中再集团

China Reinsurance (Group) Corporation
中國再保險(集團)股份有限公司

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

(Stock Code: 1508)

DISCLOSEABLE TRANSACTION ACQUISITIONS OF (1) THE HANOVER INSURANCE INTERNATIONAL HOLDINGS LIMITED, (2) CHAUCER INSURANCE COMPANY DESIGNATED ACTIVITY COMPANY AND (3) HANOVER AUSTRALIA HOLDCO PTY LTD

THE ACQUISITIONS

On 13th September 2018 (after trading hours), the Company entered into the Agreement with the Vendor, pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell the Target Shares.

LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisitions are more than 5% but all of them are less than 25%, the Acquisitions constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the notification and announcement requirements but is exempt from Shareholders' approval requirement under the Listing Rules.

EGM

The Acquisitions, however, are subject to the Shareholders' approval by an ordinary resolution at a Shareholders' general meeting pursuant to paragraph 94(8) of the Articles. A circular and a notice of the Shareholders' general meeting containing, among other things, proposal for the Acquisitions are despatched to the Shareholders on or about the date of this announcement.

THE ACQUISITIONS

On 13th September 2018 (after trading hours), the Company entered into the Agreement with the Vendor with respect to the Acquisitions.

Assets to be acquired

The Target Shares represent 100% of the issued share capital of the Target Companies.

Consideration

The total consideration ("**Consideration**") is US$820,000,000 (the "**Initial Consideration**") plus US$45,000,000 (the "**Contingent Consideration**"). The Consideration comprises (i) the consideration for the acquisition of the First Target Company, being US$779,063,473 plus the Contingent Consideration; (ii) the consideration for the acquisition of the Second Target Company, being US$27,761,138; and (iii) the consideration for the acquisition of the Third Target Company, being US$13,175,389.

The Initial Consideration shall be reduced by an amount equal to the amount paid by the First Target Company or the Third Target Company under any existing loan agreement to the Vendor (and not subsequently capitalised) during the period until Completion (excluding any interest actually paid by the First Target Company during the second quarter of 2018) and/or the Leakage Amount (without duplication) set out in the Leakage Certificate, shall be paid at Completion in US$ by immediately available funds to the Vendor's designated account. The Contingent Consideration shall be deposited by the Company into the Escrow Account at Completion.

In the event that the aggregate Catastrophe Losses as certified in the Certification are in excess of 10% of NPE, the Contingent Consideration shall be reduced on a dollar for dollar basis for every dollar by which the aggregate Catastrophe Losses exceed 10% of NPE.

If the amount of the Contingent Consideration payable to the Vendor is less than the maximum of US$45,000,000, the parties shall give all necessary instructions to the Escrow Agent so as to (i) release from the Escrow Account the amount of Contingent Consideration due to the Vendor and (ii) release to the Company the remaining sum held in the Escrow Account. If there is no reduction due to be made to the Contingent Consideration then the parties shall give all necessary instructions to the Escrow Agent(s) to release from the Escrow Account to the Vendor the full US$45,000,000 together with accrued interest.

Any interest that accrues on the credit balance on the Escrow Account from time to time shall be credited to the Escrow Account. If either party does not agree with the Certification, such party shall provide detailed written notice to the other of the matters it disputes and the parties shall seek in good faith to resolve the disputed matter. If the parties are unable to reach agreement within 10 Business Days of the service of such written notice, then the disputed matters shall be referred to an expert for determination in accordance with the Agreement.

The Consideration was determined by the parties after arm's length negotiations with reference to, among other factors:

(1) unaudited net assets values of the Target Companies as of 30 June 2018;

(2) the financial position of the Target Companies as of 30 June 2018; and

(3) other factors set out in the paragraph headed "Reasons for and benefits of the Acquisitions" in this announcement.

The Group intends to fund the Acquisitions by its internal financial resources and/or merger and acquisitions financing of not more than US$550,000,000 supported by the Company's guarantee to the principal and interests thereof.

Conditions precedent

Completion is conditional upon each of the following conditions (the "**Conditions**") being satisfied or waived in writing by the Company and/or the Vendor in any case or before 5.00 p.m. on the Initial Longstop Date:

a) the PRA having approved that the Company and any other person (including any of its subsidiaries) acquiring control of CSL pursuant to the Agreement;

b) the Financial Conduct Authority having approved that the Company and any other person (including any of its subsidiaries) acquiring control of Lonham Group Limited, a subsidiary of the First Target Company, pursuant to the Agreement;

c) the Franchise Board having approved and had no objection to the Company and any other person (including any of its subsidiaries) acquiring control of CSL pursuant to the Agreement;

d) the Council of Lloyd's having approved or had no objection to the Company and any other person (including any of its subsidiaries) acquiring control of certain members of the First Target Group pursuant to the Agreement;

e) the Central Bank of Ireland having given notice in writing that it approves or has no objection to the Company and any other person (including any of its subsidiaries) acquiring control of Second Target Company pursuant to the Agreement;

f) the Monetary Authority of Singapore having approved or had no objection to the Company and any other person (including any of its subsidiaries) acquiring control of Chaucer Singapore Pte. Ltd, a group member of the First Target Group, pursuant to the Agreement;

g) to the extent required by applicable Law, the Dubai Financial Services Authority having approved or had no objection to the Company and any other person (including any of its subsidiaries) acquiring control of Chaucer MENA Underwriting Limited, a group member of the First Target Group, pursuant to the Agreement;

h) the Company, or any member(s) of the Group, having obtained all requisite approvals pursuant to the Australian Foreign Acquisitions and Takeovers Act 1975, including approval as a foreign government investor, in respect of the Company or any other person (including any of its subsidiaries) acquiring control of Hanover Australia HoldCo Pty Ltd pursuant to the Agreement;

i) in respect of the transactions contemplated by the Agreement and the matters contemplated therein (excluding, for the avoidance of doubt, the incorporation of the acquisition investment holding companies and/or the subsequent transfer of the same to the Company or the applicable member of the Group and/or any increase of the guarantee limit of the Company or any member of the Group, and any pre-Completion reorganisation of the Vendor), the Company obtaining the approval from the China Banking and Insurance Regulatory Commission and completing to the satisfaction of NDRC all necessary filing procedures with NDRC (the "**Chinese Regulatory Condition**");

j) the EGM having been duly convened and held and the relevant resolution having been passed by the requisite majority of Shareholders (the "**Company Shareholder Approval Condition**");

k) no MAE occurring between the date of the Agreement and the Completion Date (other than an MAE which has been remedied by the Vendor) (the "**MAE Condition**");

l) the European Commission having issued a decision under the EU Merger Regulation declaring the transaction compatible with the common market;

m) no authority (including any tax authority) in the United States or in any of the jurisdictions outside of the PRC having by the Completion Date (i) instituted any material action prohibiting the material transactions proposed under the Agreement and relevant documents in connection thereof; or (ii) enacted any statute or regulation not in existence or publicly announced which would prohibit implementation of such transactions or any material part of them (the "**Non-PRC Illegality Condition**").

If all the conditions precedent are not satisfied or waived in writing by the Company and/or the Vendor (as applicable) in accordance with the Agreement on or before the Initial Longstop Date, then:

a) if the only unsatisfied or unwaived conditions is any one or more of the conditions in paragraphs a) to h) inclusive or in l) and provided that Company or the Vendor as applicable, being a party wishing to elect to postpone the Initial Longstop Date, is in compliance with its respective obligations as set out in the Agreement (as applicable), the Company or the Vendor may in its absolute discretion postpone the Initial Longstop Date to such later date as it shall notify to the other party;

b) if the only Conditions unsatisfied or unwaived before the Initial Longstop Date is the MAE Condition or the Non-PRC Illegality Condition, then:

   (i) (in the case of the MAE Condition) the Company may, in its absolute discretion, postpone the Initial Longstop Date to such later date; or

   (ii) (in the case of the Non-PRC Illegality Condition), either the Company or the Vendor may, in its absolute discretion, postpone the Initial Longstop Date to such later date; or

c) if the only unsatisfied or unwaived condition is any one or more of the conditions in paragraph i) and j), the Vendor may, in its absolute discretion postpone the Initial Longstop Date to such later date,

provided that in any case, the Initial Longstop Date may be postponed to no later than 31 March 2019 or such other date as the Company and the Vendor may agree in writing (the "**Postponed Longstop Date**").

If a Break Fee Trigger Event occurs, the Vendor shall be entitled to terminate the Agreement and the Company shall pay the Break Fee to the Vendor provided that no Break Fee shall be payable if (i) the Vendor has failed to comply with its obligation set out under the Agreement; or (ii) the Buyer Shareholder Approval Condition, the Chinese Regulatory Condition and/or any other PRC regulatory approvals was satisfied but for any issue notified in writing by any applicable authority as arising from, in connection with or by reference to the pre-Completion reorganisation of the Vendor.

Completion

If either party fails to comply with any obligation at Completion, the other party shall be entitled by written notice to the party in breach (1) to defer Completion for a period of up to 10 Business Days, (2) to require the parties to effect Completion so far as practicable having regard to the defaults that have occurred, or (3) subject to Completion having first been deferred under (1) to terminate the Agreement.

In the event that all of the Conditions (other than in e) and h)) are satisfied by the Initial Longstop Date or, as applicable, the Postponed Longstop Date, the Company and the Vendor shall proceed to completion with respect to the acquisition of the First Target Group (and, if the applicable Condition has also been satisfied, the Second Target Company or the Third Target Company). The Company and the Vendor shall acting reasonably and in good faith use their respective reasonable endeavours, until 31 December 2019 (or such other date as the Company and the Vendor may agree in writing), to cooperate with one another: (i) in seeking to satisfy the outstanding Condition(s); and (ii) using the terms of the Agreement for reference (other than the provisions relating to the Contingent Consideration), to negotiate and agree upon a further completion (or completions) for the sale and purchase of the acquisition of the Second Target Company and/or the Third Target Group (as applicable).

The Company will establish two investment holding companies (a company incorporated in Hong Kong (the "**HK Co**") which will in turn hold a company incorporated in the United Kingdom as the acquiring entity) through an offshore subsidiary to hold each of the Target Companies in accordance with the applicable laws and regulations. The Company will then acquire the entire issued shares of the HK Co from the offshore subsidiary. Such structure may be further changed subject to the PRC regulatory approval requirements prior to Completion. Upon Completion, each of the Target Companies will become an indirect wholly-owned subsidiary of the Company and its respective results will be consolidated with the accounts of the Group. After Completion, the Company may provide guarantees in favour of the Target Companies in a total amount of not more than US$600,000,000.

Reasons for and benefits of the Acquisitions

To implement the Group's "One-Three-Five" Strategy, the Group strives to enhance its competitiveness in the reinsurance business. It is part of the Group's key strategy to seek international cooperation in order to be in line with China's "Belt and Road Initiative" and to increase its presence in the international market. "Chaucer" is a quality insurance and reinsurance platform that the Target Companies mainly operate and is one of the leading underwriters at the Society and Corporation of Lloyd's ("**Lloyd's**") across a range of specialty and niche segments. The Group has been identifying development opportunities in the international reinsurance market. The Directors believe that the Acquisitions would enable the Group to extend its global reach to the international reinsurance market by leveraging on the existing network and customer base of "Chaucer". There will also be a significant potential for collaboration between the Group and "Chaucer" to share intellectual property and expertise.

Based on the factors as disclosed above, the Directors are of the view that the terms of the Acquisitions are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE TARGET COMPANIES

The First Target Group is engaged in the business of specialty insurance and reinsurance, operating through Lloyd's based in London writing business globally. The First Target Group participates in the Lloyd's market through the provision of capital to support the underwriting activities of syndicates at Lloyd's and the ownership of CSL, which is a managing agent. CSL manages two syndicates currently underwriting at Lloyd's.

The Target Companies provide capital to Syndicate 1084, which underwrites a range of treaty, marine, aviation and political, casualty, energy and property products for commercial clients worldwide; and Syndicate 1176, which primarily provides protection against physical damage and limited liability exposures from power generation at nuclear power stations. The Target Companies' economic interests in Syndicates 1084 and 1176 were 100% and 57%, respectively, in both the 2016 and 2017 underwriting years.

In 2017, the Second Target Company was incorporated in Ireland and has a branch in the United Kingdom to write a broad range of international specialty and reinsurance business. Also in 2017, the Third Target Company was incorporated to facilitate the acquisition of SLE Holdings Limited in Australia which distributes specialty property and casualty products for a number of insurance companies, including the First Target Group.

According to the financial statements of the Target Companies which were prepared based on the US GAAP accounting standards, the unaudited, pro-forma consolidated net assets of the Target Companies as at 31 December 2016, 31 December 2017 and 30 June 2018 were approximately US$644 million, US$683 million and US$593 million[1], respectively. Set out below are the financial information of the Target Companies for the two years ended 31 December 2017 and for the six months ended 30 June 2018:

	For the year ended 31 December		For the six months ended 30 June 2018
	2016	**2017**	
	unaudited	*unaudited*	*unaudited*
	US$'000,000	*US$'000,000*	*US$'000,000*
Net profit/(loss) before tax	119.8	3.7	39.4
Net profit/(loss) after tax	80.1	15.3	31.6

Note 1: This figure excludes pre-signing dividend of US$85 million.

INFORMATION ON THE PARTIES

The Group

The Group is principally engaged in property and casualty ("**P&C**") reinsurance, life and health reinsurance, primary P&C insurance and asset management business.

The Vendor

The Vendor and the Vendor Subsidiary are principally engaged in the provision of various property and casualty insurance products and services in the United States and internationally.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor, the Vendor Subsidiary and their respective ultimate beneficial owners are independent third parties and not connected with the Company and its connected person.

LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisitions are more than 5% but all of them are less than 25%, the Acquisitions constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the notification and announcement requirements but is exempt from Shareholders' approval requirement under the Listing Rules.

EGM AND VOTING

The Acquisitions, however, are subject to the Shareholders' approval by an ordinary resolution at a Shareholders' general meeting pursuant to paragraph 94(8) of the Articles. A circular and a notice of the Shareholders' general meeting containing, among other things, proposal for the Acquisitions are despatched to the Shareholders on or about the date of this announcement.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder or its associates has any material interest in the Acquisitions. As such, no Shareholder would be required to abstain from voting in favour of the resolutions approving the Acquisitions.

None of the Directors has a material interest in the Agreement and the transactions contemplated thereunder. Accordingly, the Directors are not required to abstain from voting on the relevant Board resolutions for approving the Acquisitions.

DEFINITIONS

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

"Acquisitions"	the acquisitions of the Target Shares by the Group from the Vendor and/or the Vendor subsidiary in accordance with the terms of the Agreement;
"Agreement"	the agreement dated 13th September 2018 entered into between the Company and the Vendor in relation to the Acquisitions;
"Articles"	the articles of association of the Company;
"associate"	has the meanings ascribed to it under the Listing Rules;
"Board"	the board of Directors of the Company;
"Break Fee"	an amount equal to US$57,400,000;
"Break Fee Trigger Event"	any of the following events:
	(a) the failure of the Company to satisfy the Company Shareholder Approval Condition or the Chinese Regulatory Condition and any other PRC regulatory approvals by the Initial Longstop Date;
	(b) the failure of the Company to obtain any other required regulatory approval for the Acquisitions from any authority in the PRC by the Initial Longstop Date (which does not include any notice, filing or submission that is immaterial, routine and/or merely for reporting purposes); or

	(c) any preliminary or permanent injunction is issued, or other impediment is imposed, by a PRC governmental entity blocking Completion.
"Business Day"	any day (other than a Saturday, Sunday or a public holiday in England) on which clearing banks in Beijing, New York and the City of London are open for the transaction of normal banking business;
"Catastrophe Losses"	the loss and loss adjustment expenses, including the incurred but not reported claims, net of reinsurance, salvage and subrogation incurred or arising against the First Target Group during and for the year 2018;
"Certification"	the certification provided by the Vendor to the Company which has been reviewed by actuaries in accordance with certain standards as set out in the Agreement;
"Company"	China Reinsurance (Group) Corporation, a joint stock limited liability company incorporated in the PRC and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1508);
"Completion"	completion of the Acquisitions;
"Completion Date"	the date of Completion, which falls on the fifth Business Day following satisfaction or waiver of all the conditions precedent in the Agreement (or such other date as the Vendor and the Company shall agree in writing);
"connected person"	has the meanings ascribed to it under the Listing Rules;
"Contingent Consideration"	an amount of US$45,000,000, subject to downward adjustment based on the quantum of the Catastrophe Losses;
"CSL"	Chaucer Syndicates Limited;
"Director(s)"	the director(s) of the Company;
"EGM"	an extraordinary general meeting of the Company to be held for the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder;
"Escrow Account"	the interest-bearing deposit account in the name of the Escrow Agent to be opened at the escrow bank at Completion;
"Escrow Agent"	such bank as is agreed between the Company and the Vendor, failing which to be appointed by the actuaries;

“First Target Company”	The Hanover Insurance International Holdings Limited, a company registered in England and Wales;
“First Target Group”	the First Target Company and its subsidiaries;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Initial Longstop Date”	31 December 2018;
“Leakage”	the leakage events of the Target Companies and their subsidiaries in the period from (and including) 31 March 2018 to (and including) the Completion Date as set out in the Agreement;
“Leakage Amount”	the aggregate amount of the Leakage;
“Leakage Certificate”	a certificate provided by the Vendor to the Company setting out the Leakage on the Business Day immediately prior to Completion;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MAE”	any effect, save as those specified in the Agreement, whether alone or in combination with any other effect, which has, or which is reasonably likely to have a material adverse effect on the business, assets, value, profits, financial condition or results, or operations of the Target Companies and its subsidiaries taken as a whole and in light of the business in which they operate;
“NDRC”	the National Development and Reform Commission;
“NPE”	net premiums earned by the First Target Group in the calendar year 2018;
“PRA”	Prudential Regulation Authority;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“Second Target Company”	Chaucer Insurance Company Designated Activity Company, a company registered in the Republic of Ireland;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

"Target Companies"	the First Target Company, the Second Target Company and the Third Target Company;
"Target Shares"	100% of the entire issued shares in the capital of the Target Companies;
"Third Target Company"	Hanover Australia HoldCo Pty Ltd, a company registered in Australia;
"Third Target Group"	the Third Target Company and its subsidiaries;
"United States"	the United States of America;
"US$"	United States dollars, the lawful currency of the United States;
"US GAAP"	the generally accepted accounting principles in the United States;
"Vendor"	The Hanover Insurance Group, Inc., a company incorporated in the Delaware;
"Vendor Subsidiary"	The Hanover Insurance Company, a company registered in New Hampshire; and
"%"	per cent.

On behalf of the Board
China Reinsurance (Group) Corporation
Zhu Xiaoyun
Joint Company Secretary

Beijing, the PRC, 13 September 2018

As at the date of this announcement, the executive Directors are Mr. Yuan Linjiang, Mr. He Chunlei and Mr. Ren Xiaobing, the non-executive Directors are Ms. Lu Xiuli and Mr. Shen Shuhai, and the independent non-executive Directors are Mr. Hao Yansu, Mr. Li Sanxi, Ms. Mok Kam Sheung and Ms. Jiang Bo.*

* *The appointment of Ms. Jiang Bo will become effective upon the approval of her qualification as a Director by the China Banking and Insurance Regulatory Commission and the implementation of the procedural requirements set out by the Articles.*