REPORT OF THE DIRECTORS

Ⅰ. Discussion and Analysis of Operating Performance during the Reporting Period

(Ⅰ) Summary of overall operating performance

In 2006, China's economy performed extremely well and achieved stable and rapid growth, with a steady growth in its consumers spending, This created a favourable market environment for the reform and development of China's insurance and financial industries. During the year, the Company's net profit reached RMB5,986 million, representing an increase of 79.3% from 2005. Total assets reached RMB441,791 million while shareholders' equity increased to RMB36,668 million. The Company recorded underwriting income of RMB81,712 million, representing an increase of 21.3% from 2005. The above figures indicated that the Company sustained its momentum of stable and rapid development in 2006.

During the reporting period, highlights of our overall operation were set out as below:

1. Overall profitability of insurance business significantly enhanced, and development speeds up

The Company's core insurance business recorded historical high in terms of net profit. Premium income from life insurance and property and casualty insurance accounted for RMB68,989 million and RMB16,966 million respectively. Meanwhile, benefited from a strong stock market performance and appropriate investment strategies, the Group's investment yield achieved rapid growth with total investment return including interest income reaching RMB22,360 million. The embedded value of the Group reached RMB65,573 million.

In 2006, our life insurance business recorded premium income of RMB68,989 million, representing an increase of 17.2% as compared to last year and accounting for a 17.0% share of the PRC life insurance market. The value of one year's new business amounted to RMB5,132 million, representing an increase of 13.1% as compared to last year. Net profit for the year reached RMB4,774 million, representing an increase of 68.5% as compared to last year.

The property and casualty insurance business continuously maintained strong growth at a rate exceeding that of the market, recording premium income of RMB16,966 million in 2006. Among which, Ping An Property & Casualty recorded premium income of RMB16,862 million, accounting for a 10.7% share of the PRC property and casualty market. Net profit amounted to RMB645 million, representing an increase of 121.2% from last year.

Other insurance businesses continued to improve their business platforms and recorded further development. We started the restructuring of annuity business and group insurance business. The applications to set up 35 branches across the country was approved by the CIRC. New business development and operating plans for health insurance business were implemented, and the Company has been proactively exploring an operation and management model for its health insurance business that is appropriate to the PRC market.

2. The platforms of investment management and banking operation continuously strengthened, and the integrated financial services structure further improved

The year 2006 saw a smooth progress in the construction of the Group's investment platform. As Ping An of China Asset Management (Hong Kong) Company Limited ("Ping An Asset Management (Hong Kong)") was successfully established, we are now in the process of organizing a internationally experienced team and constructing a global investment operating platform.

The proactive transformation initiatives conducted on securities and trust businesses had shown initial success with significant growth in both businesses in 2006, with breakthroughs in business volume and product features of the trust operations. Our securities business recorded a net profit of RMB554 million in 2006, representing a record high since the establishment of Ping An Securitie.

In our banking business sector, Ping An Bank obtained its license from the CBRC to provide Renminbi services to corporate customers in June 2006. At the end of 2006, the Company obtained 89.36% equity interest in Shenzhen Commercial Bank Co., Ltd. ("SZCB") through acquisition of equity interest and capital injection. Subsequently, SZCB will acquire the entire equity interest in Ping An Bank held by Ping An Trust, a subsidiary of the Company, and HSBC, thereby it will have 100% control over Ping An Bank. The plan to integrate the two banks into one banking brand name and the relevant reorganization work are currently proceeding smoothly. The banking business will become one of the core profit sources of the Company, and the importance of its sales channels and its contribution will gradually increase.

3. Operating platform backbone improves further

The Company has made smooth progress in the construction of its Integrated Operating Center, which becomes an effective support platform for its business development and risk management. The Company's Integrated Operating Center, one of the largest financial back-office centers in Asia, will directly and significantly promote our business development, internal risk control and internal management, and constantly boost the Group's cost effectiveness and market competitiveness through continuous improvement and development.

4. Leading management quality and brand value

Under the leadership of the Company's experienced professional management team, our corporate governance structure, risk management system and operating administration system have been further improved. In 2006, the Group was awarded one of the "Asia's Best Managed Companies" by Euromoney, ranked fifth among the Asian companies and first among the Chinese companies.

With the Group's strong operating results and enhanced overall strength, together with the support of optimistic market sentiment about the prospects of the PRC financial industry, the price of the Company's H share rose steadily. In addition, not long before the release of this annual report, the Company successfully completed the listing of its A shares.

(Ⅱ) Principal business and operating performance

In 2006,with our principal operating subsidiaries, namely Ping An Life, Ping An Property & Casualty, Ping An Trust, Ping An Securities, Ping An Bank, Ping An Annuity, Ping An Health Insurance Company of China, Ltd. ("Ping An Health"), Ping An Asset Management Co., Ltd. ("Ping An Asset Management") and Ping An Asset Management (Hong Kong), we offer our customers a wide range of financial products and services through our multi-channel distribution network under a single brand name.

1. Our life insurance business and its operating performance

Ping An Life provides life insurance products to individual customers and group customers through 35 provincial branches and nearly 2,000 branches and sales offices in various areas throughout the PRC. As at December 31, 2006, Ping An Life had a registered capital of RMB3,800 million and total assets of RMB313,585 million.

(1) Analysis of premium income by channels

Our life insurance business can be divided into individual life insurance, bancassurance and group insurance in terms of distribution channels.

Unit: RMB thousand

Items	2006			2005		
	Amount	As a percentage of total amount (%)	Change over the previous year (%)	Amount	As a percentage of total amount (%)	Change over the previous year (%)
Individual life insurance	55,308,698	80.2	19.6	46,239,057	78.6	14.9
Group insurance	7,436,576	10.8	1.4	7,331,651	12.4	(15.5)
Bancassurance	6,243,584	9.0	18.3	5,278,189	9.0	(11.2)
Total	**68,988,858**	**100 .0**	**17.2**	**58,848,897**	**100.0**	**7.2**

① Individual life insurance

The premium income of our individual life insurance business is as follows:

Unit: RMB thousand

Items	2006		2005	
	Income	As a percentage (%)	Income	As a percentage (%)
First year premiums	13,220,534	23.9	11,642,386	25.2
First year regular and single premiums	10,254,243	18.5	8,985,714	19.4
Short term accident and health insurance	2,966,291	5.4	2,656,672	5.8
Renewal premiums	42,088,164	76.1	34,596,671	74.8
Total	**55,308,698**	**100.0**	**46,239,057**	**100.0**

Our life insurance products are primarily sold through individual life insurance sales agents. As at December 31, 2006, the Company had approximately 205,400 individual sales agents.

The following table shows the productivity of our individual sales agents:

Items	2006	2005
First year premium income per agent per month	4,737	4,446
New life insurance policies per agent per month	2.1	2.3

The following table shows the 13-month and 25-month persistency ratios for our individual life insurance customers:

Items	2006	2005
13-month persistency ratio for our individual life insurance customers (%)	89.0	85.9
25-month persistency ratio for our individual life insurance customers (%)	80.3	81.9

② Bancassurance

Our bancassurance products are sold through counters at banks, post offices and wealth management centers.

The premium income of our bancassurance business is as follows:

Unit: RMB thousand

Items	2006		2005	
	Income	**As a percentage (%)**	**Income**	**As a percentage (%)**
First year premiums	5,995,910	96.0	5,051,794	95.7
First year regular and single premiums	5,993,854	96.0	5,049,593	95.7
Short term accident and health insurance	2,056	-	2,201	-
Renewal premiums	247,674	4.0	226,395	4.3
Total	**6,243,584**	**100.0**	**5,278,189**	**100.0**

③ Group insurance

Our group insurance products are mainly sold through group sales representatives. The Company has 2,127 group sales representatives throughout its branches in the PRC. In addition, Ping An Property & Casualty utilized its own sales network to cross sell the group insurance products of Ping An Life. The Company also distributes its group insurance products through insurance intermediary institutions such as institutional insurance agents, insurance brokerage institutions and ancillary agency organizations.

According to the "Reply on the Issue Concerning the Restructuring of Ping An Annuity Insurance Company of China, Ltd." (Baojianfagai [2006] No. 1416) issued by the CIRC on December 15, 2006, the CIRC approved the Company's transfer of the group insurance business of Ping An Life to Ping An Annuity step by step and to migrate the sales force and sales network of the group insurance division of Ping An Life in whole to Ping An Annuity. Ping An Annuity is currently preparing the establishment of its branches and sub-branches.

The premium income of our group insurance business is as follows:

Unit: RMB thousand

Items	2006		2005	
	Income	**As a percentage (%)**	**Income**	**As a percentage (%)**
First year premiums	6,960,604	93.6	6,874,924	93.8
First year regular and single premiums	4,708,860	63.3	4,850,691	66.2
Short term accident and health insurance	2,251,744	30.3	2,024,233	27.6
Renewal premiums	475,972	6.4	456,727	6.2
Total	**7,436,576**	**100.0**	**7,331,651**	**100.0**

④ The following table shows the sales network of our life insurance:

Items	December 31, 2006	December 31, 2005
Number of individual life sales agents	205,437	200,193
Number of group sales representatives	2,127	1,644
Bancassurance outlets	24,214	27,222

(2) Geographical analysis of premium income

In 2006, the top ten regions from which the Company derived premium income of life insurance business were Guangdong, Shanghai, Beijing, Jiangsu, Liaoning, Shandong, Zhejiang, Fujian, Sichuan and Hebei. Premium income derived from the above top ten regions accounted for 71.6% of our total premium income from life insurance business. The geographical distribution of premium income is closely related to the level of economic development, population density and the residents' awareness of the importance of insurance in various regions.

Unit: RMB thousand

Regions	2006		2005	
	Amount	As a percentage (%)	Amount	As a percentage (%)
Guangdong	8,024,598	11.6	6,549,312	11.1
Shanghai	7,680,459	11.1	6,754,013	11.5
Beijing	6,654,200	9.6	6,216,014	10.6
Jiangsu	5,593,196	8.1	4,584,871	7.8
Liaoning	5,038,782	7.3	4,309,374	7.3
Shandong	4,763,906	6.9	4,092,261	7.0
Zhejiang	4,035,010	5.8	3,355,201	5.7
Fujian	3,082,944	4.5	2,644,459	4.5
Sichuan	2,320,511	3.4	1,965,955	3.3
Hebei	2,250,893	3.3	1,862,010	3.2
Sub-total	49,444,499	71.6	42,333,470	72.0
Total premium income	**68,988,858**	**100 .0**	**58,848,897**	**100 .0**

(3) Legacy high guaranteed return products

Like other major PRC life insurance companies, we offered life insurance products with relatively high guaranteed rates of return equal to or in excess of 5% from 1995 to 1999, primarily as a result of the prevailing high market interest rates in that period. In June 1999, the CIRC imposed a cap of 2.5% with respect to the guaranteed rate of return a life insurance company may offer on its products. As a result, we have offered guaranteed return products with rates of return equal to or less than 2.5% since June 1999. The policyholders' reserves for life insurance policies with high guaranteed rates of return as calculated based on our PRC

Accounting Standards financial data represented 37.3% of our total policyholders' reserves as at December 31, 2006 compared to 40.0% as at December 31, 2005. The average pricing rate for all of our guaranteed return life insurance products was 4.5% in 2006 as compared to 4.7% in 2005. We expect these high guaranteed return life insurance policies as a percentage of our total in-force life insurance policies to decline as our new policies with lower or no guaranteed rates of return continue to grow.

2. Our property and casualty insurance business and its operating performance

Our property and casualty insurance products are mainly offered by Ping An Property & Casualty. In addition, China Ping An Insurance (Hong Kong) Company Limited also provides property and casualty insurance service in the market of Hong Kong.

As at December 31, 2006, Ping An Property & Casualty had a registered capital of RMB3,000 million and total assets of RMB18,239 million.

（1） Premium income

① Analysis by insurance products

In 2006, the Company's premium income from property and casualty insurance business reached RMB16,966 million, an increase of 33.0% over last year.

The motor and third party liability insurance has been a major source of the premium income from the property and casualty insurance business of the Company, which recorded a premium income of RMB11,707 million in 2006, an increase of 47.5% over last year, bringing its proportion of the premium income to 69.0%.

The premium income from non-automobile insurance amounted to RMB4,417 million in 2006, accounting for 26.0% of the total premium income. The commercial property insurance constituted the largest part of non-automobile insurance business in terms of premium income.

The premium income from the accident and health insurance reached RMB842 million, representing an increase of 49.0% over last year.

Unit:RMB thousand

	2006			2005		
Items	**Amount**	**Percentage of the total amounts (%)**	**Change over last year(%)**	**Amount**	**Percentageof the total amounts(%)**	**Change over last year(%)**

Motor and third party liability insurance	11,707,120	69.0	47.5	7,934,777	62.2	20.2
Non-automobile insurance	4,416,540	26.0	3.7	4,260,047	33.4	13.8
Accident and health insurance	842,434	5.0	49.0	565,291	4.4	46.3
Total	**16,966,094**	**100.0**	**33.0**	**12,760,115**	**100.0**	**18.9**

② Analysis by geographical area

In 2006, the top ten regions from which the Company has derived premium income of the property and casualty insurance business were Guangdong, Shanghai, Beijing, Zhejiang, Jiangsu, Shandong, Liaoning, Hebei, Fujian and Sichuan. Premium income derived from the above ten regions accounted for 70.9% of total premium income from property and casualty insurance business. The geographical distribution of premium income is closely related to the level of economic development in those regions and the resident's awareness of the importance of insurance.

Unit:RMB thousand

Regions	**2006**		**2005**	
	Amount	**Percentage of the total amounts (%)**	**Amount**	**Percentageof the total amounts (%)**
Guangdong	3,248,182	19.2	2,388,413	18.7
Shanghai	1,564,808	9.2	1,296,104	10.2
Beijing	1,261,169	7.4	1,000,442	7.8
Zhejiang	1,188,529	7.0	848,547	6.6
Jiangsu	1,154,277	6.8	763,866	6.0
Shandong	974,368	5.8	741,744	5.8
Liaoning	767,901	4.5	599,471	4.7
Hebei	672,684	4.0	541,257	4.2
Fujian	616,194	3.6	454,411	3.6
Sichuan	581,581	3.4	376,475	3.0
Sub-total	12,029,693	70.9	9,010,730	70.6
Total premium income	**16,966,094**	**100.0**	**12,760,115**	**100.0**

（2）Distribution network

The distribution network for our property and casualty insurance products includes 39 branch offices with another being set up located in substantially all of the PRC's provinces, autonomous regions and municipalities, together with over 1,300 sub-branches located throughout the PRC. We distribute our property and casualty insurance products primarily through our in-house sales representatives and through various intermediaries, such as banks , automobile dealerships, and insurance brokers.

Items	2006	2005
Number of direct sales representatives	8,424	7,708
Number of insurance agents	10,868	6,176

(3) Major Operation Indicator

Indicator	2006	2005
Combined ratio (1) （%）	99.9	96.9

(1) Combined ratio = (Underwriting expenses + Changes in claim reserves) / (Underwriting income - Changes in unearned premium reserves - Changes in long-term unearned premium reserves).

As a result of the increasingly tense competition and the rapid growth in the ownership of automobiles, the proportion of the automobile insurance business in the overall industry has seen a remarkable increase in 2006. In such a situation, the combined ratio of Ping An Property & Casualty increased from 96.9% in 2005 to 99.9% in 2006.

3. Ping An Trust

We provide asset management services to our customers through Ping An Trust. In addition, Ping An Trust also acts as an investment holding company for some of our long-term equity investment and provides infrastructure investment and property investment services to our other subsidiaries. As at December 31, 2006, Ping An Trust had a registered capital of RMB4,200 million and total assets of RMB6,753 million. In 2006, our trust business developed several new product lines, such as equity related trust products and foreign exchange related trust products. This product innovation will provide our trust business with new opportunity of revenue growth. As at December 31, 2006, assets held in trust amounted to RMB16,677 million.

4. Ping An Securities

We conduct our securities business through Ping An Securities, and provide securities services to customers through 22 branch offices nationwide and through our PA18 Internet financial portal. As at December 31, 2006, Ping An Securities had a registered capital of RMB1,800 million and total assets of RMB8,853 million. In 2006, the stock market recorded new highs in terms of both transaction volume and new capital being raised. Both our traditional business and innovative business recorded robust growth. Ping An Securities recorded a net profit of RMB554 million in 2006, the highest ever recorded since its incorporation. In 2006, Ping An Securities passed the assessment on securities companies with relevant innovative business and became one of the innovative securities companies in the industry, which has laid a solid foundation for its future development.

5. Ping An Bank

Ping An Bank obtained an approval from the China Banking Regulatory Commission (the “CBRC”) to provide Renminbi services to corporate customers on June 23, 2006. In 2006, while continuing to adopt a prudence approach, Ping An Bank also optimized its product mix, applied multi-distribution channels and extensively explored its customer bases. As at December 31, 2006, Ping An Bank had a registered capital of RMB614 million and its total assets amounted to RMB3,046 million, total deposit balance amounted to RMB772 million, total loans balance amounted to RMB1,469 million. Its capital adequacy ratio was 50.2%, and it had no non-performing loans.

6. Shenzhen Commercial Bank(“SZCB”)

SZCB, being established on August 3, 1995, is the first city commercial bank in the PRC. By the end of 2006, SZCB had completed its restructuring and its registered capital was increased from RMB1,600 million to RMB5,502 million. The Group, through equity transfer and contribution of funds, acquired 89.36% of SZCB and became its largest shareholder. As at December 31, 2006, SZCB’s total assets amounted to RMB81,725 million, total deposit balance amounted to RMB72,273 million and total loans balance amounted to RMB47,457 million. Its capital adequacy ratio was 10.7% and the non-performing loan’s ratio was 6.5% as at December 31, 2006.

7. 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 reorganization. Following the reorganization, its principal business will remain to be corporate annuity and supplementary pension while at the same time gradually integrate the group insurance business from Ping An Life. It intends to set up 35 branches and 127 sub-branches across the country in the next few months. As at December 31, 2006, Ping An Annuity had a registered capital of RMB300 million, and its total assets amounted to RMB488 million. The entrusted assets under our corporate annuity amounted to RMB634 million.

8. Ping An Health

Ping An Health was set up on June 13, 2005, with a registered capital of RMB500 million. It is one of the foremost companies to be granted to provide health specialty insurance. In 2006, by leveraging the financial strength and the international and professional operational and management model of the Group, Ping An Health commenced the development of brand new health insurance services by soliciting international experts. Our goal is to provide comprehensive health management and services to its customers. In December 2006, Shanghai branch office of Ping An Health commenced operation.

9. Ping An Asset Management

As at December 31, 2006, Ping An Asset Management had a registered capital of RMB200 million and its total assets amounted to RMB223 million. Assets under the management of Ping An Asset Management grew steadily in 2006. As at December 31, 2006, the assets under its management amounted to RMB329,424 million. Both its investment income and investment yield recorded growth. To broaden the investment channels for its insurance funds, Ping An Asset Management initiated non-capital market investment, and has been designated as one of the leading companies to participate in infrastructure investment. In terms of internal management, Ping An Asset Management has standardized and regulated its business flow, reinforced its internal management, risk measurement, assets allocation and performance assessment mechanism to sustain a continuous improvement in investment management capability.

10. Ping An Asset Management (Hong Kong)

Ping An Asset Management (Hong Kong) was incorporated on May 16, 2006 and had a registered capital of HK$25 million as at December 31, 2006. Being responsible for our overseas investment management business, it intends to provide Hong Kong and overseas investment products and third party assets management service to domestic and overseas professional investors, in addition to being entrusted to manage investment assets of our other subsidiaries. At present, it has set up an experienced international investment team and an operating platform.

11. Back-office centralization

The construction of the Integrated Operating Center ("IOC") is progressing smoothly. The IOC will serve as a supporting platform for business development and risk management.

Specifically, we have made the following progress at the date of this report:

- Centralized all underwriting, claims and document processing of individual life insurance and bancassurance businesses;

- Centralized 40% policy owner services of individual life insurance businesses;

- Centralized 60% claims processing of property and casualty insurance business and the automated underwriting percentage for automobile insurance reached 50%;

- Centralized all accounting activities of operating expenses of property and casualty insurance, life insurance and annuity businesses;

- Built a national call center that serves all life insurance customers and 90% property and casualty insurance customers.

The IOC is one of the largest financial back-office support centers in Asia and will raise the standard of our operation in term of service quality, operating efficiency and risk management etc. We believe that the IOC will further enhance our marketing capabilities, improve and centralize our management of underwriting and claims processing for both life insurance and property and casualty insurance, enhance our internal controls and risk management system, increase our management efficiency through proper division of responsibilities among different levels of management, and reduce operating costs to improve our overall profitability.

12. Information on major customers

In 2003, 2004, 2005 and 2006, premium income from the five largest customers of the Company accounted for 1.6%, 1.1%, 1.1% and 1.1 % of the Company's total premium income respectively. No premium income from any one single customer of the Company exceeded 50% of the total premium income, and the Company has not relied on the above customers.

(III) Discussion and Analysis of Important Information relating to Operating Activities

1. On February 9, 2007, the Company issued 1,150 million RMB denominated ordinary shares (A shares) at its initial public offering in the PRC at an issue price of RMB33.80 per share, and raised total proceeds of approximately RMB38,800 million. The proceeds from the issue of A shares will, after deducting the share issue expenses, be added to the Company's capital and/or be used for other purposes as approved by the relevant supervisory authorities.

2. In October 2006, as approved by the CIRC and the State Administration of Foreign Exchange, Ping An's "Foreign currency denominated Insurance - Best Choice for Overseas Students", the first foreign currency denominated life insurance product in the PRC, was launched in the market throughout China. It is a significant product and service innovation in the PRC insurance industry following the release of "the State Council's Opinion on the Reform and Development of China's Insurance Industry", which offers new insurance coverage for those customers who plan to study and live overseas.

3. In July 2006, the Company entered into the relevant agreement to acquire 89.24% of the SZCB's shares through investment and capital injection of approximately RMB4,910 million into the SZCB, which improved the SZCB's capital adequacy ratio to the level required by the CBRC. The acquisition was a remarkable step in the Company's effort to form an integrated financial services group. On February 16, 2007, as part of the Company's strategies to integrate its banking operations and streamline its corporate structure, the SZCB entered into an equity transfer agreement with the Hong Kong and Shanghai Banking Corporation Limited and Ping An Trust, the latter being a 99.88% owned subsidiary of the Company, for the conditional acquisition of 27% and 73% of the interests in Ping An Bank respectively.

4. In May 2006, the Company established Ping An Asset Management (Hong Kong) in Hong Kong with the aim to build an internationally advanced investment platform. Ping An Asset Management (Hong Kong) and Ping An Assets Management in Shanghai will be integrated into one unified Ping An assets management system, and be developed towards building an internationally advanced investment management platform for global assets allocation. On March 1, 2007, Ping An Asset Management (Hong Kong) formally obtained the qualification to carry out type 9 regulated activities in Hong Kong, that is, the assets management license issued by the Securities and Futures Commission of Hong Kong ("SFC").

5. In August 2006, Ping An Trust was awarded three awards, namely, the best renowned brand name, the best real estates trust scheme and the best trust manager, in the first election of excellent trust companies, demonstrating the company's unique competitive edge under Ping An Insurance Group's comprehensive financial service structure, which provides a strong support for the expansion of its trust business.

6. Latest regulatory developments of supervisory authorities and its impacts

In 2006, the State Council, the CIRC and other relevant PRC regulatory authorities promulgated a series of new or amended laws and regulations.

(1) Administrative Measures on the Pilot Indirect Investments of Insurance Funds into Infrastructure Projects

On March 14, 2006, the CIRC promulgated the Administrative Measures on the Pilot Indirect Investments of Insurance Funds into Infrastructure Projects, which is the first regulation governing the indirect investment of insurance funds in infrastructure projects and has important and practical meaning on the regulation of investment of insurance funds in infrastructure projects as well as optimizing the structure of insurance assets. Under the measures, the process of investments in the infrastructure projects developed by the Company in prior periods will be accelerated.

(2) Regulations on Mandatory Traffic Accident Liability Insurance for Motor Vehicles

On March 21, 2006, the State Council promulgated the Regulations on Mandatory Traffic Accident Liability Insurance for Motor Vehicles which came into effect on July 1, 2006. It clearly stipulates the scope of application of the Mandatory Traffic Accident Liability Insurance System for Motor Vehicles, the principles, the rights and obligations of the insurer and the insured, as well as the governing areas of the regulatory bodies. This regulation is fundamental to the successful implementation of the Mandatory Traffic Accident Liability Insurance System for Motor Vehicles. The Company believes that the underwriting activites of motor vehicles insurance will significantly increase and will bring in more premium income and profits.

(3) Administration Measures for the Issuance of Securities by Listed Companies

On May 6, 2006, the CSRC promulgated the Administration Measures for the Issuance of Securities by Listed Companies. It strengthens the mechanism on regulating securities issuance to the public, tightens control over fund raising, encourages return to shareholders and further enhances market refinance mechanism and its efficiency. These measures will facilitate the development of the underwriting business of the Company.

(4) Administration Measures for Initial Public Offering and Listing of Shares

On May 17, 2006, the CSRC promulgated the Administration Measures for Initial Public Offering and Listing of Shares which further regulated the initial public offering and listing of shares in the domestic share market. This facilitates the establishment of the market operating mechanism in IPO and improves the efficiency of fund raising activities.

(5) Several Opinions of the State Council on the Reform and Development of the Insurance Industry

On June 15, 2006, the State Council promulgated Several Opinions of the State Council on the Reform and Development of the Insurance Industry (Guofa [2006] No.23) which sets out ten specific opinions regarding the full implementation of a scientific development approach; guiding opinions, targets and policies for the development and reform of the insurance industry; speeding up the development pace of the insurance industry and promoting social harmony (the "Ten Specific Opinions"). The issuance of the "Ten Specific Opinions" is a milestone in the development history of the PRC insurance industry which create a precious opportunity for the development of the Company.

(6) Health Insurance Management Regulation

On August 7, 2006, the CIRC promulgated the Health Insurance Management Regulation which came into effect on September 1, 2006. It is the first regulation on commercial health insurance, has important and practical meaning on promoting health insurance development, product innovation, market regulation as well as protection of the insured's interest and improvement of external environment and also has important guiding meaning on the development of Ping An Health in a period to come.

(7) Measures for Administration of Investment in Domestic Securities by Qualified Foreign Investment Institutions

On August 24, 2006, the CSRC, the People's Bank of China and the PRC Foreign Exchange Management Bureau jointly promulgated the Measures for Administration of Investment in Domestic Securities by Qualified Foreign Investment Institutions, which came into effect on

September 1, 2006. The new administrative measures substantially lowered the entry barrier for investment in domestic securities by qualified foreign investment institutions so as to encourage more long-term funds to enter the PRC market and for the healthy development of the domestic capital market. This will lead to a positive impact to the investment business.

(8) Administrative Measures on the Offering and Underwriting of Securities

On September 17, 2006, the CSRC promulgated the Administrative Measures on the Offering and Underwriting of Securities, which came into effect on September 19, 2006. Such measures aim at regulating the price consultation process, price determination and allocation of shares during initial offering of shares. It sets up the clawback mechanism and introduces the share allocation system for allocating shares to strategic investors as well as the over-allotment option system ("Greenshoe") so as to further improve the existing price consultation system. In addition, it also tightens the control over the behaviors of the issuers, securities companies, securities service institutions and investors participating in securities investment. This regulation directs the development and risk management requirement of investment banking business, and shall facilitate our investment banking business.

(9) The Notice Regarding Equity Investment in Commercial Bank by Insurance Companies

On October 16, 2006, the CIRC promulgated the Notice Regarding Equity Investment in Commercial Bank by Insurance Companies. Pursuant to the Notice, insurance funds can be invested in commercial banks, which broadens the scope of application of insurance funds and provides long-term investment channels which better suits the needs of each insurance company, and in turn improves the asset allocation of insurance funds, diversifies investment risks and enhances investment return.

II. The Company's Future Development Prospect

（Ⅰ) Development objective of the company

1. The Company is devoted to become a leading financial conglomerate with focus on insurance, banking and assets management businesses

The Company is devoted to become a leading international financial conglomerate and target to position itself as one of the market leaders. Based on the foundation of insurance businesses, the Company aims at developing its banking and asset management businesses to form a three pillar core business system.

2. The Company will sustain steady profit growth and bring stable return to its shareholders

During the course of its development in the past, the Company has maintained a high growth rate and created value for its shareholders. In the coming years, by fully leveraging on the rapid economic growth and continual increase in household wealth in the PRC, the Company will endeavor to maintain a healthy profit growth and bring stable return to its shareholders.

（Ⅱ）Development trend of the industry the Company engages in and market competitive environment the Company confronts

1. Significant growth potential in the PRC insurance market

The Company is currently engaged in insurance business. According to the Sigma report (Issue 5 of year 2006) issued by Swiss Reinsurance Company, global premiums totaled US$3,426 billion in 2005, of which US$1,974 billion was contributed by life insurance, and US$1,452 billion by non life insurance (including property and casualty insurance, accident insurance and health insurance). In terms of total premiums, the PRC insurance market was the third largest insurance market in Asia, the eleventh largest insurance market in the world and one of the fastest growing insurance markets in the world. Domestically speaking, the insurance industry is one of the fastest growing industries in the PRC economy.

In 2006, the PRC insurance industry generated premiums of RMB 564.14 billion, representing an increase of 14.4% from that of the previous year. Total assets of the insurance companies reached RMB1,970 billion, representing an increase of 29% from that at the end of 2005. In 2006, the insurance penetration rate was 2.8% while insurance density was RMB431.3 per capita. Judging from the insurance penetration rate and insurance density, the penetration rate in the PRC, as compared with those in the US, Europe and certain comparatively developed Asian markets, remained relatively low, indicating that huge growth potential exists in the PRC insurance market.

2. Analysis on competition

By the end of 2006, there were 98 insurance companies and 2,110 professional insurance agencies operating in China. With 4 insurance asset management companies and 1 insurance funds use center newly established, the numbers of assets management companies reached 9. At present, a total of 41 overseas insurance companies have entered into the PRC insurance market, and 133 overseas insurance companies from 20 countries and regions have established 195 representative offices in the PRC. Thus, a market environment of fair competition and common development with coexistence of insurance companies in various forms and different ownership structures, including state-owned holding (group) companies, joint stock companies and overseas companies, was initially formed.

The table below set out the ranking of revenue and market share of the life insurance companies in 2006:

Company name	**Premiums (RMB million)**	**Market share (%)**
China Life Insurance Company Limited	183,839	45.3
Ping An Life Insurance Company of China, Ltd.	68,989	17.0
China Pacific Life Insurance Co., Ltd.	37,838	9.3
New China Life Insurance Co., Ltd.	26,657	6.6
Taikang Life Insurance Company Ltd.	20,809	5.1
Others	67,977	16.7
Total	**406,109**	**100.0**

Source：CIRC website

The table below set out ranking of revenue and market share of the property and casualty insurance companies in 2006:

Company name	**Premiums (RMB million)**	**Market share (%)**
PICC Property and Casualty Company Limited	71,299	45.1
China Pacific Property Insurance Co., Ltd.	18,123	11.5
Ping An Property & Casualty Insurance Company of China, Ltd.	16,862	10.7
Others	51,751	32.7
Total	**158,035**	**100.0**

Source：CIRC website

In 2006, in terms of premiums, the Company ranked second largest life insurance company and third largest property and casualty insurance company in the PRC.

The table below set out premiums and market share of the Company:

	2006	2005
Ping An Life		
Premiums (RMB million)	68,989	58,849
Market share (%)	17.0	16.1
Ping An Property & Casualty		
Premiums (RMB million)	16,862	12,676
Market share (%)	10.7	9.9

Source：CIRC website

During the past two years, Ping An Life and Ping An Property & Casualty have improved their market shares.

3. Development opportunities and challenge in the future

Looking forward to 2007, driven by a favorable overall economic environment internationally and blooming consumption demand domestically, the PRC economy will sustain a healthy rapid growth. The PRC insurance industry, after decades of development, has become an important part of the nation's economy.

The robust PRC macro economy provides a favorable backgrounds for the financial insurance industry to achieve sustainable development, and brings about precious opportunities for the Company to realize its established strategic objectives. However, the Company is also confronted with certain challenges. For example, as compared with major competitors in the domestic market, the Company lags behind in number of outlets, sales teams and customers and premiums scales. Following China's entry into WTO, the PRC insurance market will be opened to the world gradually, thus intensifying competition in the industry. Moreover, there are challenges the Company will face in ensuring its sustainable healthy growth, its specialized operations in multi-fields and the synergy among its different business channels.

In 2007, the Company will adhere to the basic principles of quality priority, profit-oriented, observance of laws and regulations and challenging new goals, and will continue to strengthen the construction of the corporate governance structure, the financial service platforms and the internal operating mechanism, and steadily promote the construction of its customer-oriented operating model. While seizing the development opportunities afforded by economic growth, the Company will manage operation risks seriously and effect sustainable growth with quality and efficiency.

Regarding business development, the Company will further strengthen the profitability of its insurance core business; and by exploring new channels and new business platforms for banking and assets management, it will enhance the contribution of such new businesses to the Group's profit, aiming at balanced development among its insurance, banking and assets management businesses. By capitalizing on Ping An’s consolidated edge, the Company will integrate and enhance its banking platform to provide one-stop and diversified comprehensive financial services.

Regarding back-office construction, the Company will commence construction of its second largest backup center, continuously optimize its resources-sharing platform and mechanism to support its sales team and strengthen intra-group coordination and achieve synergy in the financial conglomerate.

Regarding investment, the Company will proactively explore and implement investing models that are applicable to the PRC market, and will continue to expand investment channels, with an aim to realize a match allocation of asset and liability. In future, more investment will be made in infrastructure projects so as to broaden its investment channel, and in the meantime, construction of global investment platforms will be sped up to diversify investment risks, and increase the return on the Group’s investment, striving for enhancement of competitiveness of various financial products.

Regarding management, the Company will recruit international top caliber executives to continually enhance specialized operation and management in each of its businesses. Meanwhile, the Company will strengthen the risk management ability of each of its businesses through constant perfection of the corporate governance and optimization of the internal controls, to ensure that the management is able to cope with comprehensive operation risks they faced from the shift of a single insurance operation to comprehensive operation.

III. Analysis on the Financial Position and the Results of Operations

（Ⅰ）Analysis on the consolidated financial statements

1. Analysis on change ratio of the increase or decrease in the key financial indicators and reasons thereof

Unit: RMB thousand

Key financial indicator	2006	2005	Change (%)	Main reason
Total assets	441,791,056	288,103,742	53.3	Expansion in the

				business and addition of SZCB in consolidation
Total liabilities	403,872,313	254,914,896	58.4	Expansion in the business and addition of SZCB in consolidation
Shareholders' Equity	36,667,865	32,664,006	12.3	The mutual effects of net profit generated and cash dividends distributed during the reporting period
Operating profit	6,182,392	3,821,930	61.8	Increase of profits from various principal activities and investment return
Net profit	5,985,962	3,338,428	79.3	Increase of profits from various principal activities and investment return

2. Items with changes over 30% in financial statements and reasons thereof

Unit: RMB thousand

Key financial indicator	2006	2005	Change (%)	Main reason
Items in balance sheet				
Cash	347,282	14,150	2,354.3	Addition of SZCB in consolidation
Balances with clearing companies	1,134,759	176,987	541.2	Expansion of securities business
Precious metal	111,001	-	N/A	Addition of SZCB in consolidation
Balances with central bank	7,713,643	20,271	37,952.6	Addition of SZCB in consolidation
Due from banks and other financial institutions	2,840,207	426,491	565.9	Addition of SZCB in consolidation
Short-term investments	24,148,945	16,532,789	46.1	Expansion of investment scale
Placements with banks and other financial institutions	1,727,381	131,394	1,214.7	Addition of SZCB in consolidation
Short-term loans	10,709,388	400,882	2,571.5	Addition of SZCB in consolidation
Policy loans	1,380,990	864,483	59.7	Increase of the business scale of policy loans
Assets purchased under agreements to resell	6,950,915	-	N/A	Increase of short-term lending business and addition of SZCB in consolidation
Discounted bills	12,633,786	-	N/A	Addition of SZCB in consolidation

Bills negotiation of export and import L/C	317,596	-	N/A	Addition of SZCB in consolidation
Interest receivables	609,230	438,098	39.1	Addition of SZCB in consolidation
Premium receivables	3,072,759	748,808	310.4	Increase of premium receivables of life insurance business
Prepaid claims	135,229	226,016	(40.2)	Decrease of prepaid claim balances
Deposits with stock and futures exchanges	74,047	42,120	75.8	Expansion of securities business
Other receivables	2,674,855	467,481	472.2	Increase of prepayment in investment projects
Materials	2,501	4,132	(39.5)	Decrease of materials
Financial guarantees	94,040	-	N/A	Ping An Securities started warrants business
Dividends receivable	42,735	-	N/A	Increase in balance of dividends receivable from stocks and securities investment funds
Long-term bond investments due within one year	2,506,243	779,804	221.4	Increase of long-term bond due within one year
Long-term equity investments	13,387,680	3,006,663	345.3	Increase of long-term equity investments
Consolidation surplus	599,497	330,433	81.4	Consolidation surplus arising from the acquisition of SZCB
Medium to long-term loans	24,240,288	129,667	18,594.3	Addition of SZCB in consolidation
Overdue loans	895,441	-	N/A	Addition of SZCB in consolidation
Non-accrual loans	2,785,888	93,550	2,878.0	Addition of SZCB in consolidation
Loan loss provisions	2,430,726	93,550	2,498.3	Addition of SZCB in consolidation
Long-term deferred expenses	60,818	36,915	64.8	Addition of SZCB in consolidation
Repossessed assets	463,871	7,834	5,821.3	Addition of SZCB in consolidation
Separate account assets	24,931,681	15,897,584	56.8	Inflow of the renewal premiums of investment-linked insurance products and appreciation of assets in account

Deferred tax assets	630,100	20,487	2,975.6	Addition of SZCB in consolidation
Short-term borrowings	526,710	-	N/A	Increase of bank borrowings of Ping An Trust and Ping An Overseas
Short-term deposits	50,626,577	18,077	279,960.7	Addition of SZCB in consolidation
Short-term saving deposits	10,725,197	-	N/A	Addition of SZCB in consolidation
Due to banks and other financial institutions	3,464,731	36,376	9,424.8	Addition of SZCB in consolidation
Placements from banks and other financial institutions	991,705	-	N/A	Addition of SZCB in consolidation
Assets sold under agreements to repurchase	13,436,183	7,095,400	89.4	Increase of short-term borrowing business and addition of SZCB in consolidation
Handling charges payable	117,714	76,166	54.5	Expansion of insurance business
Commission payable	776,008	556,731	39.4	Expansion of life insurance business
Due to reinsurers	746,051	532,903	40.0	Increase of outstanding balance of due to reinsurers at the end of period
Deposits from reinsurers	614	58,121	(98.9)	Decrease of deposits from reinsurers
Guarantee deposits	5,484,740	76,664	7,054.3	Addition of SZCB in consolidation
Inward and outward remittances	248,673	-	N/A	Addition of SZCB in consolidation
Interest payable	309,139	5,134	5,921.4	Addition of SZCB in consolidation
Salary payable	1,723,438	475,497	262.4	Increase of salary expense
Welfare payable	295,380	142,411	107.4	Increase of salary expense
Warrants payable	88,319	-	N/A	Ping An Securities started warrants business
Policyholder dividends payable	4,106,627	2,864,005	43.4	Increase of premiums of participating life insurance contracts and investment return
Taxes payable	1,119,832	672,725	66.5	Increase of taxes payable at the end of period
Other payables	2,191,157	1,355,709	61.6	Increase of claims, maturities and surrenders payable
Accrued expenses	75,146	16,462	356.5	Increase of accrued expenses

Unearned premium reserves	8,702,315	6,240,733	39.4	Expansion of property and casualty insurance and short-term life insurance business
Insurance guarantee fund	81,857	60,110	36.2	Increase of premiums income provided for insurance guarantee fund
Customer deposits	3,750,122	1,729,716	116.8	Expansion of securities business
Other current liabilities	190,772	-	N/A	Increase of expected liabilities while consolidation of SZCB
Long-term liabilities due within one year	1,577,482	-	N/A	Addition of SZCB in consolidation
Long-term deposits	3,043,310	-	N/A	Addition of SZCB in consolidation
Long-term saving deposits	454,522	-	N/A	Addition of SZCB in consolidation
Long-term guarantee deposits	49,386	-	N/A	Addition of SZCB in consolidation
Other long-term liabilities	1,016	1,862	(45.4)	Decrease in guarantee deposits for operating lease paid in Ping An Trust
Separate account liabilities	24,931,681	15,897,584	56.8	Inflow of the renewal premiums investment-linked insurance products and appreciation of assets in account
Minority interests	1,250,878	524,840	138.3	Consolidation of SZCB and increase of interests in non-wholly owned subsidiaries
General risk provision	16,752	-	N/A	Provision of general risk provision
General provision	76,633	35,679	114.8	Provision of general provision
Loss provision for trust business	28,774	-	N/A	Provision of loss provision for trust business
Retained profits	8,667,162	5,349,779	62.0	Mutual effects of net profit and profit appropriation
Items in Income Statement				
Reinsurance premium income	28,447	16,112	76.6	Increase of reinsurance business
Claim expenses	10,721,175	8,221,809	30.4	Expansion of property and casualty insurance and short-term life insurance business
Claims for reinsurance	8,645	3,851	124.5	Expansion of reinsurance business

accepted				
Expenses for reinsurance accepted	3,983	2,093	90.3	Expansion of reinsurance business
Handling charges	1,831,898	963,581	90.1	Expansion of insurance business
Business tax and surcharges	1,644,692	909,742	80.8	Increase of premium income and investment income taxable
Operating expenses	9,759,034	7,033,277	38.8	Expansion of business
Provision for unearned premium reserves	8,702,315	6,240,733	39.4	Expansion of property and casualty insurance and short-term life insurance business
Other profit	16,080	115,500	(86.1)	Increase of other business expenses
Investment income	18,513,069	5,885,130	214.6	Increase of investment assets and improvement of investment yield
Income from assets purchased under agreements to resell	27,974	338	8,176.3	Increase of securities purchased under agreements to resell
Commission income	475,085	175,327	171.0	Increase of Ping An Securities' brokerage business
Securities underwriting income	139,665	79,355	76.0	Increase of Ping An Securities' investment banking business
Interest expenses	129,750	15,816	720.4	Addition of SZCB in consolidation
Policyholder dividends	1,486,737	1,064,118	39.7	Increase of premiums income of participating life insurance contracts and investment return
Expenses of assets sold under agreements to repurchase	172,065	91,071	88.9	Increase of securities sold under agreements to repurchase
Other handling charges	50,133	18,344	173.3	Increase of expenses of handling charges of Ping An Trust and Ping An Securities
Loan loss provisions	947	(72,997)	(101.3)	Write-back of loan loss provisions in 2005
Non-operating income	86,885	56,618	53.5	Increase of income of disposal of fixed assets
Non-operating expenses	11,272	122,758	(90.8)	Write-back of impairment provision of fixed assets

Income tax	135,257	387,637	(65.1)	Preferential tax credit for salary expenses deduction enjoyed by Ping An Life and Ping An Property & Casualty
Minority interests	136,786	29,725	360.2	Increase of profit from major non-wholly owned subsidiaries in the year

3.Segment profit

The Company achieved profit after tax of RMB 6,123 million in 2006, representing an increase of 81.8% as compared to the previous year. Substantial increase of profit after tax was primarily due to satisfactory results of the Company's various principal activities and the improvement of investment yield.

Unit: RMB thousand

Items	2006		2005	
	Amount	**As a percentage in total amounts (%)**	**Amount**	**As a percentage in total amounts (%)**
Life insurance business	4,774,306	78.0	2,833,510	84.1
Property and casualty insurance business	645,304	10.5	291,711	8.7
Banking business	70,689	1.2	6,658	0.2
Corporate business, other business and elimination	632,449	10.3	236,274	7.0
Profit after tax	**6,122,748**	**100.0**	**3,368,153**	**100.0**

4. Analysis of cash flow

Unit: RMB thousand

Items	2006	2005	Change (%)
Cash inflow from operating activities	96,829,403	69,544,704	39.2
Cash outflow from operating activities	(59,471,689)	(37,654,623)	57.9
Net cash flows from operating activities	37,357,714	31,890,081	17.1
Cash inflow from investment activities	202,603,831	77,229,464	162.3

Cash outflow from investment activities	(216,806,690)	(112,310,554)	93.0
Net cash flows from investment activities	(14,202,859)	(35,081,090)	(59.5)
Cash inflow from financing activities	256,707,728	119,455,013	114.9
Cash outflow from financing activities	(251,387,463)	(113,907,290)	120.7
Net cash flows from financing activities	5,320,265	5,547,723	(4.1)
Effect of changes in foreign exchange rate on cash	(66,862)	(18,227)	266.8
Net change in cash and cash equivalents	28,408,258	2,338,487	1,114.8

The increase of cash inflow from operating activities during this year was mainly due to the continuous increase of premium received. The increase of cash outflow from operating activities during the year was mainly due to increase of various underwriting expenses such as claims, maturities, surrenders, handling charges and commissions in line with the expansion of the Company's insurance business.

The increase of cash inflow from investment activities during this year was mainly due to substantial increase of cash dividend received and cash received from assets purchased under agreements to resell. The increase of cash outflow from investment activities during the year was mainly due to rapid growth of cash payment for investment, assets purchased under agreements to resell and deposits under agreements in line with the expansion of investment.

The increase of cash inflow from financing activities during the year was mainly due to the substantial increase of cash received from assets sold under agreements to repurchase. The increase of cash outflow from financing activities during the year was mainly due to the increase of cash payment for assets sold under agreements to repurchase and the distribution of dividends.

(II) Segmental Results

1. Life insurance business

Unit: RMB thousand

	2006	2005	Change (%)
Underwriting income	68,357,559	58,038,687	17.8
Including: Premium income	68,988,858	58,848,897	17.2
Underwriting expenses	(29,690,927)	(24,409,694)	21.6
Including: Claim expenses	(2,370,517)	(2,058,224)	15.2
Payments on death and medical claims	(1,086,421)	(982,244)	10.6
Payments on maturities	(3,034,671)	(3,263,281)	(7.0)
Payments on annuities	(2,770,432)	(2,446,820)	13.2
Payments on surrenders	(8,493,282)	(6,956,103)	22.1
Handling charges and commission expenses	(6,559,306)	(5,168,121)	26.9
Operating expenses	(5,464,888)	(4,022,338)	35.9
Changes in reserves	(51,988,011)	(38,027,594)	36.7
Underwriting losses	(13,321,379)	(4,398,601)	202.9
Investment income and interest income	20,010,886	8,632,419	131.8
Policyholders' dividends	(1,486,737)	(1,064,118)	39.7
Net other income and expenses	(514,018)	(269,234)	90.9
Operating profit	**4,688,752**	**2,900,466**	**61.7**
Net non-operating income and expenses	85,091	(64,744)	(231.4)
Profit before tax	**4,773,843**	**2,835,722**	**68.3**
Income tax	463	(2,212)	(120.9)
Profit after tax	**4,774,306**	**2,833,510**	**68.5**

In 2006, the life insurance business of the Company recorded premium income of RMB 68,989 million, representing an increase of 17.2% as compared to the previous year.

With the expansion of our life insurance business, underwriting expenses in 2006 increased to RMB29,691 million, representing an increase of 21.6% as compared to last year. Claim expenses increased by 15.2% as compared to last year, which was mainly due to the higher claim expenses incurred for our short-term accident and health products. The payments for surrenders increased by 22.1% as compared to last year, which was mainly due to the increase in payments for surrenders of our participating products. The change of handling charges and commission expenses was in line with the expansion of our business. The increase in operating expenses was mainly due to the increase of premium income and the expansion of our business.

In 2006, the investment income and interest income for our life insurance business amounted to an aggregate of RMB20,011 million, representing a substantial increase of 131.8% as compared to last year. The increase in investment income was mainly due to the expansion of investment assets and the improvement of investment yield. Interest income of bond investment was a key component of total investment income. In addition, benefited from a strong stock market and appropriate investment strategies, investment income from securities investment and equity investment fund increased significantly.

Policyholders' dividends increased by 39.7% as compared to the previous year, which was mainly due to the expansion of participating products and the realization of higher investment income.

The substantial decrease of income tax for 2006 was mainly due to the substantial increase of interest income from government bonds and dividend income from equity investment funds which were entitled to certain tax exemptions and the preferential tax credit for the deductible amount of taxable salary granted to Ping An Life in 2006.

Due to the above reasons, our life insurance business achieved profit after tax of RMB 4,774 million in 2006, representing a substantial increase of 68.5% as compared to 2005.

2. Property and casualty insurance business

Unit: RMB thousand

	2006	2005	Change (%)
Underwriting income	13,354,569	9,344,960	42.9
Including: Premium income	16,966,094	12,760,115	33.0
Underwriting expenses	(10,932,200)	(7,012,456)	55.9
Including: Claim expenses	(8,350,658)	(6,163,585)	35.5
Handling charges	(1,568,090)	(817,373)	91.8
Operating expenses	(3,157,618)	(2,336,153)	35.2
Changes in reserves	(2,414,647)	(2,089,427)	15.6
Underwriting profit	7,722	243,077	(96.8)
Investment income and interest	665,004	396,004	67.9

income			
Net other income and expenses	(25,066)	(3,798)	560.0
Operating profit	**647,660**	**635,283**	**1.9**
Net non-operating income and expenses	(8,564)	(7,654)	11.9
Profit before tax	**639,096**	**627,629**	**1.8**
Income tax	6,208	(335,918)	(101.8)
Profit after tax	**645,304**	**291,711**	**121.2**

In 2006, the property and casualty insurance business of the Company recorded premium income of RMB13,355 million, representing an increase of 42.9% as compared to the previous year. The rapid growth of property and casualty insurance business was firstly due to the continuous growth of the PRC economy, secondly, the noticeable result of our persistent reform in the structure and channel of property and casualty insurance business.

The change in claim expenses was in line with the upward momentum of premium income. The increase of handling charges was due to the growth of premium income on the one hand, and the increase of prevailing handling charge rate resulting from intensified competition on the other hand. The increase of operating expenses was mainly due to the expansion of our business.

Changes in reserves recorded an increase of 15.6%, which was mainly due to the rapid growth of premium income.

In 2006, the investment income and interest income of our property and casualty insurance business amounted to an aggregate of RMB665 million, representing an increase of 67.9% as compared to last year. The increase of investment income was mainly due to the expansion of investment assets and the improvement of investment yield.

The substantial decrease of income tax for this year was mainly due to the preferential tax credit for the deductible amount of taxable salary granted to Ping An Property & Casualty.

Due to the above reasons, our property and casualty insurance business achieved profit after tax of RMB645 million in 2006, representing a substantial increase of 121.2% as compared to 2005.

3. Banking business

The operating income and net profit of our banking business achieved substantial increase in 2006, reaching RMB 247 million and RMB 71 million respectively. It was mainly due to the consolidation of SZCB from December 15, 2006 and the approval of the provision of Rinminbi services by Ping An Bank to corporate customers commencing from 2006.

Unit: RMB thousand

Items	2006	2005
Operating income	246,817	25,136
Net profit	70,689	6,658

4. Trust business

The trust business of the Company achieved operating income of RMB220 million and profit after tax of RMB88 million (net of the amount attributable to the subsidiaries' profit and loss under the equity method). These increases were primarily due to the increase in assets held under trust managed by Ping An Trust.

Unit: RMB thousand

Items	2006	2005
Operating income	219,566	85,560
Profit after tax	87,559	38,427

Unit: RMB thousand

Item	December 31, 2006	December 31, 2005
Assets under trust schemes	16,677,243	3,329,608

5. Securities business

The total income and net profit of the Company's securities business increased rapidly and significantly in 2006, amounting to RMB1,236 milllion and RMB554 million respectively. These increases were primarily due to the strong performance of the domestic stock market in 2006.Under the favorable conditions of an improved and booming market environment, the fund raising and IPO activities in the securities market recovered strongly, and trading volume increased significantly, as a result, Ping An Securities' brokerage service, investment banking service, proprietary securities trading business and investment consultancy services all recorded substantial growth.

Unit: RMB thousand

	2006	2005

Operating income	1,235,559	244,624
Net profit	553,860	6,096

6. Other businesses

By the end of 2006, the scale of operation of our annuity business and health insurance business were relatively small, so these companies made no material contribution to the Group's total income and profit.

IV. Embedded Value

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

The Group has received advice from and consulted with Watson Wyatt Consultancy (Shanghai) Ltd in the selection of basis and the calculation of the value of in-force life insurance business and the value of one year's new business. The Group remains wholly responsible for the results and presentation of the embedded value which comprises the adjusted net asset and the value of in-force life insurance business.

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 Group is measured by the value of the Group's shares on any particular day. In valuing the Group'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.

(Ⅰ) Components of Economic Value

Unit: RMB million

	As at December 31, 2006	**As at December 31, 2005**
Adjusted net asset value	**46,282**	33,072
Value of in-force insurance business written prior to June	**(20,932)**	(18,089)

1999		
Value of in-force insurance business written since June 1999	**48,011**	38,537
Cost of holding the required solvency margin	**(7,788)**	(5,157)
Embedded Value	**65,573**	48,363

Unit: RMB million

	As at December 31, 2006	As at December 31, 2005
Value of one year's new business	**6,007**	5,148
Cost of holding the required solvency margin	**(875)**	(609)
Value of one year's new business after cost of solvency	**5,132**	4,539

The adjusted net asset value is based on the audited shareholders net assets of the Group as measured on the PRC statutory basis. The values placed on certain assets have been adjusted to the market values. It should be noted that the adjusted net asset is for the whole Group, including Ping An Life and other business units, whilst the value of in-force insurance business and the value of one year's new business presented are only in respect of Ping An Life and not other business units.

(Ⅱ) Key Assumptions

The assumptions used in the embedded value calculation in 2006 have been made on a "going concern" basis, assuming continuation of the economic and legal environment currently prevailing in the PRC. The statutory reserving basis and solvency margin requirement were assumed in the calculation. Certain portfolio assumptions were based on the Group's own recent experience as well as considering the more general PRC market and other life insurance markets' experience. The principal bases and assumptions used in the calculation are described below:

1. Risk discount rate

The non investment-linked fund's earned rate or 12% has been assumed in each future year as the risk discount rate for the in-force life insurance business. The earned rate is the investment return adjusted for tax paid. This specific discount rate approach for the in-force business is to avoid understating the effect of losses arising from those high interest rate guaranteed products we sold prior to June 1999. A level 12% has been assumed in each future year for the calculation of one-year's new business value.

2. Investment returns

Future investment returns have been assumed to be 4.30% in 2007 and to increase 0.1% every year to 4.70% in 2011and thereafter for the non investment-linked fund. For the investment-linked fund, future investment returns have been assumed to be 4.80% in 2007 and to increase 0.1% every year to 5.20% in 2011 and thereafter. These returns have been derived by consideration of the current capital market condition, the Group's current and expected future asset allocations and associated investment returns for a range of major asset classes.

3. Taxation

A 15% average income tax rate has been assumed. In addition, a 5.5% business tax rate has been applied to the gross written premiums of the short-term accident insurance business.

4. Mortality

The experience mortality rates have been based on 65% and 60% of China Life (90-93) table for male and female respectively for non annuitants. For annuitants, 75% of the China Life Annuity (90-93) table has been assumed. The newly published China Life and annuity (00-03) table has been used in calculating statutory reserves.

5. Morbidity

Morbidity assumptions have been based on the Group's own pricing table. The loss ratios have been assumed to be in the range of 15% and 75% for short term accident and health insurance business.

6. Discontinuances

Policy discontinuance rates have been based on the Group's recent experience studies. The discontinuance rates are dependent on the pricing interest rate and the product type.

7. Expenses

Expenses assumptions have been based on the Group's most recent expenses investigation.

For calendar year 2006, the assumed expenses and commissions equated to around 77% of the expenses allowance priced into the products. The unit maintenance expenses were assumed to increase at 2% per annum.

8. Policyholder dividends

Policyholder dividends have been based on 80% of the interest and mortality surplus for individual life and bancassurance participating business. For group life participating business, dividends have been based on 90% of interest surplus only.

(Ⅲ) New Business Volumes and Business Mix

The volume of new business sold and modeled during 2006 to calculate the value of one year's new business was RMB23,698 million in terms of first year premium. The mix of the new business measured by first year premium was:

	Percentage
Individual life	**46.1%**
Long-term business	44.2%
Short-term business	1.9%
Group life	**28.9%**
Long-term business	19.9%
Short-term business	9.0%
Bancassurance	**25.1%**
Long-term business	25.1%
Total	**100.0%**

Note: Figures may not be additive due to rounding.

(Ⅳ) Embedded value movement

The table below shows how the embedded value grew to more than RMB65,573 million as at December 31, 2006.

Unit：RMB million

	2006	Illustration
Embedded value as at December 31, 2005	**48,363**	
Expected return on year-start embedded value	**2,967**	Expected growth of embedded value occurred in 2006.

Value of one-year new business	**6,222**	The contribution came from new business sold during 2006 and discounted at earned rate12%.
Assumption and modeling changes	**(3,049)**	Statutory reserve valuation interest rates change, lapse rates change and tax rate change etc. decreased embedded value on an aggregate basis.
Market value adjustment impact	**9,206**	The market value adjustment of equity investments increased due to large unrealised capital gains.
Investment return variance	**3,399**	Actual investment return in 2006 was higher than the assumed return.
Other experience variances	**447**	Other variances between actual experience and assumptions.
Embedded value before capital changes	**67,556**	Embedded value before impact of capitalchange increased by 39.7%.
Shareholder dividends	**(1,982)**	Dividends paid to shareholders during 2006.
Embedded value as at December 31, 2006	**65,573**	
Embedded value per share as at December 31, 2006 (RMB)	**10.58**	

Note: Figures may not be additive due to rounding.

(Ⅴ) Sensitivity Analysis

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

- Risk discount rate
- Investment return increased by 25 basis points every year
- Investment return decreased by 25 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 expense
- A 5% increase in the policyholders' dividend payout ratio

Unit RMB million

	Risk Discount Rate			
	Earned Rate/11.0%	**Earned Rate/12.0%**	**Earned Rate/13.0%**	**12.0%**
Value of in-force business	20,797	19,291	17,895	21,309
	11.0%	**12.0%**	**13.0%**	**Earned Rate/12.0%**

Value of one year's new business	5,637	5,132	4,691	6,222

Unit RMB million

Assumption	Value of in-force business	Value of one year's new business
Central case	19,291	5,132
Investment return increased by 25bp every year	23,699	5,252
Investment return decreased by 25bp every year	14,437	5,012
10% reduction in mortality and morbidity rates	19,531	5,223
10% reduction in policy discontinuance rates	19,915	5,329
10% reduction in maintenance expense	20,252	5,251
5% increase in the policyholders' dividend payout ratio	18,209	5,006

Note: Risk discount rates were earned rate/12.0% and 12.0% for in force business and new business respectively.

V. The Impact of the Implementation of New Accounting Standards for Business Enterprises on the Company

The Ministry of Finance issued "the Accounting Standards for Business Enterprises – Basic Standards"(Caizhengbuling NO. 33) and 38 specific standards" (Caikuai[2006] NO. 3) in February 2006 and issued "the Accounting Standards for Business Enterprises- Application Guidelines" (Caikuai [2006] NO. 18) in October 2006 ("New Accounting Standards"), and the Accounting Standards Commission of the Ministry of Finance issued " the Experts' Opinions on Implementation of Accounting Standards for Business Enterprises ("Experts' Opinions") in February 2007. The New Accounting Standards applied to listed companies and insurance companies since January 1, 2007. According to our present understanding of "the Accounting Standards for Business Enterprises No. 38 – First-time Adoption of Accounting Standards for Business Enterprises", Experts' Opinions, and the Ministry of Finance's documents relating to the further interpretation of the New Accounting Standards, the Company's analysis of the impact on its accounting policies and accounting estimation and its financial condition and results of operation as a result of adopting the New Accounting Standards as followed:

(Ⅰ) Investment

1. Financial assets at fair value through profit or loss and available-for-sale financial assets

Under the Current Accounting Standards, the Group classified investment assets, in accordance with "Accounting Standards for Business Enterprise – Investments" and "Accounting System for Financial Institutions", into "short term investments" and "long term investments" based on the liquidity and the intentional holding period, and measured them at the lower of cost and market price and the lower of cost and recoverable amount, respectively.

Under the New Accounting Standards, the Group shall classify investment assets within the scope of financial instruments into "financial assets at fair value through profit or loss", "held-to-maturity investments", "loans and receivables" and "available-for-sale financial assets", in accordance with "Accounting Standards for Business Enterprises No. 22 – Financial Instruments: Recognition and Measurement". Financial asset at fair value through profit or loss are subsequently measured at fair value and the gains or losses arising from the fair value changes are recorded in the profit or loss for the period; held-to-maturity investments and loans and receivables are subsequently measured at amortised costs using effective interest rates; available-for-sale financial assets are subsequently measured at fair value and the differences between the fair value and the carrying amount are recorded in capital reserve.

In accordance with the requirements in Experts' Opinions, the Group made retrospective adjustment for this change. The differences between the fair values and the carrying amounts of the financial assets at fair value through profit or loss and available for-sale financial assets, based on the market quotations or valuation results, are RMB3,349,603 thousand and RMB13,587,890 thousand, respectively, and are adjusted to increase the retained profits. This change has a pre-tax impact to increase the shareholders' equity as at January 1, 2007 by RMB16,937,493 thousand.

2. Long term equity investment differences

Under the Current Accounting Standards, the excess of initial investment costs over share of net assets of the investees is recorded,as equity investment differences and evenly amortised over a certain period.

Under the New Accounting Standards, the excess of the cost of the business combination which is not under common control over the acquired interest in the fair value of the identifiable net assets of the investees shall be recognized as goodwill in accordance with "Accounting Standards for Business Enterprises No. 20 – Business Combinations". Goodwill is not amortised but subject to impairment testing at least annually at year end. The impairment of goodwill cannot be reversed.

In accordance with the requirement in Experts' Opinions, the Group made retrospective adjustment. This change will have a pre-tax impact to increase the shareholders' equity as at January 1, 2007 by RMB57,705 thousand.

(Ⅱ) Insurance

1. Adequacy test on insurance reserves

Under the Current Accounting Standards, when estimating insurance reserves, the Group did not perform adequacy test on all insurance reserves, especially on incurred but not reported claim reserves of non-life insurance.

Under the New Accounting Standards, the Group should provide for insurance reserves using actuarial method, and perform adequacy tests on claim reserves, policyholders' reserves and long term health insurance reserves at least annually at year end and make adjustment, as appropriate. Based on the results of the liability adequacy results, the Group should provide for additional reserves to top up the reserve deficiency, if any, and if the related reserve is adequate, no adjustment is made.

In accordance with requirement in Experts' Opinions, the Group made retrospective adjustments for this change to increase claim reserves and to reduce retained profits. This change has a pre-tax impact to decrease the shareholders' equity as at January 1, 2007 by RMB1,401,149 thousand.

2. Effects of investment measurement methods on insurance policyholders' reserves

Under the Current Accounting Standards, in calculating the policyholders' reserves for participating insurance and universal life insurance, the Group applied the investment yield derived using the Current Accounting Standards.

As explained above in (Ⅰ)1, in accordance with the New Accounting Standards, the Group properly classified and measures its investment assets in accordance with Accounting Standard for Business Enterprises No. 22 Financial Instruments: Recognition and Measurement. In accordance with the requirements of Experts' Opinions, the Group recognizes the fair value changes in available-for-sale financial assets for both participating insurance and universal life insurance in liabilities for those portions that are reasonably attributable to the policyholders and in capital reserve for those that are attributable to the shareholders. For financial assets at fair value through profit or loss, the changes in fair values are recorded in liabilities for those portions that are reasonably attributable to the policyholders and in profit or loss for the period for those are attributable to the shareholders.

In accordance with requirement in Experts' Opinions, the Group made retrospective adjustments for this change to increase policyholders' reserves and to correspondingly decrease retained profits and capital reserve. From the perspective of recognizing liabilities for those portions that can be reasonably attributed to the policyholders, this change has a pre-tax impact to decrease the shareholders' equity as at January 1, 2007 by RMB5,726,528 thousand.

3. Reinsurance arrangement

Under the Current Accounting Standards, various insurance reserves of the Company are recognised net of reinsurers' share of reserves.

In accordance with Accounting Standards for Business Enterprises No.26 – Reinsurance Arrangements, the Company will need to separately present the gross amounts of the various insurance liabilities arising from original insurance contracts and the related reserves and other assets recoverable from reinsurers.

The Company currently estimates that this change will lead to a reclassification and presentation of the mentioned items, but will not have a material impact on shareholders' equity of the Company as at January 1, 2007 under the New Accounting Standards.

4. Insurance risk

Under the Current Accounting Standards, the Company does not take into consideration whether the insurance contract bears insurance risk when recognizing premium income.

Under the New Accounting Standards, the Company shall recognize premium income in accordance with Accounting Standards for Business Enterprises No.25 – Original Insurance Contracts. Premium income shall only be recognized for insurance contracts that transfers insurance risks to the Company. If the contract does not bear insurance risks, premium income shall not be recognized. For contracts where there are both insurance risks and other risks and can be separately measured, the portion related to insurance risks shall be accounted for as premium income while the portion related to other risks shall be accounted for accordingly as a non-insurance contract.

The Company currently estimates that, as a result of such change, premium income and Policyholders' reserves recognised in accordance with the New Accounting Standards may be lower than that recognised in accordance with the Current Accounting Standards. The difference in premiums will be recognised as policyholders' liabilities. However, such a change will not have a material impact on the Company's shareholders' equity of the Company as at January 1, 2007 under the New Accounting Standards.

(Ⅲ) Derivative financial instruments

Under the Current Accounting Standards, the Group generally did not recognize derivative financial instruments in the financial statements but treated them as off-balance sheet items.

Under the New Accounting Standards, the Group shall classify derivative financial instruments as financial assets or financial liabilities at fair value through profit or loss, in accordance with Accounting Standard for Business Enterprises No. 22 – Financial Instruments: Recognition and Measurement, and subsequently measure them at fair value and the gains or losses arising from the fair value changes are recorded in the profit or loss for the period.

In accordance with requirement in Experts' Opinions, the Group made retrospective adjustment to recognize financial liabilities arising from the derivative financial instruments, at fair value, and correspondingly to decrease the retained profits. This change has a pre-tax impact to decrease the shareholders' equity as at January 1, 2007 by RMB2,239 thousand.

(Ⅳ) Land use rights

Under the Current Accounting Standards, the Group did not amortise land use rights which are included in the construction in progress.

Under the New Accounting Standards, land use rights shall be recognized as intangible assets and be amortised since when they are available for use.

In accordance with the requirement in Experts' Opinions, the Group made retrospective adjustment for this change to amortise the land use rights which were included in the construction in progress and to correspondingly decrease the retained profits. This change has a pre-tax impact to decrease the shareholders' equity as at January 1, 2007 by RMB56,485 thousand.

(Ⅴ) Deferred tax

Differences between the new and old Accounting Standards in respect of (Ⅰ) to (Ⅳ) above will result in a decrease of deferred tax assets/increase of deferred tax liabilities, and a corresponding decrease in retained profits. This change reduces shareholders' equity as at January 1, 2007 by RMB1,131,086 thousand.

(Ⅵ) Shareholders' equity

Differences between the new and old Accounting Standards in respect of (Ⅰ) to (Ⅴ) above result in an increase of RMB86,281 thousand in minority interests.

Under the Current Accounting Standards, the Company classifies the minority interests as one separate category which is not a part of shareholders' equity.

Under the New Accounting Standards, the minority interests and shareholders' equity attributable to equity holders of the parent jointly constitute shareholders' equity in the consolidated financial statements.

In accordance with the requirements of the New Accounting Standards, the Group's minority interests amounting to RMB1,366,391 thousand is now presented as a part of shareholders' equity in the balance sheets.

According to the current evaluation of the management of the Company, as the application of the New Accounting Standards will not have a comparatably material impact on other aspects, none of these impacts are illustrated herein.

The above-mentioned effects of the implementation of the New Accounting Standards on the Company are estimated on the basis of the Company's understanding of the New Accounting Standards, the Experts' Opinions and relevant guidelines issued by the Ministry of Finance and the CIRC, therefore actual effects may vary due to factors such as further interpretation of the New Accounting Standards by the Ministry of Finance, the understanding of the industry, the Company's business scale and structure and market sentiments.

Reconciliation statement for equity differences between new and old PRC Accounting Standards is as follows:

Unit: RMB thousand

Items	Amount
Shareholders' equity as at December 31, 2006 (Old Accounting Standards)	**36,667,865**

Long-term equity investment differences	57,705
Financial assets at fair value through profit or loss and available-for-sale financial assets	16,937,493
Derivative financial instruments	(2,239)
Policyholders' reserves	(5,726,528)
Claim reserves	(1,401,149)
Land use rights	(56,485)
Income tax	(1,131,086)
Others	(86,281)
Shareholders' Equity attributable to shareholders of the parent company as at January 1, 2007 (New Accounting Standards)	**45,259,295**
Changes in presentation of minority interests	1,366,391
Shareholders' equity as at January 1, 2007 (New Accounting Standards)	**46,625,686**

VI. Information on The Investments of the Company

（Ⅰ）Use of subscription proceeds

Proceeds from the initial public offering of H shares of the Company in 2004 have been fully utilized for the general purposes of the Company and for the improvement of its operating activities. The proceeds formed part of the Company's working capital and were used in accordance with the applicable rules and regulations of the relevant supervisory authorities.

Major equity investments during the reporting period are as follows:

1. Acquisition of the SZCB

On July 28, 2006, the Company entered into a share purchase agreement with Shenzhen Investment Holdings Co., Ltd. and other independent third parties to acquire 1,008,186,384 shares held in SZCB by them at a consideration of approximately RMB1,008 million. In addition, as part of the reorganization of SZCB, the Company also entered into a share subscription agreement with SZCB on July 28, 2006, in relation to the subscription of a further 3,902 million new shares in SZCB at a consideration of RMB3,902 million. Both the share purchase and share subscription mentioned above have been approved by the CBRC on November 30, 2006. Further, the Board of SZCB approved on December 15, 2006 the transfer of 6,611,320 shares in SZCB from the other shareholders of SZCB to the Company. After completion of the above share purchase, share subscription and share transfer on December 15, 2006, SZCB became a 89.36% owned subsidiary of the Company.

2. Capital injection into Ping An Property & Casualty

Having obtained the approval from the CIRC on October 17, 2006, the Company and other shareholders of Ping An Property & Casualty injected additional capital of RMB1,400 million into Ping An Property & Casualty. After that, the paid-up capital of Ping An Property & Casualty increased to RMB3,000 million.

3. Capital Injection into China Ping An Insurance Overseas (Holdings) Limited ("Ping An Overseas")

On December 20, 2006, the Company injected additional capital of HK$500 million into Ping An Overseas. After the injection, the paid-up capital of Ping An Overseas increased to HK$555 million.

(Ⅱ) The use of funds other than subscription proceeds

The funds other than subscription proceeds of the Company are from its core insurance business. The Company use the insurance funds in strict compliance with the relevant rules and regulations of the CIRC, and the investment of all insurance funds was made in the ordinary course of business of the Company.

VII. Routine works of the Board of Directors

(Ⅰ) Meetings and resolutions of the Board of Directors

1. The Company held its 15th board meeting of the 6th Board of Directors in Shenzhen on March 29, 2006, at which the 2005 annual report, the proposed amendments to the Articles of Association, the 2005 internal control assessment report, the 2005 risk assessment report and the 2005 compliance report of the Company were considered and approved.

2. The Company held its 1st board meeting of the 7th Board of Directors in Shenzhen on May 26, 2006, at which the Chairman, Vice Chairman and secretary of the 7th Board of Directors were selected while the members of the new Audit Committee, Nomination Committee and Remuneration Committee under the Board of Directors were also selected and appointed.

3. The Company held its 2nd board meeting of the 7th Board of Directors in Shenzhen on July 19, 2006, at which the resolution in relation to the reorganization of SZCB was considered and approved.

4. The Company held its 3rd board meeting of the 7th Board of Directors in Shenzhen on August 15, 2006, at which the 2006 interim report was considered and approved.

5. The Company held its 4th board meeting of the 7th Board of Directors in Shenzhen on September 26, 2006, at which the resolution in relation to the application for the listing of A shares by means of an IPO was considered and approved.

6. The Company held its 5th board meeting of the 7th Board of Directors on November 11, 2006 by means of telephone conference, at which the resolution in relation to subscription of additional shares issued by Shanghai Pudong Development Bank was considered and approved by voting.

7. The Company held its 6th board meeting of the 7th Board of Directors in Dalian on November 22, 2006, at which the resolution in relation to the appointment of Mr. John Pearce as the Vice President and Chief Investment Officer and the resolution in relation to the appointment of Mr. CHEN Kexiang, Mr.REN Huichuan, Mr. GOH Yethun and Mr. LO Sai Lai as Vice Presidents were considered and approved.

（Ⅱ）Implementation by the Board of Directors of the resolutions passed at the general meeting

During the reporting period, the Board of Directors of the Company has diligently implemented the resolutions passed at the general meeting in compliance with the requirements of relevant laws and regulations and the Articles of Association of the Company and has completed various tasks decided at the general meeting.

VIII. Profit appropriation plan

Pursuant to the Articles of Association of Ping An Insurance (Group) Company of China, Ltd. ("Articles of Association") and other relevant requirements, the Company shall, when determining the profit available for distribution to shareholders, provide for the statutory surplus reserve fund based on the net profit stated in the PRC Accounting Standards financial statements. The net profit stated in the PRC Accounting Standards audited financial statements of the parent company was RMB5,997 million, and 10% of which was allocated to the statutory revenue reserve in 2006.

Meanwhile, according to the relevant requirements, when determining the profit available for distribution to shareholders based on the PRC Accounting Standards financial statements, the Company provided for an amount of RMB41 million to the general provision of SZCB, Ping An Bank and Ping An Trust according to a certain proportion of their risk assets and the Company's respective shareholding percentage in these subsidiaries, and an amount of RMB17 million to the general risk provision at 10% of the profit after tax of Ping An Securities in proportion to the Company's shareholding percentage in that subsidiary and an amount of RMB29 million to the loss provision for trust business at 5% of the profit after tax of Ping An Trust in proportion to the Company's shareholding percentage in that subsidiary.

Having made the above allocations to statutory funds and brought forward the unappropriated profit from the prior year, the Company's profit available for distribution to shareholders amounted to RMB8,678 million and RMB1,686 million respectively according to the PRC Accounting Standards financial statements and the IFRS financial statements.

Pursuant to the Articles of Association and other relevant requirements, the Company's profit available for distribution to shareholders was determined to be RMB1,686 million which was the lower of the above figures.

The Company proposes to declare a cash dividend for 2006 of RMB0.22 per share, or RMB1,616 million in aggregate which is calculated on a basis of total share capital of 7,345,053,334 shares (including the additional share capital issued upon the initial public offering of A shares). The remaining unappropriated profit has been carried forward to the year 2007.