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(Stock Code: 2328)

## **CONTINUING CONNECTED TRANSACTION WIDE AREA NETWORK SERVICE AGREEMENT**

Reference is made to the announcement of the Company dated 5 December 2013 in respect of the continuing connected transaction on the lease of certain areas of South Information Center as workplaces, meeting rooms and server installation positions by the Company. On 23 December 2013, the Company and PICC Group entered into the WAN Service Agreement.

As stated in the above announcement, none of the applicable percentage ratios for the annual amounts in aggregate for the lease of South Information Center and use of the WAN services for the years 2011 and 2012 exceeded the 0.1% threshold under the Listing Rules, the relevant transactions constituted de minimis continuing connected transactions under the Listing Rules and were exempt from the reporting, annual review, announcement and independent shareholders' approval requirements. It is expected that the applicable percentage ratios for the aggregate amounts of the annual rents for the lease of South Information Center and the WAN Service Fees for 2013 and 2014 will not exceed the 0.1% threshold under Rule 14A.33 of the Listing Rules either, but the applicable percentage ratio for the aggregate amount of the annual rent for the lease of South Information Center and the WAN Service Fees for 2015 is expected to exceed the 0.1% threshold under Rule 14A.33 of the Listing Rules but below the 5% threshold under Rule 14A.34 of the Listing Rules. The Transaction is subject to the reporting, annual review and announcement requirements, but is exempt from the independent shareholders' approval requirement under the Listing Rules.

### **INTRODUCTION**

Reference is made to the announcement of the Company dated 5 December 2013 in respect of the continuing connected transaction on the lease of certain areas of South Information Center as workplaces, meeting rooms and server installation positions by the Company. On 23 December 2013, the Company and PICC Group entered into the WAN Service Agreement.

### **THE WAN SERVICE AGREEMENT**

Principal terms of the WAN Service Agreement are listed below:

#### **1. Date of Signing**

23 December 2013

#### **2. Parties**

- (1) Service user: the Company
- (2) Service provider: PICC Group

### 3. Term

Two years commencing from 1 January 2013 to 31 December 2014. The WAN Service Agreement shall automatically be extended for another one year if the two parties approve in writing after expiration. The Company expects that the Agreement will be extended for another one year and the actual effective term of the Agreement will be three years. If the Agreement is not extended for another one year, the Company will make an announcement in a timely manner.

### 4. Scope of Services

The Company uses the WAN services provided by PICC Group in South Information Center and the services include renting out, checkup and maintenance services on the WAN equipments as well as the WAN technical support services fixed by the two parties.

### 5. Rates of Charges, Fees and Terms of Payment

The WAN Service Fees payable by the Company to PICC Group include WAN equipment rental fees, WAN technical service fees, etc. The Fees are determined by the Company and PICC Group after arm's length negotiation, mainly by reference to the relevant costs of PICC Group for renting out the equipments and providing services as well as the percentage of bandwidth used by the Company.

The Fees for 2013 shall be paid in cash (via bank account transfer) by the Company to PICC Group within one month upon the signing of the WAN Service Agreement. The WAN Service Fees for the years 2014 and 2015 shall be paid in cash (via bank account transfer) on quarterly basis before the end of the relevant quarter. As stated in the above announcement, the Company has been using the WAN services provided by PICC Group in South Information Center since 2011. However, due to the factors of volume of use, building up wires and equipments, expansion of bandwidth, etc., the rates of charges and the fees for the WAN services had not been determined. Recently, the two parties concluded the rates of charges and the fees for the WAN services. The Company expects to pay the relevant fees for the years 2011 and 2012 by 31 December 2013.

### CAP AMOUNTS

During the effective terms of the WAN Service Agreement and the South Information Center Lease Agreement and the maximum terms that may be extended automatically, totalling three years, the annual caps for the Fees calculated individually and calculated in aggregate with the annual caps for the rents paid by the Company to PICC Group are estimated as follows:

<b>Period</b>	<b>Annual Cap for the Fees</b>	<b>Annual Cap for the Fees and Rents</b>
	<i>(RMB million)</i>	<i>(in aggregate) (RMB million)</i>
Year ending 31 December 2013	13	88
Year ending 31 December 2014	15	112
Year ending 31 December 2015	15	125

The Company determined the annual caps for the WAN Service Agreement mainly by reference to the WAN volume usage in the years 2011 and 2012, the standards of WAN equipments and technical services level provided by PICC Group, etc. The Company also

takes into account the WAN bandwidth requirements of the business scales at provincial level and the business systems of the Company in the coming two years.

## **GENERAL INFORMATION**

### ***Information on the Company***

The Company is a joint stock limited company incorporated in the PRC with limited liability, 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, and the business of investment and fund application in the PRC.

### ***Information on PICC Group***

PICC Group is a joint stock limited company incorporated in the PRC with limited liability, whose H shares are listed on the Hong Kong Stock Exchange. PICC Group is principally engaged in the investment and the holding of shares of listed corporations, insurance institutions and other financial institutions, the supervision and management of various domestic and overseas businesses of its controlled enterprises and the policy-guided insurance business that is authorised or appointed by the State.

## **REASONS FOR AND BENEFITS OF THE WAN SERVICE AGREEMENT**

WAN is the wide area network services provided by PICC Group in South Information Center for its subsidiaries including the Company. It is established and maintained by PICC Group. Completion of the nationwide centralisation of the Company's information system is based on South Information Center. By using the WAN services provided by PICC Group, the Company need not make investments in the establishment of WAN and can gain the benefits of synergies. The Board, including the independent non-executive Directors, is of the view that the Transaction is entered into on normal commercial terms in the ordinary and usual course of business, the terms of the Transaction 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 Group is the controlling shareholder of the Company, holding approximately 69% of the issued share capital of the Company. Pursuant to the Listing Rules, PICC Group is a connected person of the Company. Accordingly, the WAN Service Agreement constitutes a continuing connected transaction of the Company. As Mr. Wu Yan, Mr. Wang Yincheng, Mr. Zhou Shurui, Ms. Yu Xiaoping and Mr. Li Tao, Directors, hold positions in PICC Group, all of them have abstained from voting on the board resolution for considering and approving the WAN Service Agreement. Save as disclosed above, no other Directors were required to abstain from voting on the board resolution for considering and approving the Transaction or are regarded as having a material interest in the Transaction.

As stated in the above announcement, none of the applicable percentage ratios for the aggregate amounts of the lease of South Information Center and use of the WAN services for the years 2011 and 2012 exceeded the 0.1% threshold under the Listing Rules, the relevant transactions constituted de minimis continuing connected transactions under the Listing Rules and were exempt from the reporting, annual review, announcement and independent shareholders' approval requirements. It is expected that the applicable percentage ratios for the aggregate amounts of the annual rents for the lease of South Information Center and the WAN Service Fees for 2013 and 2014 will not exceed the 0.1% threshold under Rule 14A.33 of the Listing Rules either, but the applicable percentage ratio for the aggregate amount of the annual rent for the lease of South Information Center and the WAN Service Fees for 2015 is

expected to exceed the 0.1% threshold under Rule 14A.33 of the Listing Rules but below the 5% threshold under Rule 14A.34 of the Listing Rules. The Transaction is subject to the reporting, annual review and announcement requirements, but is exempt from the independent shareholders' approval requirement under the Listing Rules.

## **DEFINITIONS**

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

“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 Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PICC Group”	The People’s Insurance Company (Group) of China Limited
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“South Information Center”	the South Information Center of PICC Group located in No. 16 Denghu East Road, Guicheng, Nanhai District, Foshan, Guangdong Province, China
“Transaction”	PICC Group rents WAN equipments and provides WAN technical services, etc. to the Company contemplated under the WAN Service Agreement
“WAN”	wide area network
“WAN Service Agreement” or “Agreement”	the WAN Service Agreement entered into by the Company and PICC Group on 23 December 2013
“WAN Service Fees” or “Fees”	fees paid by the Company to PICC Group under the WAN Service Agreement

By Order of the Board  
**Zhang Xiaoli**  
*Secretary of the Board*

Beijing, the PRC, 23 December 2013

*On the date of this announcement, the Chairman of the Board is Mr. Wu Yan (executive director), the non-executive directors are Mr. Wang Yincheng, Mr. Zhou Shurui, Ms. Yu Xiaoping, Mr. Li Tao and Mr. Tse Sze-Wing, Edmund, Mr. Guo Shengchen and Mr. Wang He are executive directors and the independent non-executive directors are Mr. Luk Kin Yu, Peter, Mr. Ding Ningning, Mr. Liao Li and Mr. Lin Hanchuan.*