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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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.

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**PING AN**

Insurance · Banking · Investment

**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)**

**PROPOSED GENERAL MANDATE TO ISSUE NEW SHARES  
AND  
PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS**

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A notice convening the EGM to be held at 1:30 p.m. on Wednesday, 8 February 2012 at Ping An School of Financial Services, Guanlan, Shenzhen, Guangdong Province, PRC, a form of proxy for use at the EGM and a reply slip have been despatched by the Company on 21 December 2011 and are also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.pingan.com>). Whether or not you intend to attend the EGM, you are requested to complete and return (i) the reply slip in accordance with the instructions printed thereon not later than Thursday, 19 January 2012 and (ii) the 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.

9 January 2012

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## DEFINITIONS

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

“A Share(s)”	A Share(s) of RMB1.00 each in the capital of the Company which is/are listed and traded on SSE
“A Shareholder(s)”	holders of A Share(s)
“Announcement”	the announcement dated 20 December 2011 issued by the Company in relation to the proposed grant of the General Mandate and the proposed issuance of the Convertible Bonds
“Articles of Association”	the articles of association of the Company as amended from time to time
“Board”	the board of Directors
“CB Conversion Price”	the price at which the new A Shares will be issued upon conversion of the Convertible Bonds, as may be adjusted from time to time
“CB Holder(s)”	holder(s) of the Convertible Bonds
“CIRC”	China Insurance Regulatory Commission
“Company”	Ping An Insurance (Group) Company of China, Ltd., a joint stock limited company duly incorporated in the PRC with limited liability, the A Shares of which are listed on SSE and the H Shares of which are listed on Hong Kong Stock Exchange
“Company Law”	the Company Law of the PRC
“Convertible Bonds”	convertible corporate bonds in the total amount of not more than RMB26 billion which are convertible into new A Shares, proposed to be issued by the Company in the PRC
“CSRC”	China Securities Regulatory Commission
“Directors”	the directors of the Company

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## DEFINITIONS

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“EGM”	the extraordinary general meeting to be convened by the Company on Wednesday, 8 February 2012 to consider, and if thought fit, to approve, among other things, the proposed grant of the General Mandate and the proposed issuance of the Convertible Bonds
“General Mandate”	the proposed general mandate to allot, issue and/or deal with A Shares and/or H Shares up to the limit of 20% of the aggregate nominal amount of each of the A Shares and/or the H Shares in issue on the date of the passing of the relevant resolution
“Group”	the Company and its subsidiaries
“H Shares”	H Shares of RMB1.00 each in the capital of the Company which is/are listed and traded on Hong Kong Stock Exchange
“H Shareholder(s)”	holders of H Share(s)
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Lead Underwriters”	lead underwriters of the issuance of the Convertible Bonds of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“LPD”	5 January 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Offering Document”	the offering memorandum in relation to the proposed issuance of the Convertible Bonds
“PRC”	the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“SSE”	The Shanghai Stock Exchange
“Share(s)”	collectively, the A Shares and the H Shares
“Shareholders”	holder(s) of the Shares
“Sponsors”	sponsors of the issuance of the Convertible Bonds of the Company
“%”	per cent.

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*Executive Directors:*

Ma Mingzhe  
Sun Jianyi  
Wang Liping  
Yao Jason Bo

*Non-executive Directors:*

Lin Lijun  
Chen Hongbo  
Wong Tung Shun Peter  
Ng Sing Yip  
Li Zhe  
Guo Limin  
Cheung Chi Yan Louis

*Independent Non-executive Directors:*

Zhang Hongyi  
Chen Su  
Xia Liping  
Tang Yunwei  
Lee Ka Sze Carmelo  
Chung Yu-wo Danny  
Woo Ka Biu Jackson

*Registered office:*

15/F, 16/F, 17/F and 18/F  
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*Principal place of business  
in Hong Kong:*

17th Floor  
Allied Kajima Building  
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9 January 2012

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED GENERAL MANDATE TO ISSUE NEW SHARES  
AND  
PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS**

**1. INTRODUCTION**

Reference is made to the Announcement in relation to, among other things, the proposed grant of the General Mandate and the proposed issuance of the Convertible Bonds.

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## LETTER FROM THE BOARD

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The purpose of this circular is, among other things, to provide you with information in relation to certain resolutions to be proposed at the EGM to enable you to make an informed decision on whether to vote for or against those resolutions at the EGM.

### **2. PROPOSED GRANT OF GENERAL MANDATE TO ISSUE NEW SHARES**

As disclosed in the Announcement, to increase the flexibility and efficiency in operation, and to give discretion to the Board in the event that it becomes desirable to issue any Shares, the Company proposes to obtain Shareholders' approval for the grant of the General Mandate to separately or concurrently allot, issue and/or deal with A Shares and/or H Shares up to the limit of 20% of the aggregate nominal amount of each of the A Shares and/or the H Shares in issue on the date of the passing of the relevant resolution at the EGM. Any exercise of the power by the Directors under the General Mandate shall comply with the relevant requirements of the Company Law of the PRC, the Listing Rules, the Articles of Association and the applicable laws and regulations of the PRC.

The General Mandate shall be effective from the date of passing the relevant resolution until whichever is the earliest of:

- (1) the expiration of 12 months following the passing of this special resolution; or
- (2) the revocation or variation of the authority given to the Board under this resolution by a special resolution of the Company in general meeting.

The validity period of the General Mandate shall also be subject to the applicable requirement(s) under Rule 13.36(3) of the Listing Rules.

The Board also resolved to seek the Shareholders' approval at the EGM to authorise the executive Directors, to separately or jointly exercise the full power to deal with the matters in relation to issuance of Shares under the framework and principles pursuant to the resolution relating to the grant of the General Mandate passing at the EGM.

As at the LPD, the Company had in issue 7,916,142,092 Shares including 4,786,409,636 A Shares and 3,129,732,456 H Shares. Subject to the passing of the proposed resolution for the approval of the General Mandate and in accordance with the terms therein, the Company would be allowed to separately or concurrently allot, issue and deal with up to a maximum of 957,281,927 A Shares and/or 625,946,491 H Shares, representing 20% of the number of each of the A Shares and H Shares in issue.

### **3. PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS**

With the improving integrated financial platform of the Company, the size of all business segments continued to enjoy rapid growth, leading to an increased pressure for the Company to maintain solvency margin ratio. According to the unaudited financial statements of the Company, as at 31 October 2011, the solvency margin ratio of the Company was 170.7%, the

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## LETTER FROM THE BOARD

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solvency margin ratio of Ping An Life Insurance Company of China, Ltd., a subsidiary of the Company, was 153.2%, and the solvency margin ratio of Ping An Property & Casualty Insurance Company of China, Ltd., a subsidiary of the Company, was 171.0%. As at 30 September 2011, the total capital adequacy ratio and core capital adequacy ratio of Shenzhen Development Bank Co., Ltd. were 11.5% and 8.4%, which are relatively low when compared to the industry average. Whilst global economic conditions amidst the European debt crisis remain challenging and complex, the domestic economy is facing a potential slowdown in terms of growth and increased risk of policy shifts given uncertainties that remain. In the near future, the unstable factors of the economy will likely persist, requiring the Company to improve its solvency level and increase risk buffers. The Company is proposing to issue Convertible Bonds to the public to improve its solvency margin ratio and increase its capital strength; and also to meet its funding needs associated with the Company's fast-growing businesses including insurance, banking and investments. The Company also aims to implement its strategic development target of "Financial Integration, International Leader" so as to further enhance its competitive edges.

The proceeds from the proposed issuance of the Convertible Bonds, after deduction of the expenses relating to the issuance, will be used to replenish the working capital of the Company to support the business development of the Group; and the proceeds will be used for other purposes approved by CIRC (including but not limited to replenishing the capital base to improve the solvency margin of the Company after obtaining approval from CIRC). Such proceeds will be used to replenish the capital base of the Company after conversions conducted by CB Holders. According to the static measurement based on the information as of 31 October 2011 and assuming full conversion of the RMB26 billion Convertible Bonds to be issued, the solvency capital of the Company would reach RMB208.9 billion and the solvency margin ratio would reach 194.9%. This financing will enable the Company to further enhance its risk-preventing capability and sustainable development capability, promote all business segments of the Company to develop in a continuous and rapid manner, and enhance the steady growth of the profitability and the Shareholder returns.

On 20 December 2011, the resolution in relation to the proposed public issuance of the Convertible Bonds has been duly passed in the meeting of the Board. It is contemplated that the Convertible Bonds would be issued under the General Mandate to be sought at the EGM. The proposed issuance of the Convertible Bonds is further subject to (i) approval from the Shareholders at the EGM by way of a special resolution in accordance with the Articles of Association; and (ii) approvals of the CSRC and other relevant PRC regulatory authorities.

The Company is in compliance with the relevant requirements for the issuance of the convertible corporate bonds in accordance with the Company Law of the PRC, the Securities Law of the PRC, the Administrative Measures for the Issuance of Securities by Listed Companies, and any other relevant law, regulations and legal documents with the force of law. The details of the proposed Convertible Bonds issuance scheme are as follows:

### **(I) Type of securities to be issued**

The type of the securities to be issued by the Company is convertible corporate bonds which can be converted into A Shares. Such Convertible Bonds and A Shares to be issued upon the conversion of the Convertible Bonds will be listed on SSE.



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## LETTER FROM THE BOARD

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### **(II) Issue size**

The total amount of the Convertible Bonds will be not more than RMB26 billion. The actual size of the issuance shall be determined by the Board (or the persons authorized by the Board) within the above scope, subject to the authorization granted by the Shareholders at the EGM.

### **(III) Par value and issue price**

The Convertible Bonds will be issued at par with a nominal value of RMB100 each.

### **(IV) Term**

The term of the Convertible Bonds will be six years from the date of issuance.

### **(V) Interest rate**

The interest rate of the Convertible Bonds will be not more than 3%. The methods for determination of the interest rate and actual interest rate for each interest accrual year shall be determined by the Board (or the persons authorized by the Board) with the Sponsors and Lead Underwriters by reference to the PRC government policies, market conditions and the actual conditions of the Company, prior to the issuance of the Convertible Bonds, subject to the authorization granted by the Shareholders at the EGM.

### **(VI) Method and timing of interest payment**

#### ***1. Calculation of annual interest***

The interest of each interest accrual year (the “Annual Interest”) means the interest accrued to the CB Holders in each year on each anniversary of the date of issuance of the Convertible Bonds, calculated based on the aggregate nominal value of the Convertible Bonds.

The formula for calculating the Annual Interest:  $I = B \times i$

“I”: denotes the Annual Interest;

“B”: denotes the aggregate nominal value of the Convertible Bonds held by a CB Holder; and

“i”: denotes the interest rate of the Convertible Bonds of that year.

#### ***2. Method of interest payment***

(1) Interest of the Convertible Bonds will be paid annually, accruing from the date of issuance of the Convertible Bonds.

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## LETTER FROM THE BOARD

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- (2) Interest payment date: The interest is payable annually on each anniversary of the date of issuance of the Convertible Bonds. If such day falls on a statutory holiday or rest day, the interest payment date shall be postponed to the first working day immediately thereafter, provided that no additional interest will be accrued during the period of postponement. The period between an interest payment date and the immediately following interest payment date will be an interest accrual year.
- (3) Record date for interest payment: The record date for interest payment in each year will be the last trading date preceding the interest payment date. The Company will pay the interest accrued in that year within five trading days from the interest payment date. The Company will not pay any interest for that year and subsequent interest accrual years to the CB Holders whose Convertible Bonds have been applied to be converted into the A Shares on or before the record date for interest payment.
- (4) Tax payable on the interest income of a CB Holder shall be borne by such CB Holder.

The Board shall, in accordance with relevant laws and regulations and rules of SSE, determine the ownership of interests and dividends for the year on which the Convertible Bonds are converted into A Shares.

### **(VII) Conversion period**

The conversion period of the Convertible Bonds commences on the first trading day immediately following the expiry of six months after the date of issuance of the Convertible Bonds and ends on the maturity date of the Convertible Bonds.

### **(VIII) Determination and adjustment of the CB Conversion Price**

#### ***1. Basis for determining the initial CB Conversion Price***

The initial CB Conversion Price of the Convertible Bonds shall not be lower than the average trading price of A Shares for the 20 trading days preceding the date of publication of the Offering Document (in the event that during such 20 trading days, the share price has been adjusted due to ex-rights or ex-dividend, the price of each of these trading days before adjustment shall be adjusted with reference to the ex-rights or ex-dividend share price) and the average trading price of A Shares on the trading day preceding the date of the Offering Document of the Convertible Bonds. The actual initial CB Conversion Price shall be determined by the Board (or the persons authorized by the Board) with the Sponsors and Lead Underwriters by reference to market conditions prior to the issuance of the Convertible Bonds, subject to the General Mandate and the authorization by the Shareholders at the EGM.

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## LETTER FROM THE BOARD

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### 2. *Method and calculation formulae of adjustments to CB Conversion Price*

The CB Conversion Price is subject to adjustment, upon the occurrence of certain events which affect the share capital of the Company, such as distribution of share dividend, capitalization, issuance of new shares (excluding any increase in the share capital as a result of conversion of the Convertible Bonds), rights issue or distribution of cash dividend. The CB Conversion Price will be adjusted based on the following formulae:

Distribution of share dividend or capitalization:  $P1=P0/(1+n)$ ;

Issue of new shares or rights issue:  $P1=(P0+A\times k)/(1+k)$ ;

Where the two events above occur concurrently:  $P1=(P0+A\times k)/(1+n+k)$ ;

Distribution of cash dividend:  $P1=P0-D$ ;

Where the three events above occur concurrently:  $P1=(P0-D+A\times k)/(1+n+k)$ .

In the aforesaid formulae, “P0” denotes the initial CB Conversion Price before adjustment; “n” denotes the rate of scrip dividend or capitalization issue; “k” denotes the new share issue rate or rights issue rate; “A” denotes the price of new share issue or rights issue; “D” denotes the cash dividend per share; and “P1” denotes the effective CB Conversion Price after adjustment.

Upon occurrence of any of the abovementioned changes in the shareholdings and/or Shareholder’s interests of the Company, the CB Conversion Price will be adjusted accordingly and in the same order of the occurrence of the changes, and an announcement of the Board resolution shall be made on the publications designated by CSRC and in Hong Kong market (if required) in accordance with the Listing Rules as amended and the Articles of Association. If the CB Conversion Price adjustment date is on or after the date on which a CB Holder applies for conversion of his Convertible Bonds, but before the date of registration of the shares to be issued upon such conversion, then such conversion will be effected based on the adjusted CB Conversion Price.

In the event that the CB Holder’s rights and benefits, or the interests derived from the share conversion are affected by the change in the Company’s share class, quantity and/or Shareholders’ interests due to any possible share repurchase, consolidation, division or any other action which may be undertaken by the Company, the Company will adjust the CB Conversion Price based on the actual situation and in accordance with the principles of fairness, justice, equity so as to fully protect the CB Holders’ interests. The details of adjustments to CB Conversion Price and its implementation measures shall be determined in accordance with the then relevant PRC laws and regulations and the relevant provisions of the securities regulatory authorities.

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## LETTER FROM THE BOARD

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### (IX) Downward adjustment to CB Conversion Price

#### *1. Adjustment right and the magnitude of adjustment*

If, during the term of the Convertible Bonds issued hereunder, the closing prices of the A Shares in any 15 trading days out of any 30 consecutive trading days are lower than 80% of the prevailing CB Conversion Price, the Board may propose a downward adjustment to the CB Conversion Price to the Shareholders for their consideration and approval at a general meeting.

The abovementioned proposal is subject to approval of two-thirds of the participating Shareholders with voting rights. Shareholders who hold the Convertible Bonds issued hereunder should abstain from voting. The adjusted CB Conversion Price should be no less than the average trading price of the A Shares for the 20 trading days immediately before the aforementioned general meeting or the average trading price of the A Shares on the trading day immediately prior to that general meeting, and should be also no less than the nominal value per Share or the net asset value per Share based on the latest audited financial statement.

In the event that an adjustment to the CB Conversion Price is made during the aforementioned period of 20 trading days, in respect of the trading days prior to the adjustment, the calculation shall be based on the unadjusted CB Conversion Price and the closing price of the Shares on each such day, and in respect of the trading days after the adjustment, the calculation shall be based on the adjusted CB Conversion Price and the closing price of the Shares on each such day.

#### *2. Adjustment procedures*

If a downward adjustment to the CB Conversion Price is approved, the Company will publish an announcement of the resolutions of the general meeting in relation to the magnitude of adjustment, equity record date and conversion suspension period in the newspapers and the website designated by CSRC regarding the information disclosure and in Hong Kong market (if necessary) in accordance with the Listing Rules and the Articles of Association. Application for conversion of Convertible Bonds with adjusted Conversion Price shall be resumed upon the first trading day after the equity record date, i.e. the CB Conversion Price adjustment date. If the CB Conversion Price adjustment date is on or after the date on which a CB Holder applies for conversion of Convertible Bonds, but before the date of registration of the Shares to be issued upon such conversion, then such conversion application will be effected based on the adjusted CB Conversion Price.

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## LETTER FROM THE BOARD

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### **(X) Method for determining the number of Shares for conversion**

Where a CB Holder applies to convert the Convertible Bonds held by him during the conversion period, the formula for calculating number of Shares to be issued upon conversion:  $Q = V/P$ . Any fractional Share shall be rounded down to the nearest whole number.

In the aforesaid formula, “V” denotes the aggregate nominal value of the Convertible Bonds in respect of which the CB Holders apply for conversion; and “P” denotes the prevailing CB Conversion Price as at the date of application for conversion.

Within five trading days from the conversion of the Convertible Bonds, the Company will pay the CB Holders in cash an amount equal to the nominal value of the remaining balance of such Convertible Bonds which are insufficient to be converted into one A Share and the interest accrued on such balance in accordance with the relevant requirements of SSE and such other authorities (please refer to Clause XI “Terms of redemption” for details of the method of calculation of the interest accrued).

### **(XI) Terms of redemption**

#### ***1. Terms of redemption at maturity***

Within five trading days upon the maturity of the Convertible Bonds issued hereunder, the Company will redeem all the Convertible Bonds from CB Holders which have not been converted into the A Shares by then, at a price calculated at a premium (including the interest accrued in the last interest accrual year) in addition to the nominal value of the Convertible Bonds. The actual premium shall be determined by the Board (or the persons authorized by the Board) with the Sponsors and Lead Underwriters by reference to market conditions prior to the issuance of the Convertible Bonds, subject to the authorization by the Shareholders at the EGM.

#### ***2. Terms of conditional redemption***

During the conversion period of the Convertible Bonds issued hereunder, if the closing price of the A Shares in at least 15 trading days out of 30 consecutive trading days is equal to or higher than 130% of the prevailing CB Conversion Price, the Company shall have the right to redeem all or part of the outstanding Convertible Bonds which have not been converted into the Shares, at a price equal to the nominal value of the Convertible Bonds plus the interest accrued.

Formula for calculating the then accrued interest is:  $IA = B \times i \times t/365$

IA: Accrued interest for the current period;

B: Aggregate nominal value of the Convertible Bonds issued hereunder that are held by the CB Holders and to be redeemed;

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## LETTER FROM THE BOARD

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- i: Interest rate of the Convertible Bonds for current year; and
- t: Number of days on which interest is accrued, meaning the actual number of calendar days from the last interest payment date to the redemption date of the current interest accrual year (excluding the redemption date).

In the event that an adjustment to the CB Conversion Price has been implemented in the aforementioned trading days, the calculation shall be made based on unadjusted CB Conversion Price relating to, and the closing price of, each day prior to such adjustment, and on the adjusted Conversion Price relating to, and the closing price of, each day after such adjustment.

In addition, if the balance of Convertible Bonds not converted is less than RMB30 million, the Board may redeem all Convertible Bonds not converted at the par value plus the accrued interest for the current period.

The exercise of conditional redemption right set out above by the Company is conditional upon having met the requirements (if any) of CIRC. The Board (or the persons authorized by the Board) shall be authorized to deal with the matters when it is required to obtain the approval to exercise the conditional redemption right, subject to the authorization by the Shareholders at the EGM.

### **(XII) Terms of sale back**

#### ***1. Additional terms of sale back***

If the actual use of the proceeds from the issuance of the Convertible Bonds by the Company differs from the description of the use of proceeds set out by the Company in the Offering Document, and such change is considered by CSRC as a deviation in the use of proceeds, the CB Holders will be entitled to a one-off right to sell the Convertible Bonds back to the Company at the nominal value plus the interest accrued. Under this scenario, the CB Holders may sell their Convertible Bonds back to the Company during the sale back period after it is announced by the Company. If the CB Holders do not exercise their sale back rights during the sale back period, such rights to sell back the Convertible Bonds shall automatically lapse.

#### ***2. Terms of conditional sale back***

Whether including terms of conditional sale back in the issuance of Convertible Bonds shall be determined by the Board (or the persons authorized by the Board) by reference to the requirements of the regulatory authorities and market conditions prior to the issuance of the Convertible Bonds, subject to the authorization by the Shareholders at the EGM. If the issuance of Convertible Bonds include the terms of conditional sale back, the details of the terms shall be determined in full power by the Board (or the persons authorized by the Board).

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## LETTER FROM THE BOARD

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### **(XIII) Entitlement to dividend of the year of conversion**

The additional Shares to be issued as a result of the conversion of the Convertible Bonds shall rank pari passu with all the existing issued Shares, and all Shareholders whose names are recorded on the register of members of the Company on the record date for dividend entitlement shall be entitled to receive the dividend for that year.

### **(XIV) Method of issuance and target subscribers**

The detailed method of the issuance of the Convertible Bonds shall be determined by the Board (or the persons authorized by the Board) with the Sponsors and Lead Underwriters, subject to the authorization by the Shareholders at the EGM. The target subscribers of the issuance of the Convertible Bonds are natural persons, legal persons, securities investment funds and other investors that are in compliance with the laws, who have maintained securities accounts with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, except for those prohibited by the PRC laws and regulations.

### **(XV) Subscription arrangement for the existing A Shareholders**

The existing A Shareholders shall have pre-emptive rights to subscribe for the Convertible Bonds to be issued. The actual amount to be preferentially allocated to the existing A Shareholders shall be determined by the Board (or the persons authorized by the Board) with the Sponsors and Lead Underwriters by reference to market conditions prior to the issuance of the Convertible Bonds, subject to the authorization by the Shareholders at the EGM, and shall be disclosed in the Offering Document.

The remaining portion of the preferential issuance and those which have been given up by the existing A Shareholders will be subscribed through the combination of offline placement to institutional investors and online issuance through the online pricing system of SSE. The rest of the Convertible Bonds (if any) will be underwritten by the underwriting syndicates.

### **(XVI) The relevant matters of CB Holders' meetings**

A CB Holders' meeting shall be convened by the Board upon the occurrence of any of the following events:

1. the Company proposes to change the terms of the Offering Document;
2. the Company defaults in paying principal amount and interests under the Convertible Bonds on time;
3. the Company undertakes a capital reduction, merger, division, dissolution or files for bankruptcy;
4. other matters which may affect the material interests of the CB Holders.

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## LETTER FROM THE BOARD

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The Company will stipulate in the Offering Document the measures for protecting the rights of the CB Holders, as well as the members of the CB Holders' meetings, the meeting procedure and the conditions for passing valid resolutions at such meetings, etc.

### **(XVII) Use of proceeds from the issuance of the Convertible Bonds**

The proceeds from the issuance of the Convertible Bonds, after deduction of the expenses relating to the issuance, will be used to replenish the working capital of the Company to support the business development of the Group; and the proceeds will be used for other purposes approved by CIRC (including but not limited to replenishing the capital base to improve the solvency margin of the Company after obtaining approval from CIRC). Such proceeds will be used to replenish the capital base of the Company after conversions conducted by CB Holders.

### **(XVIII) Special provisions in relation to solvency capital**

It will be proposed at the EGM to authorize the Board (or the persons authorized by the Board) to determine prior to the issuance of the Convertible Bonds, whether the Convertible Bonds will contain the following special provisions in order to satisfy the requirements (if any) of CIRC in relation to the treatment of convertible bonds as the solvency capital of a company:

1. the exercise of conditional redemption right under the Convertible Bonds is conditional upon the obtaining of "confirmation of no objection" by CIRC; and
2. the CB Holders' claims against the Company are subordinated to the claims from other ordinary creditors of the Company.

### **(XIX) Guarantee and security**

There is no guarantee or security in relation to the proposed issuance of the Convertible Bonds.

### **(XX) The validity period of the resolution of the issuance of the Convertible Bonds**

The resolution of the issuance of the Convertible Bonds will be valid for 12 months from the date on which the resolution is approved at the EGM.

### **(XXI) Matters relating to authorization in connection with the issuance of the Convertible Bonds**

To ensure smooth implementation of the issuance of the Convertible Bonds, it will be proposed at the EGM to authorize the Board, and the Board will then delegate the authority to the executive Directors, to separately or jointly exercise the full power to deal with the matters in relation to the issuance of the Convertible Bonds under the framework



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## LETTER FROM THE BOARD

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and principles pursuant to the resolutions passed at the EGM and within the validity period of the resolution in respect of the issuance of the Convertible Bonds (and for matters relating to the conversion of the Convertible Bonds, within the conversion period), including but not limited to those set out below:

1. under the scope of General Mandate to issue new Shares passed at the EGM, to formulate and implement the final proposal for the issuance of the Convertible Bonds, including but not limited to: to determine the issuance size, timing of issuance, method of issuance, target investors, interest rate, conversion price, redemption terms, sale back terms, claims sequence and the amount of the Convertible Bonds to be preferentially allocated to the existing A Shareholders; to formulate and amend the measures for protecting the rights of the CB Holders and the rules of the CB Holders' meetings; to formulate and amend the management principles on use of proceeds and determine the special accounts for the funds to be raised; and any other matters in relation to the issuance and the conversion of the Convertible Bonds in the future;
2. if the PRC government announces new regulations in relation to the issuance of the Convertible Bonds, or the regulatory authorities have new requirements, or there are changes in market conditions, to adjust the issuance proposal accordingly unless such adjustments are specifically required by the laws, regulations and the Articles of Association to be resolved at a general meeting;
3. to produce, amend and file the application and any other materials in relation to the issuance and listing of the Convertible Bonds according to the requirements of the relevant regulatory authorities;
4. to amend, execute and implement all contracts, agreements and other documents (including but not limited to underwriting and sponsorship agreements and agreements relating to the proceeds from the issuance of the Convertible Bonds) during the course of the issuance of the Convertible Bonds;
5. to amend the relevant provisions of the Articles of Association relating to the issuance of the Convertible Bonds, the registered capital and the paid-in capital of the Company at the appropriate time based on the status of implementation of the issuance and conversion of the Convertible Bonds, and to deal with the matters in relation to the approval of and the filing with the approval authority or the administration for industry and commerce of such amendments, the approval by and the registration with the approval authority or the administration for industry and commerce of the change in the registered capital and the paid-in capital, and the listing of the Convertible Bonds;
6. to the extent permitted by laws and regulations, in accordance with the requirements of the regulatory authorities and in view of the actual conditions of the Company, to appropriately amend, adjust and supplement the terms of the issuance of the Convertible Bonds; and

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## LETTER FROM THE BOARD

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7. to deal with other relevant matters in relation to the issuance of the Convertible Bonds.

**The Shareholders and potential investors should be aware that the proposed issuance of the Convertible Bonds is subject to the approvals set out above being obtained and various factors including the market conditions, and therefore the proposed issuance of the Convertible Bonds may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the Shares.**

#### **4. IMPLICATIONS OF ISSUANCE OF CONVERTIBLE BONDS UNDER THE PRC REGULATORY REQUIREMENTS**

The proposed issuance of the Convertible Bonds by the Company may lead to issuance of new A Shares upon conversion of the Convertible Bonds. The exact number of A Shares to be issued as a result of the conversion of Convertible Bonds is subject to various factors, including the CB Conversion Price. The Board recognizes that conversion of the Convertible Bonds into new A Shares will result in dilution of the interests of the existing Shareholders in the share capital of Company.

Under the relevant PRC laws and regulations, the proposed issuance of the Convertible Bonds is subject to the approval of the Shareholders at the EGM and the obtaining of the approvals from the relevant PRC regulatory authorities.

#### **5. IMPLICATIONS OF ISSUANCE OF CONVERTIBLE BONDS UNDER HONG KONG REGULATORY REQUIREMENTS**

All subscribers of the Convertible Bonds shall be third parties independent of the Company and its connected persons (as defined under the Listing Rules) and shall not be a connected persons (as defined under the Listing Rules) of the Company.

As mentioned above, the remaining portion of the preferential issuance and those which have been given up by the existing A Shareholders will be subscribed through the combination of offline placement to institutional investors and online issuance through the online pricing system of SSE (i.e. offline placement: pro rata allocation; online issuance: allocation by way of ballot). The rest of the Convertible Bonds (if any) will be underwritten by the underwriting syndicates. Further, the terms of the proposed issuance of the Convertible Bonds to be offered to any existing A Shareholders (under their preferential entitlement or through application in the public tranche) and other institutional and public investors will be the same.

Save for the proposed issuance of the Convertible Bonds, the Company does not have any plan to exercise the General Mandate to issue new Shares. In addition, according to the relevant laws and regulations, the subsidiaries of the Group are still entitled to issue subordinated debts to replenish their capital base.

The Board anticipates that the Company will continue to maintain sufficient public float in compliance with the minimum requirement of the Listing Rules as applicable to the Company.

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## LETTER FROM THE BOARD

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### **6. THE RESOLUTION IN RELATION TO THE FEASIBILITY ANALYSIS ON USE OF PROCEEDS OF THE PUBLIC ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS**

The proceeds from the proposed issuance of the Convertible Bonds, after deduction of the expenses relating to the issuance, will be used to replenish the working capital of the Company to support the business development of the Group; and the proceeds will be used for other purposes approved by CIRC (including but not limited to replenishing the capital base to improve the solvency margin of the Company after obtaining approval from CIRC). Details in relation to the use of proceeds to be raised by the Company from the proposed issuance of the Convertible Bonds are set out in the Feasibility Analysis on Use of Proceeds of the Public Issuance of A Share Convertible Corporate Bonds, a copy of which is set out in Appendix I to this circular. The Feasibility Analysis on Use of Proceeds of the Public Issuance of A Share Convertible Corporate Bonds, which was considered and approved by the Board on 20 December 2011, is subject to Shareholders' approval by way of ordinary resolution at the EGM.

### **7. THE RESOLUTION IN RELATION TO THE UTILIZATION REPORT ON THE USE OF PROCEEDS FROM THE PREVIOUS FUND RAISING ACTIVITY**

The funds previously raised by the Company during its direct issuance and allotment of 272,000,000 H Shares to JINJUN LIMITED (the "Direct Issuance of H Shares") have been used to increase the Company's capital base. The Board prepared an utilization report on the use of proceeds from the Direct Issuance of H Shares. Ernst & Young Hua Ming Certified Public Accountants Limited Company has been appointed by the Company to issue the Special Assurance Report on the Use of Proceeds from the Previous Fund Raising Activity. The full text of the Utilization Report on the Use of Proceeds from the Previous Fund Raising Activity and the Special Assurance Report on the Use of Proceeds from the Previous Fund Raising Activity are set out in Appendix II(A) and Appendix II(B) to this circular, respectively. The Utilization Report on the Use of Proceeds from the Previous Fund Raising Activity, which was considered and approved by the Board on 20 December 2011, is subject to Shareholders' approval by way of ordinary resolution at the EGM.

### **8. EGM**

A notice convening the EGM to be held at 1:30 p.m. on Wednesday, 8 February 2012 at the Ping An Hall, Ping An School of Financial Services, Guanlan, Shenzhen, Guangdong province, PRC, a form of proxy for use at the EGM and a reply slip have been despatched by the Company on 21 December 2011 and published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.pingan.com>).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to approve the proposed grant of the General Mandate and the proposed issuance of Convertible Bonds at the EGM.

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## LETTER FROM THE BOARD

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In order to determine the list of Shareholders who are entitled to attend the EGM, the Company's register of members will be closed from Monday, 9 January 2012 to Wednesday, 8 February 2012 both days inclusive, during which period no transfer of Shares will be effected. H Shareholders whose names appear on the Company's register of members on Monday, 9 January 2012 are entitled to attend the EGM. In order to attend and vote at the meeting, H Shareholders 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 (the "H Share Registrar") at or before 4:30 p.m. on Friday, 6 January 2012. The address of the transfer office of the H Share Registrar is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Whether or not you intend to attend the EGM, you are requested to complete and return (i) the reply slip in accordance with the instructions printed thereon not later than Thursday, 19 January 2012 and (ii) the 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.

### 9. RECOMMENDATION

The Directors believe that all the resolutions proposed for consideration and approval by the Shareholders at the EGM are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders should vote in favour of the resolutions to be proposed at the EGM as set out in the notice of EGM.

### 10. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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 FEASIBILITY ANALYSIS ON THE USE OF PROCEEDS OF THE PUBLIC  
ISSUANCE OF A SHARE CONVERTIBLE CORPORATE BONDS**

Since 2011, under the complicated economic and financial circumstances at domestic and abroad, Ping An Insurance (Group) Company of China, Ltd. (hereinafter referred to as the “Company”) managed to deal with challenges posed by the difficult operating environment in accordance with its overall financial strategy as planned, thus maintaining a good momentum of healthy and stable growth as a whole.

According to the unaudited financial statements of the Company, as at 30 September 2011, total assets of the Company were RMB2,189.4 billion, representing an increase of 86.9% as compared with the beginning of the year. In the first three quarters, the Company realized a net profit of RMB14.5 billion attributable to the owners of the parent company, representing an increase of 13.8% as compared with the same period of last year, demonstrating the steady improvement of profitability. In the first three quarters, incomes from insurance business amounted to RMB160 billion, representing an increase of 32.9% as compared with the same period of last year. In addition, the Company completed the major assets reconstruction transaction in which the Company successfully gained control over Shenzhen Development Bank Co., Ltd. (hereinafter referred to as the “SDB”), thus expanding its banking network into the whole country, and profit from banking business amounted to RMB5.3 billion in the first three quarters. With investment banking business holding a leading position in the market, income from personal wealth management business amounted to RMB1.1 billion in the first three quarters, representing a significant growth of 152.8%.

With the improving integrated financial platform of the Company, the size of all business segments continued to enjoy rapid growth, leading to an increased pressure for the Company to maintain solvency margin ratio. According to the unaudited financial statements of the Company, as at 31 October 2011, the solvency margin ratio of the Company was 170.7%, the solvency margin ratio of Ping An Life Insurance Company of China, Ltd., a subsidiary of the Company, was 153.2%, and the solvency margin ratio of Ping An Property & Casualty Insurance Company of China, Ltd., a subsidiary of the Company, was 171.0%. As at 30 September 2011, the total capital adequacy ratio and core capital adequacy ratio of SDB were 11.5% and 8.4%, which are relatively low when compared to the industry average. Whilst global economic conditions amidst the European debt crisis remain challenging and complex, the domestic economy is facing a potential slowdown in terms of growth and increased risk of policy shifts given uncertainties that remain. In the near future, the unstable factors of the economy will likely persist, requiring the Company to improve its solvency level and increase risk buffers.

Accordingly, the Company decided to replenish the capital required for business development and improve the solvency margin ratio by way of external financing, which is not only an actual need for the Company to maintain the implementation of its overall financial strategy and carry out regulated operation, but also an initiative for the Company to proactively deal with the complicated external operating environment and enhance future competitiveness.

Despite current volatility in domestic capital market, some positive signs of policy shifts have been seen recently. As a matter of fact, the anti-cycle operation in anticipation for a loosening monetary policy has been started and the improvement of liquidity in capital market has created relatively favourable conditions for the Company to launch its re-financing project. Given the current market condition, the Company decided, after conducting a careful market research, to issue the Convertible Bonds, which try to meet the Company's urgent funding requirement and protect interest of all its investors at the same time by using convertible bonds as financing tools with a combination of "aggressive and defensive" characteristics in a volatile capital market.

The proceeds from the issuance of the Convertible Bonds, after deduction of the expenses relating to the issuance, will be used to replenish the working capital of the Company to support the business development of the Group; and the proceeds will be used for other purposes approved by the China Insurance Regulatory Commission (hereinafter referred to as the "CIRC") (including but not limited to replenishing the capital base to improve the solvency margin of the Company after obtaining approval from the CIRC). Such proceeds will be used to replenish the capital base of the Company after conversions by CB Holders. According to the static measurement based on the information as at 31 October 2011 and assuming full conversion of the RMB26 billion Convertible Bonds to be issued, the solvency capital of the Company would reach RMB208.9 billion and the solvency margin ratio would reach 194.9%.

This financing will enable the Company to further enhance its risk-preventing capability and sustainable development capability, promote all business segments of the Company to develop in a continuous and rapid manner, and enhance the steady growth of the profitability and the Shareholder returns.

**PING AN INSURANCE (GROUP) COMPANY OF CHINA, LTD.  
UTILIZATION REPORT ON THE USE OF PROCEEDS FROM  
THE PREVIOUS FUND RAISING ACTIVITY**

**(I) Proceeds from the Previous Fund Raising**

According to the “Letter of Regulatory Opinion on the Direct Issuance of H Shares of Ping An Insurance (Group) Company of China, Ltd.” (Bao Jian Fa Gai [2011] No. 528) issued by the China Insurance Regulatory Commission on 20 April 2011 and the “Approval of Issuance of Overseas Listed Foreign Securities of Ping An Insurance (Group) Company of China, Ltd.” (Zheng Jian Xu Ke [2011] No.939) issued by the China Securities Regulatory Commission on 14 June 2011, Ping An Insurance (Group) Company of China, Ltd. (hereinafter referred to as the “Company”) was approved to issue 272,000,000 overseas listed foreign shares (hereinafter referred to as the “Direct Issuance of H Shares”) at the offer price of HK\$71.50 per share to JINJUN LIMITED on 17 June 2011. Gross proceeds from the issuance were HK\$19,448,000,000 (equivalent to RMB16,168,678,240). After deduction of the issuance expenses of RMB34,315,266, net proceeds were equivalent to approximately RMB16,134,524,083 (including interest income earned from subscription funds during the frozen period amounting to RMB161,109) (hereinafter referred to as the “Proceeds from Previous Fund Raising”).

The above proceeds were deposited on 17 June 2011 into a joint account, which was opened by JINJUN LIMITED but controlled by the Company, and the proceeds were credited in full amount to the Company’s special account for such placement on 8 July 2011. The transferring of above proceeds was verified by Ernst & Young Hua Ming Certified Public Accountants Limited Company and a capital verification report (Ernst & Young Hua Ming (2011) Yan Zi No. 60468101\_B02) was issued. As at 30 November 2011, the abovementioned proceeds, after deduction of issuance expenses, were fully used to replenish the capital base of the Company. The balance of the proceeds in the Company’s special account for the previous fund raising activity was RMB nil, and the proceeds raised had been fully used in strengthening the Company’s capital base.

**(II) Actual Use of Proceeds from Previous Fund Raising**

As stated in relevant disclosure in respect of the use of the proceeds raised from the Direct Issuance of H Shares by the Company, the proceeds should be used to strengthen the Company’s capital base. As at 30 November 2011, the Proceeds from Previous Fund Raising had been fully used in strengthening the Company’s capital base.

The actual use of the Proceeds from Previous Fund Raising has been compared item by item with relevant disclosures made by the Company in its previous Direct Issuance of H Shares and in its periodic reports. The actual use of proceeds was in line with the relevant disclosures and there was no change in actual use.

## Breakdown of the Use of Proceeds from the Previous Fund Raising Activity

Unit: RMB Yuan

Total amount of proceeds raised: 16,134,524,083		Accumulated total amount of proceeds used: 16,134,524,083				
Total amount of proceeds in relation to a change of intended use: 0		Total amount of proceeds used in the year: 16,134,524,083				
Proportion of total amount of proceeds in relation to a change of intended use: 0						
Investment projects	Total proceeds invested		Accumulated proceeds invested as of the cut-off date			Date on which the project is ready for intended use (or degree of the progress of project completed as of the cut-off date)
	Committed investment amount before fund raising activity	Committed investment amount after fund raising activity	Actual amount invested	Committed investment amount after fund raising activity	Difference between actual amount invested and committed investment amount after fund raising activity	
Committed investment project	16,134,524,083	16,134,524,083	16,134,524,083	16,134,524,083	16,134,524,083	100%
Actual investment project						
Replenishment of capital base						
Replenishment of capital base						



**III. CONCLUSION**

The board of directors of the Company considered that the Company completed the replenishment of its capital base through the use of proceeds according to the utilization plan as disclosed in relevant information in respect of the previous Direct Issuance of H Shares. The Company has already fulfilled its disclosure obligation strictly in accordance with the facts for the use of previous proceeds and the progress of use according to the *Rules Governing the Utilization Report on the Use of Proceeds from Previous Fund raising Activities (Zheng Jian Fa Xing Zi [2007] No. 500)* issued by the China Securities Regulatory Commission.

All directors of the Company undertake that this report contains no false statement, misleading representation or material omission and they are willing to assume joint and several liability for the truthfulness, accuracy and completeness of this report.

The Board of  
**Ping An Insurance (Group) Company of China, Ltd.**  
20 December 2011

THE SPECIAL ASSURANCE REPORT ON THE USE OF PROCEEDS FROM THE  
PREVIOUS FUND RAISING ACTIVITY

Ernst &amp; Young Hua Ming (2011) Zhuan Zi No.60468101\_B10

**To the Board of Directors of Ping An Insurance (Group) Company of China, Ltd.**

We have been engaged by Ping An Insurance (Group) Company of China, Ltd. (hereinafter referred to as “the Company”) to provide assurance on the Utilization Report on the Use of Proceeds from the Previous Fund Raising Activity for the period ended 30 November 2011. It is the responsibility of the board of directors of the Company to prepare the Utilization Report on the Use of Proceeds from Previous Fund Raising activity in accordance with the Rules Governing the Utilization Report on the Use of Proceeds from Previous Fund Raising Activity (Zheng Jian Fa Xing Zi [2007] No.500) issued by the China Securities Regulatory Commission and to ensure its truthfulness, accuracy and completeness and ensure the absence of false statements, misleading representations or material omissions. Our responsibility is to express our opinion based on our assurance work performed in accordance with Chinese CPAs’ Standard on Other Assurance Engagements No. 3101-Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

We have conducted our assurance work in accordance with the requirements of Chinese CPAs’ Standard on Other Assurance Engagements No. 3101 – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. This standard requires us to plan and conduct our assurance work in order to obtain a reasonable assurance of whether the Utilization Report on the Use of Proceeds from Previous Fund Raising Activity is free from material misstatements. In performing our assurance work, we have carried out requisite procedures, including inquiries, random inspection and examination as well as other procedures we deemed necessary. We are of the opinion that our assurance work has provided a reasonable basis for our opinion.

In our opinion, the Company’s Utilization Report on the Use of Proceeds from Previous Fund Raising Activity as mentioned above has been prepared in accordance with the Rules Governing the Utilization Report on the Use of Proceeds from Previous Fund Raising Activity (Zheng Jian Fa Xing Zi [2007] No.500) issued by the China Securities Regulatory Commission in all material aspects, and fully reflected the Company’s use of proceeds from the previous fund raising activity for the period ended 30 November 2011.

This Special Assurance Report is provided for the sole purpose of application by Ping An Insurance (Group) Company of China, Ltd. to the China Securities Regulatory Commission in connection with the proposed issuance of A share convertible bonds and should not be used for any other purpose without our prior written consent.

Ernst &amp; Young Hua Ming

CPA of China

Zhang Xiaodong

Certified Public Accountants Limited Company  
Beijing, China

CPA of China

Wu Cuirong

20 December 2011