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CONTINUING CONNECTED TRANSACTION RENEWAL OF THE FRAMEWORK AGREEMENT ON REINSURANCE BUSINESS COOPERATION

On 28 March 2016, the Company and PICC HK renewed the Framework Agreement on Reinsurance Business Cooperation. Pursuant to the Agreement, the Company agreed to cede insurance premiums to PICC HK and receive commissions, and PICC HK agreed to cede insurance premiums to the Company and receive commissions.

Pursuant to the relevant provisions of the Listing Rules, the Reinsurance Framework Agreement constitutes a continuing connected transaction of the Company. As none of the applicable percentage ratios for the amounts of premiums and commissions of the Outward Reinsurance Transactions exceeds the 5% threshold under Rule 14A.76 of the Listing Rules, the Outward Reinsurance Transactions are only subject to the reporting, annual review and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. None of the applicable percentage ratios for the amounts of premiums and commissions of the Inward Reinsurance Transactions exceeds the 0.1% threshold under Rule 14A.76 of the Listing Rules, therefore the Inward Reinsurance Transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

INTRODUCTION

The Framework Agreement on Reinsurance Business Cooperation entered into between the Company and PICC HK on 27 March 2015 expired on 31 December 2015. The Company and PICC HK renewed the Framework Agreement on Reinsurance Business Cooperation on 28 March 2016 to continue strengthening the current business cooperation relationship between the Company and PICC HK, promote the sustainable development of their respective businesses, and ensure that the reinsurance business between the parties is conducted under the framework provided in the Agreement and in compliance with laws and regulations. From 1 January 2016 to the date of this announcement, the reinsurance business between the Company and PICC HK is still being conducted. None of the applicable percentage ratios for the Outward Reinsurance Transactions and the Inward Reinsurance Transactions under the Agreement for the period from 1 January 2016 to 27 March 2016 exceeded the 0.1% threshold under Rule 14A.76 of the Listing Rules.

THE REINSURANCE FRAMEWORK AGREEMENT

1. Date of signing

28 March 2016

2. Parties

- (1) the Company
- (2) PICC HK

3. Term

One year, commencing from 1 January 2016 and expiring on 31 December 2016.

4. Cooperative matters

Pursuant to the Agreement, the Company agreed to cede insurance premiums to PICC HK from time to time and PICC HK agreed to cede insurance premiums to the Company from time to time. One party to the Agreement who acts as reinsurer shall accept the risks of and pay commissions to the other party to the Agreement in return for the agreed insurance premiums received from such other party. The reinsurance business consists of treaty and facultative reinsurance business, and the risks covered include all lines of property and casualty insurance business risks on a proportional and non-proportional basis.

5. Premiums ceded and commissions

Under the framework provided in the Agreement, the parties to the Agreement may enter into various types of reinsurance agreements in respect of particular reinsurance business. Pricing and relevant conditions, including the amount of premiums to be ceded and the rate of commission receivable, of each particular reinsurance business shall be determined by the two parties by reference to the market level then and after arm's length negotiation. The above reinsurance agreements shall be entered into on normal commercial terms, and the contractual terms shall be determined by using standard version of contract in conjunction with commercial negotiation. The contractual terms determined by the Company with PICC HK shall be no special compared to that determined by the Company with other reinsurers. The amounts of ceded premiums under the above reinsurance agreements shall be determined by taking into account the underwriting capacities of the respective parties to the Agreement and subject to the relevant local insurance and other regulatory requirements. The commissions under the above reinsurance agreements shall be based on the amounts of ceded premiums and the loss ratios of the ceded business, and no favourable than that available to independent third parties. The ceded premiums and commissions shall be paid in cash and the payment dates shall be determined according to the payment terms agreed by the parties to the Agreement after arm's length negotiation when entering into the reinsurance agreements. The payment terms shall be no favourable than that available to independent third parties.

ANNUAL CAPS

The annual caps for the Outward Reinsurance Transactions for the year ending 31 December 2016 are estimated as follows:

	RMB million
Premiums ceded by the Company to PICC HK	600
Commissions (including taxes) received by the Company from PICC HK	230

The Company determined the above annual cap for ceded premiums primarily based on the data on the reinsurance business carried out between the Company and PICC HK in the past years, and the expected size of reinsurance business conducted with PICC HK during the term of the Agreement. The above annual cap for commissions was estimated based on the market levels of the commission rates of historical transactions and the above annual cap for ceded premiums.

It is expected that for the year ending 31 December 2016 (the term of the Agreement), the Inward Reinsurance Transactions constitute fully exempted de minimis continuing connected transactions pursuant to Rule 14A.76 of the Listing Rules, therefore no annual cap for the Inward Reinsurance Transactions for the year ending 31 December 2016 has been set.

HISTORICAL FIGURES

The aggregate premiums ceded by the Company to PICC HK and the aggregate commissions received by the Company from PICC HK for the years ended 31 December 2014 and 2015 and for the period from 1 January 2016 to 27 March 2016 were as follows:

	Premiums ceded by the Company to PICC HK	Commissions received by the Company from PICC HK (including taxes)
	RMB million	RMB million
For the year ended 31 December 2014	556	222
For the year ended 31 December 2015	466	211
For the period from 1 January 2016 to 27 March 2016	54	16

GENERAL INFORMATION

Information on the Company

The Company is a joint stock limited liability company incorporated in the PRC, whose H shares are listed on the Hong Kong Stock Exchange. The Company is principally engaged in property insurance, accidental injury insurance, short-term health insurance and the related reinsurance business as well as investment and funds application business in the PRC.

Information on PICC HK

PICC HK is a limited liability company incorporated in Hong Kong, which is principally engaged in property insurance in Hong Kong, including general insurance business such as cargo insurance, travel accidental insurance, household insurance, motor vehicle insurance, hull insurance and various liability insurance, reinsurance business and the application of its own fund and insurance fund.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

PICC HK is principally engaged in general insurance business, reinsurance business and the application of its own fund and insurance fund in Hong Kong, and is one of the reinsurers of the Company. The Company entered into the Agreement with PICC HK so as to achieve risks diversification and stabilisation of operation. The Board, including the independent non-executive Directors, is of the view that the transactions under the Agreement will be conducted on normal commercial terms in the ordinary and usual course of business of the Company, the terms of the Agreement and the proposed annual caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

PICC HK is a non-wholly owned subsidiary of PICC Group, the controlling shareholder of the Company. PICC Group holds approximately 69% and 75% of the issued share capital of the Company and PICC HK, respectively. Pursuant to the Listing Rules, PICC HK is a connected person of the Company. Accordingly, the Agreement constitutes a continuing

connected transaction of the Company. Mr. Wu Yan, Mr. Wang Yincheng, Ms. Yu Xiaoping and Mr. Li Tao, Directors of the Company, hold positions in PICC Group, therefore they have abstained from voting on the board resolution for considering and approving the Agreement. Save as disclosed above, no other Directors were required to abstain from voting on the board resolution for considering and approving the Agreement or are regarded as having a material interest in the Agreement.

As none of the applicable percentage ratios for the amounts of premiums and commissions of the Outward Reinsurance Transactions exceeds the 5% threshold under Rule 14A.76 of the Listing Rules, the Outward Reinsurance Transactions are only subject to the reporting, annual review and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. None of the applicable percentage ratios for the amounts of premiums and commissions of the Inward Reinsurance Transactions exceeds the 0.1% threshold under Rule 14A.76 of the Listing Rules, therefore the Inward Reinsurance Transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

DEFINITIONS

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

“Agreement” or “Reinsurance Framework Agreement”	the Framework Agreement on Reinsurance Business Cooperation dated 28 March 2016 entered into between the Company and PICC HK
“Board”	the board of directors of the Company
“Company”	PICC Property and Casualty Company Limited
“connected person”	has the meaning as defined in the Listing Rules
“Directors”	directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Inward Reinsurance Transactions”	the reinsurance transactions contemplated under the Agreement, in respect of which PICC HK cedes insurance premiums to and receives commissions from the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Outward Reinsurance Transactions”	the reinsurance transactions contemplated under the Agreement, in respect of which the Company cedes insurance premiums to and receives commissions from PICC HK

“PICC Group”	The People’s Insurance Company (Group) of China Limited, a joint stock limited liability company incorporated in the PRC, whose H shares are listed on the Hong Kong Stock Exchange
“PICC HK”	The People’s Insurance Company of China (Hong Kong), Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

By Order of the Board
Zhang Xiaoli
Secretary of the Board

Beijing, the PRC, 28 March 2016

As at the date of this announcement, the Chairman of the Board is Mr. Wu Yan (executive director), the Vice Chairman is Mr. Guo Shengchen (executive director), the non-executive directors are Mr. Wang Yincheng, Ms. Yu Xiaoping and Mr. Li Tao, Mr. Wang He and Mr. Lin Zhiyong are executive directors and the independent non-executive directors are Mr. Lin Hanchuan, Mr. Lo Chung Hing, Mr. Na Guoyi and Mr. Ma Yusheng.