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(Stock Code: 2328)

CONNECTED TRANSACTION SUBSCRIPTION OF SHARES IN PICC HEALTH

On 23 June 2016, the Company entered into the Capital Increase Agreement with PICC Health and the Current Shareholders of PICC Health, pursuant to which PICC Health shall increase its capital by way of issuance of new shares. The number of new shares shall be 2,118,644,067, representing approximately 24.73% of the total share capital of PICC Health after the completion of the capital increase, all of which shall be subscribed by the Company for a consideration of approximately RMB2,500 million.

Pursuant to the relevant provisions of the Listing Rules, the Transaction constitutes a 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 and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On 23 June 2016, the Company entered into the Capital Increase Agreement with PICC Health and the Current Shareholders of PICC Health, pursuant to which PICC Health shall increase its capital by way of issuance of new shares. The number of new shares shall be 2,118,644,067, representing approximately 24.73% of the total share capital of PICC Health after the completion of the capital increase, all of which shall be subscribed by the Company for a consideration of approximately RMB2,500 million.

THE CAPITAL INCREASE AGREEMENT

1. Date

23 June 2016

2. Parties

- (1) the Company;
- (2) PICC Health;
- (3) PICC Group;
- (4) CAH;
- (5) DKV; and
- (6) PICC Investment.

Pursuant to the Listing Rules, PICC Group, PICC Health and PICC Investment are connected persons of the Company. To the best of the Directors' knowledge, information and belief

having made all reasonable enquiries, CAH and DKV and their ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

3. Subscription of shares in PICC Health

For the purposes of improving its solvency margin ratio and supporting its business development, PICC Health conducts the capital increase. Pursuant to the Capital Increase Agreement, all parties to the Agreement agreed that PICC Health shall issue 2,118,644,067 new shares, all of which shall be subscribed by the Company. The Current Shareholders of PICC Health shall not subscribe for the new shares issued by PICC Health. Upon the completion of the capital increase, the total number of shares in issue of PICC Health will be increased from 6,449,770,670 shares to 8,568,414,737 shares and its registered capital will be increased from RMB6,449,770,670 to RMB8,568,414,737. The current shareholding structure of PICC Health and that after the completion of the capital increase are as follows:

Name of shareholder	Current shareholding structure		Shareholding structure after the completion of the capital increase	
	Number of shares	Approximate percentage of shares in issue	Number of shares	Approximate percentage of shares in issue
PICC Group	5,939,955,391	92.10%	5,939,955,391	69.32%
the Company	0	0%	2,118,644,067	24.73%
CAH	200,000,000	3.10%	200,000,000	2.33%
DKV	190,000,000	2.95%	190,000,000	2.22%
PICC Investment	119,815,279	1.85%	119,815,279	1.40%
Total number of shares in issue	6,449,770,670	100%	8,568,414,737	100%

The capital increase of PICC Health is subject to the approvals of China Insurance Regulatory Commission and the relevant government authorities.

4. Consideration and payment

The aggregate consideration for the subscription of 2,118,644,067 new shares of PICC Health by the Company shall be approximately RMB2,500 million at a subscription price of RMB1.18 per share. The subscription price was determined by reference to the valuation of the net assets of PICC Health as assessed by an independent third party evaluation institution in the PRC and after arm's length negotiations among the parties to the Agreement.

The consideration for the subscription shall be paid up in cash and one-off by 24 June 2016, and will be paid out of the internal resources of the Company.

INFORMATION ON PICC HEALTH

PICC Health, a joint stock limited liability company incorporated in the PRC, was established in 2005 and is the first specialised health insurance company in the PRC. It is principally engaged in health insurance, accidental injury insurance, and consultation services and agent business related to health insurance and the related reinsurance business as well as funds application business in the PRC. For the year 2015, PICC Health achieved a total written premiums of RMB18,719 million.

According to the audited financial statements of PICC Health prepared in accordance with the PRC Accounting Standards for Business Enterprises, as at 31 December 2014 and 2015, the total asset value were RMB33,605 million and RMB32,831 million respectively, the net asset value were RMB3,338 million and RMB3,410 million respectively, and the losses before and after tax for the years 2014 and 2015 were as follows:

	Year ended 31 December	
	2014	2015
	RMB million	RMB million
Loss before tax	389	204
Loss after tax	387	135

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 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 on PICC Group

PICC Group is a joint stock limited liability company incorporated in the PRC, 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 PRC.

Information on CAH

CAH, an enterprise incorporated in the PRC and owned by the whole people, is principally engaged in the business of call centres, ground support service for Chinese and foreign aviation companies, provision of operation and management services for affiliated enterprises, leasing of counter space, management of parking lots, leasing of houses, real estate management and agent service of advertising.

Information on DKV

DKV, a joint stock limited liability company incorporated in Germany, is principally engaged in commercial health insurance business in Germany.

Information on PICC Investment

PICC Investment, a limited liability company incorporated in the PRC, is principally engaged in industrial and real estate investment, asset operation and management, property management, leasing of automobiles, computers, telecommunication equipments and real estates, and enterprise management, financial, investment and legal consultation services.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company considers that in view of the encouragement in and support for the PRC health insurance sector from a series of national policies in recent years, there is a broad development space for health insurance, and coupled with people's increasing awareness of and demand for health insurance, there are better long-term development prospects for the PRC health insurance sector. PICC Health is a specialised health insurance company and the Company believes that the subscription of new shares in PICC Health and becoming its major

shareholder will be beneficial for the Company’s strategic layout in health insurance sector, and the Company would gain from the rapid growth of this sector. The Board, including the independent non-executive Directors, is of the view that the Transaction is entered into on normal commercial terms, and that the terms of the Transaction 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. PICC Health is a non-wholly owned subsidiary of PICC Group. PICC Investment is a wholly-owned subsidiary of PICC Group. On the date of this announcement, PICC Group directly holds approximately 69% of the issued share capital of the Company, and directly and indirectly holds approximately 93.95% of the issued share capital of PICC Health. Pursuant to the Listing Rules, PICC Group, PICC Health and PICC Investment are connected persons of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company. As Mr. Wu Yan, Director of the Company, holds positions in PICC Group and PICC Health 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 Transaction. 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.

Pursuant to the relevant provisions of the Listing Rules, the Transaction constitutes a 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 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 “Capital Increase Agreement”	the Agreement on Capital Increase of PICC Health Insurance Company Limited dated 23 June 2016 entered into among the Company, PICC Health and the Current Shareholders of PICC Health
“Board”	the board of directors of the Company
“CAH”	Capital Airport Holding Company
“Company”	PICC Property and Casualty Company Limited
“connected persons”	has the meaning as defined in the Listing Rules
“Current Shareholders of PICC Health”	PICC Group, CAH, DKV and PICC Investment
“Director(s)”	director(s) of the Company

“DKV”	DKV Deutsche Krankenversicherung AG
“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
“PICC Health”	PICC Health Insurance Company Limited
“PICC Investment”	PICC Investment Holding Company Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Transaction”	pursuant to the Capital Increase Agreement, the Company will subscribe for 2,118,644,067 new shares of PICC Health for a consideration of approximately RMB2,500 million

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.