

Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended December 31, 2006.

1. Principal activities

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

2. Results and dividends

The Group's net profit in 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 70 to 144.

On March 29, 2006, the Board proposed a 2006 special interim dividend distribution of RMB0.20 per share totalling RMB1,239 million, which was approved by the shareholders on May 25, 2006 and paid to shareholders on June 2, 2006.

On August 15, 2006, the Board declared an interim dividend of RMB0.12 per share totalling RMB743 million for the six months ended June 30, 2006, which was paid to the shareholders on September 8, 2006.

The Board recommend the payment of a final dividend of RMB0.22 per share totalling RMB1,616 million in respect of the year to shareholders of the Company. Holders of H shares whose names appear on the Company's register of members maintained by Computershare Hong Kong Investor Services Limited on Thursday, June 7, 2007 will be entitled to the final dividend. The record date entitling holders of A shares of the Company to the final dividend will be separately announced by the Company in the PRC.

3. Summary financial information

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

Profit and loss

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

	2002	2003	2004	2005	2006
Total Income	58,748	66,623	63,193	64,995	87,943
Net Profit	2,005	2,327	3,146	4,265	8,000

Balance sheet

As at December 31, (in RMB million)

	2002	2003	2004	2005	2006
Total Assets	162,596	206,044	264,439	319,706	494,309
Total Liabilities	150,796	192,755	235,812	286,184	446,559
Total Equity	11,800	13,289	28,627	33,522	47,750

* The comparative figures for 2002, 2003 and 2004 are not retrospectively adjusted for the changes in accounting policies made in 2006.

4. Reserves

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

5. Charitable donations

Charitable donations made by the Company during 2006 totaled RMB17 million.

6. Property and equipment and investment properties

Details of movements in property and equipment and investment properties of the Group during the year are set out in

notes 28 and 27 to the financial statements.

7. Share capital

There were no movements in either the Company's authorized or issued share capital during the year.

8. Pre-emptive rights

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

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

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

10. Distributable reserves

As at December 31, 2006, the Company's reserves available for distribution, calculated in accordance with the relevant regulations, totaled RMB1,686 million, of which RMB1,616 million has been proposed as a final dividend for the year. In addition, the Company's capital reserve and surplus reserve fund, in the amount of RMB20,961 million, may be distributed by a future capitalization issue.

11. Major customers

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

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

12. Directors and Supervisors

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

Name	Date of Appointment as Director
Executive Directors:	
MA Mingzhe	March 21, 1988
SUN Jianyi	March 29, 1995
CHEUNG Chi Yan Louis	May 25, 2006
Non-executive Directors:	
Henry CORNELL (retired on May 25, 2006)	October 26, 1998
LIU Haifeng David (retired on May 25, 2006)	May 30, 2002
HUANG Jianping	May 30, 2002
LIN Yu Fen	October 8, 2002
CHEUNG Lee Wah	October 8, 2002
Anthony Philip HOPE	November 25, 2002
LIN Lijun	May 16, 2003
FAN Gang	May 16, 2003
DOU Wenwei	May 16, 2003
SHI Yuxin	October 10, 2003
HU Airmin	March 9, 2004
CHEN Hongbo	June 23, 2005
WONG Tung Shun Peter	May 25, 2006
NG Sing Yip	May 25, 2006

Independent Non-executive Directors:

BAO Youde	September 27, 1995
KWONG Che Keung Gordon	May 16, 2003
CHEUNG Wing Yui	May 16, 2003
CHOW Wing Kin Anthony	June 23, 2005

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

Name	Position	Date of Appointment as Supervisor
XIAO Shaolian	Independent Supervisor	August 3, 1994
CHEN Shangwu (retired on May 25, 2006)	Independent Supervisor	August 3, 1994
SUN Fuxin	Independent Supervisor	May 16, 2003
DONG Likun	Independent Supervisor	May 25, 2006
DUAN Weihong	Supervisor	May 16, 2003
ZHOU Fulin (retired on May 25, 2006)	Supervisor	May 16, 2003
CHEN Bohai (retired on May 25, 2006)	Supervisor	May 16, 2003
HE Peiquan (retired on May 25, 2006)	Supervisor	April 30, 1998
SONG Liankun (retired on May 25, 2006)	Supervisor	May 16, 2003
LIN Li	Supervisor	May 25, 2006
CHE Feng	Supervisor	May 25, 2006
HU Jie	Supervisor	May 25, 2006
HE Shi	Supervisor	May 16, 2003
WANG Wenjun	Supervisor	May 25, 2006

Huang Jianping, Dou Wenwei and Shi Yuxin resigned as Non-executive Directors and Zhang Hongyi and Chen Su were appointed as Independent Non-executive Directors on March 19, 2007. Save as aforesaid, there were no changes to the Directors and Supervisors from January 1, 2007 to the date of this annual report.

The Company has received annual confirmations of independence from Messrs. Bao Youde, Kwong Che Keung Gordon, Cheung Wing Yui and Chow Wing Kin Anthony and as of the date of the annual report continues to consider them to be independent as defined under The Rules (the "Listing Rules") Governing the List of Securities of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

Biographical details of Directors, Supervisors and members of the senior management are set out from page 8 to page 13 of this annual report.

14. Directors' and Supervisors' service contracts and remuneration

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

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

Details of remuneration of the Directors and Supervisors for the year ended December 31, 2006 are set out in note 46 to the financial statements.

15. Directors' and Supervisors' interests in material contracts

None of the Directors or Supervisors had a material interest, directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party to during 2006.

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

As at December 31, 2006, the interests and short positions of the Directors and Supervisors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and Supervisors of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

Interests in ordinary shares of the Company

Name of Director/ Supervisor	Position	H/Domestic ("D")	Shares Capacity	No. of H/D Shares	Nature of interest	Percentage of	Percentage
						H/D Shares in issue (%)	total shares in issue (%)
Cheung Chi Yan Louis	Executive Director	H	Beneficial owner	248,000	Long position	0.01	0.004
Lin Li	Supervisor	D	Interest of controlled corporations *	176,000,000		Long position	4.84

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

Save as disclosed above, as at December 31, 2006, none of the Directors or Supervisors held or was deemed to hold any interests or short positions in the shares and underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors or Supervisors to the Company and the Stock Exchange pursuant to the Model Code nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

17. Directors' and Supervisors' rights to acquire shares

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

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

During 2006 and up to the date of this annual report, the following Directors are considered to have interests in a business which competes or is likely to compete, directly or indirectly, with the business of the Group, as defined in the Listing Rules, as set out below:

Anthony Philip HOPE, a Non-executive Director of the Company, was also a director of HSBC Life (International) Limited and HSBC Insurance (Asia) Limited, which are authorized by the Hong Kong Insurance Authority to conduct long term, property and casualty and composite insurance business in Hong Kong, respectively. Mr. HOPE retired on February 27, 2007 but remains as a Non-executive Director of the Company and the Vice Chairman of the Board.

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

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

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

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

As at December 31, 2006, the following persons (other than the Directors and Supervisors of the Company) had interests in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

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

Name of substantial shareholder	H/Domestic ("D") Shares	Capacity	Notes	No. of H/D Shares	Nature of interest	Percentage of total number of H/D Shares in issue (%)	Percentage of total shares in issue (%)
HSBC Holdings plc	H	Interest of controlled corporations	1,2,3	1,233,870,388	Long position	48.22	19.92

- (ii) Interests and short positions of other substantial shareholders:

Name of substantial shareholder	H/Domestic ("D") Shares	Capacity	Notes	No. of H/D Shares	Nature of interest	Percentage of total number of H/D Shares in issue (%)	Percentage of total shares in issue (%)
HSBC Insurance Holdings Limited	H	Beneficial owner	1	618,886,334	Long position	24.19	9.99
The Hongkong and Shanghai Banking Corporation Limited	H	Beneficial owner	3	614,099,279	Long position	24.00	9.91
JPMorgan Chase & Co.	H	Beneficial owner		14,450,050	Long position	0.56	0.23
				48,167,500	Long position	1.88	0.78
				91,266,583	Long position	3.57	1.47
			4	153,884,133		6.01	2.48
Shenzhen Investment Holdings Co., Ltd.	D	Beneficial owner		543,181,445	Long position	14.94	8.77
Shenzhen Jingao Industrial Development Co., Ltd.	D	Interest of controlled corporations	5	148,000,000	Long position	4.07	2.39
				331,117,788	Long position	9.11	5.34
				479,117,788		13.18	7.73
Ping An Securities Company, Ltd. Labor Union	D	Interest of controlled corporations	5	479,117,788	Long position	13.18	7.73
China Ping An Trust & Investment Co., Ltd. Labor Union	D	Interest of controlled corporations	5	479,117,788	Long position	13.18	7.73

Name of substantial shareholder	H/Domestic ("D") Shares	Capacity	Notes	No. of H/D Shares	Nature of interest	Percentage of total number of H/D Shares in issue (%)	Percentage of total Shares in issue (%)
Shenzhen New Horse Investment Development Co., Ltd.	D	Beneficial owner	6	389,592,366	Long position	10.71	6.29
Ping An Insurance (Group) Company of China, Ltd. Labor Union	D	Interest of controlled corporations	6	389,592,366	Long position	10.71	6.29
Yuan Trust Investment Company Ltd.	D	Beneficial owner		380,000,000	Long position	10.45	6.13
Shenzhen Shum Yip Investment Development Company Ltd.	D	Beneficial owner		301,585,684	Long position	8.29	4.87
Guangzhou Hengde Trade Development Co., Ltd.	D	Beneficial owner	7	200,000,000	Long position	5.50	3.23
Li Siu Nam	D	Interest of controlled corporations	7	200,000,000	Long position	5.50	3.23
Shenzhen Wuxin Yufu Industrial Co., Ltd	D	Beneficial owner		195,455,920	Long position	5.37	3.16

Notes:

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

CCF SNC was 100% owned by CCF S.A. which was owned as to 99.99% by HSBC Bank plc. HSBC Holdings plc owned 100% interest in HSBC Bank plc.
- (3) The Hongkong and Shanghai Banking Corporation Limited was owned as to 84.19% by HSBC Asia Holdings BV, a wholly-owned subsidiary of HSBC Asia Holdings (UK), which in turn was a wholly-owned subsidiary of HSBC Holdings BV. The remaining 15.81% of The Hongkong and Shanghai Banking Corporation Limited was owned by HSBC Finance (Netherlands), a wholly-owned subsidiary of HSBC Holdings plc. HSBC Finance (Netherlands) owned 100% interest in HSBC Holdings BV.
- (4) JPMorgan Chase & Co. held interest in the Company by virtue of its control over the following corporations, which held direct interests in the Company:
 - (4.1) JPMorgan Chase Bank, N.A. held 91,266,583 shares in the Company. JPMorgan Chase Bank, N.A. was a wholly-owned subsidiary of JPMorgan Chase & Co.
 - (4.2) J.P. Morgan Whitefriars Inc. held 9,626,550 shares in the Company. J.P. Morgan Whitefriars Inc. was a wholly-owned subsidiary of J.P. Morgan Overseas Capital Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Finance Limited. J.P. Morgan International Finance Limited was wholly-owned by Bank One International Holdings Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Inc. JPMorgan Chase Bank, N.A., referred to in (4.1) above, owned 100% interest in J.P. Morgan International Inc.
 - (4.3) J.P. Morgan Securities Ltd. held 4,823,500 shares in the Company. J.P. Morgan Securities Ltd. was owned as to 98.95% by J.P. Morgan Chase International Holdings Limited, which in turn was a wholly-owned subsidiary of J.P. Morgan Chase (UK) Holdings Limited. J.P. Morgan Chase (UK) Holdings Limited was wholly-owned by J.P. Morgan Capital Holdings Limited, which in turn was wholly-owned by J.P. Morgan International Finance Limited, referred to in (4.2) above.
 - (4.4) J.P. Morgan Investment Management Inc. held 1,208,000 shares in the Company. J.P. Morgan Investment Management Inc. was a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc., which in turn was a wholly-owned subsidiary of

JPMorgan Chase & Co.

- (4.5) JF Asset Management Limited, JF International Management Inc., JPMorgan Asset Management (Japan) Limited and JF Asset Management (Singapore) Limited held 40,805,500, 360,500, 2,953,500 and 173,500 shares in the Company respectively. All of them were wholly-owned subsidiaries of JPMorgan Asset Management (Asia) Inc., which in turn was a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc., referred to in (4.4) above.
- (4.6) JPMorgan Asset Management (UK) Limited held 2,666,500 shares in the Company. JPMorgan Asset Management (UK) Limited was a wholly-owned subsidiary of JPMorgan Asset Management Holdings (UK) Limited, which in turn was a wholly-owned subsidiary of JPMorgan Asset Management International Limited. JPMorgan Asset Management International Limited was wholly-owned by JPMorgan Asset Management Holdings Inc., referred to in (4.4) above.

Among the entire interest of JPMorgan Chase & Co. in the Company, 2,146,000 shares were held through physically settled unlisted securities. The interest of JPMorgan Chase & Co. in the Company also included a lending pool of 91,266,583 shares.

- (5) Shenzhen Jiangnan Industrial Development Co., Ltd holding 148,000,000 shares, was owned as to 69.11% by Shenzhen Jingao Industrial Development Co., Ltd., which in turn was owned as to 80% and 20% by Ping An Securities Company, Ltd. Labor Union and China Ping An Trust & Investment Co., Ltd. Labor Union respectively. The interest in 479,117,788 shares relates to the same block of shares in the Company.
- (6) Shenzhen New Horse Investment Development Co., Ltd. was owned as to 95% by Ping An Insurance (Group) Company of China, Ltd. Labor Union. The interest in 389,592,366 shares relates to the same block of shares in the Company.
- (7) Guangzhou Hengde Trade Development Co., Ltd. was 90% owned by Li Siu Nam. The interest in 200,000,000 shares relates to the same block of shares in the Company.

Save as disclosed above, the Company is not aware of any other person (other than the Directors and Supervisors of the Company) having any interests or short positions in the shares and underlying shares of the Company as at December 31, 2006 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

20. Continuing connected transactions

In 2006, the Company and the Group had the following continuing connected transactions:

(1) ***Bancassurance Arrangement with ICBC***

The Company and Industrial and Commercial Bank of China (“ICBC”) entered into a cooperation agreement in respect of insurance agency services (the “Bancassurance Agreement”) on August 6, 2001 on normal commercial terms in the ordinary course of business. Pursuant to the Bancassurance Agreement, (i) ICBC agreed to provide insurance agency services to the Group through its branches and other channels for the insurance products of the Group, which include marketing insurance products and collecting premiums, and (ii) specific agreements have been and will continue to be entered into between the respective branches of the Company and ICBC in respect of the particular terms of the bancassurance products, the implementation of the services and the determination and payment of the agency fees. ICBC is a connected person of the Company as it was a promoter of the Company at the time when the Company was established.

In 2006, the aggregate agency fees, which were determined at a fixed percentage of the net premiums, paid by the Group to ICBC in respect of the insurance agency services pursuant to the specific agreements entered into between the respective branches of the Group and ICBC was approximately RMB67 million.

(2) ***Bank Deposits Arrangements with HSBC***

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

HSBC is a connected person of the Company as it is a substantial shareholder of Ping An Bank Limited, a 72.91% owned subsidiary of the Company.

As at December 31, 2006, the aggregate bank balances maintained by the Group with HSBC was approximately US\$91 million.

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

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

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

As at December 31, 2006, the aggregate bank deposits maintained by the Group with ICBC and ICBC (Asia) in all kinds of currencies amounted to approximately RMB5,327 million.

(4) Foreign Exchange Swap Agreement with ICBC

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

For the year ended December 31, 2006, the aggregate amount of foreign exchange swaps under the arrangement was US\$120 million.

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

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

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

- (1) have received the approval of the Board of Directors of the Company;
- (2) have been entered into in accordance with the relevant agreements governing such transactions; and
- (3) have not exceeded the upper limits set out below in 2006:
 - (i) bancassurance arrangement with ICBC: RMB150 million;
 - (ii) bank deposits arrangements with HSBC: US\$2,336 million on any given day;
 - (iii) bank deposits arrangements with ICBC and ICBC (Asia): RMB24,900 million on any given day; and
 - (iv) foreign exchange swaps with ICBC Shanghai Branch: US\$300 million.

21. Connected transactions

In 2006, the Company and the Group had the following connected transactions:

(1) *Acquisition and Subscription of Shares in SZCB*

On July 28, 2006, the Company entered into a share purchase agreement with the Shenzhen Financial Bureau, Shum Yip Holding Company Limited, Shenzhen Investment Holdings Co., Ltd. and other independent third parties (the "Share Purchase Agreement") in relation to the acquisition by the Company of 1,008,186,384 shares, representing approximately 63% of the entire issued share capital of SZCB as at the date of the Share Purchase Agreement, for a consideration of RMB1,008,186,384. Further, as part of the reorganization of SZCB and pursuant to the Share Purchase Agreement, the Company also entered into a subscription agreement with SZCB on July 28, 2006 in relation to the subscription by the Company of a further 3,902 million new shares in SZCB (the "Subscription Agreement") representing approximately 70.92% of the enlarged issued share capital of SZCB respectively. The consideration of the subscription is RMB3,902 million, at the subscription price of RMB1 per share.

Shenzhen Investment Holdings Co., Ltd. is a promoter of Ping An Life and thus a connected person of the Company under the Listing Rules. Therefore, the Share Purchase Agreement constituted a connected transaction of the Company under the Listing Rules.

Further, as Shenzhen Investment Holdings Co., Ltd. holds over 30% of the issued shares in SZCB, SZCB is an associate of Shenzhen Investment Holdings Co., Ltd. and thus, SZCB is also a connected person of the Company. Therefore, the Share Subscription Agreement also constituted a connected transaction of the Company under the Listing Rules.

Completion of the Share Purchase Agreement and the Subscription Agreement took place on November 30, 2006. Furthermore, the Company purchased 6,611,320 shares in SZCB from other shareholders of SZCB.

Following completion of the transactions, SZCB became an approximately 89.36% owned subsidiary of the Company.

(2) *Subscription of Shares in ICBC*

On October 16, 2006, Ping An Life, a subsidiary of the Company, entered into an A Shares Placing Agreement with ICBC for the subscription of 352,564,000 ICBC A Shares pursuant to the ICBC PRC initial public offering. The total subscription price for the ICBC A Shares subscribed by Ping An Life was RMB1,100 million at RMB3.12 per share.

50% each of the ICBC A Shares subscribed by Ping An Life is subject to a 12-months' and 18-months' lock up period respectively, effective from the date of listing on the Shanghai Stock Exchange, being October 27, 2006.

22. Board Committees

The Company has established an audit committee, a remuneration committee and a nomination committee. For details regarding these Board committees, please see the relevant sections in the Corporate Governance Report on pages 39 to 41 of this annual report.

23. Post balance sheet events

Details of the significant post balance sheet events of the Group are set out in note 52 to the financial statements on page 143 of this annual report.

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

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the Code on Corporate Governance Practices (the "Code on Corporate Governance Practices") contained in Appendix 14 to the Listing Rules for any part of the period from January 1, 2006 to December 31, 2006 except that Mr. Ma Mingzhe has occupied the positions of both the Chairman of the Board of Directors and Chief Executive Officer of the Company. Further details of the Company's arrangements and considered reasons for the Company's intention not to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer of the Company are set out under the paragraph headed "Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules" in the Corporate Governance Report on pages 36 to 37 of this annual

report.

25. Auditors

Ernst & Young and Ernst & Young Hua Ming were the international and PRC auditors, respectively, to the Company for the year ended December 31, 2006. A resolution for the re-appointment of Ernst & Young as the international auditors and Ernst & Young Hua Ming as the PRC auditors to the Company will be proposed at the forthcoming Annual General Meeting on June 7, 2007.

26. Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, being April 11, 2007, at all times during the year ended December 31, 2006, not less than 20% of the issued share capital of the Company (being the minimum public float applicable to the shares of the Company) was held in public hands.

27. Disclosure of information on the Stock Exchange's website

All information required by paragraphs 45(1) to 45(6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>) in due course.

By order of the Board of Directors

Ma Mingzhe

Chairman and Chief Executive Officer

Shenzhen, PRC

April 11, 2007