THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Ping An Insurance (Group) Company of China, Ltd., you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

中国平安
专业·价值 PING AN OF CHINA

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)

DISCLOSEABLE AND CONNECTED TRANSACTIONS ACQUISITION AND SUBSCRIPTION OF SHARES IN SHENZHEN COMMERCIAL BANK COMPANY LIMITED AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

A notice convening the Extraordinary General Meeting to be held at 10:00 a.m. on Friday, September 29, 2006 at 6th Floor, Ping An Building, Ba Gua No.3 Road, Shenzhen, PRC is set out on pages 49 to 50 of this circular.

A form of proxy for use at the Extraordinary General Meeting is enclosed and is also published on the website of the Stock Exchange (www.hkex.com.hk). Whether or not you intend to attend the Extraordinary General Meeting, you are requested to complete and return (i) the enclosed reply slip in accordance with the instructions printed thereon not later than Friday, September 8, 2006 and (ii) the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the Extraordinary General Meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the Extraordinary General Meeting and voting in person if you so wish.

August 15, 2006

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In this circular, unless the context otherwise requires, the following expressions have the following meanings respectively:

"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
"Announcement"	the announcement of the Company dated July 28, 2006 in respect of the Transactions
"Articles"	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
"BNP Paribas Peregrine"	BNP Paribas Peregrine Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company and a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571)
"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
"Domestic Shares"	shares in the Company which are subscribed for or credited as paid up in RMB by PRC nationals and/or PRC corporate entities
"EGM"	the extraordinary general meeting of the Shareholders to be convened to approve the Transactions
"Group"	the Company and its subsidiaries

"H Shares"	overseas listed foreign Shares which are listed on the Stock Exchange, and subscribed for and traded in Hong Kong dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"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
"Joint Stock Company"	a company of which the entire capital is divided into shares of equal value and shareholders shall be liable to the company to the extent of the shares subscribed by them
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"LPD"	August 10, 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"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

"SFO"	the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong
"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

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

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(Stock Code: 2318)

Executive Directors:
Ma Mingzhe
Sun Jianyi
Cheung Chi Yan Louis

Non-executive Directors:
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
Ng Sing Yip

Independent non-executive Directors:
Bao Youde
Kwong Che Keung Gordon
Cheung Wing Yui
Chow Wing Kin Anthony

Registered office:
Ping An Building
Ba Gua No.3 Road
Shenzhen, PRC

Principal place of business in Hong Kong:
11th Floor, Dah Sing Financial Center
108 Gloucester Road
Wan Chai
Hong Kong

August 15, 2006

To the Shareholders

Dear Sir or Madam,

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

(i) INTRODUCTION

Reference is made to the Announcement whereby the Board announced that on July 28, 2006, the Company had entered into the Share Purchase Agreement with the Vendors and the Share Subscription Agreement with SZCB 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 approximately RMB1,008,186,384 and 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.

The purpose of this circular is (i) to provide you with further information regarding the Transactions; (ii) to set out the opinions and recommendations of the IBC and BNP Paribas Peregrine; and (iii) to give you the notice of EGM.

(ii) 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 reorganization.

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; (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.

Other terms:

(a) The Vendors have undertaken, among other things, during the period from the date of the Share Purchase Agreement to the date of completion of the Acquisition, to procure SZCB without the consent of the Company not to carry out certain acts, which include any restructuring (including but not limited to merger with any other companies); debt incurred by non-operating activities (including bond issuance); unless proper and necessary, the employment and layoff of key members of staff or material change to employment terms and conditions of such key members of staff; and material capital expenditure and material guarantee (i.e. involving an amount exceeding RMB10 million).

(b) The Vendors shall procure the support for deposit-taking and lending business of SZCB within 6 months from the date of completion of the Acquisition.

(c) The Company, where in compliance with the requirements of regulatory authorities, will allow SZCB to acquire the Company's controlling stake in Ping An Bank Limited or to convert Ping An Bank Limited into a branch of SZCB.

(d) Since the Acquisition is based on the fact that the Company has engaged appropriate advisers to conduct or in its own capacity has conducted due diligence on the actual situation of SZCB, which includes but not limited to the establishment, existence, legal position, operating rights and licence, property, finance, current contracts and its performance, as well as any legal proceedings which has arisen or may arise, any party to the Acquisition does not have the right to suggest any form of compensation from the other in relation to its commercial decision made for the Acquisition.

(e) Within 12 months from the date of completion of the Acquisition, if the Company discovers that prior to completion, SZCB or its employees had committed such acts of misconduct or fraud (including but not limited to those penalised by regulatory authorities) or fraud of customers of SZCB was found by regulatory authorities, which has not been disclosed during the due diligence exercise and which has an accumulated direct negative impact on SZCB's assets of over RMB100 million, the Vendors shall jointly and severally compensate the Company in proportion to their respective shareholding of the transferred shares for the accumulated loss in excess of RMB100 million up to a maximum of RMB500 million.

(f) Should any of the warranties by any one of the Vendors be untrue, inaccurate, breached, or owing to any other reasons SZCB suffers material adverse effects which will reduce the net asset value of SZCB by RMB200 million or above, the Company has the right to terminate the Share Purchase Agreement following a 45 day period in which the Vendors shall be allowed to take remedial action.

(g) No express warranty was given by the Vendors as to the net asset value of SZCB in the Share Purchase Agreement. The Share Purchase Agreement provides that (i) if there are any adverse material effect which will reduce the net asset value of SZCB by RMB200 million or above, the Company has the right to terminate the Share Purchase Agreement following a 45 day period in which the Vendors shall be allowed to take remedial action; and (ii) the Vendors shall jointly and severally compensate the Company in proportion to their respective shareholding of the transferred shares for the accumulated loss in excess of RMB100 million up to a maximum of RMB500 million for certain acts or fraud.

The Directors currently intend that if there are any adverse material effect which will reduce the net asset value of SZCB by RMB200 million or above, they will not proceed with the Acquisition unless the Vendors have taken remedial action to their satisfaction. In the event that (i) the net asset value of SZCB is reduced by not more than RMB200 million and (ii) the Acquisition is not terminated, the P/B multiple implied by the Transactions will be up to 1.87x.

Save as for the above, the Share Purchase Agreement does not contain any other express terms setting out a monetary remedy against the Vendors for any amount of reduction in the net asset value of SZCB.

Since June 2006, an interim working committee has been established consisting of four representatives of the Company and two from SZCB which meets bi-weekly to consider any issues of major significance to SZCB (including but not limited to material credit decisions, capital investment, human resource decisions etc.). This is also intended to protect the Company's interests during the period before the completion of the Acquisition. The Company plans to conduct a special audit in order to ascertain the financial position of SZCB upon completion of the Share Purchase Agreement.

(iii) 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	1,600,000,000 (100%)	1,600,000,000 (100%)	5,502,000,000 (100%)

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 completion of the Agreements, SZCB will become an approximately 89.24% owned subsidiary of the Company.

Basis for determination of the consideration for the Transactions

Pursuant to an invitation for expression of interest to acquire a controlling interest in SZCB, the Company submitted a bid and was selected as the preferred bidder. Following further negotiations, the Transactions were concluded with the signing of the Share Purchase Agreement and the Share Subscription Agreement on July 28, 2006. 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) the asset purchase agreement dated July 28, 2006 and entered into by the Shenzhen Finance Bureau pursuant to which it shall purchase from SZCB original book value of RMB1,008 million worth of non-performing asset at a consideration of RMB1,008 million, which consideration is payable at completion of such asset purchase agreement;

(h) based on the foregoing factors, the price-to-book multiple of approximately 1.75x, which is derived from the aggregate consideration of RMB4,910,186,384 for the approximate 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 Finance Bureau 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.

(iv) REASONS AND BENEFITS FOR THE TRANSACTIONS

SZCB is a commercial bank established as a Joint Stock Company in the PRC 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 banking, personal internet banking. SZCB has an extensive operation network in Shenzhen, including 46 branches and about 150 automatic teller machines as at the LPD. The following is a summary of the financial information extracted from the relevant audited financial statements of SZCB prepared in accordance with PRC GAAP:

BALANCE SHEET	**As at 31/12/2005** *(RMB million)*	**As at 31/12/2004** *(RMB million)*
Current assets	33,134	32,968
Current liabilities	(63,831)	(62,151)
Net current liabilities	(30,697)	(29,182)
Total assets	69,937	66,925
Total liabilities	(67,535)	(64,787)
Net assets	2,403	2,138

INCOME STATEMENT	**Year ended 2005** *(RMB million)*	**Year ended 2004** *(RMB million)*
Net interest income	1,008	865
Operating profit	846	591
Provision for loan impairment	(530)	(396)
Net profit	269	155

CASH FLOW STATEMENT	**Year ended 2005** *(RMB million)*	**Year ended 2004** *(RMB million)*
Operating cash inflow (total)	61,119	67,865
Operating cash outflow (total)	(63,482)	(65,569)
Net cash inflow/(outflow) from operating activities	(2,363)	2,296
Investing cash inflow (total)	26,171	29,082
Investing cash outflow (total)	(24,682)	(33,570)
Net cash inflow/(outflow) from investing activities	1,489	(4,489)
Financing cash inflow (total)	–	–
Financing cash outflow (total)	(4)	(30)
Net cash inflow/(outflow) from financing activities	(4)	(30)
Decrease in cash and cash equivalents	(877)	(2,222)

The profit attributable to shareholders of SZCB increased by RMB114 million, or 73.5%, to RMB269 million for the year ended December 31, 2005 from RMB155 million for the year ended December 31, 2004, primarily due to the increase in net interest income, which increased by RMB143 million to RMB1,008 million from RMB865 million during the same period. The net assets of SZCB increased by 12.3% to RMB2,403 million as at December 31, 2005 from RMB2,138 million as at December 31, 2004 primarily due to the net profit generated during the year ended December 31, 2005.

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. The Acquisition is expected to provide the Company with the opportunity to further develop its multiple financial services platform to support its three pillar business strategy of insurance, banking and asset management. The primary product to be cross sold from the Company to SZCB is expected to be Bancassuance products, which is at present one of the three major sales channel of the Company's life insurance business line. With the acquisition of SZCB, the Company expects the relative contribution of the Bancassurance segment to the Group's business to increase. On the other hand, the primary product to be cross sold from SZCB to the Company is expected to be credit cards.

The Directors are of the view that it is the right timing for the Company to invest in SZCB, which is of an appropriate investment scale in comparison with the Company and its existing banking business. The Directors consider that the strategic investment in SZCB can foster the development of its banking business platform. By fully utilising the advantages mentioned above 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.

Currently, SZCB's asset portfolio is concentrated in real estate lending, with the majority being loans/advances to property developers and residential and commercial mortgages. In order to reduce the concentration of its loan profile, in the future SZCB will focus on businesses with (i) mass retail market; (ii) wealthier individuals; and (iii) small and medium enterprises. It is expected SZCB will group its customers into different segments so as to allow SZCB to create a sustainable competitive positioning in the market. A branch network planning and development function will be established to ensure that the growth and development of the branch network in the future is aligned with the customer segment strategies.

Upon completion of the Acquisition, the board of directors of SZCB will be restructured with the introduction of directors with relevant international and domestic experience and the board committee infrastructure will be upgraded to improve SZCB's corporate governance. Management capability of SZCB will also be enhanced through additions of new and experienced resources to the management team. It is currently expected that new appointments will be made and more resources will be allocated to the areas of compliance, operations and technology, credit cards and retail banking etc..

The Company is preparing a detailed implementation plan for the future development of SZCB as the Company just entered into the Agreements on July 28, 2006. Given the strengths of the Group in the financial services industry, the Directors are confident of the future business development of SZCB and its collaboration with other business of the Group.

(v) 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 LPD, 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. Their letters to the independent Shareholders are set out on pages 18 to 19 of this circular.

(vi) 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 292,064,574 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 consideration of RMB1,008 million to be received from the Shenzhen Finance Bureau, the percentage of non-performing loans to be sold under asset purchase agreement will be 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 material 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 of a difference in accounting standards, 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 Company plans to perform a full scope audit to assess the financial position of SZCB upon completion of the Acquisition.

(vii) FINANCIAL IMPACT OF THE TRANSACTIONS

Following completion of the Agreements, SZCB will become a subsidiary of the Company and the assets and liabilities and results of SZCB will be consolidated with those of the Group. The directors of the Company do not expect the Transactions to have any immediate material effect on the earnings, assets or liabilities of the Company or the Group. Nevertheless, as a result of potential synergies to be generated, the Board expects long-term earnings benefits to result from the Transactions.

Since the consideration for the Acquisition and the Subscription Monies shall be payable in cash by the Company, which will be satisfied by the internal resources of the Group, the Directors anticipate that there would be no significant adverse effect on the net asset value of the Group resulting from the Transactions. However, the cash and cash equivalents of the Group will be reduced accordingly.

(viii) EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at 10:00 a.m. on Friday, September 29, 2006 at 6th Floor, Ping An Building, Ba Gua No.3 Road, Shenzhen, PRC, is set out on pages 49 to 50 of this circular.

In order to determine the list of Shareholders who are entitled to attend the EGM, the Company's registers of members will be closed from Wednesday, August 30, 2006 to Friday, September 29, 2006, both days inclusive, during which period no transfer of Shares will be effected. Holders of H Shares and Domestic Shares whose names appear on the Company's registers of members on Friday, September 29, 2006 are entitled to attend the EGM. In order to attend and vote at the EGM, holders of H Shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at or before 4:00 p.m. on Tuesday, August 29, 2006. The address of the transfer office of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

A form of proxy for use at the EGM is enclosed and is also published on the website of the Stock Exchange (www.hkex.com.hk). Whether or not you intend to attend the EGM, you are requested to complete and return (i) the enclosed reply slip in accordance with the instructions printed thereon not later than Friday, September 8, 2006 and (ii) the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish.

(ix) PROCEDURE FOR DEMANDING A POLL AT THE EGM

According to the Articles of Association, a resolution will be determined on a show of hands unless before or after any vote on a show of hands, a poll is demanded. A poll may be demanded by (i) the chairman of the meeting; or (ii) at least two Shareholders entitled to vote, present in person or by proxy; or (iii) by one or more Shareholders present in person or by proxy representing more than 10% of all Shares carrying the voting rights at the meeting.

(x) RECOMMENDATION

The Agreements were 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 Articles, 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.

The Directors believe that the ordinary resolutions to approve the Share Purchase Agreement and Share Subscription Agreement and the transactions contemplated thereunder are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all the Shareholders should vote in favour of the ordinary resolutions to be proposed at the EGM as set out in the notice of extraordinary general meeting.

(xi) ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the letter from the IBC set out on pages 18 to 19 of this circular, the letter from BNP Paribas Peregrine set out on pages 20 to 41 of this circular and the Appendix to this circular.

Yours faithfully,
For and on behalf of the Board of Directors
PING AN INSURANCE (GROUP) COMPANY OF CHINA, LTD.
Ma Mingzhe
Chairman and Chief Executive Officer

The following is the text of a letter from the Independent Board Committee to the Shareholders in connection with the Transactions for inclusion in this circular.

中国平安
专业·价值 PING AN OF CHINA

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)

August 15, 2006

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated August 15, 2006 issued by the Company (the "**Circular**") of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Transactions and to advise the independent Shareholders as to the fairness and reasonableness of the Transactions and to recommend how the independent Shareholders should vote at the EGM. BNP Paribas Peregrine has been appointed to advise us, the IBC in relation to the Transactions.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 17 of the Circular, and the letter from BNP Paribas Peregrine to us, the IBC and the independent Shareholders containing its advice in respect of the Transactions, as set out on pages 20 to 41 of the Circular.

Having taken into account of the principal factors and reasons considered by BNP Paribas Peregrine and its conclusion and advice, we concur with the view of BNP Paribas Peregrine and consider that the terms of each of the Share Purchase Agreement and the Share Subscription Agreement to be fair and reasonable so far as the independent Shareholders are concerned and that both the Acquisition and the Subscription are in the interests of the Company and the

Shareholders as a whole. Accordingly, we recommend the independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Share Purchase Agreement and the Share Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,
the Independent Board Committee

Bao Youde	**Kwong Che Keung Gordon**	**Cheung Wing Yui**	**Chow Wing Kin Anthony**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

BNP PARIBAS PEREGRINE

August 15, 2006

The IBC and the independent Shareholders
Ping An Insurance (Group) Company of China, Ltd.
Ping An Building
Ba Gua No. 3 Road
Shenzhen, PRC

Dear Sirs,

CONNECTED TRANSACTIONS IN RELATION TO ACQUISITION AND SUBSCRIPTION OF SHARES IN SHENZHEN COMMERCIAL BANK COMPANY LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the IBC and the independent Shareholders in respect of the Non-exempt Connected Transactions (as defined below), details of which are set out in the Letter from the Board contained in the circular of the Company dated August 15, 2006 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

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 in SZCB, representing approximately 63% of the entire issued share capital of SZCB as at the date of the Share Purchase Agreement for a consideration of approximately RMB1,008 million and entered into the Share Subscription Agreement with SZCB 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, at a consideration of RMB3,902 million. Completion of each of the Share Purchase Agreement and the Share Subscription Agreement will be conditional upon, inter alia, the other agreement becoming unconditional in all respects. Following completion of the Agreements, SZCB will become an approximately 89.24% owned subsidiary of the Company.

Shenzhen Investment Holdings Co., Ltd. (one of the Vendors) 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 the Listing Rules. Therefore, the Acquisition constitutes a connected transaction of the Company under the Listing Rules.

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

Both the Acquisition and Subscription constitute connected transactions (the "Non-exempt Connected Transactions") of the Company under the Listing Rules and are subject to the approval of the independent Shareholders.

Apart from normal professional fees for our services to the Company as described above, no arrangement exists whereby we will receive any fees or benefits from the Company, their parent company, their respective subsidiaries, or any of their respective associates.

As at the LPD, BNP Paribas Arbitrage (HK) Ltd. ("BNP Paribas Arbitrage"), a member of a group of companies ("BNP Paribas Group") to which we belong, had the following interests in the Company and a connected person of the Company:

	Number of shares held by BNP Paribas Arbitrage	**% of issued share capital**
The Company	907,000	0.015%
HSBC Holdings plc	10,156,250	0.088%

We do not however consider these interests (which were less than the 5% of the issued share capital of the respective companies as at the LPD as stipulated in Rule 13.84(1) of the Listing Rules) would affect the objectivity of our advice. We consider ourselves independent to give independent financial advice to the IBC and the independent Shareholders in relation to the Non-exempt Connected Transactions pursuant to Rule 13.84 of the Listing Rules. We also consider ourselves to have complied with Rule 13.80 of the Listing Rules. We do not consider these shareholding interest would affect the objectivity of our advice: such interests so held in the Company is no difference from those held by the independent Shareholders in respect of the Transactions. Moreover, the aggregate value of the shares in the Company and its connected person so held is immaterial in terms of either the consolidated gross or net assets of BNP Paribas group taken as a whole.

In formulating our opinions and recommendations, we have relied on the information and facts supplied by or on behalf of the Company and the opinions expressed by, and the representations of, the directors of the Company (the "Directors") and management of the Company, including those set out in the Circular. We understand that the Company and its advisers have conducted due diligence on SZCB and we have assumed that all the information and representations so supplied and all information and representations referred to or contained in the Circular, for which the Company and the Directors are solely and wholly responsible, were true, accurate and complete at the time they were made and up to the date of the Circular.

We have assumed that all of the expectations of the Directors can be met. We have also relied on certain information available to the public and we have assumed such information to be accurate and reliable. No representation or warranty, expressed or implied, is made by us on the accuracy of such information or representation. We have also discussed with the Directors the terms of and reasons for the Non-exempt Connected Transactions. We have also sought and received confirmation from the executive Directors that no material facts or information have been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration. We consider that we have received and have reviewed sufficient information to enable us to form a reasonable basis for our opinion and we have no reason to believe that any material information has been withheld or omitted, or doubt the truth or accuracy of the information provided or representations made.

We have not, however, carried out any independent verification of such information, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Company, SZCB or other parties involved in the Non-exempt Connected Transactions.

Our opinion is necessarily based upon market, economic and other conditions as they existed and could be evaluated upon, and on the information publicly available to us as of the LPD. We have no obligation to update this opinion to take into account events occurring after this opinion is delivered to the IBC and the independent Shareholders. As a result, circumstances could develop prior to completion of the Non-exempt Connected Transactions that, if known at the time we rendered our opinion, would have altered our opinion. We assume no responsibility or liability under such circumstances.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering the Non-exempt Connected Transactions for the purpose of giving our independent financial advice to the IBC and the independent Shareholders, we have analysed the Non-exempt Connected Transactions as set out below.

1. Background of the PRC's Banking Industry

1.1. Industry Structure

The PRC banking sector can be broadly classified into seven categories, namely, the Big Four, other joint stock commercial banks, city commercial banks, urban credit cooperatives, rural credit cooperatives, foreign-invested commercial banks and other financial institutions.

The following table sets forth the number of banking institutions, total assets and average assets size for each category as of December 31, 2004:

	Number of institutions	Total assets	Average assets size
	(In billions of RMB, except for number of institutions)		
Big Four(1)	4	17,859.5	4,464.9
Joint stock commercial banks(2)	12	4,803.4	400.3
City commercial banks(3)	112	1,705.6	15.2
Rural credit cooperatives(4)	32,869	3,133.2	0.1
Urban credit cooperatives(5)	623	178.7	0.3
Foreign-invested commercial banks(6)	67	582.3	8.7
Others(7)	149	4,369.9	29.3

Source: CBRC, Banks' annual reports

Notes:

(1) Consists of China Construction Bank, Industrial and Commercial Bank of China, Agricultural Bank of China, and Bank of China.

(2) Licensed to engage in commercial banking activities nationwide but is usually of a smaller size with a more regional focus than the Big Four.

(3) Permitted to engage in commercial banking activities generally within specific geographic areas.

(4)/(5) Provide a limited range of designated banking products and services for small enterprises and local residents.

(6) Subject to certain restrictions on their operations expected to be lifted by the end of 2006.

(7) Consists of policy banks, the postal savings bureau, finance companies, trust and investment companies and financial leasing companies.

1.2. Regulatory Environment

(a) City Commercial Banks

City commercial banks are permitted to make full provision for doubtful debts before end of 2008 and are required to meet capital adequacy ratio ("CAR") of 8% by January 1, 2007 in accordance with relevant rules and regulations.

(b) Foreign Invested Banks

Under the Foreign-Invested Financial Institutions Regulations, foreign financial institutions may establish branches, joint venture banks or wholly foreign-owned banks in the PRC, subject to the approval of the CBRC. Foreign-invested commercial banks are permitted to engage in taking foreign currency-denominated deposits, making foreign currency-denominated loans, accepting and discounting financial instruments, dealing in government bonds, financial institution bonds and certain other approved activities. Currently, foreign-invested commercial banks, upon approval, may provide RMB-denominated banking services to corporate customers and non-PRC nationals in 25 major cities. All geographical restrictions are expected to be removed by December 2006. In addition, foreign-invested commercial banks are expected to be permitted to provide RMB-denominated banking services to PRC nationals by December 2006.

(c) Equity Investment by Foreign Financial Institutions in PRC Banks

Under the Measures on Equity Investment by Overseas Financial Institutions (the "Measures") issued on December 8, 2003, foreign equity investment in a PRC commercial bank is currently subject to CBRC's approval. According to these Measures, the equity investment by a single foreign financial institution in a PRC commercial bank shall not exceed 20%. Total foreign ownership in a PRC commercial bank is limited to 25% of its capital. One foreign bank may only invest in 2 PRC commercial banks of the same type.

1.3. Industry Trends

(a) Increasing Demand for Consumer Banking Products and Insurance and Asset Management Services

The continued rapid economic growth in the PRC fosters domestic wealth creation and accumulation. For the period between 2001 and 2005, the PRC GDP per capita has increased at a compound annual growth rate ("CAGR") of 15.8% whilst annual disposal income per capita in the PRC in respect of urban and rural households has increased at a CAGR of 11.2% and 8.3% respectively. The growth in domestic wealth has created increasing demand for consumer banking products. As the PRC economy continues to develop, customer demand for financial products and services is expected to become more diverse and sophisticated, which also drives the demand for insurance and asset management services.

(b) Increasing Foreign Competition

Competition within the PRC from foreign banks is expected to increase in the future as the PRC fulfils its obligations pursuant to the undertakings it made upon its accession into the World Trade Organisation ("WTO") in December 2001. As of the beginning of December 2005, foreign banks were allowed to offer foreign currency-denominated products and services in the PRC without any geographic restrictions and Renminbi-denominated products and services in 25 major cities. It is expected that beginning in December 2006, foreign banks will be allowed to conduct commercial banking activities (both foreign currency-denominated and Renminbi-denominated) in the PRC without any geographic restrictions. More commercial banks from Hong Kong are expected to enter into the PRC banking market in the coming years since pursuant to the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA"), Hong Kong commercial banks with total assets of US$6 billion or more may apply to open branches in the PRC, compared with the requirement of US$20 billion in total assets for banks incorporated in other foreign jurisdictions.

2. Recent Developments of the PRC's Insurance Industry

The PRC economy is expected to continue its growth at a fast and healthy pace for the rest of this year. With the improvement in purchasing power and living standard of the Chinese citizens, the demand for financial services is expected to develop towards comprehensive wealth management. Pursuant to the provisions governing the PRC's admission to the WTO, by the end of 2006, the finance industry in the PRC will be completely open to the world, thus signalling the end of the transitional period. By that time, it is expected that more foreign financial institutions will enter into the PRC. With the increase in market competitors, domestic financial institutions are expected to speed up their reform and restructuring process in order to compete in the financial services market in the PRC. We note that other PRC insurance companies are also considering expanding their businesses into the provision of other financial services so as to diversify their earning streams. For instance, China Life Insurance Company Limited announced on June 27, 2006 to subscribe for 11.89% of the enlarged share capital of CITIC Securities for RMB3,252 million.

3. Background of SZCB

SZCB is a commercial bank established as a Joint Stock Company in the PRC and approved by the PBOC. As at the end of 2004, SZCB ranked 17th amongst banks in the PRC and 3rd amongst city banks in terms of assets value. As SZCB is located in Shenzhen Special Economic Zone, its applicable corporate income tax rate is 15%. The following is a summary of the financial information extracted from the relevant audited financial statements of SZCB prepared in accordance with PRC GAAP.

BALANCE SHEET	**As at 31/12/2005** *(RMB million)*	**As at 31/12/2004** *(RMB million)*
Current assets	33,134	32,968
Current liabilities	(63,831)	(62,151)
Net current liabilities	(30,697)	(29,182)
Total assets	69,937	66,925
Total liabilities	(67,535)	(64,787)
Net assets	2,403	2,138

INCOME STATEMENT	Year ended 2005 (RMB million)	Year ended 2004 (RMB million)
Net interest income	1,008	865
Operating profit	846	591
Provision for asset and loan impairment	(530)	(396)
Net profit	269	155

CASH FLOW STATEMENT	Year ended 2005 (RMB million)	Year ended 2004 (RMB million)
Operating cash inflow (total)	61,119	67,865
Operating cash outflow (total)	(63,482)	(65,569)
Net cash inflow/(outflow) from operating activities	(2,363)	2,296
Investing cash inflow (total)	26,171	29,082
Investing cash outflow (total)	(24,682)	(33,570)
Net cash inflow/(outflow) from investing activities	1,489	(4,489)
Financing cash inflow (total)	–	–
Financing cash outflow (total)	(4)	(30)
Net cash outflow from financing activities	(4)	(30)
Decrease in cash and cash equivalents	(877)	(2,222)

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 net profits of RMB155 million and RMB269 million after taxation and extraordinary items respectively.

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 advisers, the net liability value of SZCB was approximately RMB1,771 million as at December 31, 2005. The net liability value as at December 31, 2005 included all material 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. As a result of the difference in accounting requirements between PRC GAAP and IFRS, 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. We are given to understand that the necessary information required for the Company to properly apportion the adjustments to years prior to 2005 was not available.

Based on the audited accounts of SZCB prepared in accordance with PRC GAAP, as at December 31, 2005, SZCB had total loans (before impairment provisions) of RMB43,724 million and the estimated non-performing loans was RMB4,636 million which represented 10.6% of the total loans.

Furthermore, as at December 31, 2005, a significant portion of the total customer deposits of SZCB was sourced from its related parties, predominantly from the Shenzhen Finance Bureau. We are given to understand that no preferential rate was given to such related parties.

4. Reasons for and benefits of the Non-exempt Connected Transactions

4.1. In line with Company's strategy to become an integrated financial services provider

It is stated in the Letter from the Board contained in the Circular that the acquisition of SZCB is in line with the Company's strategy as set out in the Company's 2005 annual report of growing its existing banking business in order to fully leverage the Group's strengths. In fact, the Company already has subsidiaries engaged in financial services other than insurance such as Ping An Bank Limited, Ping An Securities Company, Ltd., and Ping An Asset Management Co. Ltd. The Directors consider the Group possesses the following strengths – the Group's strong national brand and infrastructure and ability to cross-sell banking and insurance products to the Group's customers; further development of product bundling opportunities (especially in the area of wealth management); and the Group's strong technology infrastructure and its staff's sales and marketing expertise. Therefore, the Acquisition is expected to provide the Company the opportunity to further develop its multiple financial services platform to support its three pillar business strategy of insurance, banking and asset management.

We note from the Company's 2005 annual report that the Group's insurance business has been gradually transformed into a group sales channel that offers comprehensive financial services. Positive results in product structuring, team quality and back-office support management has been achieved. Its bancassurance business has effectively maintained its business platform, team scale and core branch network. In addition, according to the Company's 2005 annual report that its distribution network includes a sales force of approximately 200,000 individual life insurance sales agents and approximately 1,600 group insurance sales representatives.

We also note from the Company's 2005 annual report that the Company's subsidiary engaged in banking business, Ping An Bank Limited, recorded net profits of approximately RMB7 million in 2005, compared with approximately RMB3 million in 2004. Total revenue amounted to approximately RMB25 million in 2005 compared with approximately RMB10 million in 2004. As at the LPD, Ping An Bank Limited had 2 branches, compared with SZCB, which is of a larger business scale and had 46 branches. We understand from the management of the Company that Ping An Bank Limited has obtained preliminary approval to prepare for RMB-denominated business for corporate customers and to increase its registered capital by RMB200 million. The capital injection has been made. We have been advised by the management of the Company that prior to and after the increase in registered capital, the Company holds approximately 73% in the registered capital of Ping An Bank Limited.

The primary product to be cross sold by the Company to SZCB is expected to be the products of the Company's bancassurance business, which is at present one of the three major business lines of the Company's life insurance business. With the acquisition of SZCB, the Company expects the relative contribution of the bancassurance segment to the Group's business to increase. On the other hand, the primary product to be cross sold from SZCB to the Company is expected to be credit cards. By fully utilising the strengths of the Group in the financial sector, the Company will be well positioned to diversify its earnings into an area of high growth and returns.

4.2. Choice of SZCB to cope with the Company's strategic development

In the face of increasing market competition, domestic financial institutions are expected to speed up their reform and restructuring process in order to gain a competitive edge in the financial services market in the PRC. Insurance companies in the PRC are also considering expanding their businesses into the provision of other financial services so as to diversify their earning streams. At the same time, the continued rapid economic growth in the PRC fosters domestic wealth creation and accumulation, which gives rise to a strong foundation for development in the PRC banking industry. Against these backgrounds, the Company has decided to move forward in its business development. Against the scarcity of investment opportunities in the PRC's banking sector, the Directors are of the view that it is a right timing for the Company to invest in SZCB, which is of an appropriate investment scale in comparison with the Company and its existing banking business. As stated in the Letter from the Board contained in the Circular that SZCB is a commercial bank established as a Joint Stock Company in the PRC and approved by the PBOC and as at the end of 2004, SZCB ranked 17th amongst banks in the PRC and 3rd amongst city banks in terms of assets value. The Directors consider that the strategic investment in SZCB can foster the development of its banking business platform.

4.3. Strengthen Company's leading regional position in the financial services market

SZCB provides wide-ranging services in both commercial and personal banking, including deposit services, clearing services, foreign exchange, financing, corporate banking, personal internet banking. SZCB has an extensive operation network in Shenzhen, including 46 branches and 150 automatic teller machines as at the LPD.

SZCB has not yet launched a credit card product but the necessary credit card licence has been granted by the CBRC. 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. The platform of SZCB is expected to provide instant access to other retail banking market segments such as mortgage lending.

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. Given that SZCB is also located in Shenzhen, at where the Group's headquarters is situated, there is greater synergy expected to be gained from leveraging on regional cooperative advantages.

4.4. Implementation plan for the Non-exempt Connected Transactions

Currently, SZCB's asset portfolio is concentrated in real estate lending, with the majority being loans/advances to property developers, residential and commercial mortgages. In order to reduce the concentration of loan profile, in the future SZCB will focus on businesses with i) mass retail market; ii) wealthier individuals; and iii) small and medium enterprises. It is expected SZCB will group its customers into different segments so as to allow SZCB to create a sustainable competitive positioning in the market.

A branch network planning and development function will be established to ensure that the growth and development of the branch network in the future is aligned with the customer segment strategies.

As advised by the Directors and management of the Company, upon completion of the Acquisition, the board of directors of SZCB will be restructured with the introduction of directors with relevant international and domestic experience and the board committee infrastructure will be upgraded to improve SZCB's corporate governance. Management capability of SZCB will also be enhanced through additions of new and experienced resources to the management team. It is currently expected that new appointments will be made and more resources will be allocated to the areas of compliance, operations and technology, credit cards and retail banking etc.

We understand that the Company is preparing a detailed implementation plan for the future development of SZCB and the detailed implementation plan is not yet available as the Company just entered into the Agreements on July 28, 2006. Given the strengths of the Group in the financial services industry, the Directors are confident to the future business development of SZCB and its collaboration with other business of the Group.

Having considered the above reasons and factors, there is no reason for us to doubt the commercial reasoning of the Non-exempt Connected Transactions.

5. Terms of the Non-exempt Connected Transactions

5.1. Basis of the Consideration

– *Invited bidding*

It is stated in the Letter from the Board contained in the Circular that pursuant to an invitation for expression of interest to acquire a controlling interest in SZCB, the Company submitted a bid and was selected as the preferred bidder. Following further negotiations, the Transactions were concluded with the signing of the Share Purchase Agreement and the Share Subscription Agreement on July 28, 2006. Despite the invited bidding process, the Acquisition and Subscription constitute connected transactions of the Company under Listing Rules due to the reasons mentioned in the introduction section.

– *Factors considered in determining the consideration*

The consideration for the Acquisition in accordance with the Share Purchase Agreement is approximately RMB1,008 million and the consideration for the Subscription in accordance with the Share Subscription Agreement is RMB3,902 million. The terms of the Non-exempt Connected Transactions were arrived at after arm's length negotiation with reference to:

(a) strategic benefit that SZCB may provide to the Group in developing 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 CAR 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) the asset purchase agreement dated July 28, 2006 and entered into by the Shenzhen Finance Bureau and SZCB pursuant to which the Shenzhen Finance Bureau shall purchase from SZCB non-performing assets with an aggregate original book value of RMB1,008 million at a consideration of RMB1,008 million, and the asset purchase agreement will become effective upon the payment of the consideration for the Acquisition by the Company. We understand from the management of the Company that this transaction will improve the adjusted unaudited net asset value of SZCB in accordance with IFRS; and

(h) based on the foregoing factors, the price-to-book multiple of approximately 1.75x, which is derived from the aggregate consideration of approximately RMB4,910 million for the approximate 89.24% shareholding in SZCB, on one hand, and SZCB's adjusted unaudited net asset value of RMB3,139 million prepared in accordance with IFRS, which was based on the audited net asset value of SZCB as at December 31, 2005 prepared under PRC GAAP and has given effect to the Subscription and the purchase of non-performing assets by the Shenzhen Finance Bureau pursuant to the asset purchase agreement, on the other hand.

Both the price of the shares in SZCB under the Share Purchase Agreement and that under Share Subscription Agreement are at par value of RMB1 per share, which is comparable to the price of RMB1.04 per share for the transfer of shares in SZCB to some of the employees of SZCB on January 24, 2006 as mentioned as a post-balance sheet date event in the 2005 audited financial statements of SZCB.

In assessing the fairness of the terms of Non-exempt Connected Transactions, we have considered the factors set out below.

– *Market Comparables*

In formulating our opinion, we have conducted the ratio analysis set out below and have considered such ratios of certain selected listed companies principally engaged in banking business in the PRC (the "Market Comparables"). The following table sets out the relevant ratios of certain comparable listed companies based on i) their respective average closing price for the last 30 trading days up to and including the date of the Agreements (i.e. July 28, 2006); and ii) their latest fiscal year's publicly available financial information.

Table 1: Market Information of Market Comparables

	P/E	P/B	ROE	Operating profit	Year-on-year change	Net profit	Year-on-year change	Market Cap.
				(FY2005 figures in million RMB, except for ratios)				
Hong Kong Listed Banks								
Bank of China	29.85	3.46	11%	65,122	7%	25,921	16%	901,343
Bank of Communications	25.22	2.84	11%	17,141	56%	9,249	477%	230,234
China Construction Bank	17.00	2.82	16%	70,622	17%	47,103	–4%	790,338

	P/E	P/B	ROE	Operating profit	Year-on-year change	Net profit	Year-on-year change	Market Cap.
	(FY2005 figures in million RMB, except for ratios)							
PRC Listed Banks								
China Merchant Bank	20.80	3.00	14%	10,098	22%	3,749	14%	77,987
China Minsheng Banking	11.16	1.99	18%	5,852	39%	2,760	37%	30,797
Huaxia Bank	12.92	1.67	13%	3,777	21%	1,401	36%	18,096
Shanghai Pudong Development Bank	14.64	2.34	16%	7,535	21%	2,558	30%	37,442
Shenzhen Development Bank	50.74	2.86	6%	2,803	–1%	286	–13%	14,535
Average	**23.48**	**2.70**	**13%**	**27,564**	**21%**	**13,216**	**68%**	**263,691**
Median	**20.80**	**2.84**	**13%**	**10,098**	**21%**	**3,749**	**16%**	**77,987**
SZCB	**nm**	**1.75**	**nm**	**na**	**na**	**nm**	**nm**	**nm**

Source: Company 2005 Annual Reports, Datastream

Notes:

(1) All the financial figures of Market Comparables are based on 2004 and 2005 financial results prepared under IFRS.

(2) Each of the Market Comparables is selected based on certain criteria, including:

a. a minimum of approximately 60% of the core revenue is generated within the PRC;

b. the company was making a profit during the period under consideration; and

c. the company is listed on a recognised stock exchange.

(3) Respective company's market capitalisation was determined according to information available from Datastream based on the average closing price for the last 30 trading days up to and including the date of the Agreements.

(4) Operating profit is shown on a before impairment loss on loans and advances and others basis whilst net profit refers to net profit attributable to shareholders as set out in the financial statements of the respective companies for the latest publicly available fiscal year.

(5) P/B multiple of 1.75x of SZCB is derived from the aggregate consideration of approximately RMB4,910 million for the approximate 89.24% shareholding in SZCB, on one hand, and SZCB's adjusted unaudited net asset value of RMB3,139 million prepared in accordance with IFRS, which was based on the audited net asset value of SZCB as at December 31, 2005 prepared under PRC GAAP and has given effect to the Subscription and the purchase of non-performing assets by the Shenzhen Finance Bureau pursuant to the asset purchase agreement, on the other hand.

(6) Exchange rate for the date of the Agreements of RMB1=HK$0.9738 has been used.

(7) nm – not meaningful; na – not applicable.

(8) P/E multiple of SZCB is not meaningful for comparison purpose as its 2005 net profit figure under IFRS was negative.

It should be noted that Market Comparables are listed companies and are more liquid and sizable compared with SZCB. It should also be noted that the businesses, operations and prospects of SZCB are not completely the same as those companies set out in the table above. Some of the Market Comparables are national commercial banks whilst SZCB is a city commercial bank. As such, such information should be used with care.

– *Completed Transactions*

We have identified the following completed transactions which involved the acquisition of equity interests in PRC banks by foreign investors (the "Completed Transactions") and, to some extent, are in our view comparable to the Non-exempt Connected Transactions. The relevant percentages of interest acquired, the P/B ratio and the P/E ratio for the Completed Transactions are as follows:

Date	**Target name**	**Acquiror name**	**Percentage of interest acquired**	**P/B multiple**	**PE multiple**
May 2004	Shenzhen Development Bank	Newbridge Asia AIV III LP	17.89	1.65	22.19
July 2004	China Minsheng Bank	International Finance Corporation	1.08	1.49	8.16
December 2004	Chinese Mercantile Bank	ICBC (Asia)	100.00	1.10	nm
March 2005	Bank of Beijing	ING Bank and International Finance Corporation	24.90	1.25	12.62
June 2005	China Construction Bank Corp	Bank of America Corp	9.00	1.15	4.53
June 2005	China Construction Bank Corp	Temasek Holdings (Pte) Ltd	5.10	1.19	4.69

Date	Target name	Acquiror name	Percentage of interest acquired	P/B multiple	PE multiple
August 2005	Bank of China	Royal Bank of Scotland, Asia Financial Holdings, UBS and Asian Development Bank	16.19	0.99	9.38
October 2005	Nanjing City Commercial Bank	BNP Paribas SA	19.20	1.85	16.94
October 2005	Huaxia Bank	Investor Group	14.00	1.84	18.75
January 2006	Industrial and Commercial Bank of China	Investor Group	10.00	1.22	10.80
Average			**21.74**	**1.37**	**12.01**
Median			**15.10**	**1.24**	**10.80**
Non-exempt Connected Transactions			**89.24**	**1.75**	**nm**

Source: SDC Platinum, respective company announcements, prospectuses and other published financial information

Notes:

(1) Only completed transactions are included in the above table.

(2) The relevant ratios of China Construction Bank and Bank of China are calculated based on the respective bank's financial statements prepared in accordance with IFRS, while the other banks' financial statements are prepared based on PRC GAAP.

(3) Chinese Mercantile Bank was engaged in non-RMB-denominated business in the PRC whilst other target banks were engaged in RMB-denominated business at the time of the respective transaction.

(4) P/B multiples are calculated based on net asset value of respective company adjusted for issuance of new shares, if any, under the respective transaction unless relevant information is not available.

(5) P/E multiple of SZCB is not meaningful for comparison purpose as its 2005 net profit figure under IFRS was negative.

It should however be noted that almost all of the Completed Transactions are related to acquisition of minority stakes, whereas the Non-exempt Connected Transactions will result in acquiring a controlling stake and thus involve a control premium. It should also be noted that part of the targets' financials of the Completed Transactions were not prepared in accordance with IFRS and that each of the Completed Transactions was subject to different commercial and accounting classifications and therefore may not be completely comparable.

We have considered the following ratio analysis:

– *Price to earnings ("P/E") multiple*

It is stated in the Letter from the Board contained in the Circular that the adjusted unaudited net loss after tax of SZCB for the year ended December 31, 2005 in accordance with IFRS was approximately RMB2,322 million, which reflected adjustments that are mainly attributable to fair value of investments and derivatives and impairment provisions on loans in the amount of approximately RMB2,600 million. This is due to the difference in accounting requirements between PRC GAAP and IFRS. These recurring adjustments are not entirely attributable to the year ended December 31, 2005 but they have been taken up in 2005. We are given to understand that the necessary information required for the Company to properly apportion the adjustments to years prior to 2005 was not available. P/E multiples are therefore considered not to be an appropriate measure in respect of the Non-exempt Connected Transactions.

– *Price to book ("P/B") multiple*

P/B multiples are widely used in the banking industry. This valuation methodology reflects the future earning potential of underlying assets of a company. We note that a significant portion of the net asset value of SZCB adjusted in accordance with IFRS and having given effect to the Subscription and the purchase of non-performing assets by the Shenzhen Finance Bureau pursuant to the asset purchase agreement, will be attributable to the Subscription Monies and that SZCB generated recurring net profit before the IFRS adjustment. We have discussed with the Directors and they are of the view that business development of SZCB has historically been constrained by its capital base and the Subscription Monies will enable the growth of its business with a focus on consumer banking products. In view of the above, we consider P/B multiples to be an appropriate measure in respect of the Non-exempt Connected Transactions.

On basis of the aggregate consideration of the Non-exempt Connected Transactions of approximately RMB4,910 million for the approximately 89.24% shareholding in SZCB and SZCB's adjusted unaudited net asset value of RMB3,139 million prepared in accordance with IFRS, which was based on the audited net asset value of SZCB prepared under PRC GAAP and has given effect to the Subscription and the purchase of non-performing assets by the Shenzhen Finance Bureau pursuant to the asset purchase agreement, the implied P/B multiple of the Non-exempt Connected Transactions is approximately 1.75x, which falls within the range of P/B multiple of:

(i) the Market Comparables between approximately 1.67x and approximately 3.46;

(ii) the Completed Transactions between approximately 0.99x and approximately 1.85x.

We note that the P/B multiple of the Company was approximately 4.86x as of date of the Agreements

We also note that the adjustments under the IFRS are mainly attributable to fair value of investments and derivatives and impairment provisions on loans. Subject to the approval from the relevant PRC tax authority, the underlying items of such adjustments may constitute tax deductible items of SZCB. Should the Company be able to account for deferred tax assets in relation to any or all of the adjustment under IFRS (subject to the approval from relevant PRC tax authority), the P/B multiple implied by the Non-exempt Connected Transactions would be lower than 1.75x. However, we understand from the Company and its professional advisers that there is no assurance any or all of such items will be accepted by the relevant PRC tax authority as tax deductible items and, if so, the amount.

5.2. Assets to be acquired

The Transactions will involve the following:

– Purchase of 1,008,186,384 shares at par value of RMB1 each under the Share Purchase Agreement; and

– Subscription of 3,902 million shares at par value of RMB1 each under the Share Subscription Agreement.

The SZCB shares shall, when respectively acquired or issued, rank pari passu in all aspects with the shares in SZCB then in issue, including rights to dividends and other distribution, from the date of completion of the Acquisition and Subscription. In addition, under the Share Purchase Agreement, any profits attributable to the transferred shares for period from January 1, 2006 to the date of completion of the Acquisition that are permitted to be distributed to the shareholders under the relevant rules and regulations of the PRC shall belong to the Vendors, if any. Under the relevant rules and regulations, among other things, SZCB should not distribute any profits to its shareholders before SZCB had met the required CAR of 8%. Based on current financial position of SZCB, SZCB does not meet the required CAR of 8%. Therefore, the Directors expect no distributable profits are available for SZCB's shareholders up to the date of completion of the Acquisition. In addition, they are not aware of any material change in SZCB's operating and financial position up to the LPD. We have also been advised by the Directors that the Company planned to perform a full scope audit to assess the financial position of SZCB upon completion of the Acquisition. We have been advised by the management of the Company that as at the date of the Share Purchase Agreement, the remaining shareholding interest in SZCB were held by the Independent Third Parties.

5.3. Other Terms of the Share Purchase Agreement

(a) The Vendors have undertaken, among other things, during the period from the date of the Share Purchase Agreement to the date of completion of the Acquisition, to procure SZCB not to carry out certain acts without the consent of the Company, which include any restructuring (including but not limited to merger with any other companies); debt incurred by non-operating activities (including bond issuance); unless proper and necessary, the employment and layoff of key members of staff or material change to employment terms and conditions of such key members of staff; and material capital expenditure and material guarantee (i.e. involving an amount exceeding RMB10 million).

(b) The Vendors shall procure the support for deposit-taking and lending business of SZCB within 6 months from the date of completion of the Acquisition.

(c) The Company, where in compliance with the requirements of regulatory authorities, will allow SZCB to acquire the Company's controlling stake in Ping An Bank Limited or to convert Ping An Bank Limited into a branch of SZCB.

(d) Since the Acquisition is based on the fact that the Company has engaged appropriate advisers to conduct or in its own capacity has conducted due diligence on the actual situation of SZCB, which includes but not limited to the establishment, existence, legal position, operating rights and licence, property, finance, current contracts and its performance, as well as any legal proceedings which has arisen or may arise, any party to the Acquisition does not have the right to suggest any form of compensation from the other in relation to its commercial decision made for the Acquisition.

(e) Within 12 months from the date of completion of the Acquisition, if the Company discovers that prior to completion, SZCB or its employees had committed such acts of misconduct and fraud (including but not limited to those penalised by regulatory authorities) or fraud of customers of SZCB was found by regulatory authorities, which has not been disclosed during the due diligence exercise and which has an accumulated direct negative impact on SZCB's assets of over RMB100 million, the Vendors shall jointly and severally compensate the Company in proportion to their respective shareholding of the transferred shares for the accumulated loss in excess of RMB100 million up to a maximum of RMB500 million.

(f) Should any of the warranties by any one of the Vendors be untrue, inaccurate, breached, or owing to any other reasons SZCB suffers material adverse effects which will reduce the net asset value of SZCB by RMB200 million or above, the Company has the right to terminate the Share Purchase Agreement following a 45 day period in which the Vendors shall be allowed to take remedial action.

Having taken into consideration the above reasons and factors, we consider the terms of the Non-exempt Connected Transactions to be fair and reasonable to the Company so far as the independent Shareholders taken as a whole is concerned.

FINANCIAL EFFECT OF THE NON-EXEMPT CONNECTED TRANSACTIONS ON THE COMPANY

1. Effect on earnings

The audited consolidated net profits after taxation and extraordinary items of the Company for year ended December 31, 2005 was approximately RMB4,265 million. The financial results of SZCB will be consolidated into the Group's consolidated financial statements, and approximately 89.24% of SZCB's operating results will be shared by the Group after completion of the Non-exempt Connected Transactions. As the aggregate consideration for the Acquisition and the Subscription of approximately RMB4,910 million will be satisfied by the Group's internal funds, including cash on hand, the interest and/or investment income might be affected by the use of internal funds. Based on the aggregate consideration of approximately RMB4,910 million and the Company's reported total investment yield of approximately 4.3% for the year ended December 31, 2005, it gives rise to an estimated opportunity cost of approximately RMB211 million per annum. The Directors do not expect the Non-exempt Connected Transactions to have any immediate material effect on the earnings of the Company and we concur with their view. Nevertheless, as a result of potential synergies to be generated, the Directors expect long-term earnings benefits to result from the Non-exempt Connected Transactions.

2. Effect on net asset value

The audited consolidated net asset value of the Group attributable to shareholders of the Company as at December 31, 2005 was approximately RMB33,522 million. The aggregate consideration shall be payable in cash by the Company, which will be satisfied by the internal resources of the Group. It is expected that the aggregate consideration for the Acquisition and Subscription will exceed the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of SZCB under the Agreements and an amount of goodwill will be recorded. After the initial recognition, the Company shall assess any impairment loss on such goodwill. In view of the financial and business conditions and prospects of SZCB, the Directors do not expect any impairment of such goodwill in the near future. The Directors also anticipate that there would be no significant adverse effect on the net asset value of the Group resulting from the Non-exempt Connected Transactions and we concur with their view.

3. Effect on cash position

As at December 31, 2005, cash and cash equivalents of the Group were approximately RMB17,636 million. It is stated in the Letter from the Board contained in the Circular that the consideration for the Acquisition and Subscription totalling approximately RMB4,910 million will be satisfied by the Group's internal funds including cash on hand, which use of funds has been approved by the CIRC. The cash and cash equivalents of the Group will be reduced accordingly upon completion of the Non-exempt Connected Transactions.

MATTERS TO DRAW SHAREHOLDERS' ATTENTION

1. Implementation risk

It has been stated in the Letter from the Board contained in the Circular that SZCB has been burdened with historical non-performing loans. Since SZCB is a city commercial bank, its collateral is further concentrated in Shenzhen city. Although SZCB will transfer non-performing loans with an aggregate original book value of RMB1,008 million to Shenzhen Finance Bureau, there is no assurance that SZCB's existing loans and advances to customers may not be deteriorated in quality particularly if there is a downturn in the property market in Shenzhen where the majority of SZCB's existing loan portfolio lie. The deposit portfolio has also concentrated with a significant proportion of deposits coming from government entities.

Upon completion of the Non-exempt Connected Transactions with planned capital injection, the bank will be recapitalized to exceed the required CAR of 8% as well as a full restructuring of the portfolio by making the additional provisions. Apart from the existing management team of SZCB, the Company plans to recruit competent and well-trained personnel with relevant international and domestic experience and to upgrade the SZCB's board committee infrastructure in order to enhance corporate governance. Shareholders should note that the Company also plans to procure SZCB to develop new business strategies with a focus on consumer banking business, such as launch of credit card business, which is new to both SZCB and the Group. Shortly after entering into the Agreements, the Company has started preparing a detailed implementation plan for SZCB. The Company considers strengthening the segregation of duties at SZCB between the functions of day-to-day business operation at sub-branches and credit risk management such as loan classification and taking action to ensure that the function of the asset risk management of SZCB is properly supported by the system that can generate management/exception reports for the decision-making of senior management. The Company also considers to procure the asset and liabilities committee at SZCB to set up policies as to loan concentration and diversification and update the policies periodically. A strategic investor of the Company has been offering technical assistance to the Company in the banking area, which it can utilise for development of its banking business.

There would be implementation risk in making the aforementioned changes including recruiting the personnel and/or obtaining the support and expertise if required, and the transformation may or may not give rise to the results and/or in accordance with the time frame as expected by the Directors, although the Company has experience in carrying out banking business through Ping An Bank Limited, which is of a smaller scale compared with SZCB and operates in different business segments.

2. Historical financial performance may not reflect future earning ability

It is stated in the Letter from the Board contained in the Circular that based on the audited accounts of SZCB prepared in accordance with PRC GAAP, 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.

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 advisers, the adjusted unaudited net profit after tax of SZCB for the year ended December 31, 2004 was RMB253 million whereas the adjusted unaudited net loss after tax of SZCB for the year ended December 31, 2005 was RMB2,322 million. Details of the adjustments are set out in the section of background of SZCB.

It should also be noted that the new business direction of SZCB after the Non-exempt Connected Transactions will on one hand give rise to a new revenue mix and profitability of SZCB and on the other hand will increase its costs due to launch of new products and implementation of measures to enhance corporate governance.

After discussion with the Directors and the advisers of the Company and reviewing the relevant documents provided by the Company and its advisers, there is no reason for us to doubt the above statements made by the Directors. However, independent Shareholders should note that historical profitability of SZCB may not be used as a reliable indicator for its future earning contribution to the Company.

3. Increasing competition in the PRC banking industry

The PRC banking industry is expected to become increasingly competitive. Apart from competition among the four largest and other PRC banks and financial institutions, competition from foreign-invested commercial banks is expected to increase in the future, as regulatory restrictions on their geographical presence, customer base and operating licenses in the PRC are scheduled to be removed by December 2006 as part of the PRC's commitment in its accession to the WTO. CEPA, which allows Hong Kong banks to operate in the PRC, may also increase competition in the PRC banking industry. Independent Shareholders should therefore be aware of the impact of the aforementioned industry factor to SZCB.

4. Reallocation of resource and future funding requirement

As the Company's strategy is to become an integrated financial services provider in the long run, to cope with future expansion in banking segment, the Group may require reallocating its resources in insurance segment to banking segment and/or may require additional financing from external sources. Nevertheless, the Directors confirm that the use of the internal funds to satisfy the consideration for the Acquisition and Subscription as such will not affect the insurance arms of the Group to meet the solvency margin requirement under current relevant regulatory requirements.

5. No claims against the Vendors upon completion of the Transactions

No express warranty was given by the Vendors as to the net asset value of SZCB in the Share Purchase Agreement. The Share Purchase Agreement provides that, inter alia, (i) if there are any adverse material effect which will reduce the net asset value of SZCB by RMB200 million or above, the Company has the right to terminate the Share Purchase Agreement following a 45 day period in which the Vendors shall be allowed to take remedial action; and (ii) the Vendors shall jointly and severally compensate the Company in proportion to their respective shareholding of the transferred shares for the accumulated loss in excess of RMB100 million up to a maximum of RMB500 million for certain acts or fraud.

The Directors currently intend that if there are any adverse material effect which will reduce the net asset value of SZCB by RMB200 million or above, they will not proceed with the Acquisition unless the Vendors have taken remedial action to their satisfaction. In the event that i) the net asset value of SZCB is reduced by not more than RMB200 million and ii) the Acquisition is not terminated, the P/B multiple implied by the Transactions will be up to 1.87x.

However, the independent Shareholders should also note that save for the above, the Share Purchase Agreement does not contain any other express term setting out a monetary remedy against the Vendors for any amount of reduction in the net asset value of SZCB.

We note that since June 2006, an interim working committee has been established consisting of four representatives from the Company and two from SZCB which meets bi-weekly to consider any issues of major significance to the bank (including but not limited to material credit decisions, capital investment, human resource decisions etc.). This is also intended to protect the Company's interests during the period before the completion of the Acquisition. However, this does not constitute an assurance that SZCB will not suffer material adverse effects prior to completion of the Acquisition. We also note that the Company plans to conduct a special audit in order to ascertain the financial position of SZCB upon completion of the Share Purchase Agreement.

CONCLUSION

Having taken into account the above principal reasons and factors, we are of the view that the Non-exempt Connected Transactions are fair and reasonable, on normal commercial terms, and in the interest of the Company and its Shareholders as a whole. Accordingly, we would advise the independent Shareholders to vote in favour of the relevant resolutions concerning the Non-exempt Connected Transactions to be proposed at the EGM. We would also advise the IBC to recommend the independent Shareholders to vote in favour of such relevant resolutions.

Yours faithfully,
For and on behalf of
BNP Paribas Peregrine Capital Limited
Wiley O' Yang
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and Supervisors' interests and short positions in the securities of the Company and its associated corporations

As at the LPD, the interests and short positions of the directors, chief executive or supervisors of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be 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 they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules, were as follows:

Long positions in shares of the Company

Name of Substantial Shareholder		H/Domestic ("D") shares	Capacity	*Note*	No. of H/D shares	Nature of interest	Percentage of total number of H/D shares in issue *(%)*	Percentage of total shares in issue *(%)*
Cheung Chi Yan Louis	Executive Director	H	Beneficial owner		248,000	Long position	0.01	0.004
Lin Li	Supervisor	D	Interest of controlled corporations	*(a)*	176,000,000	Long position	4.84	2.84

Note:

(a) 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 the LPD, none of the directors, chief executive or supervisors of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be 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 they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors, as at the LPD, the following persons (not being a director, chief executive or supervisor of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange:

Long positions in shares 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
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
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	*4*	148,000,000	Long position	4.07	2.39
		Beneficial Owner		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	*4*	479,117,788	Long position	13.18	7.73
China Ping An Trust & Investment Co., Ltd. Labor Union	D	Interest of controlled corporations	*4*	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	*5*	389,592,366	Long position	10.71	6.29
Ping An Insurance (Group) Company of China, Ltd. Labor Union	D	Interest of controlled corporations	*5*	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	*6*	200,000,000	Long position	5.50	3.23
Li Siu Nam	D	Interest of controlled corporations	*6*	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

* Formerly known as Wuhan Wuxin Industrial Co., Ltd.

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.

CCF SNC was 100% owned by CCF S.A. which was owned as to 99.99% by HSBC Bank plc. HSBC Holdings plc owned 100% interest in HSBC Bank plc.

(3) The Hongkong and Shanghai Banking Corporation Limited was owned as to 84.19% by HSBC Asia Holdings BV, a wholly-owned subsidiary of HSBC Asia Holdings (UK), which in turn was a wholly-owned subsidiary of HSBC Holdings BV. The remaining 15.81% of The Hongkong and Shanghai Banking Corporation Limited was owned by HSBC Finance (Netherlands), a wholly-owned subsidiary of HSBC Holdings plc. HSBC Finance (Netherlands) owned 100% interest in HSBC Holdings BV.

(4) Shenzhen Jingao Industrial Development Co., Ltd., was owned as to 80% and 20% by Ping An Securities Company, Ltd. Labor Union and China Ping An Trust & Investment Co., Ltd. Labor Union respectively. The interest in 479,117,788 shares relates to the same block of shares in the Company.

(5) Shenzhen New Horse Investment Development Co., Ltd. was owned as to 95% by Ping An Insurance (Group) Company of China, Ltd. Labor Union. The interest in 389,592,366 shares relates to the same block of shares in the Company.

(6) 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, as at the LPD, the Directors were not aware of any other person (other than the directors, chief executive or supervisors of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

3. DIRECTORS' COMPETING INTEREST

The following directors of the Company is considered to have interests in a business which competes or is likely to compete, directly or indirectly, with the business of the Group, as defined in the Listing Rules, as set out below:

Mr. Anthony Philip HOPE, a non-executive director of the Company, is 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. 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 (International) 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 Hong Kong 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 ever-expanding network. As Ping An Bank Limited, a subsidiary of the Company, is primarily engaged in the foreign currency commercial banking business in the PRC as approved by the CBRC, the authorized banking business of The Hong Kong and Shanghai Banking Corporation Limited has, to a certain extent, overlapped and thus may compete with those of Ping An Bank Limited.

Save as disclosed above, as at the LPD, none of the directors or supervisors of the Company nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. DIRECTORS' MATERIAL INTERESTS

As at the LPD, none of the directors or supervisors of the Company had any direct or indirect interests in any assets which have since December 31, 2005 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the LPD, none of the directors or supervisors of the Company was materially interested in any contract or arrangement which is significant in relation to the business of the Group.

5. LITIGATION AND CLAIMS

As at the LPD, neither the Company nor any other member of the Group is engaged in any litigation or claims of material importance pending and no litigation or claim of material importance is known to the directors of the Company to be pending or threatened by or against any member of the Group.

6. SERVICE CONTRACTS

As at the LPD, none of the directors of the Company had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensations (other than statutory compensation)).

7. MATERIAL ADVERSE CHANGE

As at the LPD, the directors of the Company are not aware of any material adverse change in the financial or trading position of the Group since December 31, 2005, being the date to which the latest audited financial statements of the Company were made up.

8. EXPERTS

The following are the qualifications of the expert who has given its opinion or advice contained in this circular:

Name	Qualification
BNP Paribas Peregrine	a licensed corporation in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

As at the LPD, BNP Paribas Arbitrage (HK) Ltd., a member of a group of companies to which BNP Paribas Peregrine belong, had the following interests in the Company and a connected person of the Company:

	No. of shares held by BNP Paribas Arbitrage (HK) Ltd.	% of issued share capital
The Company	907,000	0.0015%
HSBC Holdings plc	10,156,250	0.0088%

Save for the above, BNP Paribas Peregrine did not have any beneficial interests in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

The Company does not however consider these interests (which is less than the 5% level stipulated in Rule 13.84(1) of the Listing Rules) to affect the independence of BNP Paribas Peregrine in giving independent financial advice to the IBC and the independent Shareholders in relation to the Transactions pursuant to Rule 13.84 of the Listing Rules since such interests so held in the Company is no different from those held by the independent Shareholders in respect of the Transactions and that the aggregate value of these shares in the Company and its connected person is immaterial in terms of either the consolidated gross or net assets of the BNP Paribas group taken as a whole.

BNP Paribas Peregrine has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which they appear.

The letter of BNP Paribas Peregrine set out in the section headed "Letter from BNP Paribas Peregrine" on pages 20 to 41 of this circular was given for incorporation in this circular.

9. MISCELLANEOUS

(a) The registered office of the Company is at Ping An Building, Ba Gua No.3 Road, Shenzhen, PRC and the principal place of business of the Company in Hong Kong of which is at 11th Floor, Dah Sing Financial Center, 108 Gloucester Road, Wan Chai, Hong Kong.

(b) The H share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) The joint company secretaries of the Company are Mr. Yao Jun, the Chief Legal Officer of the Company, qualified to practice law in the PRC, and Mrs. Natalia Seng Sze Ka Mee, a Fellow of The Hong Kong Institute of Company Secretaries, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Directors.

(d) The qualified accountant of the Company is Mr. Alan Ngo, a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Certified Public Accountants of Singapore, the Institute of Chartered Accountants in Australia, the Chartered Financial Analyst Institute and a fellow member of the Global Association of the Risk Professionals.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the Share Purchase Agreement;

(b) the Share Subscription Agreement;

(c) the letter of advice from BNP Paribas Peregrine, the text of which is set out on pages 20 to 41 in this circular;

(d) the letter of recommendation from the IBC to the independent Shareholders, the text of which is set out on pages 18 to 19 in this circular; and

(e) the written consent from BNP Paribas Peregrine as referred to in the paragraph headed "Experts" above.

中国平安
专业·价值 PING AN OF CHINA

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that a extraordinary general meeting of Ping An Insurance (Group) Company of China, Ltd. (the "**Company**") will be held at 10:00 a.m. on Friday, September 29, 2006 at 6th Floor, Ping An Building, Ba Gua No.3 Road, Shenzhen, PRC for the purposes of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) Subject to the Share Subscription Agreement (as defined in the ordinary resolution numbered 2 below) becoming unconditional in all respects, the share purchase agreement dated July 28, 2006 (the "**Share Purchase Agreement**") between (i) the Company as purchaser and (ii) Shenzhen Investment Holdings Co., Ltd., Shenzhen Financial Bureau, Shum Yip Holding Company Limited and others as vendors (together the "**Vendors**") in relation to the conditional sale and purchase of 1,008,186,384 shares, representing approximately 63% of the entire issued share capital of Shenzhen Commercial Bank as at the date of the Share Purchase Agreement, and the transactions contemplated by the Share Purchase Agreement be and the same are hereby approved; and

(b) the directors of the Company be and are hereby authorised to do all other acts and things and execute all documents which they consider necessary or expedient for the implementation of and giving effect to the Share Purchase Agreement and the transactions contemplated thereunder."

2. "**THAT**

(a) Conditional on the passing of the ordinary resolution numbered 1 above and subject to the Share Purchase Agreement (as defined in the ordinary resolution numbered 1 above) becoming unconditional in all respects, the share subscription agreement dated July 28, 2006 (the "**Share Subscription Agreement**") between (i) the Company as subscriber and (ii) Shenzhen Commercial Bank Company Limited as issuer in relation to the subscription by the Company of a further 3,902 million new shares in Shenzhen Commercial Bank Company Limited, representing approximately 70.92% of the enlarged issued share capital of Shenzhen Commercial Bank Company Limited as at the date of the Share Subscription Agreement, and the transactions contemplated by the Share Subscription Agreement be and the same are hereby approved; and

(b) the directors of the Company be and are hereby authorised to do all other acts and things and execute all documents which they consider necessary or expedient for the implementation of and giving effect to the Share Subscription Agreement and the transactions contemplated thereunder."

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

Shenzhen, PRC
August 15, 2006

As at the date of this notice, the Executive Directors of the Company are Ma Mingzhe, Sun Jianyi and Cheung Chi Yan Louis, the Non-executive Directors of the Company 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.

Notes:

1. In order to determine the list of shareholders who are entitled to attend the EGM, the registers of members will be closed from Wednesday, August 30, 2006 to Friday, September 29, 2006, both days inclusive, during which period no transfer of shares will be effected. Holders of the Company's H shares and domestic shares whose names appear on the registers of members on Friday, September 29, 2006 are entitled to attend the meeting. In order to attend and vote at the meeting, holders of H shares of the Company whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at or before 4:00 p.m. on Tuesday, August 29, 2006. The address of the transfer office of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

2. A Shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote in his stead. A proxy need not be a Shareholder.

3. The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorised in writing. If the shareholder is a corporation, that instrument must be either under its common seal or under the hand of its director(s) or duly authorised attorney(s). If that instrument is signed by an attorney of the shareholder, the power of attorney authorising that attorney to sign or other authorisation document must be notarized.

4. In order to be valid, the form of proxy together with the power of attorney or other authorisation document (if any) must be deposited at the Secretariat of the Board of Directors of the Company for holders of domestic shares and at the H share registrar of the Company for holders of H shares not less than 24 hours before the time fixed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the meeting if he so wishes. The H share registrar of the Company is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

5. Shareholders who intend to attend the meeting in person or by proxy should return the reply slip to the Company's principal place of business in the PRC or Hong Kong on or before Friday, September 8, 2006 by hand, by post or by fax. The Company's principal place of business in the PRC is at Ping An Building, Ba Gua No.3 Road, Shenzhen, PRC (Tel: (86 755) 8226 2888, Fax: (86 755) 8243 1029). The contact persons are LIU Cheng (劉程) (Tel: (86 755) 2262 2101) and WANG Xiaoli (王小利) (Tel: (86 755) 2262 2828). The Company's principal place of business in Hong Kong is at 11th Floor, Dah Sing Financial Center, 108 Gloucester Road, Wan Chai, Hong Kong (Tel: (852) 2827 1883, Fax: (852) 2802 0018).

6. Shareholders (in person or by proxy) attending the meeting are responsible for their own transportation and accommodation expenses. Shareholders or their proxies attending the meeting shall produce their identity documents.