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

(Stock Code: 2328)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO PRICING PRINCIPLES OF SUBSCRIPTION OF FINANCIAL PRODUCTS

Reference is made to the announcement of the Company dated 24 November 2016 (the “**Announcement**”) relating to the Company entering into the MOU with PICC AMC regarding the Asset Management Agreement to regulate the subscriptions by the Company of the financial products which are set up and managed by PICC AMC, PICC Capital or PICC Investment, either jointly or singly, and subscribed for by connected person(s). Capitalised terms herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

In addition to the information disclosed in the Announcement, the Company wishes to provide further details regarding the pricing in relation to the Subscriptions contemplated under the MOU.

PRICING PRINCIPLES

1. Relevant PRC Rules and Regulations

The pricing of the Subscriptions is required to follow various PRC rules and regulations, including but not limited to: (i) *Administrative Measures for the Indirect Investments of Insurance Funds in Infrastructure Projects* (《保險資金間接投資基礎設施項目管理辦法》); (ii) *Temporary Provisions for the Administration of Infrastructure Debt Investment Plans* (《基礎設施債權投資計劃管理暫行規定》); (iii) *Provisional Measures on Real Estate Investments Using Insurance Funds* (《保險資金投資不動產暫行辦法》); and (iv) *Notice on the Investment with Insurance Funds in Relevant Financial Products* (《關於保險資金投資有關金融產品的通知》).

Among which, *Administrative Measures for the Indirect Investments of Insurance Funds in Infrastructure Projects* specifies that the entrusted manager is required to investigate into the project status and prepare due diligence reports, evaluate the investment values and management and operation risks of the infrastructure projects. *Provisional Measures on Real Estate Investments Using Insurance Funds* further specifies that for investments in real estate-related financial products using insurance funds, a due diligence exercise and an analysis and evaluation shall be carried out for the legitimacy and compliance of the products, the reliability and adequacy of the underlying assets and the feasibility of the investment strategies and investment plans.

2. Pricing Principles for the Financial Products

Subject to the relevant PRC rules and regulations, the pricing principles for the subscription by the Company of financial products set up and managed by PICC AMC, PICC Capital or PICC Investment, either jointly or singly, consist of the following two steps:

- i. PICC AMC, PICC Capital or PICC Investment, either jointly or singly, as the case may be, as entrusted manager(s) will engage professional rating agencies approved by the China Insurance Regulatory Commission to conduct credit rating assessment for the financial products. The credit rating is required to reflect the default risk of the financing entity, the underlying assets and the product structure.
- ii. Although the pricing of the financial products is mainly determined on the basis of the credit rating of the financial products, it is also required to take into account various market factors such as, amongst others, the investment return rates of the same type of products for the same term, the yields of bonds issued by the same type of enterprises for the same term, the loan interest rates available from banks to enterprises with the same rating for the same term in the market.

In addition, the subscription price paid by the Company for the financial products set up and managed by PICC AMC, PICC Capital or PICC Investment, either jointly or singly, will be the same as the subscription price paid by other investors (no matter whether an independent third party or a connected person).

Save as disclosed above, all other information set out in the Announcement remains unchanged.

By order of the Board
Zhang Xiaoli
Secretary of the Board

Beijing, the PRC, 23 January 2017

As at the date of this announcement, the Chairman of the Board is Mr. Wu Yan (executive director), the Vice Chairman is Mr. Lin Zhiyong (executive director), the non-executive directors are Mr. Wang Yincheng, Ms. Yu Xiaoping and Mr. Li Tao, Mr. Wang He is an executive director and the independent non-executive directors are Mr. Lin Hanchuan, Mr. Lo Chung Hing, Mr. Na Guoyi, Mr. Ma Yusheng and Mr. Chu Bende.