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**中國太平洋保險(集團)股份有限公司**

**CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 02601)**

## **CONTINUING CONNECTED TRANSACTIONS**

To renew transactions under the Original Framework Agreement and to regulate transactions conducted with Hwabao Parties, on 12 April 2019 (after trading hours), the Company entered into the Framework Agreement on continuing connected transactions with Hwabao Trust, Hwabao Fund and Hwabao Securities, with an initial term from 31 January 2019 to 31 December 2019. Upon expiration of the initial term, the Framework Agreement shall automatically be renewed for a term of one year, and there shall not be more than two automatic renewals.

As at the date of this announcement, to the best knowledge and information of the Company, Hwabao Investment controls approximately 14.17% equity interest in the Company and is a substantial shareholder of the Company; Hwabao Securities is a subsidiary of Hwabao Investment. As such, Hwabao Securities constitutes a connected person of the Company. Hwabao Trust and Hwabao Investment, a substantial shareholder of the Company, are under common control of Baowu Steel. As at the date of this announcement, as informed by Hwabao Parties, Baowu Steel controls 100% equity interest in Hwabao Investment and approximately 98% equity interest in Hwabao Trust. Accordingly, Hwabao Trust is an associate of Baowu Steel and therefore, is a connected person of the Company. Both Hwabao Fund and Hwabao Investment, a substantial shareholder of the Company, are under common control of Baowu Steel. As at the date of this announcement, as informed by Hwabao Parties, Baowu Steel holds approximately 98% equity interest in Hwabao Trust, which holds approximately 51% equity interest in Hwabao Fund. Accordingly, Hwabao Fund is an associate of Baowu Steel and therefore, is a connected person of the Company.

As the highest applicable percentage ratio in respect of the continuing connected transactions under the Framework Agreement exceeds 0.1% but is less than 5%, the transactions under the Framework Agreement are only subject to the announcement, reporting and annual review requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

## **BACKGROUND**

Reference is made to the announcement on previous continuing connected transactions of the Company dated 29 July 2016, in relation to the Original Framework Agreement. On 29 July 2016, the Company entered into the Original Framework Agreement with Hwabao Trust and Hwabao Fund, pursuant to which, the Group, Hwabao Trust and Hwabao Fund agreed to conduct a series of continuing connected transactions, including sale and purchase of bonds, pledge-style bond repurchase, subscription and redemption of funds, purchase of trust plans, sale of asset management products or collective pension products during the period from 29 July 2016 to 31 December 2016. Upon the expiration of initial term, the Original Framework Agreement was automatically renewed for two years and valid until 31 December 2018.

To renew transactions under the Original Framework Agreement and to regulate transactions conducted with Hwabao Parties, on 12 April 2019 (after trading hours), the Company entered into the Framework Agreement on continuing connected transactions with Hwabao Trust, Hwabao Fund and Hwabao Securities, with an initial term from 31 January 2019 to 31 December 2019. Upon expiration of the initial term, the Framework Agreement shall automatically be renewed for a term of one year, and there shall not be more than two automatic renewals.

## **FRAMEWORK AGREEMENT**

The principal terms of the Framework Agreement are set out below:

### **Date**

12 April 2019

### **Parties**

- (1) the Company;
- (2) Hwabao Trust;
- (3) Hwabao Fund; and
- (4) Hwabao Securities

As at the date of this announcement, Hwabao Investment is a substantial shareholder of the Company, and Hwabao Securities is a subsidiary of Hwabao Investment, which therefore constitutes a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. Hwabao Trust, Hwabao Fund and Hwabao Investment are under common control of Baowu Steel, and accordingly, Hwabao Trust and Hwabao Fund constitute connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules.

## **Scope of Transactions**

Pursuant to the Framework Agreement, the Company and Hwabao Parties have entered into and will continue to carry out certain ordinary transactions in their ordinary and usual course of business, including:

### **(1) *Fund utilisation business***

- (i) Sale and purchase of bonds: the transactions of sale and purchase of bonds such as government bonds, enterprise bonds and corporate bonds entered into by the Group with various counterparties at fair market prices through the inter-bank and other markets in the ordinary course of business of the Group.
- (ii) Pledge-style repo: the transactions of repurchase of bonds entered into by the Group with various counterparties at fair market prices through the inter-bank and other markets in the ordinary course of business of the Group.
- (iii) Subscription and redemption of securities investment funds: the transactions of subscription and redemption of securities investment funds publicly offered by various fund management companies at market prices entered into by the Group in accordance with the principle of “subscription by monetary amount and redemption by share” in the ordinary course of business of the Group.
- (iv) Other fund utilisation business permitted by the CBIRC: purchase of other financial products approved by the CBIRC, including trust plans, insurance asset management products, wealth management plans of commercial banks and special asset management plans of securities companies.

### **(2) *Asset management and pension security business***

The asset management business covers insurance asset management products, infrastructure investment plans, real estate investment plans, project asset backed plans, equity or real estate investment funds traded with Hwabao Parties, and other asset management businesses approved by the CBIRC. The pension security business includes trading of collective pension products and other pension related businesses permitted by the CBIRC.

## Pricing Mechanism

Each type of the continuing connected transactions shall be conducted in the following manner:

- (1) in the ordinary and usual course of business of the Group and Hwabao Parties;
- (2) considerations of transactions shall be arrived at after arm's length negotiation and shall take into account the prevailing market prices at the time of signing of specific contracts or execution of transactions;
- (3) on normal commercial terms and terms no less favourable to (i) the terms offered by independent third parties to the Group in respect of similar or comparable type of business and (ii) terms provided by Hwabao Parties to independent third parties in respect of similar or comparable type of business;
- (4) in compliance with regulations governing the insurance industry issued by the CBIRC, which provide that in determining related parties/related-party transactions, the trustee of fund utilisation activities designated by listed companies shall, by following the substance over form principle, perform duties in respect of thoroughly identifying and reviewing related parties, financial products including trust plans or underlying assets related to contractual arrangements in accordance with then applicable regulations governing the insurance industry; and
- (5) in compliance with the Hong Kong Listing Rules, applicable laws, all applicable provisions of the Framework Agreement and specific contracts.

The continuing connected transactions shall also comply with the following detailed pricing mechanisms:

Type of transaction	Transaction scope	Pricing mechanism
Fund utilisation	Sale and purchase of bonds	Pricing is based on the prevailing transaction prices of comparable bonds on the inter-bank market. The inter-bank market adopts the mechanism of real-time quotation on trading days, where recognized market participants may enquire market transaction prices and such quotations are applicable to all market participants.

Type of transaction	Transaction scope	Pricing mechanism
	Pledge-style repo	Pricing is based on the prevailing transaction prices of similar types of repurchase on the inter-bank market. The inter-bank market adopts the mechanism of real-time quotation on trading days, where recognized market participants may enquire market transaction prices and such quotations are applicable to all market participants.
	Securities investment funds	Pricing is based on the net value of share of the fund as at the close of trading on the date of application for the transaction. Net value of share of the fund is announced on websites of relevant fund companies and is updated once per trading day. Transaction prices announced on websites of fund companies are applicable to all market participants.
	Trust plans, insurance asset management products, wealth management plans of commercial banks, special asset management plans of securities companies	Pricing is based on the public offer price of trust plans/products which is applicable to all market participants.
Asset management and pension security business	Asset management business or collective pension products	Pricing is based on the product unit nominal value specified in the offer documents of the asset management products or collective pension products or the net value of products as at the close of trading on the date of application for the transaction. Such quotations are available on the website of the Company and are updated approximately once per trading day. Transaction prices announced on the website of the Company are applicable to all market participants.

## Term

The Framework Agreement shall become effective as at the date of signing by all parties and shall continue to be valid until 31 December 2019 (such day inclusive) (the “**Initial Term**”), unless terminated earlier pursuant to the Framework Agreement. Subject to compliance with the Hong Kong Listing Rules or obtaining any waiver from strict compliance with such requirements, upon expiration of the Initial Term or subsequent renewal, the Framework Agreement shall be automatically renewed for a successive period of one year thereafter, only provided that there shall not be more than two automatic renewals.

Renewal of the Framework Agreement shall be subject to the then applicable requirements regarding connected transactions under any stock exchange rules (including but not limited to the Hong Kong Listing Rules) which shall be complied with by any of the parties or the Company.

## Historical Transaction Amount of Continuing Connected Transactions with Hwabao Parties

Type of transaction	Historical transaction amount ( <i>in RMB million</i> )			
	For the year ended 31 December 2016 <i>(Aggregate amount of payment and receipt)</i>	For the year ended 31 December 2017 <i>(Aggregate amount of payment and receipt)</i>	For the year ended 31 December 2018 <i>(Aggregate amount of payment and receipt)</i>	For the two months ended 28 February 2019 <i>(Aggregate amount of payment and receipt)</i>
Sale and purchase of bonds	–	–	–	–
Pledge-style repo	–	–	–	–
Subscription and redemption of funds	1,279.42	929.00	194.00	65.70
Purchase of trust plans	1,175.00	6,500.00	90.00	–
Sale of asset management products or collective pension products	8.47	1.00	0.95	52.00
<b>Total</b> ( <i>Aggregate amount of payment and receipt</i> )	<u>2,462.89</u>	<u>7,430.00</u>	<u>284.95</u>	<u>117.70</u>

## Proposed Annual Caps and Basis of Determination

The table below sets forth the Proposed Annual Caps in respect of the continuing connected transactions under the Framework Agreement, for the years ending 31 December 2019, 2020 and 2021:

	Proposed Annual Caps ( <i>in RMB million</i> )		
	For the years ending 31 December		
	2019	2020	2021
<b>Continuing connected transactions</b>			
Continuing connected transactions for which payment is made by the Group to Hwabao Parties	12,000	12,000	12,000
Continuing connected transactions for which payment is made by Hwabao Parties to the Group	12,000	12,000	12,000

The Proposed Annual Caps were determined after due and careful consideration by the Board and Hwabao Parties of the following key assumptions and factors:

- (1) historical transaction amount of similar transactions and previous cooperation;
- (2) potential cooperation in the future;
- (3) the Company's increasing demand for fund utilisation and financial businesses; and
- (4) the fluctuation of PRC and overseas financial markets, and the uncertainties in implementing relevant businesses and other factors.

## Information about the Group and Hwabao Parties

The Group is a leading integrated insurance group in the PRC, providing, through its nationwide marketing network and diversified service platform, a broad range of risk solutions, wealth management and asset management services to over 100 million customers throughout the country.

Hwabao Trust is a company which operates businesses of asset management and trust services, with its principal scope of business involving money trusts, personal property trusts, real estate trusts, negotiable securities trusts, other property or property rights trust, investment fund businesses through acting as the settlor of investment trusts or trust management companies, reorganisation of enterprise assets, acquisition and project financing, corporate financial management, financial advisory and other businesses.

Hwabao Fund is a company which operates fund businesses, with its principal scope of business in China involving fund management, promotion of the establishment of funds and other businesses approved by the China Securities Regulatory Commission.

Hwabao Securities is a company engaged in securities businesses, with its principal scope of business involving securities brokerage, securities investment consultation, securities trading, security asset management, security financing, agency sales of securities investment fund, intermediary services to futures company, agency sales of financial products, securities underwriting and financial advisory in relation to securities trading and securities investment.

### **Reasons for and Benefits of the Continuing Connected Transactions**

As a large-scale insurance group, the Company generates in its ordinary course of business a large amount of funds which need to be integrated and utilised through appropriate channels. The continuing connected transactions under the Framework Agreement are routine transactions relating to fund utilisation and financial product businesses. Such arrangements are beneficial to the development of the business in respect of fund utilisation and financial products-related transactions of the Company and its subsidiaries by improving the decision-making and implementation efficiency of the routine connected transactions entered into by the Company and its subsidiaries with Hwabao Parties. Accordingly, such transactions are in the interest of the Group as a whole.

In respect of the continuing connected transactions with Hwabao Parties under the Framework Agreement, all Directors (including the independent non-executive Directors) are of the view that the terms of the continuing connected transactions are fair and reasonable, are on normal commercial terms or better and in the ordinary and usual course of business of the Company and its subsidiaries, and are in the interests of the Company and the Shareholders as a whole, and they have agreed to the entry into of the Framework Agreement and approved the above continuing connected transactions.

### **Implications of Hong Kong Listing Rules**

As at the date of this announcement, to the best knowledge and information of the Company, Hwabao Investment controls approximately 14.17% equity interest in the Company and is a substantial shareholder of the Company; Hwabao Securities is a subsidiary of Hwabao Investment. As such, Hwabao Securities constitutes a connected person of the Company. Hwabao Trust and Hwabao Investment, a substantial shareholder of the Company, are under common control of Baowu Steel. As at the date of this announcement, as informed by Hwabao Parties, Baowu Steel controls 100% equity interest in Hwabao Investment and approximately 98% equity interest in Hwabao Trust. Accordingly, Hwabao Trust is an associate of Baowu Steel and therefore, is a connected person of the Company. Both Hwabao Fund and Hwabao



Investment, a substantial shareholder of the Company, are under common control of Baowu Steel. As at the date of this announcement, as informed by Hwabao Parties, Baowu Steel holds approximately 98% equity interest in Hwabao Trust, which holds approximately 51% equity interest in Hwabao Fund. Accordingly, Hwabao Fund is an associate of Baowu Steel and therefore, is a connected person of the Company.

As the highest applicable percentage ratio in respect of the continuing connected transactions under the Framework Agreement exceeds 0.1% but is less than 5%, the transactions under the Framework Agreement are only subject to the announcement, reporting and annual review requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As Mr. KONG Xiangqing, a non-executive Director, is the chairman of Hwabao Fund, Mr. KONG Xiangqing is deemed to have a material interest in the transactions under the Framework Agreement. In accordance with the relevant requirements of the Hong Kong Listing Rules, Mr. KONG Xiangqing has abstained from voting on the board resolutions regarding the transactions under the Framework Agreement. Saved as disclosed above, no other Director is deemed to have a material interest in the transactions under the Framework Agreement.

## **DEFINITIONS**

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

“A Share(s)”	domestic share(s) of RMB1.00 each of the Company which are listed on the Shanghai Stock Exchange and traded in RMB;
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“Baowu Steel”	China Baowu Steel Group Corporation Limited, a limited company incorporated in the PRC;
“Board”	the board of directors of the Company;
“CBIRC”	China Banking and Insurance Regulatory Commission;

“Company”	China Pacific Insurance (Group) Co., Ltd., a joint stock company incorporated in the PRC with limited liability in accordance with PRC laws, with A Shares listed on the Shanghai Stock Exchange and H Shares listed on the Hong Kong Stock Exchange;
“connected person”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“Director(s)”	director(s) of the Company;
“Framework Agreement”	the framework agreement on continuing connected transactions entered into by the Company with Hwabao Parties in respect of proposed continuing connected transactions on 12 April 2019;
“Group”	the Company and its subsidiaries;
“H Share(s)”	overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Hwabao Fund”	Hwabao WP Fund Management Co., Ltd. (formerly known as Fortune SG Fund Management Co., Ltd.), a limited company incorporated in the PRC;
“Hwabao Investment”	Hwabao Investment Co., Ltd., a limited company incorporated in the PRC and a wholly-owned subsidiary of Baowu Steel;
“Hwabao Parties”	Hwabao Trust, Hwabao Fund and Hwabao Securities;
“Hwabao Securities”	Hwabao Securities CO., Ltd., a limited company incorporated in the PRC and a subsidiary of Hwabao Investment;

“Hwabao Trust”	Hwabao Trust Co., Ltd., a limited company incorporated in the PRC and a subsidiary of Baowu Steel;
“Original Framework Agreement”	the framework agreement entered into by the Company and Hwabao Trust, Hwabao Fund on 29 July 2016, details of which have been disclosed in the announcement dated 29 July 2016;
“percentage ratio”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this announcement only, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan region;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	shareholders of the Company;
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“%”	per cent.

By Order of the Board  
**China Pacific Insurance (Group) Co., Ltd.**  
**KONG Qingwei**  
*Chairman*

Hong Kong, 12 April 2019

*As at the date of this announcement, the Executive Directors of the Company are Mr. KONG Qingwei and Mr. HE Qing; the Non-executive Directors of the Company are Mr. HUANG Dinan, Mr. WANG Tayu, Mr. KONG Xiangqing, Ms. SUN Xiaoning, Mr. WU Junhao and Mr. CHEN Xuanmin; and the Independent Non-executive Directors of the Company are Mr. BAI Wei, Mr. LEE Ka Sze, Carmelo, Mr. LAM Chi Kuen, Mr. ZHOU Zhonghui and Mr. GAO Shanwen.*

\* *Note:* The appointment qualification of Mr. Huang Dinan is subject to approval by China Banking and Insurance Regulatory Commission.