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中国人民财产保险股份有限公司

PICC PROPERTY AND CASUALTY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2328)

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

On 29 December 2017, 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, renewal of the Reinsurance Framework Agreement with PICC HK 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 7 March 2017 will expire on 31 December 2017. The Company and PICC HK renewed the Framework Agreement on Reinsurance Business Cooperation on 29 December 2017 for a term of one year commencing from 1 January 2018 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.

THE REINSURANCE FRAMEWORK AGREEMENT

1. Date of signing

29 December 2017

2. Parties

(1) the Company

(2) PICC HK

3. Term

One year, commencing from 1 January 2018 and expiring on 31 December 2018.

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.

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. Such particular reinsurance agreements shall use standard version of contract. 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. PICC HK shall be neither the lead reinsurer nor the reinsurer who takes the largest share in each particular reinsurance business. The reinsurance conditions, including the commissions, agreed between the Company and PICC HK shall be the same as that between the Company and other reinsurers.

As a property and casualty insurance company, in order to lower the risk, the Company arranges reinsurance for part of the risk it underwrites. When determining PICC HK as the reinsurer, the Company mainly considers the type of insurance involved, the scale of ceded insurance premiums, the prepaid commission rate, the sliding scale of loss ratio and the corresponding floating commission rate, etc. The amounts of ceded premiums are determined based on the business written premiums and ceding ratios, and the commissions are determined based on the amounts of ceded premiums and the commission rates of the ceded business. 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 agreements 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 2018 are estimated as follows:

	RMB million
Premiums ceded by the Company to PICC HK	700
Commissions paid to the Company by PICC HK	315

The Company determined the above annual cap for ceded premiums primarily based on the reinsurance business scale of the Company in 2018 and the historical data of past years. The above annual cap for commissions was estimated based on the levels of the commission rates of historical transactions and the above annual cap for ceded premiums.

Based on the annual caps for the Inward Reinsurance Transactions for the year ending 31 December 2018, the Inward Reinsurance Transactions constitute fully exempted de minimis continuing connected transactions pursuant to Rule 14A.76 of the Listing Rules, therefore they are fully exempted from the independent shareholders' approval, annual review and all disclosures requirements.

HISTORICAL FIGURES

The actual aggregate premiums ceded by the Company to PICC HK and the actual aggregate commissions paid to the Company by PICC HK for the years ended 31 December 2015 and 2016 and for the period from 1 January 2017 to 27 December 2017 are as follows:

	Premiums ceded by the Company to PICC HK RMB million	Commissions paid to the Company by PICC HK RMB million
For the year ended 31 December 2015	466	211 (including taxes)
For the year ended 31 December 2016	481	203 (including taxes)
For the period from 1 January 2017 to 27 December 2017	386	111

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 has long been 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. Considering the above pricing policy, 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 and 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 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. 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 29 December 2017 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 that PICC HK cedes insurance premiums to and receives commissions from the Company as contemplated under the Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Outward Reinsurance Transactions”	the reinsurance transactions that the Company cedes insurance premiums to and receives commissions from PICC HK as contemplated under the Agreement

“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, 29 December 2017

As at the date of this announcement, the Vice Chairman is Mr. Lin Zhiyong (executive director), the non-executive directors are Ms. Yu Xiaoping and Mr. Li Tao, Mr. Yun Zhen and Mr. Wang Dedi are executive directors, and the independent non-executive directors are Mr. Lin Hanchuan, Mr. Lo Chung Hing, Mr. Na Guoyi, Mr. Ma Yusheng, Mr. Chu Bende and Ms. Qu Xiaohui.