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(Stock Code: 2328)

CONTINUING CONNECTED TRANSACTION

On 6 July 2007, the Company and PICC Group renewed the original property leasing agreement.

The Agreement constitutes a continuing connected transaction of the Company. As none of the percentage ratios exceeds the 2.5% threshold under Rule 14A.34 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.

INTRODUCTION

The Original Agreement entered into between the Company and PICC Group expires on 6 July 2007 in respect of leasing certain properties to the Company from PICC Group and leasing certain properties to PICC Group from the Company. The Company and PICC Group renewed the Original Agreement on 6 July 2007.

PROPERTY LEASING AGREEMENT

Date: 6 July 2007

Parties

- (1) the Company; and
- (2) PICC Group.

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.

Description and rent

- (1) The Company leases from PICC Group a total of 2,021 properties, primarily as offices, covering an aggregate gross floor area of 970,388 square meters located throughout the PRC; and
- (2) PICC Group leases from the Company a total of 28 properties, primarily as offices, covering an aggregate gross floor area of 21,061 square meters located throughout the PRC.

Pursuant to the Agreement, the Company continues to lease the properties covered by the Original Agreement. The term of the Agreement is one year commencing from 7 July 2007 and expiring on 6 July 2008. The rent (including management fee) payable by the Company to PICC Group for the term of the Agreement totals RMB211 million (rounded-up to an integer). The rent payable by PICC Group to the Company for the term of the Agreement totals RMB10.65 million (including management fee). The rent is payable quarterly in advance in cash.

CAP AMOUNTS

The annual caps of the rent, including the management fee, payable by the Company to PICC Group are as follows:

Period	Cap of the rent payable to PICC Group <i>(RMB million)</i>
7 July 2007 to 31 December 2007	102.4
1 January 2008 to 6 July 2008	108.2

The rent, including the management fee, payable by the Company to PICC Group was determined by reference to the market rates.

The Company paid the rent, including the management fee, of RMB211 million to PICC Group for each of the years ended 31 December 2005 and 31 December 2006.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company still needs to retain the properties covered by the Original Agreement for continuing usage, which are primarily used as offices. The Board, including the independent non-executive directors, is of the view that entering into the Transaction is in the ordinary and usual course of business of the Company and on normal commercial terms, 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. Pursuant to the Listing Rules, PICC Group is a connected person of the Company. Accordingly, the Agreement constitutes a continuing connected transaction of the Company. As none of the percentage ratios exceeds the 2.5% threshold under Rule 14A.34 of the Listing Rules, the Transaction (referring to leasing certain properties to the Company from PICC Group contemplated under the Agreement) 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. As for leasing certain properties to PICC Group from the Company contemplated under the Agreement, as none of the percentage ratios exceeds the 0.1% threshold, it is exempt from the reporting, announcement and independent shareholders' approval requirements.

DEFINITIONS

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

“Agreement” the property leasing agreement dated 6 July 2007 entered into between the Company and PICC Group in respect of leasing

	certain properties to the Company from PICC Group and leasing certain properties to PICC Group from the Company
“Board”	the board of directors of the Company
“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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Original Agreement”	the property leasing agreement dated 9 October 2003 entered into between the Company and PICC Group in respect of leasing certain properties to the Company from PICC Group and leasing certain properties to PICC Group from the Company
“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
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Transaction”	the Company leases certain properties from PICC Group contemplated under the Agreement

By Order of the Board
Liu Zhenghuan
Secretary of the Board

Beijing, the PRC, 6 July 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.