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(Stock Code: 2328)

## **CONTINUING CONNECTED TRANSACTION ASSET MANAGEMENT AGREEMENT**

On 23 June 2016, the Company and PICC AMC entered into the Asset Management Agreement to extend the Original Asset Management Arrangement.

Pursuant to the relevant provisions of the Listing Rules, the Transaction constitutes a continuing connected transaction of the Company. As none of the applicable percentage ratios for the Transaction exceeds the 5% threshold under Rule 14A.76 of the Listing Rules, the Transaction is only subject to the reporting, annual review and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **INTRODUCTION**

The Original Agreement entered into between the Company and PICC AMC in respect of entrusting PICC AMC to manage the assets entrusted to it by the Company from time to time expired on 31 December 2015, and the Memorandum in respect of extending the effective term of the Original Agreement to 30 June 2016 will expire soon. On 23 June 2016, the Company and PICC AMC entered into the Asset Management Agreement for a term of three years commencing from 1 July 2016 to extend the Original Asset Management Arrangement.

### **THE ASSET MANAGEMENT AGREEMENT**

#### **1. Date of signing**

23 June 2016

#### **2. Parties**

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

#### **3. Term**

Three years, commencing from 1 July 2016 and expiring on 30 June 2019.

#### **4. Subject matter**

Pursuant to the Asset Management Agreement, PICC AMC shall provide investment and management services in respect of the assets entrusted to it by the Company from time to time, subject to PICC AMC's satisfaction of the investment guidelines confirmed by the Company and the relevant provisions of the Agreement.

## 5. Service Fees

By reference to the market practice, the Company shall pay the management fee to PICC AMC for its services provided under the Agreement and, according to PICC AMC's investment management and service capability and the investment performance, pay a bonus or charge a penalty. The management fee shall be calculated by multiplying the daily net asset value of the entrusted assets and the rates as agreed under the Agreement. When the investment performance reaches the target and if the year's investment management and service capability appraisal satisfies the conditions agreed under the Agreement, the Company shall pay PICC AMC an appropriate performance bonus of no more than RMB2 million per year. In the event that the investment performance fails to reach the minimum yield agreed or the services provided by PICC AMC fail to meet the requirements specified in the Agreement, the Company shall deduct the management fee paid to PICC AMC and the total deduction shall not exceed 2% of the management fee for the corresponding year. The Service Fees shall be paid in cash. The Company shall pay PICC AMC the management fee for the preceding quarter on the 15<sup>th</sup> working day of each quarter. The performance bonus (if any) shall be paid on the date to be fixed by the Company and PICC AMC. In the case of any deduction made to the management fee, PICC AMC shall repay it to the Company by cash within the first 15 working days of next year.

### ANNUAL CAPS FOR SERVICE FEES

Pursuant to the Agreement, PICC AMC shall provide services to the Company and receive Service Fees in return. The annual caps for the Service Fees payable by the Company to PICC AMC for the year 2016 and for the term of the Agreement are estimated as follows:

<b>Period</b>	<b>Annual Cap</b> <i>RMB million</i>
Year ending 31 December 2016	200
Year ending 31 December 2017	240
Year ending 31 December 2018	280
For the period from 1 January 2019 to 30 June 2019	170

The Company determined the above annual caps primarily by reference to the data on the management fees paid to PICC AMC in the past, the estimated net asset values of the assets to be entrusted during the term of the Agreement, the agreed fee rates and standards.

### HISTORICAL FIGURES

The management fees paid by the Company to PICC AMC for the years ended 31 December 2014 and 2015 were approximately RMB134 million and RMB152 million, respectively. From 1 January 2016 to 22 June 2016, the management fee paid to PICC AMC by the Company was approximately RMB73 million and none of the applicable percentage ratios exceeded the 0.1% threshold under Rule 14A.76 of the Listing Rules.

### 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 joint stock limited liability company incorporated in the PRC. PICC AMC is principally engaged in the provision of asset management and asset management advisory services in the PRC.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT**

PICC AMC is the first asset management company set up in the PRC insurance industry. It is principally engaged in the provision of asset management and asset management advisory services in the PRC, with the experience and expertise in asset management and with good investment management capability and its management fee rates at comparatively lower level in the asset management industry, and has established good cooperation relationship with the Company. The Board, including the independent non-executive Directors, is of the view that the Transaction is entered into in the ordinary and usual course of business of the Company and on normal commercial terms, 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 AMC is a wholly-owned subsidiary of PICC Group, the controlling shareholder of the Company. PICC Group holds approximately 69% of the issued share capital of the Company. Pursuant to the Listing Rules, PICC AMC is a connected person of the Company. Accordingly, the Transaction constitutes a continuing connected transaction of the Company. 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 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 Transaction.

Pursuant to the relevant provisions of the Listing Rules, the Transaction constitutes a continuing connected transaction of the Company. As none of the applicable percentage ratios for the Transaction exceeds the 5% threshold under Rule 14A.76 of the Listing Rules, the Transaction is only subject to the reporting, annual review and announcement requirements and is exempt from the independent shareholders' approval requirement 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 “Asset Management Agreement”	the Asset Management Agreement and the Supplemental Asset Management Agreement both dated 23 June 2016 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”	has the meaning as defined in the Listing Rules

“Director(s)”	director(s) 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
“Original Agreement”	the Asset Management Agreement and the Supplemental Asset Management Agreement both dated 20 June 2013 entered into between the Company and PICC AMC
“Original Asset Management Arrangement”	the Company entrusted PICC AMC to manage and invest certain assets of the Company pursuant to the Original Agreement
“PICC AMC”	PICC Asset 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
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Service Fee(s)”	the management fee(s) and the performance bonus(es) (if any) as set out in the Agreement
“Transaction”	the Company entrusts PICC AMC to manage and invest certain assets of the Company contemplated under the Agreement

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

Beijing, the PRC, 23 June 2016

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