中国太平洋保险
China Pacific Insurance

2017
Annual Report
(Stock Code: 02601)

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)

Prelude to the 2017 Annual Report

On 25 December 2007, CPIC got listed on China's A share market.

The listing of CPIC on SSE was nothing short of a milestone in the history of the Company's development. As the first company in China to float as an insurance group, the listing of CPIC not only brought new vitality to the Chinese capital market, but also stronger momentum for China's insurance industry.

In the past ten years, adhering to sustainable value development and the concept of "To insure is to protect", CPIC focused on the main business of insurance and launched the "customer oriented" strategic transformation, which produced solid results - steady growth of value and increasing overall strength, which laid a solid foundation for the Company's launch of Transformation 2.0, and the pursuit of high-quality growth to become a leader for the healthy and stable development of China's insurance industry.

The following stories came from our customers, agents, employees, and board directors. Let's find out what they think of the past ten years of CPIC.

01

Words from employees

Thanks to the joint efforts of all the Company's senior management and employees, CPIC has achieved leapfrog development over the past ten years. In particular, in recent years, responding to the call of the industry to refocus on the function of protection and structural transformation, CPIC actively explored and carried out high-quality growth model of the insurance industry, and took a lead in implementing strategic transformation with outstanding results.

The Company's transformation and development has created a platform for our employees to showcase their talents. With alignment between company development and personal growth, our people work hand in hand to enhance synergy and achieve common goals, thus participating in and contributing to CPIC's transformation and developing talent pipeline for the Company's Transformation 2.0.

Running on the road of transformation

On the tenth anniversary of listing, CPIC is standing at a new starting point for high-quality development. Zhou Yanfang, who works for the Development and Planning Department of CPIC, will also embark on a new journey of transformation. She and her colleagues have just completed the top-level design of the Strategic Transformation 2.0, and will soon participate in the implementation of the Company's new development blueprint.

In 2007, the listing of CPIC quietly accelerated the pace of pursuing continuous growth of value. Most employees did not perceive too much change, but became increasingly aware of the importance of "value". In 2011, CPIC officially launched its transformation, and all our people paid more attention to "customer". "Value" and "customer" underpin the Company's development philosophy, business model, and way of thinking, as Zhou Yanfang knows better than anyone else. Take product development for example, "in the past, more consideration was given to if a new product could fill a gap in product mix and whether it had more selling points than rival products. Now the first consideration is whether it can meet the differentiated needs of our customers. In the past, more emphasis was placed on the types of sales services and value-added services, while basic after-sales services were neglected; now the focus is on how to provide better claims services and daily interaction to our customers," said Zhou.

Transformation is a strong driving force for CPIC. It has begun frequent cooperation with first-class international consulting firms to learn advanced international business ideas and methodology. It also carried out strategic cooperation with international companies such as Allianz (Germany) and Mitsui (Japan). Under the guidance of external experience and methods, and through its own exploration, CPIC has innovated and optimized its distribution channel, product service, and the application of new mobile technologies. It has also made improvements in customer insight, customer sharing, targeted selling, customized services, and the application of new mobile technologies.

Like others, Zhou Yanfang benefited a lot from the transformation. In her view, the transformation not only broadened her horizon and enhanced cross-cutting expertise, but more importantly, changed her cognitive approach and improved her ability to analyze and solve problems. "Focusing on customer needs, achieving targets and solving problems" is a key message of our transformation, and deeply imprinted in Zhou's mind. "Transformation gives us peace of mind. The development of any enterprise will always be accompanied by tensions and problems, and to solve problems, we find solutions, not complaints; to find solutions, we need to focus on the value of the Group,

Zhou Yanfang

Senior Manager, Development and Planning Department of CPIC Group
Joined CPIC in 2002

customer needs and common interests," said Zhou. In 2017, CPIC Group began to establish unified customer accounts, which will eliminate repetitive development for customer verification systems of different subsidiaries, thus helping to offer customers seamless and consistent interaction and experience across different business lines. "Transformation enabled us to truly listen to our customer needs and pain points, and turn customer feed-back into a driving force for the Company's progress." For 3 years in a row, CPIC has organized its managers of all levels to regularly listen to customers' voice, and adopted tools like NPS indicator to track changes in customer experience appeals and pain points in key journeys. Enhancing customer experience is not just the responsibility of the customer service department, but the work of all functions, departments, and channels. "Transformation makes us more active in our work, and helps us face our own weaknesses as well as meet the challenges of the future," Zhou added. CPIC, while being a prudent player, is bold in self-transformation, leveraging technology and innovation to nurture new business areas, new dynamics, and new growth drivers.

Transformation cannot be done overnight. It is a tough battle that requires perseverance, strong will, and years of hard work. On top of Transformation 1.0, CPIC has started a more comprehensive reform to boost development for the next five years. The past ten years of transformation has created a platform for our employees to do cross-area learning and display their talents, which helps them become experts in different areas. Staying true to their initial aspirations about transformation, Zhou Yanfang and her colleagues are fighting hard in their respective battlefields.

Wang Shu

General Manager, Automobile Accident Insurance Claims Settlement Department of CPIC P&C
Joined CPIC in 1994

"*Tai Hao Pei*", good services at finger-tips

2017 was the third year since Wang Shu was transferred to Shanghai headquarter from Jilin Branch.

As a manager promoted from a branch company, Wang witnessed the remarkable changes in CPIC's claims services in the past ten years.

"In the past, the surveyors took pens and paper and cameras to the site to do the survey, and then went back to the office to enter all the case information and apply for claims. Customers had to handle the follow-up procedures themselves. Nowadays, the surveyors can offer mobile claims service and provide one-stop service to our customers. Customers can also use WeChat to go through claims settlement process, without even providing any paper documents. Everything is only finger-tips away," said Wang Shu. Looking back, Wang talked about the great changes in claims settlement with emotion: from pen-tips to finger-tips, from PC to mobile device, from separate procedures to one-stop service, and from case by case manual work to automated batch processing.... Behind those changes, we can see the great efforts CPIC made in reform and innovation in order to tackle the pain points of motor customers in the process of claims settlement.

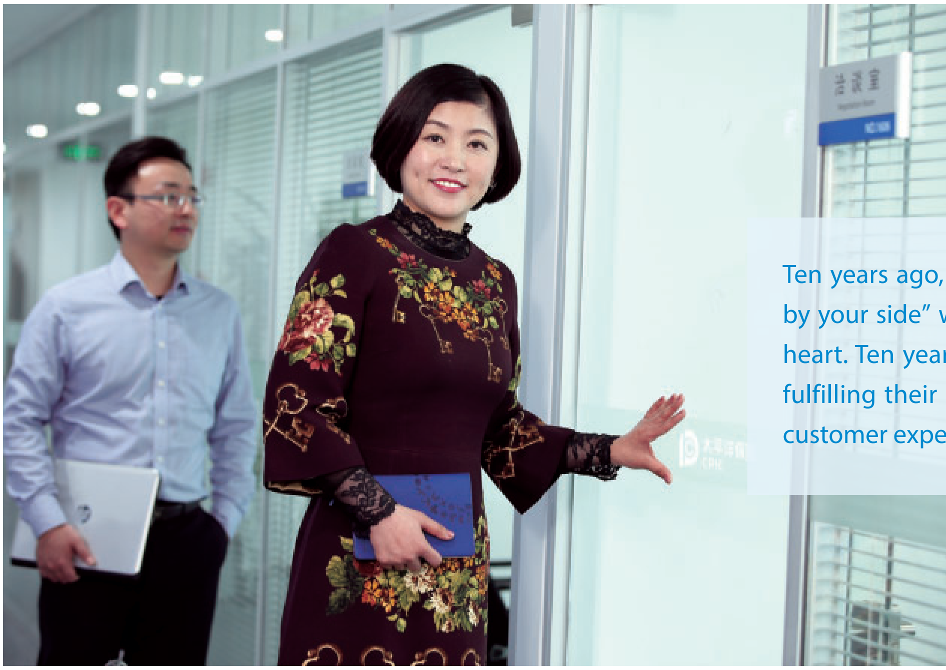
Through customer profiling and customer needs insights, Ms. Wang found that female customers generally mean high value contribution and low claims. And due to inadequate knowledge about motor vehicles and insurance, they tend to panic when accident happens, and thus require more help in claims settlement: they need on-the-scene service, and end-to-end claims settlement service...... As a female car owner, Wang feels the same way.

To this end, Wang and the "*Tai Hao Pei*" project team, after 6 months of research, site-visits, demonstrations and pilots, launched in 2017 the "*Boyfriend by your side*" service - an exclusive service for female motor customers which includes: one-on-one consultation and claims assistance throughout the process. "*Boyfriend by your side*" was well received by our female customers as well as their boyfriends or husbands.

Convenient, easy and fast claims service, and excellent customer experience were the goals Wang set at the beginning for the whole "*Tai Hao Pei*" team. "How to achieve those goals? My answer is innovation," said Wang. "*Boyfriend by your side*" is just one example of the innovations of Wang and her "*Tai Hao Pei*" team. Other examples are: "*Jin Yao Shi*"(*Golden* *key*), a service for our motor customers which provides one-stop service including: vehicle pick up, repair tracking, claims service, and vehicle delivery; "*Quan Cheng Ai*", a service for claims involving bodily injury which includes: site survey, pick-up of the injured, hospital visits, mediation and legal process, etc.; "*Xinnian Xingdong*" offers professional claims settlement service and other value-added service for claims involving bodily injury; "*Jiari Fuwu*"(Holiday Service) offers fast claims settlement services and rescue service, etc. at express way service stations and scenic spots during the Spring Festival holiday, Labor Day holiday, and National Day Holiday …

In addition to innovation in service initiatives, Wang also set another "small target" for the "*Tai Hao pei*" team: embrace new technologies, enhance customer experience, improve service performance, and improve operation control. She and the team will apply new technologies such as mobile Internet, AI, and big data to claims settlement of motor business and build a "mobile, automatic, and interactive" smart claims platform.

This platform delivers mobile claims service, automatic claims auditing and real-time inter-connection. For customers, claims settlement of minor accidents can be settled on site. If you use WeChat to make claims, you don't even have to wait for the surveyor to come to the site. It only takes you a few minutes to complete the claims; for our claims staff, all the claims settlement procedures can be done on mobile phone. They don't have to travel back and forth between accidents sites and offices; for the insurer, key information can be obtained real time, so information transparency can be improved, communication costs reduced, thus realizing real-time interfacing with partner companies and closed-loop management of vehicle loss control.



Ten years ago, CPIC's commitment of "Always by your side" was deeply imprinted in Wang's heart. Ten years later, Wang and her team are fulfilling their original promise with excellent customer experience.

Enhancement of both service and experience

Zhu Dongmei, who joined the Customer Service Department of CPIC Life in 2006, has been involved in areas including policy owner service, customer service and customer experience. Along the way, Zhu Dongmei felt that "customer-oriented" is not merely a service slogan, but requires changes in thinking and behavior for all the employees like Zhu from top to bottom: change our perspectives, and put ourselves into customers' shoes; change our attitudes, and take the initiative to "listen" and discover customer pain points; change our thinking, and enhance customer experience with process optimization.

In Zhu's view, the service transformation of CPIC Life is in line with the trend of mobile Internet, and it starts with the first step of the customer journey – insurance application. "Before 2009, insurers generally used paper-based application forms, with complex and time-consuming processes, and there were often delays in information transfer and policies delivery, which caused tons of customer complaints," noted Zhu Dongmei.

Starting with customer pain points, CPIC Life was the first company in the industry to develop *Shenxing Taibao*, and upgrade it from PAD version to smart phone version, which supports functions such as information entry, receipt signing, and new contract review. In 2016, advanced electronic signature technology was introduced in the application process, and CPIC obtained national patent for this technology. In 2017, CPIC tested the "Electronic Policy" technology, which enables customers to choose electronic policy when buying insurance and download the policy from the insurer's official website or APP. The technology realized the digitization of the whole process for buying insurance, and helped make customer experience simpler and more convenient. When Zhu Dongmei was doing site study at branch companies across the country, many local sales people and customers told her that *Shenxing Taibao* saved them a lot of trouble. "Their endorsement is a great encouragement to our work!" said Zhu.

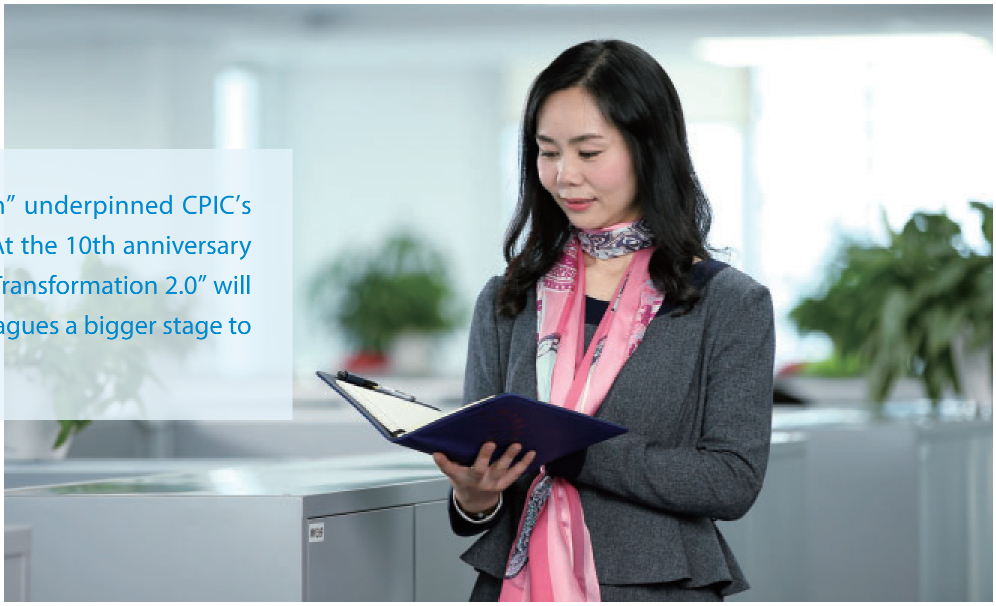
For the second step of the customer journey - policy change and payment, Zhu Dongmei and her colleagues aim for a convenient, consistent and transparent customer experience. Before 2009, the operating system used policy indexing and lacked smart operation and variety in service delivery. And the waiting time at the counter was too long. Targeting the above pain points, and to provide "By your side" insurance service to the customers, CPIC Life took various measures including: business rules engine adjustment at headquarters level, work process reengineering, top-level design of the service platform, customer notification platform R&D, self-service E-service platform R&D, intelligent service R&D, and digitalization of the B and C end of branch companies, etc. Through the above measures, CPIC Life built up a multi-channel (counter, WeChat, APP) online and offline after-sales service platform which is truly customer-indexed. In 2017, CPIC Life introduced advanced technologies such as facial recognition and intelligent voice recognition to safeguard the security of financial services. Mobile policy owner service enabled rapid service for 15.13 million customers, and online services such as mobile policy owner service and e-letter saved 54.15 million pieces of paper.

Meeting those "small targets" gave Zhu Dongmei and her colleagues a sense of achievement professionally and increased their resolve toward transformation and innovation.

Claims settlement is a key step for customers to obtain insurance protection. Starting from 2011, targeting the ubiquitous problem of claims settlement difficulty, the Company strengthened claims settlement, gradually simplified claims application materials starting with small claims, boosted transparency with mobile internet technology, and explored pre-claims settlement services. In 2017, the brand-new fast-response smart operating system for claims settlement was put into use, improving operating efficiency by 30%; piloted the "*Tai E Pei*" self-service claims settlement system which enables customers to submit claims applications and upload photographs through the "CPIC Life" APP on their smart phones. With this system, no documents will be needed for medical insurance claims under RMB 3,000, and for claims below RMB 10,000, the customers can get the payment first, then submit necessary materials. This "fast claims service" truly saves customers a lot of trouble traveling back and forth.

The improvement of customer experience is a continuous undertaking, and the customers would demand even more "simple, convenient, consistent, transparent and comfortable" experience. Zhu Dongmei participated in the entire formulation of CPIC Life Insurance customer experience professional management. In 2015, she participated in the Group's i17 project as a CPIC Life representative. In 2016, CPIC Life set up a customer experience committee and customer experience functional area. Zhu felt that both the Group and CPIC Life were putting more and more emphasis on customer experience, which made her more determined to improve customer experience in her work. In 2017, Zhu Dongmei and her colleagues further improved the closed-loop management mechanism of customer experience. Through various initiatives: executives at all levels listening to customers, inviting customers to comment on customer experience, CPIC greatly enhanced the awareness of customer experience among employees; by focusing on the pain points of the 3 key customer journeys (pre-purchase study, policy purchase, and claims settlement) and breaking down department barriers, CPIC, together with its subsidiaries and branches, coordinated efforts to improve customer experience; through the standardization of services and optimization of processes, CPIC is striving to become a service benchmark of the industry.

"Customer-orientation" underpinned CPIC's "Transformation 1.0". At the 10th anniversary of IPO, the launch of "Transformation 2.0" will give Zhu and her colleagues a bigger stage to display their talents.



A journey of a thousand miles is completed step by step.

Wang Zheng, who joined CPIC in 1992 right after college graduation, and in 1996, she was transferred to the Group's Insurance Funds Utilization Department. In 2006, she took part in the preparation for the establishment of CPIC AMC. Since 2009, she has been the general manager of CPIC's Fixed Income Department. The memory of CPIC AMC's transformation and development is still fresh in Wang's mind.

"The reform of the investment and research system is a major event in the transformation and development of the Company," said Wang, recalling the past. "In the beginning, with a strong administrative touch in decision-making mechanism, the Company suffered from weak operational capability and inadequate business process and management. The entire fixed-income team only had 5 people, lacking investment expertise and experience. Investment managers had to participate in the research, trading, data processing, and other back and middle office work. So their investment professionalism and concentration were not good enough," added Wang. After a decade of training and exploration, CPIC AMC established a sophisticated and efficient investment decision-making system and formed a "value, equality, independence, and sharing" investment culture and an investment philosophy featuring "value, sustainability, and soundness". Today our investment research focuses on information sharing, and investment managers have clearer division of responsibility and better professionalism.

"Investment managers can share the research results of the Research Department on macroeconomic and strategic asset allocation. They can also share the investment experience of the Equity Investment Department on the industries and listed companies, the latest achievements of the Credit Rating Department's research on bond issuer's credit worthiness, the latest analysis from the Risk Management Department on market risks, the latest feedback from the Centralized Transaction Department on market transaction information, and the performance analysis of the Company's investment performance team..." said Wang Zheng. In her eyes, the reform of the Company's investment research system is an important change that conforms to the general direction of domestic capital market development. With the continuous in-depth development of the domestic capital market, the correlation between market segments such as bonds, stocks, and funds is growing. The Company's value-sharing investment culture helps investment managers gain broader perspectives and deeper thinking, thus promoting the Company's investment research capabilities.

"Third-party asset management is critical for capacity building of the Fixed-Income Investment team. This is the second important thing in the ten-year development of our team." said Wang.

In recent years, in addition to serving the main business of insurance, CPIC AMC has strengthened its efforts in managing entrusted assets. Fixed-income investment not only completed the investment operation of internal insurance funds of the Group, but also successfully expanded third-party business. These insurance asset management and separate account products meet the investment needs of different market players with various risk preferences.

The entrusted investment business helped hone the Fixed-Income Investment research team's capability, and enabled them to respond more quickly to different investment strategies under different market conditions. By grasping the evolution of interest rates and different types of investment opportunities, maintaining reasonable investment rhythm, adjusting the allocation ratio of different types of assets, and optimizing portfolio configuration, the team has successfully grasped strategic investment opportunities in both the bull and bear markets, enhanced yield to maturity, and improved investment capabilities. For portfolios that span different business cycles, there are both portfolios that focus on medium and long-term investment opportunities and portfolios that

focus on market volatility and liquidity management. At the same time, the maturation and development of these trading strategies have also contributed to the enhancement of the investment capacity of the internal insurance funds of the CPIC Group. With years of market experience, CPIC AMC has formed a number of mature trading strategies and improved its investment management capabilities. It can not only define different styles of asset portfolios according to the needs of the clients to meet their risk and income requirements under different market conditions, but also draw upon those market experiences and capabilities to better serve the main business of insurance.

Another change that impressed Wang is the expansion of investment channels for fixed-income investments. "Initially, fixed-income investment channels were mainly bank deposits and bonds, with concentrated investment assets and limited yields. Nowadays, fixed-income investments cover both traditional investments (insurance debt plans, trust investment plans) and new financial instruments such as asset-backed securities and interest rate swaps," said Wang. Taking advantage of the characteristics of insurance fund liabilities (large scale and flexible maturities), Wang and the Fixed-Income team studied new channels and investment opportunities for the CPIC Group, CPIC P/C, and CPIC Life. They emphasize the synergy effect with the internal trustees of the Group, and actively broaden the sources of non-standard financial assets, in a bid to support the real economy and the insurance sector.

They remained steadfast amid the ups and downs of the market. Wang believes that is due to her team's deep understanding of the logic behind fixed income investment, as well as the investment culture of CPIC AMC.

"CPIC has opened a new chapter for its transformation and development. We will hold on to our initial aspirations, and keep up the good work."

02

Words from agents

With the transformation and development in the past ten years, CPIC took an active approach toward Internet finance: applying new technologies for innovation at the customer, sales, and claims end to realize end-to-end product and service provision, which brought big changes to agents in customer service and team management.

"Digital CPIC" is not only deeply rooted within the Company, but becomes a brand image of our agents.

Carrying fewer and fewer things, our agents become more and more confident in business development.

Serve the customers wherever they are

When she first joined CPIC in 2007, Jiao Yan had only a few customers, and they all worked and lived in the same city. The only way to sell insurance was to visit potential customers in person. For each single sale, Jiao Yan would carefully fill out the paper-based insurance policy. After customer's signing, she would go back to office to do the scanning and entry. "At that time, the procedures were complicated. Every time you went out, you had to bring a lot of documents," Jiao recalled.

In 2012, Jiao Yan was pleasantly surprised to discover that the Company had developed "*Shenxing Taibao*"- a smart mobile terminal for front-line agents. Paper-based materials were replaced by Pad and POS machines. To visit customers, she no longer had to carry so many things. "With this device, it only takes several seconds to verify customer name and identity information. And the premium calculation is accurate and automated. My customers all spoke very highly of my professionalism," said Jiao.

With the passage of time, Jiao Yan's customer base was gradually changing. Some got married, some changed jobs, yet some moved from Changsha to other cities, which caused inconvenience to subsequent customer operation and services. Many things such as bank card changes, job changes and claims settlement required customers to mail the necessary materials to Jiao and authorize her to modify the information, which was time-consuming and troublesome. "Ms. Jiao, one of my colleagues wants to buy insurance, and I recommended you to him." Some of Jiao's customers made new friends in the new city, and often recommended Jiao if their friends wanted insurance. Jiao often took high speed trains with her Pad to meet new customers in other cities. In 2016, the application of the new technology was upgraded again. Pad was replaced by smart phones. Services like application, policy owner service and claims can be done by following CPIC's official WeChat account or downloading the official APP. No matter where the customers are, they can always maintain contact with their own agents. In Jiao's words, she is now able to expand her business nationwide. With higher customer acceptance, Jiao Yan obtained more up-sell and referrals.

After joining CPIC Life Insurance for ten years, Jiao Yan has served more than 300 customers. "Although I am in Changsha, my clients and friends are all over the country," said Jiao.

Jiao Yan

Agent leader, CPIC Life Hunan Branch

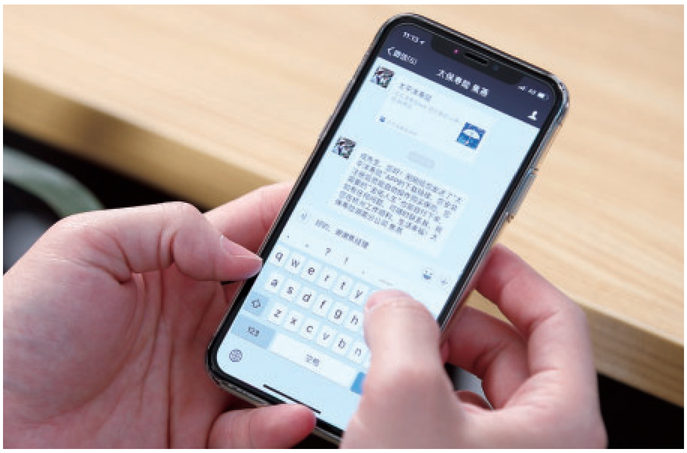
Joined CPIC in 2007

Jiao Yan shared her experience in new technology application and customer operation with his workmates.

In May 2017, CPIC launched mobile claims service. Jiao Yan quickly grasped the process and methods. In September, Ms. Hu, a customer of Jiao, was admitted to hospital in Fuzhou, and Hu reported the case to CPIC Life through the Company's WeChat account. All the procedures were completed within one day, and she got the payment on the same day. Ms.Hu was very satisfied with both the claims settlement and Jiao's service. Jiao also introduced "CPIC Life" APP to Hu, and she, through this APP, purchased a health insurance policy for her family with a premium of RMB 12,000.

With customers moving around, the structure of the team is also changing. More and more non-Changsha residents joined the team. But for those new team members, many of their customers and friends are not in Changsha. To tackle this, Jiao shared her experience with them in the form of PPT slides. The application of new technologies brought significant improvements to the entire team's customer operation model.

Nowadays, Jiao Yan and her workmates often say to their customers, "Be assured, no matter where you are, I'm always by your side."



Mr. Cheng, a customer in Hangzhou, received the link for "CPIC Life Insurance" APP from Jiao Yan. After downloading and installing, Cheng could buy "*Jinyou Rensheng*" online, nice and easy.

Zhang Miaojuan

Senior Agent Leader, CPIC Life Shenzhen Branch
Joined CPIC in 2003

"Digital Agency" made me a successful entrepreneur

Ten years ago, Zhang Miaojuan led a team of 30 agents. Ten years later, growing with the Company, she has become a senior agent leader who manages over 1,200 agents, with more than RMB 80 million FYPs annually.

Over the past ten years, the team kept expanding, which gave rise to a problem: "Every day, I had to spend a lot of time and energy on team management." Then the "Digital Agency" APP was launched by CPIC, which effectively solved Zhang's problems, making management easy and efficient.

"In the past, when holding an event, it would take two or three hours to just send notices to the team members," said Zhang. And the big contact books are still kept by Zhang and her assistant for memory's sake.

"Now, you just open 'Digital Agency' and fill in the event date, location and content, then all the team members will get the information immediately. Besides, the system will also send a reminder message to everyone." The work that would take 3 hours to complete in the past can now be done in just 5 minutes. With the APP, Zhang can manage her team with much more efficiency.

In the fast-paced city of Shenzhen, "Digital Agency" is like a 7*24 "exclusive secretary" to Zhang, with detailed arrangement for everything: monthly planning meeting, supervision meeting, assistant operation meeting, weekly agent leader meeting, monthly department meeting, product and recruitment seminar. Zhang no longer feels pressed for time.

"Ms. Zhang, yesterday's data has been sent to you." Every morning, Zhang Miaojuan can receive news from her team members on time. Click on "Digital Agency" and the latest KPIs were clearly displayed. "Ten years ago, the monthly indicators could only be calculated manually case by case. It would usually take two or three days to sort them out. It's not only inefficient but also prone to errors." said Zhang. In particular, the "Dashboard" function of "Digital Agency" enables Zhang to keep abreast of every team member's status and performance gap, which helps her provide timely guidance and assistance to her team members. Accurate and real-time data support will effectively promote the healthy and orderly development of her team.

With advanced management tools, Zhang Miaojuan's headache about team management is long gone. Since 2015, she has been doing volunteer work in Baoan District, going to hospital twice a week to do volunteer work such as helping nurses take care of patients. She volunteered over 300 hours each year. Zhang believes that "Digital Agency" not only improved her management, but also allowed her more time to practice the social responsibilities of CPIC.

After the team meeting was over, Zhang Miaojuan took off her suit, put on her volunteer vest and rushed to the hospital for volunteer service.

"Managing a thousand-agent team is as hard as running a business. The Company's new technology made me a successful entrepreneur."

03

Words from customers

"I feel that CPIC is responsible...", "Its motor insurance claims settlement is so fast ...", "CPIC's agents are trustworthy ...", "Buying insurance from CPIC, I can rest assured ..."

Ten years since its listing, CPIC has received endorsement and support from millions of customers. The force behind it originated from CPIC's "customer-oriented" transformation and its ever improving customer operation, top-notch commitment and services, as well as its diversified products and services.

Now, the products and services of CPIC have become intertwined with the happiness of the general public in China.

CPIC, a smart choice!

The other day, Wang You stood on the side of the road, frustrated. Then minutes before, her car scratched a van and she took full responsibility. What she worried about was not the compensation but the trouble. Firstly, she didn't know how long it would take for the other person to repair the van and for herself to collect all the documents needed for claims settlement. Secondly, she thought she would have to take all the necessary documents to CPIC for claims and it may take her more than one trip. What a headache!

Wang You dialed 95500 to report her case to CPIC. The customer service personnel sensed Wang's worries from their conversation and comforted her in a soft voice, telling her there was nothing to worry about and CPIC would take care of everything.

The customer service person told Wang You that CPIC had upgraded its services and she had been a customer for more than three years. Besides, she's also a VIP and gold-level female customer that is entitled to the "*Jin Yao Shi*" (*Golden Key)* speed claim service. Wang You's car and the van could get repaired directly at the Company's recommended 4S store, and the follow-up process would be handled by CPIC's professional claims staff, without Wang Yu paying a penny. With the help of the customer service, Wang got her car and the van repaired within half a day. And Wang received a text message on the same day telling her that her case is closed. She was very surprised by the speed of service.

Wang recalled a similar situation from a few years ago. At the time, Wang sent her damaged car to a 4S store after accident. Because the repair fee was high, Wang wanted the responsible guy to pay the repair fee directly. But that guy said that he needed first collect all the necessary documents before he could make claims with his insurer, and only after he got compensation from his insurer, could he pay the repair fee. In desperation, Wang had to pay the repair fee herself, and hand over the repair documents to the guy. It took her one month and 4 trips to get the compensation in the end.

The sharp contrast between the two cases gave Wang a fresh understanding of claims settlement service. What Wang didn't know was that CPIC had made great efforts to speed up claims settlement. In 2016, CPIC launched a special program to accelerate claims settlement service and improve customer experience. In order to do that, CPIC optimized its claims settlement process, upgraded the claims settlement system, enhanced skills training, and tightened services requirements.

The first encounter between Wang and CPIC happened 10 years ago. At the time, Wang was busy preparing for her study abroad. Never been abroad before, she had some concerns about the life abroad. She knew that medical treatment was very expensive abroad. In case of serious illness, expensive medical expenses would undoubtedly bring a heavy burden to her family. For this, Wang thought of purchasing critical illness insurance. A friend of hers

Wang You

36 years old, now lives in Beijing
Has been a CPIC customer since 2007

"In the 10 years from 2007 to 2017, I have studied abroad, returned to China, bought my house and car, got married and had a daughter. Sometimes I live alone. Sometimes, I am with my parents. Sometimes, I am with my husband and daughter. No matter where I am, with the insurance I bought, I worry about nothing, because I know that CPIC is always by my side."

recommended CPIC's "*Xiaokang Zhijia Ruyi Ankang*" to her, a product which covers 30 dread diseases and all types of cancer for policyholders up to 70 years old. This product met Wang's needs perfectly. This was how Wang began her 10-year journey with CPIC.

Shortly after returning to China, Wang learned that CPIC had launched a new product - "*Jinyou Rensheng*", which covers 60 dread diseases and 12 minor ones, and more importantly, has no age limit. The experience of studying abroad increased her awareness of the risk protection function of insurance. "The earlier you purchase dread disease insurance, the better." That's why she didn't hesitate to buy insurance. In 2017, CPIC upgraded "*Jinyou Rensheng*", and the coverage increased from 60 to 88 dread diseases, and for minor ones, the number increased from 12 to 20. Considering the ever rising treatment costs, Wang raised her sum assured by RMB 200,000, reaching RMB 500,000. "The more adequate the protection is, the better assured I am," said Wang.

Today, when Wang's colleagues and friends want to buy insurance, they will first consult her. And she is willing to share her understanding of insurance and her own experience with them. "Insurance is very important. The more important thing is to buy from which insurer. You must choose an insurance company which has a full product lineup, reliable and capable of continuous improvement. It's extremely important."

"Choose CPIC, and you won't regret it."

Zhao Yi and Li Jiawei, a CPIC agent, have been friends for 10 years

CPIC safeguards my dream.

One morning in August 2017, Li Jiawei, an agent of CPIC Life Shanghai Branch, came to meet with Zhao Yi, an old customer and also an old friend of Li's. Li was there to give Zhao a motor insurance policy. Although to mail Zhao the policy would be more cost-effective, Li still chose this most "traditional" way to deliver the policy because Li wanted to meet with Zhao to have a chat.

Li Jiawei can still recall the first time he met Zhao Yi 11 years ago. That day, Li came across Zhao when visiting a software company. Zhao was then still a young man who had just finished college in Chengdu and went to Shanghai to work. Zhao was a science and technology major, and like many young people with dreams, he hoped to take root in Shanghai, and achieve something.

At that time, Zhao Yi and his girl friend were planning to get married and buy a house and a car. Every penny must be carefully spent. Because of the marriage, Zhao Yi felt that his burden was heavy and was more concerned about his own health. "It is really necessary to buy health insurance. It is not just a policy but means a responsibility," Zhao believed.

Based on the couple's income and jobs, Li Jiawei recommended "*Taiping Shengshi·Changjian Medical*" and "*Taiping Shengshi·Changtai Ankang*" (CPIC's critical illness insurance product) to Zhao. This was the first insurance policy in Zhao's life. With the total sum assured of RMB 200,000, Zhao felt he could rest assured.

Afterwards, the couple purchased the first car in their lives, a Volkswagen POLO, and Zhao went to Li to buy motor insurance. In order to get full coverage, and at the suggestion of Li, Zhao raised the sum assured of his third-party liability insurance to RMB 1 million.

In 2010, Zhao's son was born. Li was very happy for Zhao and reminded Zhao to buy a health insurance for his son. After careful consideration, Zhao purchased "*Jintai Rensheng*" life insurance plus additional "*Jintai Rensheng*" critical illness insurance for the baby. The sum assured was RMB 150,000. This was not only protection but also a father's love to his son.

With his career advancing, son growing up, Zhao started to think about buying pension insurance and preparing for his retirement. When Zhao and Li met in 2014, Zhao saw a PAD in Li's hand. "I'm in IT industry myself. That day Li told me that I no longer need to fill in paper documents when buying insurance. Everything can be done on a PAD, and I can do electronic signature on the PAD. To be honest, that really surprised me," said Zhao. It took less than a minute to finish underwriting for Zhao, and the policy took effect the next day.

In 2017, Zhao and his family moved to a new house and their POLO was replaced by an Audi. "My motor insurance is still with CPIC. Trust is the reason for me to choose CPIC," said Zhao.

Now, Zhao often opens the CPIC App to see if there are any new products. "With the mobile application, I can search for self-service insurance and make inquiries anywhere and anytime. I can complete all operational processes without leaving my home."

Looking at his insurance policies, Zhao recalled all the years in Shanghai. Years ago, he came to the city alone, knowing no one and starting from scratch. But these insurance policies accompanied him through all the years of ups and downs in this city. They are like a big umbrella, sheltering him from wind and rain all the time.

Now, more than 40 years old, Zhao doesn't know what will happen in the next ten years. But he does know that in the next decade, he will still be accompanied by CPIC.

"The city is now no longer a distant dream. It has become my home. My next decade will definitely be more exciting."

04

Words from directors

Through the public listing, CPIC, originally a state-owned enterprise, has built a market-based capital replenishment mechanism and established and improved a market-oriented, professional and international-oriented corporate governance structure. After the listing, CPIC has established an internal control system in which the board has the ultimate responsibility and the management is responsible for the implementation. This system also has three lines of defense to ensure its smooth running. In 2017, both CPIC and its subsidiaries were evaluated by the China Insurance Regulatory Commission (CIRC) and received high rankings in terms of corporate governance.

Without the right direction, there will be no correct development strategy. Since the listing 10 years ago, the Board and its predecessors have always maintained a strategic focus on the main business of insurance, firmly grasping the development laws of the insurance industry, adhering to "protection as the central insurance value proposition" and "customer orientation", and promoting sustainable value growth.

Under the leadership of the new Board of Directors, CPIC has performed well and achieved remarkable results in corporate governance, setting a record high in market value. The 8th Board of Directors of CPIC won the *2017 Hong Kong Corporate Governance Excellence Award* by the Chamber of Hong Kong Listed Companies.

CPIC has always paid great attention to the returns to its investors. The dividend per share continued to increase from RMB 0.3 in 2007 to RMB 0.8 in 2017. Since the listing, the average dividend payout ratio reached 45.6%, very high among listed peers.

I have confidence in CPIC

Janine Feng currently serves as the managing director of The Carlyle Group L.P. From 2005 to 2013, as a representative of foreign shareholders, she served as director of CPIC for 8 consecutive years, and witnessed CPIC's A-share IPO in 2007 and H-share IPO in 2009. In December, 2017, CPIC won the Hong Kong Listed Company Governance Excellence Award. At the invitation of Mr. Kong Qingwei, chairman of the Board of Directors of the Company, Janine attended the award ceremony. As a former board member of CPIC, she was deeply impressed by today's CPIC.

"In 2005, I began to serve as director of CPIC. At that time, of the more than 30 branches of CPIC Life (a company Carlyle Group invested in), I made field trips to 19 of them. From headquarters to the grassroots branches, I met with both the management and employees. Many of them did have talents, but I did feel that due to institutional and structural reasons, the entire atmosphere of the Company was one that lacked vitality. The listing in 2007 was an opportunity, and CPIC firmly grasped that opportunity. Over the following ten years, from top to bottom, and from awareness to action, CPIC has achieved magnificent transformation," said Janine.

Recalling the changes CPIC underwent after its listing, Janine pointed out several things that had left a deep impression on her:

"First is CPIC's refocus on insurance. After the listing, though facing huge pressure of market share, CPIC adopted two key words: "focus on insurance business", and "sustainable value growth". Over the past 10 years, the Company has always maintained strategic determination, followed the development laws of the industry, and set high priority for individual business. In particular, after 2011, CPIC launched the "customer-oriented" strategic transformation, shifting from low-margin business to high-margin individual business. Through channel optimizations, the Company made fundamental improvements to the quality of its life business," said Janine.

By taking the lead in implementing transformation in the industry, CPIC has formed a new business layout with individual business at its core, unleashing internal growth momentum. Today's CPIC Life is one of the best life insurance companies in the industry.

"Second is prevention of operational risks. CPIC is an insurance company that always adheres to the principle of prudent operations. I remember that after the listing, the Company faced a complex and volatile operating

Feng Junyuan, Janine

Former non-executive director of CPIC (2005-2013)
Managing director of the Carlyle Group

environment such as the volatility of the equity market. The proposals I and several other directors submitted to the Board were quickly implemented by the Company. Following international best practices, CPIC took the lead in implementing reform, setting up a cost constraint mechanism to ensure that the liability costs can be covered by investment return, and it became the first company in the industry to establish an asset and liability management committee, thus laying a solid foundation for the stable growth of value.

In the complex business environment over the years, CPIC has always paid close attention to the prevention and control of internal risks, strictly prevented external risks from being transmitted to the Company, so as to eliminate systemic operational risks.

"Third is the improvement of corporate governance. As a shareholder representative, I have noticed that the equity structure of CPIC has always been stable and diversified. As the core of corporate governance, the composition structure of each board has always been based on professional diversity. Both former directors and current ones have many years of experience in finance and law, and insights into the development of the financial and insurance industries. In particular, the operation of the board is very professional, and all the directors can fully voice their opinions. Every strategy and decision was formulated after thorough discussion. It can be said that among the companies I have been involved in, CPIC has the best Board.

Since its listing, CPIC has continuously improved its corporate governance system and gradually formed a corporate governance mechanism which requires everyone to fulfill his/her duties and responsibilities, and guarantees coordinated operation, effective checks and balances, and the value growth of stakeholders.

Looking ahead, Janine is full of confidence in CPIC. On 14 December 2017, at the Hong Kong Listed Corporate Governance Excellence Awards ceremony held at the Hong Kong Conrad Auditorium, Janine talked with Mr. Kong Qingwei about the future development of CPIC and top-level design for the Company's transformation 2.0. Janine said, "the insurance industry is facing a period of big opportunities for development. In the new era, we will start a new journey and I have confidence in CPIC."

Wu Junhao

Non-executive director of CPIC, Non-executive director of CPIC Life, Non-executive director of CPIC P/C (2012-present)
Head of the Financial Management Department of Shenergy (Group) Co., Ltd

Become a great company

Mr. Wu Junhao serves as head of the Financial Management Department of Shenergy (Group) Co., Ltd. As a representative of domestic shareholders, Wu Junhao has been a director of CPIC, CPIC P/C, and CPIC Life since 2012, and is the longest-serving director among current board members. With many years of experience serving on boards of both the Group and its subsidiaries, Mr. Wu has witnessed CPIC's growth and development since its listing.

Capabilities are the driving force for CPIC to pursue transformation and development, and hence top priority for each board. In the eyes of Wu Junhao, CPIC has been sharpening its sword for ten years, trying hard to unleash its full potential.

"Over the past decade, CPIC has always maintained high-quality development with ever growing comprehensive strength. It has become an outstanding company within the industry. Behind this achievement, the company upgraded its ability in all directions. In my opinion, the most notable change is embodied in four aspects: strategic management capabilities, customer service capabilities, value creation capabilities, and risk management capabilities."

Wu Junhao believes that insurers are not only financial companies but also service providers. Customer experience is crucial. The quality of service is a core competitiveness for any insurance company. As both a Board director and a customer of CPIC motor and personal insurance, Wu Junhao personally felt that the multi-faceted efforts made by CPIC improved customer experience. "We can see from the 2017 Insurance Company Service Evaluation results issued by the CIRC that only nine of the 117 insurance companies assessed received AA rating, and CPIC P/C and CPIC Life were two of the nine. This is really something remarkable."

Shenergy (Group) Co., Ltd, Wu's employer is the second largest shareholder of CPIC. The returns of its long-term equity investment in CPIC during the investment period have made a deep impression on Wu, an expert who has spent years in the field of equity investment.

"Shenergy's investment in CPIC was approximately RMB 4 billion, and the dividend income in the past ten years has reached RMB 5.2 billion. By the end of 2017, the market value of CPIC's equity held by us has reached RMB 50.7 billion; Shenergy's investments in CPIC Life and CPIC P/C were RMB 180 million and RMB 93 million, respectively, and the received dividends were RMB 230 million and RMB 80 million respectively in the past ten years," Wu told us.

Since its listing, CPIC has always persisted in cash dividends, allowing investors to fully share the Company's operating results, a point highly thought of by shareholders and the capital market.

"It's safe to say that Shenergy's investment in CPIC and its subsidiaries has the highest return among all of its equity investments by dividend return, market value appreciation, and value growth."

In June 2017, CPIC elected a new Board of directors. And based on the accurate judgment of the internal and external development environment, the new Board formally proposed the Transformation 2.0 to build CPIC into a comprehensive insurance company with the "best customer experience, service quality, and risk control capability". Wu Junhao is looking forward to the realization of this new development goal of CPIC.

"We hope that in the future, CPIC will become a great company and a leader in the healthy and stable development of the insurance industry," said Wu.

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2017

Annual Report

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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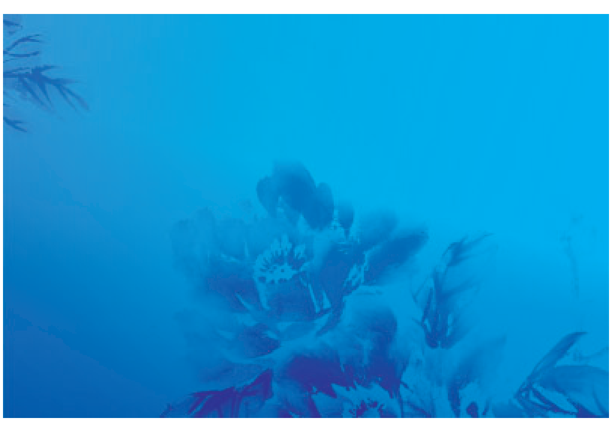

Cautionary Statements:

Forward-looking statements included in this report, including future plans and development strategies, do not constitute a guarantee of the Company to investors. Investors and other related parties are advised to be mindful of the risk, and be aware of the difference between the Company's plans or projections and its commitments.

You are advised to exercise caution.

Important information

I. The Annual Report 2017 of the Company was considered and approved at the 7th session of the 8th Board of Directors on 29 March 2018, which 14 Directors were required to attend and 13 of them attended in person. Director WANG Jian did not attend the board meeting due to other business engagements and appointed in writing WU Junhao to attend the meeting and vote on his behalf.

II. PricewaterhouseCoopers audited the 2017 consolidated financial statements of the Company and issued the standard unqualified auditor's report.

Board of Directors
China Pacific Insurance (Group) Co., Ltd.

Business overview

CPIC 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, and asset management services to over 100 million customers throughout the country.

Unit: RMB million

GWP – CPIC Life 175,628 +27.9%
GWP – CPIC P/C 104,614 +8.8%
Group total revenue
319,405 +20.0%

Group embedded value
286,169 +16.4%

New business margin of CPIC Life
39.4% +6.5pt

CPIC P/C combined ratio
98.8% -0.4pt

NBV of CPIC Life
26,723 +40.3%

CPIC Life 245%
CPIC P/C 267%
Group comprehensive solvency margin ratio
284%

Net profit – CPIC Life 10,070
Net profit – CPIC P/C 3,743
Group net profit attributable to shareholders of the parent
14,662 +21.6%

Total investment yield
5.4% +0.2pt

Number of Group customers (in thousand)
115,528

Annual cash dividend[note]
RMB 0.80 /share

Note: Subject to the approval of the shareholders' general meeting.

Key indicators

Unit: RMB million

Indicators	As at 31 December 2017/for the period between January and December in 2017	As at 31 December 2016/for the period between January and December in 2016	Changes (%)
Key value indicators			
Embedded value of the Group	286,169	245,939	16.4
Value of in-force business[note 1]	134,414	101,288	32.7
Net assets of the Group[note 2]	137,498	131,764	4.4
NBV of CPIC Life	26,723	19,041	40.3
New business margin of CPIC Life (%)	39.4	32.9	6.5pt
Combined ratio of CPIC P/C (%)	98.8	99.2	(0.4pt)
Growth rate of investments' net asset value (%)	4.8	4.0	0.8pt
Key operating indicators			
GWPs	281,644	234,018	20.4
CPIC Life	175,628	137,362	27.9
CPIC P/C	104,614	96,195	8.8
Number of Group customers (in thousand)[note 3]	115,528	104,435	10.6
Average number of insurance policies per customer	1.73	1.64	5.5
Monthly average agent number (in thousand)	874	653	33.8
Monthly average first year commission per agent (RMB)	1,012	987	2.5
Surrender rate of CPIC Life (%)	1.3	2.0	(0.7pt)
Total investment yield (%)	5.4	5.2	0.2pt
Net investment yield (%)	5.4	5.4	-
Third-party AuM	337,183	293,612	14.8
Third-party AuM by CPIC AMC	147,179	167,837	(12.3)
Assets under investment management by Changjiang Pension	190,004	125,775	51.1
Key financial indicators			
Net profit attributable to equity holders of the parent	14,662	12,057	21.6
CPIC Life	10,070	8,542	17.9
CPIC P/C	3,743	4,540	(17.6)
Basic earnings per share (RMB)[note 2]	1.62	1.33	21.6
Net assets per share (RMB)[note 2]	15.17	14.54	4.4
Comprehensive solvency margin ratio (%)			
CPIC Group	284	294	(10pt)
CPIC Life	245	257	(12pt)
CPIC P/C	267	296	(29pt)

Notes:

1. Based on Group's share of life's value of in-force business after solvency.
2. Attributable to equity holders of the parent.
3. The number of Group customers refers to the number of applicants and insureds who hold at least one insurance policy within the insurance period issued by one or any of CPIC subsidiaries as at the end of the period/year. In the event that the applicants and insureds are the same person, they shall be deemed as one customer.

We persisted in customer orientation, stayed focused on insurance, and delivered high-quality development for the reporting period, underpinned by sustained value growth and enhancement of value-creating capabilities.

Group

As at the end of 2017, the number of Group customers reached 115.53 million, up 11.09 million in the past 12 months. In 2017, Group operating revenues[note 1] amounted to RMB319.809 billion, of which, GWPs reached RMB281.644 billion, a growth of 20.4%. Group net profits[note 2] reached RMB14.662 billion, up 21.6%. Group embedded value amounted to RMB286.169 billion, an increase of 16.4% from the end of 2016. Of this, value of in-force business[note 3] reached RMB134.414 billion, up 32.7% from the end of 2016. CPIC Life delivered RMB26.723 billion in one-year new business value, a growth of 40.3%, with an NBV margin of 39.4%, up 6.5pt from that in 2016. CPIC P/C recorded a combined ratio of 98.8%, down by 0.4pt compared with that for 2016. Total investment yield on Group in-house assets stood at 5.4%, up 0.2pt.

Life insurance

Life business reported robust value growth, with continued business mix improvement.

> CPIC Life realized one-year NBV of RMB26.723 billion, a growth of 40.3% and an NBV margin of 39.4%, up by 6.5pt.

> CPIC Life delivered rapid business growth, with RMB175.628 billion in GWPs, up 27.9% year-on-year, equally driven by new and renewed businesses, which grew by 25.2% and 29.3%, respectively. In the meantime, business quality continued to improve, with 13-month persistency ratio for individual customers reaching 93.4%, up by 1.1pt.

> Annualized FYPs from long-term protection business[note 4] amounted RMB28.313 billion, a growth of 34.5%, with its share of total FYPs reaching 41.7%, up 5.3pt. This testified to continued business mix improvement of CPIC Life, which underpinned a 32.3% growth of residual margin versus the end of 2016, at RMB228.370 billion.

Property and casualty insurance

Property and casualty business achieved continued improvement in combined ratio, with pick-up in top-line growth.

> CPIC P/C reported a combined ratio of 98.8%, an improvement of 0.4pt from 2016. Of this, that of non-automobile business dropped steeply by 10.0pt from the level in 2016 to 99.6%, while automobile insurance maintained underwriting profitability, with a combined ratio of 98.7%.

> While realizing underwriting profits, CPIC P/C saw a recovery of top-line growth, with GWPs exceeding the mark of RMB100 billion, reaching RMB104.614 billion, up 8.8%. Of this, the growth of non-automobile business reached 13.9%, and its share of total GWPs rose 1.0pt to 21.8%.

> Agricultural insurance realized RMB3.405 billion in primary insurance premiums[note 5], with an expansion of market share.

Asset management

Steady growth of Group assets under management (AuM), with higher total investment yield.

> Group AuM amounted to RMB1,418.465 billion, an increase of 14.8% from the end of 2016. Of this, Group in-house assets reached RMB1,081.282 billion, up 14.8% from the end of 2016.

> Group total investment yield was 5.4%, an increase of 0.2pt from 2016, with net investment yield of 5.4%, the same as that for 2016, and growth rate of investments' net asset value of 4.8%, up 0.8pt.

> Third-party AuM amounted to RMB337.183 billion, an increase of 14.8% from the end of 2016, with management fee income growing by 19.8%.

Notes:
1. Based on PRC GAAP.
2. Attributable to equity holders of the parent.
3. Based on the Group's share of CPIC Life's value of in-force business after solvency.
4. Long-term protection business includes whole life, term life, long-term health and long-term accident insurance.
5. Based on primary insurance business, excluding premium income ceded-in and including data of Anxin Agricultural.

Letter from chairman to shareholders


Transformation 2.0
Set a good example in healthy and sustainable development of the industry
To be the best in customer experience, business quality and risk control capabilities

Dear Shareholders:

2017 is a year of milestones. It marked the 10th anniversary of our listing, saw the smooth succession of the Board of Directors and senior management. The Company followed the path of high-quality development, and delivered solid business results, with encouraging signs of improvement and progress amid a steady performance.

We achieved improvement in development quality in an all-around way, with continued increase in overall strength. First, in the face of the challenges of China's economic transitioning, we took matters into our own stride, and delivered a stable business performance and steady growth of profits. As of the end of 2017, Group total assets amounted to RMB1,171.224 billion, up 14.7% from the end of 2016. Group gross written premiums (GWPs) for 2017 amounted to RMB281.644 billion, a growth of 20.4% compared with 2016, the highest in the past 7 years. Group net profits attributable to equity holders of the parent reached RMB14.662 billion, up 21.6%. As of the end of 2017, Group embedded value amounted to RMB286.169 billion, a growth of 16.4% from the end of 2016. Of this, value of in-force business[note 1] stood at RMB134.414 billion, up 32.7%. Second, we persisted in protection as the central insurance value proposition and gave first priority to quality. Our life operation continued to diversify its risk-protection products and improved the level of protection for its customers. In 2017, it reported a growth of 34.5% in annualized first year premiums (FYPs) from long-term protection business[note 2], with further business mix improvement. New business value (NBV) margin increased to 39.4%, up 6.5pt, with NBV amounting to RMB26.723 billion, a growth of 40.3%. CPIC P/C continued to consolidate its progress in transformation, and achieved a combined ratio of 98.8%, down by 0.4pt year-on-year, with non-automobile business turning underwriting profits for the first time in 4 years. As for asset management, we adhered to prudent investment, value investment and long-term investment, enhanced asset liability management (ALM). We made good decisions about the timing and position of fixed income asset allocation. In 2017, Group in-house assets reached RMB1,081.282 billion. Total investment yield reached 5.4%, up by 0.2pt. Third, we continued to

One out of every 12 Chinese is a CPIC customer.

An average of 30,400 people become our customers every day.

Every day we report an average of RMB772 million in gross written premiums.

Every day there are 1.465 million interactions on the average on our official Wechat, apps and websites.

We handle an average of 35,700 claims every day.

We pay out an average of RMB239 million every day.

Honors and awards

- Ranked among Fortune Global 500 for the 7th consecutive year, occupying the 252nd place.
- Won the 2017 Hong Kong Corporate Excellence Award-Hang Seng Composite Index Constituent Companies at the 2017 Hong Kong Corporate Excellence Awards competition co-sponsored by the Chamber of Hong Kong Listed Companies and the Hong Kong Baptist University Center for Corporate Governance and Financial Policy.
- Granted the Excellence Award for H Share and Red Chip Entries at the 2017 HKMA Best Annual Reports Awards competition sponsored by The Hong Kong Management Association, being the first mainland insurance company to win the honor.
- Won the Company of the Year Award for the 8th consecutive year at the Chinese Corporate Social Responsibility Rankin by CBN.
- Both CPIC Life and CPIC P/C were rated AA, the top-notch ranking, at the Customer Service Evaluation by CIRC for 2017.
- CPIC Life was awarded Outstanding Life Insurance Company of the Year for the 3rd consecutive year at the 2017 Asia Insurance Competitiveness Ranking released by the 12th 21th Century Asian Financial Annual Assembly.
- CPIC P/C won The Best Agricultural Insurance Service Provider of the Year Award at the 2017 Chinese Financial Services Institutions Competitions co-sponsored by Financial Daily and the Financial Institute of the Chinese Academy of Social Sciences.
- CPIC AMC won the TOP Award in Asset Management at the 2017 China Wealth Management Summit & the 8th *Jinlicai* award presentation gala sponsored by the Shanghai Securities Daily.

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enhance customer experience, with industry top rankings at regulatory evaluations. As part of the "closed-loop" management system for customer experience, we introduced Net Promotional Score (NPS), and achieved improvement in key customer journeys and under-performing indicators. Both CPIC Life and CPIC P/C were rated AA, the top-notch ranking in the Customer Service Evaluation by CIRC for 2017. In particular, the claims turnaround for cases under RMB10,000 of CPIC P/C was shortened by over 50%, and that for self-service automobile insurance claims handling of individual customers reduced to a minimum of 15 minutes. CPIC Life launched mobile apps for self-service claims management, bringing much ease and convenience to customers, and the number of complaints per one hundred million yuan in premiums fell by over 70%.

We prevented major risks, and maintained consistent strategies in a challenging and changing market environment. China's economic development has entered a new era, focusing more on the shift of the growth mode and better economic mix. The transformation would have a profound impact on risk management capabilities and business quality of the insurance industry. First, we deepened Enterprise Risk Management, raised risk & compliance awareness, improved risk monitoring system using big data technology, enhanced the identification of high risk areas and key levers, with follow-up rectification measures. All this effectively mitigated the impact of external risks, increased the capability and efficiency of our risk control effort. Besides, we maintained sound financial strength. Group comprehensive solvency margin ratio under C-ROSS reached 284%, and both CPIC Life and CPIC P/C received industry-leading scores in CIRC solvency risk management capability assessment, and an A ranking at the C-ROSS comprehensive risk evaluation. Both the Group and its 6 subsidiaries won the top-notch ranking at the corporate governance assessment by CIRC. Second, though under the pressure of market share, we never wavered in the pursuit of high-quality development. In the past 5 years, through Transformation 1.0, we achieved initial success in optimizing channel mix, with enhanced capability in customer-oriented operational model. Better business mix of life insurance, improved combined ratio of property and casualty insurance, and successful fixed income asset allocation all testified to our determination of pursuing high-quality development, and gave us more confidence in the endeavor.

We stepped up reform and innovation to drive sustainable development. First, we forged ahead with digitalization, in a bid to improve the supply of insurance products and services. To strengthen the data processing capability, we launched the "*Jiayuan*" project, a big data platform with unified customer accounts, with the migration and consolidation of all customer data, and the real-time synchronization of huge amounts of data. We explored the combination of scenario application and innovative technologies. For example, based on big data and machine learning, we launched *Alpha Insurance*, an iconic robot-insurance adviser, capable of recommending customized insurance plans for households. CPIC P/C used wireless internet and AI technologies and developed fingertip series applications for automobile insurance claims management, covering inspection, payment, and direct supply of auto-parts, with improved service efficiency. CPIC Life launched the electronic policies for long-term life insurance, supporting a full on-line business process. The turnaround was reduced from an average 15 days for paper polices to up to 6 minutes for electronic ones, saving costs and improving efficiency. These are but some of the examples of our effort in leveraging technology to enhance customer experience. Second, we supported national strategies to seize opportunities of development. We provided over RMB500 billion in sum assured for the Belt and Road. We provided comprehensive risk solutions for China's state-of-the-art equipment such as "*Jiaolong*", China's first independently designed deep-water manned submersible, "*Shenhai Yongshi*", the first Made-in-China deep-diving scientific expedition equipment, and "*Shijian* No.13", China's first high-orbit, high-flux communications satellite, facilitating the implementation of the "Made in China 2025" Initiative. We served China's economy. As of the end of 2017, we launched 129 debt investment schemes to fund major infrastructure projects, raising a total of RMB207.6 billion.

We vigorously pushed forward the collaboration and integration of business segments to enhance the competitiveness of the entire Group. We promoted collaborative marketing, striving to build an ecosystem for major clients. We planned and launched Transformation 2.0, aiming to be the best in customer experience, business quality and risk control capabilities. To this end, we will focus on talent and technology, close the gaps and deliver a shift in the mode of development.

A new stretch of journey now unfolds before us, and we are full of confidence. In the past 10 years, we navigated through complex macro-economic and industry cycles, and have thus gained profound insights into the insurance business, which will prepare us for future challenges and opportunities.

Where there is a will, there is a way. We know that what lies ahead will by no means be an easy ride, but we are determined to be a "long-distance runner" in the journey of Transformation. We are committed to further improve our business performance and give back even more to customers, employees, shareholders and society, and set a good example in healthy and sustainable development of the industry.

Notes:

1. Based on Group's share of life's value of in-force business after solvency.
2. Long-term protection business includes whole life, term life, long-term health and long-term accident insurance.

KONG Qingwei

Chairman of the Board of Directors

CPIC Group

29 March, 2018

Operating results

Operating results

Highlights of accounting and operation data

1

Key accounting data and financial indicators of the Company as at year ends

Unit: RMB million

Key Accounting Data	2017	2016	Variance (%)	2015	2014	2013
Total income	319,405	266,081	20.0	246,963	216,205	192,217
Profit before tax	21,102	16,085	31.2	24,311	14,500	11,914
Net profit[note]	14,662	12,057	21.6	17,728	11,049	9,261
Net cash inflow from operating activities	86,049	63,138	36.3	40,895	40,050	45,114
	31 December 2017	31 December 2016	Variance (%)	31 December 2015	31 December 2014	31 December 2013
Total assets	1,171,224	1,020,692	14.7	923,843	825,100	723,533
Equity[note]	137,498	131,764	4.4	133,336	117,131	98,968

Note: Attributable to equity holders of the parent.

Unit: RMB

Key Financial Indicators	2017	2016	Variance (%)	2015	2014	2013
Basic earnings per share[note]	1.62	1.33	21.6	1.96	1.22	1.02
Diluted earnings per share[note]	1.62	1.33	21.6	1.96	1.22	1.02
Weighted average return on equity (%)[note]	10.9	9.1	+1.8pt	14.2	10.3	9.5
Net cash inflow per share from operating activities	9.50	6.97	36.3	4.51	4.42	4.98
	31 December 2017	31 December 2016	Variance (%)	31 December 2015	31 December 2014	31 December 2013
Net assets per share[note]	15.17	14.54	4.4	14.71	12.93	10.92

Note: Attributable to equity holders of the parent.

2

Other key financial and regulatory indicators

Unit: RMB million

Indicators	31 December 2017/2017	31 December 2016/2016
The Group		
Investment assets[note 1]	1,081,282	941,760
Investment yield (%)[note 2]	5.4	5.2
CPIC Life		
Net premiums earned	172,345	134,899
Growth rate of net premiums earned (%)	27.8	26.6
Net policyholders' benefits and claims	155,910	124,796
CPIC P/C		
Net premiums earned	88,993	83,569
Growth rate of net premiums earned (%)	6.5	1.5
Claims incurred	53,225	51,198
Unearned premium reserves	40,693	38,207
Claim reserves	35,873	33,936
Combined ratio (%)[note 3]	98.8	99.2
Loss ratio (%)[note 4]	59.9	61.2

Notes:

1. Investment assets include cash and short-term time deposits, etc.
2. Total investment yield = (investment income + rental income from investment properties + share of profit in equity accounted investees − interest expenses from securities sold under agreements to repurchase) / average investment assets, excluding foreign exchange gain or loss. Average investment assets used as the denominator are computed based on Modified Dietz method in principle.
3. Combined ratio = (claim incurred + operating and administrative expenses relating to insurance businesses) / net premiums earned.
4. Loss ratio = claim incurred / net premiums earned.

3

Discrepancy between the financial results prepared under PRC GAAP and HKFRS

There is no difference on the equity of the Group as at 31 December 2017 and 31 December 2016 and the net profit of the Group for the years then ended as stated in accordance with PRC GAAP and HKFRS.

Review and analysis of operating results

1

Company business overview

I. Key businesses

We are a leading integrated insurance group in China, and with a focus on insurance, provide a broad range of risk protection solutions, financial planning and wealth management services through our subsidiaries.

In particular, we provide life/health insurance products & services through CPIC Life, property and casualty insurance products & services through CPIC P/C and Anxin Agricultural, and specialized health/medical insurance products & services through CPIC Allianz Health. We manage insurance funds, including third-party assets, through our investment arm, CPIC AMC. We conduct pension business and other related asset management business via Changjiang Pension.

In 2017, China's insurance market realized a premium income of RMB3.66 trillion, a growth of 18.2%. Of this, premium from life insurance companies amounted to RMB2,603.955 billion, an increase of 20.0% from 2016, and that from property and casualty insurance companies RMB1,054.138 billion, up 13.8%. CPIC Life and CPIC P/C are both China's 3rd largest listed insurer in life and property and casualty insurance, respectively.

II. Core competitiveness

We are a leading integrated insurance group in China, ranking 252nd among Fortune Global 500. We persist in customer-orientation, focus on and specialize in insurance. We pursue innovation of insurance products and services, and commit ourselves to enhancing customer's experience, creating sustainable value and generating stable returns for our shareholders.

> We are committed to protection as the central insurance value proposition, pursue a path of high-quality development, with the business philosophy centering on prudence and sustainability.

> We persist in the focus on insurance, and have obtained a full range of insurance-related licenses covering life insurance, property and casualty insurance, pension, health insurance, agricultural insurance and asset management.

> We boast an experienced management team and a Group-centralized platform of management, coupled with sound corporate governance featuring a clear definition of responsibilities, checks and balances and well coordinated mechanisms.

> As a leading insurance franchise in China, we have put in place a nation-wide distribution network, with 115.53 million customers.

> The customer-oriented transformation begins to pay dividends, building capabilities in Customer Profile Delineation, with enhanced product innovation capabilities for life business based on customer segmentation and improved abilities to serve high quality customers for property and casualty insurance.

> We put in place asset liability management mechanisms, persisting in prudent investment, value investment and long-term investment, which served to curb the cost of liabilities and enhanced our capabilities in strategic asset allocation based on profiles of liabilities.

> We established an industry leading system for risk management and internal control, which ensures healthy and sustainable development of the Company. With state-of-the-art and reliable IT systems and investment in enterprise-level applications, we have fostered market-leading capabilities in operational support and new technology application.

2

Performance overview

We persisted in customer orientation, stayed focused on insurance, and delivered high-quality development for the reporting period, underpinned by sustained value growth and enhancement of value-creating capabilities.

I. Performance highlights

As at the end of 2017, the number of Group customers reached 115.53 million, up 11.09 million in the past 12 months. In 2017, Group operating revenues[note 1] amounted to RMB319.809 billion, of which, GWPs reached RMB281.644 billion, a growth of 20.4%. Group net profits[note 2] reached RMB14.662 billion, up 21.6%. Group embedded value amounted to RMB286.169 billion, an increase of 16.4% from the end of 2016. Of this, value of in-force business[note 3] reached RMB134.414 billion, up 32.7% from the end of 2016. CPIC Life delivered RMB26.723 billion in one-year new business value, a growth of 40.3%, with an NBV margin of 39.4%, up 6.5pt from that in 2016. CPIC P/C recorded a combined ratio of 98.8%, down by 0.4pt compared with that for 2016. Total investment yield on Group in-house assets stood at 5.4%, up 0.2pt.

Life business reported robust value growth, with continued business mix improvement.

> CPIC Life realized one-year NBV of RMB26.723 billion, a growth of 40.3% and an NBV margin of 39.4%, up by 6.5pt.

> CPIC Life delivered rapid business growth, with RMB175.628 billion in GWPs, up 27.9% year-on-year, equally driven by new and renewed businesses, which grew by 25.2% and 29.3%, respectively. In the meantime, business quality continued to improve, with 13-month persistency ratio for individual customers reaching 93.4%, up by 1.1pt.

> Annualized FYPs from long-term protection business[note 4] amounted RMB28.313 billion, a growth of 34.5%, with its share of total FYPs reaching 41.7%, up 5.3pt. This testified to continued business mix improvement of CPIC Life, which underpinned a 32.3% growth of residual margin versus the end of 2016, at RMB228.370 billion.

Property and casualty business achieved continued improvement in combined ratio, with pick-up in top-line growth.

> CPIC P/C reported a combined ratio of 98.8%, an improvement of 0.4pt from 2016. Of this, that of non-automobile business dropped steeply by 10.0pt from the level in 2016 to 99.6%, while automobile insurance maintained underwriting profitability, with a combined ratio of 98.7%.

> While realizing underwriting profits, CPIC P/C saw a recovery of top-line growth, with GWPs exceeding the mark of RMB100 billion, reaching RMB104.614 billion, up 8.8%. Of this, the growth of non-automobile business reached 13.9%, and its share of total GWPs rose 1.0pt to 21.8%.

> Agricultural insurance realized RMB3.405 billion in primary insurance premiums[note 5], with an expansion of market share.

Steady growth of Group assets under management (AuM), with higher total investment yield.

> Group AuM amounted to RMB1,418.465 billion, an increase of 14.8% from the end of 2016. Of this, Group in-house assets reached RMB1,081.282 billion, up 14.8% from the end of 2016.

> Group total investment yield was 5.4%, an increase of 0.2pt from 2016, with net investment yield of 5.4%, the same as that for 2016, and growth rate of investments' net asset value of 4.8%, up 0.8pt.

> Third-party AuM amounted to RMB337.183 billion, an increase of 14.8% from the end of 2016, with management fee income growing by 19.8%.

Notes:
1. Based on PRC GAAP.
2. Attributable to equity holders of the parent.
3. Based on the Group's share of CPIC Life's value of in-force business after solvency.
4. Long-term protection business includes whole life, term life, long-term health and long-term accident insurance.
5. Based on primary insurance business, excluding premium income ceded-in and including data of Anxin Agricultural.

II. Key performance indicators

Unit: RMB million

Indicators	As at 31 December 2017/for the period between January and December in 2017	As at 31 December 2016/for the period between January and December in 2016	Changes (%)
Key value indicators			
Embedded value of the Group	286,169	245,939	16.4
Value of in-force business[note 1]	134,414	101,288	32.7
Net assets of the Group[note 2]	137,498	131,764	4.4
NBV of CPIC Life	26,723	19,041	40.3
New business margin of CPIC Life (%)	39.4	32.9	6.5pt
Combined ratio of CPIC P/C (%)	98.8	99.2	(0.4pt)
Growth rate of investments' net asset value (%)	4.8	4.0	0.8pt
Key operating indicators			
GWPs	281,644	234,018	20.4
CPIC Life	175,628	137,362	27.9
CPIC P/C	104,614	96,195	8.8
Number of Group customers (in thousand)[note 3]	115,528	104,435	10.6
Average number of insurance policies per customer	1.73	1.64	5.5
Monthly average agent number (in thousand)	874	653	33.8
Monthly average first year commission per agent (RMB)	1,012	987	2.5
Surrender rate of CPIC Life (%)	1.3	2.0	(0.7pt)
Total investment yield (%)	5.4	5.2	0.2pt
Net investment yield (%)	5.4	5.4	-
Third-party AuM	337,183	293,612	14.8
Third-party AuM by CPIC AMC	147,179	167,837	(12.3)
Assets under investment management by Changjiang Pension	190,004	125,775	51.1
Key financial indicators			
Net profit attributable to equity holders of the parent	14,662	12,057	21.6
CPIC Life	10,070	8,542	17.9
CPIC P/C	3,743	4,540	(17.6)
Basic earnings per share (RMB)[note 2]	1.62	1.33	21.6
Net assets per share (RMB)[note 2]	15.17	14.54	4.4
Comprehensive solvency margin ratio (%)			
CPIC Group	284	294	(10pt)
CPIC Life	245	257	(12pt)
CPIC P/C	267	296	(29pt)

Notes:

1. Based on Group's share of life's value of in-force business after solvency.
2. Attributable to equity holders of the parent.
3. The number of Group customers refers to the number of applicants and insureds who hold at least one insurance policy within the insurance period issued by one or any of CPIC subsidiaries as at the end of the period/year. In the event that the applicants and insureds are the same person, they shall be deemed as one customer.

3

Life/health insurance business

In 2017, CPIC Life strengthened its customer-oriented capabilities, i.e, acquisition of new customers and up-sell to existing ones, continued to step up innovation of protection products, and delivered sustained business mix improvement and rapid NBV growth. CPIC Allianz Health, committed to fostering specialized health insurance capabilities, intensified efforts in product innovation to help with customer acquisition by life insurance agents, and achieved rapid business growth.

I. CPIC Life

(I) Business analysis

In 2017, CPIC Life adhered to protection as the key value proposition of insurance and deepened product/service innovations to meet customer needs. As a result, for the reporting period, it reported GWPs of RMB175.628 billion, up 27.9% year-on-year. One-year NBV amounted to RMB26.723 billion, a growth of 40.3%, with an NBV margin of 39.4%, up by 6.5pt.

1. Analysis by channels

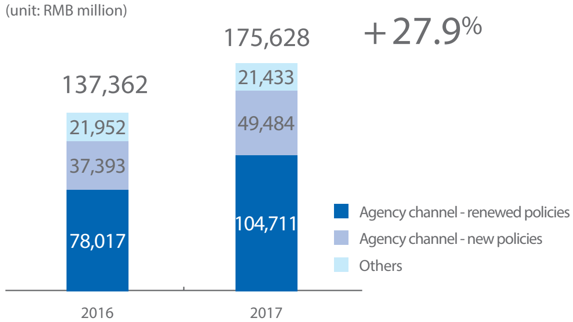
Unit: RMB million

For 12 months ended 31 December	2017	2016	Changes (%)
Individual customers	170,055	133,094	27.8
Agency channel	154,195	115,410	33.6
New policies	49,484	37,393	32.3
Regular premium business	47,083	35,881	31.2
Renewed policies	104,711	78,017	34.2
Other channels[note]	15,860	17,684	(10.3)
Group clients	5,573	4,268	30.6
Total GWPs	175,628	137,362	27.9

Note: Other channels include bancassurance and telemarketing & internet sales.

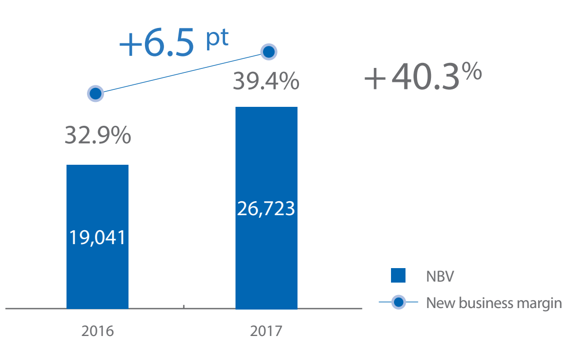
GWPs of CPIC Life

(unit: RMB million)



NBV and new business margin of CPIC Life

(unit: RMB million)



(1) Business from individual customers

For the reporting period, we realized RMB170.055 billion in GWPs from individual customers, up 27.8%. Of this, new policies from the agency channel amounted to RMB49.484 billion, a growth of 32.3%, and renewed business RMB104.711 billion, an increase of 34.2%. The agency channel accounted for 87.8% of total GWPs, up 3.8pt from the level in 2016.

We continued to consolidate the agency channel as the key driver of both volume and value growth. Specifically, we optimized agency recruitment policies to improve the quality and retention of new recruits, which in turn drove improvement in sales force mix. We focused on the training of new agents, and introduced the mechanism of training of managers on a rotating basis to boost the growth of active and high-performing agents. We implemented new agency management rules which strengthened agent performance evaluation and validation. We also intensified efforts in basic management, including, among others, more stringent management of agent attendance and activities to improve new agent retention, granted more autonomy to manager-level agents and strived for excellence in the training system, with differentiated training programs for sales and management to enhance agency capabilities. Monthly average number of agents for the reporting period stood at 874,000, an increase of 33.8% year-on-year. Of this, monthly average number of active and high-performing agents reached 248,000 and 131,000. First-year commission (FYC) per agent per month reached RMB1,012, up 2.5% from that in 2016. The FYC per agent per month of long-term policy active agents increased by 6.0% compared with that for 2016.

For 12 months ended 31 December	2017	2016	Changes (%)
Monthly average agent number (in thousand)	874	653	33.8
FYC per agent per month (RMB)	1,012	987	2.5
Average number of new long-term life insurance policies per agent per month[note]	1.68	1.74	(3.4)

Note: Figures for 2016 were restated.

We also enhanced customer insights and promoted innovation in product customization, in a bid to boost upgrading of the “customer service model”. For example, we expanded the scope of protection and launched *Shao’er Chaonengbao 2.0*, a critical illness product tailor-made for children, offering minor illnesses protection. For mid and high-end customers, we launched *Lexiang Baiwan*, a medical insurance product with high levels of sum assured. Such products, with increased protection, helped agents acquire new customers. In the meantime, we provided differentiated services to existing customers, launched the on-line Customer Profile System for mobile phones to facilitate customer segmentation.

(2) Business from group clients

In 2017, we persisted in transformation development, set up business units for health and pension, with continuous efforts to optimize the organizational structure, formulated the development strategy of the business segment, rolled out the project-based management model, and actively boosted government-sponsored programs and employee benefits business which played an important role in social management and the development of China’s real economy. As a result, business from group clients realized RMB5.573 billion in GWPs, up by 30.6%.

2. Analysis by product types

We uphold the basic insurance value proposition and vigorously boosted the development of long-term protection business. For the reporting period, traditional business generated RMB53.368 billion, up 31.0%. Of this, long-term health insurance RMB20.650 billion, a growth of 51.1%. Participating business delivered RMB111.117 billion in GWPs, up 27.0%.

Unit: RMB million

For 12 months ended 31 December	2017	2016	Changes (%)
GWPs	**175,628**	**137,362**	**27.9**
Traditional	53,368	40,725	31.0
Long-term health insurance	20,650	13,667	51.1
Participating	111,117	87,479	27.0
Universal	57	42	35.7
Short-term accident and health	11,086	9,116	21.6

Information of the top five products in 2017

For 12 months ended 31 December | Unit: RMB million

Ranking	Name	Type	GWPs	Sales channel
1	*Jin You Ren Sheng* Whole Life A (2014) 金佑人生終身壽險（分紅型）A 款（2014 版）	Participating	19,149	Individual customer business
2	*Xingfu Xiangban* Endowment 幸福相伴（尊享型）兩全保險	Traditional	7,460	Individual customer business
3	*Li Ying Nian Nian* Annuity 利贏年年年金保險（分紅型）	Participating	6,263	Individual customer business
4	*Dongfanghong/Mantanghong* Annuity 东方红·满堂红年金保险（分红型）	Participating	6,195	Individual customer business
5	*Li Ying Nian Nian* Annuity B 利贏年年年金保險（分紅型）B 款	Participating	5,848	Individual customer business

3. Policy persistency ratio

For 12 months ended 31 December	2017	2016	Changes
Individual life insurance customer 13-month persistency ratio (%)[note 1]	93.4	92.3	1.1pt
Individual life insurance customer 25-month persistency ratio (%)[note 2]	89.3	86.6	2.7pt

Notes:

1. 13-month persistency ratio: premiums from in-force policies 13 months after their issuance as a percentage of premiums from policies which entered into force during the same period.
2. 25-month persistency ratio: premiums from in-force policies 25 months after their issuance as a percentage of premiums from policies which entered into force during the same period.

CPIC Life's policy persistency maintained an overall healthy level, with 13-month and 25-month persistency ratios up by 1.1pt and 2.7pt respectively year-on-year.

4. Top 10 regions for GWPs

CPIC Life's GWPs mainly came from economically developed regions or populous areas.

Unit: RMB million

For 12 months ended 31 December	2017	2016	Changes (%)
GWPs	175,628	137,362	27.9
Henan	18,428	13,867	32.9
Jiangsu	18,178	14,497	25.4
Shandong	14,748	12,008	22.8
Zhejiang	12,633	9,673	30.6
Guangdong	10,807	8,838	22.3
Hebei	10,284	8,095	27.0
Shanxi	8,167	6,759	20.8
Hubei	7,468	5,972	25.1
Heilongjiang	6,888	4,959	38.9
Xinjiang	5,378	4,096	31.3
Subtotal	112,979	88,764	27.3
Others	62,649	48,598	28.9

(II) Financial analysis

Unit: RMB million

For 12 months ended 31 December	2017	2016	Changes (%)
Net premiums earned	172,345	134,899	27.8
Investment income[note]	45,807	39,839	15.0
Other operating income	2,791	1,822	53.2
Total income	**220,943**	**176,560**	**25.1**
Net policyholders' benefits and claims	(155,910)	(124,796)	24.9
Finance costs	(3,213)	(2,107)	52.5
Interest credited to investment contracts	(1,910)	(1,803)	5.9
Other operating and administrative expenses	(46,363)	(36,623)	26.6
Total benefits, claims and expenses	**(207,396)**	**(165,329)**	**25.4**
Profit before tax	13,547	11,231	20.6
Income tax	(3,477)	(2,689)	29.3
Net profit	**10,070**	**8,542**	**17.9**

Note: Investment income includes investment income on financial statements and share of profit in equity accounted investees.

Investment income for the reporting period was RMB45.807 billion, up by 15.0%, due to higher interest income from fixed income investments, fair value changes and increased dividend income from equity securities.

Net policyholders' benefits and claims amounted to RMB155.910 billion, up 24.9%, largely due to increase in long-term insurance contract liabilities.

Unit: RMB million

For 12 months ended 31 December	2017	2016	Changes (%)
Net policyholders' benefits and claims	**155,910**	**124,796**	**24.9**
Life insurance death and other benefits paid	39,599	40,779	(2.9)
Claims incurred	5,926	4,409	34.4
Changes in long-term life insurance contract liabilities	101,439	71,873	41.1
Policyholder dividends	8,946	7,735	15.7

Other operating and administrative expenses for the reporting period amounted to RMB46.363 billion, up 26.6%. The increase was mainly caused by fast business growth.

As a result, CPIC Life recorded a net profit of RMB10.070 billion for 2017, up 17.9%.

II. CPIC Allianz Health

In 2017, CPIC Allianz Health focused on building capabilities in specialized health insurance operation, promoted resource-sharing and collaboration within the Group, and achieved rapid business growth for the year, with RMB1.259 billion in GWPs and management fees, a growth of 139.8%.

CPIC Allianz Health committed itself to building the platform of commercial health insurance product development, operational risk control and health services. It enhanced insights into customers' needs for health insurance and services throughout their life cycles to boost product innovation. It increased the use of AI technologies and the development of digital tools to improve efficiency in operational risk control and enhance customer experience. It also continued to invest in capabilities in health management, deepened co-operation with health-care providers, in a bid to increase the penetration of Group customer base via full-cycle health management services.

4
Property and casualty insurance

In 2017, the property and casualty business[note 1] reported RMB105.859 billion in GWPs[note 2], up 9.6% compared with 2016, with the combined ratio at 98.7%, down by 0.5pt from 2016. CPIC P/C[note 3] delivered continued improvement in its combined ratio, with both automobile and non-automobile business reporting underwriting profit, and a pick-up in top-line growth. Anxin Agricultural focused on product innovation, deepened collaboration with CPIC P/C and reported solid business results.

Notes:

1. Property and casualty business here includes CPIC P/C, Anxin Agricultural and CPIC HK.
2. GWPs include both primary business and reinsurance.
3. In this report CPIC P/C does not include Anxin Agricultural.

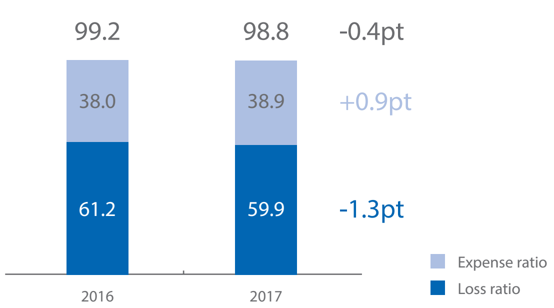
I. CPIC P/C

(I) Business analysis

During the reporting period, CPIC P/C persisted in "consolidating progress, deepening transformation and meeting challenges". To be specific, it continued to entrench achievements in business mix improvement and quality management, pressed ahead with transformation and management upgrading, and vigorously explored opportunities in emerging business lines and new technologies. These efforts proved to be fruitful. For 2017, it reported GWPs of RMB104.614 billion, up 8.8%, with a combined ratio of 98.8%, down by 0.4pt versus 2016.

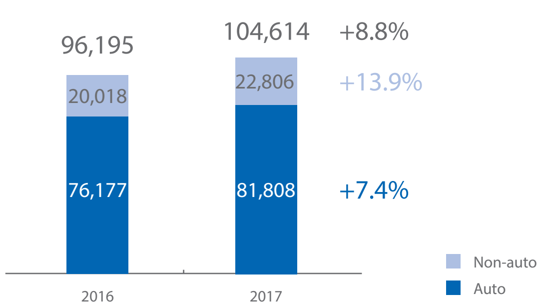
Combined ratio of CPIC P/C

(unit: %)



GWPs of CPIC P/C

(unit: RMB million)



1. Analysis by lines of business

Unit: RMB million

For 12 months ended 31 December	2017	2016	Changes (%)
GWPs	**104,614**	**96,195**	**8.8**
Automobile insurance	81,808	76,177	7.4
Compulsory automobile insurance	17,733	16,346	8.5
Commercial automobile insurance	64,075	59,831	7.1
Non-automobile insurance	22,806	20,018	13.9
Commercial property insurance	4,842	5,104	(5.1)
Liability insurance	4,154	3,823	8.7
Agricultural insurance	2,740	1,908	43.6
Accident insurance	2,423	2,275	6.5
Others	8,647	6,908	25.2

(1) Automobile insurance

For the reporting period, CPIC P/C reported GWPs of RMB81.808 billion from automobile business, up 7.4%, with a combined ratio of 98.7%, an increase of 1.5pt from 2016. Of this, the loss ratio stood at 61.4%, up 1.6pt while the expense ratio fell by 0.1pt to 37.3%.

In 2017, CPIC P/C proactively adapted to market changes in the context of automobile insurance deregulation, consolidated progress in business quality management, improved resources allocation, enhanced claims costs control, strengthened management of reserves of outstanding claims, and achieved stability in underwriting profits. CPIC P/C continued with the empowerment of distribution channels, stepping up co-operation with the life operation, and delivered rapid development of core channels such as cross-selling and car dealerships. As a result, for 2017, car dealerships reported RMB31.081 billion in GWPs, a growth of 11.5%, and cross-selling RMB7.560 billion, a growth of 34.2%. Measured by customer types, both individual and corporate business picked up considerably in growth rates.

Unit: RMB million

For 12 months ended 31 December	2017	2016	Changes (%)
GWPs	**81,808**	**76,177**	**7.4**
Primary insurance premiums	**81,413**	**76,176**	**6.9**
Car dealerships	31,081	27,881	11.5
Cross-selling	7,560	5,635	34.2

Next, CPIC P/C will persist in industry bench-marking, continue to optimize quality management, enhance geographical differentiation, and further improve the input and output ratio in resource allocation. Besides, CPIC P/C will intensify efforts in digitalization of automobile insurance and innovate products and services so as to boost the long-term growth potential and achieve high-quality development of the business.

(2) Non-automobile insurance

For the reporting period, CPIC P/C continued with the quality control initiatives to further improve the business mix, and stepped up the development of emerging business lines. As a result, GWPs from non-automobile business amounted to RMB22.806 billion, up by 13.9%, with a combined ratio of 99.6%, down by 10.0pt and reporting underwriting profits for the first time in 4 years.

Of the major non-auto business lines, agricultural insurance continued to expand the geographical scope of business, beefed up product and service innovation, upgraded its "*e-agricultural Insurance*" system, and delivered rapid growth while ensuring healthy business quality. It reported RMB2.740 billion in GWPs, up 43.6%, with a steady expansion of market share. Liability and cargo insurance both turned underwriting profits. Accident insurance maintained and improved its underwriting profitability. Property and health insurance saw continued improvement in business quality.

Next, CPIC P/C will deepen the "two-pronged" approach for non-automobile insurance, namely, enhancing risk pricing on the one hand and improving business management on the other. In particular, CPIC P/C will further increase customer-orientation in business operation to lay a solid foundation for profitable growth, seize opportunities in personal and government-sponsored business and foster capabilities to grow in emerging business lines and new market niches, step up product and technology innovation to drive rapid development of agricultural insurance.

(3) Key financials of major business lines

For 12 months ended 31 December 2017

Unit: RMB million

Name of insurance	GWPs	Amounts Insured	Claims paid	Reserves	Underwriting profit	Combined ratio (%)
Automobile insurance	81,808	17,695,674	45,930	54,175	989	98.7
Commercial property insurance	4,842	11,593,190	3,349	4,768	(263)	109.2
Liability insurance	4,154	38,929,276	2,292	4,047	289	90.7
Agricultural insurance	2,740	131,139	1,503	1,198	58	96.6
Accident insurance	2,423	445,380,872	1,008	1,863	205	91.0

2. Top 10 regions for GWPs

We boast a nationwide distribution network and implement differentiated regional development strategies based on factors like market potential and business profitability.

Unit: RMB million

For 12 months ended 31 December	2017	2016	Changes (%)
GWPs	**104,614**	**96,195**	**8.8**
Guangdong	12,624	12,026	5.0
Jiangsu	11,911	11,271	5.7
Zhejiang	10,369	9,674	7.2
Shanghai	7,839	7,378	6.2
Shandong	5,960	5,492	8.5
Beijing	5,864	5,463	7.3
Sichuan	3,594	3,178	13.1
Hebei	3,505	2,861	22.5
Chongqing	3,385	3,143	7.7
Guangxi	3,266	2,968	10.0
Subtotal	68,317	63,454	7.7
Others	36,297	32,741	10.9

(II) Financial analysis

Unit: RMB million

For 12 months ended 31 December	2017	2016	Changes (%)
Net premiums earned	88,993	83,569	6.5
Investment income[note]	5,288	5,516	(4.1)
Other operating income	542	409	32.5
Total income	**94,823**	**89,494**	**6.0**
Claims incurred	(53,225)	(51,198)	4.0
Finance costs	(427)	(302)	41.4
Other operating and administrative expenses	(35,199)	(32,016)	9.9
Total benefits, claims and expenses	**(88,851)**	**(83,516)**	**6.4**
Profit before tax	5,972	5,978	(0.1)
Income tax	(2,229)	(1,438)	55.0
Net profit	**3,743**	**4,540**	**(17.6)**

Note: Investment income includes investment income on the financial statements and share of profit/(loss) in equity accounted investees.

Investment income for the reporting period amounted to RMB5.288 billion, down by 4.1%, mainly attributable to decrease in interest income from fixed income assets and securities trading gains.

Other operating and administrative expenses amounted to RMB35.199 billion, up 9.9%, mainly due to business growth and market competitions.

Hence, a net profit of RMB3.743 billion was booked for CPIC P/C for 2017, down by 17.6% from 2016.

II. Anxin Agricultural

In 2017, Anxin Agricultural focused on the core business of agricultural insurance, and stepped up product innovation and collaboration with CPIC P/C. For the reporting period, it delivered RMB1.132 billion in GWPs, up 8.4%, of which, agricultural insurance RMB727 million, up 6.1%. Its combined ratio stood at 94.0%, down by 0.1pt, with a net profit of RMB136 million, up 17.2%.

III. CPIC HK

We conduct overseas business via CPIC HK, a wholly-owned subsidiary. As at 31 December 2017, its total assets stood at RMB1.082 billion, with net assets of RMB446 million. GWPs for the reporting period amounted to RMB521 million, with a combined ratio of 94.0%, and a net profit of RMB39 million.

5
Asset management

We continued to enhance capabilities in asset liability management (ALM), optimized strategic asset allocation (SAA), with vigorous efforts to seize market opportunities while taking effective measures to forestall major risks. As at the end of 2017, Group AuM totaled RMB1,418.465 billion, rising 14.8% from the end of 2016. Of this, Group in-house assets reached RMB1,081.282 billion, a growth of 14.8% from the end of 2016, with the total and net investment yields both reaching 5.4% and growth rate of investments' net asset value of 4.8%.

I. Group AuM

As of the end of 2017, Group AuM totaled RMB1,418.465 billion, rising 14.8% from the end of 2016. Of this, third-party AuM totaled RMB337.183 billion, up 14.8%, with a fee income of RMB961 million, up 19.8%.

Unit: RMB million

	31 December 2017	31 December 2016	Changes (%)
Group AuM	**1,418,465**	**1,235,372**	**14.8**
Group in-house assets	1,081,282	941,760	14.8
Third-party AuM	337,183	293,612	14.8
Third-party AuM by CPIC AMC	147,179	167,837	(12.3)
Assets under investment management by Changjiang Pension	190,004	125,775	51.1

II. Group in-house assets

In 2017, China's economy performed steadily and showed signs of improvement, with GDP growth increasing from 6.7% in 2016 to 6.9% in 2017. The supply-side structural reform deepened and financial regulation was tightened in an all-around way. In terms of market conditions, against the backdrop of de-leveraging, bond yields rose and the stock market rallied, albeit with a structural polarization in favor of blue chips. We persisted in prudent investment, value investment and long-term investment. As for fixed income assets, we focused on the prevention of credit risk, maintained flexibility in the timing and position of allocation and improved the matching of assets and liabilities. With regard to equity investment, we gave priority to blue chip stocks with high dividend yield, good liquidity and low valuation, and seized opportunities of both the A-share and H-share market.

(I) Consolidated investment portfolios

Unit: RMB million

	31 December 2017	Share (%)	Share change from the end of 2016 (pt)	Change (%)
Group investment assets (Total)	**1,081,282**	**100.0**	-	**14.8**
By investment category				
Fixed income investments	884,769	81.8	(0.5)	14.2
- Debt securities	521,063	48.2	(1.8)	10.6
- Term deposits	103,989	9.6	(4.5)	(21.4)
- Debt investment plans	92,844	8.6	2.1	51.2
- Wealth management products[note 1]	89,664	8.3	3.6	104.0
- Preferred shares	32,000	2.9	(0.5)	-
- Other fixed income investments[note 2]	45,209	4.2	0.6	33.3
Equity investments	157,745	14.6	2.3	36.1
- Equity funds	20,923	1.9	(0.1)	11.4
- Bond funds	16,107	1.5	(0.6)	(17.0)
- Equity securities	58,959	5.5	2.2	89.1
- Wealth management products[note 1]	20,584	1.9	(0.5)	(9.8)
- Preferred shares	7,764	0.7	0.2	70.9
- Other equity investments[note 3]	33,408	3.1	1.1	74.2
Investment properties	8,727	0.8	(0.1)	0.8
Cash, cash equivalents and others	30,041	2.8	(1.7)	(29.5)
By investment purpose				
Financial assets at fair value through profit or loss	16,187	1.5	(1.4)	(40.5)
Available-for-sale financial assets	368,868	34.1	6.6	42.6
Held-to-maturity financial assets	287,497	26.6	(5.8)	(5.7)
Interests in associates	5,230	0.5	0.5	4,447.8
Investment in joint ventures	41	-	-	13.9
Loans and other investments[note 4]	403,459	37.3	0.1	15.0

Notes:

1. Wealth management products include wealth management products issued by commercial banks, collective trust plans by trust firms, special asset management plans by securities firms and credit assets backed securities by banking institutions, etc.
2. Other fixed income investments include restricted statutory deposits and policy loans, etc.
3. Other equity investments include unlisted equities, etc.
4. Loans and other investments include term deposits, cash and short-term time deposits, securities purchased under agreements to resell, policy loans, restricted statutory deposits, and investments classified as loans and receivables, and investment properties, etc.

1. By investment category

In 2017, we proactively increased allocation in fixed income assets in the context of rising market rates, and in particular Treasury bonds to lengthen the asset duration, as well as high-yield non-standard assets (NSAs). Allocation in equity was on par with SAA, with vigorous efforts to explore structural opportunities. Based on this strategy, in addition to T-bonds, enterprise bonds and equity investments, new money and re-investments were mainly allocated in NSAs such as debt investment schemes, collective trust plans by trust firms and wealth management products issued by commercial banks.

As of the end of the reporting period, the share of debt securities was 48.2%, a drop of 1.8pt from the end of 2016. Moreover, 99.9% of enterprise bonds and financial bonds issued by non-government-sponsored banks had an issuer/debt rating of AA/A-1 or above. Of this, the share of AAA reached 93.2%. Our corporate/enterprise bond holdings were spread in a diversified portfolio of sectors such as urban construction & engineering, transport infrastructure and public utilities, with diversification effect in credit risk. The debt issuers all boasted relatively strong balance sheets, with the overall credit risk under control, and the impact of rising defaults in recent years limited. The management of credit risk has always been a priority for us, and over the years, we have put in place, in compliance with CIRC regulations, a comprehensive investment management system with risk control mechanisms for corporate/enterprise bonds. Such mechanisms are in line with market norms while considering the special needs of insurance funds, and are reviewed and adjusted from time to time. We have also set up an independent internal credit-rating team with sound systems for independent credit risk evaluation and enhanced early warning. Given China's macro-economic environment, we exercised even more prudence in corporate/enterprise bond investment in 2017, with new investments predominantly of AAA rating. In the selection of securities, we combined the top-down sector method with bottom-up individual company approach, looking at a wide range of factors such as sector fundamentals, outlook for profits and cash flows, cyclical trends, a sector's competition against and co-operation with those of lower and upper reaches, and government industrial policies. At the same time, we enhanced the monitoring, evaluation and analysis of the stock of bond holdings, improved polices and operational procedures to ensure timely risk mitigation and handling, and thus a dynamic management of credit risk.

The share of equity investments stood at 14.6%, up by 2.3pt from the end of 2016. Of this, equity securities and equity funds accounted for 7.4%, up 2.1pt.

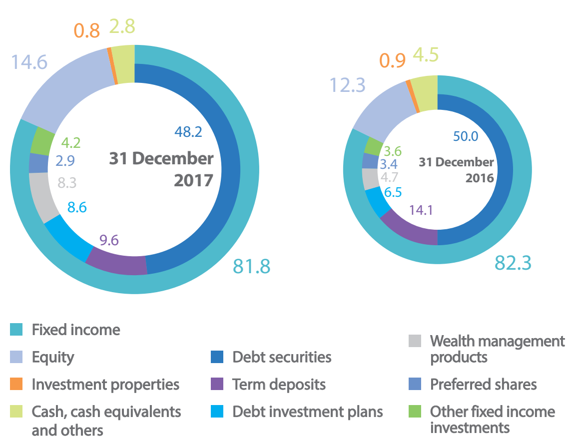
As of the end of the reporting period, NSAs totaled RMB203.355 billion, accounting for 18.8% of total Group in-house assets and rising 5.6pt from the end of 2016. The overall credit risk exposure from this asset class was in the comfort zone. For those NSAs with an external credit-rating, 99.7% had a rating of AA+ or above, and of this, the share of AAA reached 91.0%. The investments covered the majority of China's provinces or provincial-level administrative regions, spanning transport, municipal infrastructure, energy, environment protection, commercial property, land reserve, resettlement of slums, water conservancy and affordable housing, contributing to the development of China's real economy and implementation of the national strategies. Effective credit enhancement steps were taken to stabilize and improve the safety of NSA investments. Except for issuers with outstanding financial strength and credit-worthiness, all debt investments schemes were covered by effective credit enhancement measures including guarantees or pledge of assets, thus ensuring payment of both principle and interest. The wealth management products we invested in were all issued by major state-owned commercial banks or national joint-stock commercial banks, with strong credit-worthiness. Our holdings of trust plans mainly provided financing for major state-owned non-bank financial institutions and large SOEs.

2. By investment purposes

By investment purposes, our in-house assets are mainly in three categories, namely, available-for-sale (AFS) financial assets, held-to-maturity (HTM) financial assets as well as loans and other investments. Of this, financial assets at fair value through profit or loss dropped by 40.5% from the end of 2016, mainly because of decreased allocation in debt securities for trading purposes. AFS financial assets grew by 42.6%, primarily due to increased investment in debt securities for allocation and equity securities.

Group consolidated investment portfolios

(unit: %)



(II) Group consolidated investment income

For the reporting period, net investment income totaled RMB53.464 billion, up by 14.7% year-on-year. This stemmed mainly from higher interest income from fixed income investments and increased dividend income from equity securities. Net investment yield reached 5.4%, the same as that for 2016.

Total investment income amounted to RMB53.417 billion, up 20.1%, with total investment yield at 5.4%, up 0.2pt from that in 2016.

Growth rate of investments' net asset value rose by 0.8pt to 4.8%, as a result of equity market rally.

Unit: RMB million

For 12 months ended 31 December	2017	2016	Changes (%)
Interest income from fixed income investments	41,815	37,523	11.4
Dividend income from equity securities	10,963	8,508	28.9
Rental income from investment properties	686	576	19.1
Net investment income	**53,464**	**46,607**	**14.7**
Realized losses	(1,571)	(930)	68.9
Unrealized gains/(losses)	1,443	(768)	(287.9)
Charge of impairment losses on investment assets	(658)	(965)	(31.8)
Other income[note 1]	739	529	39.7
Total investment income	**53,417**	**44,473**	**20.1**
Net investment yield (%)[note 2]	5.4	5.4	-
Total investment yield (%)[note 2]	5.4	5.2	0.2pt
Growth rate of investments' net asset value (%)[notes 2,3]	4.8	4.0	0.8pt

Notes:

1. Other income includes interest income on cash and short-term time deposits, securities purchased under agreements to resell, share of profit in equity accounted investees and investment income through the step acquisition of a subsidiary, etc.
2. The impact of securities sold under agreements to repurchase was considered in the calculation of net investment yield. Average investment assets as the denominator in the calculation of net/total investment yield and growth rate of investments' net asset value are computed based on the Modified Dietz method.
3. Growth rate of investments' net asset value = total investment yield + net of fair value changes of AFS booked as other comprehensive income/(loss)/average investment assets.

(III) Total investment yield on a consolidated basis

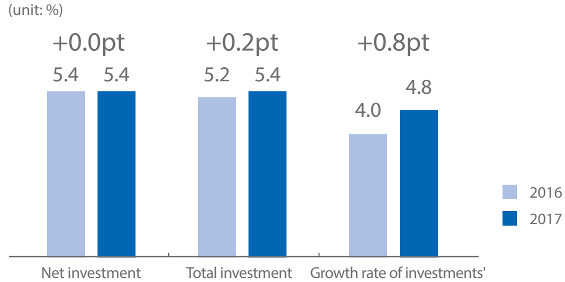
Unit: %

For 12 months ended 31 December	2017	2016	Changes
Total investment yield	**5.4**	**5.2**	**0.2pt**
Fixed income investments[note]	5.0	5.2	(0.2pt)
Equity investments[note]	7.6	4.7	2.9pt
Investment properties[note]	8.4	8.8	(0.4 pt)
Cash, cash equivalents and others[note]	2.4	1.8	0.6pt

Note: The impact of securities sold under agreements to repurchase was not considered.

Group consolidated investment yields

(unit: %)



III. Third-party AuM

(I) Third-party AuM by CPIC AMC

In 2017, against the backdrop of tightened regulation and de-leveraging, CPIC AMC took matters into its own stride, focused on stability, gave priority to risk prevention and mitigation, proactively adjusted its third-party business strategy and mix, and achieved a stable and healthy performance. Due to changes of the market environment, the company's third-party AuM, after rapid growth in recent years, experienced a decrease. As of the end of 2017, its third-party AuM stood at RMB147.179 billion, down by 12.3% from the end of 2016, with a fee income of RMB381 million, down by 8.4% compared with 2016.

During the reporting period, in response to the call for supporting China's real economy by the government, CPIC AMC intensified its efforts to proactively explore opportunities in alternative investments, focusing on key national strategies and major government-sponsored projects such as transport, energy, slum resettlement, high-tech parks and the reform of SOEs under the central government. In 2017, it registered a total of 20 debt investment schemes and one asset-based security plan, raising RMB45.4 billion, a record high. As of the end of 2017, its third-party alternative AuM amounted to RMB70.5 billion, almost the same as that as at the end of 2016.

Meanwhile, in response to changing regulations, market trends and customers' needs, it stepped up co-operation with major commercial banks and non-banking financial institutions, improved the marketing system integrating investment, products and the market, and strived to boost product development through mature investment strategies. In particular, it optimized its third-party business mix with the launch of diversified products such as certificate of deposits (CD), interest rate swaps, convertible bonds (CB), as well as products under the Hong Kong Connect Program and liquidity management instruments.

(II) Assets under investment management by Changjiang Pension

In 2017, Changjiang Pension clearly defined its business model and strategy as a pension firm, namely, "focusing on the core business of pension management, specializing in the management of long-term funds, and serving, in an all-around way, China's 3-pillar pension system".

In the first pillar, it officially became one of the managers of China's social security pension fund, with funds under management growing steadily on the back of good investment performance and service. As for the second pillar, the company focused on the occupational annuity business, and qualified as the entrusted corporation of the Occupational Annuity Scheme of Xinjiang Uygur Autonomous Region, the first of its kind in China. It stepped up efforts in the new business development of enterprise annuity, and successfully qualified as the enterprise annuity manager for a number of medium- and large-sized SOEs. It also innovated in group retirement plans to serve the needs of SOE reform. In the third pillar, Changjiang Pension continued to diversify its on-line and off-line channels, and launched open-end individual retirement plans in collaboration with Baidu Financial Services. It fostered "the channel co-operation business" from both in-house and third-party clients in a bid to further penetrate the individual retirement market. Given the long-term nature of pension funds, the company raised a total of RMB52.1 billion via debt investment schemes in 2017, ranking the second place in the industry. Cumulatively the debt investment schemes it launched raised over RMB100 billion in funds, with its business covering 15 provinces or provincial-level administrative regions, financing the resettlement of slums, the infrastructure projects in China's inland and serving the development of the real economy.

As of the end of the reporting period, Changjiang Pension's third-party assets under investment management reached RMB190.004 billion, rising by 51.1% from the end of 2016, with assets under custody of RMB81.122 billion, up 15.3% from the end of 2016.

6 Analysis of specific items

I. Key consolidated results

Unit: RMB million

	31 December 2017/ Year 2017	31 December 2016/ Year 2016	Changes (%)	Main Reasons
Total assets	1,171,224	1,020,692	14.7	Business expansion
Total liabilities	1,030,105	885,929	16.3	Business expansion
Total equity	141,119	134,763	4.7	Profit for the period, fair value change on available-for-sale financial assets
Net profit attributable to equity holders of the parent	14,662	12,057	21.6	Business expansion and increase in investment income

II. Liquidity analysis

(I) Cash flow statement

Unit: RMB million

For 12 months ended 31 December	2017	2016	Changes (%)
Net cash inflow from operating activities	86,049	63,138	36.3
Net cash outflow from investing activities	(104,209)	(43,929)	137.2
Net cash inflow/(outflow) from financing activities	10,629	(7,085)	(250.0)

(II) Gearing ratio

	31 December 2017	31 December 2016	Changes
Gearing ratio (%)	88.3	87.1	1.2pt

Note: Gearing ratio = (total liabilities + non-controlling interests)/total assets.

(III) Liquidity analysis

We centralize liquidity management including that of our subsidiaries at the Group level. As the parent company, our cash flows mainly stem from dividends from our subsidiaries and gains from our own investment activities.

Our liquidity mainly comes from premiums, investment income, sales or maturity of financial assets and cash from financing activities. The demand for liquidity primarily arises from surrenders, withdrawals or other forms of earlier termination of insurance policies, insurance claims or benefit pay-outs, payment of dividends to shareholders and cash required for daily operation.

We usually record net cash inflows from our operating activities due to growing premium income. Meanwhile, adhering to ALM, and in line with our SAA, we would maintain an appropriate level of allocation in highly liquid assets to meet liquidity requirement.

Financing abilities also form a major part of our liquidity management. We have access to additional liquidity through securities repurchase arrangement and other financing arrangements.

We believe that our current liquidity level is sufficient for our needs in the foreseeable future.

III. Items concerning fair value accounting

Unit: RMB million

	31 December 2017	31 December 2016	Changes	Impact of fair value changes on profits[note]
Financial assets at fair value through profit or loss	16,187	27,190	(11,003)	1,443
Available-for-sale financial assets	368,868	258,711	110,157	(658)
Total	**385,055**	**285,901**	**99,154**	**785**

Note: Impact on profits of change of fair value for AFS financial assets refers to charges for impairment losses.

IV. Solvency

We calculate and disclose our core capital, actual capital, minimum required capital and solvency margin ratio in accordance with requirements by CIRC. The solvency margin ratio of domestic insurance companies in the People's Republic of China (PRC) shall meet certain prescribed levels as stipulated by CIRC.

Unit: RMB million

	31 December 2017	31 December 2016	Reasons of change
CPIC Group			
Core capital	318,882	280,012	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	322,882	285,512	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	113,766	97,247	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	280	288	
Comprehensive solvency margin ratio (%)	284	294	
CPIC Life			
Core capital	241,486	213,017	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	241,486	214,517	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	98,460	83,516	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	245	255	
Comprehensive solvency margin ratio (%)	245	257	
CPIC P/C			
Core capital	34,788	34,702	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	38,788	38,702	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	14,508	13,069	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	240	266	
Comprehensive solvency margin ratio (%)	267	296	
CPIC Allianz Health			
Core capital	524	741	Profit/loss for the period and change of fair value of investment assets
Actual capital	524	741	Profit/loss for the period and change of fair value of investment assets
Minimum required capital	250	122	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	210	607	
Comprehensive solvency margin ratio (%)	210	607	

	31 December 2017	31 December 2016	Reasons of change
Anxin Agricultural			
Core capital	1,488	1,389	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	1,488	1,389	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	479	469	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	310	296	
Comprehensive solvency margin ratio (%)	310	296	

Please refer to the summaries of solvency reports published on the websites of SSE (www.sse.com.cn), SEHK (www.hkexnews.hk) and the Company (www.cpic.com.cn) for information on the solvency of CPIC Group and its subsidiaries including CPIC Life, CPIC P/C, CPIC Allianz Health and Anxin Agricultural for 2017.

V. Price sensitivity analysis

Sensitivity analysis of price risk

The following table shows the sensitivity analysis of price risk, i.e. the impact[note 1] of fair value changes of all equity assets[note 2] in the case of a 10% change in stock prices as at the end of the reporting period on our total profits and shareholders' equity (assuming the fair value of equity assets[note 2] moves in proportion to stock prices), other variables being equal.

Unit: RMB million

	Year 2017 / 31 December 2017	
Market value	Impact on profit before tax	Impact on equity
+10%	677	5,261
-10%	(677)	(5,261)

Notes:

1. After policyholder participation.

2. Equity assets do not include bond funds, money market funds, wealth management products, preferred shares and other equity investments.

VI. Insurance contract liabilities

Insurance contract liabilities include unearned premium reserves, claim reserves and long-term life insurance contract liabilities. All three are applicable in life insurance business, while only the first two are applicable in property and casualty insurance.

As at 31 December 2017, insurance contract liabilities of CPIC Life amounted to RMB724.374 billion, representing an increase of 16.7% from the end of 2016. Those of CPIC P/C amounted to RMB76.566 billion, up 6.1% from the end of 2016. The rise in insurance contract liabilities was mainly caused by business growth and accumulation of insurance liabilities.

We also tested the adequacy of reserves at the balance sheet date. Testing results showed that reserves set aside for each type of insurance contracts were sufficient and no additional provision was required.

Unit: RMB million

	31 December 2017	31 December 2016	Changes (%)
CPIC Life			
Unearned premiums	3,002	2,469	21.6
Claim reserves	2,827	2,067	36.8
Long-term life insurance contract liabilities	718,545	616,047	16.6

	31 December 2017	31 December 2016	Changes (%)
CPIC P/C			
Unearned premiums	40,693	38,207	6.5
Claim reserves	35,873	33,936	5.7

VII. Investment contract liabilities

Investment contract liabilities mainly cover the non-insurance portion of insurance contracts, and those contracts which fail to pass the testing of significant insurance risk.

Unit: RMB million

	31 December 2016	Increase for the period			Decrease for the period		31 December 2017
		Deposits received	Interest credited	Others	Deposits withdrawn	Fees deducted	
Investment contract liabilities	48,796	12,945	1,910	469	(7,685)	(167)	56,268

VIII. Reinsurance business

In 2017, premiums ceded to reinsurers are shown below:

Unit: RMB million

For 12 months ended 31 December	2017	2016	Changes (%)
CPIC Life	2,921	2,140	36.5
Traditional insurance	1,860	1,579	17.8
Long-term health insurance	1,274	1,067	19.4
Participating insurance	227	219	3.7
Universal insurance	21	6	250.0
Short-term accident and health insurance	813	336	142.0
CPIC P/C	13,877	12,203	13.7
Automobile insurance	6,994	6,115	14.4
Non-automobile insurance	6,883	6,088	13.1

In 2017, premiums ceded inwardly are set out below:

Unit: RMB million

For 12 months ended 31 December	2017	2016	Changes (%)
CPIC Life	1,646	-	/
Traditional insurance	1,646	-	/
Long-term health insurance	-	-	/
Participating insurance	-	-	/
Universal insurance	-	-	/
Short-term accident and health insurance	-	-	/
CPIC P/C	620	124	400.0
Automobile insurance	395	1	39,400.0
Non-automobile insurance	225	123	82.9

As at the end of 2017, assets under reinsurance are set out below:

Unit: RMB million

	31 December 2017	31 December 2016	Changes (%)
CPIC Life			
Reinsurers' share of insurance contract liabilities			
Unearned premiums	289	118	144.9
Claim reserves	87	72	20.8
Long-term life insurance contract liabilities	10,679	9,173	16.4
CPIC P/C			
Reinsurers' share of insurance contract liabilities			
Unearned premiums	5,224	4,481	16.6
Claim reserves	6,666	6,579	1.3

We determine retained insured amounts and reinsurance ratio according to insurance regulations and our business development needs. To lower the concentration risk of reinsurance, we also entered into reinsurance agreements with various leading international reinsurance companies. The criteria for the selection of reinsurance companies include their financial strength, service level, insurance clauses, claims settlement efficiency and price. Generally speaking, only domestic reinsurance companies with proven records or international reinsurance companies of ratings of A- or above would qualify as our reinsurance partners. Apart from China Reinsurance (Group) Corporation and its subsidiaries, i.e, China Life Reinsurance Company Ltd., and China Property & Casualty Reinsurance Company Ltd., our reinsurance partners also include international giants like Swiss Reinsurance Company (瑞士再保險公司) and Munich Reinsurance Company (慕尼黑再保險公司).

IX. Main subsidiaries & associates and equity participation

Unit: RMB million

Company	Main business scope	Registered capital	Group share-holding[note 2]	Total assets	Net assets	Net profit
China Pacific Life Insurance Co., Ltd.	Personal insurance including life insurance, health insurance, accident insurance, etc. denominated in RMB or foreign currencies; reinsurance of the above said insurance; statutory life insurance; agency and business relationships with domestic and overseas insurers and organizations, loss adjustment, claims and other business entrusted from overseas insurance organizations; insurance funds investment as prescribed by Insurance Law of the PRC and relevant laws and regulation; international insurance activities as approved; other business as approved by CIRC.	8,420	98.292%	977,186	62,388	10,070
China Pacific Property Insurance Co., Ltd.	Property insurance; liability insurance; credit and guarantee insurance; short-term health insurance and casualty insurance; reinsurance of the above said insurance; insurance funds investment as approved by relevant laws and regulations; other business as approved by CIRC.	19,470	98.501%	144,120	35,293	3,743
Pacific Asset Management Co., Ltd.	Management of capital and insurance funds, outsourcing of asset management, consulting services relating to asset management, and other asset management business as allowed by the PRC laws and regulations.	2,100	99.667%	3,346	2,845	264

Company	Main business scope	Registered capital	Group shareholding[note 2]	Total assets	Net assets	Net profit
Changjiang Pension Insurance Co., Ltd.	Group pension and annuity business; individual pension and annuity business; short-term health insurance; accident insurance; reinsurance of the aforementioned business; outsourced money management business denominated in RMB or foreign currencies for the purpose of elderly provisions; consultation business in relation to asset management; other business pertaining to insurance fund management as allowed by PRC laws and regulations; other business as approved by CIRC.	1,446	61.100%	3,505	3,073	174
Anxin Agricultural Insurance Co., Ltd.	Agricultural insurance; property damage insurance; liability insurance; statutory liability insurance; credit and guarantee insurance; short term health insurance and casualty insurance; countryside and farmer related property insurance; reinsurance of the above said insurance; insurance agency business.	700	51.348%	2,943	1,367	136
CPIC Allianz Health Insurance Co., Ltd.	Health insurance, accident insurance denominated in RMB or foreign currencies and health insurance sponsored by the government or supplementary to state medical insurance policies; reinsurance of the above said insurance; health insurance-related distribution and consulting business; insurance funds investment as approved by relevant laws and regulations; other business as approved by CIRC.	1,000	77.051%	2,599	590	(186)

Notes:

1. Figures for companies in the table are on an unconsolidated basis.

2. Figures for Group shareholding include direct and indirect shareholdings.

X. Top five customers and customer relations

During the reporting period, the top 5 customers accounted for approximately 0.7% of the Company's GWPs.

Given its business nature, the Company does not have any supplier that is directly related to its business.

In 2017, we adhered to customer-orientation, valued our customers and maintained good relations with them.

XI. Seizure, attachment, and freeze of major assets or their pledge as collateral

The Company's assets are mainly financial assets. As of the end of the reporting period, no abnormality was detected for bond repurchases which forms part of the Company's day-to-day securities investment activities.

XII. Employee engagement and environmental policies

For employee engagement and environmental policies, please refer to the section "Report of the Board of Directors and significant events" of the annual report of the Company.

7

Outlook

I. Market environment and business plan

China's economy has "changed gears", shifting from high growth and entering a stage of "high-quality development", meaning more opportunities for the insurance sector. The government calls for more support for the real economy by the financial services industry. It also planned to enhance China's social security system, implement the "Healthy China Strategy", and put in place a more broad-based, inclusive social management system. Insurance, as a market-based mechanism in social management, will see growing demand. On the other hand, given the renewed focus on protection and risk management as the central insurance value proposition, the sector also faces a major window of opportunity to "return to the basics".

In 2018, we will persist in customer-orientation, continue to focus on insurance and be good at it, launch Transformation 2.0, follow a development path driven by innovation, forestall major risks and strive to improve the supply of insurance products and services.

II. Major risks and mitigation measures

First, with the development of China's modern economic system, the deepening of financial reform and in particular the advancement of fin-tech, the role of the insurance industry in the future, its growth drivers and competitive landscape will be reshaped, meaning a profound impact on the Company's strategies and business models. Second, the tightening of insurance regulation will continue. This, coupled with new product rules for life insurance and further deregulation of automobile business would be a challenge to our existing development mode and risk management. Third, the Company will continue to face the threat of catastrophic climate and artificial accidents. Fourth, given the sustained focus on deleveraging and the promulgation of relevant polices and regulations, the financial market may experience unexpected volatility, including volatility of the market risk and rising credit and liquidity risk, which will have a major impact on both the Company's insurance and investment.

To cope with these risks, the Company will persist in compliance, and strengthen the 3-line defense system of compliance & risk management in an all-around way. In particular, we will step up risk control in product development, asset allocation and performance evaluation, continuously optimize the matching of assets and liabilities, improve mechanisms and procedures for the identification, assessment, budgeting, monitoring, early warning and handling of risks, continue to refine the catastrophe modeling and management of cumulative retained risks and reinsurance programs in a bid to prevent major risks, and ensure stable business performance and strong solvency.

Embedded value

1

Independent Actuarial Review Opinion on Embedded Value

To: China Pacific Insurance (Group) Company Limited

Board of Directors

Towers Watson Management (Shenzhen) Consulting Co. Ltd Beijing Branch ("WTW" or "we") has been engaged by China Pacific Insurance (Group) Company Limited ("CPIC Group") to review the embedded value information of CPIC Group as of 31 December 2017.

This review opinion is addressed solely to CPIC Group in accordance with the terms of our engagement letter, and sets out the scope of our work and our conclusions. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than CPIC Group for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

Scope of work

WTW's scope of work comprised:

> a review of the methodology used to develop the embedded value of CPIC Group and the value of one year's sales of China Pacific Life Insurance Co. Ltd. ("CPIC Life") as of 31 December 2017, in the light of the requirements of the "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" issued by the China Association of Actuaries ("CAA") in November 2016;

> a review of the economic and operating assumptions used to develop CPIC Group's embedded value and the value of one year's sales of CPIC Life as of 31 December 2017;

> a review of the results of CPIC Group's calculation of the value of in-force business, the value of one year's sales of CPIC Life, the results of the analysis of movement of embedded value of CPIC Group, and the sensitivity results of the value of in-force business and value of one year's sales of CPIC Life.

Opinion

As a result of our review of the embedded value of CPIC Group as of 31 December 2017 and the value of one year's sales of CPIC Life prepared by CPIC Group, WTW has concluded that:

> The methodology used is consistent with a traditional deterministic discounted cash flow approach, and is consistent with the requirements of the "Appraisal of Embedded Value" standard issued by the CAA. ;

> The operating assumptions have been set with appropriate regard to past, current and expected future experience;

> The economic assumptions have been set with regard to current market information.

WTW has performed reasonableness checks and analysis of CPIC Group's embedded value and value of one year's sales of CPIC Life as of 31 December 2017, and WTW has concluded that these results have been determined in a manner consistent with the methodology and assumptions described in the Embedded Value Section of CPIC Group's 2017 annual report and that the aggregate results are reasonable in this context.

WTW confirms that the results shown in the Embedded Value section of CPIC Group's 2017 annual report are consistent with those reviewed by WTW.

In carrying out our review we have relied on the accuracy of audited and unaudited data and information provided by CPIC Group.

For and on behalf of WTW
Michael Freeman, FIAA
Benjamin Chen, FSA, FCAA, CFA, FRM
28th February 2018

2

2017 Embedded Value Annual Report of CPIC Group

I. Background

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared CPIC Group Embedded Value as at 31 December 2017 in accordance with the disclosure rules set by the China Securities Regulatory Commission ("CSRC") for publicly listed insurer and the "CAA Standard of Actuarial Practice: Appraisal of Embedded Value" issued by the China Association of Actuaries ("CAA") in 2016 (thereafter referred to as "Appraisal of Embedded Value" standard) and have disclosed information relating to our group embedded value in this section. We have engaged Willis Towers Watson, an independent firm of consultants, to review the reasonableness of the valuation methodology, the valuation assumptions as well as the valuation results, and to issue their independent embedded value review report, which is contained in our 2017 annual report.

The Group Embedded Value is defined as the sum of the Group Adjusted Net Worth and the value of in force business of CPIC Life attributable to the shareholders of CPIC Group. The value of in force business and the value of one year's sales of CPIC Life are defined as the discounted value of the projected stream of future after-tax distributable shareholder profits for existing business in force at the valuation date and for one year's sales in the 12 months immediately preceding the valuation date, where distributable shareholder profits are determined based on policy liability, required capital in excess of policy liability and minimum capital requirement quantification standards prescribed by CIRC. Embedded value does not allow for any value attributable to future new business sales.

The value of in force business and the value of one year's sales of CPIC Life are determined by using a traditional deterministic discounted cash flow methodology. This methodology makes implicit allowance for the risk of investment guarantees and policyholder options, asset/liability mismatch risk, credit risk and the economic cost of capital through the use of a risk-adjusted discount rate.

The embedded value and the value of one year's sales provide valuable information to investors in two aspects. First, the value of in force business of CPIC Life represents the total amount of after-tax distributable shareholder profits in present value terms, which can be expected to emerge over time, in accordance with the assumptions used. Second, the value of one year's sales of CPIC Life provides an indication of the value created for investors by current new business activity and hence the potential value of the business. However, the information on embedded value and the value of one year's sales should not be viewed as a substitute of other financial measures on the Company. Investors should not make investment decisions based solely on embedded value and the value of one year's sales information.

The embedded value is an estimation of a component of an insurance company's economic value using actuarial techniques, based on a series of assumptions. As there is uncertainty in selecting assumptions, estimates of embedded value could vary materially as key assumptions are changed, and future actual experience would differ from assumed valuation assumption. Therefore, special care is advised when interpreting embedded value results.

II. Summary of Embedded Value and Value of One Year's Sales

The table below shows the Group Embedded Value of CPIC Group as at 31 December 2017 and the value of one year's sales of CPIC Life in the 12 months to 31 December 2017 at a risk discount rate of 11%.

Unit: RMB million

Valuation Date	31 December 2017	31 December 2016
Group Adjusted Net Worth	**151,755**	**144,651**
Adjusted Net Worth of CPIC Life	**77,288**	**78,556**
Value of In Force Business of CPIC Life Before Cost of Required Capital Held	147,283	113,727
Cost of Required Capital Held for CPIC Life	(10,534)	(10,680)
Value of In Force Business of CPIC Life After Cost of Required Capital Held	136,749	103,048
CPIC Group's Equity Interest in CPIC Life	98.29%	98.29%
Value of In Force Business of CPIC Life After Cost of Required Capital Held attributable to the shareholders of CPIC Group	**134,414**	**101,288**
Group Embedded Value	**286,169**	**245,939**
CPIC Life Embedded Value	**214,037**	**181,603**

Valuation Date	31 December 2017	31 December 2016
Value of One Year's Sales of CPIC Life Before Cost of Required Capital Held	30,632	23,151
Cost of Required Capital Held	(3,909)	(4,109)
Value of One Year's Sales of CPIC Life After Cost of Required Capital Held	**26,723**	**19,041**

Notes:

1. Figures may not be additive due to rounding.

2. Results in column "31 December 2016" are those reported in the 2016 annual report.

The Group Adjusted Net Worth represents the shareholder net equity of the Company based on the China Accounting Standards, inclusive of adjustments of the value of certain assets to market value and adjusted for the relevant differences, such as difference between China Accounting Standards reserves and policy liabilities valued under "Appraisal of Embedded Value" standard published by the CAA. It should be noted that the Group Adjusted Net Worth incorporates the shareholder net equity of the Company as a whole (including CPIC Life and other operations of the Company), and the value of in force business and the value of one year's sales are of CPIC Life only. The Group Embedded Value also does not include the value of in force business that is attributable to minority shareholders of CPIC Life.

III. Key Valuation Assumptions

In determining the embedded value as at 31 December 2017, we have assumed the Company continues to operate on a going concern basis under the current economic and regulatory environment. Policy liability and required capital have been calculated according to relevant requirements described in "Appraisal of Embedded Value" standard. The various operational assumptions are mainly based on the results of experience analyses, together with reference to the overall experience of the Chinese insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimate of the future based on information currently available at the valuation date.

The following describes the key assumptions used in determining the value of in force business and the value of one year's sales of CPIC Life as at 31 December 2017:

(I) Risk Discount Rate

The risk discount rate used to determine the value of in force business and the value of one year's sales of CPIC Life is 11%.

(II) Investment Returns

The investment returns for long term business are assumed to be 4.9% in 2017 and 5.0% thereafter. The investment return for short term business is based on the recent one-year bank deposit benchmark interest rate as published by the People's Bank of China before the valuation date. These assumptions have been derived based on the current capital market environment, our current and expected future asset mix and the assumed investment returns for each major class of assets.

(III) Mortality

Mortality assumptions have been developed based on China Life Insurance Mortality Table (2010-2013), considering CPIC Life's mortality experience analysis and expectation of future mortality trends, and varies by product.

(IV) Morbidity

Morbidity assumptions have been developed based on China Life Insurance Morbidity Table (2006-2010), considering CPIC Life's morbidity experience analysis and expectation of future morbidity trends, taking into considering deterioration of morbidity rates in the long term, and varies by product.

(V) Lapse and Surrender Rates

Assumptions have been developed based on CPIC Life's lapse and surrender experience analysis, and expectation of future trends, and assumptions vary by pricing interest rates, product type, policy duration and distribution channel.

(VI) Expense

Unit cost assumptions have been developed based on the recent results of an analysis of CPIC Life's 2017 non-commission related expenses. Future inflation of 2.5% pa in respect of per policy expenses is also assumed.

(VII) Policyholder Dividend

> Group participating annuity business: 80% of interest surplus; and

> Other participating business: 70% of interest and mortality surplus.

(VIII) Tax

Tax has been assumed to be payable at 25% of profits. The proportion of investment income assumed to be exempt from income tax is 16% for all future years. The tax exemption assumptions are based on our current and expected future asset mix and assumed investment returns for each major class of assets.

In addition, the tax of the accident business is based on related tax regulation.

IV. New Business Volumes and Value of One Year's Sales

The table below shows the volume of new business sold in terms of first year annual premium and value of one year's sales of CPIC Life after cost of required capital held at a risk discount rate of 11% for year 2017.

Unit: RMB million

	First Year Annual Premium (FYAP)		Value of One Year's Sales After Cost of Required Capital Held	
	2017	2016	2017	2016
Total	67,823	57,816	26,723	19,041
Of which: Traditional	16,688	21,312	11,398	10,026
Participating	34,440	20,539	15,057	8,627

V. Analysis of change in embedded value

The following table shows the change in the Group Embedded Value from 31 December 2016 to 31 December 2017.

Unit: RMB million

No.	Item	Value	Comments
1	**Embedded Value of the life business at 31 December 2016**	**181,603**	
2	Expected Return on Embedded Value	17,540	Expected returns on the 2016 embedded value of CPIC Life and the value of one year's sales of CPIC Life in 2017
3	Value of One Year's Sales	26,723	Value of one year's sales in respect of new business written in the 12 months prior to 31 December 2017
4	Investment Experience Variance	883	Reflects the difference between actual and assumed investment return in 2017
5	Operating Experience Variance	1,890	Reflects the difference between actual and assumed operating experience
6	Change in methodology, assumptions and models	(2,296)	Reflects assumption and methodology changes, together with model enhancements
7	Diversification effects	3,736	Changes in diversification benefits on cost of required capital from new business and different business mix
8	Change in market value adjustment	(3,447)	Reflects the change in value of certain assets not valued on a market value basis
9	Shareholder Dividends	(12,630)	Shareholder dividends distributed to shareholders of CPIC Life
10	Others	34	
11	**Embedded Value of the life business at 31 December 2017**	**214,037**	
12	**Adjusted net worth of businesses other than CPIC Life as at 31 December 2016**	**69,315**	
13	Change in Adjusted Net Worth before payment of shareholder dividends to shareholders of CPIC Group	17,304	
14	Shareholder dividends	(6,656)	Dividend distributed to shareholders of CPIC Group
15	Change in market value adjustment	(1,628)	Reflects the change in value of assets not valued on a market value basis

No.	Item	Value	Comments
16	**Adjusted net worth of businesses other than CPIC Life as at 31 December 2017**	**78,336**	
17	Minority interests relating to equity and market value adjustments	(6,203)	Minority interests on Embedded Value as at 31 December 2017
18	**Group Embedded Value as at 31 December 2017**	**286,169**	
19	**Embedded Value as at 31 December 2017 per share (RMB)**	**31.58**	

Note: Figures may not be additive due to rounding.

VI. Sensitivity Analysis

In consideration of the uncertainties as to future experience, we have evaluated the sensitivity of the value of in force business and the value of one year's sales of CPIC Life as at 31 December 2017 to changes in key assumptions. In determining the sensitivity results, only the relevant cashflow assumption and risk discount rate assumption has been changed, while all other assumptions have been left unchanged.

Alternative sensitivity scenarios are shown for the following:

> Risk discount rate "+ / - 50 basis points"

> Investment return "+ / - 50 basis points"

> Mortality "+ / - 10%"

> Morbidity "+10%"

> Lapse and surrender rates "+ / - 10%"

> Expenses "+10%"

The following table shows the sensitivity results of the value of in force business and the value of one year's sales after cost of required capital held.

Unit: RMB million

	Value of In Force Business After Cost of Required Capital Held	Value of One Year's Sales After Cost of Required Capital Held
Base	**136,749**	**26,723**
Risk discount rate "+50 basis points"	131,783	25,537
Risk discount rate "-50 basis points"	142,137	28,003
Investment return "+50 basis points"	158,089	29,776
Investment return "-50 basis points"	114,901	23,672
Mortality "+10%"	135,771	26,520
Mortality "-10%"	137,724	26,925
Morbidity "+10%"	134,013	25,737
Lapse and surrender rates "+10%"	137,574	26,414
Lapse and surrender rates "-10%"	135,831	27,008
Expenses "+10%"	134,506	25,310

Corporate governance

Corporate governance

Report of the Board of Directors and significant events

1

Results and distributions

The net profits for the year 2017 included in the audited financial statements of the parent company, prepared in accordance with the PRC GAAP and HKFRS, were both RMB16.452 billion. According to the Articles of Association and other applicable regulations, since the cumulative amount of statutory surplus reserves at the end of 2016 has reached 50% of the Company's registered capital, no net profit shall be set aside as surplus reserves for the following years. Taking into account the retained profits brought forward from the previous year, the retained profits of the Company at the end of 2017 included in the financial statements, prepared in accordance with the PRC GAAP and HKFRS, were both RMB21.400 billion.

Therefore, the profit distribution for 2017 is made based on the audited financial statements of the parent company. The Company intends to declare a cash dividend of RMB0.80 per share (tax included) for the year. Based on the total share capital of 9,062,000,000 shares, the amount of dividend in aggregate will be RMB7.250 billion. The remaining retained profits will be carried forward to 2018. No capital reserve was transferred to the share capital during the year. The proposed final dividends are expected to be paid on or around 8 August 2018 upon approval at the 2017 shareholders' annual general meeting.

As for the information necessary to enable holders of listed securities of the Company to obtain any relief from taxation, please refer to the *Announcement of Audited Annual Results for the year ended 31 December 2017* published by the Company on the website of SEHK (www.hkexnews.hk).

After cash dividend distribution, the Group's solvency ratio dropped from 284% to 277%, but still quite high and meeting the requirements under "C-ROSS".

No capital reserve was transferred to the share capital during any of the last three years.

The above profit distribution proposal is subject to shareholders' approval at the general meeting.

Dividend distributions for the past three years are as follows:

Unit: RMB million

Year of dividend distribution	Cash dividend (including tax) (1)	Net profit attributable to the dividend distribution year[note] (2)	Payout ratio (%) (3) = (1)/(2)
2017	7,250	14,662	49.4
2016	6,343	12,057	52.6
2015	9,062	17,728	51.1

Note: Attributable to equity holders of the parent.

Under the Articles of Association, the Company is committed to providing reasonable returns to its shareholders. Its profit distribution policy should be consistent and stable. The Company may make interim profit distribution, and give first priority to cash dividend.

The Articles of Association also stipulates that the accumulated cash dividend pay-outs in the recent 3 years shall not be less than 30% of the accumulated profits of the Company during the same period except when 1) the Company's solvency adequacy ratio fails to meet CIRC minimum requirement, 2) wars or natural catastrophes have a major impact on its business performance and financial results, 3) there are major changes in its operating environment which have a major impact on its business performance and financial results, 4) there are significant adverse developments in the Company's operation, or 5) laws, regulations and ordinances stipulate otherwise.

The Company may adjust its profit distribution policy. Any such adjustment shall be proposed as a resolution of the Board of Directors on the basis of prudent studies and deliberations, with the issuance of opinions by independent directors, before being submitted as a special resolution to the general meeting for approval. The Board of Directors and the general meeting should hear and give full consideration of the opinions of the Company's independent directors and investors, ensuring diverse channels of communication with them and readily subject themselves to their oversight on this matter.

The Company's cash dividend policy complies with the Articles of Association, contains clear and specific standards and pay-out ratios, and was formulated on the basis of proper decision-making procedures and mechanisms, considering opinions of the Company's independent directors and offering protection of the legitimate rights and interests of its minority shareholders. The conditions for and the procedures of the amendments to the Company's profits distribution policy are also transparent and compliant.

2

Fulfillment of the undertakings

During the reporting period, there were no undertakings the Company was required to disclose.

3

Appointment of auditors

Pursuant to the resolution of the 2016 annual general meeting, PricewaterhouseCoopers Zhong Tian LLP was engaged by the Company as the auditor of financial statements under PRC GAAP and the auditor for the internal control for 2017. PricewaterhouseCoopers was engaged by the Company as the auditor of financial statements under HKFRS of the Company for the year 2017.

The year 2017 was the 4th consecutive year when PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers served as the Company's auditors.

The signing certified public accountants for the Company's financial statements prepared in accordance with PRC GAAP were Mr. XU Kangwei and Mr. SHAN Feng.

The remuneration paid to the auditors for provision of annual financial statements auditing service and internal control auditing service for 2017 was RMB18.1275 million and RMB2.16 million, respectively.

4

Change in accounting estimates

When measuring the insurance contract liabilities and other policy-related liabilities, the Group determines actuarial assumptions such as discount rate, mortality and morbidity, surrender rates, expense assumptions and policy dividend assumptions based on information currently available as at the balance sheet date.

As at 31 December 2017, the Group used information currently available to determine the above assumptions and the impact of change in assumptions was charged to profit or loss. Such change in accounting estimates resulted in an increase in net insurance contract liabilities and other policy-related liabilities as at 31 December 2017 by approximately RMB9.024 billion and a decrease in profit before tax for 2017 by approximately RMB9.024 billion.

5

Material litigations and arbitrations

During the reporting period, the Company did not engage in any material litigation or arbitration which was required to be disclosed.

6

Penalties and subsequent rectification

During the reporting period, there were no penalties or subsequent rectification the Company was required to disclose.

7

Fulfillment of obligations

During the reporting period, the Company had no outstanding obligations such as unfulfilled obligations under rulings by courts of laws or payment in arrears involving large amounts.

8

Share option scheme

During the reporting period, the Company did not have any share option scheme which was required to be disclosed.

9

Continuing connected transactions

For details of continuing connected transactions under the Hong Kong Listing Rules, please refer to the announcement of the Company dated 29 July 2016.

To regulate the transactions conducted by the Company with Hwabao Trust Co., Ltd. (華寶信託有限責任公司) ("Hwabao Trust") and Hwabao WP Fund Management Co., Ltd. (華寶基金管理有限公司) ("Hwabao Fund", formerly known as Fortune SG Fund Management Co., Ltd. (華寶興業基金管理有限公司)) (Hwabao Trust and Hwabao Fund are collectively referred to as the "Hwabao Parties"), on 29 July 2016, the Company entered into a framework agreement in respect of the continuing connected transactions with the Hwabao Parties. Pursuant to the agreement, the Group and the Hwabao Parties have agreed to enter into 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. The framework agreement shall become effective on the date of signing by all parties and shall continue to be valid until 31 December 2018.

Hwabao Trust and Hwabao Fund, a subsidiary of Hwabao Trust, as well as Fortune Investment Co., Ltd., a substantial shareholder of the Company, are all under common control of China Baowu Steel Group Corporation. Pursuant to the requirements under the Hong Kong Listing Rules, both of Hwabao Trust and Hwabao Fund are associates of China Baowu Steel Group Corporation and therefore connected persons of the Company under the Hong Kong Listing Rules.

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%, such 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.

The below table sets out the comparison between the annual cap and actual transaction amount of the continuing connected transactions with the Hwabao Parties for the year ended 31 December 2017:

Unit: RMB million

	Type of transaction	Annual cap for the year ended 31 December 2017	Transaction amount for the year ended 31 December 2017
The Hwabao Parties	All types (aggregate amount of payment and receipt)	24,600	7,429

Regarding the above non-exempt continuing connected transactions of the Group, independent non-executive directors have reviewed the agreement and the transactions contemplated thereunder and confirmed that the transactions:

> were entered into in the ordinary and usual course of business of the Group;

> were conducted on normal commercial terms or such terms no less favorable to the Group obtained from or offered by independent third parties; and

> were conducted according to the agreement governing them on terms that were fair and reasonable and in the interest of the Company and its Shareholders as a whole.

The auditors of the Company have reviewed the above non-exempt continuing connected transactions and issued a letter to the Board on this regard, confirming that nothing has come to their attention that caused them to believe that the continuing connected transactions:

> have not been approved by the Board;

> were not, in all material respects, in accordance with the pricing policies of the Company if the transactions involve the provision of goods or services by the Group;

> were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

> had an annual actual transaction amount that exceeds the relevant annual cap as disclosed in previous announcements published by the Company.

The Board is responsible for the management of connected transactions, including the review on the management system for connected transactions, the review and approval of material connected transactions and the review on the annual report review, consideration and approval of connected transactions. The Board has designated the Risk Management Committee to be the special committee for the management of connected transactions, which shall be responsible for the periodic review on the annual review report of connected transactions submitted by the Risk Management Department. Independent Directors conducted review on, among others, the fairness of material connected transactions and the execution of internal review and approval procedure in order to mitigate relevant risks on connected transactions and safeguard the interest of the Company and Shareholders. The Company regularly collates and calculates the report of total transaction amount to ensure that the annual cap is not exceeded.

Save as to the above, details of the related party transactions of the Company for the year ended 31 December 2017 are set out in Note 50 to the financial statements to this report. Several related party transactions disclosed in Note 50 to the financial statements also constitute continuing connected transactions of the Company as disclosed above. The Company confirms that such related party transactions have complied with the applicable disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

10 Material contracts

Entrusted investment management. Investment is one of the main businesses of the Company, and the Company adopts a model of entrusted investment management. At present, a diversified entrusted investment management structure has been developed which is based on the internal managers within CPIC and supplemented by external managers. The internal investment managers include CPIC AMC and Changjiang Pension; external investment managers include professional investment management agencies such as fund companies and securities firms and asset management companies. The Company selects investment managers based on the investment objectives and risk characteristics of a specific account or asset class, as well as investment manager's capabilities, and increases the efficiency of fund utilization through the diversification and decentralization of asset types, investment strategies, and investment managers. The Company would sign an entrusted investment management agreement with the investment managers, and guide their investment behavior through investment guidelines, dynamic tracking communication, performance evaluation and other measures, and take targeted risk management measures based on the profile of investment assets.

Save as disclosed above, during the reporting period, the Company did not have any material contracts which were required to be disclosed.

11 Corporate social responsibilities

(I) Employee engagement

We value our employees and pay a lot of attention to the cultivation of talent. We provide dual-career development paths (as a manager or professional) to our employees, formulated a variety of rules and systems for training, job rotation, and external training. At the same time, the use of new technology tools has brought great convenience to our employees in terms of business development and services.

In 2017, the Company focused on improving the education and training systems for employees, arranged training resources, and adopted well-received training methods. The Company introduced talent training programs such as "junior manager" courses and "Cheetah" series training to stimulate employees' potential and support their professional development.

By organizing ball games, Tai Chi courses, jogging and other forms of cultural and sports activities, the Company created a positive atmosphere for the employees, and promoted the balance between work and life. At the same time, the Company held first-aid training for cardiopulmonary resuscitation to improve employees' awareness of safety protection and ability to respond to emergencies.

(II) Environmental polices

The Company continued to develop and provide environmentally friendly products to help companies and the public reduce the risks caused by environmental problems. In the field of environmental pollution liability insurance, the Company was active in implementing pilot policies and developing relevant products. As of the end of December 2017, it accumulatively provided environmental pollution liability products to 3,180 companies in 34 provinces and cities nationwide. The company also provided pollution liability insurance coverage for more than 1,000 ships, with sum assured approaching RMB10 billion, thus supporting the national marine environmental protection undertaking.

In 2017, the Company stepped up efforts in meteorological insurance innovation and developed typhoon insurance (first of its kind in China), Shannon meteorological index insurance, Tibetan sheep yak snowfall meteorological index insurance products, which provided timely and effective protection for farmers to resume production after meteorological disasters; won the bid for projects of public liability insurance for forest fires and wild animals accidents in Pu'er, Yunnan Province, and cooperated with the Wild China (an environmental protection organization) to explore the risk management of nature reserves for the protection of wild animal and plant resources; carried out responsible investments, and in consultation with Lanzhou Water Construction Management Co., Ltd., initiated an asset support plan with totaling RMB1.6 billion to finance the construction of Lanzhou No. 2 Water Sources Project for better water supply security.

Committed to developing and applying new technologies, the Company has made great progress in paperless operation. In 2017, the Company initiated seven key paperless products and implemented 23 regular paperless projects, and achieved digital process re-engineering in accounting, electronic policies, policy owner service, underwriting, and customer service.

At the same time, starting with construction operations and tenant behavior management, the Company combined environmental protection with the management of real estate assets to achieve for both economic and the environmental benefits. The Shanghai Century Business Plaza, invested by and entrusted to the Company, officially obtained the LEED-EBOM Platinum Certification, the most authoritative third-party international certification in the field of green construction.

For details of the corporate social responsibility of the Company, please refer to the Corporate Social Responsibility Report (企業社會責任報告) which is disclosed in the website of SSE (www.sse.com.cn) and will be disclosed in the website of SEHK (www.hkexnews.hk).

12
Performance of duties by the Board of Directors

Details of the performance of duties by the Board of Directors and its special committees are set out in the Section "Corporate governance" of this report.

13
CPIC P/C participated in the establishment of a guarantee insurance company

On 9 March 2017, CPIC P/C entered into a letter of intent on contribution with Ningbo Industrial Investment Group Co., Ltd., Tibet Financial Leasing Co., Ltd. and Hangzhou Taiyi Zhishang Technology Co., Ltd. CPIC P/C proposed to establish a joint stock guarantee insurance company (the "Investment Target") with the aforesaid 3 entities. The investment of CPIC P/C amounted to RMB0.51 billion, representing 51% of the total share capital of the Investment Target. The actual investment amount and shareholding proportion of CPIC P/C will be subject to the approval documents issued by CIRC. The establishment of the Investment Target shall be subject to the approval of CIRC.

14
CPIC AMC acquired part of equity interests in GTJA Allianz Fund Management Limited Company

Pursuant to the approval by the 1st extraordinary session of the 7th Board of Directors of the Company in 2017, CPIC AMC proposed to acquire 51% equity interests of GTJA Allianz Fund Management Limited Company ("GTJA Allianz Funds") held by Guotai Junan Securities Co., Ltd. ("Guotai Junan") (the "Transaction Target"). The transaction was carried out by way of public tendering on Shanghai United Assets and Equity Exchange. The minimum bidding price for the Transaction Target was RMB1.045 billion, and the final closing price was RMB1.045 billion. CSRC has approved Guotai Junan to transfer its 51% equity interests in GTJA Allianz Funds to CPIC AMC. Upon completion of relevant industrial and commercial modification registration for the transaction, CPIC AMC will hold 51% equity interests of GTJA Allianz Funds.

15 Principal businesses

We are a leading comprehensive insurance group in the PRC, providing, through our subsidiaries, a broad range of life insurance, property casualty insurance, health insurance and pension products and services to individual and institutional customers throughout the country. We also manage and deploy our insurance funds as well as third party assets through our subsidiaries.

16 Reserves

Details for reserves (including distributable reserves) are shown in note 38 to the financial statements.

17 Property and equipment and investment properties

Details for property and equipment and investment properties are shown in notes 18 and 19 to the financial statements.

18 Financial summary

Summary of financial information is shown in the Section "Highlights of accounting and operation data" of this report.

19 Use of proceeds raised from listing

The use of proceeds raised by the Company is consistent with the usages as set out in the resolutions approved at the shareholders' general meeting (SGM) and the meeting of the Board of Directors and have been fully used to strengthen our capital base for the purpose of continuing business expansion.

20 Post balance sheet event

Post balance sheet event is shown in note 54 to the financial statements.

21 Bank borrowings

The Company had no bank borrowings other than the sub-debt issued by CPIC Life and CPIC P/C, and securities sold under repurchase agreements of its investment business. For details of the sub-debt issuance, please refer to note 41 of the Financial Report section of this report.

22 Charitable and other donations

During the reporting period, the Company made charitable and other donations totaling approximately RMB12.7158 million.

23

Share capital and sufficient public float

The changes in the Company's share capital are shown in the Section "Changes in the share capital and shareholders' profile" of this report.

Based on the information that is publicly available and within the knowledge of the directors as at the latest practicable date prior to the printing of this report, since 12 January 2011, not less than 25% of the total issued share capital of the Company was held in public hands and not less than 15% of the H share capital of the Company was held in public hands, which is consistent with the requirements under the Hong Kong Listing Rules to maintain a minimum public float.

24

Management contract

During the reporting period, the Company did not enter into any management contract by which a person or entity undertakes the management and administration of the whole or any substantial part of any business of the Company.

25

Directors, supervisors and senior management

Biographies of the Company's current directors, supervisors and senior management are shown in the Section "Directors, supervisors, senior management and employees" of this report.

26

Directors' and supervisors' interests in competing businesses

So far as the Company is aware, during the reporting period, none of the Company's directors or supervisors has any interests in businesses which, directly or indirectly, compete with the Company's businesses.

27

Directors' and supervisors' service contracts and remunerations

None of the Company's directors or supervisors has entered into any service contract with the Company or its subsidiaries which is not terminable within one year, or terminable only when receiving compensation other than the statutory compensation.

Details for the directors' and supervisors' remunerations are shown in the Section "Directors, supervisors, senior management and employees" of this report.

28

Special committees of the Board of Directors

The Board of Directors of the Company established four special committees, namely the Strategic and Investment Decision-Making Committee, the Audit Committee, the Nomination and Remuneration Committee and the Risk Management Committee. See the Section "Corporate governance" of this report for details of the special committees of the Board of Directors.

29

Directors' and supervisors' interests in material transactions, arrangements or contracts

So far as the Company is aware, during the reporting period, the Directors and Supervisors of the Company did not have any material interest, whether directly or indirectly, in any transaction, arrangement or contract which was significant to the Company's business and which was entered into by the Company or any of its subsidiaries. None of the Directors or Supervisors of the Company has entered into any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

30

Directors' and supervisors' rights to subscribe for shares or bonds

The Company did not grant to any directors, supervisors or their respective spouses or children under 18 years of age any rights to subscribe for or to acquire shares or bonds of the Company or its subsidiaries.

31

Interests and short positions of directors, supervisors and senior management in shares, underlying shares or debentures

So far as the directors of the Company are aware, as at the end of the reporting period, the following directors, supervisors or senior management of the Company had an interest or short position in shares, underlying shares or debentures of the Company which was required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions.

Name of senior management	Capacity	Type of shares	Number of shares	Percentage of shareholdings in the class of shares issued (%)	Percentage of the total shares issued (%)
HE Qing	Beneficial owner	H shares	12,000(L)	0.00(L)	0.00(L)

Save as disclosed above, as at the end of the reporting period, the directors of the Company were not aware that there was any directors, supervisors or senior management of the Company who had any interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions.

The shareholdings of directors, supervisors and senior management in A Shares are set out in the Section "Directors, supervisors, senior management and employees".

32

Interests and short positions of substantial shareholders and other persons in the shares and underlying shares

So far as the directors of the Company are aware, as at the end of the reporting period, the following persons (excluding the directors, supervisors or senior management of the Company) had an interest or short position in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which, pursuant to Section 336 of the SFO, shall be entered in the register maintained by the Company:

Name of substantial shareholders	Capacity	Type of shares	Number of shares	Percentage of shareholdings in the class of shares issued (%)	Percentage of the total shares issued (%)
Schroders Plc[note 1]	Investment manager	H shares	333,320,018(L)	12.01(L)	3.68(L)
BlackRock, Inc.[note 2]	Interest of corporation controlled by Blackrock, Inc.	H shares	236,360,346(L) 933,400(S)	8.52(L) 0.03(S)	2.61(L) 0.01(S)
GIC Private Limited	Investment manager	H shares	188,732,000(L)	6.80(L)	2.08(L)
FIL Limited[note 3]	Interest of corporation controlled by FIL Limited	H shares	139,852,960(L)	5.04(L)	1.54(L)

(L) denotes a long position; (S) denotes a short position

Notes:

1. Pursuant to Part XV of the SFO, as at 31 December 2017, Schroders Plc is deemed or taken to be interested in a total of 333,320,018 H shares (long position) of the Company. The details of the shareholding interests of the subsidiaries directly or indirectly controlled by Schroders Plc are set out below:

Name of controlled subsidiary	Number of shares
Schroder Administration Limited	333,320,018 (L)
Schroder International Holdings Limited	163,878,418 (L)
Schroder Investment Management Limited	94,682,400 (L)
Schroder Investment Management (Singapore) Limited	53,171,000 (L)
Schroder Investment Management (Hong Kong) Limited	110,707,418 (L)
Schroder Investment Management Limited	74,759,200 (L)
Schroder Investment Management North America Limited	74,759,200 (L)

(L) denotes a long position

2. Pursuant to Part XV of the SFO, as at 31 December 2017, BlackRock, Inc. is deemed or taken to be interested in a total of 236,360,346 H shares (long position) and 933,400 H shares (short position) of the Company. The details of the shareholding interests of the subsidiaries directly or indirectly controlled by BlackRock, Inc. are set out below:

Name of controlled subsidiary	Number of shares
Trident Merger, LLC	1,179,400 (L)
BlackRock Investment Management, LLC	1,179,400 (L)
BlackRock Holdco 2, Inc.	235,180,946 (L) 933,400 (S)
BlackRock Financial Management, Inc.	234,304,746 (L) 933,400 (S)
BlackRock Financial Management, Inc.	876,200 (L)
BlackRock Holdco 4, LLC	97,751,537 (L) 649,200 (S)

Name of controlled subsidiary	Number of shares
BlackRock Holdco 6, LLC	97,751,537 (L) 649,200 (S)
BlackRock Delaware Holdings Inc.	97,751,537 (L) 649,200 (S)
BlackRock Institutional Trust Company, National Association	33,450,137 (L) 649,200 (S)
BlackRock Fund Advisors	64,301,400 (L)
BlackRock Capital Holdings, Inc.	1,421,400 (L) 4,000 (S)
BlackRock Advisors, LLC	1,421,400 (L) 4,000 (S)
BlackRock International Holdings, Inc.	135,131,809 (L) 280,200 (S)
BR Jersey International Holdings L.P.	135,131,809 (L) 280,200 (S)
BlackRock Cayco Limited	10,125,084 (L)
BlackRock Trident Holding Company Limited	10,125,084 (L)
BlackRock Japan Holdings GK	10,125,084 (L)
BlackRock Japan Co., Ltd.	10,125,084 (L)
BlackRock Canada Holdings LP	306,800 (L)
BlackRock Canada Holdings ULC	306,800 (L)
BlackRock Asset Management Canada Limited	306,800 (L)
BlackRock Australia Holdco Pty. Ltd.	1,504,800 (L)
BlackRock Investment Management (Australia) Limited	1,504,800 (L)
BlackRock (Singapore) Holdco Pte. Ltd.	14,502,235 (L)
BlackRock HK Holdco Limited	14,358,235 (L)
BlackRock Asset Management North Asia Limited	4,233,151 (L)
BlackRock Group Limited	118,817,974 (L) 280,200 (S)
BlackRock (Netherlands) B.V.	2,410,800 (L)
BlackRock Advisors (UK) Limited	2,229,981 (L)
BlackRock International Limited	6,777,056 (L)
BlackRock International Limited	1,122,300 (L)
BlackRock Luxembourg Holdco S.à r.l.	80,979,926 (L) 280,200 (S)
BlackRock Investment Management Ireland Holdings Limited	18,166,126 (L) 30,600 (S)
BlackRock Asset Management Ireland Limited	18,166,126 (L) 30,600 (S)
BLACKROCK (Luxembourg) S.A.	62,797,400 (L) 249,600 (S)
BlackRock Investment Management (UK) Limited	13,034,536 (L)
BlackRock Investment Management (UK) Limited	12,263,375 (L)
BlackRock Asset Management Deutschland AG	187,200 (L)

Name of controlled subsidiary	Number of shares
BlackRock Fund Managers Limited	12,847,336 (L)
BlackRock Life Limited	6,777,056 (L)
BlackRock (Singapore) Limited	144,000 (L)
BlackRock UK Holdco Limited	16,400 (L)
BlackRock Asset Management (Schweiz) AG	16,400 (L)

(L) denotes a long position; (S) denotes a short position

3. Pursuant to Part XV of the SFO, as at 31 December 2017, FIL Limited is deemed or taken to be interested in a total of 139,852,960 H shares (long position) of the Company. The details of the shareholding interests of the subsidiaries directly or indirectly controlled by FIL Limited are set out below:

Name of controlled subsidiary	Number of shares
FIL Asia Holdings Pte Limited	129,619,800(L)
FIL Asset Management (Korea) Limited	1,277,200(L)
FIL Japan Holdings (Singapore) Pte Limited	1,374,600(L)
FIL Japan Holdings KK	1,374,600(L)
FIL INVESTMENTS (JAPAN) LTD	1,374,600(L)
FIL Responsible Entity (Australia) Ltd	605,200(L)
FIL Investment Management (Hong Kong) Limited	117,201,000(L)
FIL Investment Management (Singapore) Limited	44,400(L)
FIL Investment Management (Singapore) Limited	11,334,800(L)
FIL Asset Management (Korea) Limited	1,277,200(L)
FIL Fund Management Limited	82,716,415(L)
FIL Holdings (Luxembourg) S.A.	82,716,415(L)
FIL Investment Management (Luxembourg) S.A.	82,716,415(L)
FIL Holdings (UK) Limited	40,893,985(L)
FIL Investment Services (UK) Limited	29,246,400(L)
FIL Investments International	17,981,200(L)
FIL Investments International	9,335,000(L)
FIL PENSIONS MANAGEMENT	2,729,785(L)
FIL PENSIONS MANAGEMENT	245,000(L)
483A Bay Street Holdings LP	1,763,760(L)
BlueJay Lux 1 S.a.r.l.	1,763,760(L)
FIC Holdings ULC	1,763,760(L)
FIDELITY INVESTMENTS CANADA ULC	1,763,760(L)

(L) denotes a long position

Save as disclosed above, as at the end of the reporting period, the directors of the Company were not aware that there was any other person (other than the directors, supervisors or senior management of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered in the register maintained by the Company.

Specifics on the shareholdings by the Company's top ten shareholders are set out in the Section "Changes in the Share Capital and Shareholders' Profile".

33
Purchase, redemption or sale of the Company's listed securities

During the reporting period, neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed shares.

34
Pre-emptive rights

According to the relevant PRC laws and under the Articles of Association, none of the Company's shareholders have any pre-emptive rights, and the Company does not have any arrangement in respect of share options.

35
Permitted indemnity provisions

During the reporting period and up to the date of this report, the Company has undertaken and maintained a collective liability insurance policy covering, among others, all directors of the Company.

36
Business review

A fair review of the business of the Company, the principal risks and uncertainties facing the Company, particulars of important events affecting the Company and the outlook of the Company's business are provided in the sections "Letter from Chairman to shareholders", "Operation overview", "Review and analysis of operating results" and the relevant notes to financial statements in the section "Financial report" of this report. In addition, more details regarding the Company's performance by reference to financial key performance indicators, compliance with relevant laws and regulations which have a significant impact on the Company, as well as relationships with major stakeholders are provided in the sections "Letter from Chairman to shareholders", "Operation overview", "Review and analysis of operating results", "Directors, supervisors, senior management and employees" and "Corporate governance" of this report.

Changes in the share capital and shareholders' profile

1

Changes in the share capital

(I) Table of the share capital

The table below shows the Company's share capital as at the end of the reporting period:

Unit: share

	Before change		Increase or decrease (+ or -)					After change	
	Amount	Percentage (%)	New shares issued	Bonus shares	Transfer from reserve	Others	Sub-total	Amount	Percentage (%)
1. Shares with selling restrictions									
(1) State-owned shares	-	-	-	-	-	-	-	-	-
(2) State-owned enter-prises shares	-	-	-	-	-	-	-	-	-
(3) Other domestic shares	-	-	-	-	-	-	-	-	-
held by									
legal entities	-	-	-	-	-	-	-	-	-
natural persons	-	-	-	-	-	-	-	-	-
(4) Foreign shares	-	-	-	-	-	-	-	-	-
held by									
legal entities	-	-	-	-	-	-	-	-	-
natural persons	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-
2. Shares without selling restrictions									
(1) Ordinary shares de-nominated in RMB	6,286,700,000	69.37	-	-	-	-	-	6,286,700,000	69.37
(2) Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
(3) Overseas listed foreign shares (H share)	2,775,300,000	30.63	-	-	-	-	-	2,775,300,000	30.63
(4) Others	-	-	-	-	-	-	-	-	-
Total	9,062,000,000	100.00	-	-	-	-	-	9,062,000,000	100.00
3. Total number of shares	9,062,000,000	100.00	-	-	-	-	-	9,062,000,000	100.00

(II) Issue and listing of securities

1. Issuance of securities during the reporting period

The Company did not issue any securities during the reporting period.

2. Shares held by employees

As at the end of the reporting period, no shares issued by the Company have been placed to its employees.

2

Shareholders

(I) Number of shareholders and their shareholdings

As at the end of the reporting period, the Company had no shares with selling restrictions.

Unit: share

A total number of 80,104 shareholders (including 75,116 A shareholders and 4,988 H shareholders) at the end of the reporting period.
Total number of shareholders as at the end of February 2018: 78,991 (including 74,168 A shareholders and 4,823 H shareholders)

Shares held by top ten shareholders at the end of the reporting period

Names of the shareholders	Percentage of the shareholding	Total number of shares held	Increase or decrease of shareholding during the reporting period (+,-)	Number of shares held with selling restrictions	Number of shares subject to pledge or lock-up period	Types of shares
HKSCC Nominees Limited	30.60%	2,772,620,635	-366,801	-	-	H Share
Fortune Investment Co., Ltd.	14.17%	1,284,277,846	-	-	-	A Share
Shenergy (Group) Co., Ltd.	13.52%	1,225,082,034	-	-	-	A Share
Shanghai Haiyan Investment Management Company Limited	5.17%	468,828,104	-	-	-	A Share
Shanghai State-Owned Assets Operation Co., Ltd.	4.68%	424,100,614	+1,400	-	-	A Share
China Securities Finance Co., Ltd.	2.83%	256,213,463	+22,785,592	-	-	A Share
Shanghai Jiushi (Group) Co., Ltd.	2.77%	250,949,460	-	-	-	A Share
Yunnan Hehe (Group) Co., Ltd.	1.46%	132,613,032	-24,096,328	-	-	A Share
Central Huijin Investment Ltd.	1.22%	110,741,200	-	-	-	A Share
China Baowu Steel Group Corporation	0.76%	68,818,407	-	-	-	A Share
Description of connected relations or concerted action among the aforesaid shareholders		As is confirmed by relevant shareholders regarding the Company's inquiry, Fortune Investment Co., Ltd. and China Baowu Steel Group Corporation are connected, as the former is a wholly-owned subsidiary of the latter. The Company is not aware of any other connected relationship or acting in concert relationship among the above-mentioned shareholders.				

Notes:

1. As at the end of the reporting period, the Company did not issue any preferred shares.
2. The shareholding of the top ten shareholders is based on the lists of registered shareholders provided by China Securities Depository and Clearing Corporation Limited Shanghai Branch (A share) and Computershare Hong Kong Investor Services Limited (H share) respectively.
3. The shares held by HKSCC Nominees Limited are held on behalf of its clients. As SEHK does not require such shareholders to disclose to HKSCC Nominees Limited whether the sh.ares held by them are subject to pledge or lock-up period, HKSCC Nominees Limited is unable to calculate, or make available such data. Pursuant to Part XV of the SFO, a Substantial Shareholder is required to give notice to SEHK and the Company on the occurrence of certain events including a change in the nature of its interest in shares such as the pledging of its shares. As at the end of the reporting period, the Company is not aware of any such notices from Substantial Shareholders under Part XV of the SFO.
4. Shanghai State-owned Assets Operation Co., Ltd. (SSOAOC), a shareholder of the Company, completed the issuance of exchangeable bonds which were exchangeable into a portion of the Company's A shares on 10 December 2015. The 112,000,000 of the Company's A shares owned and to be exchanged by SSOAOC and their dividends are held by China International Capital Corporation Limited (CICC) as guarantee and trust assets, and have been registered as a "Special Account for EB Guarantee and Trust Assets of SSOAOC and CICC". For details please refer to the Company's Announcement in relation to the Completion of the Issuance of Exchangeable Bonds by a Shareholder of the Company and the Guarantee and Trust Registration for the part of the Company's A shares held by the Shareholder published on 15 December 2015.

(II) Particulars of substantial shareholders

The ownership structure of the Company is diversified. The ultimate controllers of the Company's substantial shareholders do not exercise control over the Company and the Company has no controlling shareholder or de facto controllers.

As at the end of the reporting period, our substantial shareholders were:

1. Fortune Investment Co., Ltd

Fortune Investment Co., Ltd. was established on 21 November 1994 and has a registered capital of RMB9.369 billion, with ZHU Kebing as its legal representative. Its main businesses include investment and investment management in the metallurgy industry and relevant industries, investment consulting, business consulting service (excluding brokerage) and property title brokerage. Fortune Investment Co., Ltd. is a wholly owned subsidiary of China Baowu Steel Group Corporation.

2. Shenergy (Group) Co., Ltd

Shenergy Group Co., Ltd. was established on 18 November 1996 with a registered capital of RMB10 billion. Its legal representative is HUANG Dinan. Its main businesses include investment in, development and management of electricity and energy industries, investment in natural gas resources, investment in urban gas pipeline networks, investment and management of real estate and high-tech industries, real industry investment, asset operation, and domestic trade (excluding special provisions).

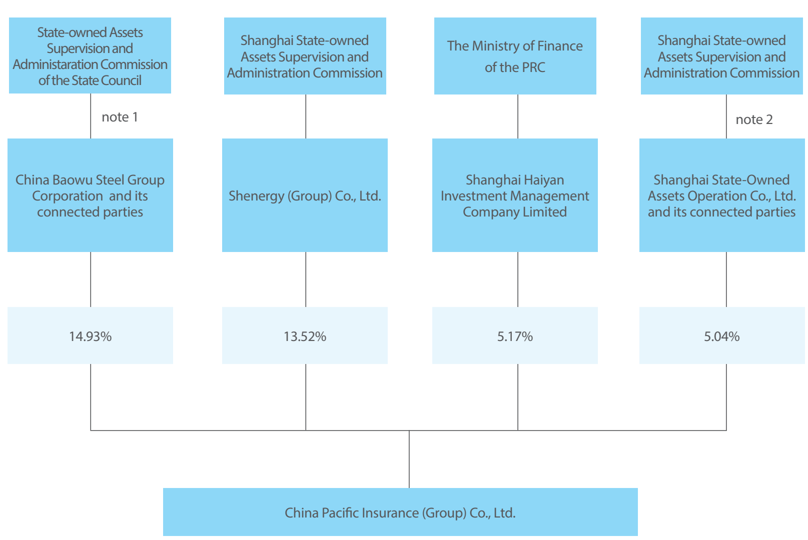
3. Shanghai State-Owned Assets Operation Co., Ltd.

Shanghai State-Owned Assets Operation Co., Ltd. was established on 24 September 1999 with a registered capital of RMB5.5 billion. Its legal representative is ZHOU Lei. Its main businesses include entrepreneurial investments, capital operations, acquisition, enhancement and transfer of assets, enterprise and asset custody, debt restructuring, property title brokerage, real estate agency, financial consultancy, investment consultancy, and consulting services related to its scope of businesses, as well as the provision of guarantee related to its asset management and capital operation businesses.

4. Shanghai Haiyan Investment Management Company Limited

Shanghai Haiyan Investment Management Company Limited was established on 15 October 2009 with a registered capital of RMB3.3 billion. Its legal representative is CHEN Xuanmin. Its main businesses include entrepreneurial investments, investment management, project management, asset management, enterprise management advisory and domestic trading.

The following chart sets forth the connection between the Company and the ultimate controllers of our substantial shareholders as at the end of the reporting period:



Notes:

1. China Baowu Steel Group Corporation and its subsidiary, Fortune Investment Co., Ltd., hold in aggregate 1,353,096,253 A Shares in the Company, representing 14.93% of the entire share capital of the Company.
2. Shanghai State-Owned Assets Operation Co., Ltd. and its subsidiary, Shanghai Guoxin Investment and Development Co., Ltd., hold in aggregate 457,124,765 A Shares in the Company, representing 5.04% of the entire share capital of the Company.

Directors, supervisors, senior management and employees

1

Directors, supervisors and senior management

(I) Summary

Unit: RMB 10,000

Name	Position	Gender	Date of birth	Term of office	Total Remuneration payable from the Company (before tax)
Incumbent Directors, Supervisors and Senior Management					
KONG Qingwei	Chairman and Executive Director	M	June 1960	Since June 2017	80.5
HE Qing	Executive Director	M	February 1972	Since February 2018	256.5
	President			Since October 2017	
WANG Jian	Vice Chairman and Non-Executive Director	M	April 1955	Since July 2015	See note 5
WANG Tayu	Non-Executive Director	M	October 1970	Since June 2017	12.5
KONG Xiangqing	Non-Executive Director	M	September 1967	Since June 2017	12.5
ZHU Kebing	Non-Executive Director	M	October 1974	Since June 2017	12.5
SUN Xiaoning	Non-Executive Director	F	March 1969	Since July 2013	See note 5
WU Junhao	Non-Executive Director	M	June 1965	Since July 2012	See note 5
CHEN Xuanmin	Non-Executive Director	M	February 1965	Since June 2017	12.5
BAI Wei	Independent Non-Executive Director	M	November 1964	Since July 2013	25.0
LEE Ka Sze, Carmelo	Independent Non-Executive Director	M	May 1960	Since November 2015	25.0
LAM Chi Kuen	Independent Non-Executive Director	M	April 1953	Since July 2013	30.0
ZHOU Zhonghui	Independent Non-Executive Director	M	August 1947	Since July 2013	30.0
GAO Shanwen	Independent Non-Executive Director	M	September 1971	Since August 2014	30.0
ZHOU Zhuping	Chairman of the Board of Supervisors, Shareholder Representative Supervisor	M	March 1963	Since June 2017	12.5
ZHANG Xinmei	Shareholder Representative Supervisor	F	November 1959	Since December 2015	25.0
LIN Lichun	Shareholder Representative Supervisor	F	August 1970	Since June 2007	25.0
YUAN Songwen	Employee Representative Supervisor	M	October 1967	Since July 2013	152.8
PAN Yanhong	Vice President and CFO	F	August 1969	Since December 2013	252.3
CAO Zenghe	Chief HR Officer	M	September 1954	Since January 2017	393.1
YANG Xiaoling	Chief Digital Officer	M	October 1958	Since January 2017	325.8
CHEN Wei	Chief Internal Auditor	M	April 1967	Since September 2011	273.8
YU Bin	Assistant President	M	August 1969	Since May 2012	278.9
ZHANG Yuanhan	Chief Actuary	M	November 1967	Since January 2013	475.7
MA Xin	Board Secretary	M	April 1973	Since July 2015	261.0
	Joint Company Secretary			Since June 2015	
ZHANG Weidong	Chief Risk & Compliance Officer	M	October 1970	Since June 2016	229.3

Name	Position	Gender	Date of birth	Term of office	Total Remuneration payable from the Company (before tax)
Departed Directors, Supervisors and Senior Management					
SONG Junxiang	Employee Representative Supervisor	M	October 1955	August 2008 - January 2017	0
WU Zongmin	Vice President	M	March 1965	June 2015 - January 2017	5.6
WU Jumin	Non-Executive Director	M	April 1956	July 2010 - April 2017	6.2
GAO Guofu	Chairman and Executive Director	M	June 1956	September 2006 - April 2017	45.9
HUO Lianhong	Executive Director	M	April 1957	March 2001 - October 2017	231.9
	President			March 2001 - August 2017	
WANG Chengran	Non-Executive Director	M	April 1959	July 2010 - June 2017	12.5
ZHENG Anguo	Non-Executive Director	M	November 1964	July 2010 - June 2017	12.5
HA Erman	Non-Executive Director	F	June 1975	August 2014 - June 2017	12.5
DAI Zhihao	Chairman of the Board of Supervisors, Shareholder Representative Supervisor	M	June 1963	July 2013 - June 2017	12.5
Total	-	-	-	-	**3,571.8**

Notes:

1. Total remuneration payable (before tax) listed in this table includes basic salaries, bonuses, allowances, subsidies, employee welfare and various insurance premiums, provident funds, annuities, and other forms of remuneration received from the Company payable in 2017. According to *Provisional Guidelines on Compensation Management of Insurance Companies* issued by CIRC and relevant policies and rules of the Company, part of the performance-related remuneration of the Company's senior management takes the form of deferred payment, which is included in total remuneration payable (before tax) listed in this table.
2. Each director and supervisor of the Company is appointed for a term of 3 years and is eligible for re-election and re-appointment. Each independent non-executive director is not allowed to serve a consecutive term of more than 6 years.
3. According to relevant policies, the final amounts of remunerations of the Chairman are yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.
4. The compensation for the Company's directors, supervisors and senior management was calculated based on their actual term of office during the reporting period.
5. Mr. WANG Jian and Mr. WU Junhao did not take their allowances. Ms. SUN Xiaoning does not take any allowances from the Company.
6. During the reporting period, Mr. WANG Jian and Mr. WU Junhao received compensation from Shenergy Group Co., Ltd., a related party of the Company. Mr. WANG Chengran received compensation from Fortune Investment Co., Ltd., a related party of the Company. Mr. WANG Tayu received compensation from Shanghai State-owned Assets Management Co., Ltd., a related party of the Company. Mr. KONG Xiangqing and Mr. ZHU Kebing received compensation from Fortune Investment Co., Ltd., a related party of the Company. Mr. ZHENG Anguo received compensation from Hwabao WP Fund Management Co., Ltd., a related party of the Company. Ms. SUN Xiaoning received compensation from The Government of Singapore Investment Consulting (Beijing) Co., Ltd., a related party of the Company. Mr. WU Jumin received compensation from Shanghai Tobacco (Group) Corporation, a related party of the Company. Ms. HA Erman received compensation from Shanghai Guosheng (Group) Co., Ltd., a related party of the Company. Mr. BAI Wei received compensation from the law firm Jingtian & Gongcheng, a related party of the Company. Mr. LEE Ka Sze, Carmelo received his share of profits from a Hong Kong law firm Woo Kwan Lee & Lo, a related party of the Company. Mr. DAI Zhihao received compensation from China Baowu Steel Group Corporation, a related party of the Company. Mr. ZHOU Zhuping received compensation from Fortune Investment Co., Ltd. and Siyuanhe Equity Investment Management Co., Ltd., related parties of the Company. Ms. LIN Lichun received compensation from Shanghai Hongta Hotel Co., Ltd., a related party of the Company. Ms. ZHANG Xinmei received compensation from Shanghai Jiushi Group Co., Ltd., a related party of the Company.
7. In June 2017, the members of the 8th Board of Directors were elected. Mr. WANG Chengran, Mr. ZHENG Anguo and Ms. HA Erman no longer served as non-executive directors of the Company. In June 2017, the members of the 8th Board of Supervisors were elected. Mr. DAI Zhihao no longer served as chairman of the Board of Supervisors or a shareholder representative supervisor of the Company.
8. In January 2017, Mr. SONG Junxiang no longer served as an employee representative supervisor of the Company due to retirement. In January 2017, Mr. WU Zongmin no longer served as Vice President of the Company due to personal reasons. In April 2017, Mr. WU Jumin passed away and no longer served as a non-executive director of the Company. In April 2017, Mr. GAO Guofu no longer served as Chairman of the Board or an executive director of the Company due to work rearrangement. In August 2017, Mr. Huo Lianhong no longer served as President of the Company due to age requirement for holding the position. In October 2017, Mr. Huo Lianhong no longer served as an executive director of the Company due to age reason.
9. Mr. YUAN Songwen and Mr. JIN Zaiming were elected as employee representative supervisors of the 8th Board of Supervisors at Employee Representative Meetings of the Company. Mr. JIN's appointment is subject to the approval of CIRC.

(II) Shareholdings

Unit: share

Name	Type of shares	Shareholding at the beginning of the reporting period	Increase in shareholding during the reporting period	Decrease in shareholding during the reporting period	Shareholding at the end of the reporting period	Reason for the change
HE Qing	H share	-	+12,000	-	12,000	Secondary market transaction
PAN Yanhong	A share	80,000	-	-	80,000	-
CHEN Wei	A share	40,000	-	-	40,000	-
YU Bin	A share	3,800	-	-	3,800	-
SONG Junxiang	A share	60,000	-	-59,900	100	Secondary market transaction
WU Zongmin	A share	68,000	-	-18,000	50,000	Secondary market transaction
GAO Guofu	A share	90,300	-	-50,000	40,300	Secondary market transaction
HUO Lianhong	A share	103,100	-	-	103,100	-

(III) Professional background and biographies

1. Directors

Mr. KONG Qingwei currently serves as Chairman and an executive director of the Company. Previously, Mr. KONG served as deputy general manager of Shanghai Bund House Exchange Co., Ltd., general manager of the Housing Exchange Headquarter of Shanghai Jiushi Corporation, executive deputy director of Shanghai Provident Fund Management Center, vice general manager of Shanghai Urban Construction Investment Development Corporation, Vice Chairman of Shanghai Minhong (Group) Co., Ltd., director of Shanghai World Expo Land Reserve Center, president of Shanghai World Expo Land Holding Co., Ltd., general manager of Shanghai Urban Construction Investment and Development Corporation, Party Secretary of the Financial Working Committee of the CPC of the city of Shanghai, and chairman of Shanghai Guosheng (Group) Co., Ltd. Mr. Kong holds a master's degree.

Mr. HE Qing currently serves as an executive director and President of the Company and a director of CPIC AMC. Mr. HE previously served as a vice president of the Company and a director of CPIC P/C and CPIC Life respectively. Prior to joining the Company, Mr. HE was a member of the international business department of ICBC Shanghai Branch. He also served as a manager of the corporate finance department of Chase Manhattan Bank Shanghai Branch, a manager of the international business department of Bank of Shanghai Pudong Branch, assistant president of Bank of Shanghai Pudong Branch, general manager of Bank of Shanghai's International Business Department, general manager of the Corporate Finance Department of Bank of Shanghai, assistant to president of Bank of Shanghai, vice president of Bank of Shanghai, chairman of Shanghai Minhang BOS Rural Bank and a director of BOSC Asset Management Co., Ltd. Mr. HE has a master's degree.

Mr. WANG Jian currently serves as vice chairman & non-executive director of the Company. He is also a director of Shenergy (Group) Co., Ltd. and vice-chairman of Commercial Aircraft Corporation of China Limited. Mr. Wang previously worked as deputy general manager of Shanghai Electric Appliances Co., Ltd., general manager of Shanghai Machinery & Electric Trade Building Co., Ltd., general manager of Shanghai Dongfeng Machinery (Group) Co., Ltd., vice president of Shanghai Electric (Group) Co., Ltd. and president of Shanghai Supplies (Group) Co., Ltd. Mr. WANG also held various positions in civil service such as vice director-general of Shanghai Economic Commission, vice director-general of Shanghai Defense Technology & Industries Office, director-general of Shanghai Economic Commission, director-general of Shanghai Defense Technology & Industries Office, director-general of Shanghai Economic Information Technology Commission and director-general of State-owned Assets Supervision and Administration Commission of Shanghai. Mr. WANG was also Chairman of Shenergy (Group) Co., Ltd. Mr. WANG received postgraduate education and obtained a master's degree, with the designation of Senior Engineer.

Mr. WANG Tayu currently serves as non-executive director of the Company, general manager of the Investment Management Department No. 1 of Shanghai International Group Co., Ltd., director of Shanghai Rural Commercial Bank Co., Ltd., general manager of Shanghai Xieyi Asset Management Co., Ltd., and vice chairman of Shanghai Guotai Junan Investment Management Co., Ltd. Mr. WANG previously served as investment supervisor of the Enterprise Planning Department of Shenzhen Shekou Industrial Zone, assistant manager of the Investment Management Department of Shenzhen China Merchants Petrochemical Co., Ltd., deputy manager (in charge) and manager of Yueyang Merchants Petrochemical Co., Ltd., vice general manager of the Enterprise Planning Department of China Merchants Logistics Group Co., Ltd., general manager of China Merchants Logistics Group Co., Ltd. Liaoning Branch, general manager of the Enterprise Planning Department of China Merchants Logistics Group Co., Ltd., senior manager of the Investment Management Headquarters of Shanghai International Group Co., Ltd., assistant to president and vice president of Shanghai State-owned Assets Management Co., Ltd., chairman of Shanghai Guoxin Investment and Development Co., Ltd., executive director of Shanghai Chenggao Assets Management Co., Ltd., and executive director and general manager of Shanghai Guozhi Properties Development Co., Ltd. Mr. WANG has a master's degree.

Mr. KONG Xiangqing currently serves as non-executive director of the Company, deputy general manager of Hwabao Investment Co., Ltd., chairman of Hwabao WP Fund Management Co., Ltd., chairman of Hwabao Duding (Shanghai) Finance Leasing Co., Ltd., chairman of ALD Fortune Auto Leasing & Renting (Shanghai) Co., Ltd., and director of Hwabao Trust Co., Ltd. Mr. KONG previously worked as chairman of Hwabao Securities Co., Ltd., general manager of Baosteel Group Finance Co., Ltd., and deputy chief of the Capital Division of the Planning and Finance Department of Shanghai Baosteel Group Corporation. Mr. KONG holds a master's degree and title of Senior Accountant.

Mr. ZHU Kebing currently serves as non-executive director of the Company, general manager of Hwabao Investment Co., Ltd., chairman of Baosteel Group Finance Co., Ltd., chairman of Hwabao Trust Co., Ltd., director of Siyuanhe Equity Investment Management Co., Ltd., chairman of Hwabao (Shanghai) Equity Investment Co., Ltd., director of Sailing Capital Management Co., Ltd., director of Sailing Capital International Investment Fund (Shanghai) Co., Ltd., and director of Oriental Steel & Iron E-Commerce Co., Ltd. Mr. ZHU previously worked as deputy head of the Financial Department of Baosteel Group Co., Ltd., general manager of the Operation and Financial Department of Baosteel Group Co., Ltd., chief financial officer and board secretary of Baoshan Iron and Steel Co., Ltd. (stock code: 600019), a company listed on SSE, general manager of the Industry Finance Development Center of Baowu Group, supervisor of Baoshan Iron and Steel Co., Ltd., and director of Shanghai Baosight Software Co., Ltd. Mr. ZHU holds a master's degree and the title of Senior Accountant, and is a Chinese Certified Public Accountant.

SUN Xiaoning currently serves as non-executive director of the Company, managing director of The Government of Singapore Investment Co., Ltd. and general manager of The Government of Singapore Investment Consulting (Beijing) Co., Ltd. & joint head of North Asia Direct Investment of Government of Singapore Investment Corporation. Ms. SUN is also a non-executive director of Taikang Insurance Group Co., Ltd. and Happy Life Tech Inc. respectively. Ms. SUN was employed by the International Finance Corporation, by McKinsey & Company and by the People's Bank of China. Ms. SUN was previously non-executive director of Far East Horizon Limited (Stock code: 03360), a company listed on SEHK and non-executive director of Intime Retail Group (Stock code: 01833). Ms. SUN has an MBA degree from Wharton Business School.

Mr. WU Junhao currently serves as non-executive director of the Company, director of CPIC Life, director of CPIC P/C and manager of the Financial Management Department of Shenergy (Group) Co., Ltd. Mr. WU is also director of Orient Securities Co., Ltd. (SSE stock code: 600958, SEHK stock code: 03958), a company listed on SSE and SEHK, director of Shanghai Chengyi New Energy Venture Capital Co., Ltd., director of Chengdu Xinshen Venture Capital Co., Ltd., supervisor of Shanghai ICY Capital Co., Ltd., supervisor of Everbright Banking Co., Ltd. (SSE stock code: 601818, SEHK stock code: 06818), a company listed on both SSE and SEHK and chairman of the Supervisory Board of Shanghai Shenery Leasing Co., Ltd., chairman of the Supervisory Board of Shanghai Shenery Chengyi Equity Investment Co., Ltd. Mr. WU formerly worked as head of the Teaching & Research Center of the Business Management Department of Changzhou University, executive deputy general manager of Shanghai New Resources Investment Consulting Company, deputy general manager of Shanghai Bailitong Investment Company, deputy chief of Shanghai Shenergy Assets Management Co., Ltd., deputy chief, chief and senior chief of the Assets Management Department, and deputy manager of the Financial Management Department, of Shenergy (Group) Co., Ltd. Mr. WU was also a director of Shanghai Jiulian (Group) Co., Ltd. and a supervisor of Shanghai Pharmaceuticals Holding Co., Ltd. (SSE stock code: 601607, SEHK stock code: 02607), a company listed on SSE and on SEHK. Mr. WU has a master's degree.

Mr. CHEN Xuanmin currently serves as non-executive director of the Company, chief accountant of Shanghai Tobacco Group Co., Ltd., chairman of Shanghai Haiyan Investment Management Co., Ltd., vice chairman of Zhongwei Capital Holdings Co., Ltd., chairman of the board of supervisors of Shanghai New Tobacco Products Research Institute Co., Ltd., chairman of Shanghai Tobacco Group Qingpu Tobacco Sugar Wine Co., Ltd., chairman of Shanghai Tobacco Group Jiading Tobacco Sugar Wine Co., Ltd., chairman of Shanghai Tobacco Putuo Tobacco Sugar Wine Co., Ltd., chairman of Shanghai Wangbaohe Hotel Co., Ltd., and chairman of Shanghai Tobacco Group China Garden Hotel Co., Ltd. Mr. CHEN previously worked as deputy head of the Finance and Pricing Department of Shanghai Tobacco (Group) Co., Ltd., head of the Audit Department, head of the Finance Department and director of the Fund Management Center of Shanghai Tobacco (Group) Co., Ltd., deputy director of the Shanghai Tobacco Monopoly Bureau Huangpu Branch, general manager of Shanghai Tobacco Group Huangpu Tobacco Sugar Wine Co., Ltd., general manager of Shanghai Tobacco Group Pudong Tobacco Sugar Wine Co., Ltd, and director of Tobacco Monopoly Bureau of Shanghai Pudong New District. Mr. CHEN received university education and holds the designation of Senior Accountant.

Mr. BAI Wei currently serves as independent non-executive director of the Company and partner and lawyer at Jingtian & Gongcheng. Mr. BAI is also Mr. BAI previously worked as a lawyer at China Global Law Office, an associate at Sullivan & Cromwell LLP and an independent non-executive director of Hua Tai Securities Co. Ltd. (SSE stock code: 601688, SEHK stock code: 06886), a company listed on SSE and SEHK and an independent non-executive director of Ningxia Orient Tantalum Industry Co., Ltd. (Stock code: 000962), a company listed on the Shenzhen Stock Exchange. Mr. BAI has a master's degree and is admitted to practice law in the PRC and New York, USA.

Mr. LEE Ka Sze, Carmelo is independent non-executive director of the Company, a senior partner of Messrs. Woo, Kwan, Lee and Lo of Hong Kong, and a member of the Hong Kong Securities and Futures Commission (SEHK Listing) Committee, convener of the financial report review committee of HK Financial Reporting Council, member of the Campaign Committee of the Community Chest of Hong Kong and the co-chairman of the Community Chest Corporate Challenge Half Marathon. Currently, Mr. Lee also serves as a non-executive director of Hopewell Holdings Limited (Stock code: 00054), CSPC Pharmaceutical Group Limited (Stock code: 01093), Yugang International Limited (Stock code: 00613), Safety Godown Company Limited (Stock code: 00237), Trembray Industries International (Holdings) Limited (Stock code: 00093), and an independent non-executive director of KWG Property Holding Limited (Stock code: 01813) and Esprit Holdings Limited (Stock code: 00330), all of which are companies listed on SEHK. In addition, Mr. Lee previously served as the deputy chairman and chairman of the Listing Committee of SEHK, Dual Filing Advisory Group of the Hong Kong Securities and Futures Commission, a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants and a non-executive director of Y. T. Realty Group Limited (Stock code: 00075), a company listed on SEHK and an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. (SSE stock code: 601318, SEHK stock code: 02318), a company listed on SSE and SEHK. Mr. Lee holds a bachelor's degree in laws and is a solicitor qualified in Hong Kong, England and Wales, Singapore and Australian Capital Territory, Australia.

Mr. LAM Chi Kuen currently serves as independent non-executive director of the Company. He is also an independent non-executive director of Luks Group (Vietnam Holdings) Company Limited, a company listed on SEHK (Stock code: 00366). Mr. LAM was formerly a senior adviser and partner of Ernst & Young and independent director of Leo Paper Group (Hong Kong) Co., Ltd. Mr. LAM was awarded the Higher Diploma in Accounting and is also a member of Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

Mr. ZHOU Zhonghui currently serves as independent non-executive director of the Company, an executive council member of the China Association of Chief Financial Officers, and a member of the Advisory Committee of the China Appraisal Society (中國評估師協會). Currently Mr. ZHOU also serves as an independent non-executive director of Shanghai Fudan-zhangjiang Bio-Pharmaceutical Co., Ltd. (Stock code: 01349), a company listed on SEHK, an independent non-executive director of S.F. Holding Co., Ltd. (Stock code: 002352), a company listed on Shenzhen Stock Exchange and an independent non-executive director of China COSCO Holdings Co., Ltd. (SSE stock code: 601919, SEHK stock code: 01919). Mr. ZHOU was formerly a lecturer, associate professor and professor of Shanghai University of Finance and Economics, the Chief Financial Officer of Xinlong Hong Kong Co., Ltd., general manager and the chief accountant of PricewaterhouseCoopers Zhong Tian CPAs Limited Company, senior partner of the PricewaterhouseCoopers, the chief accountant of CSRC, a member of the International Advisory Committee of CSRC, a member of the Audit Regulation Committee of Chinese Institution of Certified Public Accountant, an independent non-executive director of BesTV New Media Co., Ltd. (Stock code: 600637), a company listed on SSE and an independent non-executive director of Juneyao Airlines Co., Ltd. (Stock code: 603885), a company listed on SSE. Mr. ZHOU has a doctorate degree, and is a Chinese Certified Public Accountant.

Mr. GAO Shanwen currently serves as independent non-executive director of the Company and the chief economist of Essence Securities Co., Ltd. Mr. GAO once served as the chief economist with Everbright Securities Co., Ltd. His previous stints include the Financial Research Institute of the Development Research Center of the State Council and the Administration Department of the People's Bank of China. He also served as independent non-executive director of Sunshine Insurance Group Corporation. Mr. GAO has a doctorate degree.

2. Supervisors

Mr. ZHOU Zhuping currently serves as chairman of the Board of Supervisors of the Company, director and CEO of Siyuanhe Equity Investment Management Co., Ltd., chairman of the Investment Decision-Making Committee of Siyuanhe (Shanghai) Iron and Steel Industry Equity Investment Fund Center (Limited Partnership), chairman and general manager of Chongqing Changshou Iron & Steel Co., Ltd. and chairman of Chongqing Iron and Steel Co., Ltd. (SSE stock code: 601005, SEHK stock code: 01053). Mr. ZHOU previously served as deputy head of the Planning and Finance Department (Asset Management Department) of Shanghai Baosteel Group, board secretary of Baoshan Iron and Steel Co., Ltd., vice president of finance of Baosteel International Economic and Trade Co., Ltd., deputy general manager of Baoshan Iron & Steel Co., Ltd. Trade Branch, head of the Finance Department of Baosteel Group Co., Ltd., business director and head of the Finance Department of Baosteel Group Co., Ltd., general manager of Baosteel Group Enterprise Development Company, president of Baosteel Development Co., Ltd., deputy general manager and board secretary of Baosteel Group Co., Ltd., and chairman of Hwabao Investment Co., Ltd. Mr. ZHOU also served as chairman of the board of supervisors of Baoshan Iron and Steel Co., Ltd. (stock code: 600019) a company listed on SSE. Mr. ZHOU holds a master's degree with the designation of Senior Accountant.

Ms. ZHANG Xinmei currently serves as supervisor of the Company, supervisor of CPIC Life, vice president of Shanghai Jiushi (Group) Co., Ltd. and a director of Haitong Securities Co., Ltd. (Stock code: 600837), a company listed on SSE. Previously Ms. ZHANG served as deputy section chief of the Finance Department of Shanghai Metallurgical Industries Bureau, deputy general manager and general manager of Finance Department of Shanghai Metallurgical (Holding) Group Co., Ltd., deputy chief accountant of Shanghai Metallurgical (Holding) Group Co., Ltd., general manager of Finance Department, general manager of Capital Management Department, chief accountant and vice general manager of Shanghai Jiushi Corporation. Ms. ZHANG also served as director of Shenwan & Hongyuan Securities Co., Ltd. (Stock code: 000166), a company listed on Shenzhen Stock Exchange and director of Shenergy Co., Ltd. (Stock code: 600642), a company listed on SSE. Ms. ZHANG has an MBA degree and the designation of Senior Accountant.

Ms. LIN Lichun currently serves as supervisor of the Company, supervisor of CPIC P/C and general manager of Shanghai Hongta Hotel Co., Ltd. Ms. LIN previously served as the Chief Financial Officer and executive deputy general manager of Shanghai Hongta Hotel Co., Ltd., head of Shanghai Office of Hongta Tobacco (Group) Co., Ltd. and supervisor of CPIC Life. Ms. LIN holds a master's degree and is a Chinese Certified Public Accountant.

Mr. YUAN Songwen currently serves as the employee representative supervisor of the Company, general manager of the Auditing Services Department of the Internal Auditing Center and supervisor of CPIC AMC. Previously, Mr. YUAN had worked as deputy general manager of the Auditing Department, deputy general manager of the Internal Auditing Department, deputy general manager of Department No. 1 of the Auditing Division, the commissioner of the Tianjin Office of the Auditing Center and general manager of Northern China Auditing Department of the Company. He once worked in the Audit Bureau of Putuo District of Shanghai. Mr. YUAN has a master's degree.

3. Senior management

Mr. KONG Qingwei currently serves as chairman of the Company. Please refer to the section headed "1. Directors" above for the details of his biography.

Mr. HE Qing currently serves as president of the Company. Please refer to the section headed "1. Directors" above for the details of his biography.

Ms. PAN Yanhong currently serves as vice president and CFO of the Company and a director of CPIC P/C, CPIC Life, CPIC AMC, CPIC Allianz Health and Changjiang Pension respectively. Ms. PAN previously served in CPIC Life as deputy general manager and general manager of the Finance Department, deputy CFO, member of the Management Committee, CFO and senior vice president. Ms. PAN has a master's degree and is a Chinese Certified Public Accountant.

Mr. CAO Zenghe currently serves as the Chief HR Officer of the Company. Before joining the Company, he was deputy director, director and the secretary (department director and division deputy chief grade) of the General Office of the Provincial Government of Liaoning, deputy general manager of Liaoning Branch (Shenyang), deputy director (or vice president) of Policy Research Department of the head office and deputy general manager for overseas operation of PICC, and deputy secretary-general of the Insurance Institute of China. Mr. CAO also served as first deputy director-general of Shenyang Foreign Economic and Trade Commission, deputy secretary-general of Shenyang Municipal Government (bureau-head level), chief representative in North American Representative Office, president of North American International Limited, a Chinese-owned enterprise in the U.S. and executive president of Hamilton Pacific Financial Holdings Inc. Mr. CAO has a bachelor degree.

Mr. YANG Xiaoling currently serves as the Chief Digital Officer of the Company. His previous roles with CPIC Shanghai Branch include deputy director of the General Office, deputy manager of Pudong Business Office, manager of the research department, manager of business management and assistant to the general manager. He also served as deputy general manager of CPIC Life Shanghai Branch, deputy director of underwriting and claims center of CPIC Life, general manager of CPIC Life Beijing Branch, general manager of the strategic planning department of the Company, general manager of the Development and Planning Department of CPIC Life, Chief Operation Officer and deputy general manager of CPIC Life. Mr. YANG has a master's degree.

Mr. CHEN Wei currently serves as the Chief Internal Auditor and Audit Responsible Person of the Company. Mr. CHEN served as the chief representative of the Company's London Representative Office, director and general manager of CPIC HK, the Board Secretary of CPIC Life, the Board Secretary of the Company and chairman of the Board of Supervisors of CPIC AMC. Mr. CHEN has a master's degree. He is also an Associate of the Chartered Insurance Institute (ACII).

Mr. YU Bin is assistant president of the Company. Mr. YU served various positions in CPIC P/C, including deputy general manager of the Non-marine Insurance Department, deputy general manager of the Claims Settlement Department, general manager of Marketing Research Center, general manager of the Marketing Department, the Chief Marketing Officer and deputy general manager. Mr. YU has a master's degree.

Mr. ZHANG Yuanhan is the Chief Actuary of the Company, a director of CPIC P/C and CPIC Life respectively and the Chief Actuary of CPIC Allianz Health. Before he joined the Company, Mr. ZHANG served as deputy general manager, CFO and the Chief Actuary of Sun Life Everbright Life Insurance Co., Ltd., director of Sun Life Everbright Asset Management Co., Ltd., the Chief Actuary of Sino Life Insurance Co., Ltd., the Chief Actuary, deputy general manager and vice president of MetLife Insurance Company Limited, and the Chief Actuary of the head office of CITI Insurance of Citigroup Travelers Insurance. Mr. ZHANG has a master's degree and is director of China Association of Actuaries and a member of The Society of Actuaries and American Academy of Actuaries.

Mr. MA Xin currently serves as the Board Secretary, the Transformation Director, director of the Transformation Office, general manager of the Strategic Planning Division of the Company and a director of CPIC P/C and CPIC Life respectively. His previous stints include chief of Business Section Number 1, Chengnan Office of Xi An Branch of China Pacific Insurance Co., Ltd., vice director of the Chengdong Sub-branch for Life Business of Xi An Branch of China Pacific Insurance Co., Ltd., director of Individual Business Department of Xi An Branch of CPIC Life, assistant general manager of Xi An Branch of CPIC Life, deputy general manager and then general manager of Shaanxi Branch of CPIC Life. Mr. MA has a master's degree.

Mr. ZHANG Weidong currently serves as Chief Risk & Compliance Officer, compliance responsible person, Chief Risk Officer, general manager of the Risk Management Dept. and director of the board office of the Company. He is also a director and the board secretary of CPIC P/C and CPIC Life respectively and the board secretary of CPIC AMC. Previously, Mr. ZHANG was the general manager of the Legal Compliance Dept. of the Company. Mr. ZHANG holds a bachelor's degree.

(IV) Positions in corporate shareholders

Name	Name of corporate shareholders	Position held	Term
WANG Jian	Shenergy (Group) Co., Ltd.	Chairman	2014-2017
	Shenergy (Group) Co., Ltd.	Director	Since 2014
WANG Tayu	Shanghai State-Owned Assets Management Co., Ltd.	Vice President	2015-2017
KONG Xiangqing	Hwabao Investment Co., Ltd.	Vice General Manager	Since 2009
ZHU Kebing	Hwabao Investment Co., Ltd.	General Manager	Since 2016
	China Baowu Steel Group Corporation	General Manager of the Center for Integrated Development of Industry and Financial Sector	2016-2017
SUN Xiaoning	The Government of Singapore Investment Co., Ltd.	Managing Director	Since 2017
	The Government of Singapore Investment Co., Ltd.	Co-head of the Government of Singapore Investment North Asia Investment	Since 2016
WU Junhao	Shenergy (Group) Co., Ltd.	Manager of the Financial Management Department	Since 2009
CHEN Xuanmin	Shanghai Haiyan Investment Management Company Limited	Chairman	Since 2016
ZHOU Zhuping	Hwabao Trust Co., Ltd.	Chairman	2016-2017
ZHANG Xinmei	Shanghai Jiushi (Group) Co., Ltd.	Vice President	Since 2015

(V) Positions in other entities

Name	Name of other entities	Position held	Term
WANG Jian	Commercial Aircraft Corporation of China Limited	Vice Chairman	Since 2014
WANG Tayu	Shanghai International Group Co., Ltd.	General Manager of the Investment Management Department No.1	Since 2017
	Shanghai Rural Commercial Bank Co., Ltd.	Director	Since 2018
	Shanghai Xieyi Asset Management Co., Ltd.	General Manager	Since 2017
	Shanghai Guoxin Investment Development Co., Ltd.	Chairman	Since 2017
	Shanghai Chenggao Asset Management Co., Ltd.	Executive Director	2016-2017
	Shanghai Guotai Junan Investment Management Co., Ltd.	Vice Chairman	Since 2015
	Shanghai Guozhi Properties Development Co., Ltd.	Executive Director, General Manager	2014-2018
KONG Xiangqing	Hwabao WP Fund Management Co., Ltd.	Chairman	Since 2017
	Hwabao Duding (Shanghai) Finance Leasing Co., Ltd.	Chairman	Since 2017
	ALD Fortune Auto Leasing & Renting (Shanghai) Co., Ltd.	Chairman	Since 2010
	Hwabao Trust Co., Ltd.	Director	Since 2011
ZHU Kebing	Baosteel Group Finance Co., Ltd.	Chairman	Since 2014
	Hwabao Trust Co., Ltd.	Chairman	Since 2017
	Shanghai Baosight Software Co., Ltd.	Director	2013-2017
	Oriental Steel and Iron E-commerce Co., Ltd.	Director	Since 2011
	Hwabao (Shanghai) Equity Investment Fund Management Co., Ltd.	Chairman	Since 2017
	Sailing Capital Management Co., Ltd.	Director	Since 2017
	Sailing Capital International Investment Fund (Shanghai) Co., Ltd.	Director	Since 2017
	Siyuanhe Equity Investment Management Co., Ltd.	Director	Since 2017

Name	Name of other entities	Position held	Term
SUN Xiaoning	The Government of Singapore Investment Consulting (Beijing) Co., Ltd.	General Manager	Since 2014
	Taikang Insurance (Group) Co. Ltd.	Non-executive Director	Since 2016
	Happy Life Tech Inc.	Non-executive Director	Since 2016
WU Junhao	China Everbright Bank Co., Ltd.	Supervisor	Since 2009
	Shanghai ICY Capital Co., Ltd.	Supervisor	Since 2010
	Shanghai Chenyi New Energy Venture Capital Co., Ltd.	Director	Since 2011
	Orient Securities Company Limited	Director	Since 2011
	Chengdu Xinshen Venture Company	Director	Since 2011
	Shanghai Jiulian (Group) Co., Ltd.	Director	2012-2017
	Shanghai Shenery Leasing Co., Ltd.	Chairman of the Board of Supervisors	Since 2016
	Shanghai Shenergy Chengyi Equity Investment Co., Ltd.	Chairman of the Board of Supervisors	Since 2016
CHEN Xuanmin	Shanghai Tobacco (Group) Corporation	Chief Accountant	Since 2015
	Zhongwei Capital Holdings Co., Ltd.	Vice Chairman	Since 2016
	Shanghai New Tobacco Products Research Institute Co., Ltd.	Chairman of the Board of Supervisors	Since 2016
	Shanghai Tobacco Group Qingpu Tobacco Sugar&Wine Co., Ltd.	Chairman	Since 2016
	Shanghai Tobacco Group Jiading Tobacco Sugar&Wine Co., Ltd.	Chairman	Since 2016
	Shanghai Tobacco Group Putuo Tobacco Sugar&Wine Co., Ltd.	Chairman	Since 2016
	Shanghai Wangbaohe Hotel Co., Ltd.	Chairman	Since 2017
	Shanghai Tobacco Group China Garden Hotel Co., Ltd.	Chairman	Since 2017
BAI Wei	Jingtian & Gongcheng	Partner & Solicitor	Since 1992
	Ning Xia Orient Tantalum Industry Co., Ltd.	Independent Non-executive Director	2011-2017
LEE Ka Sze, Carmelo	Messrs. Woo, Kwan, Lee & Lo of Hong Kong	Senior Partner Solicitor	Since 1998
	Securities and Futures Commission (SEHK Listing)	Member	Since 2012
	Financial Report Review Committee of HK Financial Reporting Council	Convener	Since 2016
	Campaign Committee of the Community Chest of Hong Kong	Member	Since 2004
	Community Chest Corporate Challenge Half Marathon	Co-chairman	Since 2004
	Hopewell Holdings Limited	Non-executive Director	Since 2004
	CSPC Pharmaceutical Group Limited	Non-executive Director	Since 2004
	Yugang International Limited	Non-executive Director	Since 2004
	Safety Godown Company Limited	Non-executive Director	Since 2004
	Termbray Industries International (Holdings) Limited	Non-executive Director	Since 2004
	KWG Property Holding Limited	Independent Non-executive Director	Since 2007
	Esprit Holding Limited	Independent Non-executive Director	Since 2013
LAM Chi Kuen	Luks Group (Vietnam Holdings) Company Limited	Independent Non-executive Director	Since 2016

Name	Name of other entities	Position held	Term
ZHOU Zhonghui	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	Independent Non-executive Director	Since 2013
	S. F. Holding Co., Ltd.	Independent Non-executive Director	Since 2017
	China COSCO Holdings Co., Ltd.	Independent Non-executive Director	Since 2017
	Juneyao Airlines Co., Ltd.	Independent Non-executive Director	2011-2017
GAO Shanwen	Essence Securities Co., Ltd.	Chief Economist	Since 2007
ZHOU Zhuping	Siyuanhe Equity Investment Management Co., Ltd.	Director, CEO	Since 2017
	Siyuanhe (Shanghai) Iron and Steel Industry Equity Investment Fund Center (Limited Partnership)	Chairman of the Investment Decision-Making Committee	Since 2017
	Chongqing Changshou Iron and Steel Company Limited	Chairman and General Manager	Since 2017
	Chongqing Iron and Steel Company Limited	Chairman	Since 2018
ZHANG Xinmei	Haitong Securities Co., Ltd.	Director	Since 2014
LIN Lichun	Shanghai Hongta Hotel Co., Ltd.	General Manager	Since 2009

(VI) Determination and basis for determination of remuneration

The remuneration of directors and supervisors is determined by the Shareholders and the SGM, while the remuneration of the senior management is determined by the Nomination and Remuneration Committee of the board and submitted to the Board of Directors for approval.

The Company determines the remuneration of directors, supervisors and senior management based on factors such as the Company's business results, the line-up of positions, risk management and performance appraisal results while considering market remuneration benchmarks provided by human resources consulting service.

2

Employees

As at the end of the reporting period, a total of 101,887 employees, including those from CPIC Group, CPIC Life, CPIC P/C, CPIC AMC, CPIC Online, CPIC AII, Changjiang Pension, Anxin Agricultural and CPIC Allianz Health, have signed employment contracts with the Company. Their expertise and educational background are set out below:

(I) Expertise

Expertise	Number	Percentage
Management	6,994	6.9%
Professional	40,513	39.8%
Marketing	54,380	53.4%
Total	101,887	100.0%

(II) Education background

Education Background	Number	Percentage
Master's Degree or Above	3,748	3.7%
Bachelor's Degree	45,459	44.6%
Other	52,680	51.7%
Total	101,887	100.0%

(III) Remuneration policies and training programs for employees

The Company has established a risk management related system for market-oriented remuneration mechanism, based on specific positions and performance of the employees with reference to the market conditions. The basic remuneration of our employees is determined based on their positions, duty performances and working experience. The performance-related remuneration of our employees is linked to the results performance of the Company and is determined and paid according to the results of operation of the Company and their individual performance. The Company also provides its employees with benefits and allowance according to applicable regulations of China and industry standards.

The Company organized training programs for its employees based on its development strategies and the working experience of the employees. The Company also set up a training program system and an internet training platform as well as a team of lecturers covering all expertise.

Corporate governance

1

Corporate governance

In 2017, in strict compliance with Company Law of the PRC, Securities Law of the PRC, Insurance Law of the PRC and other applicable laws of the PRC, relevant government ordinances and regulations, and drawing on international best practices, the Company continued to improve the centralized management structure based on realignment of resources and enhanced interaction with the capital market, putting in place a sound corporate governance with effective coordination and a sound system of checks and balances.

The Board of Directors is committed to continuous improvement of the Company's corporate governance by enhancing the integrated management mechanisms and systems. While maintaining the right of self-management of its subsidiaries as independent legal entities, the Group also promoted the centralization of governance of the Company's subsidiaries at the group level, given the fact that the Company was listed as a group. The subsidiaries of the Company have also established a system structure that satisfies the requirements of the Company's operation and has formulated unified and consistent governance systems that meet all kinds of needs. Through the classification of subsidiaries, the Company has adopted differentiated management of its subsidiaries, fully covering the corporate governance structure under the Group. In 2017, CPIC Group and its six insurance subsidiaries all received excellent evaluation in CIRC's on-site assessment and inspection of the Company's corporate governance, reflecting CIRC's endorsement of the Company's governance work.

The SGM, Board of Directors, Board of Supervisors and the senior management fulfilled their functions independent of one another, exercised their rights and performed their duties respectively in accordance with the Articles of Association, coordinating and balancing among each other to ensure the smooth operation of the Company. The SGM is composed of all shareholders. The Board of Directors implements the resolutions made by the SGM and exercises the decision-making power of the Company, responsible for the overall leadership of the Group; while the senior management, under the leadership of the president, is responsible for the day-to-day management of the Company's businesses and implementation of the strategies approved by the Board. The Board of Supervisors is responsible to the SGM, and exercises the duties of supervising the directors and senior executives and reviewing the financials of the Company.

The Company also put in place mechanisms to ensure smooth communication between the board of directors, the supervisory board and the management, creating an enabling environment for the board and the supervisory board to perform their duties and keep abreast of the Company's situation.

During the reporting period, the Company was in compliance with all code provisions and substantially all of the recommended best practices of the Corporate Governance Code.

The Company has adopted and implemented the Model Code for Securities Transactions for the securities transactions of its directors and supervisors. After specific inquiry by the Company, all of its directors and supervisors confirmed that they complied with the Code of Conduct set out under the Model Code for Securities Transactions throughout the reporting period. During the reporting period, the Company was not aware of any activities of its directors or supervisors that were not in full compliance with the Model Code for Securities Transactions.

(I) Shareholders and the SGM

Shareholders are the investors of the Company. To safeguard shareholder's rights, the Company sets out detailed provisions on shareholder's rights and how to realize them in the Articles of Association, and takes seriously the dividend policy, shareholders' investment return and their right to earnings. The Company also focused on communication with shareholders to help them make informed decisions.

Under the Articles of Association, the main responsibilities of the SGM are, among others, to formulate the Company's strategic direction and investment plans, elect and replace directors and supervisors other than those who are also the Company's employees and decide their remuneration, consider and approve the annual budgets and accounts, profit distribution plans and loss compensation plans of the Company, adopt proposals regarding any increase or decrease in the registered capital of the Company and any merger, separation, dissolution or liquidation or change of corporate form of the Company, consider and approve the listing of all or any part of the shares on any stock exchange as well as any proposed issuance of bonds or other securities of the Company, adopt proposals regarding the appointment and dismissal of the accountant of the Company, conduct statutory audit of the Company's financial reports on a regular basis, and amend the Articles of Association.

The Articles of Association and the Procedural Rules for the SGM also contain detailed rules for convening extraordinary sessions and specific procedures for putting forward proposals at such meetings. Under Article 71(3) of the Articles of Association and Article 6(3) and Article 7 of the Procedural Rules for SGM, shareholders holding 10% or above of total voting shares issued by the Company individually or jointly may sign and submit a request in writing to the Board of Directors for an extraordinary general meeting or a classified SGM. Upon receipt of such a request, the Board of Directors shall decide whether to convene a general meeting or classified SGM based on the actual situation according to the laws, administrative regulations and the Articles of Association. Pursuant to Articles 68(12) and 73 of the Articles of Association and Articles 12 and 13 of the Procedural Rules for SGMs, shareholders holding 3% or above (including 3%) of the total voting shares issued by the Company individually or jointly may put forward temporary proposals, but they must submit the proposal to the convener in writing ten days prior to the holding of general meeting. If the shareholder entitled to submit proposals has any objection towards the decision of the Board for not including his/her proposal in the agenda of the general meeting, he/she may request a separate extraordinary general meeting according to the procedures as set out in the Procedural Rules for SGMs. The contact information for shareholders' enquiry regarding the affairs of Company is set out in the section "Corporate information and definitions" of this report.

In 2017, the Company held 2 shareholders' general meetings.

The 2016 shareholders' annual general meeting was held in Shenzhen on 9 June 2017, which considered and approved the Resolution regarding the Report of Board of Directors of China Pacific Insurance (Group) Co., Ltd. for the year 2016, etc. Details of the resolutions were set out in the announcements published on the websites of SSE, SEHK and the Company.

On 27 December 2017, the Company held its first interim SGM for 2017, which reviewed and passed proposals including the Proposal on Amendments to the "Articles of Association of China Pacific Insurance (Group) Co., Ltd" (please refer to the announcements on the websites of SSE, SEHK and the Company).

The attendance of directors was as follows:

Name of directors	No. of board meetings convened	Attendance in person	Percentage of attendance(%)	Remarks
Executive Directors				
KONG Qingwei	1	1	100	
HE Qing	0	0	/	
Non-Executive Directors				
WANG Jian	2	2	100	
WANG Tayu	1	0	0	unable to attend for work reasons
KONG Xiangqing	1	0	0	unable to attend for work reasons
ZHU Kebing	1	0	0	unable to attend for work reasons
SUN Xiaoning	2	2	100	
WU Junhao	2	2	100	
CHEN Xuanmin	1	0	0	unable to attend for work reasons

Name of directors	No. of board meetings convened	Attendance in person	Percentage of attendance(%)	Remarks
Independent Non-Executive Directors				
BAI Wei	2	2	100	
LEE Ka Sze, Carmelo	2	2	100	
LAM Chi Kuen	2	2	100	
ZHOU Zhonghui	2	2	100	
GAO Shanwen	2	2	100	
Former Executive Directors				
GAO Guofu	0	0	0	
HUO Lianhong	1	1	100	
Former Non-Executive Directors				
WANG Chengran	1	0	0	unable to attend for work reasons
WU Jumin	0	0	0	
ZHENG Anguo	1	0	0	unable to attend for work reasons
HA Erman	1	1	100	

Notes:

1. On 2 April 2017, Mr. WU Jumin passed away due to illness.
2. On 12 April 2017, Mr. GAO Guofu resigned from his positions as Chairman of the Board of Directors, Executive Director, and Chairman of the Strategic and Investment Decision-Making Committee due to job changes.
3. On 9 June 2017, Mr. KONG Qingwei was elected as executive director of the 8th Board of Directors at the 2016 SGM. Mr. WANG Jian, Ms. SUN Xiaoning, Mr. WU Junhao, Mr. WANG Tayu, Mr. ZHU Kebing, Mr. KONG Xiangqing, and Mr. CHEN Xuanmin were elected as non-executive directors; Mr. BAI Wei, Mr. LEE Ka Sze, Mr. LAM Chi Kuen, Mr. ZHOU Zhonghui and Mr. GAO Shanwen were elected as independent non-executive directors; Mr. WANG Chengran, Mr. ZHENG Anguo and Ms. HA Erman ceased to serve as directors of the Company.
4. On October 23, 2017, Mr. HUO Lianhong resigned as executive director and member of the Risk Management Committee of the Company due to age.
5. On December 27, 2017, Mr. HE Qing was elected as executive director of the 8th Board of Directors of the Company at the first extraordinary SGM in 2017.

The notification, convening, and proceeding of the general meetings and the procedures followed for voting were in compliance with the Company Law of the PRC, the Articles of Association and applicable regulations.

The SGM has set up an effective communication channel with the shareholders so that their voices can be heard and their advice heeded, ensuring shareholders' rights to information, participation and voting in respect of any significant issues of the Company. This created a positive atmosphere for the shareholders to take part in the decision-making process of the Company and exercise their rights equally.

In strict compliance with regulatory rules and requirements on corporate governance and the protection of minority investors, the Company continued to improve its corporate governance and investor communication to fulfill its responsibilities to shareholders. To better protect the interests of minor investors, we fully adopted online voting in SGMs, and the separate vote counting and public disclosure for minority investors.

(II) Directors, Board of Directors and committees of the Board of Directors

In 2017, the Company elected the 8th Board of Directors. The 8th Board of Directors consists of 14 directors (for their biographies please see section "Directors, Supervisors, Senior Management and Employees"). Among them, five are independent non-executive directors, making up one-third of all directors. The number and composition of the Board of Directors are in compliance with applicable regulatory requirements.

Under the Articles of Association, the Board of Directors shall be accountable to the SGM and exercise, among others, the following powers: to convene SGMs, implement their resolutions, determine the business and operation plans and investment plans of the Company, formulate annual financial budget and final accounting plans, formulate profit distribution and loss compensation plans, formulate the proposals for increases or decreases in the registered share capital and issue of corporate bonds and issue and listing of other securities of the Company, appointment or dismissal of President, appointment or dismissal of Board Secretary based on Chairman's nomination, appointment or dismissal of Head of Audit based on Chairman or Audit Committee's nomination, appointment or dismissal of Vice President, Head of Finance, Chief Actuary, Head of Compliance, business unit directors and other senior executives based on President's nomination and develop the basic policies and systems of the Company. So far as the Company is aware, no financial, business, family or other material/relevant relationship exists among its board members. In particular, there are none between chairman and president. The roles of chairman and president are separated and assumed by Mr. KONG Qingwei and Mr. HE Qing respectively. The chairman of the Board is responsible for presiding over SGMs and board meetings, and performing other duties granted by the board of directors, while the president of the Company is responsible to the Board of Directors and directs the operation and management of the Company. The division of responsibilities between chairman and president has been clearly established and set out in writing in the Articles of Association. For the terms of office of all non-executive directors, please refer to the section "Directors, Supervisors, Senior Management and Employees" of this report.

1. Attendance of board meetings

In 2017, the Board of Directors held 13 meetings. All directors duly performed their duties and attended the meetings in person or by electronic communication means. They made informed decisions to safeguard the interests of the Company and their shareholders as a whole. The attendance of directors is as follows:

Names of directors	No. of board meetings convened	Attendance in person	Attendance by proxy	Absence	Remarks
Executive Directors					
KONG Qingwei	5	5	0	0	
HE Qing	0	0	0	0	
Non-executive Directors					
WANG Jian	13	12	1	0	Unable to attend the 5th session of the 8th Board of Directors for work reasons and Director WU Junhao was appointed to attend and vote at the meeting on his behalf.
WANG Tayu	5	5	0	0	
KONG Xiangqing	5	5	0	0	
ZHU Kebing	5	4	1	0	Unable to attend the 5th session of the 8th Board of Directors for work reasons and Director KONG Xiangqing was appointed to attend and vote at the meeting on his behalf.
SUN Xiaoning	13	13	0	0	
WU Junhao	13	13	0	0	
CHEN Xuanmin	5	5	0	0	
Independent Non-Executive Directors					
BAI Wei	13	13	0	0	
LEE Ka Sze, Carmelo	13	13	0	0	
LAM Chi Kuen	13	13	0	0	
ZHOU Zhonghui	13	13	0	0	
GAO Shanwen	13	13	0	0	
Former Executive Directors					
GAO Guofu	5	5	0	0	
HUO Lianhong	11	11	0	0	
Former Non-executive Directors					
WANG Chengran	7	7	0	0	
WU Jumin	4	3	0	1	Unable to attend the 16th session of the 7th Board due to personal reasons.
ZHENG Anguo	7	7	0	0	
HA Erman	7	7	0	0	

Notes:

1. On 2 April 2017, Mr. WU Jumin passed away due to illness.
2. On 12 April 2017, Mr. GAO Guofu resigned from his positions as Chairman of the Board of Directors, Executive Director, and Chairman of the Strategic and Investment Decision-Making Committee due to job changes.
3. On 9 June 2017, Mr. KONG Qingwei was elected as executive director of the 8th Board of Directors at the 2016 SGM. Mr. WANG Jian, Ms. SUN Xiaoning, Mr. WU Junhao, Mr. WANG Tayu, Mr. ZHU Kebing, Mr. KONG Xiangqing, and Mr. CHEN Xuanmin were elected as non-executive directors; Mr. BAI Wei, Mr.LEE Ka Sze, Mr.LAM Chi Kuen, Mr. ZHOU Zhonghui and Mr. GAO Shanwen were elected as independent non-executive directors; Mr. WANG Chengran, Mr. ZHENG Anguo and Ms. HA Erman ceased to serve as directors of the Company.
4. On 23 October 2017, Mr. HHO Lianhong resigned as executive director and member of the Risk Management Committee of the Company due to age.
5. On 27 December 2017, Mr. HE Qing was elected as executive director of the 8th Board of Directors of the Company at the first extraordinary SGM in 2017.

2. Board meetings and resolutions

The Board of Directors held 13 meetings in 2017 (for details please refer to the announcements published on the websites of SSE, SEHK and the Company):

(1) On 20 January 2017, the Company held the 1st extraordinarily session of the 7th Board of Directors in Shanghai, at which The Resolution in Relation to the Appointment of Mr. CAO Zenghe as the Chief Human Resource Officer of China Pacific Insurance (Group) Co., Ltd. was considered and approved.

(2) On 20 February 2017, the Company held the 2nd session of the 7th Board of Directors in Shanghai, at which The Resolution in Relation to the Nomination of Director Candidates of the 8th Board of Directors of China Pacific Insurance (Group) Co., Ltd. was considered and approved.

(3) On 6 March 2017, the Company held the 3rd extraordinary session of the 7th Board of Directors in 2017, at which The Resolution in Relation to the Change in Director Candidates of the 8th Board of Directors of China Pacific Insurance (Group) Co., Ltd. was considered and approved.

(4) On 29 March 2017, the Company held the 16th session of the 7th Board of Directors in Shanghai, at which resolutions including The Resolution in Relation to the Report the Board of Directors of China Pacific Insurance (Group) Co., Ltd. for 2016 were considered and approved.

(5) On 12 April 2017, the Company held the 4th extraordinary session of the 7th Board of Directors in Shanghai, at which resolutions including The Resolution on Convening 2016 SGM of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(6) On 24 April 2017, the Company held the 5th extraordinary session of the 7th Board of Directors by communications, at which The Resolution on the Supplementary Amendments to the Articles of Association of China Pacific Insurance (Group) Co., Ltd. was considered and approved.

(7) On 28 April 2017, the Company held the 17th session of the 7th Board of Directors in Shanghai, at which resolutions including The Resolution on the First Quarter Report for 2017 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(8) On 9 June 2017, the Company held the 1st session of the 8th Board of Directors in Shenzhen, at which resolutions including The Resolution in Relation to the Election of the Board Chairman of 8th Board of Directors of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(9) On 25 July. 2017, the Company held the 2nd session of the 8th Board of Directors in Shanghai, at which resolutions including The Resolution in Relation to External Investments were considered and approved.

(10) On 25 August 2017, the Company held the 3rd session of the 8th Board of Directors in Shanghai, at which resolutions including The Resolution in Relation to A Share Interim Report for 2017 and its Summary of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(11) On 25 September 2017, the Company held the 4th session of the 8th Board of Directors in Shanghai, at which The Resolution in Relation to External Investments was considered and approved.

(12) On 27 October 2017, the Company held the 5th session of the 8th Board of Directors in Shanghai, at which resolutions including The Resolution on the Third Quarter Report for 2017 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(13) On 15 December 2017, the Company held the 6th session of the 8th Board of Directors by communications, at which resolutions including The Resolution on Internal Control Work Plan for 2018 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

3. Implementation of the resolutions of the SGM by the Board of Directors

In 2017, all the Company's board members conscientiously implemented the resolutions passed by the SGM including those on profit distribution plan for 2016, the engagement of auditors for 2017, the election of the members of the 8th Board and revision of the Company's Articles of Association, accomplishing all the tasks the SGM delegated and assigned with due diligence in compliance with relevant laws and regulations and the provisions under the Articles of Association.

The Company distributed a cash dividend of RMB0.70 per share (including tax) in accordance with the Resolution on Profit Distribution Plan for the year 2016 approved at the 2016 shareholders' annual general meeting. The implementation of this distribution plan was completed in August 2017.

4. Corporate governance functions of the Board

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(1) To develop and review the Company's policies and practices on corporate governance and make recommendations;

(2) To review and monitor the training and continuous professional development of directors and senior management;

(3) To review and monitor the Company's policies and practices on compliance with all legal and regulatory requirements;

(4) To develop, review and monitor the code of conduct applicable to the employees and directors of the Company;

(5) To review the Company's compliance with Corporate Governance Code and disclosure requirements in the Corporate Governance Report; and

(6) To review and monitor the Company's risk management and internal control systems.

In 2017, the Board fulfilled the above corporate governance functions. In accordance with Corporate Governance Code revised by SEHK, the Board carried out the above said risk management and internal control functions.

In addition, to improve the corporate governance mechanism and based on the regulatory requirements on strategic planning and solvency risk management, the Company revised some corporate governance policies such as the Working Regulations for the Risk Management Committee and the Working Regulations for the Strategy and Investment Decision Committee, which further strengthened the Group's overall control over its subsidiaries.

The Board has completed the annual review of the effectiveness of the Company's risk management and internal control systems for the year ended 31 December, 2017 (including those of all the subsidiaries), and continuously oversees the issuers' risk management and internal control systems, including financial monitoring, operational monitoring and compliance monitoring. In this regard, the Board of Directors has obtained confirmation from the management on the effectiveness and completeness of the Company's risk management and internal control systems and procedures. (For details of the risk management & internal control and inside information control of the Company, please refer to the corresponding sections of this chapter.)

The Board had reviewed the Company's risk management and internal control systems, and considered them to be effective and sufficient.

5. Performance of duties by the special committees under the Board of Directors

The Board of Directors established four special committees, namely, the Strategic and Investment Decision-Making Committee, the Audit Committee, the Nomination and Remuneration Committee and the Risk Management Committee, which conduct in-depth studies on specific issues and submit their recommendations to the Board of Directors for consideration.

(1) Performance of duties by the Strategic and Investment Decision-Making Committee of the Board of Directors

The primary duties of the Strategic and Investment Decision-Making Committee are, among others, to study and advise on the long term development strategies of the Company and its subsidiaries; review the investment decision-making procedures and delegation mechanism as well as the management of insurance funds; study and advise on material investments decisions or proposals, material capital management projects and asset management projects.

In 2017, the Strategic and Investment Decision-Making Committee held 11 meetings and provided comments and suggestions on such matters as profit distribution, the execution of the Company's development plans and capital operation. The attendance of its members is as follows:

Name of members	Position	No. of committee meetings convened	Attendance in person	Attendance by proxy	Absence
Incumbent members					
KONG Qingwei (committee chairman)	Chairman and Executive Director	5	5	0	0
WANG Jian	Vice-Chairman and Non-Executive Director	11	11	0	0
ZHU Kebing	Non-Executive Director	5	5	0	0
SUN Xiaoning	Non-Executive Director	11	11	0	0
GAO Shanwen	Independent Non-Executive Director	11	11	0	0
Outgoing members					
GAO Guofu (committee chairman)	Chairman and Executive Director	4	4	0	0
WANG Chengran	Former Non-Executive Director	6	6	0	0

Note:

1. On 12 April 2017, Mr. GAO Guofu resigned from his positions as Chairman of the Board of Directors, Executive Director, and Chairman of the Strategic and Investment Decision-Making Committee due to job changes.
2. On 9 June 2017, the first session of the 8th Board of Directors considered and passed the *Resolution on Election of Members of the Special Committees of the 8th Board of Directors of China Pacific Insurance (Group) Co., Ltd.* The Strategic and Investment Decision-making Committee members are Mr. KONG Qingwei (chairman), Mr. WANG Jian, Mr. ZHU Kebing, Ms. SUN Xiaoning and Mr. GAO Shanwen; Mr. WANG Chengran no longer serves as a member.

(2) Performance of duties by the Audit Committee of the Board of Directors

The primary duties of the Audit Committee are, among other things, to nominate external auditors; review the Company's basic internal audit systems and to make recommendations to the board; approve the Company's annual audit plan and budget; supervise the independence of the Company's internal audit department; review the financial information of the Company and its disclosure; evaluate the completeness and effectiveness of the Company's internal control system on a regular basis; hear the reports and assess the performance of the Internal Audit Responsible Person regularly and make recommendations to the Board of Directors; and review accounting policies and practices of the Company and its subsidiaries.

The primary duties of the Audit Committee are, among other things, to evaluate the completeness and effectiveness of the Company's internal control system on a regular basis to ensure the effective operation of the internal control system. The Audit Committee hears the audit director's annual internal control assessment report every year, obtains assurance from the management on the effectiveness and completeness of the Company's internal control system, and reviews the effectiveness of the internal control system. Meanwhile, members of the Audit Committee, from time to time, communicate with the audit director and other senior managers on the internal control situation, and through participation in relevant meetings of the audit center, keep close contact with the audit center, to continuously monitor the completeness and effectiveness of the internal control system.

In 2017, the Audit Committee held 7 meetings and reviewed, among other things, the Company's 2016 annual report, the interim report and quarterly reports for 2017, the internal control evaluation report and the internal audit plan. The attendance of its members is as follows:

Name of members	Position	No. of Committee meetings convened	Attendance in person	Attendance by proxy	Absence
ZHOU Zhonghui (chairman)	Independent Non-Executive Director	7	7	0	0
WU Junhao	Non-Executive Director	7	7	0	0
CHEN Xuanmin	Non-Executive Director	3	3	0	0
BAI Wei	Independent Non-Executive Director	4	4	0	0
LAM Chi Kuen	Independent Non-Executive Director	7	7	0	0

Note: On 9 June 2017, the first session of the 8th Board of Directors considered and passed the *Resolution Regarding the Election of the Special Committees of the 8th Board of Directors of China Pacific Insurance (Group) Co., Ltd.* The Audit Committee members are: Mr. ZHOU Zhonghui (chairman), Mr. BAI Wei, Mr. WU Junhao, Mr. CHEN Xuanmin, and Mr. LAM Chi Kuen.

The Audit Committee discussed with the external auditors and agreed on the schedule for the auditing of the Company's financial statements for 2017 based on the plan for the preparation of the Company's annual report. It held a meeting to review the financial statements prepared by the Company and issued its opinions in writing prior to the commencement of the audit by the external auditors, and maintained adequate and timely communication with the auditors during the process. The committee also convened to review the financial statements of the Company after the external auditors issued their preliminary opinions, and issued its opinions in writing. At its 2nd meeting of the year, it formed a resolution on the submission of the Company's annual report to the Board of Directors for approval.

In 2017, the Audit Committee submitted a report on the overview of auditing by external auditors for the year 2016 to the Board of Directors. In this report, it expressed satisfaction with the overall performance of the auditors. At its 2nd meeting in 2017, the Committee formed a resolution to submit a resolution regarding the engagement of external auditors to the Board of Directors for consideration and approval.

The committee paid close attention to the internal control of the Company and received periodical and interim updates on audit issues, including audit work reports from relevant departments in order to be informed in a timely manner of any significant issues encountered in the internal control and risk management of the Company. It also strengthened its guidance in relation to the Company's internal audit and took part in the appraisal and evaluation of the annual performance of the internal audit department.

(3) Performance of duties by the Nomination and Remuneration Committee of the Board of Directors

The primary duties of the Nomination and Remuneration Committee are, among others, to provide recommendations to the board with respect to the remuneration and performance management policy and structures for directors and senior management; conduct examination and evaluation of the performance of duties and annual performance of the directors and the senior management; review the selection and appointment system for the directors and senior management and provide recommendations to the board; evaluate candidates of senior management positions nominated by the president; and review the policy on diversity of board members.

In accordance with the requirement set out in the Corporate Governance Code, the Company has incorporated a policy concerning diversity of board members into the terms of reference of the Nomination and Remuneration Committee. In assessing the Board composition, the Nomination and Remuneration Committee and the Board would take into account various aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination and Remuneration Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In 2017, the Nomination and Remuneration Committee held 9 meetings to review the performance evaluation results of the Company for 2016 and performance appraisal plan of the senior management for 2017, the appointment and removal of members of the senior management and the nomination of the members of the 8th Board. The attendance of the members of the Nomination and Remuneration Committee is as follows:

Name of members	Position	No. of committee meetings convened	Attendance in person	Attendance by proxy	Absence
Incumbent members					
GAO Shanwen (chairman)	Independent Non-Executive Director	9	9	0	0
KONG Xiangqing	Non-Executive Director	2	2	0	0
SUN Xiaoning	Non-Executive Director	9	9	0	0
BAI Wei	Independent Non-Executive Director	9	9	0	0
LEE Ka Sze, Carmelo	Independent Non-Executive Director	9	9	0	0
Outgoing member					
ZHENG Anguo	Former Non-Executive Director	6	6	0	0

Note: On 9 June 2017, the first session of the 8th Board of Directors considered and passed the *Resolution Regarding the Election of the Special Committees of the 8th Board of Directors of China Pacific Insurance (Group) Co., Ltd.* The Nomination and Remuneration Committee members are: Mr. GAO Shanwen (chairman), Mr. KONG Xiangqing, Ms. SUN Xiaoning, Mr. BAI Wei and Mr. LEE Ka Sze, Carmelo; Mr. ZHENG Anguo no longer serves as a member.

(4) Performance of duties by the Risk Management Committee of the Board of Directors

The primary duties of the Risk Management Committee are, among others, to make recommendations to the board with respect to the overall objective, basic policies and work rules of risk management; make recommendations to the board with respect to the risk evaluation for major decisions and solutions for significant risks; review material related party transactions and connected transactions; review the management system for insurance funds management; advise the board on the SAA plan, annual investment plan and investment guidelines and their adjustments; make recommendations to the board with respect to the coordination mechanisms for product design, sales and investment and their performance discuss risk management system with the management to ensure that effective risk management system is established; conduct research on important findings of risk management issues; conduct solvency management; conduct risk management for subsidiaries.

The Company's Risk Management Committee hears a quarterly risk assessment report by the Chief Risk Officer each quarter, obtains assurance at the time of annual reporting from the management on the effectiveness and completeness of the Company's risk management system, and reviews the effectiveness of the risk management system. Meanwhile, the committee, from time to time, communicates with the Chief Risk Officer and other senior managers on the major risks of the Company and its subsidiaries to monitor the effectiveness of the risk management system. In addition, the Company has established a mechanism for reporting to the Board's Risk Management Committee major risk events such as solvency early warning. In case of significant risk, the Risk Management Committee of the Board will be notified in a timely manner.

In 2017, the Risk Management Committee held 7 meetings to review the Company's Risk Assessment Report, Compliance Report, Solvency Report, Annual Investment Guidelines, the report on 5-category risk classification of assets, the reports on regular related party transactions and the execution of related party transactions. The attendance of its members is as follows:

Name of members	Position	No. of committee meetings convened	Attendance in person	Attendance by proxy	Absence
Incumbent members					
LAM Chi Kuen (chairman)	Independent Non-Executive Director	7	7	0	0
WANG Tayu	Non-Executive Director	4	4	0	0
LEE Ka Sze, Carmelo	Independent Non-Executive Director	5	5	0	0
ZHOU Zhonghui	Independent Non-Executive Director	5	5	0	0
Outgoing members					
HUO Lianhong	Executive Director, president	5	5	0	0
WU Jumin	Non-Executive Director	1	0	0	1
HA Erman	Non-Executive Director	2	2	0	0

Notes:

1. On 2 April 2017, Mr. WU Jumin passed away due to illness.
2. On 9 June 2017, the 1st session of the 8th Board of Directors considered and passed the Resolution Regarding the Election of Special Committees of the 8th Board of Directors of China Pacific Insurance (Group) Co., Ltd., and the members of the 8th Risk Management Committee are: Mr. LAM Chi Kuen (chairman), Mr. WANG Tayu, Mr. LEE Ka Sze, Carmelo, Mr. ZHOU Zhonghui and Mr. HUO Lianhong; Ms. HA Erman ceased to serve as a member.
3. On 23 October, 2017, Mr. HUO Lianhong resigned as an executive director and member of the Risk Management Committee due to age consideration.

(III) Supervisors and the Board of Supervisors

As at 31 December 2017, the Company had 4 supervisors, including 3 shareholder representative supervisors and one employee representative supervisors (their biographies are set out in the section "Directors, Supervisors, Senior Management and Employees" of this report).

Under the Articles of Association, the Board of Supervisors is vested by law to exercise the following rights and powers: examine the finances of the Company; monitor the behaviors of directors, president, vice presidents and other senior management during their performance of duties; review the financial information including financial reports, operation reports and profit distribution plans to be submitted to the SGM; propose to convene extraordinary session of the SGM and propose resolutions to it; and conduct investigation when there is any major abnormality in the Company's operation.

1. Attendance of supervisors

In 2017, the Board of Supervisors held 7 meetings. Their attendance is as follows:

Name of Supervisors	No. of meetings convened	Attendance in person	Attendance by proxy	Absence	Remarks
Incumbent supervisors					
ZHOU Zhuping	3	3	0	0	
LIN Lichun	7	7	0	0	
YUAN Songwen	7	7	0	0	
ZHANG Xinmei	7	7	0	0	
Former supervisors					
DAI Zhihao	3	3	0	0	
SONG Junxiang	0	0	0	0	

Notes:

1. On 25 January 2017, Mr. SONG Junxiang resigned as supervisor (employee representative) due to retirement.
2. On 9 June 2017, Mr. ZHOU Zhuping, Ms. LIN Lichun and Ms. ZHANG Xinmei were elected as supervisors (shareholder representative) of the 8th Board of Supervisors at the 2016 SGM of the Company; Mr. DAI Zhihao ceased to serve as supervisor of the Company.
3. At the 1st session of the Company's 3rd employee representatives meeting, Mr. YUAN Songwen was elected as supervisor (employee representative) of the 8th Supervisory Committee.

2. Meetings of the Board of Supervisors and resolutions

The Board of Supervisors held 7 meetings in 2017 (please refer to announcements published on the websites of SSE, SEHK and the Company for details).

(1) On 20 February 2017, the Company held the 1st interim session of the 7th Board of Supervisors in Shanghai, at which resolutions including The Resolution in Relation to Nominating Candidates for Supervisors of the 8th Board of Supervisors of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(2) On 29 March 2017, the Company held the 16th session of the 7th Board of Supervisors in Shanghai, at which resolutions including The Resolution in Relation to the Report of the Board of Supervisors for 2016 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(3) On 28 April 2017, the Company held the 17th session of the 7th Board of Supervisors in Shanghai, at which resolutions including The Resolution in Relation to the First Quarter Report for 2017 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(4) On 9 June 2017, the Company held the 1st session of the 8th Board of Supervisors in Shenzhen, at which resolutions including The Resolution in Relation to Electing the Chairman of the 8th Board of Supervisors of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(5) On 25 August 2017, the Company held the 2nd session of the 8th Board of Supervisors in Shanghai, at which resolutions including The Resolution on the A Share Interim Report for 2017 and its Summary of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(6) On 27 October 2017, the Company held the 3rd session of the 8th Board of Supervisors in Shanghai, at which resolutions including The Resolution Regarding the Third Quarter Report for 2017 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(7) On 15 December 2017, the Company held the 4th session of the 8th Board of Supervisors by communications, at which resolutions including The Resolution Regarding the Regular Related Party Transactions of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

(IV) Reports heard and field research made by directors and supervisors

In 2017, the Company's directors and supervisors heard a number of reports from the management on important matters relating to the Company's execution of strategies, and set out the directions and requirements for the management: pay close attention to the new regulations and their impact on the Company and fully implement CIRC regulations; adhere to the main function of insurance - protection, give priority to financial risk prevention and proactively respond to the opportunities and challenges brought about by policy changes; focus on the goal of "innovating digital experience, optimizing digital supply, and sharing digital ecology", clarify the implementation methodology for "Digital CPIC" and actively respond to the challenges brought about by new technologies. On the back of initials transformation results, the new Board of Directors also required the Company to launch "Transformation 2.0" to focus on customer needs and key issues of development, so as to achieve high-quality development and build CPIC into an integrated insurance group with top-notch customer service, business quality and risk management, and an industry leader in health and stable development.

The Company also organized a field trip for its directors and supervisors at its Data Center in Chengdu in 2017. In addition, some directors also participated in the annual audit meetings, obtaining a better understanding of the Company's business performance and risk management.

(V) Training for directors and supervisors

To improve their professional skills and knowledge of insurance policies and regulations, the directors and supervisors of the Company participated in the training and lectures held by SSE, CIRC and the Company. In 2017, director ZHU Kebing, and chairman of board of supevisors ZHOU Zhuping attended a training program for newly appointed directors, supervisors and senior managers by CIRC. Directors BAI Wei, and LAM Chi Kuen attended the 3rd Follow-up Training Program for Independent Directors for 2017 organized by SSE. In addition, all the Company's directors and supervisors participated in the training held by the Company on related party transactions, watched a series of training videos for directors made by the SEHK such as Director's Duties and Roles and Functions of Board Committee, and by other means, carefully studied the latest laws, regulations and regulatory rules released from time to time by the regulators, which helped with their performance of duties.

The Company also encouraged all its directors and supervisors to attend relevant training, at the cost of the Company. Since 2012, all the directors have been required to provide their records of training to the Company.

(VI) Auditors' remuneration

Information on auditors' remuneration is set out in the "Report of the Board of Directors and significant events".

(VII) Directors' responsibility for the financial statements

The directors confirmed that it is their responsibility to prepare the financial statements which present a true and fair view of the state of affairs at the Company. A statement on reporting responsibility with respect to the accounts made by the Company's auditor is set out in the "Financial Reports" section of this report. After appropriate enquiries, the directors are of the opinion that the Company has sufficient resources to continue its operations as a going concern in the foreseeable future, and it is appropriate to prepare the financial statements on a continuous basis.

(VIII) Investor relations

The investor relations (IR) program of the Company focuses on market value management and seeks to establish a comprehensive and investor-oriented platform with diversified channels of communication. Based on investor segmentation, continued efforts were made to improve the reach and effectiveness of investor communication. In 2017, the Company continued to optimize the format and content of its earnings announcements, making full use of the "digital" approach. In 2017, the Company held its Interim/Annual Earnings Announcements followed by a global road-show, making use of graphic, video, and audio means, etc.; increased voluntary disclosure and held Investors' Days on the "driving forces of sustainable value growth in life insurance" and "life insurance agency channels" as well as other hot topics of the capital market; hosted over 90 visits from analysts and investors, held an Investor Day on the driving forces of sustainable value growth in life insurance to increase voluntary disclosure, attended about 14 global investors strategy meetings, forums and summits, and effectively communicated the Company's business performance and strategies. Besides, the Company employed diverse means of communications with investors/analysts including official WeChat account, WeChat version of regular reports, the E-communication platform of SSE and Investor Newsletters. These initiatives were well received by the capital market. In 2017, the Company won numerous IR awards organized by media outlets including *the Capital* and *China Financial Market.*

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(IX) Information disclosure and inside information management

Regarding information disclosure, the Company strictly abides by the principle of "truthfulness, accuracy, completeness, timeliness and fairness" and takes a "reasonable, prudent and objective" approach towards predictive information. We focus on investor's needs to further improve the relevance, effectiveness and transparency of information disclosure and fully ensure the investor's right to information. During the reporting period, regular reports and a number of provisional announcements were released. While expanding the scope of information disclosure, the Company adopted innovative ways of disclosing non-financial information to fully, concisely, and effectively communicate its major business development strategies and results and its corporate social responsibility efforts and results to the market and other stakeholders in a comprehensive and timely manner. In the past ten years, the Company has always strictly adhered to the listing rules of SSE and SEHK, and effectively performed its information disclosure obligations with zero inquiry and zero punishment from the regulators and zero major error or omission in relation to information disclosure. The Company was rated A by SSE for its information disclosure in 4 consecutive years. In 2017, the Company won the "Best H share and Red Chip Annual Report Award" in the "2017 Best Annual Report Election" held by the Hong Kong Management Association (HKMA).

At the same time, during the reporting period, by closely following the latest regulatory requirements for information disclosure, the Company further improved the Group's integrated information disclosure management model, and made efforts to improve its internal audit process to ensure the efficiency and quality of the Group's information disclosure management. The Company has established and has been continuously reviewing an inside information management system, covering: scope of inside information, inside information source management, inside information flow, submission, disclosure process and related responsibilities, relevant training, inspection and penalties. Measures including risk warning, special training, inspection and checking were taken to ensure the effective implementation of external regulatory policies and internal rules for inside information management.

(X) Joint company secretaries

Dr. Maurice NGAI (director and chief executive officer of SW Corporate Services Group Limited) and Mr. MA Xin were appointed as the joint company secretaries of the Company. Mr. MA, the secretary of the Board of Directors and joint company secretary, serves as the primary contact person between Dr. NGAI and the Company. During the year ended 31 December 2017, Mr. MA and Dr. NGAI have attended relevant professional trainings as stipulated by Hong Kong Listing Rules, respectively.

2

Independent non-executive directors

The Company's 8th Board of Directors consists of 5 independent non-executive directors comprising professionals in the economic, financial, auditing and legal fields, and the number of independent non-executive directors is one-third of the total number of the board, in compliance with applicable regulatory requirements and the provisions of the Articles of Association.

The Company's independent non-executive directors have the required expertise and experience and are able to perform their duties strictly in accordance with the requirements of applicable laws and regulations, regulatory documents, the Articles of Association and Provisions on Performance of Duties by Independent Non-executive Directors. They have provided comments and suggestions on, among other things, corporate governance, business operation, risk management and internal control. Independent non-executive directors have played a meaningful role in the Company's decision making process, offering an independent and impartial perspective and safeguarding the interests of the Company and in doing so, the interests of minority shareholders as well.

In 2017, all the independent non-executive directors attended meetings of the Board of Directors as scheduled. They took the initiative to better understand the operating situation of the Company, doing research, making inquiries, and obtaining necessary materials and information for decision-making. They provided independent and unqualified opinions on matters of the Company such as changes of significant accounting estimates, election of board members and remuneration policy for and the performance appraisal of senior management.

(I) Attendance of independent non-executive directors at the SGM

In 2017, the Company's independent non-executive directors actively attended the SGM, details of which are as follows:

Names of independent non-executive directors	No. of SGMs convened	Attendance in person	Attendance by proxy	Absence
BAI Wei	2	2	0	0
LEE Ka Sze, Carmelo	2	2	0	0
LAM Chi Kuen	2	2	0	0
ZHOU Zhonghui	2	2	0	0
GAO Shanwen	2	2	0	0

(II) Attendance by independent non-executive directors of board meetings

In 2017, independent non-executive directors actively attended the meetings of the Board of Directors and the attendance of each of the independent non-executive directors is as follows:

Names of independent non-executive directors	No. of board meetings convened	Attendance in person	Attendance by proxy	Absence
BAI Wei	13	13	0	0
LEE Ka Sze, Carmelo	13	13	0	0
LAM Chi Kuen	13	13	0	0
ZHOU Zhonghui	13	13	0	0
GAO Shanwen	13	13	0	0

(III) Objections by the independent non-executive directors on relevant matters of the Company

No objections were raised by independent non-executive directors on relevant matters of the Company and there were no such cases where proposals by the independent non-executive directors were not adopted.

(IV) Independence of the independent non-executive directors

The Company received from each independent non-executive director a written confirmation of his independence from the Company pursuant to the Hong Kong Listing Rules. The Company considers all of the independent non-executive directors to be independent of the Company.

3

Independence of the Company from its controlling shareholders in asset, personnel, finance, organization and business

The ownership structure of the Company is diversified and there is no controlling shareholder or de facto controller.

As a wholly-listed comprehensive insurance group company, the Company is fully independent in the following five aspects: assets, personnel, finance, organization and business.

4

Appraisal and incentive programs for the senior management

The performance management of the Company's senior management primarily comprises formulation of performance appraisal plan, performance tracking, appraisal of performance and application of the appraisal results. The annual performance appraisal plan will be determined by the board based on the long-term and medium-term development strategies and the operation plan for the year. The Company will take follow-up actions on the fulfillment of various appraisal indicators regularly. At the end of the year, the board will assess the performance based on the fulfillment of the operational objectives for the entire year. The results of appraisal are linked to the compensation for the senior management.

The Company has in place a remuneration policy with reference to the positions and performance of the employee and market conditions. It also adopts deferred bonus plan for the senior management as an incentive to create long-term value for the Company.

In 2017, leveraging remuneration schemes for professional managers, the Company took a market-oriented approach towards the remuneration of the President and Vice President to improve incentives and accountabilities, focusing on market-based selection and recruitment. Their employment contracts include clearly defined roles and responsibilities and duration of the positions, differentiated remuneration, detailed remuneration structure and appraisal terms, terms of contract renewal and termination.

5
Risk management

Risk management is a core element of the Company's operation and management. The Company takes a centralized approach to risk management - set up one overarching risk management framework covering the whole Group, with one set of risk language, risk policies and important systems, core tools and indicators, and risk management information system shared across all subsidiaries to enhance the planning, leadership and supervision of subsidiary's risk management. We strove to create a risk management system that integrates with business management so as to better support the execution of business decisions, and to ensure the Company's prudent operation.

(I) Risk governance structure

The Board of Directors shoulders the ultimate responsibility of the Company's risk management.

The Board runs a Risk Management Committee under it, with a mandate for overall risk management of the Company. The committee's main responsibilities include understanding the Company's major risk exposures and their management status and oversight of the effectiveness of the Company's risk management system. The committee is also responsible for making recommendations to the Board over matters such as the overall objectives, basic policies and work mechanisms of risk management, the set-up of risk management institutions and the definition of their responsibilities, risk assessment of major decisions and solutions for the mitigation of major risks, annual and quarterly risk evaluation reports and other assignments from the Board. At the same time, the Risk Management Committee is also responsible for reviewing the above matters of the subsidiaries of the Group which does not have specialized committees under its board subject to regulatory approval.

The Company submits annual and quarterly risk evaluation reports to the Board Risk Management Committee on the Company's risk positions and management measures. And the annual reports will be submitted to CIRC after being reviewed by the Board. The Company has also established a mechanism for timely reporting to the Board Risk Management Committee on major risk events such as solvency early warning. In 2017, the Board Risk Management Committee convened 7 meetings to review related risk matters and reports.

The Company's Management Committee is mandated to organize and execute the Company's risk management activities, appoints the Chief Risk Officer, reports to the Board Risk Management Committee on the Company's risk positions and management measures quarterly. Under the Management Committee there is the Working Group of Compliance and Risk Management, chaired by the Chief Risk Officer and composed of senior management and heads of key corporate functions of both the Company and its subsidiaries. The Working Group is responsible for the formulation of risk management plans, co-ordination and execution/oversight.

Each functional department or branch has priority to be responsible for risk management. They all appointed the Risk Responsible Person and set up corresponding risk positions, responsible for risk management within the scope of their duties, and communicating with the risk management department.

The Company and its major insurance subsidiaries all have set up Risk Management Departments. The Group's Risk Management Department is the executive body of the Management Committee in the field of risk management, responsible for assisting the Working Group of Compliance and Risk Management to implement the day-to-day risk management work. Its main responsibilities include: drafting risk management policies and regulations; establishing and improving risk management methods, techniques, models and systems, and making qualitative and quantitative risk assessment; setting up the Risk Functional Limits and monitoring the implementation; guiding and supervising the Company's subsidiaries, functional departments at all levels, and business units to develop, improve and implement risk control measures and solutions; participating in the Company's decision-making regarding major issues in fields of strategy, business and investment, and putting forward risk response recommendations; coordinating and assisting the Company's asset and liability management and making risk response recommendations; carrying out risk management training and risk culture development. The risk management department is composed of highly-educated people with risk management, accounting, actuarial, investment or other related professional background and years of relevant work experience.

The Company has developed career planning and training programs for risk management personnel to improve their professional competence and quality.

(II) Risk management strategy and procedure

To support the Company's business objectives and strategic plans, the overall strategy of the Company's risk management is to maximize the Company's benefits while achieving reasonable risk management goals through effective risk management featuring clear objectives, sophisticated systems and processes, and advanced means and methods.

The Company's key risk management procedure includes: the setting of objectives, collection of information, risk identification & assessment, risk management control, risk reporting and supervision and rectification. The Company has established an early warning system to monitor the Group's major risks.

The Company has also established a crisis management mechanism and contingency plans to enhance our capability to prevent and tackle emergencies, and we also regularly reviewed them and performed contingency drills.

(III) Risk Appetite

The risk appetite system is one of the core contents of the Group's overall strategy and risk management. According to the overall strategic layout of the Group, and based on the actual situation of each subsidiary, the Company has established a risk appetite system that matches the Company's overall strategy, development plans and business strategies.

The Company's risk appetite system includes five core dimensions: maintaining adequate capital, pursuing stable profitability, achieving sustained value growth, maintaining appropriate liquidity, and establishing a good market image.

Each subsidiary, based on its own business characteristics and needs, has determined their own unique risk appetite dimensions, broken them down into specific risk functional limits for various types of risks, and applied them to daily business decisions, risk monitoring and early warning, so as to achieve positive interaction and balance between risk management and business development.

(IV) Risk management performance

2017 was a crucial year for the insurance industry to implement the "Thirteenth Five-Year Plan" and also the year for the Company's new round of strategic planning. Adhering to the principle of "prevent risks, tackle violations, and improve weaknesses" of the "1+4" series of documents issued by CIRC, the Company has enhanced risk prevention and control, improved management mechanism, and strengthened key risk management, laying down a solid foundation for compliant operation.

We carried out effective rectification activities targeting 9 major risks and 8 major types of violations to identify hidden risks and strengthen accountability, removing both the symptoms and the root causes, improving weak links in the system, and establishing long-term governance.

In 2017, in compliance with C-ROSS, the Company reviewed and updated its overall Risk Appetite Framework, revised the Risk Functional Limits and risk management system, promoting the continuous improvement projects of risk management information system. All the insurance subsidiaries of the Company scored high in CIRC's solvency and risk management assessment in 2017.

Efforts were intensified in the analysis of macro-economic trends, regulatory and market changes, with a focus on managing the liquidity risk, market risk, credit risk and the risk of operation. The Company spared no efforts to crack down upon illicit business practice and crimes and effectively mitigated the compliance risk. Enforcement of regulatory requirements was also enhanced, contributing to the Company's compliant business operation.

In 2017, the Company was exposed to various risks, including insurance risk, market risk, credit risk, liquidity risk, operational risk, strategy risk, reputational risk, capital management risk and other group specific risks.

(For details of the analysis on insurance, market and credit risks, etc., please refer to notes to the financial statements in the section "Financial report" of this report.)

6

Internal control

The Company has always been committed to improving its internal control and has adopted sound internal control systems as per regulatory requirements to help achieve sustainable growth and fulfill internal control objectives such as reasonable assurance of the compliance and legality of the Company's operation, the safety of assets, the truthfulness and completeness of financial reports and relevant information, improved business efficiency and performance, and successful execution of business strategies. The Board of the Company is responsible for establishing and improving internal control and its effective implementation, reviewing the organizational structure and important policies of internal control, reviewing the handling of major risk events, as well as regularly assessing the soundness, rationality and effectiveness of the Company's internal control. The Management Committee is responsible for establishing and improving the organizational structure and system of internal control, and its daily operation. The Supervisory Board is responsible for supervising the Board and the management regarding their duty to establish, improve and implement the Company's internal control.

In 2017, the Company enhanced enforcement of regulatory requirements to ensure good risk management and compliant operation; maintained cautions management of major risks to ensure that the key risks were well controlled; and effectively implemented the safeguard strategy to ensure the smooth operation of our service functions. Firstly, we fully implemented the "1+4" series of documents of CIRC, took specific measures to address problems identified by regulatory supervision, formulated and issued plans for risk prevention and self-inspection work, carried out thorough inspection of potential risks, and cracked down upon the "8 types of violations". Secondly, we continued the implementation of the Basic Standards for Enterprise Internal Control and the supplementary guidelines, carried out internal control self-inspection, and optimized internal control self-inspection methods and procedures and the internal control management system platform. Thirdly, we implemented a tracking mechanism for the implementation of all the external supervision policies, carried out regular system reviews and evaluation, and kept improving our internal control systems. We also timely updated and upgraded our internal control management process to meet the Company's business development needs.

In 2018, the Company will focus on the goal of "best risk control capability" and continue to implement the "1+4" series of documents of CIRC. By focusing on solvency and building on effective governance structure and risk culture, we will better serve the Company's strategy, strengthen integrated management and control, improve long-term mechanisms, and innovate digital tools to continue to promote the full integration of internal control management and business operation. The first is the integration of internal control and business operation. To achieve "five-embedding", we will gradually embed the requirements for internal control into business decisions, rules and regulations, business systems, job responsibilities, and performance management so as to ensure the alignment between internal control and business development. The second is the penetration of internal control management throughout the whole Group. We will boost the awareness of our internal control management goals through the promotion of unified risk management principles, processes and initiatives across the Company, improve the effectiveness of internal control mechanism through the standardization of risk information reporting mechanisms, and enhance the sense of responsibility through the use of multi-level accountability measures. Thirdly, we will continue to improve our internal control management tools to boost performance. We will keep cracking down upon violations and fraud, take advantage of the Group's digital development, and focus on the automation and intelligent system application of risk management systems. Giving full play to the "Three Databases One Module" data interaction effect, we will optimize risk monitoring and risk identification tools and methods to better identify potential risks in a timely manner. We will also greatly promote the mobile application of system functions and continuously improve the efficiency of internal control management.

Pursuant to the Articles of Association and Article 14 of the Internal Audit Working Rules for Insurance Institutions (CRIC[2015] No. 113) "Insurance institutions must establish an independent internal audit system... CRIC encourages qualified insurance institutions to implement centralized management of internal audit", the Company implemented centralized management of its internal audit under an "independent, centralized, and professional" internal audit system under the leadership of the Board: Firstly, the Company has set up an audit center, an independent department responsible for the audit supervision and evaluation of the operation, internal control and risk management of the Group and the Group's subsidiaries. The center has full-time audit personnel and adopts unified budget, human resource management and operation management. Secondly, the Company's internal audit is under the guidance of the Audit Committee of the Board. After review by the Audit Committee of the Board, the internal audit policies, mid-to-long-term plans, annual plans, human resources plans, financial budgets, and auditors' responsibilities are subject to the Board's approval before implementation; performance review for Internal Audit is to be done by the Board of the Group The Audit Responsible Person reports to the Board of Directors and the Audit Committee of the Board, and communicates the audit results to the management. Thirdly, to "strengthen the monitoring function and value creation of internal audit", the Company created a process-driven internal audit model featuring the "separation of front, middle and back office". It also developed a full-process audit quality system and a remote audit system supported by big data analysis, and carried out risk-oriented internal audit.

In accordance with the Basic Standards for Enterprise Internal Control and the supplementary guidelines as well as other applicable rules and regulations, and the Company's internal control system and evaluation methods, and based on the daily supervision and special supervision of the Company's internal control, the Company's internal audit department led the assessment of the effectiveness of the Company's internal control as at 31 December 2017 (the baseline date for internal control assessment report).

Based on the conclusions relating to the major deficiencies of the Company's internal control for financial reporting, on the baseline date there were no such deficiencies. The Board of Directors believes that the Company maintained effective internal control for financial reporting in all major aspects.

Based on the conclusions relating to the major deficiencies of the Company's internal control for areas other than financial reporting, on the baseline date there was no such deficiencies.

There were no factors which may affect these conclusions regarding the internal control effectiveness between the baseline date and the date of the issuance of the internal control assessment report.

The Company's auditors also issued an audit report on the Company's internal control, which is of the opinion that as at 31 December 2017 the Company has maintained effective internal control in all major aspects for financial reporting in compliance with the Basic Standards for Enterprise Internal Control and the supplementary guidelines as well as other applicable rules and regulations.

7

Changes to Articles of Association

The Company's Board of Directors, in compliance with regulations of the State Council of People's Republic of China and the Shanghai State-owned Asset Supervision Commission, and in view of the Company's reality, proposed an amendment to the Articles of Association, in order that the requirements for Party building and protection of minority shareholders could be incorporated into the document (for details please refer to the Announcements made by the Company on SSE, SEHK and its official website). The 2016 Annual Shareholders' General Meeting of the Company, held on June 9, 2017, reviewed and passed the afore-mentioned amendment, which was then approved by CIRC in July 2017.

The Company's Board of Directors, in light of the recently-promulgated Guidelines on Articles of Association of Insurance Companies by CIRC, proposed another amendment to the Company's Articles of Association. The amendment basically centered on a clearer definition of rights and obligations of shareholders, improvement in the delegation system of Shareholders' General Meeting and the Board of Directors, optimisation of voting protocols, improvement in rules concerning independent directors, and special matters relating to governance malfunction (for details please refer to the Announcements made by the Company on SSE, SEHK and its official website). The 1st Extraoridnary Shareholders' General Meeting for 2017 of the Company, which was held on December 27, 2017, reviewed and passed the afore-mentioned amendment, which was then approved by CIRC in February 2018.

Other information

Other information

Documents available for inspection

1

Original copy of the signed auditor's report from the accounting firm and the audited consolidated financial statements

2

Original copies of all publicly disclosed announcements and documents of the Company during the reporting period

3

Annual reports disclosed in other security markets

Corporate information and definitions

Legal Name in Chinese:
中國太平洋保險(集團)股份有限公司("中國太保")

Legal Name in English:
CHINA PACIFIC INSURANCE (GROUP) CO., LTD. ("CPIC")

Legal Representative: KONG Qingwei

Board Secretary and Joint Company Secretary: MA Xin

Securities Representative: PAN Feng

Contact for Shareholder Inquiries:
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Place of Business in Hong Kong:
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Website: http://www.cpic.com.cn

Email: ir@cpic.com.cn

Selected Newspapers for Disclosure (A Share):
China Securities, Shanghai Securities and Securities Times

Announcements for A Share Published at:
http://www.sse.com.cn

Announcements for H Share Published at:
http://www.hkexnews.hk

Annual Report Available at:
Investor Relations Dept. of the Company

Stock Exchange for A Share Listing:
The Shanghai Stock Exchange

Stock Name for A Share: 中國太保

Stock Code for A Share: 601601

Stock Exchange for H Share Listing:
The Stock Exchange of Hong Kong Limited

Stock Name for H Share: CPIC

Stock Code for H Share: 02601

H Share Registrar:
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

Domestic Accountant:
PricewaterhouseCoopers Zhong Tian LLP

Office of Domestic Accountant:
11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, No. 202 Hubin Road, Huangpu District, Shanghai, PRC

Signing Certified Public Accountants:
XU Kangwei, SHAN Feng

International Accountant: PricewaterhouseCoopers

Office of International Accountant:
22/F, Prince's Building, Central, Hong Kong

Definitions

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

"The Company", "the Group", "CPIC" or "CPIC Group"	China Pacific Insurance (Group) Co., Ltd.
"CPIC Life"	China Pacific Life Insurance Co., Ltd., a holding subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC P/C"	China Pacific Property Insurance Co., Ltd., a holding subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC AMC"	Pacific Asset Management Co., Ltd., a holding subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC HK"	China Pacific Insurance Co., (H.K.) Limited, a wholly-owned subsidiary of China Pacific Insurance (Group) Co., Ltd.
"Changjiang Pension"	Changjiang Pension Insurance Co., Ltd., a holding subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC Online"	Pacific Insurance Online Services Technology Co., Ltd., a wholly-owned subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC AII"	Pacific Insurance Aging Industry Investment Management Co., Ltd., a holding subsidiary of China Pacific Insurance (Group) Co., Ltd.
"Anxin Agricultural"	Anxin Agricultural Insurance Co., Ltd., a holding subsidiary of China Pacific Insurance (Group) Co., Ltd.
"CPIC Allianz Health"	CPIC Allianz Health Insurance Co., Ltd., a holding subsidiary of China Pacific Insurance (Group) Co., Ltd.
"C-ROSS"	China Risk Oriented Solvency System
"CIRC"	China Insurance Regulatory Commission
"CSRC"	China Securities Regulatory Commission
"SSE"	Shanghai Stock Exchange
"SEHK"	The Stock Exchange of Hong Kong Limited
"PRC GAAP"	China Accounting Standards for Business Enterprises issued by Ministry of Finance of the People's Republic of China, and the application guide, interpretation and other related regulations issued afterwards
"HKFRS"	Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants
"Articles of Association"	The articles of association of China Pacific Insurance (Group) Co., Ltd.
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code for Securities Transactions"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Corporate Governance Code"	Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Substantial Shareholder"	Has the meaning given to it under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being a person who has an interest in the relevant share capital of the Company, the nominal value of which is equal to or more than 5% of the nominal value of the relevant share capital of the Company
"RMB"	Renminbi
"pt"	Percentage point

Financial report

CONTENTS

Independent Auditor's Report

To the Shareholders of China Pacific Insurance (Group) Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

We have audited the consolidated financial statements of China Pacific Insurance (Group) Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 5 to 100, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of life insurance contract liabilities
- Valuation of non-life insurance contract liabilities
- Valuation of level 3 investments

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of life insurance contract liabilities Refer to note 2.2(23) Summary of principal accounting policies – Insurance contracts liabilities and note 39 Insurance contracts liabilities. Refer to note 3.2(1) Estimation uncertainty- Valuation of insurance contract liabilities. The Group had significant long-term life insurance contract liabilities stated at RMB 719 billion as at 31 December 2017, representing 70% of the Group's total liabilities. The valuation of long-term life insurance contract liabilities involves complex models and a high degree of judgement by management in setting the assumptions. The key assumptions used in measuring long-term life insurance contract liabilities include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), loss ratios, surrender rates, expense and policy dividend, etc. We focused on this area due to the significant quantum amount of long-term life insurance contract liabilities to the consolidated financial statements and because the relevant key assumptions applied in valuation involved significant judgements and estimates.	With the assistance of our actuarial experts, we performed the audit procedures listed below. ● We evaluated and tested the internal controls over the actuarial process including management's determination and approval process for actuarial assumptions setting, data collection and analysis, and actuarial models change. ● We tested the actuarial models of certain products considering the coverage of different channels, lines of business and amount of liabilities. We performed independent modelling on selected actuarial models and checked the best estimate liabilities, risk margin and residual margin respectively at the point of policy issuance and evaluation. ● We evaluated key actuarial assumptions such as discount rates, mortality, morbidity, loss ratios, surrender rates, expense assumptions and policy dividend assumptions considering management's rationale for the actuarial judgments applied along with comparison to the Group's historical data and applicable industry experiences. ● We evaluated the overall reasonableness of the long-term life insurance contract liabilities by performing variation and movement analysis to check the impact of key changes and compare actual results to expected results. Based on our audit work, we found the methodologies applied to be appropriate and the key assumptions adopted to be supportable by the evidence we gathered.
Valuation of non-life insurance contract liabilities Refer to note 2.2(23) Summary of principal accounting policies – Insurance contracts liabilities and note 39 Insurance contracts liabilities. Refer to note 3.2(1) Estimation uncertainty- Valuation of insurance contract liabilities. The Group had claim reserves which was included in non-life insurance contract liabilities stated at RMB 39 billion at 31 December 2017, representing 4% of the Group's total liabilities. We focused on this area because the valuation of claim reserves involved a high degree of judgement by management in selecting the models and setting the assumptions including the development of paid and incurred losses and ultimate loss ratios.	With the assistance of our actuarial experts, we performed the audit procedures listed below. We evaluated and tested the internal controls over data collection and analysis and the assumptions setting processes. We performed independent modelling analysis for claim reserves as follows: ● We compared the underlying data used in the valuation models to the source systems, including earned premiums to accounting records and reported claims to the claims system. ● We set up the actuarial assumptions such as claims development and loss ratio, considering both the Group's historical data and applicable industry experiences. ● We evaluated the overall reasonableness of claim reserves by comparing the calculation result through independent modelling. Based on our audit work, we found management judgements in the valuation of claim reserves to be supportable by the evidence we gathered.
Valuation of level 3 investments Refer to note 3.2(2) Estimation uncertainty – Fair values of financial assets and derivative financial instruments determined using valuation techniques and note 48 Fair Value Measurement. The Group's investment measured at fair value that were classified in level 3 stated at RMB 36 billion as at 31 December 2017, representing 3% of the Group's total assets. We focused on this area because level 3 investments were valued based on models and inputs/assumptions that are not observable by third parties. The valuation involved significant audit effort and management judgement.	We evaluated and tested the internal controls over the investment valuation process including management's determination and approval of assumptions and methodologies used in model-based calculations, controls over data integrity and choice for internally operated valuation models and management's review of valuations provided by data vendors. With the assistance of our valuation experts, our audit work over the measurement of level 3 investments included: ● We assessed valuation model methodologies against industry practice and valuation guidelines. ● We performed our own independent price checks using unobservable inputs from external sources where available for illiquid investments. ● We compared assumptions used against appropriate public third party pricing sources such as public stocks price and bond yields. Based on our audit work, we found that the valuation methodologies applied were consistent with industry practice and that the inputs and assumptions used were supportable by the evidence we gathered.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is LEUNG KWOK WAI, JIMMY.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 March 2018

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2017

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	2017	2016
Gross written premiums	6(a)	281,644	234,018
Less: Premiums ceded to reinsurers	6(b)	(15,784)	(13,649)
Net written premiums	6	265,860	220,369
Net change in unearned premium reserves		(2,306)	(796)
Net premiums earned		263,554	219,573
Investment income	7	52,657	43,879
Other operating income		3,194	2,629
Other income		55,851	46,508
Total income		319,405	266,081
Net policyholders' benefits and claims:			
Life insurance death and other benefits paid	8	(39,604)	(40,779)
Claims incurred	8	(60,317)	(56,102)
Changes in long-term life insurance contract liabilities	8	(101,263)	(71,178)
Policyholder dividends	8	(8,946)	(7,735)
Finance costs	9	(3,703)	(2,444)
Interest credited to investment contracts		(1,910)	(1,803)
Other operating and administrative expenses		(82,634)	(69,973)
Total benefits, claims and expenses		(298,377)	(250,014)
Share of profit in equity accounted investees		74	18
Profit before tax	10	21,102	16,085
Income tax	14	(6,111)	(3,801)
Net profit for the year		14,991	12,284
Attributable to:			
Equity holders of the parent		14,662	12,057
Non-controlling interests		329	227
		14,991	12,284
Basic earnings per share	15	RMB1.62	RMB1.33
Diluted earnings per share	15	RMB1.62	RMB1.33

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	2017	2016
Net profit for the year		14,991	12,284
Other comprehensive loss			
Exchange differences on translation of foreign operations	16	(33)	32
Available-for-sale financial assets	16	(3,283)	(6,253)
Income tax relating to available-for-sale financial assets	16	820	1,566
Share of other comprehensive loss in equity accounted investees	16	-	(19)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods		(2,496)	(4,674)
Other comprehensive loss for the year	16	(2,496)	(4,674)
Total comprehensive income for the year		12,495	7,610
Attributable to:			
Equity holders of the parent		12,206	7,490
Non-controlling interests		289	120
		12,495	7,610

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
31 December 2017

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	31 December 2017	31 December 2016
ASSETS			
Goodwill	17	962	962
Property and equipment	18	17,950	16,664
Investment properties	19	8,727	8,657
Other intangible assets	20	1,490	1,172
Prepaid land lease payments	21	55	56
Interests in associates	22	5,230	115
Investment in joint ventures	23	41	36
Held-to-maturity financial assets	24	287,497	304,874
Investments classified as loans and receivables	25	216,748	139,634
Restricted statutory deposits	26	6,566	6,078
Term deposits	27	103,989	132,226
Available-for-sale financial assets	28	368,868	258,711
Financial assets at fair value through profit or loss	29	16,187	27,204
Securities purchased under agreements to resell	30	17,126	21,138
Policy loans		38,643	27,844
Interest receivables	31	16,757	17,003
Reinsurance assets	32	22,575	20,141
Deferred income tax assets	33	1,742	1,382
Insurance receivables	34	16,333	12,267
Other assets	35	12,078	9,269
Cash and short-term time deposits	36	11,660	15,259
Total assets		1,171,224	1,020,692

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET (continued)

31 December 2017

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	31 December 2017	31 December 2016
EQUITY AND LIABILITIES			
Equity			
Issued capital	37	9,062	9,062
Reserves	38	82,714	83,930
Retained profits	38	45,722	38,772
Equity attributable to equity holders of the parent		137,498	131,764
Non-controlling interests		3,621	2,999
Total equity		141,119	134,763
Liabilities			
Insurance contract liabilities	39	802,239	693,826
Investment contract liabilities	40	56,268	48,796
Policyholders' deposits		75	75
Subordinated debts	41	3,999	11,498
Securities sold under agreements to repurchase	42	66,243	39,104
Deferred income tax liabilities	33	920	937
Income tax payable		4,934	3,145
Premium received in advance		21,156	22,326
Policyholder dividend payable		24,422	21,735
Payables to reinsurers		6,002	5,775
Other liabilities	43	43,847	38,712
Total liabilities		1,030,105	885,929
Total equity and liabilities		1,171,224	1,020,692

KONG Qingwei
Director

HE Qing
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

(All amounts expressed in RMB million unless otherwise specified)

Group	2017										
	Attributable to equity holders of the parent										
		Reserves									
	Issued capital	Capital reserves	Surplus reserves	General reserves	Available-for-sale investment revaluation reserves	Foreign currency translation reserves	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2017	9,062	66,742	4,835	8,392	3,969	(8)	38,772	131,764	2,999	134,763
Total comprehensive income	-	-	-	-	(2,423)	(33)	14,662	12,206	289	12,495
Dividend declared[1]	-	-	-	-	-	-	(6,343)	(6,343)	-	(6,343)
Changes in ownership interests in subsidiaries without change of control	-	(138)	-	-	-	-	-	(138)	645	507
Share of other changes in equity of investees accounted for using the equity method	-	9	-	-	-	-	-	9	-	9
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(312)	(312)
Appropriations to general reserves	-	-	-	1,369	-	-	(1,369)	-	-	-
At 31 December 2017	9,062	66,613	4,835	9,761	1,546	(41)	45,722	137,498	3,621	141,119

1 *Dividend declared represents the final dividend on ordinary shares declared for the year ended 31 December 2016, amounting to RMB6,343million (RMB0.70 per share).*

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2017

(All amounts expressed in RMB million unless otherwise specified)

Group	2016										
	Attributable to equity holders of the parent										
		Reserves									
	Issued capital	Capital reserves	Surplus reserves	General reserves	Available-for-sale investment revaluation reserves	Foreign currency translation reserves	Share of other compre-hensive incomein equity accou-nted investees	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2016	9,062	66,742	4,171	7,105	8,549	(40)	19	37,728	133,336	2,346	135,682
Total comprehensive income	-	-	-	-	(4,580)	32	(19)	12,057	7,490	120	7,610
Dividend declared[1]	-	-	-	-	-	-	-	(9,062)	(9,062)	-	(9,062)
Changes due to the step acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	706	706
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(173)	(173)
Appropriations to general reserves	-	-	-	1,287	-	-	-	(1,287)	-	-	-
Appropriations to surplus reserves	-	-	664	-	-	-	-	(664)	-	-	-
At 31 December 2016	9,062	66,742	4,835	8,392	3,969	(8)	-	38,772	131,764	2,999	134,763

1 *Dividend declared represents the final dividend on ordinary shares declared for the year ended 31 December 2015, amounting to RMB9,062 million (RMB1.00 per share).*

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	2017	2016
OPERATING ACTIVITIES			
Cash generated from operating activities	49	89,928	68,038
Income tax paid		(3,879)	(4,900)
Net cash inflow from operating activities		86,049	63,138
INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(4,218)	(6,079)
Proceeds from sale of property and equipment, intangible assets and other assets		334	57
Purchases of investments, net		(149,496)	(83,467)
Acquisition of a subsidiary and other business entities, net		(6,059)	(132)
Proceeds from sale of a subsidiary and other business entities, net		-	2
Interest received		44,135	36,907
Dividends received from investments		11,095	8,627
Other cash receipts related to investing activities		-	163
Other cash payment related to investing activities		-	(7)
Net cash outflow from investing activities		(104,209)	(43,929)
FINANCING ACTIVITIES			
Securities sold under agreements to repurchase, net		26,842	10,123
Proceeds from the issue of asset-backed securities		1,000	-
Repayment of borrowings		(8,498)	(8,002)
Interest paid		(3,266)	(1,859)
Dividends paid		(6,655)	(9,235)
Capital injection to subsidiaries by NCI		669	-
Proceeds from NCI of consolidated structured entities		537	1,888
Net cash inflow/(outflow) from financing activities		10,629	(7,085)
Effects of exchange rate changes on cash and cash equivalents		(80)	81
Net (decrease)/increase in cash and cash equivalents		(7,611)	12,205
Cash and cash equivalents at the beginning of year		36,397	24,192
Cash and cash equivalents at the end of year		28,786	36,397
Analysis of balances of cash and cash equivalents			
Cash at banks and on hand		9,969	9,717
Time deposits with original maturity of no more than three months		712	4,633
Other monetary assets		979	909
Investments with original maturity of no more than three months		17,126	21,138
Cash and cash equivalents at the end of year		28,786	36,397

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

(All amounts expressed in RMB million unless otherwise specified)

1. CORPORATE INFORMATION

China Pacific Insurance (Group) Co., Ltd. (the "Company") was established in Shanghai, the People's Republic of China (the "PRC") in May 1991, under the original name of China Pacific Insurance Co., Ltd. Pursuant to the approval of the State Council of the PRC and Circular [2001] No. 239 issued by the China Insurance Regulatory Commission (the "CIRC"), the Company was restructured as a joint stock limited company in October 2001 with an issued capital of RMB2,006.39 million. The Company increased its issued capital to RMB6,700 million through issuing new shares to its then existing shareholders and new shareholders in 2002 and 2007.

In December 2007, the Company conducted a public offering of 1,000 million A shares in the PRC. Upon the completion of the A share offering, the issued capital was increased to RMB7,700 million. The Company's A shares are listed on the Shanghai Stock Exchange and trading of its A shares commenced on 25 December 2007.

In December 2009, the Company conducted a global offering of overseas listed foreign shares ("H shares"). Upon the completion of the H share offering, the issued capital was increased to RMB8,600 million. The Company's H shares are listed on the Hong Kong Stock Exchange and trading of its H shares commenced on 23 December 2009.

In November 2012, the Company conducted a non-public offering of 462 million H shares. Upon completion of the H share offering, the issued capital was increased to RMB9,062 million, which was approved by the CIRC in December 2012.

The authorized business scope of the Company includes investing in insurance enterprises, supervising and managing domestic and overseas reinsurance businesses of subsidiaries and utilizing funds, participating in global insurance activities upon approval. The principal activities of the Company and its subsidiaries (the "Group") are property and casualty businesses, life insurance businesses, pension and annuity businesses, as well as asset management, etc.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention other than financial instruments that have been measured at fair values and insurance contract liabilities that have been measured primarily based on actuarial methods. These consolidated financial statements are presented in RMB and all values are rounded to the nearest million except when otherwise indicated.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(1) Changes in accounting policy and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's consolidated financial statements. Though in certain cases, giving rise to new or revised accounting policies, the adoption of these revised HKFRSs currently has had no significant impact on these consolidated financial statements.

HKAS 12 Amendments	Recognition of deferred tax assets for unrealised losses
HKAS 7 Amendments	Disclosure initiative
HKFRS 12 Amendments	Disclosure of interest in other entities

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

(2) New and revised standards not yet adopted

All HKFRSs that remain in effect which are relevant to the Group have been applied. The Group has not applied the following key new and revised HKFRSs that have been issued but are not yet effective, in these consolidated financial statements:

HKFRS 15	Revenue from contracts with customers[1]
HKFRS 9	Financial instruments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HKFRS 4 Amendments	Applying HKFRS 9 with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of investment property[1]
HK(IFRIC 22)	Foreign currency transactions and advance consideration[1]
HK(IFRIC 23)	Uncertainty over income tax treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021

None of these HKFRS is expected to have a significant effect on the consolidated financial statements of the Group, except for the following as set out below:

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(2) New and revised standards not yet adopted (continued)

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through income statement. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI which are not recycled to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is eligible to and will elect to apply the temporary option to defer the effective date of HKFRS 9 under the amendments to HKFRS 4 'Insurance contracts'. The impact of the adoption of HKFRS 9 on the Group's consolidated financial statements will, to a large extent, have to take into account the interaction with the issued insurance contracts standard. The Group will not adopt the HKFRS 9 until 1 January 2021 and it won't have impact on the Group until 2021.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group expects that it will not have a material impact on the Group.

HKFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that almost all operating leases will be accounted for on balance sheet for lessees, and the only optional exemptions are for certain short-term leases and leases of low-value assets. The standard replaces HKAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted but only in conjunction with adopting HKFRS 15 'Revenue from contracts with customers' at the same time. The Group is currently assessing the impact of HKFRS 16.

HKFRS 17 was issued in January 2018 will replace the current HKFRS 4 Insurance Contracts. It applies to the measurement of insurance contracts issued, all reinsurance contracts and investment contracts with discretionary participating features. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(2) New and revised standards not yet adopted (continued)

The standard is effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted. The impact is expected to be significant. However, it won't have impact on the Group until 2021.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the group.

2.2 Summary of principal accounting policies

A summary of the significant accounting policies adopted and consistently applied by the Group in the preparation of these consolidated financial statements is set out below.

(1) Basis of consolidation

These consolidated financial statements comprise the financial statements of the Group for the year ended 31 December 2017. The financial statements of the subsidiaries for the purpose of preparing the consolidated financial statements are prepared for the same reporting period, using consistent accounting policies. All income, expenses and unrealized gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the parent shareholders' equity. However, when non-controlling interests arise through the non-controlling interest in consolidated structured entities, they are recognised as a liability reflecting the net assets of the consolidated entity. Losses within a subsidiary are attributed to the non-controlling interests even if this results in a deficit balance.

The acquisition of subsidiaries not under common control is accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. The changes in the Company's ownership interest in a subsidiary that do not result in the change of control are accounted for as equity transactions (i.e., transactions between owners acting in their capacity as owners), whereby the carrying amounts of the non-controlling interests shall be adjusted to reflect the changes in their interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received shall be recognized directly in equity (as capital reserves). If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

(2) Foreign currency translation

These consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(2) Foreign currency translation (continued)

Transactions in foreign currencies recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the income statement or other comprehensive income.

The functional currencies of certain overseas operations are currencies other than RMB. As at the balance sheet date, the assets and liabilities of these overseas operations are translated into RMB at the exchange rates ruling at the balance sheet date and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences arising on the retranslation are recognized in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the cumulative amount of the exchange differences recognized in equity relating to that particular foreign operation is recognized in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas operations are translated into RMB at the weighted average exchange rates for the period.

(3) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

Structured entities include trust products, debt investment schemes, equity investment plans, asset backed plans and wealth management products, etc. Trust products, equity investment plans and asset backed plans are managed by affiliated or unaffiliated trust companies or asset managers and invest the funds raised in loans or equities of other companies. Wealth management products are managed by affiliated or unaffiliated asset managers and invest in negotiation deposits and public investment funds. Debt investment schemes are managed by affiliated or unaffiliated asset managers and their major investment objectives are infrastructure and real estate funding projects. Trust products, debt investment schemes, equity investment plans, asset backed plans and wealth management products finance their operations by signing contracts and entitle the holders to a proportional stake in the respective trust products', debt investment schemes', equity investment plans', asset backed plans' and wealth management products' income. The Group holds contracts in each of its trust products, debt investment schemes, equity investment plans, asset backed plans and wealth management products.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(4) Investments in associates and joint ventures

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

(5) Business combinations and goodwill

Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it reassesses all assets and liabilities acquired to determine their classification or designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. However, no reclassification of leases and insurance contracts is required for business combination unless the contractual terms are modified at the acquisition date.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss. Any related amount that was previously recognised in other comprehensive income shall be reclassified to profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability will be recognised as measurement period adjustments if new information is obtained about facts and circumstances that existed as of the acquisition date. If the contingent consideration is classified as equity, it will not be remeasured and its subsequent settlement will be accounted for within equity.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(5) Business combinations and goodwill (continued)

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (groups of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (groups of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (groups of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the income statement.

(6) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or its parent.

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(6) Related parties (continued)

(b) the party is an entity where any of the following conditions applies (continued):

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(7) Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	1.39% to 4.04%
Motor vehicles	12.13% to 32.33%
Office furniture and equipment	10% to 33.33%
Leasehold improvements	Over the shorter of the lease terms and 20%

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each year end.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents costs of construction of buildings and other items of property as well as costs of equipment under installation. Construction in progress is stated at cost less any impairment losses, and is not depreciated, and is reclassified to the appropriate category of property and equipment when completed and ready for use.

(8) Investment properties

The Group's investment properties are buildings held to earn rental income, rather than for the supply of services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment loss.

Depreciation is computed on the straight-line basis over the estimated useful life. The estimated useful life of the investment properties is 30 to 70 years.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(8) Investment properties (continued)

The residual value, the useful life and the depreciation method are reviewed at least at each year end to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the investment properties.

An investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal. A transfer to, or from, an investment property is made when, and only when, there is evidence of a change in use.

(9) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each year end. Intangible assets are amortised over their estimated useful lives of three to ten years.

(10) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortized on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property and equipment.

(11) Investments and other financial assets

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require receipt or delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognized in the income statement. The net fair value gain or loss recognized in the income statement does not include any dividends on these financial assets, which are recognized in accordance with the policy set out for "Revenue recognition" below.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(11) Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables mainly comprise different kinds of account receivables, policy loans, term deposits, investments classified as loans and receivables, restricted statutory deposits and securities purchased under agreements to resell. After initial measurement, such assets are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Gains and losses are recognized in the income statement as "Investment income" when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortized cost less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Gains and losses are recognized in the income statement as "Investment income" when the investments are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investment revaluation reserves until the investments are derecognized or until the investments are determined to be impaired, at which time the cumulative gain or loss is recognized in the income statement and removed from the available-for-sale investment revaluation reserves. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognized in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognized in the income statement as "Investment income".

(12) Derivative financial instruments

Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Embedded derivatives are treated as separate derivatives and are recorded at fair value if their economic characteristics and risks are not closely related to those of the related host contract and the host contract is not itself recorded at fair value through profit or loss.

(13) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(13) Fair value measurement (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models. For discounted cash flow techniques, estimated future cash flows are based on directors' best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair values of floating rate and overnight deposits with credit institutions are their carrying values. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the balance sheet date.

(14) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The related collateral value shall also be taken into account. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition or the current effective interest rate if a loan has a variable interest rate).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the income statement.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(14) Impairment of financial assets (continued)

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is removed from other comprehensive income and recognized in the income statement. The Group uses the weighted average method to calculate the initial costs of available-for-sale equity investments. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. The Group collectively considers the magnitude of the decline in fair value relative to the cost, volatility, and the duration of the decline in evaluating whether a decline in fair value is significant. The Group considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. The Group usually considers a significant decline to be one in which the fair value is below the weighted average cost by more than 50% or a prolonged decline to be one in which fair value is below the weighted average cost for a continuous period of more than twelve months.

The Group also considers qualitative evidence that includes, but is not necessarily limited to the following:

- Significant financial difficulty of the investee, including failure to comply with contractual obligations, financial restructuring, deterioration of going concern expectations;
- Adverse changes relative to the investee's technology, market, customer base, macroeconomic indicators relative to the business, and significant legal or regulatory matters.

Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement. Increases in their fair value after impairment are recognized directly in other comprehensive income. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the income statement.

(15) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from a financial asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(16) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(17) Securities purchased under agreements to resell

The Group enters into purchases of securities under agreements to resell substantially identical securities. These agreements are classified as loans and receivables. The amounts advanced under these agreements are reflected as assets in the balance sheet. The Group does not take physical possession of securities purchased under agreements to resell. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying securities.

(18) Impairment of non-financial assets other than deferred tax assets and goodwill

Where an indication of impairment exists, or when impairment testing for an asset is required at least at each year end (other than deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at the end of each period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset (other than goodwill) is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization), had no impairment loss been recognized for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

(19) Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance agreements that transfer significant insurance risk are treated as reinsurance contracts; reinsurance agreements that do not transfer significant insurance risk are not treated as reinsurance contracts. Reinsurance assets primarily represent balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured risks and in accordance with the terms of the reinsurance contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the income statement.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts payable to reinsurers are estimated in a manner consistent with that of the associated reinsurance contracts.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(19) Reinsurance (continued)

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance unless a legal right and the intention of offset exist.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(20) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(21) Insurance contracts

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as determined by the Group is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Contracts that only transfer insurance risk are treated as insurance contracts. If the Group signs contracts with policyholders which transfer insurance risk as well as other risks, the treatments would depend on:

(a) If the insurance risk portion and other risk portion are distinct and separately measurable, the insurance risk portion and other risk portion should be unbundled. The portion with insurance risk should be treated as an insurance contract, while the portion with other risks should not be treated as an insurance contract.

(b) If the insurance risk portion and other risk portion cannot be distinct, or if they are distinct but cannot be separately measurable, the whole contract should be treated as an insurance contract if the insurance risk is significant; the whole contract should not be treated as an insurance contract if the insurance risk is insignificant.

(22) Testing the significance of insurance risk

For contracts issued by the Group which require testing the significance of insurance risk, it should be performed at the initial recognition of such contracts, and based on a group of contracts with a similar nature.

When testing the significance of insurance risk, the Group makes judgements in this sequence: whether the contract transfers insurance risk; whether the contract has commercial substance; whether the insurance risk transferred is significant.

When determining whether the contracts (or policies) transfer significant insurance risk, the Group considers: (i) annuity contracts that transfer longevity risk are treated as insurance contracts; (ii) for non-annuity contracts, if the insurance risk ratio is greater than or equal to 5% at certain points of time during the duration of the contracts, they are treated as insurance contracts; the insurance risk ratio is derived by comparing the benefits paid with the benefits payable if the insured event did not occur. For property and casualty and short-term life policies that obviously transfer significant risk, the Group recognizes them as insurance contracts directly.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(22) Testing the significance of insurance risk (continued)

When determining whether reinsurance policies transfer significant insurance risk, the Group considers thoroughly the commercial substance and other relevant contracts and agreements, and if the insurance risk ratio of reinsurance policies is greater than 1%, they are treated as reinsurance contracts. The insurance risk ratio of reinsurance policies is derived by comparing the present value of probability-weighted expected loss with the present value of expected reinsurance premiums. If the reinsurance policies obviously transfer significant insurance risk, the Group directly recognizes them as reinsurance contracts.

For the purpose of testing the significance of insurance risk, contracts of a similar nature are grouped together. Through considering the risk distribution and characteristics, the Group selects sufficient representative samples to test the significance of insurance risk. If most samples transfer significant insurance risk, all contracts in the group are treated as insurance contracts.

The assumptions used for testing the significance of insurance risk mainly include loss ratio, mortality and morbidity, loss distribution, etc. The Group determines such assumptions based on historical experiences and the estimation on future development trends so as to reflect the Group's product characters and actual claim payments.

(23) Insurance contract liabilities

The Group's insurance contract liabilities include unearned premium reserves, claim reserves and long-term life insurance contract reserves.

When measuring long-term life insurance contract reserves, the Group classifies insurance contracts whose insurance risks are of a similar nature as a measurement unit. The Group mainly considers product characteristics, effective year and risk profile of contracts in this regard.

When measuring property and casualty and short-term life insurance contract liabilities, the Group uses a group of insurance contracts whose insurance risks are of a similar nature as a measurement unit. The Group's property and casualty and short-term life insurance contracts are classified into certain measurement units by type of insurance.

Insurance contract liabilities are measured based on a reasonable estimate of the amount of payments when the Group fulfils relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts.

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfil relevant obligations under the insurance contracts, and mainly include: (a) guaranteed benefits or claims under the insurance contracts, including mortality benefits, disability benefits, morbidity benefits, survival benefits, maturity benefits and claims payments, etc; (b) non-guaranteed benefits under the insurance contracts in respect of constructive obligations, including policyholder dividends, etc; (c) reasonable expenses necessary for maintaining and serving the insurance contracts, claims handling, including policy maintenance expenses, claim expenses, etc.

- Expected future cash inflows represent cash inflows from assuming insurance contractual obligations, including premiums and other charges.

Reasonable estimate of expected net future cash flows is determined based on information currently available at the balance sheet date.

Margin factor is considered and separately measured when determining insurance contract reserves as at the balance sheet date. Margins are released to profit or loss over the coverage period using systematic and reasonable approach. Initial recognition of an insurance contract issued should not result in the recognition of a Day-One gain. However, a Day-One loss should be recorded in profit or loss at inception when it occurs.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(23) Insurance contract liabilities (continued)

Margins for long-term life insurance contract reserves include a risk adjustment and a residual margin. The risk adjustment represents provision for the uncertainty associated with the future cash flows. The residual margin is provided to eliminate any gain at inception of the contract and is amortized over the life of the contract in a systematic manner For non-life insurance contracts, the Group amortizes the residual margin on a time basis during the whole insurance coverage period and records it in profit or loss. For life insurance contracts, the Group amortizes the residual margin on the basis of the sums insured, sums at risk or other appropriate carriers during the whole insurance coverage period. Upon initial recognition, the residual margin is separately measured from expected future cash outflows and the risk adjustment, and will not be adjusted for future changes in assumptions.

The risk adjustment for property and casualty and short-term life insurance contract liabilities is determined by reference to the industry benchmark and the Group's experience.

When measuring insurance contract liabilities as at the balance sheet date, time value of money is considered. The related future cash flows should be discounted when the impact of time value of money is significant. The discount rate used in the measurement of time value of money should be determined with reference to information currently available at the balance sheet date.

The Group uses information currently available as at the balance sheet date to derive the following assumptions used for measuring related reserves:

- For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on the market interest rate which is in line with the period and risk of liability cash outflows. For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the portfolios backing the liabilities.
- The Group reasonably estimates the insurance incident occurrence rate, surrender rate and expense rate based on actual experience and future development trends.
- Policy dividend assumption is determined based on expected investment return rates of participating accounts, the Group's participating dividend policy, reasonable expectations of policyholders, etc.

When measuring related reserves, expected future net cash flows should cover the entire insurance period.

Unearned premium reserves for property and casualty and short-term life insurance contracts are also measured by using the unearned premium approach. At inception of the contract, unearned premium reserves are measured based on premiums received minus relevant acquisition costs. After initial recognition, the reserve is released over the term of the contract using a 365-day basis, risk distribution method, etc. When evaluating unearned premium reserves for property and casualty and short-term life insurance contracts, expected future claims cost is also considered.

Claim reserves include incurred and reported claim reserves, incurred but not reported ("IBNR") claim reserves and claim expense reserves.

Incurred and reported claim reserves represent insurance contract provisions for the claims incurred and reported to the Group. The Group uses case-by-case estimate method, average claim per case method, etc, to measure incurred and reported claim reserves based on a reasonable estimate of the ultimate claim amount and the margin factor.

IBNR claim reserves represent insurance contract provisions for the claims incurred but not reported to the Group. The Group uses chain ladder method, average claim per case method, development of reserves method, Bornhuetter-Ferguson method, etc, to measure IBNR claim reserves based on a reasonable estimate of the ultimate claim amount and the margin factor, and after considering the nature and distribution of insurance risk, claims developments, experience data, etc.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(23) Insurance contract liabilities (continued)

Claim expense reserves represent insurance contract provisions for related claims handling costs. The Group measures claim expense reserves based on a reasonable estimate of necessary claim expenses in the future. The Group uses case-by-case estimate method and ratio allocation method to measure claim expense reserves.

When evaluating insurance contract liabilities, the Group performs liability adequacy tests based on information currently available as at the balance sheet date. Additional insurance contract liabilities should be made and recognized in the income statement if any deficiency exists.

Acquisition costs in relation to the sale of new contracts such as commissions are recorded as expenses in profit or loss, but the residual margin is calibrated to offset the impacts of the relevant acquisition costs incurred.

(24) Discretionary participation features ("DPF") in long-term life insurance contracts and investment contract

DPF are contained in certain long-term insurance contracts and investment contracts. These contracts are collectively called participating contracts. Under the current PRC insurance regulations, the Group is obligated to pay to the policyholders of participating contracts at least 70% of the distributable surplus in each period, which includes net investment spread arising from the assets supporting these contracts and mortality gains or losses on the pool of contracts to which the participating contract belongs. A shadow adjustment is applied to recognize the unrealized gains or losses on available-for-sale financial assets that are attributable to policyholders in OCI. The surplus owed to policyholders is recognized as the long-term life insurance contract reserves and investment contract liabilities as long as it has not been declared and paid. The amount and timing of distribution to individual policyholders of participating contracts are subject to future declarations by the Group.

(25) Investment contract liabilities

Investment contract liabilities mainly represent liabilities with regard to the non-insurance portion of related contracts, and those contracts which do not pass the testing of significant insurance risk. For those non-life investment type policies without guaranteed benefits, the related contract liabilities are measured at fair value and the related transaction costs are recognized in the statement of income. For other investment contracts, the related liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

(26) Financial liabilities

Financial liabilities at amortized cost (including interest-bearing borrowings)

Financial liabilities at amortized cost are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognized in the income statement as finance costs.

Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(26) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the income statement. The net fair value gain or loss recognized in the income statement does not include any interest charged on these financial liabilities.

(27) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the income statement.

(28) Securities sold under agreements to repurchase

Securities sold under agreements to repurchase are financial liabilities and are recorded at amortized cost. The Group may be required to provide additional collateral based on the fair value of the underlying securities and such collateral assets continue to be carried on the balance sheet.

(29) Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Other than insurance contracts for which potential future losses are already considered in establishing the insurance contract liabilities, a provision is recognized for onerous contracts in which the unavoidable costs of meeting the resulting obligation exceed the expected future economic benefits.

(30) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(30) Income tax (continued)

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(31) Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Gross premiums

Premium income and reinsurance premium income is recognized when all of the following criteria are met:

- The insurance contracts are issued;
- The related insurance risk is undertaken by the Group;
- It is probable that the related economic benefits will flow to the Group; and
- The related income can be reliably measured.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(31) Revenue recognition (continued)

(a) Gross premiums (continued)

Premiums from direct life insurance contracts with instalment or single payments are recognized as revenue when due. Premiums from direct non-life insurance contracts are recognized as revenue based on the amount of total premium stated in the contracts.

Reinsurance premiums are recognized as revenue in accordance with the terms stated in the reinsurance contracts.

(b) Income from investment contracts

Investment contracts issued by the Group are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholders' balance. The fees are recognized as revenue in the period in which they are collected unless they relate to services to be provided in future periods which would be deferred and recognized as the service is provided. Initiation and other front-end fees are charged for certain investment contracts recorded at amortized cost and are mainly recognized through an adjustment to the effective yield.

Income from investment contracts is included in other operating income.

(c) Investment income

Investment income includes interest from term deposits, fixed maturity securities, securities purchased under agreements to resell, policy loans and other loans, dividends from investment funds and securities, etc.

Interest income is recognized on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. Dividends are recognized when the shareholders' right to receive payment is established.

(32) Employee benefits

(a) Pension schemes

The employees of the Group participate in various defined contribution pension plans principally organized by municipal and provincial governments. The Group makes and accrues contributions to the pension plans based on certain percentages of the salaries of the employees on a monthly basis. Certain employees also participate in enterprise annuity plans. The Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred.

The Group pays early retirement benefits to those employees who accept early retirement arrangements approved by management. Early retirement benefits are paid to those employees who voluntarily retire before the normal retirement date. The related benefit payments are made from the date of early retirement through the normal retirement date. The Group records a liability for the present value of its early retirement obligation when employees retire early.

(b) Housing benefits

The employees of the Company and its subsidiaries which operate in the PRC are entitled to participate in various government-sponsored housing funds. The Company and these subsidiaries contribute on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(32) Employee benefits (continued)

(c) Medical benefits

The Group makes contributions for medical benefits to the local authorities in accordance with the relevant local regulations.

(d) Deferred bonus plans

The Group also operates deferred bonus plans for senior management and some of the key employees. The employee benefits under the deferred bonus plans are accrued during the periods when employees provide services and are paid gradually.

(33) Borrowing costs

Borrowing costs are recognized as expenses in the income statement in the period in which they are incurred.

(34) Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires directors to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

3.1 Significant judgements

In the process of applying the Group's accounting policies, the directors have made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(1) Classification of financial assets

The Group classifies its financial assets as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. These classifications require judgements of the directors. In making these judgements, the Group considers the intention of holding these financial assets, the requirements of HKAS 39 and their implications to the presentation in the financial statements.

(2) Unbundling and classification of hybrid contracts

The Group makes significant judgements on whether a written policy contains both an insurance component and a deposit component and whether the insurance component and deposit component are distinct and separately measurable. The result of such judgement affects the unbundling of insurance contracts.

In addition, the Group makes significant judgements on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing significant insurance risk tests. The result of such judgement affects the classification of insurance contracts. Whether to unbundle a contract and different contract classifications would affect the accounting treatment and the Group's financial position and operating results.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.1 Significant judgements (continued)

(3) Measurement unit for insurance contracts

The Group shall make judgments on whether a group of insurance contracts' insurance risks are of the same nature. Different measurement units would affect the measurement results of insurance contract liabilities.

(4) Impairment of available-for-sale equity financial instruments

The Group determines that available-for-sale equity financial instruments are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires judgement of directors. When making such judgement, the Group considers the normal volatility of the security price, the length of the period over which the fair value is lower than cost, the magnitude of the decline in fair value and the financial position of the investee, etc.

(5) Determination of control over structured entities

When determining whether the Group controls the structured entities in which it acts as an asset manager, the Group considers all relevant facts and circumstances in assessing whether it is acting as agent or principal to make decisions. If the Group is acting as principal, it controls the structured entities. In assessing whether the Group is acting as principal, the Group considers factors such as scope of the asset manager's decision-making authority in structured entities; substantial rights held by other parties; remuneration to which it is entitled; and exposure to variability of returns by helding interest in structured entities. Once the factors change because of the changes of relevant facts and circumstances, the Group will reassess.

3.2 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years, are detailed below.

(1) Valuation of insurance contract liabilities

When measuring the insurance contract liabilities, the Group needs to make a reasonable estimate of the amounts that the Group is required to pay in fulfilling the obligations under the insurance contracts. Such estimates are determined by calculating various possible outcomes and relevant probabilities based on information currently available as at the balance sheet date.

At the balance sheet date, the Group makes estimates of the assumptions used in the measurement of insurance contract liabilities. The Group determines such assumptions based on information currently available as at the balance sheet date and a risk adjustment is considered.

Unearned premium and long-term life insurance contract reserves

The main assumptions used in measuring unearned premium reserves and long-term life insurance contract reserves include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), loss ratios, surrender rates, expense assumptions and policy dividend assumptions, etc.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Estimation uncertainty (continued)

(1) Valuation of insurance contract liabilities (continued)

Unearned premium and long-term life insurance contract reserves (continued)

(a) Discount rates

For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined by base rate curve with comprehensive premium. The comprehensive premium is added by considering taxation impacts, the liquidity, conversion period, and other relevant factors. The ranges of discount rates used as at 31 December 2016 and 2017 were from 3.23% to 4.94% and from 3.25% to 4.80%, respectively.

For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates in consideration of the time value of money. The ranges of discount rates used as at 31 December 2016 and 2017 were from 4.85% to 5.00% and from 4.90% to 5.00%, respectively.

The discount rate assumption is affected by certain factors, such as future macro-economy, capital market, availability of investment channel of insurance funds, investment strategy and other factors. The Group, considering risk margin, determines discount rate assumption based on the information available as at the balance sheet date.

(b) Mortality and morbidity

Mortality assumption is determined based on the Group's historical mortality experience and future development trends, etc. The Group bases its mortality assumptions on the China Life Insurance Mortality Table (2010-2013), adjusted where appropriate to reflect the Group's recent historical mortality experience.

Morbidity assumption is determined based on the industry's morbidity or the Group's products pricing assumption, analysis of historical morbidity experience and expectations of future developments.

Mortality and morbidity assumptions are affected by certain factors, such as wide-ranging lifestyle changes in future, future development of medical technologies, continuing advancements in social conditions and other factors. A risk adjustment is considered in the Group's mortality and morbidity assumptions.

(c) Loss ratios

The Group develops its loss ratio assumption on analysis of its historical claims payments experience and future development trends.

(d) Surrender rates

Surrender rates are determined based on product type, the Group's historical experience and future expectation, and vary by interest rate, product type and sale channel.

The surrender rate assumption is affected by certain factors, such as future macro-economy, market competition and other factors. The Group determines surrender rate assumption based on the information available as at the balance sheet date and a risk adjustment is considered.

(e) Expenses

The Group develops its expense assumption on its expense analysis and future expectation for policy acquisition costs and maintenance expenses.

The Group's expense assumption is affected by certain factors, such as inflation, market competition and other factors. The Group uses information currently available as at the balance sheet date to determine expense assumption and a risk adjustment is considered.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Estimation uncertainty (continued)

(1) Valuation of insurance contract liabilities (continued)

Unearned premium and long-term life insurance contract reserves (continued)

(f) Policy dividend

Policy dividend assumption is determined based on expected investment return rates of participating accounts, the Group's participating dividend policy, reasonable expectations of policyholders, etc.

The Group's policy dividend assumption is affected by the above factors and is determined based on the information available as at the balance sheet date and a risk adjustment is considered.

Claim reserves

The main assumption in measuring claim reserves is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident year, but can also be further analysed by geographical area, as well as by significant business line and claim type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the probability-weighted ultimate cost of claims.

(2) Fair values of financial assets and derivative financial instruments determined using valuation techniques

Fair value, in the absence of an active market, is estimated by using valuation techniques, such as reference to prices used in most recent market transactions between knowledgeable and willing parties, reference to the current fair value of another instrument which is substantially the same, a discounted cash flow analysis and/or option pricing models. For reference to other financial instruments, instruments must have similar credit ratings.

For a discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions, concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk-free interest rates and credit risk.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.3 Change in accounting estimates

When measuring the insurance contract liabilities and other policy-related liabilities, the Group determines actuarial assumptions such as discount rate, mortality and morbidity, surrender rates, expense assumptions and policy dividend assumptions based on information currently available as at the balance sheet date.

As at 31 December 2017, the Group used information currently available to determine the above assumptions and the impact of change in assumptions was charged to profit or loss. Such change in accounting estimates resulted in an increase in net insurance contract liabilities and other policy-related liabilities as at 31 December 2017 by approximately RMB9,024 million and a decrease in profit before tax for 2017 by approximately RMB9,024 million.

4. SEGMENT INFORMATION

The Group presents segment information based on its major operating segments.

For management purpose, the Group is organized into business units based on their products and services. Different operating segments provide products and services with different risks and rewards.

The Group's operating segments are listed as follows:

- The life insurance segment (including China Pacific Life Insuracne Co.,Ltd. ("CPIC Life") and CPIC Allianz Health Insurance Co.,Ltd. ("CPIC Allianz Health")) offers a wide range of RMB life insurance;
- The property and casualty insurance segment (including Mainland China segment and Hong Kong segment) provides a wide range of RMB and foreign-currency property and casualty insurance;
- Other businesses segment provides management services and usage of fund services.

Intersegment sales and transfers are measured based on the actual transaction price.

More than 99% of the Group's revenue is derived from its operations in the PRC. More than 99% of the Group's assets are located in the PRC.

In 2017, gross written premiums from transactions with the top five external customers amounted to 0.68% (2016: 0.38%) of the Group's total gross written premiums.

4. SEGMENT INFORMATION (continued)

Segment income statement for the year ended 31 December 2017

	Life insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Subtotal			
Gross written premiums	176,072	105,739	521	(401)	105,859	-	(287)	281,644
Less: Premiums ceded to reinsurers	(2,307)	(13,962)	(197)	395	(13,764)	-	287	(15,784)
Net written premiums	173,765	91,777	324	(6)	92,095	-	-	265,860
Net change in unearned premium reserves	(565)	(1,803)	44	-	(1,759)	-	18	(2,306)
Net premiums earned	173,200	89,974	368	(6)	90,336	-	18	263,554
Investment income	45,740	5,362	33	-	5,395	18,826	(17,304)	52,657
Other operating income	2,809	556	1	-	557	3,757	(3,929)	3,194
Other income	48,549	5,918	34	-	5,952	22,583	(21,233)	55,851
Segment income	221,749	95,892	402	(6)	96,288	22,583	(21,215)	319,405
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(39,604)	-	-	-	-	-	-	(39,604)
Claims incurred	(6,320)	(53,824)	(191)	-	(54,015)	-	18	(60,317)
Changes in long-term life insurance contract liabilities	(101,445)	-	-	-	-	-	182	(101,263)
Policyholder dividends	(8,946)	-	-	-	-	-	-	(8,946)
Finance costs	(3,213)	(427)	-	-	(427)	(71)	8	(3,703)
Interest credited to investment contracts	(1,910)	-	-	-	-	-	-	(1,910)
Other operating and administrative expenses	(46,967)	(35,539)	(164)	-	(35,703)	(3,860)	3,896	(82,634)
Segment benefits, claims and expenses	(208,405)	(89,790)	(355)	-	(90,145)	(3,931)	4,104	(298,377)
Segment results	13,344	6,102	47	(6)	6,143	18,652	(17,111)	21,028
Share of profit in equity accounted investees	91	(14)	-	-	(14)	(4)	1	74
Profit before tax	13,435	6,088	47	(6)	6,129	18,648	(17,110)	21,102
Income tax	(3,441)	(2,243)	(8)	-	(2,251)	(385)	(34)	(6,111)
Net profit for the year	9,994	3,845	39	(6)	3,878	18,263	(17,144)	14,991

4. SEGMENT INFORMATION (continued)

Segment balance sheet at 31 December 2017

	Life insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Subtotal			
Investment in associates	4,867	289	-	-	289	74	-	5,230
Investment in joint ventures	-	29	-	-	29	12	-	41
Financial assets*	777,684	75,271	432	-	75,703	35,913	-	889,300
Term deposits	81,639	21,264	-	-	21,264	1,086	-	103,989
Others	109,587	49,600	650	(357)	49,893	43,372	(30,188)	172,664
Segment assets	973,777	146,453	1,082	(357)	147,178	80,457	(30,188)	1,171,224
Insurance contract liabilities	724,712	77,640	324	(203)	77,761	-	(234)	802,239
Investment contract liabilities	56,268	-	-	-	-	-	-	56,268
Policyholders' deposits	10	65	-	-	65	-	-	75
Subordinated debts	-	3,999	-	-	3,999	-	-	3,999
Securities sold under agreements to repurchase	60,059	5,900	-	-	5,900	284	-	66,243
Others	75,085	22,828	312	(148)	22,992	9,885	(6,681)	101,281
Segment liabilities	916,134	110,432	636	(351)	110,717	10,169	(6,915)	1,030,105

* *Financial assets comprise financial assets at fair value through profit or loss, held-to-maturity financial assets, available-for-sale financial assets and investments classified as loans and receivables.*

Other segment information for the year ended 31 December 2017

	Life insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Subtotal			
Depreciation and amortization	990	727	1	-	728	438	-	2,156
Capital expenditure	1,698	1,965	-	-	1,965	273	-	3,936
Impairment loss charges	925	41	-	-	41	(253)	-	713
Interest income	36,720	4,354	31	-	4,385	1,297	(59)	42,343
Unrealized gains from financial assets at fair value through profit or loss	1,427	-	-	-	-	16	-	1,443

4. SEGMENT INFORMATION (continued)

Segment income statement for the year ended 31 December 2016

	Life insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Subtotal			
Gross written premiums	137,565	96,498	475	(366)	96,607	-	(154)	234,018
Less: Premiums ceded to reinsurers	(1,901)	(12,227)	(46)	371	(11,902)	-	154	(13,649)
Net written premiums	135,664	84,271	429	5	84,705	-	-	220,369
Net change in unearned premium reserves	(397)	(417)	4	-	(413)	-	14	(796)
Net premiums earned	135,267	83,854	433	5	84,292	-	14	219,573
Investment income	39,883	5,605	27	-	5,632	11,602	(13,238)	43,879
Other operating income	1,833	421	10	-	431	3,238	(2,873)	2,629
Other income	41,716	6,026	37	-	6,063	14,840	(16,111)	46,508
Segment income	176,983	89,880	470	5	90,355	14,840	(16,097)	266,081
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(40,779)	-	-	-	-	-	-	(40,779)
Claims incurred	(4,556)	(51,380)	(202)	-	(51,582)	-	36	(56,102)
Changes in long-term life insurance contract liabilities	(71,885)	-	-	-	-	-	707	(71,178)
Policyholder dividends	(7,735)	-	-	-	-	-	-	(7,735)
Finance costs	(2,107)	(302)	-	-	(302)	(43)	8	(2,444)
Interest credited to investment contracts	(1,803)	-	-	-	-	-	-	(1,803)
Other operating and administrative expenses	(36,945)	(32,173)	(164)	-	(32,337)	(3,546)	2,855	(69,973)
Segment benefits, claims and expenses	(165,810)	(83,855)	(366)	-	(84,221)	(3,589)	3,606	(250,014)
Segment results	11,173	6,025	104	5	6,134	11,251	(12,491)	16,067
Share of profit in equity accounted investees	-	29	-	-	29	(5)	(6)	18
Profit before tax	11,173	6,054	104	5	6,163	11,246	(12,497)	16,085
Income tax	(2,658)	(1,430)	(16)	-	(1,446)	(130)	433	(3,801)
Net profit for the year	8,515	4,624	88	5	4,717	11,116	(12,064)	12,284

4. SEGMENT INFORMATION (continued)

Segment balance sheet at 31 December 2016

	Life insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Subtotal			
Investment in associates	92	14	-	-	14	9	-	115
Investment in joint ventures	-	31	-	-	31	5	-	36
Financial assets*	638,800	66,467	420	-	66,887	24,736	-	730,423
Term deposits	110,469	21,111	-	-	21,111	646	-	132,226
Others	98,047	46,033	682	(528)	46,187	43,851	(30,193)	157,892
Segment assets	847,408	133,656	1,102	(528)	134,230	69,247	(30,193)	1,020,692
Insurance contract liabilities	620,742	73,092	344	(233)	73,203	-	(119)	693,826
Investment contract liabilities	48,796	-	-	-	-	-	-	48,796
Policyholders' deposits	10	65	-	-	65	-	-	75
Subordinated debts	7,500	3,998	-	-	3,998	-	-	11,498
Securities sold under agreements to repurchase	37,460	990	-	-	990	654	-	39,104
Others	69,363	19,594	326	(304)	19,616	9,206	(5,555)	92,630
Segment liabilities	783,871	97,739	670	(537)	97,872	9,860	(5,674)	885,929

* *Financial assets comprise financial assets at fair value through profit or loss, held-to-maturity financial assets, available-for-sale financial assets and investments classified as loans and receivables.*

Other segment information for the year ended 31 December 2016

	Life insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Subtotal			
Depreciation and amortization	828	733	2	-	735	309	-	1,872
Capital expenditure	3,061	2,383	1	-	2,384	955	-	6,400
Impairment loss charges	605	251	-	-	251	285	-	1,141
Interest income	32,437	4,389	26	-	4,415	1,003	(22)	37,833
Unrealized gains from financial assets at fair value through profit or loss	(734)	(24)	-	-	(24)	(10)	-	(768)

5. SCOPE OF CONSOLIDATION

(a) Particulars of the Company's incorporated subsidiaries as at 31 December 2017 are as follows:

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise stated)	Paid-up capital (RMB thousand, unless otherwise stated)	Percentage of equity attributable to the Company		Percentage of voting rights attributable to the Company	Note
							Direct	Indirect		
China Pacific Property Insurance Co., Ltd. ("CPIC Property")	Limited company	Property and casualty insurance	Shanghai	The PRC	19,470,000	19,470,000	98.50	-	98.50	
CPIC Life	Limited company	Life insurance	Shanghai	The PRC	8,420,000	8,420,000	98.29	-	98.29	
Pacific Asset Management Co., Ltd. ("CPIC Asset Management")	Limited company	Investment management	Shanghai	Shanghai	2,100,000	2,100,000	80.00	19.67	100.00	(1)
China Pacific Insurance Co., (H.K.) Ltd.	Limited company	Property and casualty insurance	Hong Kong	Hong Kong	HK$250,000 thousand	HK$250,000 thousand	100.00	-	100.00	
Shanghai Pacific Real Estate Co., Ltd.	Limited company	Management of properties	Shanghai	Shanghai	115,000	115,000	100.00	-	100.00	
Fenghua Xikou Garden Hotel	Limited company	Hotel operations	Zhejiang	Zhejiang	8,000	8,000	-	98.39	100.00	
Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension")	Limited company	Pension business and investment management	Shanghai	Shanghai	1,446,415	1,446,415	-	61.10	62.16	(2)
CPIC Investment Management (H.K.) Company Limited ("CPIC Investment (H.K.)")	Limited company	Investment management	Hong Kong	Hong Kong	HK$50,000 thousand	HK$50,000 thousand	49.00	50.83	100.00	

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 31 December 2017 are as follows (continued):

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise stated)	Paid-up capital (RMB thousand, unless otherwise stated)	Percentage of equity attributable to the Company		Percentage of voting rights attributable to the Company	Note
							Direct	Indirect		
City Island Developments Limited ("City Island")	Limited company	Investment holding	The British Virgin Islands	The British Virgin Islands	US$50,000	US$1,000	-	98.29	100.00	
Great Winwick Limited *	Limited company	Investment holding	The British Virgin Islands	The British Virgin Islands	US$50,000	US$100	-	98.29	100.00	
Great Winwick (Hong Kong) Limited *	Limited company	Investment holding	Hong Kong	Hong Kong	HK$10,000	HK$1	-	98.29	100.00	
Newscott Investments Limited *	Limited company	Investment holding	The British Virgin Islands	The British Virgin Islands	US$50,000	US$100	-	98.29	100.00	
Newscott (Hong Kong) Investments Limited *	Limited company	Investment holding	Hong Kong	Hong Kong	HK$10,000	HK$1	-	98.29	100.00	
Shanghai Xinhui Real Estate Development Co., Ltd. *	Limited company	Real estate	Shanghai	Shanghai	US$15,600 thousand	US$15,600 thousand	-	98.29	100.00	
Shanghai Hehui Real Estate Development Co., Ltd. *	Limited company	Real estate	Shanghai	Shanghai	US$46,330 thousand	US$46,330 thousand	-	98.29	100.00	
Pacific Insurance Online Services Technology Co., Ltd. ("CPIC Online Services")	Limited company	Consulting services, etc	Shandong	The PRC	200,000	200,000	100.00	-	100.00	
Tianjin Trophy Real Estate Co., Ltd. ("Tianjin Trophy")	Limited company	Real estate	Tianjin	Tianjin	353,690	353,690	-	98.29	100.00	
Pacific Insurance Aging Industry Investment Management Co., Ltd. ("CPIC Aging Investment")	Limited company	Pension business investment, etc	Shanghai	Shanghai	219,000	219,000	-	98.29	100.00	
CPIC Allianz Health	Limited company	Health insurance	Shanghai	Shanghai	1,000,000	1,000,000	77.05	-	77.05	
Shanghai Nan Shan Ju Xuhong Nursing Home Co., Ltd. ("Nan Shan Ju")	Limited company	Pension services	Shanghai	Shanghai	20,000	15,000	-	98.29	100.00	
Anxin Agriculture Insurance Co., Ltd.(the "Anxin")	Limited company	Property and casualty insurance	Shanghai	Shanghai	700,000	700,000	-	51.35	52.13	

Subsidiaries of City Island

(1) In 2017, the Company and the Group's subsidiaries, CPIC Life and CPIC Property, injected capital of RMB800 million to CPIC Asset Management, which consists of RMB400 million monetary capital contribution and RMB400 million paid-in capital converted from retained earnings. The registered capital changes to RMB2,100 million. After this capital injection, the ownership in CPIC Asset Management will be 80% for the Company, 16% for CPIC Life, and 4% for CPIC Property, respectively. The CIRC approved the change of registered capital of CPIC Asset Management by issuing the 'Approval of changing registered capital of CPIC Asset Management' (Bao Jian Xu Ke [2017] No.1401) on 14 December 2017. CPIC Asset Management completed the change of business license on 15 December 2017.

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 31 December 2017 are as follows (continued):

(2) On 12 May 2017, CPIC Life, the Group's subsidiary, signed a capital increase agreement with Changjiang Pension, whereby CPIC Life acquired 491.5127 million shares of common stocks at RMB3.0358 per share issued by Changjiang Pension. After this capital injection, CPIC Life's ownership in Changjiang Pension will be 62.16% while the Company will hold 61.10% of Changjiang Pesnion's ownership indirectly through CPIC Life. The CIRC approved the change of registered capital and articles of association of Changjiang Pensions by issuing the 'Approval of changing registered capital of Changjiang Pension (Bao Jian Xu Ke [2017] No.1044) on 1 September 2017 and the 'Approval of changing articles of association of Changjiang Pension (Bao Jian Xu Ke [2017] No.1221) on 18 October 2017. Changjiang Pension completed the change of business license on 1 November 2017.

(b) As at 31 December 2017, consolidated structured entities material to the Group are as followings:

Name	Collective Holding by the Group (%)	Product Scale (Units in thousand)	Principal activities
Pacific Excellent Wealth CSI 300 Index	100.00	3,048,052	Investing in financial instruments with good liquidity, including CSI 300 Index Constituent and Proxy Stocks. In addition, to successfully achieve the investment goal, this product also allocates a few investments in non-constituent stocks to be listed in CSI 300 Index Constituent Stocks, stocks newly-issued or additionally-issued in the primary market, government bond to be due within one year, exchange repo, demand deposits at bank, funds in monetary market, etc. Product Manager may bring other financial instruments that are allowed by laws and regulations or regulators into the scope of investment after implementation of proper procedures.
Pacific-China Nonferrous Metal Mining (Group) Co., Ltd. ("CNMC") Debt Investment Plan (Phase I)	62.98	2,080,000	Investing in projects operated by CNMC's subsidiaries through debt investment plan.
Pacific Excellent Wealth Focus Dividend &Value Equity	100.00	895,298	Investing in legally listed domestic stocks (including stocks listed in Shanghai and Shenzhen main board, SME, GEM, HKSE which are allowed to be traded under the interconnected mechanism between the mainland and Hongkong stock markets and others approved by CSRC), convertible bonds, bond reverse repurchases (including pit trading and OTC, etc.), securities investment funds (including pit trading and OTC etc.), bank deposits (including current deposits, time deposits, agreement deposits, inter-bank deposits, notice deposits, NCDs, certificates of deposit, etc.). Stock index futures (limited to hedging) is allowed as well.
Pacific Well-selected Growth Equity	100.00	637,463	Investing in financial instruments with good liquidity, including legally listed domestic stocks (including stocks listed in SME, GEM and others approved by CSRC), bonds (including national debts, financial bonds, subordinated bonds, central bank bills, corporate bonds, local government bonds, convertible bonds, detachable bonds, medium-term notes, short-term financing bonds, bond repurchases, etc.), money market funds, structured fund with fixed income characteristics (senior tranche), bond funds, credit assets backed securities, bank deposits (including current deposits, time deposits, agreement deposits, etc.) and other financial instruments that regulators may allow in the future (subject to relevant regulatory authorities).

Note: CPIC Asset Management is the asset manager of the consolidated structured entities.

6. NET WRITTEN PREMIUMS

(a) Gross written premiums

	2017	2016
Long-term life insurance premiums	164,553	128,258
Short-term life insurance premiums	11,232	9,152
Property and casualty insurance premiums	105,859	96,608
	281,644	234,018

(b) Premiums ceded to reinsurers

	2017	2016
Long-term life insurance premiums ceded to reinsurers	(2,108)	(1,804)
Short-term life insurance premiums ceded to reinsurers	(199)	(97)
Property and casualty insurance premiums ceded to reinsurers	(13,477)	(11,748)
	(15,784)	(13,649)

(c) Net written premiums

	2017	2016
Net written premiums	265,860	220,369

7. INVESTMENT INCOME

	2017	2016
Interest and dividend income (a)	53,443	46,472
Realized losses (b)	(1,571)	(860)
Unrealized gains/(losses) (c)	1,443	(768)
Charge of impairment losses on financial assets	(658)	(965)
	52,657	43,879

7. INVESTMENT INCOME (continued)

(a) Interest and dividend income

	2017	2016
Financial assets at fair value through profit or loss		
- Fixed maturity investments	307	678
- Investment funds	84	127
- Equity securities	81	38
- Other equity investments	78	44
	550	887
Held-to-maturity financial assets		
- Fixed maturity investments	14,703	15,322
Loans and receivables		
- Fixed maturity investments	18,790	16,345
Available-for-sale financial assets		
- Fixed maturity investments	8,543	5,488
- Investment funds	7,551	6,298
- Equity securities	850	601
- Other equity investments	2,456	1,531
	19,400	13,918
	53,443	46,472

(b) Realized losses

	2017	2016
Financial assets at fair value through profit or loss		
- Fixed maturity investments	(129)	109
- Investment funds	(4)	(59)
- Equity securities	715	(101)
- Other equity investments	2	1
- Derivative instruments	(1)	38
	583	(12)
Available-for-sale financial assets		
- Fixed maturity investments	(182)	473
- Investment funds	(4,968)	(2,686)
- Equity securities	2,936	1,266
- Other equity investments	60	29
	(2,154)	(918)
Investments in subsidiaries	-	70
	(1,571)	(860)

(c) Unrealized gains/(losses)

	2017	2016
Financial assets at fair value through profit or loss		
- Fixed maturity investments	(113)	(373)
- Investment funds	280	(138)
- Equity securities	1,254	(264)
- Other equity investments	22	7
	1,443	(768)

8. NET POLICYHOLDERS' BENEFITS AND CLAIMS

	2017		
	Gross	Ceded	Net
Life insurance death and other benefits paid	40,579	(975)	39,604
Claims incurred			
- Short-term life insurance	6,233	(120)	6,113
- Property and casualty insurance	60,931	(6,727)	54,204
Changes in long-term life insurance contract liabilities	102,769	(1,506)	101,263
Policyholder dividends	8,946	-	8,946
	219,458	(9,328)	210,130

	2016		
	Gross	Ceded	Net
Life insurance death and other benefits paid	41,507	(728)	40,779
Claims incurred			
- Short-term life insurance	4,654	(153)	4,501
- Property and casualty insurance	58,375	(6,774)	51,601
Changes in long-term life insurance contract liabilities	72,608	(1,430)	71,178
Policyholder dividends	7,735	-	7,735
	184,879	(9,085)	175,794

9. FINANCE COSTS

	2017	2016
Current liabilities		
- Interest expense on securities sold under agreements to repurchase	2,676	917
- Interest expense on policyholder dividends	517	514
	3,193	1,431
Non-current liabilities		
- Interest expense on subordinated debts	455	1,009
- Interest expense on asset-backed securities	53	4
- Long-term borrowings	2	-
	510	1,013
	3,703	2,444

10. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2017	2016
Employee benefit expense (including directors' and supervisors' emoluments) (note 11)	19,612	17,417
Auditors' remuneration	28	24
Operating lease payments in respect of land and buildings	1,179	970
Depreciation of property and equipment (note 18)	1,348	1,179
Depreciation of investment properties (note 19)	312	245
Amortization of other intangible assets (note 20)	467	421
Amortization of prepaid land lease payments (note 21)	1	1
Amortization of other assets	28	26
Gain on disposal of items of property and equipment, intangible assets and other long-term assets	(168)	(23)
Charge of impairment loss on insurance receivables	55	176
Charge of impairment loss on financial assets (note 7)	658	965
Foreign exchange loss/(gain), net	140	(117)

11. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' AND SUPERVISORS' EMOLUMENTS)

	2017	2016
Salaries, allowances and other short-term benefits	16,164	14,474
Contributions to defined contribution plans (1)	3,323	2,763
Early retirement benefit obligation	122	179
Deferred bonus (2)	3	1
	19,612	17,417

(1) Contributions to defined contribution plans mainly include contributions made to the state pension schemes.
(2) In order to motivate senior management and certain key employees, the Group operates deferred bonus plans.

12. DIRECTORS' AND SUPERVISORS' REMUNERATION

(in RMB thousand)	2017	2016
Fees	1,400	1,400
Other remuneration		
- Salaries, allowances and other short-term benefits	6,952	5,767
- Contributions to defined contribution plans	678	353
- Deferred bonus (1)	1,733	-
- Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	-	-
	9,363	6,120
	10,763	7,520

(1) This represents the amount under the Group's deferred bonus plans mentioned in note 11(2).

12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(a) Independent non-executive directors

Included in the fees is an amount of RMB1,400 thousand paid to independent non-executive directors for the year ended 31 December 2017 (2016: RMB1,400 thousand). There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2017.

(in RMB thousand)	2017					
	Fees	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
LIN Zhiquan	300	-	-	-	-	300
ZHOU Zhonghui	300	-	-	-	-	300
BAI Wei	250	-	-	-	-	250
GAO Shanwen	300	-	-	-	-	300
LI Jiashi	250	-	-	-	-	250
	1,400	-	-	-	-	1,400

(in RMB thousand)	2016					
	Fees	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
LIN Zhiquan	300	-	-	-	-	300
ZHOU Zhonghui	300	-	-	-	-	300
BAI Wei	250	-	-	-	-	250
GAO Shanwen	300	-	-	-	-	300
LI Jiashi	250	-	-	-	-	250
	1,400	-	-	-	-	1,400

12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

	2017				
(in RMB thousand)	**Deferred bonus**	**Salaries, allowances and other short-term benefits**	**Contributions to defined contribution plans**	**Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking**	**Total**
Executive directors:					
GAO Guofu[1]	-	399	60	-	459
HUO Lianhong[2]	867	1,300	152	-	2,319
KONG Qingwei[3]	-	698	107	-	805
HE Qing[4]	866	1,516	183	-	2,565
Non-executive directors:					
WANG Chengran[5]	-	125	-	-	125
SUN Xiaoning	-	-	-	-	-
ZHENG Anguo[5]	-	125	-	-	125
WU Jumin[6]	-	62	-	-	62
WU Junhao	-	-	-	-	-
HA Erman[5]	-	125	-	-	125
WANG Jian	-	-	-	-	-
WANG Tayu[7]	-	125	-	-	125
KONG Xiangqing[7]	-	125	-	-	125
ZHU Kebing[7]	-	125	-	-	125
CHEN Xuanmin[7]	-	125	-	-	125
	1,733	4,850	502	-	7,085

1 Resigned from executive director in April 2017
2 Resigned from executive director in October 2017
3 Executive director since June 2017. The final amount of remuneration of Mr. KONG Qingwei is yet to be reviewed and approved. The final remuneration will be disclosed when confirmed.
4 Executive director since February 2018
5 In June 2017, the members of the 8th Board of Directors were elected. Mr. WANG Chengran, Mr. ZHENG Anguo and Ms. HA Erman no longer served as non-executive directors.
6 Mr. WU Jumin, who passed away because of illness in April, 2017, no longer served as a non-executive director.
7 Non-executive director since June 2017

12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors (continued)

(in RMB thousand)	2016				
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Executive directors:					
GAO Guofu	-	1,196	92	-	1,288
HUO Lianhong	-	1,196	92	-	1,288
Non-executive directors:					
WANG Chengran	-	250	-	-	250
SUN Xiaoning	-	-	-	-	-
ZHENG Anguo	-	250	-	-	250
WU Jumin	-	250	-	-	250
WU Junhao	-	-	-	-	-
HA Erman	-	250	-	-	250
WANG Jian	-	-	-	-	-
	-	3,392	184	-	3,576

Pursuant to the resolution of the 2009 annual general meeting, the allowance for each of the existing directors (excluding executive directors) is RMB250,000 (before tax) per year. In May 2011, the 2010 annual general meeting resolved to grant an additional allowance of RMB50,000 (before tax) per year to each of those directors who take the role of chairman in special committees established under the board of directors. Except for SUN Xiaoning, the non-executive director, there was no other arrangement under which a director waived or agreed to waive any remuneration during 2017(2016: SUN Xiaoning).

(c) Supervisors

(in RMB thousand)	2017				
	Deferred bonus	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
DAI Zhihao[1]	-	125	-	-	125
ZHOU Zhuping[2]	-	125	-	-	125
LIN Lichun	-	250	-	-	250
SONG Junxiang[3]	-	-	-	-	-
YUAN Songwen	-	1,352	176	-	1,528
ZHANG Xinmei	-	250	-	-	250
	-	2,102	176	-	2,278

1 In June 2017, the members of the 8th Board of Supervisors were elected. Mr. DAI Zhihao no longer served as a supervisor.
2 Supervisor since June 2017
3 Retired from supervisor in January 2017

12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(c) Supervisors (continued)

	2016				
(in RMB thousand)	**Deferred bonus**	**Salaries, allowances and other short-term benefits**	**Contributions to defined contribution plans**	**Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking**	**Total**
DAI Zhihao	-	250	-	-	250
LIN Lichun	-	250	-	-	250
SONG Junxiang	-	539	46	-	585
YUAN Songwen	-	1,086	123	-	1,209
ZHANG Xinmei	-	250	-	-	250
	-	2,375	169	-	2,544

Pursuant to the resolution of the 2009 annual general meeting, the allowance for each of the existing supervisors (excluding employees' representative supervisors) is RMB250,000 (before tax) per year. There was no arrangement under which a supervisor waived or agreed to waive any remuneration during 2017 and 2016.

(d) Directors' retirement benefits

There was no retirement benefits paid to the directors during 2017 and 2016.

(e) Directors' termination benefits

There was no termination benefits paid to directors during 2017 and 2016.

(f) Consideration provided to third parties for making available directors' services

There was no payment to third parties for making available directors' services during 2017 and 2016.

(g) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There was no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors entered into by the company or subsidiary undertaking of the company during 2017 and 2016.

(h) Directors' material interests in transactions, arrangements or contracts

There was no significant transactions, arrangements and contracts in relation to the group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

13. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose remuneration was the highest for the years ended 31 December 2017 in the Group include no director (2016: no director) whose emoluments were reflected in the analysis presented in note 12.

13. FIVE HIGHEST PAID INDIVIDUALS (continued)

The number of non-director, highest paid individuals whose remuneration fell within the following bands is set out below:

	2017	2016
Nil to RMB1,000,000	-	-
RMB1,000,001 to RMB2,000,000	-	-
RMB2,000,001 to RMB3,000,000	-	-
RMB3,000,001 to RMB4,000,000	-	-
RMB4,000,001 to RMB5,000,000	3	4
RMB5,000,001 to RMB6,000,000	1	1
RMB6,000,001 to RMB7,000,000	1	-
RMB7,000,001 to RMB8,000,000	-	-
Total	5	5

Details of the remuneration of the highest paid non-director individuals are as follows:

(in RMB thousand)	2017	2016
Salaries, allowances and other short-term benefits	25,375	22,378
Contributions to defined contribution plans	931	712
Deferred bonus (1)	-	-
	26,306	23,090
The number of non-director individuals for the above remuneration	5	5

(1) This represents the amount under the Group's deferred bonus plans mentioned in note 11(2).

14. INCOME TAX

(a) Income tax

	2017	2016
Current income tax	5,668	5,071
Deferred income tax (note 33)	443	(1,270)
	6,111	3,801

(b) Tax recorded in other comprehensive income

	2017	2016
Deferred income tax (note 33)	(820)	(1,566)

14. INCOME TAX (continued)

(c) Reconciliation of tax expense

Current income tax has been provided at the rate of 25% on the assessable profits arising in the PRC. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

A reconciliation of the tax expense applicable to profit before tax using the PRC statutory income tax rate of 25% to the tax expense at the Group's effective tax rate is as follows:

	2017	2016
Profit before tax	21,102	16,085
Tax computed at the statutory tax rate	5,276	4,021
Adjustments to income tax in respect of previous periods	2	18
Income not subject to tax	(3,702)	(2,974)
Expenses not deductible for tax	4,490	2,712
Others	45	24
Tax expense at the Group's effective rate	6,111	3,801

15. EARNINGS PER SHARE

The calculation of earnings per share is based on the following:

	2017	2016
Consolidated net profit for the year attributable to equity holders of the parent	14,662	12,057
Weighted average number of ordinary shares in issue (million)	9,062	9,062
Basic earnings per share	RMB1.62	RMB1.33
Diluted earnings per share	RMB1.62	RMB1.33

The Company had no dilutive potential ordinary shares as at 31 December 2017 and 2016.

16. OTHER COMPREHENSIVE LOSS

	2017	2016
Exchange differences on translation of foreign operations	(33)	32
Available-for-sale financial assets		
Losses arising during the year	(8,839)	(11,883)
Reclassification adjustments for gains included in profit or loss	2,154	918
Fair value change on available-for-sale financial assets attributable to policyholders	2,744	3,747
Impairment charges reclassified to the income statement	658	965
	(3,283)	(6,253)
Income tax relating to available-for-sale financial assets	820	1,566
Share of other comprehensive loss in equity accounted investees	-	(19)
Other comprehensive loss	(2,496)	(4,674)

17. GOODWILL

Cost	
At 1 January 2016, 31 December 2016 and 2017	962
Impairment	
At 1 January 2016, 31 December 2016 and 2017	-
Carrying Value	
At 31 December 2016 and 2017	962

18. PROPERTY AND EQUIPMENT

	Land and buildings	Construction in progress	Motor vehicles	Office furniture and equipment	Leasehold improvements	Total
Cost						
At 1 January 2016	10,516	4,123	984	4,575	1,903	22,101
Additions	95	4,752	125	566	287	5,825
Transfer	5,532	(5,976)	-	430	14	-
Transfer to investment properties, net (note 19)	(2,431)	-	-	-	-	(2,431)
Acquisition of a subsidiary	220	-	20	22	44	306
Disposals	(63)	-	(54)	(267)	-	(384)
At 31 December 2016	13,869	2,899	1,075	5,326	2,248	25,417
Additions	118	1,877	96	652	376	3,119
Transfer	599	(600)	-	-	1	-
Transfer to investment properties, net (note 19)	(441)	-	-	-	-	(441)
Disposals	(134)	-	(68)	(604)	-	(806)
At 31 December 2017	14,011	4,176	1,103	5,374	2,625	27,289
Accumulated depreciation and impairment						
At 1 January 2016	(2,448)	-	(570)	(3,473)	(1,356)	(7,847)
Depreciation charge	(357)	-	(126)	(471)	(225)	(1,179)
Transfer to investment properties, net (note 19)	19	-	-	-	-	19
Acquisition of a subsidiary	(23)	-	(9)	(18)	(18)	(68)
Disposals	9	-	53	260	-	322
At 31 December 2016	(2,800)	-	(652)	(3,702)	(1,599)	(8,753)
Depreciation charge	(450)	-	(119)	(541)	(238)	(1,348)
Transfer to investment properties, net (note 19)	59	-	-	-	-	59
Disposals	36	-	63	604	-	703
At 31 December 2017	(3,155)	-	(708)	(3,639)	(1,837)	(9,339)
Net book value						
At 31 December 2016	11,069	2,899	423	1,624	649	16,664
At 31 December 2017	10,856	4,176	395	1,735	788	17,950

19. INVESTMENT PROPERTIES

Cost	
At 1 January 2016	7,382
Transfer from property and equipment, net	2,431
Acquisition of a subsidiary	159
At 31 December 2016	9,972
Transfer from property and equipment, net	441
At 31 December 2017	10,413
Accumulated depreciation	
At 1 January 2016	(1,038)
Depreciation charge	(245)
Transfer from property and equipment, net	(19)
Acquisition of a subsidiary	(13)
At 31 December 2016	(1,315)
Depreciation charge	(312)
Transfer from property and equipment, net	(59)
At 31 December 2017	(1,686)
Carrying amount	
At 31 December 2016	8,657
At 31 December 2017	8,727

The fair values of investment properties of the Group as at 31 December 2017 amounted to RMB 11,856 million (31 December 2016: RMB11,387 million), respectively, which were estimated by the Company having regard to valuations performed by independent valuers. The Company leases part of its investment properties to CPIC Property, CPIC Life, Changjiang Pension and CPIC Aging Investment charges rentals based on the areas occupied by the respective entities. These properties are categorized as property and equipment of the Group in the consolidated balance sheet.

20. OTHER INTANGIBLE ASSETS

	Software
Cost	
At 1 January 2016	2,936
Additions	540
Acquisition of a subsidiary	12
At 31 December 2016	3,488
Additions	785
At 31 December 2017	4,273
Accumulated amortization	
At 1 January 2016	(1,888)
Amortization	(421)
Acquisition of a subsidiary	(7)
At 31 December 2016	(2,316)
Amortization	(467)
At 31 December 2017	(2,783)
Carrying amount	
At 31 December 2016	1,172
At 31 December 2017	1,490

21. PREPAID LAND LEASE PAYMENTS

Cost	
At 1 January 2016、31 December 2016 and 31 December 2017	65
Accumulated amortization	
At 1 January 2016	(8)
Amortization	(1)
At 31 December 2016	(9)
Amortization	(1)
At 31 December 2017	(10)
Carrying amount	
At 31 December 2016	56
At 31 December 2017	55

Land use rights are acquired under the PRC laws for fixed periods, and the related costs are amortized on the straight-line basis. All of the Group's land use rights are related to pieces of land located in the PRC. The costs of the land use rights are amortized over the lease terms ranging from 30 to 50 years.

22. INTERESTS IN ASSOCIATES

	31 December 2017						
	Historical cost	**At 1 January 2017**	**Additions**	**Share of profit**	**Other equity movement**	**Dividend declared**	**At 31 December 2017**
Taiji (Shanghai) InformationTechnology Co., Ltd. (the "Taiji")	2	1	-	-	-	-	1
Shanghai Juche Information Technology Co., Ltd.(the "Juche")	3	1	-	(3)	9	-	7
Zhongdao Automobile Rescue Industry Co., Ltd.(the "Zhongdao")	17	18	-	1	-	-	19
Shanghai Proton and Heavy Ion Hospital(the "Zhizhong")	100	92	-	(25)	-	-	67
Shanghai Dedao Co., Ltd.(the "Dedao")	5	3	-	(1)	-	-	2
Shanghai Xingongying Information Technology Co., Ltd.(the "Xingongying")	81	-	81	(8)	-	-	73
Shanghai Heji Business Management LP.(the"Heji")	200	-	200	(2)	-	-	198
Changjiang Pension - China National Chemical Corporation Infrastructure Debt Investment Scheme(the "CHEMCHINA Debt Investment Scheme")	2,160	-	2,160	84	-	(80)	2,164
Changjiang Pension - Sichuan Railway Xugu Highway Investment Infrastructure Debt Investment Scheme(the "Sichuan Railway Investment Scheme")	250	-	250	-	-	-	250
Ningbo Zhilin Investment Management LLP.(the "Ningbo Zhilin")	2,416	-	2,416	33	-	-	2,449
	5,234	115	5,107	79	9	(80)	5,230

22. INTERESTS IN ASSOCIATES (continued)

On 18 September 2015, CPIC Property signed the business cooperation agreement of RMB40 million with Xingongying. Meanwhile, CPIC Property signed the ownership transfer contract with Xingongying and individual shareholders Wenjian Zhang for transferring 6.63% shares of Xingongying. On 31 December 2016, CPIC Online Services signed the Capital injection contract of RMB0.73 million with Xingongying and the other two companies. After this capital injection, CPIC Online Services held 1.62% shares of Xingongying. On 10 January 2017, CPIC Property signed the capital injection contract of RMB40 million with Xingongying, the other seven companies, and six individual shareholders. After this capital injection, CPIC Property holds 7.53% shares of Xingongying, and CPIC Online Services holds 0.8% shares of Xingongying, respectively.

On 19 December 2016, CPIC Property, Shanghai Guohe Capital, and Shinovation Capital Corporation Co., Ltd. signed the partnership contract to join Heji with operating period of 20 years and registered capital of RMB505 million. Among all, CPIC Property stands for 99% shares, its subscribed capital contribution reaches RMB500 million, and its first capital contribution reaches RMB200 million. Heji completed the registration of business license on 17 January 2017.

On 14 July 2017, CPIC Life, Shanghai Zhenxin Industrial Co., Ltd. and Dongjiuzhiyi (Shanghai) Equity Investment Fund LLP injected capital to Ningbo Zhilin with operating period of 20 years and subscribed capital contribution of RMB2,684.80 million. Among all, CPIC Life stands for 90% shares, its subscribed capital contribution reaches RMB2,416.32 million.

Nature of investment in associates as at 31 December 2017

Name	Place of incorporation	Percentage of ownership interest		Percentage of voting power	Registered capital (RMB thousand)	Paid-up capital (RMB thousand)	Principal activity
		Direct	Indirect				
Taiji	Shanghai	-	40.00%	40.00%	15,000	4,600	Technology development and consulting, etc.
Juche	Shanghai	-	40.39%	40.80%	5,882	5,882	Internet
Zhongdao	Shanghai	-	33.22%	33.60%	50,000	50,000	Automobile rescue services
Zhizhong	Shanghai	-	15.41%	20.00%	500,000	500,000	Oncology department and medical laboratory
Dedao	Shanghai	-	25.00%	25.00%	20,000	20,000	Information technology and automotive software
Xingongying(1)	Shanghai	-	8.22%	8.33%	2,637	2,637	Information technology development and consulting, etc.
Heji(2)	Shanghai	-	97.52%		505,000	202,000	Business management, industrial investment, investment management, assets management, consulting, etc.
CHEMCHINA Debt Investment Scheme(3)	N/A	-	70.55%		N/A	3,000,000	Debt investment scheme
Sichuan Railway Investment Scheme(4)	N/A	-	38.17%		N/A	600,000	Debt investment scheme
Ningbo Zhilin(5)	Ningbo	-	88.46%		2,684,798	2,684,798	investment management, assets management

22. INTERESTS IN ASSOCIATES (continued)

Note:

(1) According to the articles of association of Xingongying, CPIC Property, the Group's subsidiary, has significant impact on Xingongying through director appointment to the company. Therefore, Xingongying is accounted under equity method.

(2) CPIC Property, the Group's subsidiary, holds over 50% shares of Heji. Since CPIC Group has no controlling power on relevant activities of Heji according to the articles of association and partnership agreement of Heji, Heji is accounted under equity method.

(3) CPIC Life, the Group's subsidiary, holds over 50% shares of CHEMCHINA Debt Investment Scheme. Since CPIC Group has no controlling power on relevant activities of CHEMCHINA Debt Investment Scheme according to the Agreement of Investment Scheme, CHEMCHINA Debt Investment Scheme is accounted under equity method.

(4) CPIC Life, the Group's subsidiary, and Changjiang Pension, the CPIC Life's subsidiary, hold shares of Sichuan Railway Investment Scheme. Changjiang Pension is the issuer and manager of Sichuan Railway Investment Scheme. Since CPIC Group has significant impact on Sichuan Railway Investment Scheme, Sichuan Railway Investment Scheme is accounted under equity method.

(5) CPIC Life, the Group's subsidiary, holds over 50% shares of Ningbo Zhilin. Since CPIC Group has no controlling power on relevant activities of Ningbo Zhilin according to the partnership agreement of Ningbo Zhilin, Ningbo Zhilin is accounted under equity method.

Summarised financial information for principal associates

	31 December 2017/2017			
	Total assets as at 31 December	Total liabilities as at 31 December	Total revenue in current year	Net profit in current year
Ningbo Zhilin	2,726	6	41	35
CHEMCHINA Debt Investment Scheme	3,006	-	128	117

Summarised financial information for other associates

	2017	2016
Net (loss)/profit for the year	(229)	72
Other comprehensive income for the year	-	2
Total comprehensive (loss)/income for the year	(229)	74
Total comprehensive (loss)/income attributable to the Group	(38)	26
Carrying amount of the Group's interest	617	115

23. INVESTMENT IN JOINT VENTURES

	31 December 2017	31 December 2016
Share of net assets	41	36

On 29 March 2017, CPIC Life, Wonders Information System Co., Ltd., and Shanghai Zicheng Internet Technology Limited Partnership set up Shanghai Dabaoguisheng Information Technology Co., Ltd.(the "Dabaoguisheng") with operating period of 20 years and registered capital of RMB100 million. Among all, CPIC Life stands for 34% shares, its subscribed capital contribution reaches RMB34 million, and its first capital contribution reaches RMB10.2 million.

23. INVESTMENT IN JOINT VENTURES (continued)

Particulars of the joint venture as at 31 December 2017 are as follow:

Name	Place of incorporation	Percentage of ownership interest		Percentage of voting power	Registered capital (RMB thousand)	Paid-up capital (RMB thousand)	Principal activity
		Direct	Indirect				
Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd("Binjiang-Xiangrui")	Shanghai	-	35.16%	35.70%	150,000	30,000	Real estate
Taiyi (Shanghai) Information Technology Co., Ltd	Shanghai	-	48.00%	48.00%	10,000	10,000	Used car information service platform
Hangzhou Dayu Internet Technology Co., Ltd	Hangzhou	-	27.00%	33.33%	10,000	10,000	Technology development services, consulting, etc.
Aizhu (Shanghai) Information Technology Co., Ltd	Shanghai	-	35.00%	35.00%	10,000	2,000	Internet technology, etc.
Pacific Euler Hermes Insurance Sales Co., Ltd	Shanghai	-	50.24%	50.00%	50,000	50,000	Insurance sales
Shanghai Dabaoguisheng Information Technology Co., Ltd. (the "Dabaogui-sheng")	Shanghai	-	33.42%	34.00%	100,000	22,200	Third party operation services of insurance industry

The main financial information of the Group's joint venture:

	2017	2016
	(RMB thousand)	(RMB thousand)
The joint venture's net income/(loss):	109,792	(14,640)

As at 31 December 2017, the Group's investment in joint ventures had no impairment.

Commitments related to investment in joint ventures are mentioned in Note 51.

24. HELD-TO-MATURITY FINANCIAL ASSETS

Held-to-maturity financial assets are stated at amortized cost and comprise the following:

	31 December 2017	31 December 2016
Listed		
Debt investments		
- Government bonds	463	1,368
- Finance bonds	5,871	5,757
- Corporate bonds	11,243	13,039
	17,577	20,164
Unlisted		
Debt investments		
- Government bonds	70,682	70,387
- Finance bonds	103,894	106,058
- Corporate bonds	95,344	108,265
	269,920	284,710
	287,497	304,874

25. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2017	31 December 2016
Debt investments		
- Finance bonds	2,699	2,899
- Debt investment scheme	92,844	61,397
- Wealth management products	89,205	43,338
- Preferred Shares	32,000	32,000
	216,748	139,634

As at 31 December 2017, CPIC Asset Management, a subsidiary of the Group, issued and existed 67 debt investment schemes with a total value of RMB106.122 billion. Of these, the existing amounts approximately RMB39.472 billion are recognized as investments classified as loans and receivables in the Group's consolidated financial information (As at 31 December 2016, CPIC Asset Management, a subsidiary of the Group, issued and existed 66 debt investment schemes with a total value of RMB101.695 billion. Of these, the existing amounts approximately RMB35.961 billion are recognized in the Group's consolidated financial information). As at 31 December 2017, Changjiang Pension, a subsidiary of the Group, issued and existed 41 debt investment schemes with a total value of RMB65.105 billion. Of these, the existing amounts approximately RMB19.211 billion are recognized as investments classified as loans and receivables in the Group's consolidated financial information (31 December 2016, Changjiang Pension, a subsidiary of the Group, issued and existed 22 debt investment schemes with a total value of RMB23.80 billion. Of these, the existing amounts approximately RMB5.667 million are recognized in the Group's consolidated financial information). Meanwhile, the Group also had investments in debt investment schemes launched by other insurance asset management companies with a value of approximately RMB34.161 billion (31 December 2016, approximately RMB19.769 billion). The value guaranteed by third parties or pledge on debt investment schemes invested by the Group are approximately RMB73.979 billion. For debt investment schemes launched by CPIC Asset Management and Changjiang Pension and invested by the Group, the Group did not provide any guarantees or financial support. The Group's maximum exposure to loss in the debt investment schemes is limited to its carrying amounts.

26. RESTRICTED STATUTORY DEPOSITS

	31 December 2017	31 December 2016
At the beginning of the year	6,078	5,938
Movement	488	140
At the end of the year	6,566	6,078

In accordance with relevant provision of Insurance Law of the PRC, CPIC Property, CPIC Life, Changjiang Pension, CPIC Allianz Health and Anxin should place 20% of its issued capital as restricted statutory deposits, respectively.

26. RESTRICTED STATUTORY DEPOSITS (continued)

	As at 31 December 2017		
	Amount	**Storage**	**Period**
CPIC Property			
China Minsheng Bank	568	Term deposit	5 years
Bank of Communications	500	Term deposit	3 years
Zheshang Bank	500	Term deposit	5 years
Industrial Bank	440	Term deposit	5 years and 1 month
China Merchants Bank	368	Term deposit	3 years
Bank of China	294	Term deposit	5 years
Bank of Communications	288	Term deposit	5 years
China Merchants Bank	274	Term deposit	5 years
Bank of Communications	250	Term deposit	5 years and 1 month
Shanghai Pudong Development Bank	200	Term deposit	3 years
Evergrowing Bank	200	Term deposit	5 years
Bank of Shanghai	200	Term deposit	3 years
China Minsheng Bank	100	Term deposit	3 years
Subtotal	4,182		
CPIC Life			
Bank of Communications	500	Term deposit	3 years
Bank of Communications	320	Term deposit	5 years
Nanjing Bank	260	Term deposit	5 years and 1 month
China Minsheng Bank	240	Term deposit	5 years
China Construction Bank	200	Term deposit	3 years
China Construction Bank	164	Term deposit	5 years
Subtotal	1,684		
Changjiang Pension			
Bank of Communications	200	Term deposit	5 years and 1 month
Bank of China	80	Term deposit	5 years and 1 month
Bank of Communications	50	Term deposit	3 years
China Minsheng Bank	30	Term deposit	3 years
Subtotal	360		
CPIC Allianz Health			
Bank of Communications	170	Term deposit	5 years
China Construction Bank	30	Term deposit	5 years
Subtotal	200		
Anxin			
Bank of Shanghai	40	Term deposit	3 years
Agricultural Bank of China	30	Term deposit	3 years
China Everbright Bank	30	Term deposit	3 years
China Construction Bank	20	Term deposit	3 years
Shanghai Pudong Development Bank	10	Term deposit	3 years
Bank of Communications	10	Term deposit	3 years
Subtotal	140		
Total	6,566		

26. RESTRICTED STATUTORY DEPOSITS (continued)

	As at 31 December 2016		
	Amount	Storage	Period
CPIC Property			
Bank of Communications	1,318	Term deposit	5 years
Zheshang Bank	500	Term deposit	5 years
Industrial Bank	440	Term deposit	5 years and 1 month
China Merchants Bank	368	Term deposit	3 years
Bank of China	294	Term deposit	5 years
China Merchants Bank	274	Term deposit	5 years
Evergrowing Bank	200	Term deposit	5 years
Bank of Shanghai	200	Term deposit	3 years
Shanghai Pudong Development Bank	200	Term deposit	3 years
China Minsheng Bank	100	Term deposit	3 years
Subtotal	3,894		
CPIC Life			
Bank of Communications	880	Term deposit	5 years
China Construction Bank	464	Term deposit	5 years
China Minsheng Bank	340	Term deposit	5 years
Subtotal	1,684		
Changjiang Pension			
Bank of China	80	Term deposit	5 years and 1 month
Bank of Communications	50	Term deposit	3 years
China Minsheng Bank	30	Term deposit	3 years
Subtotal	160		
CPIC Allianz Health			
Bank of Communications	170	Term deposit	5 years
China Construction Bank	30	Term deposit	5 years
Subtotal	200		
Anxin			
Bank of Shanghai	40	Term deposit	3 years
Agricultural Bank of China	40	Term deposit	5 years
China Everbright Bank	30	Term deposit	3 years
China Construction Bank	20	Term deposit	3 years
Shanghai Pudong Development Bank	10	Term deposit	3 years
Subtotal	140		
Total	6,078		

27. TERM DEPOSITS

Maturity Period	31 December 2017	31 December 2016
1 month to 3 months (including 3 months)	3,493	35,683
3 months to 1 year (including 1 year)	18,876	10,078
1 to 2 years (including 2 years)	25,030	21,180
2 to 3 years (including 3 years)	24,090	25,030
3 to 4 years (including 4 years)	16,200	24,055
4 to 5 years (including 5 years)	16,300	16,200
	103,989	132,226

28. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are stated at fair value and comprise the following:

	31 December 2017	31 December 2016
Listed		
Equity investments		
- Equity securities	49,294	25,469
- Investment funds	4,971	8,741
- Wealth management products	-	1,015
Debt investments		
- Government bonds	6,729	8,424
- Finance bonds	6,899	1,555
- Corporate bonds	43,258	31,138
	111,151	76,342
Unlisted		
Equity investments		
- Investment funds	30,355	29,571
- Wealth management products	19,447	20,232
- Other equity investments	27,615	19,005
- Preferred Shares	7,764	4,544
Debt investments		
- Government bonds	40,654	16,340
- Finance bonds	33,821	18,714
- Corporate bonds	97,602	73,339
- Wealth management products	459	624
	257,717	182,369
	368,868	258,711

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

All the Group's financial assets at fair value through profit or loss are held for trading and were as follows:

	31 December 2017	31 December 2016
Listed		
Equity investments		
- Equity securities	9,665	5,716
- Investment funds	292	418
Debt investments		
- Government bonds	128	1
- Finance bonds	52	326
- Corporate bonds	497	5,770
	10,634	12,231
Unlisted		
Equity investments		
- Investment funds	2,667	5,682
- Wealth management products	1,137	1,561
- Other equity investments	522	30
Debt investments		
- Government bonds	-	423
- Finance bonds	194	1,281
- Corporate bonds	1,033	5,993
- Wealth management products	-	3
	5,553	14,973
	16,187	27,204

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss amounted to RMB2,072 million (December 31 2016, RMB1,829 million). The rest are trading assets, with no material limitation in realization.

30. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	31 December 2017	31 December 2016
Securities - bonds		
Inter-bank market	14,232	17,506
Stock exchange	2,894	3,632
	17,126	21,138

The Group does not sell or re-pledge the collateral underlying the securities purchased under agreements to resell.

31. INTEREST RECEIVABLES

	31 December 2017	31 December 2016
Interest receivables from debt investments	12,273	10,734
Interest receivables from deposits	3,657	5,659
Interest receivables from loans	835	597
Interest receivables from securities purchased under agreements to resell	9	14
	16,774	17,004
Less: Bad debt provision	(17)	(1)
	16,757	17,003

32. REINSURANCE ASSETS

	31 December 2017	31 December 2016
Reinsurers' share of insurance contracts (note 39)	22,575	20,141

33. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes, if any, to be levied by the same tax authority and the same taxable entity.

	31 December 2017	31 December 2016
Net deferred income tax assets/(liabilities), at beginning of year	445	(2,419)
Acquisition of subsidiary	-	28
Recognized in profit or loss (note 14(a))	(443)	1,270
Recognized in other comprehensive income (note 14(b))	820	1,566
Net deferred income tax assets, at end of year	822	445

	31 December 2017	31 December 2016
Insurance contract liabilities	819	546
Impairment of assets	496	361
Commissions and handling fees	424	371
Net fair value adjustment on available-for-sale financial assets and financial assets carried at fair value through profit or loss	(944)	(1,325)
Fair value adjustments arising from acquisition of a subsidiary	(817)	(849)
Others	844	1,341
Net deferred income tax assets	822	445
Represented by:		
Deferred tax assets	1,742	1,382
Deferred tax liabilities	(920)	(937)

34. INSURANCE RECEIVABLES

	31 December 2017	31 December 2016
Insurance receivables	16,777	12,763
Provision for impairment of insurance receivables	(444)	(496)
	16,333	12,267

An aged analysis of the insurance receivables is as follows:

	31 December 2017	31 December 2016
Within 3 months (including 3 months)	8,795	9,287
Over 3 months and within 1 year (including 1 year)	6,337	2,188
Over 1 year	1,201	792
	16,333	12,267

Insurance receivables include premium receivables from policyholders or agents and receivables from reinsurers.

The credit terms for premium receivables from life insurance policyholders are 60 days. CPIC Property normally collects premium receivables from agents on a monthly or quarterly basis, and certain premiums are collected by CPIC Property in installments. According to the Group's credit policy, the credit terms for premium receivables cannot be longer than the insurance coverage period. The Group and reinsurers normally settle receivables and payables on a quarterly basis.

The Group's insurance receivables relate to a large number of counterparties, and there is no significant concentration of credit risk. Insurance receivables are non-interest-bearing.

The following insurance receivables are individually determined to be impaired mainly because they are past due and were not collected before the end of the insurance coverage period. The Group does not hold any collateral or other enhancements over these balances.

	31 December 2017	31 December 2016
Insurance receivables that are individually determined to be impaired	171	96
Related provision for impairment	(72)	(68)
	99	28

35. OTHER ASSETS

	31 December 2017	31 December 2016
Receivable for securities	5,461	3,983
Due from a related-party (1)	1,318	1,318
Due from agents	1,045	763
Co-insurance receivable	87	81
Tax receivable other than income tax	38	99
Others	4,129	3,025
	12,078	9,269

(1) As at 31 December 2017, the payments made by the Group on behalf of Binjiang-Xiangrui for the purchase of land and related taxes and expenses amounted to approximately RMB1,318 million (31 December 2016, RMB1,318 million).

36. CASH AND SHORT-TERM TIME DEPOSITS

	31 December 2017	31 December 2016
Cash at banks and on hand	9,969	9,717
Time deposits with original maturity of no more than three months	712	4,633
Other monetary assets	979	909
	11,660	15,259

The Group's bank balances denominated in RMB amounted to RMB10,408 million as at 31 December 2017 (31 December 2016: RMB13,953 million). Under PRC's foreign exchange regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business after obtaining approval from foreign exchange regulatory authorities.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and short-term time deposits approximate their fair values.

As at 31 December 2017, RMB955 million in the Group's other monetary assets are restricted to meet the regulation requirement of the minimum settlement deposits (31 December 2016, RMB881 million).

37. ISSUED CAPITAL

	31 December 2017	31 December 2016
Number of shares issued and fully paid at RMB1 each (million)	9,062	9,062

38. RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

(a) Capital reserves

Capital reserves mainly represents share premiums from issuance of shares and the deemed disposal of an equity interest in CPIC Life to certain foreign investors in December 2005, and the subsequent repurchase of the said interest in the same subsidiary by the Company in April 2007.

(b) Surplus reserves

Surplus reserves consist of the statutory surplus reserve and the discretionary surplus reserve.

(i) Statutory surplus reserves (the "SSR")

According to the PRC Company Law and the articles of association of the Company and its subsidiaries in the PRC, the Company and its subsidiaries are required to set aside 10% of their net profit (after offsetting the accumulated losses incurred in previous years) determined under PRC GAAP, to the SSR until the balance reaches 50% of the respective registered capital.

The Company does not set aside SSR in 2017. The balance of SSR reached 50% of the respective registered capital .

Subject to the approval of shareholders, the SSR may be used to offset the accumulated losses, if any, and may also be converted into capital, provided that the balance of the SSR after such capitalisation is not less than 25% of the registered capital.

Of the Group's retained profits, RMB7,524 million as at 31 December 2017 (31 December 2016: RMB7,088 million) represents the Company's share of its subsidiaries' surplus reserve fund. RMB436 million as at 31 December 2017 (31 December 2016: RMB504 million) represents the Company's surplus reserve fund extracted by subsidiaries.

38. RESERVES AND RETAINED PROFITS (continued)

(b) Surplus reserves (continued)

(ii) Discretionary surplus reserves (the "DSR")

After making necessary appropriations to the SSR, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings.

Subject to the approval of the shareholders, the DSR may be used to offset accumulated losses, if any, and may be converted into capital.

(c) General reserves

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic losses as incurred by companies operating in the insurance business. The Company's insurance subsidiaries in the PRC would need to make appropriations for such reserve based on their respective year end net profit determined in accordance with PRC GAAP, and based on the applicable PRC financial regulations, in the annual financial statements. Such reserve is not available for profit distribution or transfer as capital injection.

Of the Group's reserves, RMB9,761 million as at 31 December 2017 (31 December 2016: RMB8,392 million) represents the Company's share of its subsidiaries' general reserves.

(d) Other reserves

The investment revaluation reserve records the fair value changes of available-for-sale financial assets. The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries incorporated outside the PRC.

(e) Distributable profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the lower of the amount determined under PRC GAAP and the amount determined under HKFRSs. Pursuant to the resolution of the 7th meeting of the Company's 8th term of board of directors held on 29 March 2018, a final dividend of approximately RMB7,250 million (equivalent to RMB0.8 per share (including tax)) was proposed after the appropriation of statutory surplus reserves and is subject to the approval of the forthcoming annual general meeting.

39. INSURANCE CONTRACT LIABILITIES

	31 December 2017		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 32)	Net
Long-term life insurance contracts	718,563	(10,679)	707,884
Short-term life insurance contracts			
- Unearned premiums	3,053	(88)	2,965
- Claim reserves	2,862	(111)	2,751
	5,915	(199)	5,716
Property and casualty insurance contracts			
- Unearned premiums	41,194	(5,089)	36,105
- Claim reserves	36,567	(6,608)	29,959
	77,761	(11,697)	66,064
	802,239	(22,575)	779,664
Incurred but not reported claim reserves	7,430	(994)	6,436

	31 December 2016		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 32)	Net
Long-term life insurance contracts	616,059	(9,173)	606,886
Short-term life insurance contracts			
- Unearned premiums	2,485	(37)	2,448
- Claim reserves	2,079	(75)	2,004
	4,564	(112)	4,452
Property and casualty insurance contracts			
- Unearned premiums	38,639	(4,314)	34,325
- Claim reserves	34,564	(6,542)	28,022
	73,203	(10,856)	62,347
	693,826	(20,141)	673,685
Incurred but not reported claim reserves	6,376	(977)	5,399

39. INSURANCE CONTRACT LIABILITIES (continued)

(a) Long-term life insurance contract liabilities

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 32)	Net
At 1 January 2016	545,127	(7,743)	537,384
Increase	112,439	(2,158)	110,281
Decrease			
- Claims paid	(27,969)	656	(27,313)
- Surrender	(13,538)	72	(13,466)
At 31 December 2016	616,059	(9,173)	606,886
Increase	143,083	(2,481)	140,602
Decrease			
- Claims paid	(30,411)	987	(29,424)
- Surrender	(10,168)	(12)	(10,180)
At 31 December 2017	718,563	(10,679)	707,884

(b) Short-term life insurance contract liabilities

Movements of unearned premiums

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 32)	Net
At 1 January 2016	2,118	(2)	2,116
Premiums written	9,152	(91)	9,061
Premiums earned	(8,785)	56	(8,729)
At 31 December 2016	2,485	(37)	2,448
Premiums written	11,232	(199)	11,033
Premiums earned	(10,664)	148	(10,516)
At 31 December 2017	3,053	(88)	2,965

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 32)	Net
At 1 January 2016	1,615	(16)	1,599
Claims incurred	4,604	(125)	4,479
Claims paid	(4,140)	66	(4,074)
At 31 December 2016	2,079	(75)	2,004
Claims incurred	6,233	(119)	6,114
Claims paid	(5,450)	83	(5,367)
At 31 December 2017	2,862	(111)	2,751

39. INSURANCE CONTRACT LIABILITIES (continued)

(c) Property and casualty insurance contract liabilities

Movements of unearned premiums

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 32)	Net
At 1 January 2016	37,618	(4,155)	33,463
Acquisition of a subsidiary	408	1	409
Premiums written	96,608	(11,748)	84,860
Premiums earned	(95,995)	11,588	(84,407)
At 31 December 2016	38,639	(4,314)	34,325
Premiums written	105,859	(13,477)	92,382
Premiums earned	(103,304)	12,702	(90,602)
At 31 December 2017	41,194	(5,089)	36,105

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 32)	Net
At 1 January 2016	34,601	(6,341)	28,260
Acquisition of a subsidiary	665	-	665
Claims incurred	58,427	(6,816)	51,611
Claims paid	(59,129)	6,615	(52,514)
At 31 December 2016	34,564	(6,542)	28,022
Claims incurred	60,928	(6,731)	54,197
Claims paid	(58,925)	6,665	(52,260)
At 31 December 2017	36,567	(6,608)	29,959

40. INVESTMENT CONTRACT LIABILITIES

At 1 January 2016	40,033
Deposits received	13,050
Deposits withdrawn	(6,010)
Fees deducted	(192)
Interest credited	1,803
Others	112
At 31 December 2016	48,796
Deposits received	12,945
Deposits withdrawn	(7,685)
Fees deducted	(167)
Interest credited	1,910
Others	469
At 31 December 2017	56,268

41. SUBORDINATED DEBTS

On 20 August 2012, CPIC Life issued a 10-year subordinated debt with a total face value of RMB7.5 billion. CPIC Life has the option to redeem the debt at the end of the fifth year. The coupon rate of the debt is 4.58% per annum, payable annually in arrears. If CPIC Life does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 6.58% and would remain unchanged for the remaining term. CPIC Life exercised the option to redeem the subordinated debt in 2017.

On 5 March 2014, CPIC Property issued a 10-year subordinated debt with a total face value of RMB4 billion. CPIC Property has the option to redeem the debt at the end of the fifth year. The coupon rate of the debt is 5.9% per annum, payable annually in arrears. If CPIC property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 7.9% and would remain unchanged for the remaining term.

	31 December 2016	Issuance	Premium amortization	Redemption	31 December 2017
CPIC Life	7,500	-	-	(7,500)	-
CPIC Property	3,998	-	1	-	3,999
	11,498	-	1	(7,500)	3,999

42. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2017	31 December 2016
Bonds		
Inter-bank market	44,646	23,172
Stock exchange	21,597	15,932
	66,243	39,104

As at 31 December 2017, bond investments of approximately RMB70,355 million (31 December 2016: RMB39,857 million) were pledged as securities sold under agreements to repurchase. Securities sold under agreements to repurchase are generally repurchased within 12 months from the date the securities are sold.

43. OTHER LIABILITIES

	31 December 2017	31 December 2016
Annuity and other insurance payables	20,361	17,754
Salary and staff welfare payable	4,703	3,871
Commission and brokerage payable	3,888	3,470
Payables for securities purchased but not settled	3,769	3,525
Tax payable other than income tax	1,695	1,538
Accrued expenses	1,317	1,247
Payables to non-controlling interests of consolidated structured entities	1,197	915
Payables for asset-backed securities	910	908
Payables for construction and purchase of office buildings	382	519
Insurance guarantee fund	381	305
Co-insurance payable	261	285
Others	4,983	4,375
	43,847	38,712

44. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES

(a) Long-term life insurance contracts

Key assumptions

Judgements are required in the process of determining the liabilities and making the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

Life insurance contract estimates are based on current assumptions or those made when signing contracts. Assumptions are made in relation to future deaths, voluntary terminations, investment returns and administration expenses. If the liabilities are not adequate, the assumptions are altered to reflect the current estimates.

The key assumptions to which the estimation of liabilities is particularly sensitive include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), surrender rates, expense assumptions and policy dividend assumptions.

Sensitivities

The analysis below is performed to show the reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross long-term life insurance contract liabilities. The correlation of assumptions will have a significant effect in determining the ultimate liabilities; however, for the purpose of demonstrating the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	As at 31 December 2017			
	Change in assumptions	Impact on gross long-term life insurance contract liabilities	Impact on equity	Impact of assumption change as a percentage of relevant gross long-term life insurance contract liabilities
Discount rates	+25 basis points	(14,560)	14,560	-2.03%
	-25 basis points	15,673	(15,673)	2.18%
Mortality rates	+10%	1,741	(1,741)	0.24%
	-10%	(1,722)	1,722	-0.24%
Morbidity rates	+10%	8,215	(8,215)	1.14%
	-10%	(8,408)	8,408	-1.17%
Surrender rates	+10%	(1,224)	1,224	-0.17%
	-10%	1,467	(1,467)	0.20%
Expenses	+10%	5,243	(5,243)	0.73%
	-10%	(5,243)	5,243	-0.73%
Policy dividend	+5%	13,722	(13,722)	1.91%

44. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(a) Long-term life insurance contracts (continued)

Sensitivities (continued)

	As at 31 December 2016			
	Change in assumptions	Impact on gross long-term life insurance contract liabilities	Impact on equity	Impact of assumption change as a percentage of relevant gross long-term life insurance contract liabilities
Discount rates	+25 basis points	(11,620)	11,620	-1.89%
	-25 basis points	12,497	(12,497)	2.03%
Mortality rates	+10%	1,454	(1,454)	0.24%
	-10%	(1,434)	1,434	-0.23%
Morbidity rates	+10%	4,889	(4,889)	0.79%
	-10%	(4,991)	4,991	-0.81%
Surrender rates	+10%	(794)	794	-0.13%
	-10%	950	(950)	0.15%
Expenses	+10%	4,224	(4,224)	0.69%
	-10%	(4,224)	4,224	-0.69%
Policy dividend	+5%	10,743	(10,743)	1.74%

The sensitivity analysis also does not take into account the fact that the assets and liabilities are actively managed and may vary at the time that any actual market movement occurs.

Other limitations in the above analysis include the use of hypothetical market movements to demonstrate potential risk and the assumption that interest rates move in an identical fashion.

(b) Property and casualty and short-term life insurance contracts

Key assumptions

The principal assumption underlying the estimates is the Group's past claim development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as changes in internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include explicit margin, delays in settlement, etc.

Sensitivities

The property and casualty and short-term life insurance claim reserves are sensitive to the above key assumptions. The sensitivity of certain variables like legislative changes, uncertainty in the estimation process, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim reserves are not known with certainty at the balance sheet date.

To illustrate the sensitivities of ultimate claim costs, for example, a respective percentage change in average claim costs or the number of claims alone results in a similar percentage change in claim reserves. In other words, while other assumptions remain unchanged, a 5% increase in average claim costs would increase net claim reserves for property and casualty insurance and short-term life insurance as at 31 December 2017 by RMB1,498 million and RMB138 million (31 December 2016: RMB1,401 million and RMB100 million), respectively.

44. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(b) Property and casualty and short-term life insurance contracts (continued)

Claim development tables

The following tables reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date.

Gross property and casualty insurance claim reserves:

	Property and casualty insurance (Accident year)					
	2013	2014	2015	2016	2017	Total
Estimate of ultimate claim cost as of:						
End of current year	49,591	55,880	58,926	57,960	59,974	
One year later	51,733	55,420	57,737	57,071		
Two years later	52,324	55,098	56,376			
Three years later	52,189	54,798				
Four years later	52,082					
Current estimate of cumulative claims	52,082	54,798	56,376	57,071	59,974	280,301
Cumulative payments to date	(51,518)	(53,738)	(53,800)	(49,997)	(36,208)	(245,261)
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin						1,527
Total gross claim reserves included in the consolidated balance sheet						36,567

Net property and casualty insurance claim reserves:

	Property and casualty insurance (Accident year)					
	2013	2014	2015	2016	2017	Total
Estimate of ultimate claim cost as of:						
End of current year	42,287	46,868	51,435	50,934	52,415	
One year later	44,203	46,816	50,423	50,251		
Two years later	44,660	46,654	49,470			
Three years later	44,603	46,351				
Four years later	44,424					
Current estimate of cumulative claims	44,424	46,351	49,470	50,251	52,415	242,911
Cumulative payments to date	(44,078)	(45,634)	(47,546)	(44,635)	(32,402)	(214,295)
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin						1,343
Total net claim reserves included in the consolidated balance sheet						29,959

44. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(b) Property and casualty and short-term life insurance contracts (continued)

Claim development tables (continued)

Gross short-term life insurance claim reserves:

	Short-term life insurance (Accident year)					
	2013	**2014**	**2015**	**2016**	**2017**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	1,612	1,939	2,072	2,496	3,301	
One year later	1,633	1,877	1,952	2,488		
Two years later	1,612	1,878	1,956			
Three years later	1,614	1,851				
Four years later	1,596					
Current estimate of cumulative claims	1,596	1,851	1,956	2,488	3,301	11,192
Cumulative payments to date	(1,595)	(1,841)	(1,926)	(2,340)	(1,984)	(9,686)
Risk adjustment and others						1,356
Total gross claim reserves included in the consolidated balance sheet						2,862

Net short-term life insurance claim reserves:

	Short-term life insurance (Accident year)					
	2013	**2014**	**2015**	**2016**	**2017**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	1,553	1,913	2,050	2,438	3,068	
One year later	1,579	1,843	1,916	2,414		
Two years later	1,552	1,826	1,944			
Three years later	1,547	1,809				
Four years later	1,529					
Current estimate of cumulative claims	1,529	1,809	1,944	2,414	3,068	10,764
Cumulative payments to date	(1,529)	(1,799)	(1,892)	(2,246)	(1,894)	(9,360)
Risk adjustment and others						1,347
Total net claim reserves included in the consolidated balance sheet						2,751

45. RISK MANAGEMENT

(a) Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Insurance risk could occur due to any of the following factors:

Occurrence risk – the possibility that the number of insured events will differ from that expected.

Severity risk – the possibility that the cost of the events will differ from that expected.

45. RISK MANAGEMENT (continued)

(a) Insurance risk (continued)

Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The above risk exposure is mitigated by the diversification across a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines, as well as the use of reinsurance arrangements.

The businesses of the Group mainly comprise long-term life insurance contracts, short-term life insurance contracts and property and casualty insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. Insurance risk is also affected by the policyholders' rights to terminate the contract, to pay reduced premiums, to refuse to pay premiums or to avail the guaranteed annuity option. Thus, the resultant insurance risk is subject to the policyholders' behaviour and decisions.

The Group manages insurance risks through reinsurance to reduce the effect of potential losses to the Group. Two major types of reinsurance agreements, ceding on a quota share basis or a surplus basis, are usually used to cover insurance liability risk, with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claim provisions and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that neither it is dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

Currently, the Group's insurance risk does not vary significantly in relation to the locations of the risks insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Group's concentration of insurance risk is reflected by its major lines of business as analyzed by premium income in note 6.

(b) Financial risk

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, which arise from foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The following policies and procedures are in place to mitigate the Group's exposure to market risk:

- A group market risk policy setting out the assessment and determination of what constitutes market risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's risk management committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

- Asset allocation and portfolio limit set-up guidelines, which ensures that assets back specific policyholder liabilities and that assets are held to deliver income and gains for policyholders which are in line with expectations of the policyholders.

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(i) Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates principally in the PRC with only limited exposure to foreign exchange rate risk arising primarily from certain foreign currency insurance policies, bank deposits and securities denominated in United States dollar ("USD") or Hong Kong dollar ("HKD").

The following tables summarize the Group's exposure to foreign currency exchange rate risk at the balance sheet date by categorizing financial assets, financial liabilities, reinsurance assets and insurance contract liabilities by major currency.

	As at 31 December 2017			
	RMB	**USD**	**HKD**	**Total**
Held-to-maturity financial assets	287,375	122	-	287,497
Investments classified as loans and receivables	216,748	-	-	216,748
Term deposits	103,248	741	-	103,989
Available-for-sale financial assets	367,574	1,294	-	368,868
Financial assets at fair value through profit or loss	15,525	22	640	16,187
Reinsurance assets	22,460	-	115	22,575
Cash and short-term time deposits	10,408	1,000	252	11,660
Others	105,632	839	267	106,738
	1,128,970	4,018	1,274	1,134,262
Insurance contract liabilities	802,119	-	120	802,239
Investment contract liabilities	56,268	-	-	56,268
Policyholders' deposits	75	-	-	75
Subordinated debts	3,999	-	-	3,999
Securities sold under agreements to repurchase	66,243	-	-	66,243
Others	64,818	287	311	65,416
	993,522	287	431	994,240

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(i) Currency risk (continued)

	As at 31 December 2016			
	RMB	USD	HKD	Total
Held-to-maturity financial assets	304,745	129	-	304,874
Investments classified as loans and receivables	139,634	-	-	139,634
Term deposits	131,999	227	-	132,226
Available-for-sale financial assets	257,852	859	-	258,711
Financial assets at fair value through profit or loss	26,800	-	404	27,204
Reinsurance assets	20,076	-	65	20,141
Cash and short-term time deposits	13,953	1,061	245	15,259
Others	91,965	814	252	93,031
	987,024	3,090	966	991,080
Insurance contract liabilities	693,482	-	344	693,826
Investment contract liabilities	48,796	-	-	48,796
Policyholders' deposits	75	-	-	75
Subordinated debts	11,498	-	-	11,498
Securities sold under agreements to repurchase	39,104	-	-	39,104
Others	58,284	329	48	58,661
	851,239	329	392	851,960

The Group has no significant concentration of currency risk.

Sensitivities

The analysis below is performed to show the reasonably possible movements in foreign currency exchange rates with all other assumptions held constant, showing the pre-tax impact on profit before tax of the Group (due to changes in fair value of currency sensitive monetary assets and liabilities) and equity of the Group when the foreign exchange rates of USD and HKD vary. The correlation of variables will have a significant effect in determining the ultimate impact on currency risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

Currency	Changes in exchange rate	31 December 2017	
		Impact on profit before tax	Impact on equity
USD and HKD	+ 5%	183	229
USD and HKD	- 5%	(183)	(229)

Currency	Changes in exchange rate	31 December 2016	
		Impact on profit before tax	Impact on equity
USD and HKD	+ 5%	138	181
USD and HKD	- 5%	(138)	(181)

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate match of fixed and variable rate instruments. The policy also requires it to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities. Interest on floating rate instruments is repriced when benchmark interest rates change. Interest on other instruments is either fixed during its term or repriced at intervals of less than one year if the benchmark interest rates change.

The Group has no significant concentration of interest rate risk.

The tables below summarize the contractual or estimated repricing/maturity date of the Group's financial instruments. Other financial instruments not included in the following tables are interest-free and not exposed to interest rate risk.

	As at 31 December 2017					
	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Total
Financial assets:						
Held-to-maturity financial assets	21,176	23,275	16,987	226,059	-	287,497
Investments classified as loans and receivables	26,080	62,265	49,317	72,257	6,829	216,748
Restricted statutory deposits	1,262	3,086	2,218	-	-	6,566
Term deposits	22,369	48,980	32,500	-	140	103,989
Available-for-sale financial assets	67,119	22,704	36,916	102,683	-	229,422
Financial assets at fair value through profit or loss	717	337	722	128	-	1,904
Securities purchased under agreements to resell	17,126	-	-	-	-	17,126
Policy loans	38,643	-	-	-	-	38,643
Deposits with original maturity of no more than three months	712	-	-	-	10,948	11,660
Financial liabilities:						
Investment contract liabilities	56,268	-	-	-	-	56,268
Policyholders' deposits	75	-	-	-	-	75
Subordinated debts	-	3,999	-	-	-	3,999
Securities sold under agreements to repurchase	66,243	-	-	-	-	66,243

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

	As at 31 December 2016					
	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Floating rate	Total
Financial assets:						
Held-to-maturity financial assets	31,422	18,059	20,792	234,601	-	304,874
Investments classified as loans and receivables	19,189	27,252	27,331	55,733	10,129	139,634
Restricted statutory deposits	1,030	4,444	164	440	-	6,078
Term deposits	40,761	46,210	40,115	-	5,140	132,226
Available-for-sale financial assets	38,906	16,734	23,439	71,055	-	150,134
Financial assets at fair value through profit or loss	6,920	1,653	4,373	851	-	13,797
Securities purchased under agreements to resell	21,138	-	-	-	-	21,138
Policy loans	27,844	-	-	-	-	27,844
Deposits with original maturity of no more than three months	4,633	-	-	-	10,626	15,259
Financial liabilities:						
Investment contract liabilities	48,796	-	-	-	-	48,796
Policyholders' deposits	75	-	-	-	-	75
Subordinated debts	7,500	3,998	-	-	-	11,498
Securities sold under agreements to repurchase	39,104	-	-	-	-	39,104

Interest rates on floating rate bonds/liabilities are re-priced when the benchmark interest rates are adjusted.

Sensitivities

The analysis below is performed for reasonably possible movements in interest rate with all other variables held constant, for the following financial instruments, showing the pre-tax impact on profit and equity. Since almost all financial instruments of the Group that bear interest rate risks are financial instruments denominated in RMB, the sensitivity analysis below only shows the pre-tax impact of RMB financial instruments on the Group's profit before tax and equity when RMB interest rate changes.

Sensitivities on fixed-rate financial instruments

As at the balance sheet dates, the Group's fixed-rate financial instruments exposed to interest rate risk mainly include financial assets at fair value through profit or loss and available-for-sale financial assets. The following tables show the pre-tax impact on profit (fair value change on held-for-trading bonds) and equity (fair value change on held-for-trading bonds combined with fair value change on available-for-sale bonds).

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivities on fixed-rate financial instruments (continued)

Change in RMB interest rate	31 December 2017	
	Impact on profit before tax	Impact on equity
+50 basis points	(22)	(4,221)
-50 basis points	21	4,610

Change in RMB interest rate	31 December 2016	
	Impact on profit before tax	Impact on equity
+50 basis points	(90)	(2,903)
-50 basis points	92	3,186

The above impact on equity represents adjustments to profit before tax and changes in fair value of available-for-sale financial assets.

Sensitivities on floating-rate financial instruments

The following tables show the pre-tax impact of change in interest rate on profit and equity due to change in interest income or expense arising from floating-rate financial instruments as at the balance sheet dates.

Change in RMB interest rate	31 December 2017	
	Impact on profit before tax	Impact on equity
+50 basis points	84	84
-50 basis points	(84)	(84)

Change in RMB interest rate	31 December 2016	
	Impact on profit before tax	Impact on equity
+50 basis points	124	124
-50 basis points	(124)	(124)

The above impact on equity represents adjustments to profit before tax.

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(iii) Price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's price risk policy requires it to manage such risk by setting and monitoring objectives and constraints on investments, diversification plans, and limits on investment type.

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment funds and equity securities. The Group uses the 5-day market price value-at-risk ("VAR") technique to estimate its risk exposure for listed equity securities and equity investment funds. The Group adopts 5 days as the holding period on the assumption that not all the investments can be sold in one day. Moreover, the VAR calculation is made based on the normal market condition and a 95% confidence level impact on equity for listed equity securities and equity investments funds with 5-day reasonable market fluctuation and with a 95% confidence level.

As at 31 December 2017, the estimated impact on equity for listed equity securities and equity investment funds, using the VAR technique and the assumptions above in the normal market was RMB1,177 million (31 December 2016: RMB1,547 million).

Credit risk

Credit risk is the risk that one party to a financial instrument (debt instrument) or reinsurance asset will cause a financial loss to the other party by failing to discharge an obligation.

The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, investments in bonds, reinsurance arrangements with reinsurers, premium receivables, securities purchased under agreements to resell, policy loans and investments classified as loans and receivables.

Majority of the Group's financial assets are government bonds, agency bonds, corporate bonds, fixed deposits, debt investment schemes and credit asset support programs. Fixed deposits saved in national commercial banks or comparatively sound financial institutions, and most of corporate bonds, debt investment schemes and credit asset support programs guaranteed by qualified institutions. Hence, the related credit risk of the investment business should be regarded as relatively low. Meanwhile, the Group will perform credit assessments and risk appraisals for each investment business before signing contracts, and determine to invest in those programs released by highly rated issuers and project initiators.

For securities purchased under agreements to resell and policy loans, there is a security pledge and the maturity period is less than one year. For premium receivables from life insurance, it mainly include renew premium within grace period. Hence, the related credit risk should not have significant impact on the Group's consolidated financial statements as at 31 December 2017 and 31 December 2016. The credit risk associated with the premium receivables from property and casualty insurance mainly arises from corporate customers. The Group grants a short credit period and arranges installment payment to reduce the credit risk. The Group performs regular credit assessment of the reinsurance companies. Reinsurance of the Group is mainly placed with highly rated reinsurance companies.

The Group mitigates credit risk by utilizing credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counterparty exposure limits.

The carrying amount of financial assets included on the consolidated balance sheet represents the maximum credit risk exposure at the reporting date without taking account of the effect of mitigation through any collateral held or other credit enhancements.

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Credit risk (continued)

	As at 31 December 2017						
		Past due but not impaired					
	Not due and not impaired	Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired	Impaired	Total
Held-to-maturity financial assets	287,497	-	-	-	-	-	287,497
Investments classified as loans and receivables	216,748	-	-	-	-	-	216,748
Term deposits	103,989	-	-	-	-	-	103,989
Available-for-sale financial assets	229,422	-	-	-	-	-	229,422
Financial assets at fair value through profit or loss	1,904	-	-	-	-	-	1,904
Interest receivables	16,757	-	-	-	-	-	16,757
Reinsurance assets	22,575	-	-	-	-	-	22,575
Insurance receivables	14,034	-	-	-	-	2,299	16,333
Cash and short-term time deposits	11,660	-	-	-	-	-	11,660
Others	73,260	-	-	-	-	388	73,648
Total	977,846	-	-	-	-	2,687	980,533

	As at 31 December 2016						
		Past due but not impaired					
	Not due and not impaired	Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired	Impaired	Total
Held-to-maturity financial assets	304,874	-	-	-	-	-	304,874
Investments classified as loans and receivables	139,634	-	-	-	-	-	139,634
Term deposits	132,226	-	-	-	-	-	132,226
Available-for-sale financial assets	150,040	-	-	-	-	94	150,134
Financial assets at fair value through profit or loss	13,797	-	-	-	-	-	13,797
Interest receivables	17,003	-	-	-	-	-	17,003
Reinsurance assets	20,141	-	-	-	-	-	20,141
Insurance receivables	10,511	-	-	-	-	1,756	12,267
Cash and short-term time deposits	15,259	-	-	-	-	-	15,259
Others	63,297	-	-	-	-	463	63,760
Total	866,782	-	-	-	-	2,313	869,095

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or a counterparty failing to repay a contractual obligation; or an insurance liability falling due for payment earlier than expected; or the inability to generate cash inflows as anticipated.

The Group is exposed to liquidity risk on insurance policies that permit surrenders, withdrawals or other forms of early termination. The Group seeks to manage its liquidity risk by matching, to the extent possible, the duration of its investment assets with the duration of its insurance policies and ensuring that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis.

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

- Implementing group liquidity risk policy by setting out the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's risk management committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

- Setting out guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure that sufficient funding is available to meet insurance and investment contract obligations.

- Setting up contingency funding plans which specify the minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

The tables below summarize the maturity profiles of the financial assets, financial liabilities and insurance contract liabilities of the Group based on contractual and expected remaining undiscounted cash flows.

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Liquidity risk (continued)

	As at 31 December 2017					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Held-to-maturity financial assets	-	22,478	104,528	378,581	-	505,587
Investments classified as loans and receivables	-	20,509	158,439	100,625	-	279,573
Restricted statutory deposits	-	1,519	5,737	-	-	7,256
Term deposits	-	27,128	88,672	-	-	115,800
Available-for-sale financial assets	351	58,135	115,310	223,987	109,394	507,177
Financial assets at fair value through profit or loss	-	561	2,560	321	13,123	16,565
Securities purchased under agreements to resell	-	17,143	-	-	-	17,143
Insurance receivables	3,637	12,609	484	47	-	16,777
Cash and short-term time deposits	10,944	716	-	-	-	11,660
Others	1,240	48,528	1,327	-	-	51,095
Total	16,172	209,326	477,057	703,561	122,517	1,528,633
Liabilities:						
Insurance contract liabilities	-	94,708	144,318	563,213	-	802,239
Investment contract liabilities	-	714	3,132	52,422	-	56,268
Policyholders' deposits	-	75	-	-	-	75
Subordinated debts	-	236	4,236	-	-	4,472
Securities sold under agreements to repurchase	-	66,423	-	-	-	66,423
Others	45,433	19,407	250	17	-	65,107
Total	45,433	181,563	151,936	615,652	-	994,584

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Liquidity risk (continued)

	As at 31 December 2016					
	On demand	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Undated**	**Total**
Assets:						
Held-to-maturity financial assets	-	32,726	104,831	394,813	-	532,370
Investments classified as loans and receivables	-	17,253	92,806	75,138	-	185,197
Restricted statutory deposits	-	1,320	5,012	691	-	7,023
Term deposits	10	56,976	94,329	-	-	151,315
Available-for-sale financial assets	116	38,302	71,005	143,053	79,026	331,502
Financial assets at fair value through profit or loss	-	4,892	10,724	1,978	11,815	29,409
Securities purchased under agreements to resell	-	21,150	-	-	-	21,150
Insurance receivables	2,371	9,908	417	67	-	12,763
Cash and short-term time deposits	10,452	4,807	-	-	-	15,259
Others	345	35,754	1,333	-	-	37,432
Total	13,294	223,088	380,457	615,740	90,841	1,323,420
Liabilities:						
Insurance contract liabilities	-	72,159	125,254	496,413	-	693,826
Investment contract liabilities	64	2,496	2,122	44,114	-	48,796
Policyholders' deposits	-	75	-	-	-	75
Subordinated debts	-	8,080	4,472	-	-	12,552
Securities sold under agreements to repurchase	-	39,176	-	-	-	39,176
Others	40,059	17,969	210	28	-	58,266
Total	40,123	139,955	132,058	540,555	-	852,691

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Liquidity risk (continued)

The table below summarizes the expected utilisation or settlement of assets and liabilities.

	As at 31 December 2017		
	Current	Non-current	Total
Assets:			
Held-to-maturity financial assets	7,985	279,512	287,497
Investments classified as loans and receivables	9,008	207,740	216,748
Term deposits	22,369	81,620	103,989
Available-for-sale financial assets	157,514	211,354	368,868
Financial assets at fair value through profit or loss	13,601	2,586	16,187
Cash and short-term time deposits	11,660	-	11,660
Others	48,629	1,327	49,956
Total assets	270,766	784,139	1,054,905
Liabilities:			
Insurance contract liabilities	94,708	707,531	802,239
Investment contract liabilities	714	55,554	56,268
Policyholders' deposits	75	-	75
Subordinated debts	-	3,999	3,999
Securities sold under agreements to repurchase	66,243	-	66,243
Others	64,857	250	65,107
Total liabilities	226,597	767,334	993,931

	As at 31 December 2016		
	Current	Non-current	Total
Assets:			
Held-to-maturity financial assets	17,633	287,241	304,874
Investments classified as loans and receivables	9,596	130,038	139,634
Term deposits	45,761	86,465	132,226
Available-for-sale financial assets	110,951	147,760	258,711
Financial assets at fair value through profit or loss	16,124	11,080	27,204
Cash and short-term time deposits	15,259	-	15,259
Others	35,211	1,333	36,544
Total assets	250,535	663,917	914,452
Liabilities:			
Insurance contract liabilities	72,159	621,667	693,826
Investment contract liabilities	2,560	46,236	48,796
Policyholders' deposits	75	-	75
Subordinated debts	7,500	3,998	11,498
Securities sold under agreements to repurchase	39,104	-	39,104
Others	58,056	210	58,266
Total liabilities	179,454	672,111	851,565

45. RISK MANAGEMENT (continued)

(c) Operational risk

Operational risk is the risk of loss arising from inadequacy or failure on business processes, human error, information system failure, etc. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Group is exposed to many types of operational risks in the conduct of its business, from inadequate or failure to obtain proper authorizations or supporting documentation to comply with operational and informational security procedures that prevent frauds or errors by employees.

The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education and assessment processes, including the use of compliance check and internal audit.

(d) Mismatching risk of assets and liabilities

Assets and liabilities mismatching risk is the risk due to the Group's inability to match its assets with its liabilities on the basis of duration, cash flow and investment return. Under the current regulatory and market environment, the Group is unable to invest in assets with a duration of sufficient length to match the duration of its medium and long term life insurance liabilities. When the current regulatory and market environment permits, the Group will lengthen the duration of its assets and increase the profile of securities with fixed investment returns to narrow the gap of duration and investment returns of the existing liabilities.

In order to further enhance the management of matching of assets and liabilities, the Group has the Asset-Liability Management Committee to make significant decisions on asset-liability management. The committee has an asset-liability working group which analyzes the extent of assets and liabilities matching.

(e) Capital management risks

The CIRC monitors capital management risks mainly through a set of solvency regulatory rules to ensure insurance companies can maintain sufficient solvency margins. Further objectives are set by the Group to maintain a strong credit rating and healthy solvency margin capital ratios in order to support its business objectives and maximize shareholders' value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. The Group has stepped up efforts to maintain a platform for sustained financing in order to meet solvency margin needs arising from future expansion in business activities. The Group continuously and proactively adjusts the business mix, optimizes the asset allocation, improves the asset quality and enhances the operating efficiency so as to underscore the role of profitability in relation to solvency margin.

In practice, the Group manages its capital requirements mainly through monitoring the solvency margins of the Group and its major insurance subsidiaries. The solvency margins are computed based on the relevant regulations issued by the CIRC; actual capitalare the excess of admitted assets over admitted liabilities as determined under the regulations.

The Group has formally implemented China Risk Oriented Solvency System since 1 January 2016 by reference to the 'Notice on the Formal Implementation of China Risk Oriented Solvency System by CIRC'.

The table below summarizes the core capital, actual capital and minimum required capital of the Group and its major insurance subsidiaries determined according to the CIRC's solvency rules.

Group	31 December 2017	31 December 2016
Core capital	318,882	280,012
Actual capital	322,882	285,512
Minimum required capital	113,766	97,247
Core solvency margin ratio	280%	288%
Comprehensive solvency margin ratio	284%	294%

45. RISK MANAGEMENT (continued)

(e) Capital management risks (continued)

CPIC Property	31 December 2017	31 December 2016
Core capital	34,788	34,702
Actual capital	38,788	38,702
Minimum required capital	14,508	13,069
Core solvency margin ratio	240%	266%
Comprehensive solvency margin ratio	267%	296%

CPIC Life	31 December 2017	31 December 2016
Core capital	241,486	213,017
Actual capital	241,486	214,517
Minimum required capital	98,460	83,516
Core solvency margin ratio	245%	255%
Comprehensive solvency margin ratio	245%	257%

CPIC Allianz Health	31 December 2017	31 December 2016
Core capital	524	741
Actual capital	524	741
Minimum required capital	250	122
Core solvency margin ratio	210%	607%
Comprehensive solvency margin ratio	210%	607%

Anxin	31 December 2017	31 December 2016
Core capital	1,488	1,389
Actual capital	1,488	1,389
Minimum required capital	479	469
Core solvency margin ratio	310%	296%
Comprehensive solvency margin ratio	310%	296%

46. STRUCTURED ENTITIES

The Group uses structured entities in the normal course of business for a number of purposes, for example, structured transactions for institutions, to provide finance to public and private section infrastructure projects, and to generate fees from managing assets on behalf of third-party investors. These structured entities are financed through the contracts. Refer to Note 2.2(3) for the Group's consolidation consideration related to structured entities.

The following table shows the total assets of the various types of unconsolidated structured entities and the amount of funding provided by the Group to these unconsolidated structured entities. The table also shows the Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure is contingent in nature and approximates the sum of funding provided by the Group.

46. STRUCTURED ENTITIES (continued)

As at 31 December 2017, the size of unconsolidated structured entities and Group's funding and maximum exposure are shown below:

	31 December 2017				
	Size	**Funding provided by the Group**	**Group's maximum exposure**	**Carrying amount of Group's investment**	**Interest held by Group**
Pension funds and endowment assurance products managed by affiliated parties	100,474	-	-	-	Management fee
Insurance asset management products managed by affiliated parties	268,257	66,203	66,741	66,180	Investment income and management fee
Insurance asset management products managed by third parties	Note 1	49,409	49,791	49,516	Investment income
Trust products managed by third parties	Note 1	84,571	84,828	84,613	Investment income
Bank wealth management products and asset management products managed by third parties	Note 1	20,291	20,398	20,396	Investment income
Total		220,474	221,758	220,705	

Note 1: The structured entities are sponsored by third party financial institutions and the information related to size of these structured entities were not publicly available.

The Group's interests in unconsolidated structured entities are disclosed in wealth management products and other equity investments under financial assets at fair value through profit or loss, wealth management products and other equity investments under available-for-sale financial assets, debt investment scheme and wealth management products under investments classified as loans and receivables, and investments in associates and joint ventures.

47. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques (note 3.2(2)).

The Group's financial assets mainly include cash and short-term time deposits, financial assets at fair value through profit or loss, securities purchased under agreements to resell, policy loans, term deposits, available-for-sale financial assets, held-to-maturity financial assets, investments classified as loans and receivables, statutory deposits, etc.

The Group's financial liabilities mainly include securities sold under agreements to repurchase, policyholders' deposits, investment contract liabilities, subordinated debts, etc.

47. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair value of financial assets and liabilities not carried at fair value

The following table summarizes the carrying values and estimated fair values of held-to-maturity debt securities, investments classified as loans and receivables, and subordinated debts whose fair values are not presented in the consolidated balance sheet.

	As at 31 December 2017	
	Carrying amounts	**Fair values**
Financial assets:		
Held-to-maturity financial assets	287,497	286,529
Investments classified as loans and receivables	216,748	216,715
Financial liabilities:		
Subordinated debts	3,999	4,216

	As at 31 December 2016	
	Carrying amounts	**Fair values**
Financial assets:		
Held-to-maturity financial assets	304,874	327,997
Investments classified as loans and receivables	139,634	139,710
Financial liabilities:		
Subordinated debts	11,498	11,978

As permitted by HKFRS 7, the Group has not disclosed fair values for certain investment contract liabilities with DPF because fair values or fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business.

The carrying amounts of other financial assets and financial liabilities approximate their fair values.

48. FAIR VALUE MEASUREMENT

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");

(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and

(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The level of fair value calculation is determined by the lowest level input with material significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

48. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group's valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	As at 31 December 2017			
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Equity securities	7,776	1,889	-	9,665
- Investment funds	2,270	689	-	2,959
- Debt securities	456	1,448	-	1,904
- Others	-	1,159	500	1,659
	10,502	5,185	500	16,187
Available-for-sale financial assets				
- Equity securities	44,464	4,826	4	49,294
- Investment funds	30,123	5,203	-	35,326
- Debt securities	25,680	203,283	-	228,963
- Others	-	20,237	35,048	55,285
	100,267	233,549	35,052	368,868
Assets for which fair values are disclosed				
Investments classified as loans and receivables (Note 47)	-	3,158	213,557	216,715
Held-to-maturity financial assets (Note 47)	7,694	278,835	-	286,529
Investment properties(Note 19)	-	-	11,856	11,856
Liabilities for which fair values are disclosed				
Subordinated debts (Note 47)	-	-	4,216	4,216

48. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

	As at 31 December 2016			
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Equity securities	3,585	2,131	-	5,716
- Investment funds	5,614	486	-	6,100
- Debt securities	3,254	10,540	-	13,794
- Others	-	1,591	3	1,594
	12,453	14,748	3	27,204
Available-for-sale financial assets				
- Equity securities	22,195	3,274	-	25,469
- Investment funds	37,592	720	-	38,312
- Debt securities	30,912	118,598	-	149,510
- Others	-	26,832	18,588	45,420
	90,699	149,424	18,588	258,711
Assets for which fair values are disclosed				
Investments classified as loans and receivables (Note 47)	-	3,355	136,355	139,710
Held-to-maturity financial assets (Note 47)	10,623	317,374	-	327,997
Investment properties(Note 19)	-	-	11,387	11,387
Liabilities for which fair values are disclosed				
Subordinated debts (Note 47)	-	-	11,978	11,978

In 2017, due to changes in availability of quoted prices (unadjusted) in active markets, the Group transferred certain debt securities between Level 1 and Level 2. As at 31 December 2017, the Group transferred the debt securities with a carrying amount of RMB10,948 million from Level 1 to Level 2 and RMB3,654 million from Level 2 to Level 1. As at 31 December 2016, the Group transferred the debt securities with a carrying amount of RMB2,506 million from Level 1 to Level 2 and RMB4,897 million from Level 2 to Level 1.

48. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

	As at 31 December 2017					
	Beginning of year	Increase	Transferred to Level 3	Net unrealised loss recognized in profit or loss	Net unrealised gain recognized in other comprehensive income	End of year
Financial assets at fair value through profit or loss						
- Other equity investments	3	497	-	-	-	500
Available-for-sale financial assets						
- Common shares	-	-	22	(29)	11	4
- Preferred shares	-	3,000	4,545	-	219	7,764
- Other equity investments	18,588	7,703	-	(23)	1,016	27,284

	As at 31 December 2016			
	Beginning of year	Increase/ (decrease)	Net unrealised gain recognized in other comprehensive income	End of year
Financial assets at fair value through profit or loss				
-Wealth management products	8	(5)	-	3
Available-for-sale financial assets				
- Other equity investments	15,019	2,307	1,262	18,588

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the unquoted equity investments has been determined using valuation techniques such as discounted cash flow method, comparison method of listed companies, recent transaction prices of the same or similar instruments etc., with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to use major assumptions and parameters as unobservable inputs to the model. The major assumptions include estimated time period prior to the listing of the unquoted equity instruments, and the major parameters include discount rate from 5.46% to 14.50% etc.

The fair value of investment properties is determined using discounted cash flow method with unobservable inputs including estimated rental value per square meters per month and discount rate, etc. This method involves the projection of a series of cash flows from valuation date to economic life maturity date. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

49. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation from profit before tax to cash generated from operating activities:

	2017	2016
Profit before tax	21,102	16,085
Investment income	(52,657)	(43,879)
Foreign currency loss/(income)	140	(117)
Finance costs	3,186	1,930
Charge of impairment losses on insurance receivables and other assets, net	55	176
Depreciation of property and equipment	1,348	1,179
Depreciation of investment properties	312	245
Amortization of other intangible assets	467	421
Amortization of prepaid land lease payments	1	1
Amortization of other assets	28	26
Gain on disposal of items of property and equipment, intangible assets and other long-term assets, net	(168)	(23)
	(26,186)	(23,956)
Increase in reinsurance assets	(2,434)	(1,884)
Increase in insurance receivables	(4,066)	(4,176)
(Increase)/decrease in other assets	(2,809)	1,566
Increase in insurance contract liabilities	108,690	73,342
Increase in other operating liabilities	16,733	23,146
Cash generated from operating activities	89,928	68,038

50. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the Group had the following major transactions with related parties:

(a) Sale of insurance contracts

	2017	2016
Equity holders who individually own more than 5% of equity interests of the Company and the equity holders' parent company	7	22

The Group's above related party transactions were entered into based on normal commercial terms during the normal course of insurance business.

(b) Dividends paid

	2017	2016
Equity holders who individually own more than 5% of equity interests of the Company	2,234	3,073

(c) Capital injections to the Company's subsidiaries

	2017	2016
China BAOWU Steel Group Corporation Ltd.	152	-

50. RELATED PARTY TRANSACTIONS (continued)

(d) Compensation of key management personnel

	2017	2016
Salaries, allowances and other short-term benefits	33	28
Deferred bonus (1)	3	-
Total compensation of key management personnel	36	28

(1) This represents the amount under the Group's deferred bonus plans mentioned in note 11(2).
This represents the amount under the Group's deferred bonus plans which in order to motivate senior management and certain key employees.

Further details of directors' emoluments are included in note 12.

(e) The Company had the following major transactions with the joint venture:

	2017	2016
Payments made on behalf of Binjiang-Xiangrui for the purchase of land, construction fees and etc	-	112

The receivable due from Binjiang-Xiangrui is interest free with no determined maturity date.

(f) Transactions with other government-related entities in the PRC

The Group mainly operates in an economic environment predominated by enterprises that are controlled, jointly controlled or significantly influenced by the PRC government through its authorities, affiliates or other organizations (collectively "government-related entities"). The Company is also a government-related entity.

In 2016 and 2017, the Group had certain transactions with some government-related entities primarily related to insurance, investment and other activities (including, but not limited to, issuing insurance policies, provision of asset management or other services, and the sale, purchase, issuance and redemption of bonds or equity instruments).

Management considers that those transactions with other government-related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those government-related entities are controlled, jointly controlled or significantly influenced by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government-related entities.

51. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the balance sheet date:

		31 December 2017	31 December 2016
Contracted, but not provided for	(1)(2)	850	850
Authorized, but not contracted for	(1)(2)	1,023	1,150
		1,873	2,000

Major projects with capital commitments are as follows:

(1) The Company resolved to establish IT Backup Center and Customer Support Center in Chengdu High-tech Zone and the expected total capital expenditure is approximately RMB2,000 million. As at 31 December 2017, the cumulative amount incurred by the Company amounted to RMB1,463 million. Of the balance, RMB190 million was disclosed as a capital commitment contracted but not provided for and RMB347 million was disclosed as a capital commitment authorized but not contracted for.

51. COMMITMENTS (continued)

(a) Capital commitments (continued)

(2) In November 2012, CPIC Property and a third party bid for the use right of the land located at Huangpu District, Shanghai. And in February 2013, both parties set up a project company named Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd. ("Binjiang-Xiangrui") as the owner of the land use right to this parcel of land and construction development subject. Total investment of this project approximated RMB2,090 million. As at 31 December 2017, the cumulative amount incurred by the Company amounted to RMB1,330 million. Of the balance, RMB159 million was disclosed as a capital commitment contracted but not provided for and RMB601 million was disclosed as a capital commitment authorized but not contracted for.

(b) Operating lease commitments

The Group leases office premises and staff quarters under various operating lease agreements as the leasee. Future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2017	31 December 2016
Within 1 year (including 1 year)	1,014	848
1 to 2 years (including 2 years)	817	644
2 to 3 years (including 3 years)	648	472
3 to 5 years (including 5 years)	474	473
More than 5 years	278	218
	3,231	2,655

(c) Operating lease rental receivables

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

	31 December 2017	31 December 2016
Within 1 year (including 1 year)	976	456
1 to 2 years (including 2 years)	767	359
2 to 3 years (including 3 years)	523	253
3 to 5 years (including 5 years)	373	235
More than 5 years	216	53
	2,855	1,356

52. CONTINGENT LIABILITIES

Owing to the nature of the insurance business, the Group is involved in the making of estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies. Provision has been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account the related legal advice, if any. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is so low.

In addition to the above legal proceedings, as at 31 December 2017, the Group was the defendant in certain pending litigation and disputes. Provisions have been made for the possible loss based on best estimate by the directors and the Group would only be contingently liable for any claim that is in excess of what had been provided.

53. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Company	31 December 2017	31 December 2016
ASSETS		
Investments in subsidiaries	63,039	62,834
Property and equipment	28	1,971
Investment properties	3,553	3,639
Intangible assets	162	97
Prepaid land lease payments	33	34
Held-to-maturity financial assets	900	900
Investments classified as loans and receivables	5,419	60
Term deposits	500	-
Available-for-sale financial assets	24,776	21,187
Financial assets at fair value through profit or loss	62	37
Securities purchased under agreements to resell	60	743
Interest receivables	457	335
Deferred income tax assets	188	44
Other assets	2,800	370
Cash and short-term time deposits	121	96
Total assets	102,098	92,347
EQUITY AND LIABILITIES		
Equity		
Issued capital	9,062	9,062
Reserves	70,307	70,814
Retained profits	21,400	11,291
Total equity	100,769	91,167
Liabilities		
Securities sold under agreements to repurchase	140	-
Income tax payable	56	15
Due to subsidiaries	31	48
Other liabilities	1,102	1,117
Total liabilities	1,329	1,180
Total equity and liabilities	102,098	92,347

KONG Qingwei
Director

HE Qing
Director

53. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

The movements in reserves and retained profits of the Company are set out below:

Company	Capital reserves	Surplus Reserves	Available-for-sale investment revaluation reserves	Total	Retained Profits
At 1 January 2016	66,164	3,867	592	70,623	10,487
Total comprehensive income for the year	-	-	(473)	(473)	10,530
Dividend declared	-	-	-	-	(9,062)
Appropriations to surplus reserves	-	664	-	664	(664)
At 31 December 2016	66,164	4,531	119	70,814	11,291
At 1 January 2017	66,164	4,531	119	70,814	11,291
Total comprehensive income for the year	-	-	(507)	(507)	16,452
Dividend declared	-	-	-	-	(6,343)
At 31 December 2017	66,164	4,531	(388)	70,307	21,400

Dividends from subsidiaries amounting to RMB15,866 million were included in the Company's net profit for 2017 (2016: RMB10,238 million).

54. POST BALANCE SHEET EVENTS

Pursuant to the resolution of the 1st interim meeting of the Company's 7th term of board of directors held in 2017, CPIC Asset Management, the Group's subsidiary, proposed to acquire 51% equity interests of GTJA Allianz Fund Management Limited Company ("GTJA Allianz Funds") held by Guotai Junan Securities Co., Ltd. (the "Transaction"). The Transaction was carried out by way of public tendering on Shanghai United Assets and Equity Exchange. The Company's bidding price for the target of the Transaction was RMB1,045 million and the final price of the Transaction was RMB1,045 million. After the Transaction, CPIC Asset Management's ownership in GTJA Allianz Funds will be 51% while the Company will hold 50.83% of GTJA Allianz Funds's ownership indirectly through CPIC Asset Management. On 26 July 2017, the acquisition was officially approved by the CIRC. According to 'Letter of Decision that No Further Examination on the Concentration of Anti-monopoly Examination by the Ministry of Commerce' (Shang Fan Long Chu Shen Han [2018] No.17), the acquisition was officially approved by the Ministry of Commerce on 9 January 2018. The acquisition was officially approved by the China Securities Regulatory Commission on 28 March 2018.

Pursuant to the resolution of the 1st interim shareholders' meeting of CPIC Property, the Group's subsidiary, held in 2017, CPIC Property proposed to issue "China Pacific Property Insurance Co., Ltd. Capital Replenishment Bond". The issuance of current bond was approved by CIRC on 28 September 2017 (Bao Jian Xu Ke [2017] No.1182), and was approved by the People's Bank of China on 16 November 2017 (Yin Shi Chang Xu Zhun Yu Zi [2017] No.198). The name of initial bond is "China Pacific Property Insurance Co., Ltd. First Phase of Capital Replenishment Bond in 2018". The issuance scale of current bond was less than RMB5 billion, and the issuance date was 21 March 2018.

The Group does not have other significant post balance sheet events.

55. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized for issue by the Company's directors on 29 March 2018.

中国太平洋保险
China Pacific Insurance

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