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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)

CONNECTED TRANSACTION CAPITAL INCREASE IN PICC FINANCIAL SERVICES

On 15 December 2020, the Company entered into the Capital Increase Agreement with PICC Group, PICC Life and PICC Financial Services. Pursuant to the Capital Increase Agreement, the amount of the capital increase in PICC Financial Services shall be RMB500 million, among which RMB300 million shall be contributed by the Company and RMB200 million shall be contributed by PICC Life. Upon completion of the capital increase, PICC Financial Services will be held as to approximately 70.68%, 17.59%, and 11.73% by PICC Group, the Company and PICC Life, respectively.

As at the date of this announcement, PICC Group is the controlling shareholder of the Company, holding 68.98% of the total share capital of the Company. PICC Financial Services is a wholly owned subsidiary of PICC Group and PICC Life is a non-wholly owned subsidiary of PICC Group. Pursuant to relevant provisions of the Listing Rules, PICC Group, PICC Life and PICC Financial Services are connected persons of the Company. The Company's contribution to the capital increase in PICC Financial Services contemplated under the Agreement constitutes a connected transaction of the Company. As the highest applicable percentage ratio in respect of the proposed Transaction contemplated under the Capital Increase Agreement exceeds 0.1% but is less than 5%, the Transaction is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On 15 December 2020, the Company entered into the Capital Increase Agreement with PICC Group, PICC Life and PICC Financial Services. Pursuant to the Capital Increase Agreement, the amount of the capital increase in PICC Financial Services shall be RMB500 million, among which RMB300 million shall be contributed by the Company and RMB200 million shall be contributed by PICC Life. Upon completion of the capital increase, PICC Financial Services will be held as to approximately 70.68%, 17.59%, and 11.73% by PICC Group, the Company and PICC Life, respectively.

CAPITAL INCREASE AGREEMENT

1. Date of signing

15 December 2020

2. Parties

- (1) the Company;
- (2) PICC Group;
- (3) PICC Life; and
- (4) PICC Financial Services

3. Capital increase in PICC Financial Services

The net assets per RMB1 of registered capital of PICC Financial Services in the capital increase was determined based on the appraised value of its net assets at RMB1,205,208,300. Accordingly, the Company shall make the capital contribution of RMB300 million to PICC Financial Services, among which RMB248,919,626.59 shall be the registered capital contribution and the remaining RMB51,080,373.41 shall be a premium recorded as capital reserve; and PICC Life shall make the capital contribution of RMB200 million to PICC Financial Services, among which RMB165,946,417.73 shall be the registered capital contribution and the remaining RMB34,053,582.27 shall be a premium recorded as capital reserve. Upon completion of the capital increase, the registered capital of PICC Financial Services will be increased from RMB1,000 million to RMB1,414,866,044.32. PICC Financial Services will be held as to approximately 70.68%, 17.59%, and 11.73% by PICC Group, the Company and PICC Life, respectively. Upon completion of the capital increase, PICC Financial Services will not become a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Company.

The amount of the capital increase contributed by the Company and PICC Life under the Agreement was determined by arm's length commercial negotiations among the parties with reference to the appraised value of PICC Financial Services. The appraised value of PICC Financial Services was determined in accordance with the appraised value of net assets of PICC Financial Service as at the valuation benchmark date (i.e. 31 December 2019) appraised by the independent third party appraisal agency Beijing China Enterprise Appraisals Co., Ltd. based on the income approach, which has been filed with the Ministry of Finance.

4. Payment method for the capital increase

The Company will pay capital contribution to PICC Finance Services in cash with internal resources. The Company and PICC Life shall pay the respective capital contribution (i.e. RMB300 million contributed by the Company and RMB200 million contributed by PICC Finance Service) to the account designated by PICC Finance Services in one-off payment within five working days after the receipt of written "Notice of Payment of Capital Increase" issued by PICC Financial Services, provided that the following conditions have been fully satisfied: (1) the Agreement has been executed; (2) the Company and PICC Life have internally approved the capital increase and obtained relevant effective approval documents; (3) the current shareholder of PICC Finance Services has approved the capital increase and obtained relevant effective approval documents; (4) the valuation report of the capital increase has been filed with the Ministry of Finance; and (5) the Company and PICC Life have completed reporting obligation to the CBIRC for the capital increase and no substantial legal obstacles which will affect the capital increase.

INFORMATION OF PICC FINANCIAL SERVICES

PICC Financial Services is a limited liability company incorporated in the PRC. PICC Financial Services is principally engaged in internet financial information, technology and consultation services and acceptance of financial information and technology service outsourcing, financial business process outsourcing and financial knowledge process outsourcing under the entrustment by financial institutions.

According to the audited financial statements of PICC Financial Services for the year 2019 prepared in accordance with the PRC Accounting Standards for Business Enterprises, as of 31 December 2019, the audited total assets and net assets of PICC Financial Services were approximately RMB697 million and RMB615 million respectively, and its losses before and after tax for the two years ended 31 December 2018 and 2019 were as follows:

Item	Year ended 31 December 2018 <i>RMB million</i>	Year ended 31 December 2019 <i>RMB million</i>
Loss before tax	140	162
Loss after tax	140	162

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 and casualty insurance, liability insurance, credit insurance, accidental injury insurance, short-term health insurance, surety insurance and the related reinsurance businesses as well as investment and funds application businesses in the PRC. As at the date of this announcement, PICC Group is the controlling shareholder of the Company, holding 68.98% of the total share capital of the Company.

Information of PICC Life

PICC Life is a joint stock limited company incorporated in the PRC and is principally engaged in life insurance, health insurance and accident injury insurance and the related re-insurance business as well as insurance funds application business in the PRC. As at the date of this announcement, PICC Group is the controlling shareholder of PICC Life, directly and indirectly holding 80.0% of the total share capital of PICC Life, among which the Company holds approximately 8.615% of the total share capital of PICC Life.

Information of PICC Group

PICC Group is a joint stock limited liability company incorporated in the PRC, whose shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively. 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 PRC. As at the date of this announcement, the Ministry of Finance is the controlling shareholder and the ultimate beneficial owner of PICC Group, holding 60.84% of the total share capital of PICC Group.

REASONS FOR AND BENEFITS OF THE AGREEMENT

The Company is of the view that entering into the Agreement to participate in the capital increase in PICC Financial Services will drive PICC Financial Services to respond more efficiently to the Company's needs of business development in respect of relevant financial insurance technology, strengthen the business synergies between PICC Financial Services and the Company, push forward relevant business segments of the Company to improve scientific and technological elements, enhance and improve the overall competitiveness of the Company with certain strategic investment value. The Board, including the independent non-executive Directors, is of the view that the Transaction is entered into on normal commercial terms, the terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, PICC Group is the controlling shareholder of the Company, holding 68.98% of the total share capital of the Company. PICC Financial Services is a wholly owned subsidiary of PICC Group and PICC Life is a non-wholly owned subsidiary of PICC Group. Pursuant to relevant provisions of the Listing Rules, PICC Group, PICC Life and PICC Financial Services are connected persons of the Company. The Company's contribution to the capital increase in PICC Financial Services contemplated under the Agreement constitutes a connected transaction of the Company. As the highest applicable percentage ratio in respect of the proposed Transaction contemplated under the Capital Increase Agreement exceeds 0.1% but is less than 5%, the Transaction is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Xie Yiqun, Mr. Jiang Caishi, Ms. Xie Xiaoyu and Mr. Li Tao, the Directors of the Company, hold positions in PICC Group, the Company and PICC Life, respectively, therefore they have abstained from voting on the Board's resolution for considering and approving the Agreement. Save as disclosed above, no other Directors were required to abstain from voting on the Board's resolution for considering and approving the Agreement or are regarded as having a material interest in the Agreement.

DEFINITIONS

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

“Agreement” or “Capital Increase Agreement”	the Agreement on Capital Increase in PICC Financial Services Company Limited dated 15 December 2020 entered into among the Company, PICC Group, PICC Life, and PICC Financial Services
“Board”	the board of directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission
“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
“Ministry of Finance”	The Ministry of Finance of the PRC
“PICC Financial Services”	PICC Financial Services Company Limited
“PICC Group”	The People's Insurance Company (Group) of China Limited

“PICC Life”	PICC Life Insurance Company Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Transaction”	Pursuant to the Agreement, the Company shall make the capital contribution of RMB300 million to PICC Financial Services
“%”	per cent

By Order of the Board
PICC Property and Casualty Company Limited
Zou Zhihong
Secretary of the Board

Beijing, the PRC, 15 December 2020

As at the date of this announcement, the Vice Chairman of the Board is Mr. Xie Yiqun (executive director), the non-executive director is Mr. Li Tao, Mr. Jiang Caishi and Ms. Xie Xiaoyu are executive directors, and the independent non-executive directors are Mr. Lin Hanchuan, Mr. Lo Chung Hing, Mr. Ma Yusheng, Mr. Chu Bende and Ms. Qu Xiaohui.