

# Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended December 31, 2009.

## 1. PRINCIPAL ACTIVITIES

The principal activities of the Group comprise the provision of a wide range of financial products and services with a focus on the three core businesses namely, insurance, banking and investment. There were no significant changes in the nature of the Group’s principal activities during the year.

## 2. RESULTS AND DIVIDENDS

The Group’s net profit in 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 100 to 212.

On August 14, 2009, the Directors declared a 2009 interim dividend of RMB0.15 per share which was paid to the shareholders on September 9, 2009.

The Board recommends the payment of a final dividend of RMB0.30 per share totalling RMB2,204 million in respect of the year to shareholders of the Company. Holders of H shares whose names appear on the Company’s register of members maintained by Computershare Hong Kong Investor Services Limited on Tuesday, June 29, 2010 will be entitled to receive the final dividend. The record date entitling holders of A shares of the Company to the final dividend will be separately announced by the Company in the PRC.

## 3. SUMMARY FINANCIAL INFORMATION

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

Profit and loss	2005	2006	2007	2008	2009
(in RMB million)					
Total Income	64,995	88,198	138,213	87,658	<b>152,838</b>
Net Profit	4,265	8,000	19,219	1,635	<b>14,482</b>

**Balance sheet**

(in RMB million)	2005	2006	2007	2008	2009
Total Assets	319,706	494,435	692,222	704,564	<b>935,712</b>
Total Liabilities	286,184	446,685	578,371	637,405	<b>843,969</b>
Total Equity	33,522	47,750	113,851	67,159	<b>91,743</b>

\* Certain comparative figures have been reclassified or restated to conform to relevant period's presentation.

**4. RESERVES**

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

**5. CHARITABLE DONATIONS**

Charitable donations made by the Company during 2009 totalled RMB20 million.

**6. PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES**

Details of movements in property and equipment and investment properties of the Group during the year are set out in notes 28 and 27 to the consolidated financial statements, respectively.

## 7. SHARE CAPITAL

In 2009, there was no change in the share capital of the Company. The share capital structure of the Company as at December 31, 2009 is as follows:

	as at January 1, 2009		Increase in the year		as at December 31, 2009	
	Number	Percentage (%)	Number	Percentage (%)	Number	Percentage (%)
A shares	4,786,409,636	65.17	–	–	4,786,409,636	65.17
H shares	2,558,643,698	34.83	–	–	2,558,643,698	34.83
Total	7,345,053,334	100.00	–	–	7,345,053,334	100.00

## 8. PRE-EMPTIVE RIGHTS

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

## 9. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

## 10. DISTRIBUTABLE RESERVES

As at December 31, 2009, the Company's reserves available for distribution, calculated in accordance with the relevant regulations, totalled RMB4,321 million of which RMB2,204 million has been proposed as a final dividend for the year. After deduction of such proposed final dividend, the retained profits (including unrealized gains arising from the fair value changes of the financial assets carried at fair value through profit or loss) were carried forward to 2010. In addition, the Company's capital reserve and surplus reserve fund, in the amount of RMB58,115 million, may be distributed by a future capitalization issue.

## 11. MAJOR CUSTOMERS

In the year under review, operating income from the Group's five largest customers accounted for less than 1% of the total operating income for the year.

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

## 12. DIRECTORS AND SUPERVISORS

The Directors of the Company during 2009 and as at the date of this annual report were as follows:

Name	Date of Appointment as Director
<b>Executive Directors:</b>	
MA Mingzhe	March 21, 1988
SUN Jianyi	March 29, 1995
CHEUNG Chi Yan Louis	May 25, 2006
WANG Liping	June 9, 2009
YAO Jason Bo	June 9, 2009
<b>Non-executive Directors:</b>	
LIN Yu Fen (retired on June 3, 2009)	October 8, 2002
CHEUNG Lee Wah (retired on June 3, 2009)	October 8, 2002
LIN Lijun	May 16, 2003
FAN Gang (retired on June 3, 2009)	May 16, 2003
HU Aimin (retired on February 11, 2010)	March 9, 2004
CHEN Hongbo	June 23, 2005
WONG Tung Shun Peter	May 25, 2006
NG Sing Yip	May 25, 2006
Clive BANNISTER	May 13, 2008
LI Zhe	June 9, 2009
GUO Limin	February 11, 2010
<b>Independent Non-executive Directors:</b>	
BAO Youde (retired on June 3, 2009)	September 27, 1995
KWONG Che Keung Gordon (retired on June 3, 2009)	May 16, 2003
CHEUNG Wing Yui (retired on June 3, 2009)	May 16, 2003
CHOW Wing Kin Anthony	June 23, 2005
ZHANG Hongyi	March 19, 2007
CHEN Su	March 19, 2007
XIA Liping	June 7, 2007
TANG Yunwei	June 9, 2009
LEE Ka Sze Carmelo	June 9, 2009
CHUNG Yu-wo Danny	June 9, 2009

The supervisors of the Company during 2009 and as at the date of this annual report were as follows:

Name	Position	Date of Appointment as Supervisor
XIAO Shaolian (resigned on June 3, 2009)	Independent Supervisor	August 3, 1994
SUN Fuxin	Independent Supervisor	May 16, 2003
DONG Likun (retired on June 3, 2009)	Independent Supervisor	May 25, 2006
GU Liji	Independent Supervisor	June 3, 2009
PENG Zhijian	Independent Supervisor	June 3, 2009
DUAN Weihong (retired on June 3, 2009)	Supervisor	May 16, 2003
LIN Li (retired on June 3, 2009)	Supervisor	May 25, 2006
CHE Feng (retired on June 3, 2009)	Supervisor	May 25, 2006
SONG Zhijiang	Supervisor	June 3, 2009
HU Jie (retired on June 3, 2009)	Supervisor	May 25, 2006
WANG Wenjun	Supervisor	May 25, 2006
DU Jiangyuan (retired on June 3, 2009)	Supervisor	July 10, 2007
REN Huichuan (retired on March 19, 2010)*	Supervisor	June 3, 2009
DING Xinmin	Supervisor	June 3, 2009
SUN Jianping*	Supervisor	March 19, 2010

\* Mr. Sun Jianping has succeeded Mr. Ren Huichuan as Supervisor representing the employees of the Company since March 19, 2010. Mr. Ren Huichuan resigned as the Company's Supervisor representing the employees in March 2010 due to other business engagements.

During 2009 and as at the date of this annual report, changes in Directors of the Company are set out in the notes to attendance of the Board meeting in page 75 of this annual report.

The Company has received annual confirmations of independence from Mr. Chow Wing Kin Anthony, Mr. Zhang Hongyi, Mr. Chen Su, Mr. Xia Liping, Mr. Tang Yunwei, Mr. Lee Ka Sze Carmelo and Mr. Chung Yu-wo Danny, as of the date of this annual report, continues to consider them to be independent as defined under the Listing Rules.

### **13. BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND MEMBERS OF THE SENIOR MANAGEMENT**

Biographical details of Directors, Supervisors and members of the senior management are set out from page 64 to page 72 of this annual report.

### **14. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATION**

On April 8, 2009, as considered and approved by the 25th Meeting of the 7th Session

of the Board of Directors and the 12th Meeting of the 5th Session of the Supervisory Committee of the Company, the Company entered into service contracts with all Directors of the 8th Session of the Board of Directors and all Supervisors of the 6th Session of the Supervisory Committee respectively on July 1, 2009, and entered into service contracts with newly appointed Director, Mr. Guo Limin, and Supervisor representing the employees, Mr. Sun Jianping, on March 3, 2010 and March 31, 2010 respectively. Terms, duties, remuneration expenses and confidentiality duties of Directors and Supervisors, and commencement and termination of contracts were specified in the service contracts. As of December 31, 2009, no Director or Supervisor had a service contract with the Company which was not terminable by the Company within one year without payment of compensation other than statutory compensation.

Details of remuneration of the Directors and Supervisors for the year ended December 31, 2009 are set out in note 46 to the financial statements.

#### **15. DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS**

None of the Directors or Supervisors had a material interest, directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during 2009.

## 16. DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at December 31, 2009, the interests and short positions of the Directors and Supervisors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and Supervisors of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified by the Directors and Supervisors to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

### Interests in Ordinary Shares of the Company

Name of Director/Supervisor	Position	H/A Shares	Capacity	No. of H/A Shares	Nature of interest	Percentage of	Percentage of
						total number of H/A Shares in issue (%)	total shares in issue (%)
CHEUNG Chi Yan Louis	Executive Director	H	Beneficial owner	248,000	Long position	0.01	0.003
YAO Jason Bo	Executive Director	H	Beneficial owner	12,000	Long position	0.00047	0.000
CHOW Wing Kin Anthony	Independent Non-executive Director	H	Interest held jointly with another person*	7,500	Long position	0.00029	0.000

\* Chow Wing Kin Anthony jointly held these H Shares with Chow Suk Han Anna.

Save as disclosed above, as at December 31, 2009, none of the Directors or Supervisors held or was deemed to hold any interests or short positions in the shares and underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which are required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors and Supervisors to the Company and the Stock Exchange pursuant to the Model Code nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

## 17. DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, Supervisors or their respective spouse or under age children, nor were any such rights exercised by them, or was the Company, or any of its subsidiaries a party to any arrangement to

enable the Directors or Supervisors to acquire such rights in any other body corporate.

## **18. DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS**

During 2009 and up to the date of this annual report, the following Directors are considered to have interests in a business which competes or is likely to compete, directly or indirectly, with the business of the Group, as defined in the Listing Rules, as set out below:

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

Mr. Clive Bannister, Non-executive Director of the Company, was the Group Managing Director of Insurance of HSBC Holding plc, before March 2010. As Ping An Hong Kong, 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 that thus may compete with those of Ping An Hong Kong.



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

## 19. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2009, the following persons (other than the Directors and Supervisors of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

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

Name of substantial shareholder	H/A Shares	Capacity	Notes	No. of H/A Shares	Nature of interest	Percentage of	Percentage of
						total number of H/A Shares in issue (%)	total shares in issue (%)
HSBC Holdings plc	H	Interest of controlled corporations	1,2,3	1,233,870,388	Long position	48.22	16.80

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

Name of substantial shareholder	H/A Shares	Capacity	Notes	No. of H/A Shares	Nature of interest	Percentage of	Percentage of
						total number of H/A Shares in issue (%)	total shares in issue (%)
HSBC Insurance Holdings Limited	H	Beneficial owner	1	618,886,334	Long position	24.19	8.43
The Hongkong and Shanghai Banking Corporation Limited	H	Beneficial owner	3	614,099,279	Long position	24.00	8.36
JPMorgan Chase & Co.	H	Beneficial owner		4,408,891	Long position	0.17	0.06
		Investment Manager		71,407,700	Long position	2.79	0.97
		Custodian		103,949,374	Long position	4.06	1.42
			4	179,765,965		7.03	2.45

Name of substantial shareholder	H/A		Notes	No. of H/A Shares	Nature of interest	Percentage of	Percentage of
	Shares	Capacity				total number of H/A Shares in issue (%)	total shares in issue (%)
		Beneficial owner	4	1,361,458	Short position	0.05	0.02
Shenzhen Investment Holdings Co., Ltd.	A	Beneficial owner		481,359,551	Long position	10.06	6.55
Shenzhen Jingao Industrial Development Co., Ltd.	A	Beneficial owner	5	331,117,788	Long position	6.92	4.51
Ping An Securities Company, Ltd. Labor Union	A	Interest of controlled corporations	5	331,117,788	Long position	6.92	4.51
China Ping An Trust & Investment Co., Ltd. Labor Union	A	Interest of controlled corporations	5	331,117,788	Long position	6.92	4.51
Shenzhen New Horse Investment Development Co., Ltd.	A	Beneficial owner	6	389,592,366	Long position	8.14	5.30
Ping An Insurance (Group) Company of China, Ltd. Labor Union	A	Interest of controlled corporations	6	389,592,366	Long position	8.14	5.30
Yuan Trust Investment Company Ltd.	A	Beneficial owner		380,000,000	Long position	7.94	5.17

**Notes:**

(1) HSBC Insurance Holdings Limited is a wholly-owned subsidiary of HSBC Holdings plc and its interest in 618,886,334 H 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 H shares in the Company. The interest in 884,775 H shares of the Company was held through cash settled unlisted securities.

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

(3) The Hongkong and Shanghai Banking Corporation Limited was wholly-owned 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. HSBC Finance (Netherlands), a wholly-owned subsidiary of HSBC Holdings plc., owned 100% interest in HSBC Holdings BV.

(4) JPMorgan Chase & Co. held interest in a total of 179,765,965 H shares (Long position) and 1,361,458 H shares (Short position) in the Company by virtue of its control over the following corporations:

(i) JPMorgan Chase Bank, N.A. held 106,970,574 H shares (Long position) in the Company. JPMorgan Chase Bank, N.A. was a wholly-owned subsidiary of JPMorgan Chase & Co.

(ii) J.P. Morgan Whitefriars Inc. held 4,171,833 H shares (Long position) and 1,100,000 H shares (Short position) in the Company. J.P. Morgan Whitefriars Inc. was a wholly-owned subsidiary of J.P. Morgan Overseas Capital Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Finance Limited. J.P. Morgan International Finance Limited was wholly-owned by Bank One International Holdings Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Inc. JPMorgan Chase Bank, N.A., referred to in (i) above, owned 100% interest in J.P. Morgan International Inc.

(iii) J.P. Morgan Securities Ltd. held 237,058 H shares (Long position) and 184,058 H shares (Short position) in the Company. J.P. Morgan Securities Ltd. was owned as to 98.95% by J.P. Morgan Chase International Holdings Limited, which in turn was wholly-owned by J.P. Morgan Chase (UK) Holdings Limited. J.P. Morgan Chase (UK) Holdings Limited was wholly-owned by J.P. Morgan Capital Holdings Limited, which in turn was wholly-owned by J.P. Morgan International Finance Limited, referred to in (ii) above.

(iv) J.P. Morgan Investment Management Inc. held 7,909,000 H shares (Long position) in the Company. J.P. Morgan Investment Management Inc. was a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc. JPMorgan Asset Management Holdings Inc. was wholly-owned by JPMorgan Chase & Co.

(v) JF Asset Management Limited held 19,899,500 H shares (Long position) in the Company. JF Asset Management Limited was wholly-owned by JPMorgan Asset Management (Asia) Inc., a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc., referred to in (iv) above.

(vi) JPMorgan Asset Management (UK) Limited held 22,046,000 H shares (Long position) in the Company. JPMorgan Asset Management (UK) Limited was wholly-owned by JPMorgan Asset Management Holdings (UK) Limited, which was a wholly-owned subsidiary of JPMorgan Asset Management International Limited. JPMorgan Asset Management International Limited was a wholly-owned subsidiary of JPMorgan Asset Management Holdings Inc., referred to in (iv) above.

- (vii) JPMorgan Asset Management (Taiwan) Limited held 2,303,500 H shares (Long position) in the Company. JPMorgan Asset Management (Taiwan) Limited was a wholly-owned subsidiary of JPMorgan Asset Management (Asia) Inc., referred to in (v) above.
- (viii) J.P. Morgan Structured Products B.V. held 77,400 H shares (Short position) in the Company. J.P. Morgan Structured Products B.V. was a wholly-owned subsidiary of J.P. Morgan International Finance Limited, referred to in (ii) above.
- (ix) JPMorgan Asset Management (Singapore) Limited held 15,939,000 H shares (Long position) in the Company. JPMorgan Asset Management (Singapore) Limited was a wholly-owned subsidiary of JPMorgan Asset Management (Asia) Inc., referred to in (v) above.
- (x) JF International Management Inc. held 289,500 H shares (Long position) in the Company. JF International Management Inc. was a wholly-owned subsidiary of JPMorgan Asset Management (Asia) Inc., referred to in (v) above.

The entire interest of JPMorgan Chase & Co. in the Company included a lending pool of 103,949,374 H shares (Long position). Besides, 1,627,788 H shares (Long position) and 1,177,400 H shares (Short position) were held through derivatives as follows:

77,400 H shares (Short position)	- through cash settled listed securities
477,788 H shares (Long position) and 1,100,000 H shares (Short position)	- through physically settled unlisted securities
1,150,000 H shares (Short position)	- through cash settled unlisted securities

(5) 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 331,117,788 A shares relates to the same block of shares in the Company.

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

Save as disclosed above, the Company is not aware of any other person (other than the Directors and Supervisors of the Company) having any interests or short positions in the shares and underlying shares of the Company as at December 31, 2009 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## **20. CONTINUING CONNECTED TRANSACTIONS**

On December 18, 2009, the independent Shareholders of the Company approved the following continuing connected transactions of the Company at the extraordinary general meeting:

### **(1) Bank Deposits Arrangements with HSBC**

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

As at December 31, 2009, the aggregate bank balances maintained by the Group with HSBC was approximately USD24 million.

HSBC Insurance Holdings Limited is a wholly-owned subsidiary of HSBC Holdings plc. and its interest in 618,886,334 H shares of the Company is deemed to be the interest of HSBC Holdings plc.. In addition, HSBC CCF Financial Products (France) SNC, a wholly owned subsidiary of CCF S.A. which is in turn 99% held by HSBC Bank plc., has a direct interest in 884,775 shares in the Company, which is also deemed to be the interest of HSBC Holdings plc.. As HSBC is an indirect subsidiary of HSBC Holdings plc., HSBC is therefore a connected person of the Company under Rule 14A.11(4) of the Listing Rules.

## **(2) Bank Deposits Arrangements with ICBC and ICBC (Asia)**

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

ICBC is a promoter of the Company and thus a connected person of the Company under Rule 14A.11(3) of the Listing Rules before the conditions to the Waiver (as defined below) were fulfilled. Further, as ICBC (Asia), a non-wholly owned subsidiary and thus an associate of ICBC was, prior to December 22, 2009, a substantial shareholder of Ping An Hong Kong, a subsidiary of the Company who holds 75% interest, and therefore ICBC (Asia) was a connected person of the Company by virtue of Rule 14A.11(1) and (4) of the Listing Rules. Prior to December 22, 2009, ICBC was also a connected person of the Company by virtue of Rule 14A.11(4) of the Listing Rules as it is an associate of ICBC (Asia).

The Company had applied for and the Stock Exchange had granted a waiver ('Waiver') to exempt ICBC from being regarded as the Company's connected person under Rule 14A.11(3) of the Listing Rules subject to certain conditions including the disposal of shares held by ICBC (Asia) in the share capital of Ping An Hong Kong thereby ICBC (Asia) will cease to be a substantial shareholder of Ping An Hong Kong.

On December 22, 2009, the disposal of all the shares held in the share capital of Ping An Hong Kong by ICBC (Asia) has been completed thereby ICBC (Asia) ceased to be a substantial shareholder of Ping An Hong Kong, and all the conditions to the waiver have been fulfilled. Accordingly, ICBC and ICBC (Asia) ceased to be a connected person of the Company by virtue of Rules 14A.11(1), (3) and (4) of the Listing Rules.

As at December 31, 2009, the aggregate bank deposits maintained by the Group with ICBC and ICBC (Asia) in all kinds of currencies amounted to approximately RMB11,336 million.

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

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

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

- (1) have received the approval of the Board of Directors of the Company;
- (2) have been entered into in accordance with the relevant agreements governing such transactions; and
- (3) have not exceeded the respective annual caps set out below in 2009:
  - (i) bank deposits arrangements with HSBC: USD2,336 million on any given day; and
  - (ii) bank deposit arrangements with ICBC and ICBC (Asia): RMB24,900 million on any given day.

## **21. BOARD COMMITTEES**

The Company has established an audit committee, a remuneration committee and a nomination committee. For details regarding these Board committees, please see the relevant sections in the Corporate Governance Report on pages 76 to 78 of this annual report.

## **22. POST BALANCE SHEET EVENTS**

Details of the significant post balance sheet events of the Group are set out in note 53 to the consolidated financial statements on page 211 of this annual report.

## **23 COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES CONTAINED IN APPENDIX 14 TO THE LISTING RULES**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable Code Provisions set out in the Code on Corporate Governance Practices for any part of the period from January 1, 2009 to December 31, 2009 except that Mr. Ma Mingzhe has occupied the positions of both the Chairman of the Board of Directors and Chief Executive Officer of the Company. Further details of the Company's arrangements and considered reasons for the Company's intention not to separate the roles of the Chairman of the Board of Directors and the Chief Executive Officer of the Company are set out under the paragraph headed "Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules" in the Corporate Governance Report on pages 73 to 74 of this annual report.



## **24. AUDITORS**

Ernst & Young and Ernst & Young Hua Ming were the international and PRC auditors, respectively, to the Company for the year ended December 31, 2009. A resolution for the re-appointment of Ernst & Young as the international auditors and Ernst & Young Hua Ming as the PRC auditors to the Company will be proposed at the forthcoming Annual General Meeting on Tuesday, June 29, 2010.

## **25. SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, being April 16, 2010, at all times during the year ended December 31, 2009, not less than 20% of the issued share capital of the Company (being the minimum public float applicable to the shares of the Company) was held in public hands.

## **26. DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE AND THE COMPANY'S WEBSITE**

All information required by paragraphs 45(1) to 45(8) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.pingan.com>) respectively in due course.

By order of the Board of Directors

**Ma Mingzhe**

*Chairman and Chief Executive Officer*

Shenzhen, PRC

April 16, 2010