

STRATEGIC INVESTOR

STRATEGIC RELATIONSHIP

We and AIG have recently agreed to develop a long-term strategic relationship. The key components of this relationship will involve an investment by AIG in our Company and co-operation in the development of supplemental health insurance products (including products covering risks relating to cancer and other illnesses, hospital stay and related expenses), travel insurance products and other accidental injury insurance products (“accident and health insurance products”) in the PRC. To establish this strategic relationship:

- a Strategic Placing Agreement was entered into on 29 September 2003, pursuant to which AIG has agreed to acquire H Shares in the International Placing that would constitute 9.9% (being within the current 10% equity investment limit under applicable PRC regulations, see “Regulation—Regulation of Insurance Companies—Establishment of Insurance Companies” in this prospectus) of our outstanding share capital immediately following the Global Offering (including any exercise of the Over-allotment Option); and
- a Technical Assistance and Co-operation Agreement was entered into on 29 September 2003 pursuant to which we and one of AIG’s wholly-owned subsidiaries will co-operate in the development of accident and health insurance products and we will reinsure certain of the risks of our accident and health insurance products to an AIG subsidiary. This agreement will come into effect on the closing of the Strategic Placing Agreement.

We believe that the Strategic Placing Agreement and Technical Assistance and Co-operation Agreement create the foundation for a significant, long-term strategic co-operative relationship between AIG and us. This relationship should greatly enhance our development in the PRC accident and health insurance market, and may in the future embrace other products and services.

THE STRATEGIC INVESTOR

AIG is a U.S. holding company which through its subsidiaries is engaged in a broad range of insurance and insurance-related activities in the United States and around the world. AIG’s primary global business activities include both property and casualty insurance and life insurance operations. Other significant activities include both financial services, and retirement savings and asset management.

INVESTMENT IN OUR COMPANY

AIG has agreed to acquire H Shares in the Global Offering through two of its wholly-owned subsidiaries such that after the Global Offering, AIG will indirectly own 9.9% of the Company (the “Investor Shares”). AIG has agreed not to increase its shareholding interest in our Company to more than 9.9% unless our prior written consent is obtained.

The Investor Shares will be acquired by the AIG subsidiaries as part of the International Placing. The subsidiaries will purchase the Investor Shares at the same price as is payable by other investors which acquire H Shares under the International Placing and subject to the same terms and conditions as are generally applicable to the International Placing.

STRATEGIC INVESTOR

As a strategic investor, AIG is entitled to nominate a non-executive director for appointment to our Board of Directors. We and PICC Holding Company will use our respective best efforts to procure that our shareholders effect the appointment. AIG also has a right of first offer to acquire any Shares proposed for disposal by PICC Holding Company on the same terms and conditions upon which the disposal is proposed to be made by PICC Holding Company, provided that the resulting aggregate shareholding of AIG in our Company does not exceed the greater of 9.9% and the then current PRC regulatory ceiling on AIG's ownership of our Shares.

TECHNICAL ASSISTANCE AND CO-OPERATION

We believe that our strategic co-operative relationship with AIG will greatly enhance the development of our accident and health insurance products. Pursuant to the Technical Assistance and Co-operation Agreement, a wholly-owned subsidiary of AIG, American International Underwriters, Limited ("AIU") (which is headquartered in Hong Kong), will provide technical guidance and support to us in all aspects of our operations relating to accident and health insurance products, including product development, sales and marketing, underwriting and claims management. AIU will station technical experts in the accident and health insurance business at our headquarters to provide guidance and train our staff, which we believe, will increase the overall skill levels of our staff and allow us to share AIG's long experience and technical expertise in the accident and health insurance area. As part of our co-operation, we will cede certain of the risks of our accident and health insurance products to an affiliate of AIU. This obligation will be reflected in a separate reinsurance agreement, which will be entered into in our ordinary and usual course of business, on normal commercial terms and on an arm's length basis. The level of the risks that we will cede to AIU's affiliate will increase over a period of four years and will, after four years, represent a significant portion of the accident and health risks we underwrite. In accordance with market practice, AIU's affiliate will pay us a ceding commission at agreed rates. Pursuant to the terms of the Technical Assistance and Co-operation Agreement, neither we nor any entity we control may develop or sell any insurance product in the PRC that is similar to or competes with or is likely to compete with the accident and health insurance products sold and marketed through co-operation between AIU and us.

The intention of the parties is for the co-operation to continue indefinitely. Six months prior to the 15th anniversary of the date of the Technical Assistance and Co-operation Agreement and every 15 years thereafter either party may request to review the key terms of the co-operation, and unless the parties disagree to these terms the agreement automatically renews for another 15 years. If, as a result of a default by either party to the Technical Assistance and Co-operation Agreement, the Technical Assistance and Co-operation Agreement or the reinsurance arrangement entered pursuant thereto terminates, the defaulting party is required to pay a break-up fee to the other party. The break-up fee payable is the higher of US\$100 million and the valuation by an external actuarial firm of the non-defaulting party's share of the profit stream from any current or anticipated business under co-operation from time to time.