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# **中国平安保险(集团)股份有限公司**

**PING AN INSURANCE (GROUP) COMPANY OF CHINA, LTD.**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 2318)**

## **ANNOUNCEMENT**

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS ACQUISITION AND SUBSCRIPTION OF SHARES IN SHENZHEN COMMERCIAL BANK COMPANY LIMITED**

**Financial Adviser to the Company**

**GOLDMAN SACHS (ASIA) L.L.C.**

**Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders**

## **BNP PARIBAS PEREGRINE**

On July 28, 2006, the Company entered into the Share Purchase Agreement with the Vendors 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 the Subscription Agreement with SZCB on July 28, 2006 in relation to the subscription of a further 3,902 million new shares in SZCB, representing approximately 70.92% of the enlarged issued share capital of SZCB respectively. Following completion of the Agreements, SZCB will become an approximately 89.24% owned subsidiary of the Company.

The Transactions constitute discloseable transactions of the Company as the relevant percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) are more than 5% but less than 25%. Further, as Shenzhen Investment Holdings Co., Ltd. of the Vendors and SZCB are both connected persons of the Company, the Transactions constitute connected transactions of the Company under the Listing Rules, which are subject to reporting, announcement and independent Shareholders' approval requirements set out in Rules 14A.45, 14A.47 and 14A.48 of the Listing Rules.

The IBC comprising Mr. Bao Youde, Mr. Kwong Che Keung Gordon, Mr. Cheung Wing Yui and Mr. Chow Wing Kin Anthony, all being the independent non-executive directors of the Company, has been established to advise the independent Shareholders as to the fairness and reasonableness of the Transactions. BNP Paribas Peregrine has been appointed as the independent financial adviser to advise the IBC and the independent Shareholders in this regard.

A circular containing, among other matters, details of the Transactions, the letter from BNP Paribas Peregrine to the IBC and the independent Shareholders, the recommendation of the IBC to the independent Shareholders on the Transactions together with the notice of the EGM will be despatched to the Shareholders within 21 days after the publication of this announcement.

**Shareholders and potential investors in the Company should note that the Agreements are subject to conditions to be fulfilled and are recommended to exercise caution in dealing in the Company's shares.**

## **SHARE PURCHASE AGREEMENT**

**Date:** July 28, 2006

**Parties:** (1) Purchaser: the Company

(2) Vendors: Shenzhen Investment Holdings Co., Ltd. as to 535,000,000 shares (approximately 33.44%);

Shenzhen Financial Bureau, as to 292,034,574 shares (approximately 18.25%);

Shum Yip Holding Company Limited as to 65,966,200 shares (approximately 4.12%); and

eight Independent Third Parties as to an aggregate 115,185,610 (approximately 7.19%).

### **Asset to be acquired:**

1,008,186,384 shares of par value RMB1 each, representing approximately 63% of the entire issued share capital of SZCB as at the date of the Share Purchase Agreement.

The Company has undertaken to retain actual control over these acquired shares for a period of five years and not to transfer these shares save for intra-group reorganisation.

The parties have also agreed that as part of the reorganization of SZCB, the Company shall inject into SZCB the sum of RMB3,902 million by way of subscription of new shares. Further details of the Share Subscription Agreement is set out below.

### **Consideration:**

The consideration for the Acquisition is RMB1,008,186,384, at the price of RMB1 per share, to be paid at completion of the Share Purchase Agreement.

### **Conditions:**

The Acquisition is conditional upon, among other things, (i) the independent Shareholders passing at the EGM of a resolution approving the Share Purchase Agreement and the transactions contemplated thereunder, the voting of which is to be taken by way of a poll; (ii) approval of the Acquisition by the CBRC; and (iii) the Vendors obtaining the necessary approvals from shareholders and governing authorities, including the Shenzhen Municipal State-owned Assets Supervision and Administration Commission.

### **Completion:**

Completion of the Share Purchase Agreement is expected to take place in around December 31, 2006 after the fulfillment of the conditions mentioned above.

## SHARE SUBSCRIPTION AGREEMENT

**Date:** July 28, 2006

**Parties:** (1) Subscriber: the Company

(2) Issuer: SZCB

### Asset to be acquired:

3,902 million shares of par value RMB1 each, representing approximately 70.92% of the enlarged issued share capital of SZCB.

### Consideration:

The consideration for the Subscription is RMB3,902 million, at the subscription price of RMB1 per share, to be paid within 10 working days of the completion of the Share Subscription Agreement.

### Conditions:

The Subscription is conditional upon (i) the completion of the Acquisition; (ii) approval of the Subscription by the shareholders of both the Company (the voting of which is to be taken by way of a poll) and SZCB in general meeting; and (iii) approval of the Subscription by the CBRC.

### Completion:

Completion of the Share Subscription Agreement is expected to take place in around December 31, 2006 after the fulfillment of the conditions mentioned above.

The following is an illustrative table of the shareholdings in SZCB as at the date of the Share Purchase Agreement, and immediately following completion of the Share Purchase Agreement and completion of the Share Subscription Agreement respectively:

	As at the date of the Share Purchase Agreement	Immediately following completion of the Share Purchase Agreement	Immediately following completion of the Share Subscription Agreement
The Company	–	1,008,186,384 (63.01%)	4,910,186,384 (89.24%)
Shenzhen Investment Holdings Co., Ltd.	535,000,000 (33.44%)	–	–
Shenzhen Finance Bureau	292,034,574 (18.25%)	–	–
Shum Yip Holding Company Limited	65,966,200 (4.12%)	–	–
Eight Independent Third Party vendors	115,185,610 (7.20%)	–	–
Other Independent Third Party shareholders	591,813,616 (36.99%)	591,813,616 (36.99%)	591,813,616 (10.76%)
Total	<u>1,600,000,000 (100%)</u>	<u>1,600,000,000 (100%)</u>	<u>5,502,000,000 (100%)</u>

The consideration for the Acquisition and the Subscription Monies will be satisfied by the Group's internal funds including cash on hand, which use of funds has been approved by the CIRC. Following the close of the Agreements, SZCB will become an approximately 89.24% owned subsidiary of the Company.

## **Basis for determination of the consideration for the Transactions**

The consideration for the Acquisition and the Subscription was arrived at after arm's length negotiations between the parties with reference to:

- (a) strategic benefit that SZCB provides to the Group in establishing its banking business;
- (b) synergies to be generated from the Acquisition and the Subscription, both in terms of revenue and cost synergies;
- (c) financial and business conditions and outlook of SZCB, including SZCB's status as a leading city commercial bank in the PRC;
- (d) amount of additional provision for asset impairment under IFRS and additional capitalization required to improve SZCB's capital adequacy ratio to 8%;
- (e) extent of premium required in acquiring a controlling interest;
- (f) terms of prior strategic investments by other parties in Chinese banks;
- (g) asset purchase agreement dated July 28, 2006 and entered into by the Shenzhen Municipal Government to purchase from SZCB RMB1,008 million worth of non-performing asset pursuant to an asset purchase agreement, which consideration is payable at completion of such asset purchase agreement; and
- (h) based on the foregoing factors, the price-to-book multiple of 1.75x, which is derived from the aggregate consideration of RMB4,910,186,384 for the approximately 89.24% shareholding in SZCB, on one hand, and SZCB's net asset value as at December 31, 2005 of RMB3,139 million, which was prepared in accordance with PRC GAAP, adjusted in accordance with IFRS and having given effect to the Subscription and the purchase of non-performing assets by the Shenzhen Municipal Government pursuant to the asset purchase agreement, on the other hand. Please see the paragraph below headed "Information relating to the parties to the Transactions" for further financial information on SZCB.

## **REASONS AND BENEFITS FOR THE TRANSACTIONS**

SZCB is a commercial bank established as a joint stock company and approved by the PBOC. As at the end of 2004, SZCB ranks 17th amongst banks in the PRC and 3rd amongst city banks in terms of assets value. SZCB provides wide-ranging services in both commercial and personal banking, including deposit services, clearing services, foreign exchange services, financing services, corporate and personal internet banking. SZCB has an extensive operation network in Shenzhen, including 46 branches and about 150 automatic teller machines as at the date of this announcement.

The acquisition of SZCB is in line with the Company's strategy as set out in the Company's 2005 annual report of growing our existing banking business in order to fully leverage the Group's advantages. These advantages include – enhancement of the Group's national brand and infrastructure; ability to cross-sell banking and insurance products to the Group's customers; further develop product bundling opportunities (especially in the area of wealth management); and to better utilize the Group's technology infrastructure and our staff's sales and marketing expertise.

By fully utilising these advantages in the banking sector, the Company will be able to diversify group earnings into an area of high growth and returns.

In addition, given that SZCB is also located in Shenzhen, being where the Group's headquarters is situated, there is greater synergy to be gained from leveraging on these advantages.

Further, since SZCB possesses the necessary credit card licence granted by the CBRC but has however not yet launched a credit card product, the acquisition of SZCB provides the Group with the ideal opportunity to reap the rewards of the preparatory work done by it to enter the credit card business over the last two years.

## **LISTING RULES IMPLICATIONS**

The Transactions constitute discloseable transactions of the Company as the relevant percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) are more than 5% but less than 25%.

Shenzhen Investment Holdings Co., Ltd. is a promoter of Ping An Life Insurance Company of China, Ltd., a 99% owned subsidiary of the Company and thus a connected person of the Company under Rule 1.01.

Shenzhen Finance Bureau is also a promoter of the Company. However, being a PRC Governmental Body (as defined in Rule 19A.04 of the Listing Rules), it is not regarded as a connected person of the Company under Rule 19A.19.

Therefore, the Share Purchase Agreement constitutes a connected transaction of the Company under the Listing Rules, which is subject to the reporting, announcement and Shareholders' approval requirements set out in Rules 14A.45, 14A.47 and 14A.48 of 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 constitutes a connected transaction of the Company under the Listing Rules, which is subject to the reporting, announcement and Shareholders' approval requirements set out in Rules 14A.45, 14A.47 and 14A.48 of the Listing Rules.

In accordance with the Listing Rules, Shenzhen Investment Holdings Co., Ltd., Shenzhen City Construction Group Co., Ltd. (深圳市建設(集團)有限公司), which is a wholly-owned subsidiary of Shenzhen Investment Holdings Co., Ltd., and Shenzhen Shum Yip Investment Development Co., Ltd., which is a controlled corporation of Shum Yip Holding Company Limited, will abstain from voting for the resolutions at the EGM. To the best knowledge, information and belief of the Directors, (i) Shenzhen Finance Bureau and its associates do not hold any share in the Company; (ii) other than Shenzhen Investment Holdings Co., Ltd., Shenzhen Shum Yip Investment Development Co., Ltd. and Shenzhen City Construction Group Co., Ltd. which held 543,181,445 Shares (approximately 8.77%), 301,585,684 Shares (approximately 4.87%) and 12,039,730 Shares (approximately 0.19%) of the issued share capital of the Company respectively as at the date of this announcement, no other Shareholder has a material interest in the Transactions and is required to abstain from voting at the EGM.

The IBC comprising Mr. Bao Youde, Mr. Kwong Che Keung Gordon, Mr. Cheung Wing Yui and Mr. Chow Wing Kin Anthony, all being the independent non-executive directors of the Company, has been established to advise the independent Shareholders as to the fairness and reasonableness of the Transactions. BNP Paribas Peregrine has been appointed as the independent financial adviser to advise the IBC and the independent Shareholders in this regard.

## **INFORMATION RELATING TO THE PARTIES TO THE TRANSACTIONS**

The Group is an insurance and financial services group in the PRC with the ability to provide multiple insurance and financial services and products to corporate and retail customers. In particular, a subsidiary of the Company, Ping An Bank Limited, has been carrying on the banking business in the past.



Shenzhen Investment Holdings Co., Ltd. is a limited liability company established in the PRC engaged in investment activities. It acquired 535,000,000 shares in SZCB, representing approximately 33.44% of the equity interests in SZCB for a consideration of approximately RMB535,000,000.

Shum Yip Holding Company Limited is a limited liability company established in the PRC engaged in investment holding activities. As at the date of the Share Purchase Agreement, it held 65,966,200 shares in SZCB, representing approximately 4.12% of the equity interests in SZCB.

Shenzhen Finance Bureau is the finance administrative arm of the Shenzhen municipality. As at the date of the Share Purchase Agreement, it held 292,034,574 shares in SZCB, representing approximately 18.25% of the equity interests in SZCB.

SZCB is a commercial bank approved by the PBOC and engaged in the provision of a broad range of financial products and services to corporate and retail customers. The remaining approximately 37% of the approximately 1,600 million shares in SZCB (before enlargement of its issued share capital contemplated by the Subscription) are held by Independent Third Parties.

According to the audited accounts of SZCB prepared in accordance with PRC GAAP, as at December 31, 2004 and December 31, 2005 respectively, the audited net asset values of SZCB were approximately RMB2,138 million and RMB2,403 million. For the years ended December 31, 2004 and December 31, 2005 respectively, SZCB reported audited net profits of RMB217 million and RMB347 million before taxation and extraordinary items and net profits of RMB155 million and RMB269 million after taxation and extraordinary items respectively. As at December 31, 2005, SZCB had total assets of RMB69,937 million, total loans (before impairment provisions) of RMB43,724 million; and total deposits of RMB62,130 million. The estimated non-performing loans of SZCB as at December 31, 2005 was RMB4,636 million and therefore, based on the consideration of RMB1,008 million to be received from the Shenzhen Municipal Government, the percentage of non-performing loans to be sold under asset purchase agreement represented approximately 21.7% of the estimated non-performing loans of SZCB as at December 31, 2005.

According to the adjusted unaudited figures of SZCB prepared in accordance with IFRS compiled based on procedures performed in a due diligence exercise by the Company and their advisors, the net asset value of SZCB was approximately RMB651 million as at December 31, 2004 and the net liability value of SZCB was approximately RMB1,771 million as at December 31, 2005. The net asset value as at December 31, 2004 reflected adjustments other than impairment provisions on loans and fair value adjustments to investments and derivatives that should have been provided for under IFRS. On the contrary, the net asset value as at December 31, 2005 included all adjustments that should have been provided for under IFRS. Other than impairment provisions on loans and fair value adjustments to investments and derivatives, there are no other material differences between key profit and loss items of SZCB prepared in accordance with PRC GAAP and IFRS. The adjusted unaudited net profit after tax of SZCB for the year ended December 31, 2004 in accordance with IFRS was RMB253 million. As a result from a difference in accounting standard, the adjusted unaudited net loss after tax of SZCB for the year ended December 31, 2005 in accordance with IFRS was RMB2,322 million, which reflected adjustments that were mainly attributable to fair value of investments and derivatives and impairment provisions on loans in the amount of approximately RMB2,600 million. These recurring adjustments are not entirely attributable to the year ended December 31, 2005 but they have been taken up in 2005. This is due to the difference in accounting requirements under the different accounting standards. As a result, the necessary information required for the Company to properly apportion the adjustments to years prior to 2005 were not available. Notwithstanding the foregoing, the effect of these recurring adjustments to SZCB's financial statements for the year ending December 31, 2006 prepared in accordance with IFRS is not expected to be in the same magnitude as those reflected in 2005 because the problem of not being able to properly apportion adjustments which should have been made in prior years will not occur. In other words, the Company will not again have to record multiple years' adjustments in a single year.

Before making such IFRS adjustments, SZCB generated positive recurring net profit in 2005.

The Agreements was entered into between the Company on normal commercial terms. The directors of the Company, including the independent non-executive directors but excluding Chen Hongbo and Huang Jianping, being directors nominated by Shenzhen Investment Holdings Co. Ltd., and Hu Aimin, being a director nominated by Shenzhen Shum Yip Investment Development Co., Ltd. who abstained from voting in accordance with the Company's articles of association, are of the view that the terms of the Agreements are fair and reasonable and the Transactions, having taken into consideration (i) the audited financial results of SZCB prepared in accordance with PRC GAAP (including the estimated non-performing loans of SZCB as at December 31, 2005); (ii) the adjusted unaudited financial results of SZCB prepared in accordance with IFRS; (iii) the fact that the IFRS adjustments are necessary to bring in line SZCB's accounts with that of the Company and are attributable to a difference in accounting standards; and (iv) the Transactions being in line with the Company's strategy and the advantages and synergies that can be generated as more particularly set out in the paragraph headed "Reasons and benefits for the Transactions" above, are in the interests of the Company and the shareholders of the Company as a whole.

## GENERAL

A circular containing, among other matters, details of the Transactions, the letter from BNP Paribas Peregrine to the IBC and the independent Shareholders, the recommendation of the IBC to the independent Shareholders on the Transactions together with the notice of the EGM will be despatched to the Shareholders within 21 days after the publication of this announcement.

**Shareholders and potential investors in the Company should note that the Agreements are subject to conditions to be fulfilled and are recommended to exercise caution in dealing in the Company's shares.**

## DEFINITIONS

"Acquisition"	the proposed acquisition by the Company of 1,008,186,384 shares, representing approximately 63% of the entire issued share capital of SZCB contemplated by the Share Purchase Agreement
"Agreements"	the Share Purchase Agreement and the Share Subscription Agreement
"BNP Paribas Peregrine"	BNP Paribas Peregrine Capital Limited, the independent financial adviser to the IBC and the independent Shareholders in respect of the Transactions
"Board"	the board of directors of the Company
"CBRC"	China Banking Regulatory Commission
"CIRC"	China Insurance Regulatory Commission
"Company"	Ping An Insurance (Group) Company of China, Ltd., a joint stock limited company established in the PRC, the H shares of which are listed on the Stock Exchange
"EGM"	the extraordinary general meeting of the Shareholders to be convened to approve the Transactions
"Group"	the Company and its subsidiaries
"IBC"	the independent board committee of the directors of the Company convened for the purposes of the Transactions

“IFRS”	International Financial Reporting Standards
“Independent Third Parties”	parties which, together with their ultimate beneficial owners, to the best of the knowledge, information and belief of the Company’s directors, having made all reasonable enquiry, are independent of and not connected with the Company and its connected persons
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PBOC”	The People’s Bank of China
“PRC”	The People’s Republic of China
“PRC GAAP”	the Accounting Standards for Business Enterprises, the Financial System for Financial and Insurance Enterprises, the Accounting System for City Cooperative Banks and other relevant applicable accounting regulations issued by the PRC Ministry of Finance, the PBOC and the CBRC
“RMB”	Renminbi, the lawful currency of the PRC
“Share Purchase Agreement”	the share purchase agreement dated July 28, 2006 and entered into between the Company and the Vendors 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
“Share Subscription Agreement”	the share subscription agreement dated July 28, 2006 and entered into between the Company and SZCB in relation to the subscription by the Company of a further 3,902 million new shares in SZCB, representing approximately 70.92% of the enlarged issued share capital of SZCB
“Shareholders”	holders of shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the proposed subscription by the Company of a further 3,902 million new shares in SZCB contemplated by the Share Subscription Agreement
“Subscription Monies”	RMB3,902 million, being the subscription monies payable for the Subscription
“SZCB”	Shenzhen Commercial Bank Company Limited
“Transactions”	the Acquisition and the Subscription
“Vendors”	Shenzhen Financial Bureau, Shum Yip Holding Company Limited, Shenzhen Investment Holdings Co., Ltd. and eight other Independent Third Parties

By order of the Board  
**Ma Mingzhe**  
*Chairman and Chief Executive Officer*

Shenzhen, PRC, July 28, 2006



*As of the date of this announcement, the Executive Directors of the Company are Ma Mingzhe, Sun Jianyi and Cheung Chi Yan Louis, the Non-executive Directors are Huang Jianping, Lin Yu Fen, Cheung Lee Wah, Anthony Philip HOPE, Dou Wenwei, Fan Gang, Lin Lijun, Shi Yuxin, Hu Aimin, Chen Hongbo, Wong Tung Shun Peter and Ng Sing Yip, and the Independent Non-executive Directors are Bao Youde, Kwong Che Keung Gordon, Cheung Wing Yui and Chow Wing Kin Anthony.*