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中國太平保險控股有限公司

China Taiping Insurance Holdings Company Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 966)

CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTIONS LEASE FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 28 March 2023 made pursuant to Rule 14A.60 of the Listing Rules, in relation to TSFL, a subsidiary of the Company, ceasing to be an insignificant subsidiary of the Company, and China Petrochemical Corporation, being a substantial shareholder of TSFL, and its associates having become connected persons at the subsidiary level of the Company.

LEASE FRAMEWORK AGREEMENT

As TSFL Group (as lessor) has provided Finance Lease Services and Operating Lease Services to China Petrochemical Corporation Group (as lessee) from time to time, and the Company expects that TSFL Group will continue to provide Lease Services to China Petrochemical Corporation Group, TSFL and Sinopec Industry-Finance Holdings entered into the Lease Framework Agreement on 11 May 2023, pursuant to which TSFL Group (as lessor) agreed to provide Lease Services to China Petrochemical Corporation Group (as lessee), from 11 May 2023 to 31 December 2025 (both days inclusive).

LISTING RULES IMPLICATIONS

As TSFL is owned as to 50% by China Petrochemical Corporation, China Petrochemical Corporation is a connected person at the subsidiary level of the Company; as Sinopec Industry-Finance Holdings is a wholly-owned subsidiary of China Petrochemical Corporation, Sinopec Industry-Finance Holdings is also a connected person at the subsidiary level of the Company. Therefore, pursuant to Chapter 14A of the Listing Rules, the Lease Framework Agreement entered into between TSFL and Sinopec Industry-Finance Holdings and the transactions contemplated thereunder constitute continuing connected transactions between the Company and connected persons at the subsidiary level of the Company.

According to Rule 14A.101 of the Listing Rules, (i) Sinopec Industry-Finance Holdings and China Petrochemical Corporation Group are connected persons at the subsidiary level of the Company; (ii) the Lease Framework Agreement and the transactions contemplated thereunder are conducted in the ordinary course of business of the Group and on normal commercial terms; and (iii) the Board (including all independent non-executive Directors) have approved the Lease Framework Agreement and the transactions contemplated thereunder and confirmed that the terms of the Lease Framework Agreement and the transactions contemplated thereunder are fair and reasonable, on normal business terms and in the interests of the Company and its Shareholders as a whole. Therefore, the Lease Framework Agreement and the transactions contemplated thereunder shall comply with the reporting, announcement and annual review requirements but are not subject to the circular, independent financial advice and shareholders' approval requirements.

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Lease Framework Agreement also exceed 5% but are less than 25%, the Lease Framework Agreement also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement under Chapter 14 of the Listing Rules but is not subject to the shareholders' approval requirement.

In addition, according to Rule 14A.52 of the Listing Rules, as the duration of the relevant separate Implementation Agreements on Lease Services to be entered into in accordance with the Lease Framework Agreement may exceed 3 years, the Company shall appoint an independent financial adviser to explain why the separate Implementation Agreements on Lease Services require longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. Altus Capital has been appointed as the Independent Financial Adviser of the Company to provide advice thereon. The advice of the Independent Financial Adviser is set out in the section headed "Opinions of the Independent Financial Adviser" in this Announcement.

Reference is made to the announcement of the Company dated 28 March 2023 made pursuant to Rule 14A.60 of the Listing Rules, in relation to TSFL, a subsidiary of the Company, ceasing to be an insignificant subsidiary of the Company, and China Petrochemical Corporation, being a substantial shareholder of TSFL, and its associates having become connected persons at the subsidiary level of the Company.

As TSFL Group (as lessor) has provided Finance Lease Services and Operating Lease Services to China Petrochemical Corporation Group (as lessee) from time to time, and the Company expects that TSFL Group will continue to provide Lease Services to China Petrochemical Corporation Group, TSFL and Sinopec Industry-Finance Holdings entered into the Lease Framework Agreement on 11 May 2023, the major terms of which are set out below:

LEASE FRAMEWORK AGREEMENT

Date	:	11 May 2023
Parties	:	(i) TSFL (ii) Sinopec Industry-Finance Holdings
Valid Period	:	From 11 May 2023 to 31 December 2025 (both days inclusive)
Nature of transactions	:	TSFL Group (as lessor) agrees to provide China Petrochemical Corporation Group (as lessee) with (1) sale and leaseback finance lease and/or operating lease arrangements (to be determined based on applicable accounting standards) (in which case the lessor would purchase the leased assets from the lessee, and lease back the leased assets to the lessee); (2) finance lease and/or operating lease arrangements (to be determined based on applicable accounting standards) involving the leasing of the leased assets to the lessee acquired by the lessor as per the choices of the lessee; (3) other finance lease, operating lease and the renewal or leasing of the leased assets under them that recognised under the laws of the PRC within the term of the Lease Framework Agreement.

Separate Implementation Agreements : For each of specific Lease Services under the Lease Framework Agreement, TSFL Group and China Petrochemical Corporation Group will enter into separate Implementation Agreements to specify specific terms and conditions, including rentals, lease term and other terms, and the transactions contemplated thereunder will be carried out based on normal commercial terms or better upon entering into relevant Implementation Agreements. The Implementation Agreements shall conform with the principles and provisions set out in the Lease Framework Agreement and shall be in compliance with the Listing Rules.

The terms of relevant Implementation Agreements for the Finance Lease Services and the Operating Lease Services are expected to be 1 to 22 years. The specific term depends on, among others, the useful life of relevant leased assets, the financial needs of the lessee and the available funds of the lessor. Generally, such lease term shall not exceed the useful life of the leased assets. As the duration of separate Implementation Agreements may exceed 3 years, the Company has appointed Altus Capital as the Independent Financial Adviser pursuant to Rule 14A.52 of the Listing Rules to provide advice thereon. The advice of the Independent Financial Adviser is set out in the section headed “Opinions of the Independent Financial Adviser” in this announcement.

The lease term of each of the Lease Services need not to be the same as the term of the Lease Framework Agreement, provided that the start date shall fall within the subsistence of the Lease Framework Agreement. The termination of the Lease Framework Agreement shall not affect the rights and obligations of the parties to any of relevant Implementation Agreements upon the termination of relevant Implementation Agreements and their rights and obligations consequential to termination. The Total Transaction Amount of the transactions contemplated under all Implementation Agreements within the valid term of the Lease Framework Agreement shall be subject to the restrictions of Annual Caps. The details and the basis for the determination of relevant Annual Caps are set out in the section headed “Annual Caps and the Basis of Determination” in this announcement.

ANNUAL CAPS AND THE BASIS OF DETERMINATION

The table below set out the historical amount of the Lease Services provide by TSFL Group to China Petrochemical Corporation Group for each of the 3 years ended 31 December 2020, 2021 and 2022:

	For the year ended 31 December		
	2020	2021	2022
	(RMB million)		
Total Transaction Amount on Finance Lease Services provided by TSFL Group to China Petrochemical Corporation Group	211	1,249	1,704
Total Transaction Amount on Operating Lease Services provided by TSFL Group to China Petrochemical Corporation Group	177	176	1,747

The table below set out the Annual Caps of the Lease Services to be provided pursuant to the Implementation Agreements to be entered into between TSFL Group and China Petrochemical Corporation Group during the valid period of the Lease Framework Agreement, and within the previous 12 months of anytime during the valid period of the Lease Framework Agreement:

	Annual Caps for the year ended 31 December		
	2023	2024	2025
	(RMB million)		
Total Transaction Amount on Finance Lease Services provided by TSFL Group to China Petrochemical Corporation Group	6,000	6,000	6,000
Total Transaction Amount on Operating Lease Services provided by TSFL Group to China Petrochemical Corporation Group	4,000	4,000	4,000

The Total Transaction Amount in relation to Finance Lease Services shall include the lease principal, the lease interest, the economic consultancy fees and/or other fees (if any) specified in the Implementation Agreement, while the Total Transaction Amount in relation to Operating Lease Services shall include the annual rental, the consideration for purchasing lease assets from China Petrochemical Corporation Group for the provision of Operating Lease Services, the economic consultancy fees and/or other fees (if any) specified in the Implementation Agreement. The Annual Caps were determined after considering factors including, among others, the scale of the Lease Services provided by TSFL Group to China Petrochemical Corporation Group and its growth; the expected available funds of TSFL Group during the valid period of the Lease Framework Agreement; the expectation of TSFL Group on China Petrochemical Corporation Group's development and financial needs; and the expected further cooperation between TSFL Group and China Petrochemical Corporation Group.

PRICING BASIS

The rentals charged by TSFL Group on China Petrochemical Corporation Group for Lease Services were determined after arm's length negotiations with reference to the purchase price and/or value of the leased assets and based on the loan prime rate and the rate of charges published by the People's Bank of China from time to time, and if no such interest rate or rate of charges is provided, with reference to factors including, among others, the relevant interest rate determined based on the rate of charges or interest rate of other major financial institutes for same or similar services and other factors.

REASONS FOR AND BENEFITS OF THE LEASE FRAMEWORK AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER

By entering into the Lease Framework Agreement with Sinopec Industry-Finance Holdings and provide Lease Services to China Petrochemical Corporation Group during its normal and ordinary course of business, TSFL Group could leverage on the resources of China Petrochemical Corporation Group, allow its leasing business to penetrate into its shareholders' key business areas, and achieve the original intention for establishing TSFL, namely to fully utilise the shareholders' respective advantages, realising the integration of industry and finance, contributing to TSFL's business expansion and increasing the Company's leasing service income, which is in line with the Company's business development strategy.

The Directors (including independent non-executive Directors) are of the view that the Lease Framework Agreement and the transactions contemplated thereunder are conducted in the ordinary course of business of the Group and on normal commercial terms, and the terms of the Lease Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the transactions contemplated under the Lease Framework Agreement, nor required to abstain from voting on the Board resolution in relation to the Lease Framework Agreement and the transactions contemplated under the Lease Framework Agreement.

LISTING RULES IMPLICATIONS

As TSFL is owned as to 50% by China Petrochemical Corporation, China Petrochemical Corporation is a connected person at the subsidiary level of the Company; as Sinopec Industry-Finance Holdings is a wholly-owned subsidiary of China Petrochemical Corporation, Sinopec Industry-Finance Holdings is also a connected person at the subsidiary level of the Company. Therefore, pursuant to Chapter 14A of the Listing Rules, the Lease Framework Agreement entered into between TSFL and Sinopec Industry-Finance Holdings and the transactions contemplated thereunder constitute continuing connected transactions between the Company and connected persons at the subsidiary level of the Company.

According to Rule 14A.101 of the Listing Rules, (i) Sinopec Industry-Finance Holdings and China Petrochemical Corporation Group are connected persons at the subsidiary level of the Company; (ii) the Lease Framework Agreement and the transactions contemplated thereunder are conducted in the ordinary course of business of the Group and on normal commercial terms; and (iii) the Board (including all independent non-executive Directors) have approved the Lease Framework Agreement and the transactions contemplated thereunder and confirmed that the terms of the Lease Framework Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. Therefore, the Lease Framework Agreement and the transactions contemplated thereunder shall comply with the reporting, announcement and annual review requirements but are not subject to the circular, independent financial advice and shareholders' approval requirements.

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Lease Framework Agreement also exceed 5% but are less than 25%, the Lease Framework Agreement also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement under Chapter 14 of the Listing Rules but is not subject to the shareholders' approval requirement.

In addition, according to Rule 14A.52 of the Listing Rules, as the duration of relevant separate Implementation Agreements on Lease Services to be entered into in accordance with the Lease Framework Agreement may exceed 3 years, the Company shall appoint an independent financial adviser to explain why the separate Implementation Agreements on Lease Services require longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. Altus Capital has been appointed as the Independent Financial Adviser of the Company to provide advice thereon. The advice of the Independent Financial Adviser is set out in the section headed "Opinions of the Independent Financial Adviser" in this announcement.

OPINIONS OF THE INDEPENDENT FINANCIAL ADVISER

Reasons for the duration of separate Implementation Agreements to exceed 3 years

In assessing the reasons for the duration of separate Implementation Agreements on the Lease Services to be entered into under the Leasing Framework Agreement to exceed 3 years, the Independent Financial Adviser has considered the following factors:

- (i) **Nature of the lease assets** – Major lease assets under the Leasing Framework Agreement will include but not be limited to drilling equipment, well drilling and repair equipment, chemical equipment, transportation, exploration, tow-boat and other relevant equipment for natural resources. The useful life of relevant the lease assets ranges from 10 to 35 years, all being more than 3 years. For the purpose of Finance Lease Services and as the lease assets are generally large and complicated assets for the chemical processing, exploration and mining of coal, they generally involve relatively higher financing amounts and the repayment periods are also relatively longer. For the purpose of Operating Lease Services, as the lease assets are generally assets used in the chemical processing of coal as well as the development, exploration and storage of natural resources, the term of such projects generally range from 1 to 6 years.
- (ii) **Cost of investments to be made and conducive to extending the period of revenue period** – Considering the descriptions in the paragraph above headed “Nature of the lease assets”, given that the lease assets under the Leasing Framework Agreement will be mainly used in (i) the development, exploration, storage and transportation of natural resources; and (ii) the processing, refining and manufacturing of relevant chemical products, the relevant investment cost is relatively high. The entering into of leasing agreements with a relatively long duration can ensure that the Group has sufficient time to recover the investment cost involved and gain reasonable profits. In addition, as a major non-wholly owned subsidiary of the Group engaged in the finance leasing business, TSFL generates relevant leasing income for the Group. In this regard, a relatively longer duration (i.e. over 3 years) of leasing agreement will extend the period of revenue of the Group’s lease business, help the Group to make the best of the useful life of the lease assets to generate corresponding income, reduce the uncertainties and cost in renewing the leasing agreements or seeking new customers and improve the utilisation rate of the lease assets.

After considering the above factors, the Independent Financial Adviser is of the view that the duration of the separate Implementation Agreements to be entered into under the Leasing Framework Agreement may exceed 3 years if needed.

Whether it is a normal business practice to have a duration of over 3 years

When considering whether it is normal business practice for agreements with similar nature as the separate Implementation Agreements to be entered into under the Leasing Framework Agreement to have a duration of more than 3 years, the Independent Financial Adviser has carried out comparable analysis on similar leasing service agreements, namely leasing service agreements with the lease assets being equipment for natural resources, entered into by companies listed on the Main Board of the Stock Exchange with connected persons within 2 years from the date of this announcement (the “**Comparable Transactions**”). Based on the selection criteria above, the Independent Financial Adviser identified eight Comparable Transactions. Based on publicly available information in relation to the Comparable Transactions, the Independent Financial Adviser noted that the duration of leasing of the lease assets is generally determined with reference to the useful life of the lease assets and/or the duration of the projects. The Independent Financial Adviser also noted from the Comparable Transactions that there were leasing agreements with duration of more than 3 years. As the leasing term differs among different lease assets and/or the relevant projects involved, the Independent Financial Adviser considers that, as compared to the duration of separate leasing agreement itself, the basis of determination of the leasing term is a more important factor when considering whether the leasing term is within normal business practice. In this regard, the terms of the separate Implementation Agreements to be entered into under the Leasing Framework Agreement are expected to be 1 to 22 years, which are determined mainly based on the useful life of the lease assets and/or the duration of the relevant projects, and is consistent with the basis of determination of the Comparable Transactions and are within normal business practice.

The Independent Financial Adviser has also reviewed no less than 10 similar leasing agreements entered into between the Group and (i) independent third parties; and (ii) China Petrochemical Corporation Group (the “**Historical Transactions**”). The Independent Financial Adviser noted from the Historical Transactions that there were leasing agreements entered into with independent third parties with duration of more than 3 years. The term of the relevant leasing agreements were determined with reference to the useful life of relevant lease assets and the term of the projects, which is generally consistent with the basis of determination of the terms of the separate Implementation Agreements to be entered into under the Leasing Framework Agreement.

After considering the above factors, the Independent Financial Adviser is of the view that it is a normal business practice that the duration of the separate Implementation Agreements to be entered into under the Leasing Framework Agreement may be more than 3 years.

GENERAL INFORMATION

Information of the Company

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are the underwriting of direct life insurance business in the PRC, Hong Kong, Macau and Singapore, direct property and casualty insurance business in the PRC, Hong Kong and overseas, pension and group life business, and all classes of global reinsurance business. The Company’s subsidiaries also carry on operations in asset management, insurance intermediary, finance leasing, property investment, health care, rehabilitation and elderly care investment, securities dealing and broking business.

Information of TSFL

TSFL, a non-wholly owned subsidiary of the Group, is a limited liability company established in the PRC and is principally engaged in finance leasing, transfers or acquisitions of subject assets of finance leases, investment in fixed-income securities, taking in deposits of finance leases from lessees and 3-month or longer term deposits from non-banking shareholders, inter-bank lending, borrowings from financial institutions, offshore borrowings, sales and handling of leased assets, and economic consultation and such other businesses as approved by the China Banking and Insurance Regulatory Commission. As at the date of this announcement, TSFL is owned as to 50% by TPL and China Petrochemical Corporation, respectively.

Information of China Petrochemical Corporation

China Petrochemical Corporation was established in July 1998, and it is a state authorised investment organisation and a state-owned company with a current registered capital of approximately RMB274.9 billion. The principal operations of China Petrochemical Corporation include: organising its subsidiaries in the exploration, exploitation, storage and transportation (including pipeline transportation), sales and comprehensive utilisation of oil and natural gas; organising its subsidiaries in oil refining; organising its subsidiaries in the wholesale and retail of oil products; organising its subsidiaries in the production, sales, storage and transportation of petrochemical and other chemical products; industrial investment and investment management; exploration and design, construction and installation of petroleum and petrochemical engineering; checking and repairing of petroleum and petrochemical equipment; manufacture of mechanical and electrical equipment; technology and information, research and development, application and consultation services of alternative energy products; import and export business.

Information of Sinopec Industry-Finance Holdings

Sinopec Industry-Finance Holdings was established in Shenzhen on 6 June 2022 with first phase registered capital of RMB9.3 billion and is a direct wholly-owned subsidiary of China Petrochemical Corporation. It aims to conduct centralised and coordinated management of the insurance, futures, leasing, enterprise annuities, technologies for supply chain finance and industrial finance and other businesses of China Petrochemical Corporation Group.

DEFINITIONS

Unless the context otherwise requires, the following terms in this announcement shall have the meanings set out below:

“Annual Caps”	the annual caps of the total transaction amount of Lease Services provided pursuant to the Implementation Agreements entered into between TSFL Group and China Petrochemical Corporation Group during the valid period of the Lease Framework Agreement, and within the previous 12 months of anytime during the valid period of the Lease Framework Agreement for each of the 3 years ended 31 December 2023, 2024 and 2025. The details and the basis for the determination of relevant Annual Caps are set out in the section headed “Annual Caps and the Basis of Determination” in this announcement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China Petrochemical Corporation”	中國石油化工集團有限公司 (China Petrochemical Corporation*)(formerly known as 中國石油化工集團公司 (China Petrochemical Corporation*)) a wholly state-owned enterprise incorporated in the PRC
“China Petrochemical Corporation Group”	China Petrochemical Corporation and/or its associates
“Company”	China Taiping Insurance Holdings Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected person(s) at the subsidiary level”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Finance Lease Services”	the finance lease services provided by TSFL Group to China Petrochemical Corporation Group from time to time in the ordinary and usual course of business and are classified as finance lease services in accordance with the applicable accounting standards
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Implementation Agreements”	the separate implementation agreements entered into between relevant members of China Petrochemical Corporation Group and relevant members of TSFL Group for each Finance Lease Services and/or Operating Lease Services
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance, which has been appointed as the independent financial adviser of the Company to explain why the duration of separate Implementation Agreements may exceed 3 years and confirm that it is of normal business practice
“insignificant subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Lease Framework Agreement”	the framework agreement dated 11 May 2023 entered into between TSFL and Sinopec Industry-Finance Holdings on the provision of Lease Services by TSFL Group (as lessor) to China Petrochemical Corporation Group (as lessee), the major terms of which are set out in the section headed “Lease Framework Agreement”
“Lease Services”	Finance Lease Services and/or Operating Lease Services
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Operating Lease Services”	the operating lease services provided by TSFL Group to China Petrochemical Corporation Group from time to time in the ordinary and usual course of business and are classified as operating lease services in accordance with the applicable accounting standards
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Sinopec Industry-Finance Holdings”	中石化產融控股有限公司(Sinopec Industry-Finance Holdings Co., Ltd.*), a limited liability company established in the PRC and a wholly-owned subsidiary of the China Petrochemical Corporation as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Total Transaction Amount”	For Finance Lease Services, it includes the lease principal, the lease interest, the economic consultancy fees and/or other fees (if any), and for Operating Lease Services, it includes the annual rental, the consideration for purchasing lease assets from China Petrochemical Corporation Group, the economic consultancy fees and/or other fees (if any)
“TPL”	Taiping Life Insurance Company Limited, a company incorporated in the PRC with limited liability and a subsidiary of the Company owned as to 75.1% by the Company as at the date of this announcement
“TSFL”	太平石化金融租賃有限責任公司 (Taiping & Sinopec Finance Leasing Co. Ltd.*), a limited liability company established in the PRC and a subsidiary of the Company, owned as to 50% by TPL and China Petrochemical Corporation, respectively, as at the date of this announcement
“TSFL Group”	TSFL and/or its subsidiaries
“%”	per cent

** for identification purpose only*

By Order of the Board of
China Taiping Insurance Holdings Company Limited
ZHANG Ruohan
Company Secretary

Hong Kong, 11 May 2023

As at the date of this announcement, the Board comprises 12 directors, of which Mr. WANG Sidong, Mr. YIN Zhaojun, Mr. XIAO Xing and Mr. LI Kedong are executive directors, Mr. GUO Zhaoxu, Mr. HU Xingguo, Ms. ZHANG Cui and Mr. YANG Changgui are non-executive directors, and Mr. ZHU Dajian, Mr. WU Ting Yuk Anthony, Mr. XIE Zhichun and Mrs. LAW FAN Chiu Fun Fanny are independent non-executive directors.