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( *Public of China with limited liability*)

(Stock Code: 2328)

## **CONNECTED TRANSACTION CAPITAL INCREASE IN PICC RE**

On 28 December 2018, the Company entered into the Capital Increase Agreement with PICC Group and PICC Re, all parties agreed on an increase of RMB1 billion in the registered capital of PICC Re, which shall be subscribed by PICC Group and the Company according to their current proportions of shareholdings. The Company shall increase the share capital of PICC Re with an amount of RMB490 million. Upon the completion of the capital increase in PICC Re, the proportion of shareholding held by the Company will remain unchanged, representing 49% of the enlarged issued capital of PICC Re.

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 Rules.

### **INTRODUCTION**

On 28 December 2018, the Company entered into the Capital Increase Agreement with PICC Group and PICC Re, all parties agreed on an increase of RMB1 billion in the registered capital of PICC Re, which shall be subscribed by PICC Group and the Company according to their current proportions of shareholdings. The Company shall increase the share capital of PICC Re with an amount of RMB490 million. Upon the completion of the capital increase, the proportion of shareholding held by the Company in PICC Re will remain unchanged.

### **THE CAPITAL INCREASE AGREEMENT**

#### **1. Date**

28 December 2018

#### **2. Parties**

- (1) the Company
- (2) PICC Group
- (3) PICC Re

### 3. Subscription of shares in PICC Re

Pursuant to the Capital Increase Agreement, PICC Group shall contribute RMB510 million and the Company shall contribute RMB490 million. Upon the completion of the capital increase, the total number of shares in issue of PICC Re will be increased from 3 billion shares to 4 billion shares and its registered capital will be increased from RMB3 billion to RMB4 billion. The current shareholding structure of PICC Re 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 <i>million shares</i>	Percentage of shares in issue	Number of shares <i>million shares</i>	Percentage of shares in issue
PICC Group	1,530	51%	2,040	51%
the Company	1,470	49%	1,960	49%
Total number of shares in issue	<u>3,000</u>	<u>100%</u>	<u>4,000</u>	<u>100%</u>

The capital increase of PICC Re is subject to the approvals of the CBIRC and the relevant government authorities.

### 4. Consideration and payment

The subscription price per share of PICC Re shall be RMB1. The Company shall subscribe for 490 million new shares of PICC Re for a total consideration of RMB490 million.

The consideration for the subscription will be paid up in cash and one-off before 2 January 2019. The Company will pay the consideration out of its internal resources.

### INFORMATION ON PICC RE

PICC Re, jointly established by way of promotion by PICC Group and the Company, is a joint stock limited liability company incorporated in the PRC with a registered capital of RMB3 billion. PICC Re officially commenced operation on 23 February 2017, and is the fourth Chinese-funded corporate reinsurance company and an important emerging reinsurer in the PRC. PICC Re is principally engaged in commercial reinsurance business of property insurance, life insurance, short-term health insurance and accidental injury insurance in the PRC, service and consultation business related to the above reinsurance business, insurance funds application business permitted under the relevant laws and regulations of the PRC, and other business approved by the CBIRC.

According to the financial statements of PICC Re prepared in accordance with the PRC Accounting Standards for Business Enterprises, the total assets and the net assets of PICC Re as at 30 June 2018 were RMB8,728 million (unaudited) and RMB2,745 million (unaudited) respectively, and the reinsurance premiums, the losses before and after tax of PICC Re for the period from 23 February 2017 to 31 December 2017 and from 1 January 2018 to 30 June 2018 were as follows:

	From 23 February 2017 to 31 December 2017 <i>RMB million</i> (Audited)	From 1 January 2018 to 30 June 2018 <i>RMB million</i> (Unaudited)
Reinsurance premiums	3,470	2,740
Loss before tax	183	27
Loss after tax	183	27

## **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 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. 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.

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

The Transaction will help PICC Re enhance its capital strength, improve its solvency, elevate its market competition ability and better explore the business in external market. Meanwhile, the Transaction is beneficial for the Company to promote its business development through internal synergies. The Board, including the independent non-executive Directors, is of the view that the Transaction is entered into on normal commercial terms, the terms of the Agreement 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, holding approximately 69% of the issued capital of the Company. PICC Re is a non-wholly owned subsidiary of PICC Group. PICC Group and the Company hold 51% and 49%, respectively, of the issued capital of PICC Re. Pursuant to the Listing Rules, PICC Group and PICC Re are connected persons of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company. Mr. Miao Jianmin, Mr. Xie Yiqun and Mr. Li Tao, Directors of the Company, hold positions in PICC Group, therefore they have abstained from voting on the board resolution for considering and approving the

## DEFINITIONS

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

Capital Increase Agreement	the Agreement on Capital Increase of PICC Reinsurance Company Limited dated 28 December 2018 entered into among the Company, PICC Group and PICC Re
Board	the board of directors of the Company
B	China Banking and Insurance Regulatory Commission
	PICC Property and Casualty Company Limited
connected p	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
	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
	PICC Reinsurance Company Limited
	Renminbi, the lawful currency of the PRC
	pursuant to the Capital Increase Agreement, the Company will increase the share capital of PICC Re with an amount of RMB490 million

By Order of the Board  
**Zou Zhihong**  
*Secretary of the Board*

Beijing, the PRC, 28 December 2018

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