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PICC 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)

CONNECTED TRANSACTION

On 22 June 2007, the Company entered into the Agreement whereby the Company has agreed to contribute RMB812 million to the capital of PICC Life, representing 28% equity interests in the enlarged registered capital of PICC Life.

The Transaction constitutes a connected transaction of the Company. As none of the percentage ratios exceeds the 2.5% 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 requirements under Chapter 14A of the Listing Rules.

CAPITAL INCREASE AND CONVERSION OF COMPANY TYPE AGREEMENT

Date: 22 June 2007

Parties

- (1) the Company;
- (2) PICC Group;
- (3) PICC AMC;

- (4) Sumitomo Life;
- (5) Asia Financial Group; and
- (6) Bangkok Bank.

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 and other financial and insurance institutions on behalf of the state, the operation and management of sustainable assets and policy-guided insurance businesses that are 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. PICC AMC is an associate of the Company.

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

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

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

Pursuant to the Listing Rules, PICC Group and PICC AMC are connected persons of the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, 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, a limited liability company established in the PRC, started its business in November 2005 and is principally engaged in life insurance, health insurance, accidental injury insurance and the related reinsurance business in the PRC, and the business of insurance fund application. The registered capital of PICC Life is RMB1,000 million as at the date of this announcement, of which 51% is held by PICC Group, 29% is held by Sumitomo Life, each 10% is held by Asia Financial Group and Bangkok Bank.

Based on PICC Life's audited financial statements prepared under the PRC Accounting Regulations for Financial Institutions, the net loss of PICC Life, as adjusted in accordance with Hong Kong Accounting Standards, were as follows:

	Year ended 31 December 2005	Year ended 31 December 2006
	<i>(RMB million)</i>	
Net loss (before tax and extraordinary item)	25	106
Net loss (after tax and extraordinary item)	37	94

The total asset value and net asset value of PICC Life as at 31 December 2006, as adjusted in accordance with Hong Kong Accounting Standards, were approximately RMB2,109 million and RMB869 million respectively.

Capital Contribution

Pursuant to the Agreement, the Company will contribute RMB812 million to the capital of PICC Life, PICC AMC will contribute RMB29 million to the capital of PICC Life, PICC Group, Asia Financial Group and Bangkok Bank will increase their capital contributions to PICC Life by RMB969 million, RMB45 million and RMB45 million respectively, whereas Sumitomo Life will maintain its existing capital contribution. Capital contributions shall be satisfied in cash within 15 business days from date of the Agreement. The capital contribution amount and the capital contribution ratio agreed by the Company were determined by arm's length negotiations with the other parties to the Agreement. The Company will finance its capital contribution using the Company's internal resources.

After completion of the aforesaid capital contributions, the registered capital of PICC Life will then be held as to 51% by PICC Group, 28% by the Company, 1% by PICC AMC, 10% by Sumitomo Life, each 5% by Asia Financial Group and Bangkok Bank in accordance with their respective total capital contribution ratio.

Conversion of Company Type

Within six months after completion of the aforesaid capital contributions, PICC Life will apply to the relevant PRC authorities to convert itself into a joint stock limited company and change its name to "PICC Life Insurance Company Limited". The aforesaid conversion is subject to the approval by the relevant PRC authorities. If the aforesaid conversion does not complete within six months after completion of the capital contributions, the Agreement will terminate automatically. Upon the termination of the Agreement, PICC Life will refund the capital contributed by the parties to the Agreement, together with the interests accrued thereon.

REASONS FOR AND BENEFITS OF THE AGREEMENT

The Directors consider that the Transaction will enable the Company to earn long-term income from the expanding life insurance business in the PRC, and will have the benefit of promoting the cross-selling business of the Company with PICC Life. The Board, including the independent non-executive directors, is of the view that the terms of the Transaction are fair and reasonable, and in the interests of the Company and the shareholders as a whole.

LISTING RULES IMPLICATIONS

PICC Group is the promoter and the controlling shareholder of the Company holding 69% of the Company's issued share capital. PICC AMC, the issued share capital of which is held as to 41% by PICC Group directly, is a subsidiary of PICC Group. Pursuant to the Listing Rules, PICC Group and PICC AMC are connected persons of the Company. Accordingly, the Agreement constitutes a connected transaction of the Company. As none of the percentage ratios exceeds the 2.5% 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 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”	the capital increase and conversion of company type agreement dated 22 June 2007 entered into among the Company, PICC Group, PICC AMC, Sumitomo Life, Asia Financial Group and Bangkok Bank in respect of the subscription for the newly increased capital of PICC Life
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“Asia Financial Group”	Asia Financial Holdings Limited, a company incorporated in Bermuda with limited liability
“Bangkok Bank”	Bangkok Bank Public Company Limited, a public company incorporated in Thailand with limited liability
“Board”	the board of directors of the Company
“Company”	PICC Property and Casualty Company Limited, a joint stock limited company established in the PRC with limited liability, whose H shares are listed on The Stock Exchange of Hong Kong Limited
“Directors”	the directors of the Company
“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 limited company established in the PRC with limited liability
“PICC Group”	The People’s Insurance Company (Group) of China (formerly known as PICC Holding Company), a state-owned company established in the PRC with limited liability
“PICC Life”	PICC Life Insurance Company Limited
“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 for the newly increased capital of PICC Life by the Company contemplated under the Agreement

By Order of the Board
Liu Zhenghuan
Secretary of the Board

Beijing, the PRC, 22 June 2007

On the date of this announcement, the Chairman of the Board is Mr. Wu Yan (executive director), the Vice Chairman is Mr. Wang Yi (executive director), Mr. Wang Yincheng and Md. Liu Zhenghuan are the executive directors, the non-executive directors are Mr. Tse Sze-Wing, Edmund, Mr. Wu Gaolian, Mr. Zhou Shurui and Mr. Li Tao, the independent non-executive directors are Mr. Cheng Wai Chee, Christopher, Mr. Lu Zhengfei, Mr. Luk Kin Yu, Peter and Mr. Ding Ningning.

Please also refer to the published version of this announcement in South China Morning Post.