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(Stock Code: 2328)

CONNECTED TRANSACTION SHARE CAPITAL INCREASE IN PICC LIFE

Reference is made to the announcement of the Company dated 15 June 2011 in respect of the Company injecting an amount of approximately RMB545 million to increase the share capital of PICC Life, a fellow subsidiary and an associated company of the Company.

On 15 December 2011, the Company entered into the Capital Increase Agreement, pursuant to which the Company agreed to subscribe for shares with an amount of approximately RMB431 million to increase the share capital of PICC Life. Upon completion of the Capital Increase of PICC Life, the proportion of shareholding held by the Company remains unchanged, representing 8.615% of the enlarged issued share capital of PICC Life.

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, calculated either separately or in aggregate with the amount injected by the Company in the Last Capital Increase, exceeds the 5% threshold under Rule 14A.32 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

The Company injected an amount of RMB812 million into the share capital of PICC Life for the first time in 2007 and held 28% of its then issued share capital. The Company had not participated in the two capital increase exercises of PICC Life in 2009, and as a result the Company's shareholding has been diluted to 8.615% of the issued share capital of PICC Life after these two exercises. The Company participated in the Last Capital Increase of PICC Life and injected an amount of approximately RMB545 million, and the shareholding remains at 8.615% of its enlarged issued share capital. On 15 December 2011, the Company entered into the Capital Increase Agreement participating in the Capital Increase, pursuant to which the Company agreed to subscribe for shares with an amount of approximately RMB431 million. The proportion of the Company's shareholding in PICC Life will remain unchanged upon completion of the Capital Increase.

THE CAPITAL INCREASE AGREEMENT

Date

15 December 2011

Parties

- (1) the Company;
- (2) PICC Group;
- (3) PICC AMC;
- (4) Sumitomo Life;
- (5) Asia Financial Group;
- (6) Bangkok Bank; and
- (7) PICC Life.

The Company is principally engaged in property insurance, accidental injury insurance, short-term health insurance and the related reinsurance business in the PRC, and the business of investment and fund application.

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 State.

PICC AMC is principally engaged in the provision of asset management and asset management advisory services in the PRC.

Sumitomo Life is principally engaged in life insurance, investment and other insurance business.

Asia Financial Group is principally engaged in insurance business, investment business, and mandatory pension fund business which is carried out by Bank Consortium Trust Company Limited comprising Asia Financial Group and other local banks in Hong Kong.

Bangkok Bank is principally engaged in commercial banking business and bank-related business.

Pursuant to the Listing Rules, PICC Group, PICC AMC and PICC Life are connected persons of the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Sumitomo Life, Asia Financial Group and Bangkok Bank and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

INFORMATION ON PICC LIFE

PICC Life is a joint stock limited company established in the PRC and started its business in November 2005. It is principally engaged in life insurance, health insurance, accidental injury insurance and related reinsurance business in the PRC, and the business of insurance fund application. The market share of PICC Life in 2010 was 7.85% (in terms of direct premiums), ranking no. 6 in the PRC life insurance industry.

As at the date of this announcement, the total number of issued shares of PICC Life is approximately 15.133 billion, which are held as to 71.077% by PICC Group, 8.615% by the Company, 0.308% by PICC AMC, 10% by Sumitomo Life, and 5% by each of Asia Financial Group and Bangkok Bank.

According to the audited financial statements of PICC Life prepared in accordance with the PRC Accounting Standards for Business Enterprises, the total asset value and the net asset value of PICC Life as at 31 December 2010 were approximately RMB186.869 billion and RMB6.786 billion respectively, and the profits before and after tax for the years 2009 and 2010 were as follows:

	Year ended 31 December 2009	Year ended 31 December 2010
	(RMB million)	
Profit before tax	163	907
Profit after tax	100	737

CAPITAL INCREASE

Pursuant to the Agreement, based on the existing total number of shares in issue, PICC Life offers to place new shares to all of its existing shareholders in the ratio of approximately 0.33 new share for every 1 existing share, and the total number of new shares to be placed shall be 5 billion. The subscription price for each new share is RMB1, equivalent to the par value of each share. Immediately upon completion of the placing, the total number of shares in issue of PICC Life will increase to approximately 20.133 billion, and its registered capital will increase from approximately RMB15.133 billion to approximately RMB20.133 billion. All shareholders agreed to fully subscribe for the new shares respectively placed to them, and the proportion of shareholding held by each shareholder will remain unchanged after completion of the placing. In this arrangement, the Company will fully subscribe for approximately 431 million new shares being placed with a subscription amount of approximately RMB431 million, and its shareholding in PICC Life will remain at 8.615% of the issued share capital as enlarged by the placing. The subscription amount will be funded from the Company's internal resources, and shall be payable in cash within 10 working days from the effective date of the Agreement. The proceeds raised by PICC Life from the capital increase will be primarily used to replenish the capital of PICC Life and raise its solvency margin. The capital increase proposal will become effective subject to the approvals of China Insurance Regulatory Commission and the relevant authorities.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

The Company considers that the business of PICC Life is maintaining a relatively rapid growth and the Capital Increase of PICC Life is beneficial to its business development, and entering into the Agreement enables the Company to maintain its shareholding in PICC Life at the existing level. The Board, including the Independent Non-executive Directors, is of the view that the Transaction is on normal commercial terms, 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, holding 69% of the issued share capital of the Company. PICC Life and PICC AMC are non-wholly owned subsidiaries of PICC Group. PICC Group directly holds 71.077% and 81% of the issued share capital of PICC Life and PICC AMC, respectively. Pursuant to the Listing Rules, PICC Group, PICC AMC and PICC Life are connected persons of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company. None of the Directors has a material interest in the Agreement or, is required to abstain from voting on the board resolution for considering and approving the Agreement. As none of the applicable percentage ratios for the Transaction, calculated either separately or in aggregate with the amount injected by the

Company in the Last Capital Increase, exceeds the 5% threshold under Rule 14A.32 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 have the following meanings unless the context otherwise requires:

“Agreement” or “Capital Increase Agreement”	the Agreement on Capital Increase by way of Share Subscription of PICC Life Insurance Company Limited dated 15 December 2011 entered into among the Company, PICC Group, PICC AMC, Sumitomo Life, Asia Financial Group, Bangkok Bank and PICC Life
“Asia Financial Group”	Asia Financial Holdings Ltd., a company incorporated in Bermuda with limited liability, whose shares are listed on The Stock Exchange of Hong Kong Limited
“Bangkok Bank”	Bangkok Bank Public Company Limited, a public company incorporated in Thailand with limited liability
“Board”	the board of directors of the Company
“Capital Increase”	the capital increase of PICC Life pursuant to the Agreement, in which the Company agreed to inject an amount of approximately RMB431 million by subscription of shares
“Company”	PICC Property and Casualty Company Limited, a joint stock limited company incorporated in the PRC with limited liability, whose H shares are listed on The Stock Exchange of Hong Kong Limited
“connected persons”	has the meaning as defined in the Listing Rules
“Directors”	the directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Last Capital Increase”	the capital increase of PICC Life on 15 June 2011, in which the Company injected an amount of approximately RMB545 million by subscription of shares (the Company made an announcement on 15 June 2011 with respect to this capital increase)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PICC AMC”	PICC Asset Management Company Limited, a joint stock company established in the PRC with limited liability

“PICC Group”	The People’s Insurance Company (Group) of China Limited, a joint stock limited company incorporated in the PRC with limited liability
“PICC Life”	PICC Life Insurance Company Limited, a joint stock company established in the PRC with limited liability
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sumitomo Life”	Sumitomo Life Insurance Company, a mutual insurance company incorporated in Japan
“Transaction”	the subscription of shares by the Company to increase the share capital of PICC Life under the Agreement

By Order of the Board
Zhang Xiaoli
Secretary of the Board

Beijing, the PRC, 15 December 2011

On the date of this announcement, the Chairman of the Board is Mr. Wu Yan (executive director), the Vice Chairman is Mr. Wang Yincheng (executive director), Mr. Guo Shengchen and Mr. Wang He are executive directors, the non-executive directors are Mr. Zhou Shurui, Ms. Yu Xiaoping, Mr. Li Tao and Mr. Tse Sze-Wing, Edmund, the independent non-executive directors are Mr. Luk Kin Yu, Peter, Mr. Ding Ningning and Mr. Liao Li.