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

(Stock Code: 2328)

CONTINUING CONNECTED TRANSACTION MOU ON SUBSCRIPTION OF FINANCIAL PRODUCTS

The Company has continuously had asset management agreements with PICC AMC since 10 October 2003. On 23 June 2016, the Company and PICC AMC renewed the Asset Management Agreement. On 24 November 2016, the Company and PICC AMC further entered into the MOU regarding the Asset Management Agreement to regulate the subscriptions by the Company of financial products which are set up and managed by PICC AMC, PICC Capital or PICC Investment, either jointly or singly, and subscribed for by connected person(s).

When the Company subscribes for financial products set up and managed by PICC AMC or other connected person(s) of the Company, either jointly or singly, and there are connected person(s) also subscribing for the same financial product, such subscription by the Company will constitute a connected transaction of the Company under the Hong Kong Listing Rules. As none of the applicable percentage ratios in relation to the annual caps for the Subscriptions exceeds the 5% threshold set out in Chapter 14A of the Hong Kong Listing Rules, the Subscriptions 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 Hong Kong Listing Rules.

BACKGROUND

The Company has continuously had asset management agreements with PICC AMC since 10 October 2003. On 23 June 2016, the Company and PICC AMC renewed the Asset Management Agreement, which is valid from 1 July 2016 to 30 June 2019. On 24 November 2016, the Company and PICC AMC further entered into the MOU regarding the Asset Management Agreement. Pursuant to the Asset Management Agreement, PICC AMC has agreed to provide investment and management services in respect of the assets and funds entrusted by the Company to PICC AMC for its management, subject to compliance by PICC AMC of the relevant PRC rules and regulations relating to investment of insurance funds and the investment guidelines prescribed by the Company from time to time and in accordance with the provisions of the Asset Management Agreement.

Pursuant to the Asset Management Agreement, PICC AMC may utilise the funds entrusted by the Company for its management to subscribe for, on behalf of the Company, financial products set up and managed by PICC AMC, PICC Capital or PICC Investment,

either jointly or singly. In respect of such subscriptions, where any connected person(s) of the Company also subscribe for the same financial product, the subscription by the Company will constitute a connected transaction under the Hong Kong Listing Rules. On 24 November 2016, the Company and PICC AMC further entered into the MOU regarding the Asset Management Agreement to regulate the Subscriptions, and to set out the annual caps for the subscription amount of such financial products.

THE MOU

1. Date of Signing

24 November 2016

2. Parties

The Company and PICC AMC

3. Term

Commencing from the date of signing and expiring on 30 June 2019

4. Principal Terms

Pursuant to the MOU, in respect of subscription of financial products set up and managed by PICC AMC, PICC Capital or PICC Investment, either jointly or singly, the Company and PICC AMC have agreed that where there are connected person(s) subscribing for the same financial products, the aggregated annual subscription amount for such financial products, subscribed by PICC AMC with the entrusted funds of the Company for its management, shall not exceed 5% of the total market capitalisation or total revenue of the Company (whichever the lower), such ratios to be calculated in accordance with the percentage ratios set out in Chapter 14 of the Hong Kong Listing Rules.

The Company and PICC AMC have also agreed that PICC AMC will monitor such aggregated annual subscription amount for the relevant years and inform the Company in time once the annual cap is about to be reached in order that the Company may take the necessary steps to comply with the requirements of the Hong Kong Listing Rules.

Pursuant to the MOU, the Company and PICC AMC have agreed that they shall hold arm's length negotiations and ensure that the subscription price and fees are fair and do not deviate from the normal market rate.

ANNUAL CAPS

During the period that the Company was negotiating the MOU with PICC AMC, the Company has been controlling the subscription amount of the financial products which were set up and managed by PICC AMC, PICC Capital or PICC Investment, either jointly or singly, and subscribed for by connected person(s). In recent years, the investment scope of insurance funds has been expanding and the competition within the domestic insurance industry has been intensifying. After taking into account the above factors, together with the historical figures of the relevant transactions, the Company estimates that the annual

caps for the Subscriptions for each financial year between 2016 and 2018 and the six-month period between 1 January 2019 and 30 June 2019 will be RMB8,000 million respectively.

HISTORICAL FIGURES

The historical figures of the Company for the subscription amounts for the financial products which were set up and managed by PICC AMC, PICC Capital or PICC Investment, either jointly or singly, and subscribed for by connected person(s) for the year 2014, the year 2015 and the period between 1 January 2016 and the date of this Announcement were RMB0, RMB990 million and RMB720 million, respectively.

GENERAL INFORMATION

Information of 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 of PICC AMC

PICC AMC is a limited liability company incorporated in the PRC, its principal business scope includes management and utilisation of its own funds, asset management business of trusted or entrusted funds, provision of consultation business in relation to the asset management business and other asset management business permitted by the PRC laws and regulations.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MOU

Investment of insurance funds is an integral part of the business of the Company. With the macroeconomic background of slowing growth rate of the economy, the downward trend of the interest rate that is expected to last for a long term and the growing shortage of good quality assets, the financial products (including infrastructure debt investment scheme, real estate investment scheme, project asset support scheme, etc.) present characteristics of relatively good risk-return profile and play an important role in improving the investment return rate of the insurance funds. In recent years, PICC AMC, PICC Capital and PICC Investment have actively developed such financial products. In terms of products developed by PICC AMC, PICC Capital and PICC Investment, their risk suits the Company's risk preference, their investment return is relatively high and their pricing is fair. Accordingly, their products can satisfy the assets allocation requirements of the Company.

The MOU provides PICC AMC a clear investment guidance for the Subscriptions. It also sets out the annual caps for such subscriptions. The Company and PICC AMC had been in discussion with each other on the setting up of an annual cap for the Subscriptions and monitoring measures. The parties have reviewed the possible investments and set a threshold which is not unduly restrictive. After agreeing on the threshold, all investment

and subscriptions, which were also subscribed for by connected person(s), have been kept within the threshold limit.

The subscriptions by the Company of the financial products set up and managed by PICC AMC, PICC Capital or PICC Investment (with or without subscription by connected person(s)), either jointly or singly, are entered into on the same subscription price and terms as those for other subscribers (including the independent third parties). The Board, including the independent non-executive Directors, is of the view that the Subscriptions are entered into in the ordinary and usual course of business of the Company and on normal commercial terms and the terms of the MOU and the proposed annual caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

HONG KONG LISTING RULES IMPLICATIONS

PICC Group holds approximately 69% of the issued capital of the Company and is the controlling shareholder of the Company. Each of PICC AMC, PICC Capital and PICC Investment is a wholly-owned subsidiary of PICC Group. Pursuant to the Hong Kong Listing Rules, each of PICC AMC, PICC Capital and PICC Investment is a connected person of the Company.

When the Company subscribes for financial products set up and managed by PICC AMC, PICC Capital or PICC Investment, either jointly or singly, and there are connected person(s) also subscribing for the same financial product, such subscription by the Company will constitute a connected transaction of the Company under the Hong Kong Listing Rules. As none of the applicable percentage ratios in relation to the annual caps for the Subscriptions exceeds the 5% threshold set out in Chapter 14A of the Hong Kong Listing Rules, the Subscriptions 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 Hong Kong Listing Rules.

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

DEFINITIONS

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

“Asset Management Agreement”	the Asset Management Agreement and/or the Supplemental Asset Management Agreement entered into between the Company and PICC AMC
“Board”	the board of directors of the Company
“Company”	PICC Property and Casualty Company Limited

“connected person(s)”	has the meaning as defined in the Hong Kong Listing Rules
“Director(s)”	director(s) of the Company
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“MOU”	the Memorandum of Understanding dated 24 November 2016 entered into between the Company and PICC AMC regarding the Asset Management Agreement to regulate the Subscriptions
“PICC AMC”	PICC Asset Management Company Limited
“PICC Capital”	PICC Capital Investment Management Company Limited
“PICC Group”	The People’s Insurance Company (Group) of China Limited, a joint stock limited company incorporated in the PRC with limited liability, whose H shares are listed on the Hong Kong Stock Exchange
“PICC Investment”	PICC Investment Holding Company Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Subscriptions”	the subscriptions by the Company of financial products set up and managed by PICC AMC, PICC Capital or PICC Investment, either jointly or singly, and subscribed for by connected person(s), under the MOU

By order of the Board
Zhang Xiaoli
Secretary of the Board

Beijing, the PRC, 24 November 2016

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