhe	March 21, 1988
SUN Jianyi	March 29, 1995
CHEUNG Chi Yan Louis	May 25, 2006
Non-executive Directors:	
HUANG Jianping (resigned on March 19, 2007)	May 30, 2002
LIN Yu Fen	October 8, 2002
CHEUNG Lee Wah	October 8, 2002
Anthony Philip HOPE	November 25, 2002
LIN Lijun	May 16, 2003
FAN Gang	May 16, 2003
DOU Wenwei (resigned on March 19, 2007)	May 16, 2003
SHI Yuxin (resigned on March 19, 2007)	October 10, 2003
HU Aimin	March 9, 2004
CHEN Hongbo	June 23, 2005
WONG Tung Shun Peter	May 25, 2006
NG Sing Yip	May 25, 2006

Independent Non-executive Directors:

BAO Youde	September 27, 1995
KWONG Che Keung Gordon	May 16, 2003
CHEUNG Wing Yui	May 16, 2003
CHOW Wing Kin Anthony	June 23, 2005
ZHANG Hongyi	March 19, 2007
CHEN Su	March 19, 2007
XIA Liping	June 7, 2007

The supervisors of the Company during the year are as follows:

Name	Position	Date of Appointment as Supervisor
XIAO Shaolian	Independent Supervisor	August 3, 1994
SUN Fuxin	Independent Supervisor	May 16, 2003
DONG Likun	Independent Supervisor	May 25, 2006
DUAN Weihong	Supervisor	May 16, 2003
LIN Li	Supervisor	May 25, 2006
CHE Feng	Supervisor	May 25, 2006
HU Jie	Supervisor	May 25, 2006
HE Shi (resigned on July 10, 2007)	Supervisor	May 16, 2003
WANG Wenjun	Supervisor	May 25, 2006
DU Jiangyuan	Supervisor	July 10, 2007

There were no changes to the Directors and Supervisors from January 1, 2008 to the date of the annual report.

The Company has received annual confirmations of independence from Messrs. Bao Youde, Kwong Che Keung Gordon, Cheung Wing Yui, Chow Wing Kin Anthony, Zhang Hongyi, Chen Su and Xia Liping and as of the date of the annual report continues to consider them to be independent as defined under the Listing Rules.

13. Biographical details of Directors, Supervisors and members of the senior management

Biographical details of Directors, Supervisors and members of the senior management are set out from page 10 to page 15 of this annual report.

14. Directors' and Supervisors' service contracts and remuneration

On May 10, 2004, our Company entered into a service contract with each of Mr. MA Mingzhe and Mr. SUN Jianyi being Executive Directors for a term of three years. On May 25, 2006, our Company has reappointed Mr. MA Mingzhe and Mr. SUN Jianyi being Executive Directors for a term of further three years and on the same day, our Company also entered into a service contract with Mr. CHEUNG Chi Yan Louis, being Executive Director for a term of three years. The service contracts for the Executive Directors are subject to termination by either party giving not less than six months' written notice to the other party. Pursuant to the Articles of Association, the remuneration of the Directors and Supervisors will be determined by the shareholders of the Company in general meetings.

Apart from the foregoing, no Director or Supervisor has a service contract with the Company which is not terminable by the Company within one year without payment of compensation other than statutory compensation.

Details of remuneration of the Directors and Supervisors for the year ended December 31, 2007 are set out in note 45 to the financial statements.

15. Directors' and Supervisors' interests in material contracts

None of the Directors or Supervisors had a material interest, directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party to during 2007.

16. Directors' and Supervisors' interests and short positions in shares

As at December 31, 2007, the interests and short positions of the Directors and Supervisors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and Supervisors of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules, were as follows:

Interests in ordinary shares of the Company

Name of Director/Supervisor	Position	H/A Shares	Capacity	No. of H/A Shares	Nature of interest	Percentage of total number of H/A Shares in issue (%)	Percentage of total shares in issue (%)
Cheung Chi Yan Louis	Executive Director	H	Beneficial owner	248,000	Long position	0.01	0.003
Chow Wing Kin Anthony	Independent Non-executive Director	H	Interest held jointly with another person*	7,500	Long position	0.00029	0.000
Lin Li	Supervisor	A	Interest of controlled corporations**	176,000,000	Long position	3.68	2.40

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

** Lin Li was interested in the Company by virtue of his control over 93.33% shareholding of Shenzhen Liye Group Company Limited, which held a direct interest in 176,000,000 shares in the Company.

Save as disclosed above, as at December 31, 2007, none of the Directors or Supervisors held or was deemed to hold any interests or short positions in the shares and underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors or Supervisors to the Company and the Stock Exchange pursuant to the Model Code nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

17. Directors' and Supervisors' rights to acquire shares

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, Supervisors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors or Supervisors to acquire such rights in any other body corporate.

18. Directors' and Supervisors' interests in a competing business

During 2007 and up to the date of this annual report, the following Directors are considered to have interests in a business which competes or is likely to compete, directly or indirectly, with the business of the Group, as defined in the Listing Rules, as set out below:

Mr. Wong Tung Shun Peter, a Non-executive Director of the Company, is currently an Executive Director of The Hongkong and Shanghai Banking Corporation Limited, and a Deputy Chairman of HSBC Bank (China) Company Limited which is the largest among foreign banks in mainland China and offers a wide range of banking and financial services by an ever-expanding network. As Shenzhen Ping An Bank, a subsidiary of the Company, is primarily engaged in commercial banking business in the PRC as approved by the CBRC, the authorized banking business of The Hongkong and Shanghai Banking Corporation Limited has, to a certain extent, overlapped and thus may compete with those of Shenzhen Ping An Bank.

Also Mr. Wong Tung Shun Peter is the Chairman of HSBC Insurance (Asia) Limited and HSBC Life (International) Limited. As Ping An Hong Kong, a subsidiary of the Company, is authorized by the Hong Kong Insurance Authority to conduct property and casualty insurance business, the respective authorized insurance business of HSBC Life (Insurance) Limited and HSBC Insurance (Asia) Limited has, to a certain extent, overlapped that thus may compete with those of Ping An Hong Kong.

Save as disclosed, none of the Directors and Supervisors has any competing interest in a business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

19. Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at December 31, 2007, 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:

- (i) Interests and short positions of substantial shareholders who are entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of the Company:

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	1,233,870,388	Long position	48.22	16.80

- (ii) 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	24.19	8.43
The Hongkong and Shanghai Banking Corporation Limited	H	Beneficial owner	3	614,099,279	Long position	24.00	8.36
Shenzhen Investment Holdings Co., Ltd.	A	Beneficial owner		543,181,445	Long position	11.35	7.40
Shenzhen Jingao Industrial Development Co., Ltd.	A	Beneficial owner	4	331,117,788	Long position	6.92	4.51
Ping An Securities Company, Ltd. Labor Union	A	Interest of controlled corporations	4	331,117,788	Long position	6.92	4.51
China Ping An Trust & Investment Co., Ltd. Labor Union	A	Interest of controlled corporations	4	331,117,788	Long position	6.92	4.51
Shenzhen New Horse Investment Development Co., Ltd.	A	Beneficial owner	5	389,592,366	Long position	8.14	5.30

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 (%)
Ping An Insurance (Group) Company of China, Ltd. Labor Union	A	Interest of controlled corporations	5	389,592,366	Long position	8.14	5.30
Yuan Trust Investment Company Ltd.	A	Beneficial owner		380,000,000	Long position	7.94	5.17
Shenzhen Shum Yip Investment Development Company Ltd.	A	Beneficial owner		301,585,684	Long position	6.30	4.11

Notes:

- (1) HSBC Insurance Holdings Limited was a wholly-owned subsidiary of HSBC Holdings plc and its interest in 618,886,334 shares of the Company was deemed to be the interest of HSBC Holdings plc.
- (2) Besides (1) above, HSBC Holdings plc was also interested in the Company by virtue of its control over HSBC CCF Financial Products (France) SNC ("CCF SNC") which held a direct interest in 884,775 shares in the Company. The interest in 884,775 shares of the Company was held through cash settled unlisted securities.

CCF SNC was 100% owned by CCF S.A. which was owned as to 99.99% by HSBC Bank plc. HSBC Holdings plc owned 100% interest in HSBC Bank plc.
- (3) The Hongkong and Shanghai Banking Corporation Limited was owned as to 84.19% by HSBC Asia Holdings BV, a wholly-owned subsidiary of HSBC Asia Holdings (UK), which in turn was a wholly-owned subsidiary of HSBC Holdings BV. The remaining 15.81% of The Hongkong and Shanghai Banking Corporation Limited was owned by HSBC Finance (Netherlands), a wholly-owned subsidiary of HSBC Holdings plc. HSBC Finance (Netherlands) owned 100% interest in HSBC Holdings BV.
- (4) 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 shares relates to the same block of shares in the Company.
- (5) 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 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 interests or short positions in the shares and underlying shares of the Company as at December 31, 2007 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

20. Continuing connected transactions

On March 19, 2007, the independent Shareholders of the Company approved the following continuing connected transactions of the Company at the extraordinary general meeting:

(1) *Bank Deposits Arrangements with HSBC*

The Group maintains bank balances with HSBC on normal commercial terms in the ordinary course of business. The relevant banking documents executed by the Group with HSBC do not provide for the bank accounts with HSBC to be maintained for any fixed period of time. Interests are accrued on such bank balances at prevailing market rates.

As at December 31, 2007, the aggregate bank balances maintained by the Group with HSBC was approximately USD21 million.

HSBC Insurance Holdings Limited is a wholly-owned subsidiary of HSBC Holdings plc and its interest in 618,886,334 shares of the Company is deemed to be the interest of HSBC Holdings plc. In addition, HSBC CCF Financial Products (France) SNC, a wholly owned subsidiary of CCF S.A. which is in turn 99% held by HSBC Bank plc., has a direct interest in 884,775 shares in the Company, which is also deemed to be the interest of HSBC Holdings plc. As HSBC is an indirect subsidiary of HSBC Holdings plc, HSBC is therefore a connected person of the Company under Rule 14A.11(4) of the Listing Rules.

(2) Bank Deposits Arrangements with ICBC and ICBC (Asia)

The Group maintains term deposits and bank balances with ICBC and ICBC (Asia), a subsidiary of ICBC, on normal commercial terms in the ordinary course of business. The relevant banking documents executed by the Group with ICBC and ICBC (Asia) do not provide for the bank accounts with ICBC and ICBC (Asia) to be maintained for any fixed period of time. Interests are accrued on such bank balances at prevailing market rates.

ICBC is a promoter of the Company and thus a connected person of the Company under Rule 14A.11(3). Further, as ICBC (Asia), a non-wholly owned subsidiary of ICBC, is a substantial shareholder of China Ping An Insurance (Hong Kong) Company Limited, a 75% owned subsidiary of the Company, both ICBC (Asia) and ICBC are connected persons of the Company under Rule 14A.11(5).

As at December 31, 2007, the aggregate bank deposits maintained by the Group with ICBC and ICBC (Asia) in all kinds of currencies amounted to approximately RMB7,634 million.

(3) Bank Deposits Arrangements with Ping An Bank

The Group maintained bank balances with Ping An Bank on normal commercial terms in the ordinary course of business. The relevant banking documents executed by the Group with Ping An Bank did not provide for the bank accounts with Ping an Bank to be maintained for any fixed period of time. Interests were accrued on such bank balances at prevailing market rates.

Prior to the completion of the merger with Shenzhen Commercial Bank on June 16, 2007, Ping An Bank was a 72.91% owned subsidiary of the Company and HSBC was a substantial shareholder of Ping An Bank holding 27% of its registered capital. Ping an Bank was thus a connected person of the Company under Rule 14A.11(5). After the merger, Ping An Bank completed the de-registration of its business licence on August 6, 2007 and since the Company holds 90.04% of Shenzhen Ping An Bank, deposits maintained with Shenzhen Ping An Bank will not constitute connected transaction of the Company.

The Company also had the following continuing connected transaction in 2007:

(4) Foreign Exchange Swap Agreement with ICBC

On July 21, 2006, the Company entered into an arrangement with ICBC Shanghai Branch whereby ICBC Shanghai Branch may provide RMB/USD foreign exchange swap services to the Company. The Company may purchase US dollars from ICBC Shanghai Branch for RMB at an exchange rate to be agreed at the time of purchase, which exact amount of US dollars purchased will be sold back to ICBC Shanghai Branch after a certain period of time at an exchange rate also to be agreed at the time of purchase.

For the year ended December 31, 2007, the Group did not have any foreign exchange swap transaction with ICBC Shanghai Branch under the Master Foreign Exchange Swap Agreement.

In the opinion of the Independent Non-executive Directors, after having reviewed the above continuing connected transactions, such transactions were entered into by the Group:

- (1) in the ordinary and usual course of its business;
- (2) on normal commercial terms or on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties; and
- (3) in accordance with the terms of agreements governing them on terms that are fair and reasonable so far as the shareholders of the Company are concerned and in the interests of the shareholders of the Company as a whole.

The Company has received a letter from the auditors stating that the above connected transactions:

- (1) have received the approval of the Board of Directors of the Company;
- (2) have been entered into in accordance with the relevant agreements governing such transactions; and
- (3) have not exceeded the respective annual caps set out below in 2007:
 - (i) bank deposits arrangements with HSBC: US\$2,336 million on any given day;
 - (ii) bank deposit arrangements with ICBC and ICBC (Asia): RMB24,900 million on any given day;
 - (iii) bank deposits arrangement with Ping An Bank: RMB20,000 million on any given day; and
 - (iv) foreign exchange swaps with ICBC Shanghai Branch: US\$300 million.

21. Board Committees

The Company has established an audit committee, a remuneration committee and a nomination committee. For details regarding these Board committees, please see the relevant sections in the Corporate Governance Report on pages 40 to 42 of this annual report.

22. Post balance sheet events

Details of the significant post balance sheet events of the Group are set out in note 51 to the consolidated financial statements on page 162 of this annual report.

23. Compliance with the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the Code on Corporate Governance Practices for any part of the period from January 1, 2007 to December 31, 2007 except that Mr. Ma Mingzhe has occupied the positions of both the Chairman of the Board of Directors and Chief Executive Officer of the Company. Further details of the Company's arrangements and considered reasons for the Company's intention not to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer of the Company are set out under the paragraph headed "Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules" in the Corporate Governance Report on pages 37 to 38 of this annual report.

24. Auditors

Ernst & Young and Ernst & Young Hua Ming were the international and PRC auditors, respectively, to the Company for the year ended December 31, 2007. A resolution for the re-appointment of Ernst & Young as the international auditors and Ernst & Young Hua Ming as the PRC auditors to the Company will be proposed at the forthcoming Annual General Meeting on May 13, 2008.

25. Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, being March 19, 2008, at all times during the year ended December 31, 2007, not less than 20% of the issued share capital of the Company (being the minimum public float applicable to the shares of the Company) was held in public hands.

26. Disclosure of information on the Stock Exchange's website and the Company's website

All information required by paragraphs 45(1) to 45(8) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.pingan.com.cn>) respectively in due course.

By order of the Board of Directors

Ma Mingzhe

Chairman & Chief Executive Officer

Shenzhen, PRC
March 19, 2008