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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

### CONTINUING CONNECTED TRANSACTIONS

#### **THE INSTITUTIONAL MARKET TRANSACTIONS FRAMEWORK AGREEMENT WITH HSBC**

The Group has regularly engaged in various kinds of institutional market transactions in the normal course of business with the HSBC Group. To regulate these on-going transactions, the Company has entered into the Institutional Market Transactions Framework Agreement dated March 15, 2012 with HSBC for a term of three years from January 1, 2012 and expiring on December 31, 2014 pursuant to which the HSBC Group and the Company agree to conduct various institutional market transactions in accordance with applicable normal institutional market practices and on normal commercial terms.

#### **DEPOSIT ARRANGEMENT WITH HSBC**

Reference is made to the announcement of the Company dated October 27, 2009 and the circular of the Company dated November 3, 2009 in relation to the Deposit Arrangement with HSBC.

In the ordinary and usual course of business of the Group, it maintains bank balances with HSBC on normal commercial terms. The Deposit Arrangement with HSBC and the relevant annual caps were approved by the Independent Shareholders at the extraordinary general meeting of the Company held on December 18, 2009. Since the annual caps for the Deposit Arrangement with HSBC will be expired on December 31, 2012, and that the Group will continue to maintain bank deposits with HSBC in the ordinary and usual course of business on normal commercial terms, the Group shall re-comply with the relevant provisions of the Listing Rules in order to continue the Deposit Arrangement with HSBC.

On March 15, 2012, the Board approved the renewal of the Deposit Arrangement with HSBC and the maximum amount of deposits of US\$1,500 million which the Group could place with HSBC on any given day during each of the three years ending December 31, 2013, 2014 and 2015.

#### **LISTING RULES IMPLICATIONS**

As HSBC is a wholly-owned subsidiary of HSBC Holding plc, a substantial shareholder of the Company, HSBC is a connected person of the Company as defined in Rule 14A.11 of the Listing Rules, the transactions contemplated under the Institutional Market Transactions Framework Agreement and the Deposit Arrangement with HSBC will constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.10 of the Listing Rules) in respect of the annual caps for the transactions contemplated under each of (i) the Institutional Market Transactions Framework Agreement; and (ii) the Deposit Arrangement with HSBC exceed 0.1% but less than 5%, such transactions are only subject to the reporting, annual review and announcement requirements, and are exempt from the independent shareholders' approval requirement under the Listing Rules.

## **A. THE INSTITUTIONAL MARKET TRANSACTIONS FRAMEWORK AGREEMENT WITH HSBC**

### **a. Background**

The Group has regularly engaged in various kinds of institutional market transactions in the normal course of business with the HSBC Group.

To regulate these on-going transactions, the Company has entered into the Institutional Market Transactions Framework Agreement with HSBC on March 15, 2012, pursuant to which the HSBC Group and the Group agree to conduct institutional market transactions in accordance with applicable normal institutional market practices and on normal commercial terms.

### **b. Institutional Market Transactions Framework Agreement**

#### **Date**

March 15, 2012

#### **Parties**

The Company and HSBC

#### **Term**

Three (3) years from January 1, 2012 to December 31, 2014. The parties may agree to extend the agreement for a further term of three years if agreement is reached within two months prior to the expiry of the term of the Institutional Market Transactions Framework Agreement.

#### **Subject matter**

The transactions contemplated under the Institutional Market Transactions Framework Agreement include any of the following transactions (or transactions of a similar nature of any of the following) which are conducted between (on the one hand) the Group and (on the other hand) the HSBC Group, and in each case in the ordinary and usual course of business of the Group and on normal commercial terms:

- i. interbank money market lending and borrowing transactions;
- ii. bond transactions (including outright sale and purchase of bonds, and sale and repurchase of bonds);
- iii. foreign exchange transactions (including sale and purchase of foreign currencies, or squaring of any conversions between RMB and foreign currencies);
- iv. financial derivatives transactions;
- v. interbank lending transactions;

- vi. discounting of bank's acceptance bills, on an outright basis or a upfront discount and repurchase basis;
- vii. outright transfer of loan assets;
- viii. reimbursement financing in respect of letters of credit;
- ix. investments in fixed income products excluding vanilla debt instruments (including investment in wealth management products); and
- x. gold lending transactions.

### **Pricing principles**

There is no fixed price or rate for the transactions under the Institutional Market Transactions Framework Agreement. However, the parties agreed to apply the prevailing market prices or rates normally used by independent counterparties to the particular type of transactions concerned when transacting pursuant to the Institutional Market Transactions Framework Agreement.

### **Historical Figures**

The actual transaction amounts for the three years ended 31 December 2011 for transactions contemplated under the Institutional Market Transactions Framework Agreement are shown as follows:

*Unit: RMB million*

	<b>For the year ended 31 December</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
Income (including interest income (realized and unrealized), income on bid-ask price spreads (for any transactions held on the trading book, its fair market value and where a transaction has a negative fair market value, as a deduction from income) and fee income)	0.11	0.91	9.65
Expenses (including interest expenses (realized and unrealized), costs of bid-ask price spreads and fee expenses)	0	0	0.08

These figures reflect the total income generated and expenses incurred by the Group in relation to the institutional market transactions in the past three financial years.

### **Proposed Annual Caps**

Given the nature of the similarity of the abovementioned transactions, such transactions will be aggregated and treated as if they were one transaction under the Listing Rules.

In setting the annual caps for the transactions under the Institutional Market Transactions Framework Agreement for each of the following periods, the Company has taken into account a number of factors, including (i) the increase in demand for the transactions under the Institutional Market Transactions Framework Agreement by the Group due to the expected growth of the Group's business and the possible expansion of the Group's scope of business, respectively for the next three years, in particular, that Shenzhen Development Bank Co., Ltd.

has become a subsidiary of the Company since July 2011 and it has conducted and will continue to conduct interbank transactions similar to those transactions contemplated under the Institutional Market Transactions Framework Agreement; (ii) the Institutional Market Transactions Framework Agreement involve activities that may vary from year to year due to a number of external reasons that are beyond the control of the Company, including the unexpected fluctuations of the financial markets; (iii) the bond transactions are subject to the turnover and price volatilities of the domestic and global bonds markets; (iii) the foreign exchange transactions are subject to the strength of relevant currencies traded and some of those transactions are in fact driven by customer demands and entered into for the purpose of foreign exchange risk management; (iv) the Group's demands for the interbank money market transactions, financial derivatives transactions and other transactions are mainly driven by its capital flow and liquidity requirements; and (v) the abovementioned historical figures for transactions contemplated under the Institutional Market Transactions Framework Agreement for the preceding three financial years.

*Unit: RMB million*

	<b>For the year ending 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
Income (including interest income (realized and unrealized), income on bid-ask price spreads (including for any transactions held on the trading book, its fair market value and where a transaction has a negative fair market value, as a deduction from income) and fee income)	1,000	1,000	1,000
Expenses (including interest expenses (realized and unrealized), costs of bid-ask price spreads and fee expenses)	1,000	1,000	1,000

As for transactions under the Institutional Market Transactions Framework Agreement, the Group will allocate annual cap into each business unit, which shall then be responsible for calculating the amount of annual cap to be taken up by each business under a uniform measurement standard, and ensuring the same is within the amount of annual cap allocated by the Group before its commencement. The Group will apply the principle of overall control to the amount of the annual cap, i.e. if any type of transaction may require an amount exceeding the allocated annual cap, the exceeded portion can be covered by the amount of annual cap allocated to other types of transactions. Specific teams will be assigned by the Group to analyze, track, allocate and gather statistics for the annual cap. The Group will ensure that the annual caps set for the transactions under the Institutional Market Transactions Framework Agreement will not be exceeded by adopting the aforementioned measures.

**c. Reasons for Entering into the Institutional Market Transactions Framework Agreement**

The Institutional Market Transactions Framework Agreement regulates on-going institutional market transactions between members of the Group and members of the HSBC Group and ensures, by way of agreement between the parties, that the institutional market transactions between members of the Group and members of the HSBC Group will be conducted in

accordance with applicable normal institutional market practices and normal commercial terms.

Given that HSBC is one of the largest banks in Hong Kong and a leading market maker for money markets, bonds, foreign exchanges and interest rate instruments in Hong Kong and elsewhere, most major financial institutions, including the Group, would enter into transactions with the HSBC Group in their respective ordinary and usual course of business.

The Directors (including the independent non-executive Directors) are of the view that the Institutional Market Transactions Framework Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group and that the terms of the Institutional Market Transactions Framework Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **B. DEPOSIT ARRANGEMENT WITH HSBC**

### **a. Background and reasons for the Deposit Arrangement with HSBC**

Reference is made to the announcement of the Company dated October 27, 2009 and the circular of the Company dated November 3, 2009 in relation to the Deposit Arrangement with HSBC.

In the ordinary and usual course of business of the Group, it maintains bank balances with HSBC on normal commercial terms. The Deposit Arrangement with HSBC and the maximum amount of deposit which the Group could place with HSBC on any given day during each of the three years ending December 31, 2012 were approved by the Independent Shareholders at the extraordinary general meeting of the Company held on December 18, 2009.

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. The Directors consider that it is in the interest of the Group to continue the Deposit Arrangement with HSBC. Since the annual caps for the Deposit Arrangement with HSBC will be expired on December 31, 2012, and that the Group will continue to maintain bank deposits with HSBC in the ordinary and usual course of business on normal commercial terms, the Group shall re-comply with the relevant provisions of the Listing Rules in order to continue with the Deposit Arrangement with HSBC.

On March 15, 2012, the Board approved the renewal of the Deposit Arrangement with HSBC and the relevant annual caps for each of the three years ending December 31, 2013, 2014 and 2015.

### **b. Historical amounts and proposed caps**

The historical maximum daily balance of the deposits with HSBC placed by the Group during each of the three financial years ended 31 December 2011 were RMB 410 million, RMB 795 million and RMB 2,709 million, respectively. The maximum amount of deposit which the Group could place with HSBC on any given day during each of the three years ending December 31, 2012 was USD1,500 million.

Taking into account factors including (i) the maximum historical daily balance of the deposits of the Group with HSBC during the three financial years ended 31 December 2011; (ii) the credit risks of the relevant banks; (iii) the cash flow position of the Group. The amount of cash and amounts due from banks and other financial institutions held by the Group as at 31 December 2011 was RMB 261,006 million and the potential increase of the Group's cash flow; (iv) the expected growth of the Group's business and the possible expansion of the Group's scope of business, respectively for the next three years; and (v) the annual cap of US\$1,500 million for each of three years ending 31 December 2012, the Board has decided to have the same maximum amount of deposit of USD1,500 million which the Group can place

with HSBC on any given day under the Deposit Arrangement with HSBC for each of the three years ending December 31, 2015. The Group would be able to have more flexibility to continue to transfer its bank deposits from one bank to another including HSBC, depending on different commercial terms from different banks, thereby seizing the opportunity to maximize the interest income.

The Directors (including the independent non-executive Directors) have taken into consideration the historical figures and matters mentioned above and its counterparty limits for banks with which the Group places deposits in determining the above cap and considered that the cap is fair and reasonable.

### **C. LISTING RULES IMPLICATIONS**

HSBC Insurance Holdings Limited is a wholly-owned subsidiary of HSBC Holdings plc and its interest in 618,886,334 shares of the Company is deemed to be the interest of HSBC Holdings plc. In addition, HSBC has a direct interest in 613,929,279 shares in the Company, which is also deemed to be the interest of HSBC Holdings plc. As HSBC Holdings plc is the substantial shareholder as defined in the Listing Rules and HSBC is an indirect subsidiary of HSBC Holdings plc, HSBC is therefore a connected person of the Company under Rule 14A.11(4) of the Listing Rules and the transactions contemplated under the Institutional Market Transactions Framework Agreement as well as the Deposit Arrangement with HSBC will constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.10 of the Listing Rules) in respect of the annual cap for each of (i) the transactions contemplated under the Institutional Market Transactions Framework Agreement; and (ii) the transactions contemplated under the Deposits Arrangement with HSBC, exceed 0.1% but less than 5%, all these transactions are only subject to the reporting, annual review and announcement requirements, and are exempt from the independent shareholders' approval requirement under the Listing Rules.

Due to the nature of general bank deposits arrangements and normal banking business practice, the bank accounts documentation does not provide for the bank accounts to be maintained for a fixed period of time not exceeding three years. Nevertheless, the bank accounts documentation does provide that the bank accounts can be terminated by giving a certain number of days' notice, meaning that the period of the bank deposits arrangements is not indefinite and can be terminated with notice. In this respect, the Company's sponsors in respect of the Company's application for listing on the Stock Exchange also gave their view at the time of the Company's listing that the arrangements with HSBC were normal arrangement. Reference is made to pages 159 of the prospectus of the Company dated June 14, 2004.

As Mr. Wong Tung Shun, Peter and Mr. Ng Sing Yip are representatives from HSBC and they are deemed to have material interests in the transactions under the Institutional Market Transactions Framework Agreement and the Deposit Arrangement with HSBC and have abstained from voting on the relevant board resolutions. Save as disclosed, none of the other Directors have material interests in the relevant transactions and were required to abstain from voting on the relevant board resolutions.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, save as disclosed above, there is no other continuing transaction entered into between the Company and HSBC and its ultimate beneficial owner(s) or otherwise related, which would be, together with the transactions contemplated under the Institutional Market Transactions Framework Agreement, regarded as a series of transactions and treated as if they are one transaction under Rule 14A.25 of the Listing Rules.

The Board (including the independent non-executive Directors) considers that the continuing connected transactions contemplated under Institutional Market Transactions Framework Agreement and the Deposit Arrangement with HSBC have been conducted on normal

commercial terms and were entered into on a continuing and regular basis and in the ordinary and usual course of business of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the annual caps for the continuing connected transactions contemplated under Institutional Market Transactions Framework Agreement and the Deposit Arrangement with HSBC are fair and reasonable.

#### **D. GENERAL INFORMATION OF THE COMPANY AND HSBC**

The Company together with its subsidiaries 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.

To the best of the knowledge of the Directors, HSBC, one of the largest banking and financial services organizations in the world, through its subsidiaries and associates, provides a comprehensive range of banking and related financial services to personal, commercial, corporate, institutional, investment and private banking clients, typically with large retail deposit bases and consumer finance operations.

#### **E. DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions have the following meaning:

“associate(s)”	has the meaning as ascribed under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Ping An Insurance (Group) Company of China, Ltd., a joint stock limited company duly incorporated in the PRC with limited liability, the A Shares of which are listed on SSE and the H Shares of which are listed on the Stock Exchange
“Deposits Arrangement with HSBC”	the arrangement in relation to the placing of deposits by the Group with HSBC
“Group”	the Company and its subsidiaries
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited
“HSBC Group”	HSBC and its subsidiaries and associates
“Independent Shareholders”	shareholders of the Company other than HSBC and its associates
“Institutional Market Transactions Framework Agreement”	the Institutional Market Transactions Framework Agreement entered into between the Company and HSBC on March 15, 2012 and which is for a term of three years from January 1, 2012 to December 31, 2014
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	The People's Republic of China

“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollars, the lawful currency of the United States of America

By order of the Board  
**Yao Jun**  
Company Secretary

Shenzhen, PRC, March 15, 2012

*As at the date of this announcement, the Executive Directors of the Company are Ma Mingzhe, Sun Jianyi, Wang Liping and Yao Jason Bo; the Non-executive Directors are Lin Lijun, Wong Tung Shun Peter, Ng Sing Yip, Li Zhe, Guo Limin, Cheung Chi Yan Louis and Fan Mingchun; the Independent Non-executive Directors are Zhang Hongyi, Chen Su, Xia Liping, Tang Yunwei, Lee Ka Sze Carmelo, Chung Yu-wo Danny and Woo Ka Biu Jackson.*