

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 ENTERING INTO THE REINSURANCE FRAMEWORK AGREEMENT WITH PICC HK

On 20 January 2021, the Company entered into the Reinsurance Framework Agreement with PICC HK. Pursuant to the Agreement, the Company agreed to cede insurance premiums to PICC HK in return for commissions, and PICC HK agreed to cede insurance premiums to the Company in return for commissions.

Pursuant to the relevant provisions of the Listing Rules, entering into the Reinsurance Framework Agreement with PICC HK constitutes a continuing connected transaction of the Company. As the highest applicable percentage ratios for the caps of insurance premiums and commissions for the Outward Reinsurance Transactions under the Reinsurance Framework Agreement exceed 0.1% but are less than 5%, 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. As the highest applicable percentage ratios for the caps of insurance premiums and commissions for the Inward Reinsurance Transactions under the Reinsurance Framework Agreement do not exceed 0.1%, the Inward Reinsurance Transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement dated 21 January 2020 of the Company, in relation to the 2020 Framework Agreement on Reinsurance Business Cooperation entered into between the Company and PICC HK on 21 January 2020. Considering that the 2020 Framework Agreement on Reinsurance Business Cooperation entered into between the Company and PICC HK on 21 January 2020 has expired on 31 December 2020, the Company and PICC HK entered into the Reinsurance Framework Agreement on 20 January 2021 to continue to strengthen the current business cooperation relationship between the Company and PICC HK, promote the continuous development of the parties' respective business, 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

20 January 2021

2. Parties

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

3. Term

One year, commencing from 1 January 2021 and expiring on 31 December 2021.

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. The party hereto who acts as reinsurer shall accept the risks of and pay commissions to the other party hereto in return for the agreed insurance premiums received. 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 contracts. Pricing and relevant conditions, including the amount of premiums to be ceded and the commission receivable, of each particular reinsurance business shall be determined by the two parties by reference to the prevailing market level and after arm’s length negotiation. 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 more favorable than that available to independent third parties.

When determining PICC HK as the reinsurer, the Company mainly considers the type of insurance involved, the scale of ceded 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 written premiums of the ceded business and ceding ratios, and the commissions are determined based on the amounts of ceded premiums and the commission rates of the ceded business. The commission rates of the ceded business are calculated based on the historical operating status of such business by using actuarial models and determined through open market negotiations.

The terms, commission rates and other information in respect of each reinsurance business line will be published via the reinsurance operation and management platform of the Company. All invited reinsurers may log on to the platform to inspect information relevant to the reinsurance business. The current settings of the reinsurance operation and management platform can ensure that the reinsurance conditions and commission rates provided to PICC HK via the reinsurance operation and management platform are exactly the same as that of other reinsurers.

ANNUAL CAPS

The annual caps for the Outward Reinsurance Transactions for the year ending 31 December 2021 are estimated as follows:

	RMB million
Premiums ceded by the Company to PICC HK	1,100

The Company determined the above annual cap for ceded premiums primarily based on the future scale of ceded premiums of the Company and the historical data. The above annual cap for commissions was calculated based on the above annual cap for ceded premiums and the commission rates of ceded business. The commission rates of ceded business were determined based on the commission rates of front-end direct insurance business and historical data of claims paid in the course of reinsurance business, and by reference to market conditions.

Based on the annual caps for the Inward Reinsurance Transactions for the year ending 31 December 2021, the Inward Reinsurance Transactions constitute *de minimis* continuing connected transactions under Rule 14A.76 of the Listing Rules and, therefore, are fully exempt from the independent shareholders' approval, annual review and all disclosure requirements.

HISTORICAL FIGURES

The premiums ceded by the Company to PICC HK and the commissions paid to the Company by PICC HK for the year ended 31 December 2018, for the year ended 31 December 2019 and for the year ended 31 December 2020 are as follows:

	Premiums ceded by the Company to PICC HK	Commissions paid to the Company by PICC HK
	RMB million	RMB million
For the year ended 31 December 2018	505	209
For the year ended 31 December 2019	534	165
For the year ended 31 December 2020 (<i>Note</i>)	615	211

Note: the above figures for the year ended 31 December 2020 are extracted from the business system and have not been audited.

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 and casualty insurance, liability insurance, credit insurance, accidental injury insurance, short-term health insurance and the related reinsurance business as well as investment and funds application business 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 on PICC HK

PICC HK is a limited liability company incorporated in Hong Kong, and is principally engaged in property insurance (including general insurance business such as cargo transportation insurance, travel insurance, home insurance, motor vehicle insurance, hull insurance and various liability insurances), reinsurance business and own funds and insurance funds application business. As at the date of this announcement, PICC Group is the controlling shareholder of PICC HK, holding 89.36% of the total share capital of PICC HK.

To the best knowledge and belief of the Company, and having made all reasonable enquiries, the remaining 10.64% equity interest in PICC HK is held by Asia Insurance (Investments) Limited (亞洲保險(投資)有限公司), a general insurance company incorporated in Hong Kong principally engaged in general insurance businesses, the equity interest of which is owned as to (i) 69.5% by Asia Insurance Company, Limited (亞洲保險有限公司), a wholly-owned subsidiary of Asia Financial Holdings Ltd. (亞洲金融集團(控股)有限公司) which is a public company incorporated in Bermuda with limited liability principally engaged in underwriting of general and life insurance and investment holding, whose shares are listed on the Hong Kong Stock Exchange (stock code: 662); (ii) 19.5% by Bangkok Insurance Public Company Limited, a public company incorporated in Thailand with limited liability principally engaged in general insurance businesses, whose shares are listed on the Stock Exchange of Thailand (stock symbol: BKI); and (iii) 11% by PT Asuransi Central Asia, which is an insurance company incorporated in Indonesia principally engaged in general insurance businesses, the equity interest of which is owned as to 67% by Mr. Anthoni Salim and his family, 32% by PT Asian International Investindo, and the remaining 1% by Indonesian individuals who are independent third parties.

Information of PICC Group

PICC Group is a joint stock limited company incorporated in the PRC with limited liability, whose shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively. PICC Group mainly invests in and holds shares in listed companies, insurance agencies and other financial institutions, supervises and manages various domestic and international businesses of its invested companies and policy-oriented insurance businesses authorised or entrusted by the government, etc. 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 the PICC Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

As a property and casualty insurance company, in order to lower the risk, the Company shall arrange reinsurance for part of the risk it underwrites. PICC HK has long been one of the reinsurers of the Company. The Company entered into the Agreement with PICC HK in order 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. 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. As Directors, Mr. Xie Yiqun holds positions in PICC Group and PICC HK and Mr. Li Tao holds position in PICC Life, a subsidiary of 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 the highest applicable percentage ratios for the caps of insurance premiums and commissions for the Outward Reinsurance Transactions under the Reinsurance Framework Agreement exceed 0.1% but are less than 5%, 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. As the highest applicable percentage ratios for the caps of insurance premiums and commissions for the Inward Reinsurance Transactions under the Reinsurance Framework Agreement do not exceed 0.1%, the Inward Reinsurance Transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Agreement” or “Reinsurance Framework Agreement”	the 2021 Framework Agreement on Reinsurance Business Cooperation dated 20 January 2021 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 which involve the ceding of insurance premiums by PICC HK to the Company in return for commissions 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 which involve the ceding of insurance premiums by the Company to PICC HK in return for commissions as contemplated under the Agreement
“PICC Group”	The People’s Insurance Company (Group) of China Limited
“PICC HK”	The People's Insurance Company of China (Hong Kong),

	Ltd.
“PICC Life”	PICC Life Insurance Company Limited, a joint stock limited liability company incorporated in the PRC, whose total share capital is held 8.615% by the Company and 80.0%, directly and indirectly, by PICC Group, the Company’s controlling shareholder
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

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

Beijing, the PRC, 20 January 2021

As at the date of this announcement, the Chairman of the Board is Mr. Luo Xi (non-executive director), the Vice Chairman is Mr. Xie Yiqun (executive director), Mr. Li Tao is the non-executive director, 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.