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(Stock Code: 2328)

CONTINUING CONNECTED TRANSACTION PROPERTY LEASING AGREEMENT

On 15 December 2011, the Company and PICC Investment renewed the Property Leasing Agreement.

Pursuant to the relevant provisions of the Listing Rules, the Property Leasing Agreement constitutes a continuing connected transaction of the Company. As none of the applicable percentage ratios exceeds the 5% threshold under Rule 14A.34 of the Listing Rules, the Transaction (referring to the leasing of certain properties to the Company from PICC Investment contemplated under the Agreement) is only subject to the reporting, annual review and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. None of the applicable percentage ratios for the rent payable by PICC Investment to the Company for the properties leased under the Agreement will exceed the 0.1% threshold under Rule 14A.33 of the Listing Rules, and therefore it is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

INTRODUCTION

The Original Property Leasing Agreement entered into between the Company and PICC Investment on 19 September 2008 had expired on 6 July 2011, and therefore the Company and PICC Investment entered into the Agreement on 15 December 2011. Under the Agreement, the Company and PICC Investment continue to lease certain properties and newly lease some other properties from each other. None of the applicable percentage ratios for the rent for the period from 7 July 2011 to 15 December 2011 exceeded the 0.1% threshold under Rule 14A.33 of the Listing Rules.

PROPERTY LEASING AGREEMENT

Date

15 December 2011

Parties

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

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.

The principal activities of PICC Investment include investment in industries, property investment; asset operation and management; property management; the leasing of motor vehicles, computers and communication equipment and properties; and the provision of consultancy services in respect of enterprise management, finance, investment and legal matters.

Description and rent

Pursuant to the Agreement, the Company leases from PICC Investment a total of 816 properties located throughout the PRC, with an aggregate gross area of 542,083 square metres. These leased properties include part of the properties rented by the Company under the Original Agreement and some other newly leased properties. PICC Investment leases from the Company a total of 14 properties located throughout the PRC, with an aggregate gross area of 2,919 square metres. These leased properties include most of the properties rented by PICC Investment under the Original Agreement and a newly leased property. The term of the Agreement is three years from 7 July 2011 to 6 July 2014. According to the Agreement, the Company shall pay an annual rent of approximately RMB105 million to PICC Investment, and PICC Investment shall pay an annual rent of approximately RMB2.1 million to the Company. The parties to the Agreement shall pay the rent every half year in cash, and each payment shall be for a half-yearly rent. At the end of each year, both parties to the Agreement could request each other to adjust the number of properties to be leased and the rental amount from next year and hence correspondingly adjust the annual rent from such year according to their respective operational needs and the changes in market rental rates.

CAP AMOUNTS

Based on the annual rent payable by the Company to PICC Investment under the Agreement, the annual caps are set as follows:

Period	Cap for rent payable to PICC Investment <i>(RMB million)</i>
Year ending 31 December 2011	124
Year ending 31 December 2012	105
Year ending 31 December 2013	105
1 January 2014 to 6 July 2014	54

The Company and PICC Investment determined the rent for the leased properties under the Agreement according to the market principle. The rental rates for the leased properties were determined based on the market rental rates in the respective areas, where the market rental rates refer to the rental rates for the same or similar type of properties in the active property leasing markets in the respective areas that the leased properties are located in. As for a small quantity of constructions ancillary to the office properties that does not have active market and where information about their market rental rates are not available, the rental rates were determined after negotiation between the parties to the Agreement.

HISTORICAL FIGURES

For the years ended 31 December 2008, 2009 and 2010 and for the period from 1 January 2011 to 6 July 2011, the total rental amounts paid by the Company to PICC Investment were RMB76 million, RMB154 million, RMB142 million and RMB73 million, respectively.

REASONS FOR AND BENEFITS OF THE TRANSACTION

According to its operational needs, the Company still needs to continue to use certain properties rented under the Original Agreement and newly rent some other properties owned by PICC Investment, primarily as offices for its business and operations. The Board, including the Independent Non-executive Directors, is of the view that the Transaction is conducted in the ordinary and usual course of business of the Company and on normal commercial terms, the terms of the Transaction and the proposed annual caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

PICC Investment is a wholly-owned subsidiary of PICC Group. PICC Group is the controlling shareholder of the Company, holding 69% of the Company's issued share capital. Pursuant to the Listing Rules, PICC Investment is a connected person of the Company. Accordingly, the Agreement constitutes a continuing connected transaction of the Company. None of the Directors of the Company 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 rent payable by the Company to PICC Investment exceeds the 5% threshold under Rule 14A.34 of the Listing Rules, the Transaction is only subject to the reporting, annual review and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. None of the applicable percentage ratios for the rent payable by PICC Investment to the Company for the properties leased under the Agreement will exceed the 0.1% threshold under Rule 14A.33 of the Listing Rules, and therefore it is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

DEFINITIONS

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

“Agreement” or “Property Leasing Agreement”	the property leasing agreement dated 15 December 2011 entered into between the Company and PICC Investment in respect of the leasing of certain properties to the Company from PICC Investment and the leasing of certain properties from the Company to PICC Investment
“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
“connected person”	has the meaning as defined in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Original Agreement” or “Original Property Leasing Agreement”	the property leasing agreement dated 19 September 2008 entered into between the Company and PICC Investment in respect of the leasing of certain properties to the Company

from PICC Investment and the leasing of certain properties from the Company to PICC Investment

“PICC Group”	The People’s Insurance Company (Group) of China Limited, a joint stock limited company incorporated in the PRC with limited liability
“PICC Investment”	PICC Investment Holding Company Limited, a limited company established in the PRC with limited liability and solely-owned by a legal person
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Transaction”	the leasing of certain properties to the Company from PICC Investment contemplated 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.