中国太平洋保险
China Pacific Insurance

2016
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 2016 Annual Report

CPIC was the first in the industry to launch the "Customer-oriented" Strategic Transformation to "focus on customer needs, improve customer interface and enhance customer experience", setting a priority to better meet customer needs by focusing on customer identification and product and service. During the transformation, by combining top-level design with grass-roots practices, CPIC implemented 18 transformation projects, and made great progress in upgrading the company's growth mode, with steady improvement in comprehensive strength and brand image.

The strategic transformation, which was concluded in 2016, brought great changes to the Company. The following true stories from our customers, employees, shareholders and the market, tell us, from different perspectives, what kind of changes the strategic transformation has brought to our people, our customer, the Company and the market.

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Changes to customers

Since the implementation of the strategic transformation, we have been focusing on our core business of insurance and upholding protection as the main value proposition of insurance. By leveraging customer insights and profiling, we focused on enhancing customer experience through product and service innovation: products with broader coverage, higher sum assured and lower premium, tailor-made services to different customer groups. All these initiatives helped the Company to better meet the customer's growing and individualized needs for insurance.

Our hard work earned the trust of our customers and promoted the continued improvement of customer value. In 2016, the total number of our customers exceeded 100 million and the number of our new customers exceeded 10 million for the first time in history. Moreover, we saw considerable improvement in all of our key customer indicators including average premiums per customer, the number of customers with more than 1 policy, the number of customers with high premiums, the number of low-claims customers, and the number of female customers.

Insurance helped CHENG Hua through her coldest winter

The winter of 2014 was really warm, but to CHENG Hua (not her real name), it's the coldest winter in her life.

Everything was so nice for CHENG Hua before December 15, 2014: her husband LU Wei (a pseudonym) ran a booming decoration business. They had a lovely daughter and their parents were in good health. However, her life was turned upside down in the early hours of December 15 when her husband died in a car accident on his drive home.

The whole family was shattered by this tragedy: the parents cried over the loss of their son; the little girl often asked: "Where did Daddy go?" Meanwhile, the decoration business must go on, and many material suppliers called or came to the house for over-due payments.

In the eyes of CHENG Hua, LU Wei was a good man with a strong sense of responsibility to the family. As a businessman, LU Wei was a believer of insurance, and had purchased multiple insurance products from different insurers. In December 2013, LU Wei took out a business loan from the local rural credit cooperative, and bought CPIC's *Andaibao* (sum assured at RMB250,000). Half month before that car accident, he happened to see a product poster of CPIC's *Anxingbao* in a car wash shop and found that compared to other products, *Anxingbao* had a wider coverage and higher sum assured (up to RMB1 million for each unit). Since he had to drive a lot for business reasons, he purchased 5 *Anxingbao* units.

Higher sum assured for better protection

With the ever growing public living standards and rising insurance awareness, our customers require more and higher protection from our products. In recent years, CPIC Life launched *Anxingbao*, a long-term accident insurance product with the sum assured up to RMB5 million, which can better meet customer's need for higher protection.

After her husband's funeral, CHENG Hua filed a claim with CPIC, upon which the Company's staff immediately came to her house to offer condolences. After necessary investigation and verification, the full payment of RMB5 million was quickly made, the highest claims payment ever made by CPIC Life Zhengjiang Branch. And an extra of RMB250,000 was also paid to repay her husband's loan from that local rural credit agency.

Thanks to the insurance payment, the family's life gradually went back to normal. The RMB5 million was crucial for the family to get through the difficulties, covering the needs of the elderly, the education costs of the daughter and family debts. Although the husband is gone, his love and care for the family was extended in this special way.

Yinfa Ankang, an extension of my love to grandpa

My hometown is a small village in Luliang, Shanxi Province. I was brought up by my grandparents because my parents worked in other cities and had no time for me. So, I was much closer to my grandparents than to my parents. Later on, I promised myself that I would try my best to give a better life to my grandpa and grandma. But sadly, my grandma passed away even before I reached adulthood.

After graduating from high school, I went with my village friends to work in Taiyuan, the capital city of Shanxi Province. During my time in Taiyuan, I studied some college courses on my own and made some new friends. Some of them worked for insurance companies. They often told me about the benefits of insurance – how it can provide protection against almost any risks. Sometimes, I thought to myself that if my grandma had bought some insurance, maybe she wouldn’t have passed away that early.

In early April 2014, I saw a WeChat post of a friend of mine, who was an agent with CPIC Life Shanxi branch. That post was about *Yinfa Ankang*, a life insurance product of CPIC. I was pleasantly surprised to find that it would be a right product for my grandpa. On April 15, I persuaded my grandpa to come to my city and purchased 4 units of *Yinfa Ankang* for him with the basic sum assured of RMB200,000. After that, I showed him around the city and he was happy as a child. Although I spent almost all my savings on the insurance, watching his smiling face, I thought it was all worth it.

After the Spring Festival of last year, my aunt told me over the phone that my grandpa had been unable to eat for a long time due to stomachache. On March 2, he was diagnosed with “adenocarcinoma of the stomach”. I was totally shocked, wondering if *Yinfa Ankang* could really save my grandpa’s life.

On March 28, with expectation and apprehension, I submitted the necessary materials and information to CPIC for claims. The next day, the insurance company called me for further information and told me they would go to my grandpa’s home to get more information for the claims settlement.

On April 6, I received a payment of RMB300,000 (claims payout is 150% of SA for stomach cancer) and I used it to save my grandpa's life!

In mid-April, my grandfather began his medical treatment, and I took him to Beijing to find the best doctors. When his condition improved, I accompanied him to travel around the country so that he wouldn’t have any regrets in his life. Thanks to *Yinfa Ankang*, I managed to do all that.

Extended age limits to offer more protection for the elderly

To cover more elderly people, we increased the age limit from 65 (industry norm) to 75 (with renewal up to 100 years old) for *Yinfa Ankang*, a pure cancer protection product for the elderly which requires no physical checkup. In addition, we also launched a group travel accident product with no age limit to offer travel protection for senior citizens.

Broader coverage, more protection

We broadened our product line to meet the different customer needs. For example, CPIC Allianz launched *Xin•Anyi*, a health product which reimburses customer's out-of-pocket expenses under basic social medical insurance; Anxin Agricultural launched multiple agricultural price index products to offer protection to farmers in different regions; and Changjiang Pension released *Shengshi Tianlun*, an individual annuity product.

Don't put all your eggs in one basket

One morning in the early summer of 2015, the Shanghai Pudong New Area Egg Association held a forum on the needs for egg price index insurance. Many egg farmers in Pudong, as well as Ms. Chen, an employee of the Agricultural Insurance Department of Anxin Agricultural, participated in this event. Well-prepared, Chen explained in details how and why Anxin launched the egg price index insurance, with related options and futures features, to the egg farmers, and listened to their needs to further improve the insurance program.

"Insurance companies can hedge the spot market through futures markets by providing put options for egg farmers. When the spot price of eggs falls below the cost, the loss will be offset by insurance claims payout generated through hedging on the futures market." Chen explained the risk hedging mechanism of "insurance + futures".

"The egg price is very stable. No need for insurance at all," said Mr. Wang from WeiJun Egg Farm. But Mr. Gu, chairman of Shanghai Egg Association and head of Shanghai Huilv Egg Co., Ltd., disagreed: "The market is good now. But it doesn't mean it will always remain so. With insurance, if the price goes down, we can get claim payments. If it goes up, we will get excess returns. We win either way!" Other egg farmers present all agreed with Mr. Gu: we need to buy this egg price index insurance!

Before long, the egg price index insurance was successfully launched in Pudong, Shanghai. Mr. Gu bought the price index insurance for 400,000 hens. In the following month, the market egg price fell sharply, triggering the agreed target price for claims payout. Four egg farms including Mr. Gu's received a total of over RMB460,000 of insurance claims compensation. With the protection from egg price index insurance, egg farmers can rest assured!

Customized products with lower premiums

In recent years, we developed a variety of tailor-made insurance products with reduced premiums while maintaining the same level of protection. For example, *Aiwuyou*, a product purely for cancer protection, features lower than average premium, and thus more suitable for young people; *Huayang Nianhua*, a specific disease product catering to women's physical and psychological needs, charges an average premium of RMB182 per policy, enabling customers to buy a more suitable product at lower costs.

Aiwuyou, a product of love

Happily married for 3 years, the 30-year-old Xiaobing and her husband Daji hadn't been blessed with a kid yet, which worried them a little bit. In early 2015, Daji was promoted to marketing director of his company, which made him even busier. The other day, Xiaobing came across an article online about how work pressure and bad habits can lead to infertility. She discussed it with her husband and suggested he go see a doctor. But her husband kept saying he's too busy to do that and they should let nature take its course. Xiaobing was a little frustrated by her husband's attitude.

On May 1st 2015, Daji met Lili, his ex-girlfriend from college in a get-together. Lili works for CPIC and many former college classmates have bought insurance through her. After the meeting, Daji called Lili to ask about some insurance issues because he had wanted to buy insurance for a long time but didn't know which product was good for him. After their phone conversation, he showed interest in *Aiwuyou*, a cancer product with low premiums and high protection. His wife agreed with him that they should both buy *Aiwuyou*.

On a weekend, the couple went to have dinner with Lili to sign the policy. But over the dinner, Xiaobing found out that Lili was her husband's ex-girlfriend. Upset about that, she came up with some excuses and refused to buy the insurance herself. As a result, only the husband bought 3 units of *Aiwuyou* (sum assured RMB300,000, annual premium RMB2,661). Unhappy about that, Xiaobing had several days of "cold war" with her husband.

In April 2016, in a routine physical check-up, Daji was diagnosed with malignant gastric tumor, and one-third of his stomach had to be removed. Worse still, the medical bill was shockingly high. As wage-earners, Xiaobing and her husband just managed to cover their house mortgage loans and daily expenses, without much money left. But the surgery must be conducted immediately, leaving them little time to sell their house to raise the money. Upon knowledge of Daji's situation, Lili called Xiaobing, telling her that Daji's medical bill was covered by *Aiwuyou*. With Lili's assistance, Xiaobing soon completed the claims procedures. A few days later, RMB300,000 was paid to Daji's account. Xiaobing could hardly believe it. Her husband only paid a little over RMB2,000 of premium, but got back RMB300,000 in claims payment!

Thanks to the timely surgery, Daji had a speedy recovery. And what's even better, Xiaobing got pregnant about a year afterwards.

After that, Lili often called Xiaobing to check up on her. And it didn't take long for the two ladies to become good friends.

Enhance customer experience with attentive service

In recent years, PICC P/C developed differentiated and attentive services such as Jin Yao Shi, free road assistance and small credit facility to female customers, low-claims customers and first-claim customers.

Service vs Accident

In the early morning of May 16 2016, Ms. Wang, a customer of CPIC P/C Guangdong branch, entered the branch with a thank-you letter and a thank-you banner. Upon seeing AN Guozhou, a CPIC surveyor, she came up to him and held his hands, saying: "Thank you so much for your excellent one-stop service. In my mind, CPIC is the most professional insurance company with the best claims service. I will certainly share my experience with my friends and relatives and recommend your company to them..."

On the evening of May 6, 2016, Ms. Wang called the company's customer service hotline at 95500 to report an accident: her car hit an electric scooter on her way home. The rider was injured and fell to the ground. AN Guozhou was dispatched to the accident site immediately.

On the way there, AN Guozhou learned through the Company back-office system that Ms. Wang had 10 years of driving experience. Then he called Ms. Wang's cell phone and heard her anxious voice on the other end because that was her first car accident and she had no idea about what to do.

Despite the heavy rain, An did a thorough survey at the site. His patience and professionalism set Ms. Wang's mind at ease. After the survey, he explained the details of claims process to Ms. Wang, telling her to call him if she had any questions.

At 10 o'clock that night, Ms. Wang called AN Guozhou and said she wanted to go to the hospital to visit the injured rider. Considering that Ms. Wang needs to take care of her 6-month old baby at home, An offered to go to visit the hospitalized rider on her behalf. Ms. Wang found out afterwards that he rushed to the hospital that day after work without having dinner.

While Ms. Wang's claim was processed, AN Guozhou went back to his hometown to take care of some urgent matters. But his assistance to Ms. Wang didn't stop. He answered Ms. Wang's questions over the phone, guiding her all the way through the claims process for fast settlement.

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Changes to our people

Nearly ten thousand people including both the management and staff participated in the Company's strategic transformation, which created opportunities for many young people to advance their career, improved their ability to gain customer insights, and deliver targeted sales and differentiated service. Through this process, some of them became experts in data management, customer profiling, targeted sales, process optimization or customer experience, which not only greatly boosted their confidence in career development, but also laid a solid foundation for the sustainable growth of the Company.

From data to growth

"Each year, CPIC attracts over 5 million new customers. The number of new customers for 2016 exceeded 10 million, and our total customer number reached 104.44 million. The CAGR of customers with more than 1 policy stood at 11%. And in 2016, the Company's WeChat platform and official website received more than 400 million visits"....What's hidden behind those data? Can we gain insights into the customer's product and service needs through data analysis? Customer profiling is the answer.

Since the implementation of the "customer-oriented" strategic transformation, the Group, the headquarters and the 79 branches all carried out customer profiling initiatives. To gain customer insight, CPIC Life focused on multiple dimensions like basic customer attributes, the number of policies, types of insurance, up-sell frequency, annual premiums, and sum assured for critical illnesses, while CPIC P/C focused on the vehicle age, brand, number of claims, sum of third party liability, and type of business. Based on those insights, more than 300 application initiatives were developed, covering up-sell, retention of agents, quality customer service, and new technology applications and other aspects. With more granular customer profiling, the Company gained deeper insights, leading to more business opportunities. In particular, it established a highly professional customer profiling team at a strategic level. All the team members are data experts, and with the support from the IT department, they offered strong support to product and service innovation with their customer profiling and insights. Zhang, a member of the customer profiling team, found through analysis that 84% of life customers preferred critical illness products and accident insurance products for their first purchase; up-sell was highly correlated with factors like time of purchase and contact points, and the 3-month up-sell rate was 26 percentage points higher than the overall ratio; the up-sell rate of high-premium customers was 17 percentage points than the average; up-sell for customers who just received policy owner service (POS), annuity payment and policy loan almost double the average ratio … These findings were very crucial to the expansion of product lines, promotion of targeted sales and improving new customer acquisition and up-sell.

Wen, another member of the customer profiling team, also had his findings: the driving behavior of motor business customers is consistent. "Good drivers tend to be good drivers all the time." the probability of claims for customers who haven't had any claims for 3 consecutive years is 15 percentage points lower than average, and customers who haven't had any claims for 2 consecutive years is 10 percentage points lower, while that of customers who have had three claims is 22 percentage points higher than the average. Regarding customer groups, Wen found that female car owners have a lot in common: the average premiums per female motor customer was 11% higher than the average, which means female car owners are more willing to


The Strategy Management Department of CPIC Group conducts accurate "delineation of customer profiles" using data analytics and data mining.

buy insurance. Besides, the average claims per female customer is 5% lower than the average, and their share of large claims is considerably lower than male customers. Wen also found that claims from customers in counties was 7% lower than the average, which is contrary to the assumption that claims would be lower in cities because they have better roads....These findings contribute a lot to the identification of high-quality customers, provision of targeted services and the improvement of customer loyalty.

For young people like Zhang and Wen, the value of their work was well recognized during the transformation, so they became more and more confident in their work.

The customer profiling conducted by the branches generated good examples of customer insights and value creation. CPIC Life Chongqing Branch and Dalian Branch found that the share of mobile POS was rising rapidly, showing that more and more customers are interacting with CPIC digitally. This boosted their confidence in promoting mobile tools such as *Shenxing Taibao* and WeChat platform. CPIC P/C Guangdong Branch found that among customers who haven't filed any claims, the retention rate of those who had received free rescue service was 18.5% higher than those who hadn't, which indicated that this service helps improve customer retention. Customer profiling provided quantitative support to all CPIC service initiatives, which were all well received by the customers. This, in turn, further enhanced the confidence of grassroots employees.

After 25 years of development, the Company has accumulated massive amount of data which formed a "gold mine", and the customer profiling team is like gold diggers, doing data mining from the customer perspective to obtain insights and contribute to the Company's product and service optimization and innovation. With confidence further boosted by the "gold" they found, the team became even more enthusiastic about their work.

Customer insights through customer profiling

The key to targeted sales and differentiated service is to be customer-oriented and data-driven, coupled with more customer insights and quantitative analysis of customer needs and behaviors. In recent years, through customer profiling and gap analysis of customer needs (9 policies are needed on average), CPIC Life found a new pathway for business growth; while CPIC P/C gained more insights of the service needs of female motor business customers, first-claims motor business customers and low-claims customers. Insight like this is crucial to product and service improvement. In the future, with more and better data, we can gain more and deeper customer insights and create more value through customer profiling, which will further help the upgrading of customer management model.

Full protection from targeted sales

The Company has obtained better customer insight through granular customer profiling, which greatly helped with targeted marketing, customer acquisition and up-sell. Creating huge value by turning customer needs into premiums, the Company greatly boosted employees' confidence. Thanks to targeted marketing, the up-sell of long-term insurance for existing customers rose by 0.98 bps YoY in 2016. In the first half of 2016 alone, the number of up-sell customers exceeded that of the entire 2015.

43 policies over 11 years

"Ms. Chen, I have received the account statement. It shows good returns. I will have a top-up next month." This was a WeChat message from Mr. Deng to Ms. CHEN Meiying, an agent of CPIC Life Lecong Sub-branch. She had been Mr. Deng's agent for 11 years, who had bought a total of 43 policies for himself and his family, with annual premiums exceeding RMB 10 million.

In 2006, Mr. Deng, a steel businessman, told Ms. Chen when the two first met: "I already bought some insurance for my wife and myself a few years ago. I think that's enough." But Ms. Chen found that he only bought some basic life products with a sum assured of only RMB100,000. After analyzing Mr. Deng's family structure, income and financial goals, Ms. Chen tailor-made a product portfolio including health, medical and accident insurance for him and his wife, with a basic sum assured of RMB500,000. Mr. Deng was very satisfied with her proposal.

CPIC Life Guangdong Branch works on its Targeted Marketing Initiatives.

Ms. CHEN Meiying, an agent with CPIC Life Guangdong Branch, improves customer records to support the need analysis of her customers, which in turn enables Targeted Marketing and promotes up-sell.

Apart from protecting husband and wife, Ms. Chen also advised Mr. Deng to consider buying some health, medical and education insurance for his children and designed a proposal for him. Mr. Deng had never thought about insurance for his children. But Ms. Chen changed his mind by her professionalism and sincerity. In the end Mr. Deng followed her advice and bought *Jin You Ren Sheng*, *Aiwuyou*, and *Anxingbao* products for his children, son in-law, and grand-children to ensure adequate protection.

At the beginning of 2016, Ms. Chen learned that the cost of raw materials in the steel market was dropping, but Mr. Deng was not taking any action and was thus left with some idle money. When she visited him during the Spring Festival, she told him: "Insurance is also a good financial planning tool which can achieve the separation of corporate assets and personal assets and ensure safe inheritance and value growth." Persuaded, Mr. Deng bought a 5-year *Dongfanghong* product with an annual premium of RMB1 million. One month later, he made a RMB1 million top-up.

From 1 policy to 43 policies, from annual premiums of below RMB100,000 to RMB10 million, and from Ms. Chen trying hard to sell insurance to customers asking for insurance on their own, the secret of success lies in customer needs analysis and targeted marketing. "To me, the key to up-sell is to keep gathering and analyzing customer information to identify his/her changing needs for insurance in terms of protection, saving, asset allocation and wealth inheritance, and conduct targeted marketing on top of that," noted Ms. Chen.


Ms. XIA Jian (left), an agent with CPIC Life Hu'nan Branch, finds cross-sell instrumental in her dealings with mid and high-end customers.

Sharing resources across CPIC

Under the concept of "CPIC is our big family" and the strategic transformation, we made continued efforts and saw great results in 2016 in resource sharing and synergy creation. The sharing between different business lines continued to expand, covering motor business, non-motor business, life, health, pension insurance, and tax-deferred health insurance. To improve customer loyalty and average value per customer through resource sharing has become a consensus among all CPIC subsidiaries, business lines and employees.

Cross-selling for higher customer value

XIA Jian was born in Hunan province. She joined CPIC Life in September 2007. Ten years of hard work transformed her into an excellent life agent. Her professionalism and dedication was critical to her success in cross-selling.

In Xia's eyes, cross-selling is her "silver bullet" for high-end customers. She noted that compared to life business, motor business was easier. Targeted cross-selling is very suitable for car owners. First, car owners usually have fairly high income and social status, as well as insurance awareness. This customer group is central to the development of medium and high end market; secondly, all car owners must buy Compulsory Third-party Liability Insurance, which makes it easier to conclude sales of motor insurance; thirdly, cross-selling of motor insurance to customers not only increases the agents' income but also brings convenience to the customers. From their point of view, whether it is motor insurance or life insurance, cross-selling brings them convenient and efficient one-stop service.

This approach helped her a lot in business development. XIA Jian was once introduced to the head of a concrete company, who needed to buy some Compulsory Third-party Liability Insurance. She provided fast and professional service to him. A few months later, the man had a car accident, and Xia immediately helped him to go through the claims process. With her help, his claims were settled quickly. Afterwards, she even asked for his feedback on how to improve her service. He was deeply impressed.

That experience greatly changed this customer's understanding of insurance, making him realize that insurance is always necessary for car owners like him. Afterwards, he bought the *Anxingbao* and some health insurance for himself.

Thanks to her cross-selling approach for mid/high-end customers, XIA Jian accumulated more and more customer resources, which helped a lot with her life business. During the year-beginning compaign of 2016, she managed to sell at least one policy for 27 days consecutively, and among which, 10 were life policies signed by her motor customers.

When her customer reports claims for automobile insurance, Ms. XIA Jian would follow up and send them a text message checking on the status of the claims handling process, which greatly enhances customer experience.

CPIC Life joins hands with CPIC Allianz Health to work out marketing plans for *Huayang Nianhua*, a disease product tailor-made for women.

Promotion of *Huayang Nianhua*

In February 2016, CPIC Life and CPIC Allianz Health held a closed-door discussion on developing a marketing campaign for *Huayang Nianhua*, a female product jointly developed by the companies.

The launch of this new product was scheduled for March 2016. The clock was ticking! Everyone in the discussion shared a common goal: a successful launch of *Huayang Nianhua* in spring.

At the end of 2015, CPIC Allianz Health and CPIC Life started negotiating the joint development of an exclusive health insurance product for women to be launched before the Women's Day the following year. CPIC Allianz Health, as a specialized health insurer, was responsible for product development, pricing and related operations, while CPIC Life, with its extensive distribution networks, would take care of the product sales. Within one month, a number of product ideas were proposed. After several rounds of discussion, the two sides agreed that middle-aged women should be the main target customers. *Huayang Nianhua* was designed to covers specific diseases like breast cancer and severe BPAD, thus providing women both physical and psychological care and helping them tackle the pressure from work and daily life.

Participating in this closed-door discussion were not only product developers, but also gross-root agents who had good customer insights. After brainstorming sessions, a marketing plan began to take shape - it should be customer-oriented and should enhance customer experience; on the sales side, the WeChat platform should be used to sell *Huayang Nianhua* and should be interfaced with CPIC Life's existing distribution platforms to facilitate customer's purchase, as well as the agents' business development activities; on the service side, pilot service centers must be set up in Shanghai, offering psychological counseling services to enhance customer satisfaction.

On March 1 2016, *Huayang Nianhua* was launched and attracted a lot of market attention. By the end of the year, a total of 270,000 female customers had bought this product. This successful cooperation is an indication of how CPIC's subsidiaries can leverage their respective strengths and work together to create synergy.

Fragrant Golden Magnolia

During its transformation, given customers' needs for high-quality products and services in first-tier cities, CPIC established the Golden Magnolia financial planner team. Today, this team covers 15 large and medium-sized cities including Shanghai, Guangzhou and Shenzhen, offering products and services to mid/high-end customers. This team of over 2000 young professionals enjoys a huge sales volume and high customer retention rate. More than half of the Golden Magnolia customers are below 34 years old, which is a customer base for sustainable growth.

Professional service is what we offer

One day in October 2015, Mr. Chen, a Golden Magnolia financial planner of CPIC Life Shanghai Branch, got a call from Mr. Li, one of his customers, telling him that he was hospitalized. "Don't worry. I am coming right now." Within an hour, he was with Mr. Li. He found out that Mr. Li fell and got bone fracture on his way to work several days before, and had spent nearly RMB3,000 for the treatment.

About half a year earlier, a friend of Mr. Li introduced the Golden Magnolia Wealth Management Center of CPIC Life Shanghai Branch to him. And he was warmly received by Chen. Chen was a new member of the Golden Magnolia team. Previously, with a master's degree in insurance, he went through several rounds of interviews and written examinations, and finally became a Golden Magnolia financial planner. He grew fast in this young, dynamic and highly educated team. Based on Mr. Li's family situation and actual needs, Chen tailor-made for him a comprehensive insurance program including health insurance, critical illness insurance and accident insurance. Satisfied with Chen's proposal, Mr. Li signed the contracts on the spot.

Since Mr. Li wasn't supposed to move much because of his injury, Chen offered to handle all the claims procedures for him. Within 3 days, Mr. Li received nearly RMB3000 in claims payout.

The "Golden Magnolia" team of insurance planners with CPIC Life Shanghai Branch

Mr. Li was a sports lover. In early January this year, not fully recovered from his arm injury yet, he failed to resist the attraction of gyms, and went to one. Unfortunately, he injured his knee during exercising, and spent over RMB4,000 on treating his knee fracture.

"I just made a claim not long ago. Will they pay me again?" wondered Mr. Li. So he hesitated about submitting claims. Unexpectedly, this time Chen took the initiative to call him. It turned out that Chen kept a close eye on his customers and when he learned about Mr. Li's knee injury, he made the call. Chen comforted Mr. Li, telling him: "It's absolutely alright to make a claim again despite the short interval. No service is troublesome for us!"

Very Soon, Mr. Li got the payment. Same as the last time, Chen handled all the claims procedures for him. After the Spring Festival, Mr. Li recommended Golden Magnolia and Chen to his friends and workmates, telling them "CPIC financial planners are young and very professional, and the service is excellent. They are my best insurance choice!"

High-quality products and services of the "Golden Magnolia" team begin to attract increasing numbers of mid and high-end customers for tailor-made solutions.

One policy to provide full protection for small and medium-sized businesses

In recent years, based on our analysis of the risk profiles and protection needs of small and medium-sized businesses, we developed a customized "1+N" Standardized Product System to cover one common industry plus 7 specific industries. It generated RMB1.5 billion in total premiums and attracted over 100,000 customers. At the same time, we launched the *Caifu U Bao* mobile APP, capable of manual inquiries and quotes, and standard pricing and automatic underwriting for the catering, accommodation, commercial buildings and folk tourism industries (first of its kind in insurance industry); it also has automated policy issuance, featuring one policy, one information entry, one payment and one invoice, fully automated sales processes from proposal to policy issuing, costing as little as 5 minutes.

Caifu U Bao saved customer's restaurant!

One early morning, Ms. Ye, an agent of CPIC P/C Shenzhen Branch, got a call from one of her customers, Mr. Wang. "Hello, I am calling to tell you that the *Caifu U Bao* for my restaurant will expire within a month. Please come and renew it for me. Since last accident, I couldn't sleep well without this insurance!"

Originally, Wang refused to buy this insurance despite the detailed proposal Ye designed for him. Now he just couldn't wait to renew it. Wang ran a small restaurant in the downtown area, but the business wasn't very good, just enough to support his family. Ye and Wang shared the same hometown. Ye joined CPIC Life Shenzhen Branch two years ago, and became an agent for *Caifu U Bao*. To promote the product among restaurant and hotel owners, Ye made best use of her product knowledge and tools, and paid countless visits to potential customers. Gradually, this customized and convenient product attracted more and more customers. Based on Wang's business situation, Ye designed a proposal for him. But at that time, Wang didn't think too much about insurance, and thought accident would never happen to him. Although Ye was his friend, he refused to buy *Caifu U Bao*. But Ye didn't give up and kept pitching the product to him. Wang finally bought the product.

Xiaoye, an agent with CPIC P/C Shenzhen Branch, explains *Caifu U Bao* to her clients in the catering industry.

Caifu U Bao, which offers customisation and ease & convenience in application, is attracting more and more clients.

Accidents are always unexpected. Last year, there was an explosion in Wang's restaurant due to gas leak. Everything was destroyed, and even some of the guests inside were injured. Wang was left in despair.

At this helpless moment, Ye brought good news to Wang, telling him that all the property damage and personal loss was covered by the *Caifu U Bao* he bought, a product which covers property loss, third party liability, and even the loss from business interruption! Upon hearing this, Wang was totally relieved.

A month later, Wang's restaurant was re-opened. During that month, Wang used the claims payment to redesign his restaurant and hire a few more cooks. What's even better was that the "re-opened" restaurant did much better than before. If it were not for *Caifu U Bao*, Wang would have had to return to his hometown to be a farmer. Today, besides Wang, owners of nearby restaurants also bought *Caifu U Bao*. And thanks to the word-of-mouth advertisement, Ye enjoyed growing business. It's safe to say that customers sleep better with *Caifu U Bao* in their hands.

Ms. DONG Jinghong, an agent with CPIC Life Hebei Branch, has much to say about increased use of new technologies, "Now when we work in the field, there is no need to carry heavy bags. A tablet computer and a cell phone will do the trick."

Faster and better service driven by mobile Internet

The application of new technologies has brought tremendous changes to the insurance industry, and also helps its people to advance their career. As a key driver of transformation, the application of new technologies enables CPIC to realize end-to-end products and service provision and greatly improve business efficiency and performance. The number of *Shenxing Taibao* terminals deployed rose from 20,000 in 2012 to 320,000 in 2016; the share of mobile POS rose from 5% in 2014 to 58% in 2016; 5.73 million (or 75% of) claims for P/C business were done digitally. The CPIC Life and CPIC P/C WeChat accounts received more than 18.728 million visits from over 8.81 million registered users.

Career "triple jump" helped by "triple jump" of technology application.

DONG Jinghong joined CPIC in 2014, and is now an agent leader with Tangshan Central Sub-branch of CPIC Life. Over the past 3 years, she experienced a "triple jump" of the Company's mobile internet application, as well as the "triple jump" in her career advancement.

Dong can still recall the day she made her first sale as an agent in 2014. Back then, she had to fill in all the customer information manually, and a full time entry clerk would have to enter it into the computer system. At that time, she often went to visit her customers carrying a big bag filled with all kinds of stuff like policy rates manuals, promotion leaflets, paper, calculator, agent license, and dividend statements. Her friends used to make jokes about her by saying that she looked like she's fleeing the town every time she was out carrying her old bag.

That year, the strategic transformation of CPIC Life entered a crucial stage, and the Company began to promote the iPad version of *Shenxing Taibao*, and CPIC Life Shangdong Branch alone put in use more than 10,000 iPads. With this new "weapon", Dong finally got rid of her old and heavy bag and greatly improved her work efficiency and performance.

In 2015, Dong got her first promotion. At that time, she was already very skillful in using *Shenxing Taibao* to promote business. All the company information and personal information can be clearly displayed on the iPad, and it can also be used to take pictures of customers when signing policies, which greatly improved efficiency.

In the year-beginning campaign of 2016, Dong didn't even have to bring along her iPad when doing business. She could use her smart phone to log onto *Shenxing Taibao* to do all the entries. After receiving the policy, the customers just need to access the WeChat service account of CPIC Life to sign for it. If the customer wants to report a claim, he/she only need to click the "My claims" icon. The fastest report only takes 1 minute 36 seconds. It's also very convenient and efficient to track the status of claims settlement through *Shenxing Taibao*.

With excellent performance, Dong was promoted again as a senior agent leader that year. Thanks to the application of mobile internet technology, Dong got 3 promotions within 3 years. And she believes the best is yet to come.

Shenxing Taibao supports picture-taking of customers and on-line application. Customers can also sign for the receipt of insurance policies against delivery via the company's We-Chat number. With such "gadgets" at hand, Ms. DONG Jinghong is even more confident of her future as a tied agent of CPIC Life.

3

Highly praised Transformation

In 2016, we deepened our strategic transformation by focusing on stability and quality. The "customer-oriented" approach and methodology is rooted in CPIC's DNA, and will continue to play an important role in the Company's future development.

To enhance quality and optimize business mix for sustainable growth, we gave up low-value bancassurance business to focus on agency business, and phased out bad business to obtain more high quality customers. On the investment side, we continued to focus on prudent and long-term value investment. We satisfied our shareholders and investors with solid business performance and top-notch returns, gaining broad market attention and recognition.

CPIC's transformation paid off, a lot!

Financial Times（2016.9.7）

Transformation is never easy. Over the past years, CPIC witnessed great improvement in its overall growth model and development momentum, thanks to its transformation.

China Business News, 25-year-old CPIC: What Happened in its Strategic Transformation?
（2016.5.17）

With a strong push for strategic transformation, CPIC integrated corporate social responsibility into its business strategy to create value for all its stakeholders and generate positive energy for the cause of economic and social development.

People's Daily, "CPIC lives up to the trust of the society"
（2016.6.8）

CPIC set a model for transformation in the insurance industry. Facing difficulties like price competition and "Volume vs. Value", CPIC has taken decisive measures to change its growth model and enhance its development momentum.

Shanghai Securities News, "CPIC: a company reborn after 5 years of transformation"
（2016.12.12）

Based on customer data analysis and customer insights, CPIC boosted up-sell with innovative products that meet the customer's needs throughout the life cycle, and improved customer loyalty with top-notch services, making remarkable process in targeted sales and service upgrading.

China Business, "5 years of transformation: 'customer perspective + data-driven' approach changed CPIC's growth mode"
（2016.12.26）

Among all CPIC business lines, life business delivered a most eye-catching transformation. "Shifting from bancassurance to agency business", CPIC Life established an agency-driven growth model, becoming a role model for the industry. Under the strategy of "shedding bad business and attracting high-quality customers", CPIC P/C continued to increase its retention rate of high-quality customers.

WeChat Public Account ID: Insuranceforce, "CPIC's five-year strategic transformation and new landscape of China's insurance sector"
（2017.1.23）

SUN Xiaoning

Director of the Company (foreign shareholder)

General Manager of the Government of Singapore Investment Consulting (Beijing) Co., Ltd.

Co-head of The Government of Singapore Investment North Asia Investment

MBA degree from Wharton Business School

......It's safe to say that CPIC had just begun its transformation when we took a stake in CPIC in 2012. Over the following 4 years, we saw significant improvement in its internal strength and external competitiveness. With a focus on agency and regular premium products, CPIC launched the "customer-oriented" transformation, ...and developed customized products through customer profiling and market segmentation. By doing so, it greatly enhanced its ability to acquire new customers. Meanwhile, progress was also made in up-selling......

WANG Chengran

Director of the Company (domestic shareholder)

Chairman of Hwabao Trust Co., Ltd.

......As one of Baosteel's equity investments, the investment in CPIC was no doubt the best one......

......In the past five years, CPIC management and Board of Directors agreed on the need to uphold the protection function of insurance business. The essence of insurance should be to offer protection to customers......

......After five years of hard work, CPIC has established a strong sales force and efficient back-office support, laying down a solid foundation for future development......

GAO Shanwen

Independent director of the Company

Chief Economist of Essence Securities Co., Ltd.

Member of China Finance 40 Forum

......for asset management business, in the past five years, CPIC established an industry-leading liability-driven asset allocation model......

......Under this liability-driven model, investment yields and judgment on yield curve will effectively restrain and affect product design and pricing, and the selection of distribution channel. Thus, this model is a significant industry-leading innovation......

Contact us

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2016

Annual Report

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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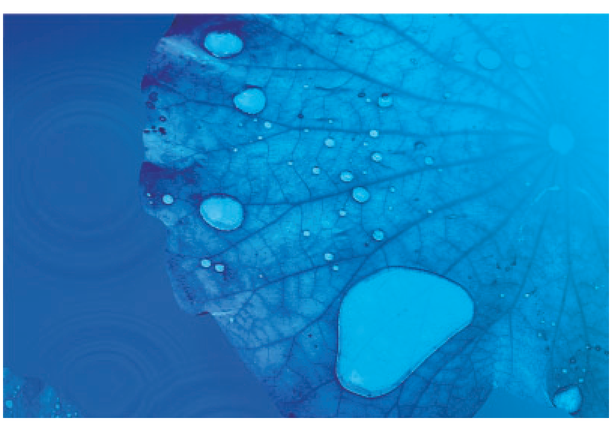
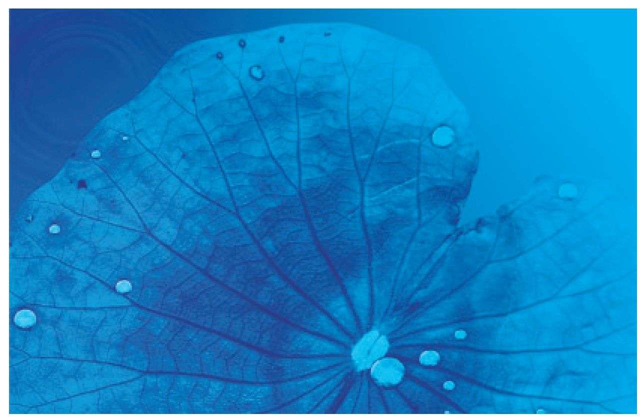
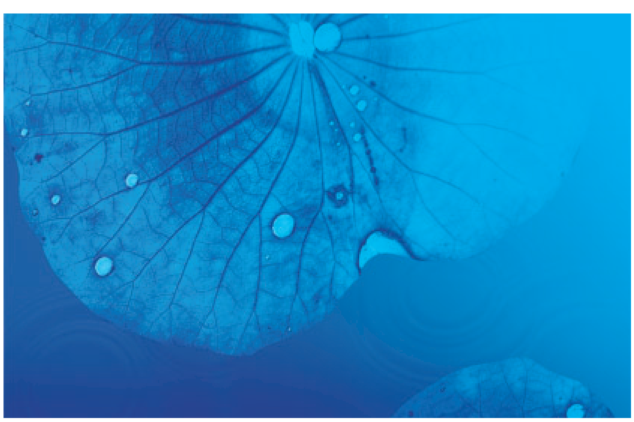






Cautionary Statements:

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 2016 of the Company was considered and approved at the 16th session of the 7th Board of Directors on 29 March 2017, which 14 Directors were required to attend and 13 of them attended in person. Director WU Jumin did not attend the board meeting due to personal matters.

II. PricewaterhouseCoopers audited the 2016 consolidated financial statements of the Company and issued the standard unqualified auditor's report.

Board of Directors

China Pacific Insurance (Group) Co., Ltd.

Operation overview

CPIC is a leading integrated insurance group in the PRC, providing, through our nationwide marketing network and diversified service platform, a broad range of risk solutions, investment and wealth management and asset management services to over 100 million customers throughout the country.

Unit: RMB million

GWP – CPIC Life 137,362

GWP – CPIC P/C 96,195

Group total income

266,081

Group embedded value

245,939

Growth rate of NBV of CPIC Life

56.5%

CPIC P/C combined ratio

99.2%

Net investment yield

5.4%

CPIC Life 257%

CPIC P/C 296%

Group comprehensive solvency margin ratio

294%

Net profit – CPIC Life 8,542

Net profit – CPIC P/C 4,540

Group net profit attributable to equity holders of the parent

12,057

Group equity attributable to equity holders of the parent

131,764

Group basic earnings per share attributable to equity holders of the parent

RMB **1.33**

Annual cash dividend[note]

RMB **0.70** /share

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

Key indicators

Unit: RMB million

Indicators	As at 31 December 2016/for the period between January and December in 2016	As at 31 December 2015/for the period between January and December in 2015	Changes (%)
Key value indicators			
Embedded value of the Group	245,939	205,624	19.6
Value of in-force business[note 1]	101,288	90,559	11.8
Net assets of the Group[note 2]	131,764	133,336	(1.2)
NBV of CPIC Life[note 4]	19,041	12,170	56.5
New business margin of CPIC Life (%)[note 4]	32.9	29.5	3.4pt
Combined ratio of CPIC P/C (%)	99.2	99.8	(0.6pt)
Growth rate of investments' net asset value (%)	4.0	8.2	(4.2pt)
Key operating indicators			
GWPs	234,018	203,305	15.1
CPIC Life	137,362	108,589	26.5
CPIC P/C	96,195	94,615	1.7
Number of Group customers (in thousand)[note 3]	104,435	94,356	10.7
Average number of insurance policies per customer	1.64	1.58	3.8
Monthly average agent number (in thousand)	653	482	35.5
Monthly average first year premiums per agent (RMB)	5,084	4,776	6.4
Total investment yield (%)	5.2	7.3	(2.1pt)
Net investment yield (%)[note 4]	5.4	5.2	0.2pt
Third-party AuM	293,612	233,474	25.8
Third-party AuM by CPIC AMC	167,837	149,786	12.1
Assets under investment management by Changjiang Pension	125,775	83,688	50.3
Key financial indicators			
Net profit attributable to equity holders of the parent	12,057	17,728	(32.0)
CPIC Life	8,542	10,582	(19.3)
CPIC P/C	4,540	5,331	(14.8)
Basic earnings per share (RMB)[note 2]	1.33	1.96	(32.0)
Net assets per share (RMB)[note 2]	14.54	14.71	(1.2)
Comprehensive solvency margin ratio (%)			
CPIC Group	294	299	(5pt)
CPIC Life	257	262	(5pt)
CPIC P/C	296	285	11pt

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.

4. Figures for the same period of the previous year have been restated.

We persisted in customer-orientation, stayed focused on insurance, and committed ourselves to the pursuit of sustainable value growth, and delivered sustained value growth and solid financial results for the reporting period.

Group

During the reporting period, Group operating revenues[note 1] amounted to RMB267.014 billion, of which, GWPs reached RMB234.018 billion, a growth of 15.1%, with total assets of RMB1.02 trillion, exceeding the mark of one trillion for the first time in our history. We reported Group net profits[note 2] of RMB12.057 billion, down by 32.0%, due to lower investment income and changes to reserve discount rate. CPIC Life delivered RMB19.041 billion in one-year NBV, up 56.5%. CPIC P/C recorded a combined ratio of 99.2%, down by 0.6pt. Group embedded value stood at RMB245.939 billion, an increase of 19.6% from the end of 2015. Of this, value of in-force business[note 3] reached RMB101.288 billion, up 11.8% from the end of 2015.

Life insurance

Life business persisted in value-oriented strategy with robust growth in value and volume.

> CPIC Life realized one-year NBV of RMB19.041 billion, up 56.5%. Of this, NBV from agency channel amounted to RMB17.93 billion, up 63.9% and accounting for 94.1% of total NBV. The NBV margin rose by 3.4pt to reach 32.9%. The surrender ratio fell by 2.2pt to 2.0%.

> CPIC Life delivered RMB137.362 billion in GWPs, up 26.5%. Of this, the agency channel under the individual customer business reported GWPs of RMB115.410 billion, up 33.9%, and its share of total life GWPs reached 84.0%. FYPs of the individual customer business from the agency channel amounted to RMB37.393 billion, a growth of 45.5%.

> Monthly average number of agents stood at 653,000, an increase of 35.5% year-on-year. FYPs per agent per month reached RMB5,084, up 6.4%. Sales force mix continued to improve, with active and high-performing agents exceeding the mark of 200,000 and 100,000 for the first time.

> CPIC Allianz Health vigorously explored the model of "health insurance + health management", continued to focus on mid and high-end customers, stepped up product innovation, deepened channel collaboration, and realized RMB519 million in GWPs, a growth of 248.3%.

Property casualty insurance

Property and casualty business achieved underwriting profitability, with continued improvement in the combined ratio.

> CPIC P/C reported a combined ratio of 99.2%, an improvement of 0.6pt from 2015. Of this, the loss ratio went down by 3.6pt to 61.2%.

> CPIC P/C registered GWPs of RMB76.177 billion from the automobile business, up 1.6%, with a combined ratio of 97.2%, down by 0.8pt from 2015.

> Agricultural insurance[note 4] realized RMB2.523 billion in premiums, with a fast increase in market share. Of this, CPIC P/C vigorously promoted its "e-agricultural insurance" system, stepped up innovation of index-based products and recorded GWPs of RMB1.871 billion, up 66.3%. Anxin Agricultural pushed for closer co-operation with CPIC P/C, realizing GWPs of RMB652 million, up 26.1%.

Asset management

Net investment yield rose year-on-year, with fast growth of third-party assets under management (AuM).

> Group in-house assets delivered a net investment income[note 5] of RMB46.607 billion, an increase of 17.1% over 2015, with net investment yield[note 5] of 5.4%, up 0.2pt.

> Third-party AuM amounted to RMB293.612 billion, an increase of 25.8% from the end of 2015, with a fee income of RMB802 million, up 22.8%. Of this, third-party assets managed by CPIC AMC rose by 12.1% from the end of 2015 to reach RMB167.837 billion, and Changjiang Pension by 50.3% to reach RMB125.775 billion, with the pension subsidiary qualifying for the investment outsourcing of China's social security pension fund.

Notes:

1. Based on PRC GAAP.
2. Attributable to equity holders of the Company.
3. Based on Group's share of CPIC Life's value of in-force business after solvency.
4. Based on primary insurance business, excluding premium income ceded-in.
5. Figures for the same period of the previous year have been restated.

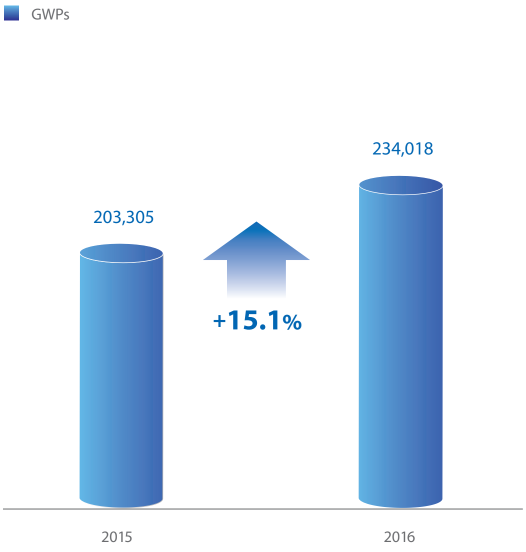
Letter from chairman to shareholders

29 March 2017
Dear Shareholders:

In 2016, we delivered another year of solid business results, with continued value growth and improvement in the quality of development. Group operating revenues[note 1] amounted to RMB267.014 billion, of which, gross written premiums (GWPs) reached RMB234.018 billion, up 15.1%. Group total assets stood at RMB1.02 trillion, exceeding the mark of 1 trillion for the first time in our history, with net assets[note 2] of RMB131.764 billion. Group net profits[note 2] amounted to RMB12.057 billion. The number of valid customers grew by over 10 million for the first time, reaching 104 million. We boasted strong capital positions, with the Group comprehensive solvency margin ratio at 294% under C-ROSS (China Risk-oriented Solvency System). We were ranked among Fortune Global 500 for the 6th consecutive year, occupying 251st place in 2016, and for the first time among the top 300.

Rapid growth of GWPs

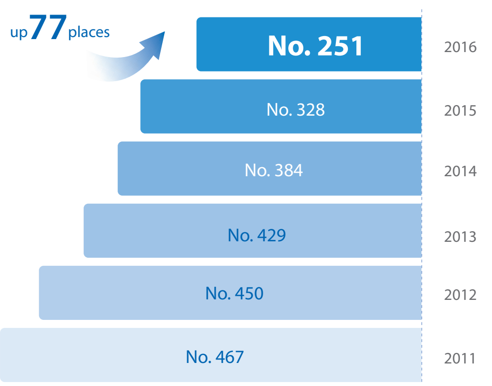
(unit: RMB million)



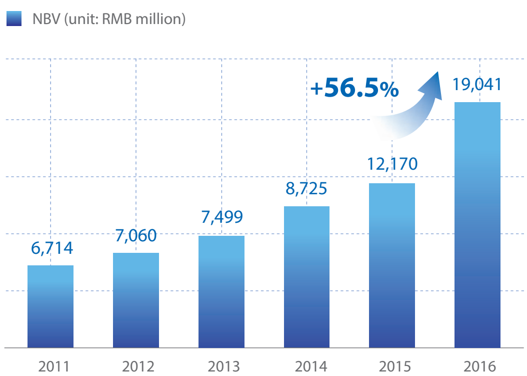
The year 2017 will mark the 10th anniversary of our IPO. The listing helped us to put in place sound corporate governance with market-driven mechanisms. Looking back at the past decade, we stayed focused on insurance while expanding our business portfolio along the insurance value chain. We now boast a full range of insurance-related licenses spanning life insurance, property and casualty insurance, pension, health insurance, agricultural insurance and asset management, with increased collaboration and synergy. We gave priority to customers' needs and launched the customer-oriented transformation initiative. The initiative centered on 3 objectives, namely, understanding customers' needs, improving customer interfaces and enhancing customer experience, being a broad-based effort across the entire organization. With the roll-out of 18 projects, the values and methodology underpinning the initiative have been embedded in the Company's DNA and will continue to play their part in the future. We have been committed to value growth, focusing on high quality NBV growth for life business, underwriting profitability for property and casualty business, and an investment yield consistently higher than the cost of liabilities for asset management.

As early as the Company's listing, the Board of Directors formulated the development philosophy of "focusing on the core business of insurance and pursuing sustainable value growth". Our commitment has never wavered in the face of market shifts. As a matter of fact, given our adherence to protection as the basic value proposition of insurance, the business philosophy was only further entrenched. In 2016, amid polarization of development strategies in the insurance sector, upholding protection as the unique insurance value proposition and risk management have become the priority of the industry, which only served to justify our choice. In the past 10 years since we went public, we have been transformed into one of the leading domestic insurance groups with strong capital positions, markedly-enhanced capabilities in value creation and risk management and a high level of professionalism. In particular, the customer-oriented transformation initiative was concluded in 2016, which, in retrospect, has made a big difference to the Company.

Continuous rising in Fortune Global 500 Ranking

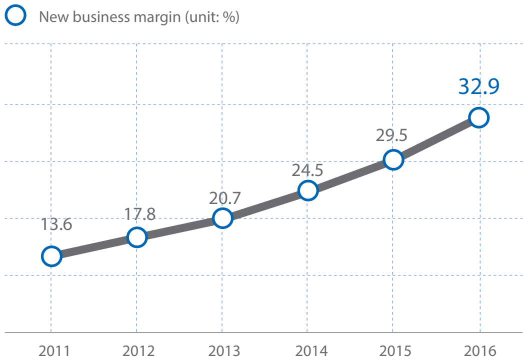


Record high NBV of CPIC Life



A shift away from low-margin bancassurance towards high-margin individual business. Given our commitment to sustainable value growth, we focused on the individual business which has higher margin and better sustainability. Unstinting efforts over the years have led to dramatic improvement in business mix. Bancassurance as a share of GWPs fell from 54.9% in 2010 to 5.3% in 2016, with its volume decreasing from RMB48.2 billion to RMB7.3 billion over the same period, shedding over RMB40 billion in low-margin business. During the same period, GWPs from the individual business grew from RMB35.3 billion to RMB115.4 billion, with its share rising from 40.2% to 84.0%. With continued business mix improvement, NBV grew from RMB6.714 billion in 2011 to RMB19.041 billion in 2016, with an annual compound growth of 23.2%. In particular, in 2016, CPIC Life delivered impressive results in both value and volume, with strong growth of both new and renewal business, at 33.0% and 23.2% respectively. Business quality

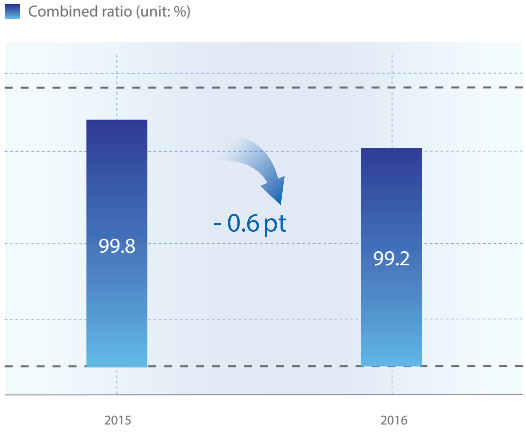
Continuous improvement of new business margin of CPIC Life



saw continued improvement, with a surrender ratio of 2.0%, down by 2.2pt. In essence, the transformation initiative successfully built the individual business into the core driver of both value and volume growth, marking a fundamental shift in the Company's development mode.

Exercising stringent control of business quality, shedding bad business and increasing share of high-quality customers. Given the strategy of "controlling business quality, enhancing foundation and boosting long-term growth potential", we gave first priority to enhancing the development quality, eliminating bad business and focusing resources to attract and retain high-quality customers. This led to continued improvement in CPIC P/C's underwriting profitability. As for automobile insurance, we eliminated group business with claims ratios exceeding 100% for 3 years on end. On the other hand, we continuously increased the retention of high quality customers via channel mix adjustment and improved customer services. The number of customers with zero claims for 3 years in a row rose from 550,000 in 2011 to 2.58 million in 2016, and the number of female customers, who tend to have lower claims ratio, from 1.54 million to 3.62 million during the same period. In 2016, the combined ratio of CPIC P/C was 99.2%, down by 0.6pt. Of this, that of the automobile insurance stood at 97.2%, down by 0.8pt. In a nutshell, through more stringent control of business quality and elimination of bad business, we could mobilize more resources to provide differentiated service to target customer segments, hence better loyalty among high quality customers and better profitability. However, there is no denying that our non-automobile business still faced grave challenges. It incurred another year of underwriting loss with no improvement in its combined ratio, falling short of the requirement of the Board and expectations of our shareholders. To achieve underwriting profitability, we will step up specialized management of the non-auto business, deepen operational integration covering the front, middle and back ends, while accelerating the development of high quality business lines or customer segments such as agricultural insurance, SME business and individual customers.

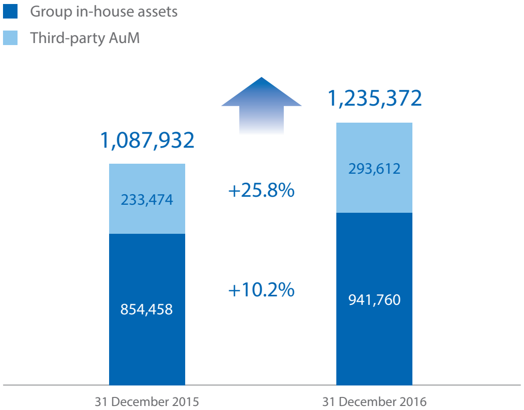
CPIC P/C realized underwriting profit



Persisting in prudent, value and long-term investment in an environment of uncertainties. To cope with complicated market environment such as lower interest rates and market-based industry reform, we abided by inherent rules of insurance and pioneered the industry in reforming asset liability management (ALM) and established an ALM system specific to investment pools, with mechanisms to check costs of liabilities. Under such mechanisms, insurance companies (such as CPIC Life) perform their duties as a principal to an investment contract, responsible for strategic asset allocation (SAA), selection of investment managers, and the establishment of a full ALM cycle starting with products. Asset managers (such as CPIC AMC and Changjiang Pension) focus on building their investment capabilities to deliver higher-than-benchmark performances. Thanks to the new mechanisms, the actual investment results overall exceeded the benchmarks as agreed in the contracts. In particular, the 3-year compound comprehensive yield growth was well above the investment return assumption. Such mechanisms also served as an effective curb on costs of liabilities, which in turn prevented aggressive investment and systemic risks for the Company. As a result, the new business value

Solid increase in AuM

(unit: RMB million)



(NBV) margin of our life business rose from 13.6% in 2011 to 32.9% in 2016, ensuring steady value growth. As an important institutional investor, we adhered to long-term, value and diversified investment, refraining from anything that may disrupt the capital market. Instead, we served China's real economy and contributed to the steady development of China's capital market.

Promoting supply-side reform and enhancing value-creating capabilities. We are keenly aware of the importance of sustainable value growth, and to this end we have pushed for supply-side reform in different ways.

First, satisfying customer needs for protection through innovations in product supply. Data governance enabled us to gain insights into customer needs from multiple dimensions. The Group, CPIC Life and CPIC P/C and their 79 branch offices have completed customer profile delineation, with over 80 findings, forming the basis of product innovation targeting different customer segments. We launched *Anxingbao*, a long-term personal accident product to cater for needs for high-level protection, with sum assured up to RMB5 million. Yinfa Ankang offers cancer cover with age limits for the insured raised from 65 to 75, targeting the elderly population. Another product innovation was Xin'Anyi, with expanded coverage such as reimbursement of out-of-pocket medical expenses. For China's rural areas, we combined insurance and futures market and offered a series of weather-index and target price agricultural insurance products. For female customers, we launched Huayang Nianhua, providing cover against both cancer and woman's mental illnesses, with lower premiums, at RMB182 on the average per policy. Thanks to our accurate risk-pricing capabilities, we were able to translate customers' needs for higher protection, raised age limits, expanded coverage and lower premiums into new engines of business and profit growth.

Second, improving loyalty of high-quality customers through service innovations. The customer-oriented transformation initiative improved our understanding of customers. For example, CPIC P/C formulated criteria for high-quality automobile insurance customers, and launched the Golden Key Program to provide differentiated customer services. Under the program, customers with claims can entrust car repairs entirely with us, saving time and effort. The program is now available in all provincial capitals, helping to increase the number of customers with zero claims for 3 years to 2.58 million, a growth of 21.1%. We also tailor-made services for female drivers, and in 2016, provided differentiated services such as tyre replacement and road assistance to 270,000 female customers. The number of female customer grew by 14.2% and reached 3.62 million. We used mobile internet technology to deliver high quality on-line claims handling service to automobile insurance customers under the brand *Taihaopei*.

Third, we increased the use of new technologies to improve service and operational efficiency. Proactively adapting to the era of internet and mobile telecommunications, we see the application of new technologies as a key factor of our transformation. On the one hand, we continued to improve customer interface, offering customers friendly end-to-end interactive platforms. The Company's We-Chat platform provides self-services such as loans and welcome calls, as well as social net-working. Our on-line platform integrates e-commerce and the official website, offering a wide range of services and receiving over 70 million visits in 2016. The Company's Zhongguo Taibao App encapsulates a wide spectrum of self-service functions such as application, policy renewal, policy amendments and information inquiry, transcending limitations of traditional interfaces in time and space and bringing ease and convenience to customers. On the other hand, we used new technologies and put in place strong middle and back office support. We equipped our life insurance agents with over 322,000 terminals of *Shenxing Taibao*, a smart mobile insurance platform with sales, contract, service and management functions, covering all new individual business policy issuance. CPIC P/C's innovative

Honors and Awards

- > CPIC Group was listed among Fortune Global 500, ranking 251, up 77 places from 2015.
- > CPIC Group was ranked on the list of Forbes Global 2000 for 2016, occupying 131st place, up 42 notches from last year.
- > The Company was ranked on the list of the 9th Chinese CSR Companies by CBN, winning the award of Outstanding Companies in CSR for the 7th consecutive year.
- > CPIC Group won the Platinum Award in Governance, CSR and Investor Relations as part of the Company of the Year 2016 Awards by The Asset.
- > CPIC Life fast handling of the shipwreck of the Oriental Star passenger liner was ranked by China Insurance Daily as "the Most Influential Insurance Claims in 2015", and its "By Your Side" mobile service won the 2015 Annual Service Innovations of the Year Award.
- > CPIC P/C's "e-agricultural insurance" system was awarded Business Innovation of the Year in a ranking of China's insurance industry for 2016 by National Business Daily.
- > CPIC AMC won the Most Trust-worthy Insurance Asset Manager of the Year Award, and the Company's investment research team the Insurance Investment Research Team of the Year Award, at the 2016 Asset Liability Management Annual Meeting of China's Insurance Industry & Competitions of China's Best Wealth Management Firms for 2016 by The Securities Daily and China's Insurance Asset Management Association.
- > The First Employee Ownership Plan for Shanghai's SOE Hybrid-ownership Reform by Changjiang Pension won Shanghai's Financial Innovation Award for 2015 by the Shanghai Municipal Government, which marked for the 5th consecutive year for the Company to win the prize.
- > Anxin Agricultural was ranked among The Top 10 Value Growth Insurance Companies of 2015 by China Insurance Daily and the Central University of Finance and Economics, being the only specialized agricultural insurance company winning the honor.
- > CPIC Allianz Health won 4 prizes in a competition of Shanghai's insurance industry for 2016 by The Money Weekly. The company's "Sports Personal Accident Insurance Scheme" won the Product Customization Award of the Year, its "Employee Flexible Health Check Services" the Health Management Service of the Year, its "Aijia Youyue" comprehensive medical scheme the Niche Market High-end Medical Insurance Product of the Year, and its We-Chat number the Health Insurance We-Chat Number of the Year.

Mashangbao technology enables automatic policy application and premium payment by simply scanning a QR code without downloading any app; we rolled out the "e-agricultural insurance" system to step up the use of new technologies like photography by unmanned aerial vehicles and long-distance loss-adjustment by satellites to enhance differentiation in our agricultural business.

Enhancing compliance and forestalling major risks. Our internal control gives first priority to forestalling systemic risks and serious breaches. In 2016, all our compliance and risk monitoring indicators stayed above industry average, without any occurrence of regional, systemic risks or major cases. First, comprehensive indicators maintained healthy levels. Under C-ROSS, our capital positions were further improved, with comprehensive solvency margin ratios for CPIC P/C and CPIC Life at 296% and 257% respectively. We put in place a risk management regime in line with C-ROSS requirements, with CPIC P/C and CPIC Life receiving good results in CIRC C-ROSS evaluations. Second, major risks are under control. Surrender ratios returned to normal levels. The Value at Risk (VaR) for equity investments remained stable, effectively mitigating impact of capital market volatility. Credit risk was handled in a timely manner, with overall exposure in the comfort zone. 99.7% of enterprise bonds and financial bonds issued by non-government-sponsored banks had an issuer or debt rating of AA/A-1 or above. Third, compliance indicators continued to improve. 2016 was another year of 0 regulatory penalties for CPIC Group, CPIC AMC, Anxin Agricultural, Changjiang Pension and CPIC Allianz Health. Indicators for CPIC Life and CPIC P/C showed improvement. Of this, the number of complaints per one hundred million in premium was lower than the industry average. On the rankings of regulatory complaints, CPIC P/C improved from the 3rd place to 4th, while CPIC Life from 4th to 6th. At the same time, the proportion of internal control issues stayed under 2% for five consecutive years, with continued decline over the years. Fourth, we continued with innovations in the Company's internal auditing (IA) system. At the Group level, we established an independent and centralized IA governance framework underpinned by innovations in organizational structure, auditing quality and long-distance technology. The framework features a new model with process-driven specialization and separation of front, middle and back office. We optimized the long-distance IA system based on big data analytics, winning top ranking in the evaluation of IA quality by China Internal Auditing Association. To sum up, our IA system serves as an effective "last line of defense" in the Company's 3-pillar internal control system.

In 2016, along the insurance value chain, we continued to push for further collaboration between business segments. CPIC Allianz Health focused on mid and high-end customers, stepped up product innovation, deepened channel collaboration with CPIC Life and CPIC P/C, and realized RMB519 million in GWPs, a growth of 248.3%. Meanwhile, it vigorously explored the combination of health insurance and health management, in a bid to establish a platform for commercial health product development, centralized operation and health services within the entire Group. Changjiang Pension, on the back of the Group resources, joined hands with its sister companies and set up 30 "Pacific-Changjiang Business Co-operation Centers". Its third-party investment management assets amounted to RMB125.775 billion, a growth of 50.3% from the end of 2015. It also qualified as the asset manager for the outsourcing of China's social security pension fund. Besides, it became the first trust-type pension firm in China turning profits on a cumulative basis. In 2016, we increased stake in Anxin Agricultural and achieved financial consolidation. In line with the Group's valued-oriented development strategies, Anxin Agricultural took the initiative to adjust its business mix, shifting away from automobile insurance which was not its competitive advantage, and focused more on its core agricultural business, with marked improvement in profitability. Its combined ratio for 2016 fell by 4.4pt, with net profits of RMB116 million, up 2.7%.

In 2016, as always, we strived to incorporate CSR into our development model in an all-around way, in a bid to deliver value to all stake-holders. We ranked for the 7th consecutive year on the list of China's Outstanding Companies in Corporate Social Responsibility. We paid close attention to areas relating to people's well-being, pioneered in innovations in agriculture, care for the elderly population and health care so as to improve the well-being of the Chinese people and support the development of China's economy with diversified services and products. We deepened strategic co-operation with government agencies, international peers, banks and large firms, exploring new products, services, business models and investment so that such insurance innovations can be duplicated nation-wide. We engaged in insurance educational and publicity programs so that the public could have more opportunities to experience insurance products and services, thus better understanding the business. To contribute to the national poverty-relief effort, we made full use of our insurance expertise, and shouldered our responsibility as a responsible company via insurance schemes for terminal illnesses, agricultural insurance, as well as other special programs seeking to support certain industries or targeting underprivileged communities. We fulfilled our commitments as a corporate citizen by continuously engaging in charitable activities such as school donations, caring for the under-privileged, poverty-reduction and disaster relief efforts.

Recently, we announced nominations for the 8th Board of Directors, and the transition is proceeding in an orderly fashion. The 7th Board of Directors, over the past 3 years, performed their duties with due diligence conscientiously fulfilled its fiduciary responsibilities. Under its guidance, and with joint efforts of the Company's management and employees, CPIC delivered steady value growth and increase in its comprehensive strength. I would like to express our sincere gratitude to all members of the Board for their hard work and contribution.

The year 2017 marks the beginning of the Company's new 3-year development program. Looking ahead, we will continue to uphold the development of philosophy of "focusing on the core business of insurance and pursuing sustainable value growth". We will also start the implementation of the digitalization strategy, which is an extension of the customer-oriented transformation initiative and will be central to our efforts to lower costs, improve efficiency, strengthen weaknesses and promote collaboration. In the next 3 years, under the leadership of the new Board, the Company will work hard to translate into realities the mission of "innovating digital experience, improving digital supply, and sharing the digital eco-system", and continue to drive value growth so as to give back even more to our shareholders, customers and the society.

Notes:

1. Based on PRC GAAP.

2. Attributable to equity holders of the parent.

GAO Guofu

Chairman of the Board of Directors

CPIC Group

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	2016	2015	Variance (%)	2014	2013	2012
Total income	266,081	246,963	7.7	216,205	192,217	167,157
Profit before tax	16,085	24,311	(33.8)	14,500	11,914	6,113
Net profit[note]	12,057	17,728	(32.0)	11,049	9,261	5,077
Net cash inflow from operating activities	63,138	40,895	54.4	40,050	45,114	52,124
	31 December 2016	31 December 2015	Variance (%)	31 December 2014	31 December 2013	31 December 2012
Total assets	1,020,692	923,843	10.5	825,100	723,533	681,502
Equity[note]	131,764	133,336	(1.2)	117,131	98,968	96,177

Note: Attributable to equity holders of the parent.

Unit: RMB

Key Accounting Indicators	2016	2015	Variance (%)	2014	2013	2012
Basic earnings per share[note]	1.33	1.96	(32.0)	1.22	1.02	0.59
Diluted earnings per share[note]	1.33	1.96	(32.0)	1.22	1.02	0.59
Weighted average return on equity (%)[note]	9.1	14.2	-5.1pt	10.3	9.5	6.1
Net cash inflow per share from operating activities	6.97	4.51	54.4	4.42	4.98	5.75
	31 December 2016	31 December 2015	Variance (%)	31 December 2014	31 December 2013	31 December 2012
Net assets per share[note]	14.54	14.71	(1.2)	12.93	10.92	10.61

Note: Attributable to equity holders of the parent.

2

Other key financial and regulatory indicators

Unit: RMB million

Indicators	31 December 2016/2016	31 December 2015/2015
The Group		
Investment assets[note 1]	941,760	854,458
Investment yield (%)[note 2]	5.2	7.3
CPIC Life		
Net premiums earned	134,899	106,553
Growth rate of net premiums earned (%)	26.6	9.6
Net policyholders' benefits and claims	124,796	105,410
CPIC P/C		
Net premiums earned	83,569	82,362
Growth rate of net premiums earned (%)	1.5	9.4
Claims incurred	51,198	53,337
Unearned premium reserves	38,207	37,606
Claim reserves	33,936	34,541
Combined ratio (%)[note 3]	99.2	99.8
Loss ratio (%)[note 4]	61.2	64.8

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

The discrepancy between the financial result prepared under PRC GAAP and HKFRS

There is no difference on the equity of the Group as at 31 December 2016 and 31 December 2015 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

Business overview

I. Key businesses

We are a leading integrated insurance group in China, and provide, through our subsidiaries and along the insurance value chain, a broad range of risk protection solutions, financial planning and wealth management services.

In particular, we provide life insurance products & services through CPIC Life, property and casualty insurance products & services through CPIC P/C and CPIC HK and health 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, manage insurance funds, including third-party assets via Changjiang Pension. Besides, we engage in agricultural insurance and other related insurance business via Anxin Agricultural.

In 2016, China's insurance market realized a premium income of RMB3.1 trillion, a growth of 27.5%. Of this, premium from property and casualty companies amounted to RMB926.617 billion, up 10.0% compared with 2015, and that from life insurance companies RMB2,169.281 billion, up 36.8%. Measured by primary insurance premiums, CPIC Life and CPIC P/C are both China's 3rd largest insurer for life and property and casualty insurance respectively.

From left PAN Yanhong
Vice President, CPIC Group

HUO Lianhong
President, CPIC Group

HE Qing
Vice President, CPIC Group

CAO Zenghe
Chief HR Officer, CPIC Group

II. Core competitiveness

We are a leading integrated insurance group in China, ranking 251 among Fortune Global 500. We persist in customer-orientation, focus on insurance, and commit ourselves to the pursuit of sustainable value growth, striving to create sustainable value and generate stable returns for our shareholders.

> Our life business delivered robust growth in both value and volume, driven predominantly by the individual business, marking a fundamental shift in its development mode; our property and casualty business delivered continued improvement in underwriting profitability, with continued increase in the number of high quality customers.

> We deepened ALM, putting in place market-based mechanisms for asset entrustment which serve to curb the cost of liabilities.

> We have markedly improved our capabilities in Customer Profile Delineation based on data governance, in the supply of insurance products & services based on customer segmentation and in the optimisation of customer interfaces driven by new technologies.

> We have achieved collaboration and synergy across various business segments such as life, property and casualty, pension, health, agricultural insurance and asset management.

> We have a leading insurance franchise in China, with over 100 million customers, a nation-wide distribution network and an integrated service platform.

> We boast sound and efficient governance, committed to delivering value to all stakeholders such as shareholders, customers and employees. We established an industry-leading system for risk management and internal control, which is instrumental in the 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.

> We have established a scientific decision-making process for modern enterprises, with an experienced management team and a Group-centralized platform of management.

2

Performance overview

We persisted in customer-orientation, stayed focused on insurance, and committed ourselves to the pursuit of sustainable value growth, and delivered sustained value growth and solid financial results for the reporting period.

I. Performance highlights

During the reporting period, Group operating revenues[note 1] amounted to RMB267.014 billion, of which, GWPs reached RMB234.018 billion, a growth of 15.1%, with total assets of RMB1.02 trillion, exceeding the mark of one trillion for the first time in our history. We reported Group net profits[note 2] of RMB12.057 billion, down by 32.0%, due to lower investment income and changes to reserve discount rate. CPIC Life delivered RMB19.041 billion in one-year NBV, up 56.5%. CPIC P/C recorded a combined ratio of 99.2%, down by 0.6pt. Group embedded value stood at RMB245.939 billion, an increase of 19.6% from the end of 2015. Of this, value of in-force business[note 3] reached RMB101.288 billion, up 11.8% from the end of 2015.

Life business persisted in value-oriented strategy with robust growth in value and volume.

> CPIC Life realized one-year NBV of RMB19.041 billion, up 56.5%. Of this, NBV from agency channel amounted RMB17.93 billion, up 63.9% and accounting for 94.1% of total NBV. The NBV margin rose by 3.4pt to reach 32.9%. The surrender ratio fell by 2.2pt to 2.0%.

> CPIC Life delivered RMB137.362 billion in GWPs, up 26.5%. Of this, the agency channel under the individual customer business reported GWPs of RMB115.410 billion, up 33.9%, and its share of total life GWPs reached 84.0%. FYPs of the individual customer business from the agency channel amounted to RMB37.393 billion, a growth of 45.5%.

> Monthly average number of agents stood at 653,000, an increase of 35.5% year-on-year. FYPs per agent per month reached RMB5,084, up 6.4%. Sales force mix continued to improve, with active and high-performing agents exceeding the mark of 200,000 and 100,000 for the first time.

> CPIC Allianz Health vigorously explored the model of "health insurance + health management", continued to focus on mid and high-end customers, stepped up product innovation, deepened channel collaboration, and realized RMB519 million in GWPs, a growth of 248.3%.

Property and casualty business achieved underwriting profitability, with continued improvement in the combined ratio.

> CPIC P/C reported a combined ratio of 99.2%, an improvement of 0.6pt from 2015. Of this, the loss ratio went down by 3.6pt to 61.2%.

> CPIC P/C registered GWPs of RMB76.177 billion from the automobile business, up 1.6%, with a combined ratio of 97.2%, down by 0.8pt from 2015.

> Agricultural insurance[note 4] realized RMB2.523 billion in premiums, with a fast increase in market share. Of this, CPIC P/C vigorously promoted its "e-agricultural insurance" system, stepped up innovation of index-based products and recorded GWPs of RMB1.871 billion, up 66.3%. Anxin Agricultural pushed for closer co-operation with CPIC P/C, realizing GWPs of RMB652 million, up 26.1%.

Net investment yield rose year-on-year, with fast growth of third-party assets under management (AuM).

> Group in-house assets delivered a net investment income[note 5] of RMB46.607 billion, an increase of 17.1% over 2015, with net investment yield[note 5] of 5.4%, up 0.2pt.

> Third-party AuM amounted to RMB293.612 billion, an increase of 25.8% from the end of 2015, with a fee income of RMB802 million, up 22.8%. Of this, third-party assets managed by CPIC AMC rose by 12.1% from the end of 2015 to reach RMB167.837 billion, and Changjiang Pension by 50.3% to reach RMB125.775 billion, with the pension subsidiary qualifying for the investment outsourcing of China's social security pension fund.

Notes:

1. Based on PRC GAAP.
2. Attributable to equity holders of the Company.
3. Based on Group's share of CPIC Life's value of in-force business after solvency.
4. Based on primary insurance business, excluding premium income ceded-in.
5. Figures for the same period of the previous year have been restated.

II. Key performance indicators

Unit: RMB million

Indicators	As at 31 December 2016/for the period between January and December in 2016	As at 31 December 2015/for the period between January and December in 2015	Changes (%)
Key value indicators			
Embedded value of the Group	245,939	205,624	19.6
Value of in-force business[note 1]	101,288	90,559	11.8
Net assets of the Group[note 2]	131,764	133,336	(1.2)
NBV of CPIC Life[note 4]	19,041	12,170	56.5
New business margin of CPIC Life (%)[note 4]	32.9	29.5	3.4pt
Combined ratio of CPIC P/C (%)	99.2	99.8	(0.6pt)
Growth rate of investments' net asset value (%)	4.0	8.2	(4.2pt)
Key operating indicators			
GWPs	234,018	203,305	15.1
CPIC Life	137,362	108,589	26.5
CPIC P/C	96,195	94,615	1.7
Number of Group customers (in thousand)[note 3]	104,435	94,356	10.7
Average number of insurance policies per customer	1.64	1.58	3.8
Monthly average agent number (in thousand)	653	482	35.5
Monthly average first year premiums per agent (RMB)	5,084	4,776	6.4
Total investment yield (%)	5.2	7.3	(2.1pt)
Net investment yield (%)[note 4]	5.4	5.2	0.2pt
Third-party AuM	293,612	233,474	25.8
Third-party AuM by CPIC AMC	167,837	149,786	12.1
Assets under investment management by Changjiang Pension	125,775	83,688	50.3
Key financial indicators			
Net profit attributable to equity holders of the parent	12,057	17,728	(32.0)
CPIC Life	8,542	10,582	(19.3)
CPIC P/C	4,540	5,331	(14.8)
Comprehensive solvency margin ratio (%)			
CPIC Group	294	299	(5pt)
CPIC Life	257	262	(5pt)
CPIC P/C	296	285	11pt

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.
4. Figures for the same period of the previous year have been restated.

3

Life insurance business

In 2016, CPIC Life continued to strengthen its capabilities in "customer operation", i.e, acquisition of new customers and up-sell to existing ones, and further entrenched the individual business as the key driver of both value and volume growth, which paved the way for rapid NBV growth. CPIC Allianz Health, targeting mid and high-end customers, stepped up product innovation and distribution channel collaboration, and delivered rapid business growth.

From left
XU Jinghui
Chairman & General Manager, CPIC Life
SUN Peijian
Chairman & General Manager, CPIC Allianz Health

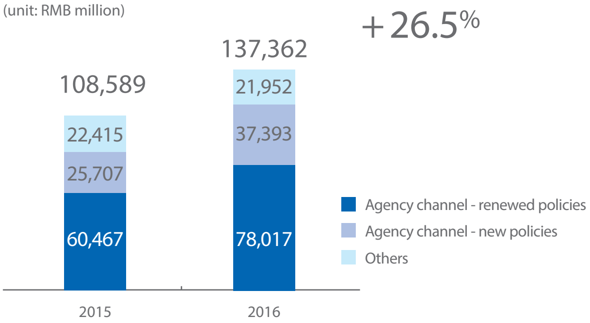
I. CPIC Life

(I) Business analysis

In 2016, CPIC Life persisted in a business philosophy centering on sustainable value growth, deepened the implementation of the development strategy of "focusing on the agency channel and regular premium business", and forged ahead with the customer-oriented transformation initiative. For the reporting period, it reported GWPs of RMB137.362 billion, up 26.5%. Its one-year NBV amounted to RMB19.041 billion, up 56.5%. The NBV margin reached 32.9%, up by 3.4pt.

GWPs of CPIC Life

(unit: RMB million)



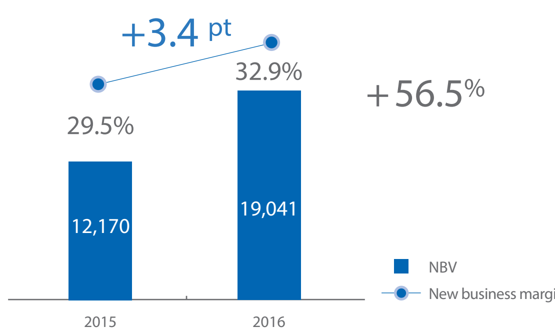
1. Analysis by channels

Unit: RMB million

For 12 months ended 31 December	2016	2015	Changes (%)
Individual customers	**133,094**	**105,134**	**26.6**
Agency channel	115,410	86,174	33.9
New policies	37,393	25,707	45.5
Regular premium business	35,881	24,699	45.3
Renewed policies	78,017	60,467	29.0
Other channels	17,684	18,960	(6.7)
Group clients	**4,268**	**3,455**	**23.5**
Total GWPs	**137,362**	**108,589**	**26.5**

NBV and new business margin of CPIC Life

(unit: RMB million)



(1) Business from individual customers

For the reporting period, we realized RMB133.094 billion in GWPs from individual customers, up 26.6%, representing 96.9% of total life GWPs. Of this, new polices from agency channel contributed RMB37.393 billion, up 45.5%, and renewal business RMB78.017 billion, an increase of 29.0%.

We persisted in the "dual-driver" model, namely, focusing on both the quality and productivity of our sales force. To be specific, we stepped up selection during recruitment, pushing for new recruits to "qualify for active agents" in their first month of recruitment and to "pass validation" in the first quarter. We revamped agency management rules to drive sales force mix improvement, with intensified efforts to increase the share of active and high-performing agents. Monthly average number of agents for 2016 stood at 653,000, an increase of 35.5% year-on-year. FYPs per agent per month reached RMB5,084, up 6.4%. The number of active and high-performing agents exceeded the mark of 200,000 and 100,000 respectively for the first time, testifying to continued improvement in agency force mix.

For 12 months ended 31 December	2016	2015	Changes (%)
Monthly average agent number (in thousand)	653	482	35.5
Monthly average first-year GWPs per agent (RMB)	5,084	4,776	6.4
Average number of new long-term life insurance policies per agent per month	1.72	1.37	25.5

We upgraded "customer operation" via enhanced customer insights and product customization. For example, we expanded the scope of coverage and launched Huayang Nianhua, a critical illness product specifically for women which provides, on top of traditional cancer protection, mental health cover. There was Shao'er Chaonengbao, a critical illness product tailor-made for children, offering a wider range of minor illnesses protection. Such products, with increased protection, helped agents acquire new customers. In the meantime, the Targeted Marketing Initiative boosted our capabilities in up-sell to target customer segments.

(2) Business from group clients

In 2016, the segment realized RMB4.268 billion in GWPs, up by 23.5%, which mainly stemmed from more stringent business selection and continued efforts in business transformation. We gave priority to the development of health and pension business, pressed ahead with improvement in institutions & mechanisms and business innovation. The health and pension business has been restructured into a stand-alone business unit, while other business lines in the segment given more autonomy in business operation.

2. Analysis by product types

We focus on risk protection and long-term savings products and prudently control cost of liabilities.

Unit: RMB million

For 12 months ended 31 December	2016	2015	Changes (%)
GWPs	**137,362**	**108,589**	**26.5**
Traditional	40,725	23,778	71.3
Long-term health insurance	13,667	9,347	46.2
Participating	87,479	77,204	13.3
Universal	42	40	5.0
Short-term accident and health	9,116	7,567	20.5

Information of the top five products

For 12 months ended 31 December

Unit: RMB million

Ranking	Name	Type	Premiums	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	14,212	Individual customer business
2	*Xingfu Xiangban* Endowment 幸福相伴（尊享型）兩全保險	Traditional	7,744	Individual customer business
3	*Li Ying Nian Nian* Annuity 利贏年年年金保險（分紅型）	Participating	6,403	Individual customer business
4	*Hong Fa Nian Nian* Annuity 鴻發年年全能定投年金（分紅型）	Participating	5,523	Individual customer business
5	*Anxingbao* Endowment 安行寶兩全保險	Traditional	5,272	Individual customer business

3. Policy persistency ratio

For 12 months ended 31 December	2016	2015	Changes (%)
Individual life insurance customer 13-month persistency ratio (%)[note 1]	92.3	90.3	2.0pt
Individual life insurance customer 25-month persistency ratio (%)[note 2]	86.6	85.6	1.0pt

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.

The Company's policy persistency maintained an overall healthy level, with 13-month and 25-month persistency ratios up by 2.0pt and 1.0pt respectively year-on-year.

4. Top 10 regions for GWPs

The Company's GWPs mainly came from economically developed regions or populous areas.

Unit: RMB million

For 12 months ended 31 December	2016	2015	Changes (%)
GWPs	**137,362**	**108,589**	**26.5**
Jiangsu	14,497	11,342	27.8
Henan	13,867	10,561	31.3
Shandong	12,008	9,513	26.2
Zhejiang	9,673	7,650	26.4
Guangdong	8,838	7,310	20.9
Hebei	8,095	6,318	28.1
Shanxi	6,759	5,512	22.6
Hubei	5,972	4,915	21.5
Heilongjiang	4,959	3,406	45.6
Beijing	4,426	3,950	12.1
Subtotal	89,094	70,477	26.4
Others	48,268	38,112	26.6

(II) Financial analysis

Unit: RMB million

For 12 months ended 31 December	2016	2015	Changes (%)
Net premiums earned	134,899	106,553	26.6
Investment income[note]	39,839	43,761	(9.0)
Other operating income	1,822	1,214	50.1
Total income	**176,560**	**151,528**	**16.5**
Net policyholders' benefits and claims	(124,796)	(105,410)	18.4
Finance costs	(2,107)	(2,235)	(5.7)
Interest credited to investment contracts	(1,803)	(1,436)	25.6
Other operating and administrative expenses	(36,623)	(28,011)	30.7
Total benefits, claims and expenses	**(165,329)**	**(137,092)**	**20.6**
Profit before tax	11,231	14,436	(22.2)
Income tax	(2,689)	(3,854)	(30.2)
Net profit	**8,542**	**10,582**	**(19.3)**

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

Investment income for the reporting period was RMB39.839 billion, down by 9.0%, due to lower securities trading gains.

Net policyholders' benefits and claims amounted to RMB124.796 billion, up 18.4%, largely due to higher death and other benefit pay-outs.

Other operating and administrative expenses for the reporting period amounted to RMB36.623 billion, up 30.7%, mainly caused by rapid business growth.

As a result, CPIC Life recorded a net profit of RMB8.542 billion for 2016.

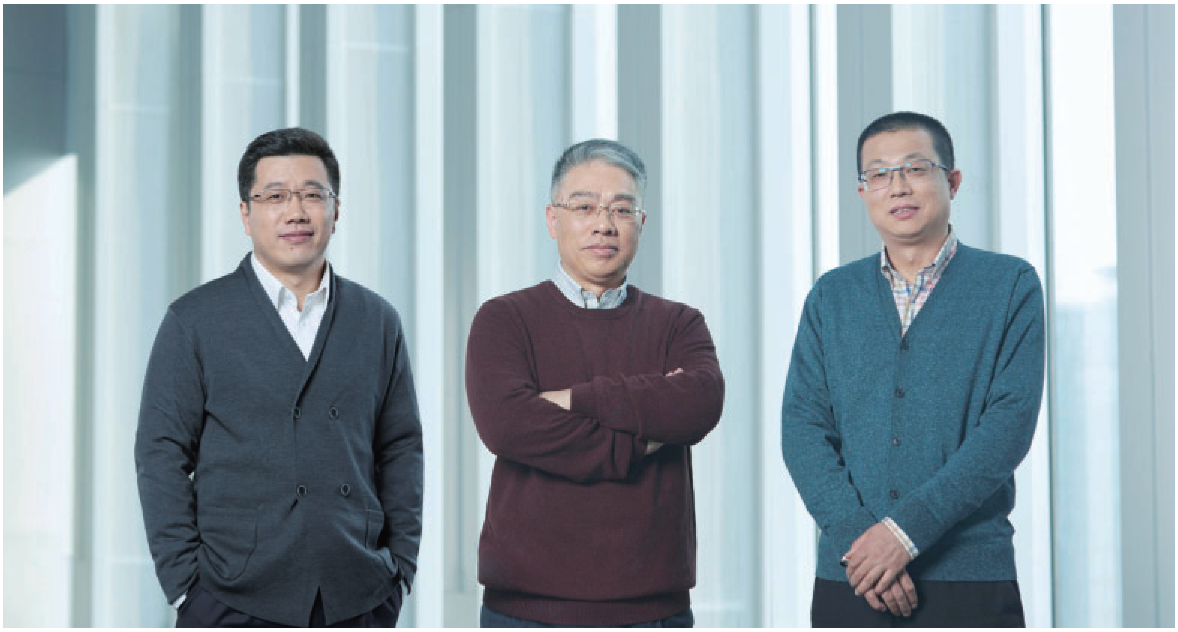
II. CPIC Allianz Health

The company is positioned as a specialized health insurance entity within the Group, and has a mandate to establish the platform for commercial health insurance product development, centralized operation and health services for the Group, in order to promote resource-sharing and concentrated management. In 2016, CPIC Allianz Health, given its focus on mid and high-end customers, tested the waters with Aijia Youyue, a health insurance scheme which targets high-end households and offers better experience when the insured seek medical advice. It stepped up product innovation and distribution channel collaboration, and delivered GWPs of RMB519 million, a growth of 248.3%. At the same time, it put in place an integrated operational and risk control platform across business segments under the Group, explored the model of "health insurance + health management", laying a sound foundation for future growth and resources-sharing within the Group.

4

Property and casualty insurance

In 2016, the property and casualty business[note1] reported RMB96.607 billion in GWPs[note2], up 2.0%, with the combined ratio at 99.2%, down by 0.6pt from 2015. CPIC P/C[note3] focused on the core channels of automobile insurance, improved its capabilities in serving high quality customers and boosted the development of emerging business lines like agricultural insurance, with continued improvement in the combined ratio. Anxin Agricultural adjusted its business mix, focusing on agricultural business, with improved business results.



From left SHI Jian
President, Anxin Agricultural
GU Yue
Chairman & General Manager, CPIC P/C
SONG Jianguo
Chairman, Anxin Agricultural

Note:
1. Property and casualty business here includes CPIC P/C, Anxin Agricultural and CPIC HK.
2. GWPs include income from both primary business and reinsurance.
3. In this report applies only to CPIC P/C, excluding Anxin Agricultural.

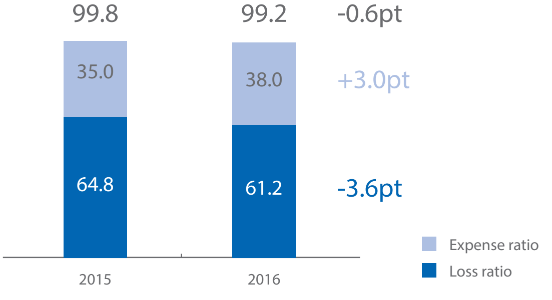
I. CPIC P/C

(I) Business analysis

In 2016, CPIC P/C adhered to the development strategy of "improving quality, enhancing foundation and boosting long-term growth potential", and reported GWPs of RMB96.195 billion, up 1.7%, with a combined ratio of 99.2%, down by 0.6pt.

Combined ratio of CPIC P/C

(unit: %)



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1. Analysis by lines of business

Unit: RMB million

For 12 months ended 31 December	2016	2015	Changes (%)
GWPs	**96,195**	**94,615**	**1.7**
Automobile insurance	76,177	74,961	1.6
Compulsory motor insurance	16,346	16,219	0.8
Commercial automobile insurance	59,831	58,742	1.9
Non-automobile insurance	20,018	19,654	1.9
Commercial property insurance	5,104	5,433	(6.1)
Liability insurance	3,823	3,768	1.5
Accident insurance	2,275	2,502	(9.1)
Agricultural insurance	1,908	1,155	65.2
Others	6,908	6,796	1.6

(1) Automobile insurance

For the reporting period, we reported GWPs of RMB76.177 billion from automobile business, up 1.6%, with a combined ratio of 97.2%, a decrease of 0.8pt from 2015, due to improved business quality on the back of increased focus on the core channels and high quality customers, enhanced control of business quality and claims cost, and optimized resource allocation.

In 2016, the Company continued to enhance consolidated channel management, with progress in the building of the core distribution channels and resource allocation. First, it proactively responded to the commercial automobile insurance deregulation and achieved stable development of telemarketing & internet. Second, it continued to improve the cross-sell system, promoted resource-sharing, and delivered rapid growth of the channel. Third, it stepped up head-office to head-office co-operation with car dealerships for mainstream car brands, with increased efforts in joint marketing campaigns to drive the development of the car dealership channel. As a result, the 3 core channels as a share of the automobile business grew by 0.2pt and reached 55.7%.

Unit: RMB million

For 12 months ended 31 December	2016	2015	Changes (%)
GWPs	**76,177**	**74,961**	**1.6**
Core channels	42,398	41,568	2.0
Non-core channels	33,779	33,393	1.2

Next, we'll continue to strengthen the channel management system focusing on the 3 core channels and supplemented by other channels based on local market realities. A top-down channel strategy will be enhanced, with different channels for different customer segments. The development of the 3 core channels will be further accelerated. To further improve capabilities in risk selection and pricing, we'll step up the use of big data to improve business quality control. Resource allocation will be contingent on business quality to maximize input and output ratio. Other priorities include continued efforts to increase the penetration and level of protection for commercial automobile insurance, enhancement of quality control of group business to ensure a stable share of high quality clients and consolidating the progress in claims cost reduction while improving customer service and customer loyalty. We believe these measures will help us achieve sustainable value growth of automobile business.

(2) Non-automobile insurance

For the reporting period, GWPs from non-automobile business amounted to RMB20.018 billion, up by 1.9%. Due to the impact of intensified market competitions and frequent natural disasters, its combined ratio went up by 0.7pt and reached 109.6%. Of this, accident insurance became the first major non-auto business line to deliver underwriting profitability, with a combined ratio of 94.9%, on the back of elimination of high loss ratio business and improved business mix. Agricultural insurance continued to expand the geographical scope of business, rolled out the "e-agricultural insurance" system, enhanced its market competitiveness and reported RMB1.908 billion in GWPs, up 65.2%. Meanwhile it maintained decent business quality, with a combined ratio of 96.8%.

Next, we will continue to enhance capability in specialized management, step up adjustment of the mix of traditional business lines, deepen integrated operation of the front-end, middle and back offices and establish a differentiated model for different customer segments. We will also seize opportunities of the new Guo Shi Tiao (Opinions on Accelerating the Development of Modern Insurance Industry by the State Council) and foster our development capabilities in emerging market niches, emerging and innovative business lines to capture growth opportunities. We will continue to explore the new operational model for corporate clients, enhancing quality management of Caifu U Bao to achieve a leading position in SME business. As for agricultural insurance, we will make continuous efforts to increase management and technology innovation to drive a fundamental shift in its development mode.

(3) Key financials of major business lines

For 12 months ended 31 December 2016

Unit: RMB million

Name of insurance	GWPs	Amounts Insured	Claims paid	Reserves	Underwriting profit	Combined ratio (%)
Automobile insurance	76,177	14,418,311	46,374	50,088	1,932	97.2
Commercial property insurance	5,104	11,795,952	3,601	6,030	(504)	116.5
Liability insurance	3,823	8,238,370	2,285	4,342	(477)	116.8
Accident insurance	2,275	34,000,612	1,233	1,990	119	94.9
Agricultural insurance	1,908	107,242	982	996	41	96.8

2. Top 10 regions for GWPs

We rely on our nationwide distribution network to implement differentiated regional development strategies based on factors like market potential and operational efficiency.

Unit: RMB million

For 12 months ended 31 December	2016	2015	Changes (%)
GWPs	**96,195**	**94,615**	**1.7**
Guangdong	12,026	12,660	(5.0)
Jiangsu	11,271	10,999	2.5
Zhejiang	9,674	9,493	1.9
Shanghai	7,378	7,459	(1.1)
Shandong	5,492	5,671	(3.2)
Beijing	5,463	5,435	0.5
Sichuan	3,178	2,955	7.5
Chongqing	3,143	3,028	3.8
Fujian	3,078	3,149	(2.3)
Guangxi	2,968	2,747	8.0
Subtotal	63,671	63,596	0.1
Others	32,524	31,019	4.9

(II) Financial analysis

Unit: RMB million

For 12 months ended 31 December	2016	2015	Changes (%)
Net premiums earned	83,569	82,362	1.5
Investment income[note]	5,516	7,132	(22.7)
Other operating income	409	424	(3.5)
Total income	**89,494**	**89,918**	**(0.5)**
Claims incurred	(51,198)	(53,337)	(4.0)
Finance costs	(302)	(295)	2.4
Interest credited to investment contracts	-	-	/
Other operating and administrative expenses	(32,016)	(29,247)	9.5
Total benefits, claims and expenses	**(83,516)**	**(82,879)**	**0.8**
Profit before tax	5,978	7,039	(15.1)
Income tax	(1,438)	(1,708)	(15.8)
Net profit	**4,540**	**5,331**	**(14.8)**

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

Investment income for the reporting period amounted to RMB5.516 billion, down by 22.7%, mainly attributable to decrease in securities trading gains.

Other operating and administrative expenses amounted to RMB32.016 billion, up 9.5%, mainly due to business growth and market competitions.

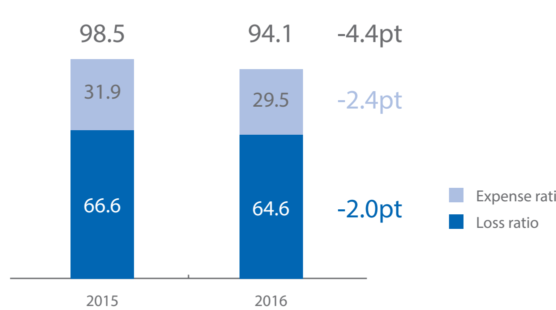
Hence, a net profit of RMB4.540 billion was booked for CPIC P/C for 2016.

II. Anxin Agricultural

In August 2016, CIRC approved a rights issue by Anxin Agricultural, and upon its completion, CPIC P/C increased its stake in the company to 52.13%, achieving financial consolidation. In 2016, the agricultural insurance subsidiary followed the Group's value-oriented strategy, took the initiative to adjust its business mix, and withdrew from the automobile insurance which was not its core competitiveness. For the reporting period, it delivered RMB1.044 billion in GWPs, of which, agricultural insurance generated RMB685 million, up 29.2%. Its combined ratio stood at 94.1%, down by 4.4pt, with net profits of RMB116 million, a growth of 2.7%.

Combined ratio of Anxin Agricultural

(unit: %)



III. CPIC HK

We conduct overseas business via CPIC HK, a wholly-owned subsidiary. As at 31 December 2016, its total assets stood at RMB1.102 billion, with net assets of RMB432 million. GWPs for the reporting period amounted to RMB475 million, with a combined ratio of 82.6%, down by 6.4pt, and a net profit of RMB88 million.

5
Asset management

As of the end of 2016, Group AuM totaled RMB1,235.372 billion, rising 13.6% from the end of 2015. Of this, Group in-house assets reached RMB941.760 billion, a growth of 10.2% from the end of 2015, with fixed income investments accounting for 82.3%, maintaining a largely stable asset allocation based on profiles of liabilities. Net investment yield reached 5.4% and total investment yield 5.2%.

I. Group AuM

As of the end of 2016, Group AuM totaled RMB1,235.372 billion, rising 13.6% from the end of 2015. Of this, third-party AuM totaled RMB293.612 billion, up 25.8% from the end of 2015, with a fee income of 802 million, up 22.8% year-on-year.

Unit: RMB million

	31 December 2016	31 December 2015	Changes (%)
Group AuM	**1,235,372**	**1,087,932**	**13.6**
Group in-house assets	941,760	854,458	10.2
Third-party AuM	293,612	233,474	25.8
Third-party AuM by CPIC AMC	167,837	149,786	12.1
Assets under investment management by Changjiang Pension	125,775	83,688	50.3

II. Group in-house assets

During the reporting period, China's economy, having experienced a slow-down, showed signs of stabilization and recovery. The equity market continued to be volatile and yields on fixed income assets remained low. In response to changes of the capital market conditions, we strived to mitigate the impact of market volatility via more proactive trading, and to stabilize portfolio yields through diversification of asset allocation such as non-standard assets (NSAs).

(I) Consolidated investment portfolios

Unit: RMB million

	31 December 2016	Share (%)	Share change from end of 2015 (pt)	Changes (%)
Group investment assets (Total)	**941,760**	**100.0**	-	**10.2**
By investment category				
Fixed income investments	774,582	82.3	0.2	10.6
– Debt securities	471,075	50.0	(0.4)	9.4
– Term deposits	132,226	14.1	(4.0)	(14.4)
– Debt investment plans	61,397	6.5	0.3	15.8
– Wealth management products[note 1]	43,962	4.7	1.7	74.2

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– Preferred shares	32,000	3.4	2.0	171.2
– Other fixed income investments[note 2]	33,922	3.6	0.6	32.8
Equity investments	115,900	12.3	(1.7)	(3.3)
– Equity funds	18,788	2.0	(1.1)	(29.1)
– Bond funds	19,397	2.1	0.2	21.0
– Equity securities	31,185	3.3	(0.6)	(7.3)
– Wealth management products[note 1]	22,808	2.4	(0.6)	(11.3)
– Preferred shares	4,544	0.5	0.2	105.0
– Other equity investments[note 3]	19,178	2.0	0.2	21.8
Investment properties	8,657	0.9	0.2	36.5
Cash, cash equivalents and others	42,621	4.5	1.3	54.3
By investment purpose				
Financial assets at fair value through profit or loss	27,190	2.9	0.3	22.4
Available-for-sale financial assets	258,711	27.5	2.0	18.6
Held-to-maturity financial assets	304,874	32.4	(3.9)	(1.8)
Interests in associates	115	-	-	(62.4)
Investment in joint ventures	36	-	-	100.0
Loans and other investments[note 4]	350,834	37.2	1.6	15.6

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, investments classified as loans and receivables, and investment properties, etc.

1. By investment category

In the reporting period, we remained cautious about equity investments, and focused on NSAs for fixed income investments targeting liquidity spread while moderately controlling duration to ensure flexibility in asset allocation. Based on this strategy, in addition to bonds and equities, new money and re-investments were mainly allocated in debt investment schemes, preferred shares, 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 50.0%. Of these, 99.7% of enterprise bonds and financial bonds issued by non-government-sponsored banks had an issuer or debt rating of AA/A-1 or above. We adhered to prudent investment, and exercised stringent control of credit risk. Our corporate/enterprise bond holdings were concentrated in transport infrastructure, power utilities, construction & engineering and industrial groups, with relatively strong competitiveness, stable business performances and resilience across economic cycles. For bond investment, we have put in place comprehensive risk management and a sound delegation system with approval procedures, focusing on risk control before transactions to ensure effective management of credit risk. In response to rising defaults and market volatility, we've strengthened the mechanism for post-investment monitoring and tracking to enhance the early-warning system.

The share of equity investments stood at 12.3%, down by 1.7pt from the end of 2015. Of this, equity securities and equity funds accounted for 5.3%, down by 1.7pt.

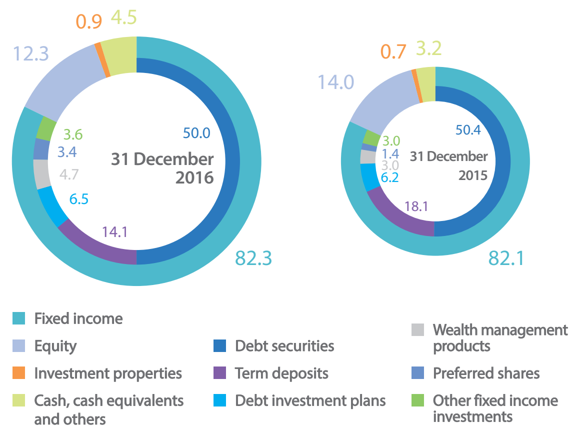
Overall, the credit risk on NSAs is under control, with underlying assets concentrated in the financing of infrastructure projects, real estate and non-bank financial institutions. As of the end of the reporting period, NSAs totaled RMB124.09 billion, up 20.4% from the end of 2015, and accounting for 13.2% of our total Group in-house assets. We took effective measures to enhance the credit-worthiness of NSAs. Except for issuers which are exempt from enhancement requirements under regulatory regulations, the vast majority of our NSA holdings are covered by guarantees and repurchase agreements by companies with AAA ratings or pledge of assets. As of the end of the reporting period, for those NSAs with an external credit-rating, 99.9% were rated AA or above, and of this, 94.1% AAA.

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) investments as well as loans and other investments. Of this, financial assets at fair value through profit or loss rose 22.4% from the end of 2015, mainly because of increased allocation in financial products for trading. AFS financial assets grew by 18.6%, primarily due to increased investment in debt securities.

Group consolidated investment portfolio

(unit: %)



(II) Group consolidated investment income

For the reporting period, net investment income totaled RMB46.607 billion, up by 17.1% year-on-year. This stemmed mainly from higher interest income from fixed income investments and increased dividend income on equity securities. Net investment yield reached 5.4%, up by 0.2pt.

Total investment income amounted to RMB44.473 billion, down by 20.5%, mainly attributable to a steep fall in trading gains on equity securities, with total investment yield at 5.2%, down by 2.1pt.

The growth rate of investments' net asset value fell by 4.2pt to 4.0%, as a result of equity market volatility.

Unit: RMB million

For 12 months ended 31 December	2016	2015	Changes (%)
Interest income from fixed income investments	37,523	36,274	3.4
Dividend income from equity securities[note 1]	8,508	2,937	189.7
Rental income from investment properties	576	588	(2.0)
Net investment income	**46,607**	**39,799**	**17.1**
Realized (losses)/gains	(930)	15,906	(105.8)
Unrealized (losses)/gains	(768)	52	(1,576.9)
Charge of impairment losses on investment assets	(965)	(282)	242.2
Other income[notes 1, 2]	529	435	21.6
Total investment income	**44,473**	**55,910**	**(20.5)**
Net investment yield (%)[notes 1, 3]	5.4	5.2	0.2pt
Total investment yield (%)[note 3]	5.2	7.3	(2.1pt)
Growth rate of investments' net asset value (%)[notes 3, 4]	4.0	8.2	(4.2pt)

Notes:
1. Figures for the same period last year have been restated.
2. 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.
3. 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 value are computed based on the Modified Dietz method.
4. Growth rate of investments' net asset value = total investment yield + net of fair value changes of AFS booked as other comprehensive (loss)/income/average investment assets.

(III) Total investment yield on a consolidated basis

Unit: %

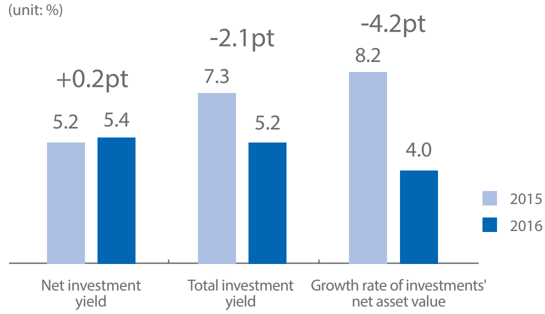
For 12 months ended 31 December	2016	2015	Changes
Total investment yield	5.2	7.3	(2.1pt)
Fixed income investments[note 1]	5.2	5.6	(0.4pt)
Equity investments[notes 1, 2]	4.7	20.0	(15.3pt)
Investment properties[note 1]	8.8	9.5	(0.7pt)
Cash, cash equivalents and others[note 1]	1.8	1.8	-

Note:

1. The impact of securities sold under agreements to repurchase was not considered.
2. Figures for the same period last year have been restated.

Group consolidated investment yields

(unit: %)



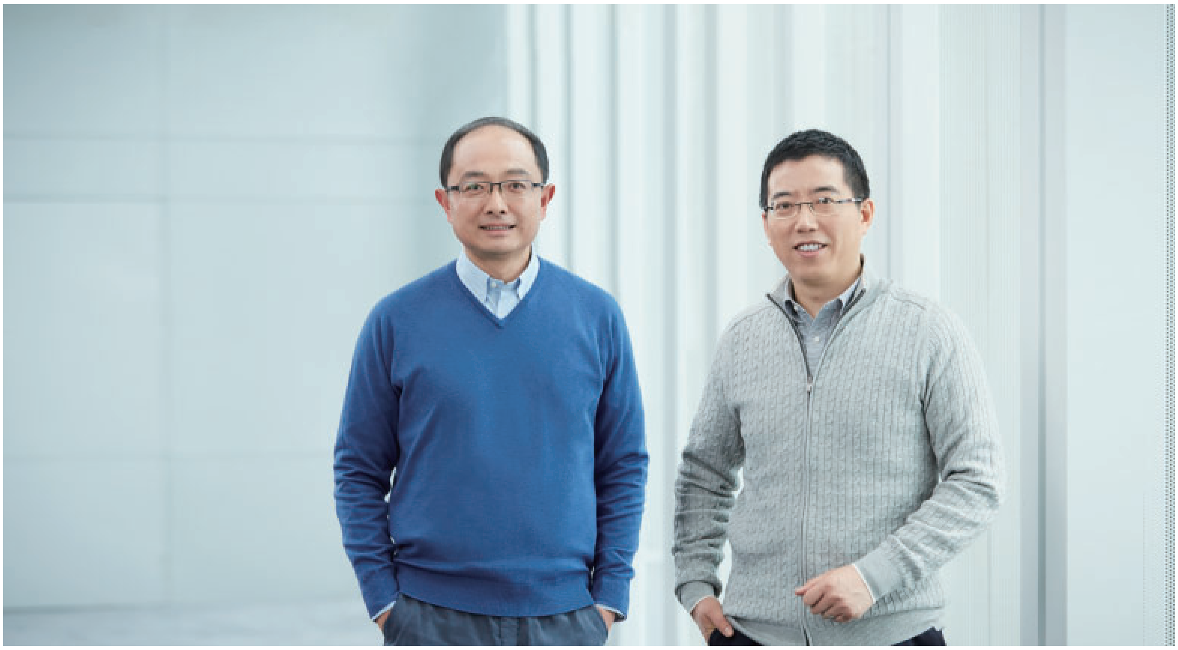
III. Third-party AuM

(I) Third-party AuM by CPIC AMC

CPIC AMC, in line with the Group's customer-oriented transformation initiative, strives to build itself into an asset manager with market-mechanisms, targeting China's wealth management market while leveraging the Group resources. It's committed to fostering core business capabilities such as investment, product design, distribution, customer service and risk control in a bid to grow its third-party business. As of the end of the reporting period, its third-party AuM rose by 12.1% from the end of 2015, reaching RMB167.837 billion, with a fee income of RMB416 million, up 11.5% versus 2015.

In alternative investments, in the face of lower interest rates, the scarcity of high quality assets and rising credit risk in certain industries, CPIC AMC continued to serve China's real economy, focusing on government sponsored projects in infrastructure, community resettlement and affordable housing. In particular, it gave priority to co-operation with financing platforms of major cities and economically-developed regions, enhancing co-operation with SOEs with stable sector outlook and closely tracking potential business opportunities emerging from the recovery of certain industries in the context of China's supply-side reform. In 2016, it registered a total of 11 alternative products, raising RMB21.771 billion. As of the end of 2016, its third-party alternative AuM amounted to RMB71.7 billion.

As for third-party asset management products, while improving existing offerings, CPIC AMC leveraged its edge in investment capability and strategies to step up product innovation. It launched a series of equity-based products which are mostly senior tranche of structured funds and convertible bonds, liquidity management products with a good balance between liquidity and yields, equity-based total return products with manageable risks and "universal" equity products. It also studied the feasibility of issuing products under the "Hong Kong Stock Market Connect Program". Besides, the Company launched a number of private placement, quantitative hedge and multiple strategy products.



From left YU Yeming / Chairman & General Manager, CPIC AMC SU Gang / General Manager, Changjiang Pension

(II) Assets under investment management by Changjiang Pension

In 2016, in the face of opportunities and challenges against the backdrop of the reform of China's pension system and rapid market development, Changjiang Pension leveraged Group resources, deepened reform of institutions and mechanisms, stepped up capacity-building and product innovation, vigorously expanded its business scope, considerably improved its investment performances, continued to enhance operational efficiency and services, strengthened risk management in an all-around way and delivered sustained growth of assets under investment management.

In government-sponsored business, the Company qualified as the investment manager of China's social security pension funds, marking a breakthrough in "the first pillar" of the country's pension system. It continued to improve co-operation mechanisms with CPIC Life and CPIC P/C, and established 30 "Pacific-Changjiang Business Co-operation Centers" to pave the way for the occupational annuity business. In enterprise annuity, the Company delivered impressive results in the renewal of existing customers and acquired a number of major clients in its development of new business. In retirement plans, Changjiang Pension vigorously pushed forward its employee ownership product, with cumulative AuM ranking 3rd in the industry. It also made great efforts to grow the individual retirement plan business, and continued to enhance co-operation with internet platforms. In insurance asset management, the Company stepped up innovation, engaging for the first time in third-party investment outsourcing from banks, insurance companies and insurance security fund. In alternative investment, the Company registered RMB29 billion in debt investment plans, ranking 2nd in the industry, with marked improvement in competitiveness and market share.

As of the end of the reporting period, Changjiang Pension's third-party assets under investment management reached RMB125.775 billion, rising by 50.3% from the end of 2015, with assets under custody of RMB70.336 billion, up 15.6% from the end of 2015.

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Analysis of specific items

I. Key consolidated results

Unit: RMB million

	31 December 2016/ Year 2016	31 December 2015/ Year 2015	Changes (%)	Main Reasons
Total assets	1,020,692	923,843	10.5	Business expansion
Total liabilities	885,929	788,161	12.4	Business expansion
Total equity	134,763	135,682	(0.7)	Profit for the period, fair value change on available-for-sale financial assets
Net profit attributable to equity holders of the parent	12,057	17,728	(32.0)	Decrease in investment yield and change to traditional life insurance reserve discount rate

II. Liquidity analysis

(I) Cash flow statement

Unit: RMB million

For 12 months ended 31 December	2016	2015	Changes (%)
Net cash inflow from operating activities	63,138	40,895	54.4
Net cash outflow from investing activities	(43,929)	(38,554)	13.9
Net cash (outflow)/inflow from financing activities	(7,085)	7,746	(191.5)

(II) Gearing ratio

	31 December 2016	31 December 2015	Changes
Gearing ratio (%)	87.1	85.6	1.5pt

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. 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 PRC shall meet certain prescribed levels as stipulated by CIRC.

Unit: RMB million

	31 December 2016	31 December 2015	Reasons of change
CPIC Group			
Core capital	280,012	255,940	
Actual capital	285,512	264,540	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	97,247	88,419	Growth of insurance business
Core solvency margin ratio (%)	288	289	
Comprehensive solvency margin ratio (%)	294	299	
CPIC Life			
Core capital	213,017	192,824	
Actual capital	214,517	197,424	Profit for the period, profit distribution to the shareholders, and change of fair value of investment assets
Minimum required capital	83,516	75,295	Growth of insurance business
Core solvency margin ratio (%)	255	256	
Comprehensive solvency margin ratio (%)	257	262	
CPIC P/C			
Core capital	34,702	33,146	
Actual capital	38,702	37,146	Profit for the period, profit distribution to the shareholders, and change of fair value of investment assets
Minimum required capital	13,069	13,016	Growth of insurance business
Core solvency margin ratio (%)	266	255	
Comprehensive solvency margin ratio (%)	296	285	
CPIC Allianz Health			
Core capital	741	912	
Actual capital	741	912	
Minimum required capital	122	46	Growth of insurance business
Core solvency margin ratio (%)	607	1,971	
Comprehensive solvency margin ratio (%)	607	1,971	
Anxin Agricultural			
Core capital	1,389	893	
Actual capital	1,389	893	Profit for the period, profit distribution to shareholders, capital injection and change of fair value of investment assets
Minimum required capital	469	404	Growth of insurance business
Core solvency margin ratio (%)	296	221	
Comprehensive solvency margin ratio (%)	296	221	

Please refer to the summaries of 2016 the fourth quarterly 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 about the solvency of CPIC Life, CPIC P/C, CPIC Allianz Health and Anxin Agricultural.

IV. 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 2016 / 31 December 2016	
Market value	Impact on profit before tax	Impact on equity
+10%	484	3,575
- 10%	(484)	(3,575)

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.

V. 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 2016, insurance contract liabilities of CPIC Life amounted to RMB620.583 billion, representing an increase of 13.1% from the end of 2015. Those of CPIC P/C amounted to RMB72.143 billion, basically the same level as that of the end of 2015. The rise in insurance contract liabilities was mainly caused by business expansion 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 2016	31 December 2015	Changes (%)
CPIC Life			
Unearned premiums	2,469	2,094	17.9
Claim reserves	2,067	1,604	28.9
Long-term life insurance contract liabilities	616,047	545,127	13.0
CPIC P/C			
Unearned premiums	38,207	37,606	1.6
Claim reserves	33,936	34,541	(1.8)

VI. 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 2015	Increase for the period			Decrease for the period		31 December 2016
		Deposit received	Interest credited	Others	Deposits withdrawn	Fees deducted	
Investment contract liabilities	40,033	13,050	1,803	112	(6,010)	(192)	48,796

VII. Reinsurance business

In 2016, premiums ceded to reinsurers are shown below:

Unit: RMB million

For 12 months ended 31 December	2016	2015	Changes (%)
CPIC Life	2,140	1,864	14.8
Traditional insurance	1,579	1,484	6.4
Long-term health insurance	1,067	1,090	(2.1)
Participating insurance	219	238	(8.0)
Universal insurance	6	2	200.0
Short-term accident and health insurance	336	140	140.0
CPIC P/C	12,203	11,989	1.8
Automobile insurance	6,115	5,943	2.9
Non-automobile insurance	6,088	6,046	0.7

In 2016, premiums ceded inwardly are set out below:

Unit: RMB million

For 12 months ended 31 December	2016	2015	Changes (%)
CPIC P/C	124	177	(29.9)
Automobile insurance	1	-	/
Non-automobile insurance	123	177	(30.5)

As at the end of 2016, assets under reinsurance are set out below:

Unit: RMB million

	31 December 2016	31 December 2015	Changes (%)
CPIC Life			
Reinsurers' share of insurance contract liabilities			
Unearned premiums	118	65	81.5
Claim reserves	72	15	380.0
Long-term life insurance contract liabilities	9,173	7,743	18.5
CPIC P/C			
Reinsurers' share of insurance contract liabilities			
Unearned premiums	4,481	4,304	4.1
Claim reserves	6,579	6,442	2.1

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. Besides 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).

VIII. Main subsidiaries & associates and equity participation

Unit: RMB million

Company	Main business scope	Registered capital	Group shareholding[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 the CIRC.	8,420	98.292%	850,195	66,681	8,542
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 the CIRC.	19,470	98.501%	131,581	35,241	4,540
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.	1,300	99.667%	2,664	2,185	306
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; other business pertaining to insurance fund management as allowed by PRC laws and regulations; other business as approved by CIRC.	788	50.869%	1,220	941	96
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 funds investment as approved by relevant laws and regulations.	700	51.348%	2,646	1,294	116
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 the CIRC.	1,000	77.051%	1,444	780	(145)

Notes:
1. Figures for companies in the table are on an unconsolidated basis.
2. Figures for Group shareholding include direct and indirect shareholdings.

IX. Top five customers and customer relations

During the reporting period, the top 5 customers accounted for 0.4% of the Company's GWPs.

The Company does not have any supplier that is specific to its business given the business nature of the Company.

In 2016, we continued to implement the customer-oriented transformation initiative, which seeks to understand customer needs, improve customer interfaces and enhance customer experience, and have maintained good relations with customers.

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

The Company's assets are mainly financial assets. The repurchase of bonds forms part of the Company's day-to-day securities investment activities, and as of the end of the reporting period, no abnormality was detected.

XI. 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

The year 2017 will see further deepening of China's supply-side reform, and "achieving progress amid steadiness" will be government's guiding principle. Therefore, we can reasonably expect a largely stable economic growth in 2017, with more balanced mix and more pronounced features of "the new normal". This offers ample room of development for the insurance industry. To be more specific, people's demand for diversified protection and wealth management solutions will continue to grow. On the one hand, mid and high income people are becoming insurance consumers, underpinning strong demand growth. Personalized and diversified insurance consumption will be the mainstream. On the other hand, governments are increasingly using insurance to improve public administration. The state has been pushing for mandatory liability insurance, terminal illness schemes, catastrophe insurance to promote innovation in modes of social management. The government has also been pushing for the pilot program of tax-deferred pension plans, the integration of the pension system and the launch of pilot program of long-term care insurance, which highlights a bigger role insurance can play in improving the quality of economic growth, people's well-being and social administration. The insurance regulator upholds the basic value proposition of insurance and adheres to its mandate as the industry regulator. It has been deepening market-based reform, improving market rules, enhancing insurance supply and safeguarding market discipline and order, in order to strengthen the sector's capability in serving China's social and economic development.

II. Business plans

In 2017, we will continue to uphold protection as the unique insurance value proposition and further deepen supply-side reform. In the context of our 3-year development program, we will focus on value creation, innovate supply, improve customer service, enhance risk control and implement the digital strategy to lower cost, enhance efficiency, and promote collaboration between business segments in a bid to drive sustainable value growth.

Focusing on value creation means adherence to the basic value proposition of insurance, staying focused on the core business of insurance to deliver sustainable value growth. It also requires news drivers of growth, and in particular, maintaining the NBV margin, improving the combined ratio and deepening ALM.

Innovating supply makes it necessary for us to implement the digital strategy, and in particular, digitalize customer journeys and business management processes to improve the supply of products and services. To this end, we will make investment in new areas, new technologies and new business models to promote collaborative development.

By improving service we mean continued efforts in customer segmentation to better support differentiation in marketing and customer service. We will increase value per customer and the share of high-quality customers, expand into new areas such as mid and high-end customers and SMEs. We will also roll our differentiated measures for serving high-quality customers, optimizing key customer journeys in order to enhance customer experience and improve the Company's ranking in customer service evaluation.

Enhancing risk control calls for prevention of material risks in a complicated market environment. To this end, we will continue to strengthen "the 3 lines of defense" internal control system, improve long-term mechanism for risk prevention and in particular, focus on the prevention of major cases of breach and internal frauds.

We seek to maintain market leadership in NBV growth via both new customer acquisition and up-sell. On the side of property and casualty business, we will continue to control business quality, enhance foundation to drive long-term growth, while narrowing the gap in the combined ratio. As for asset management, the priority is to enhance our value proposition for customers to drive sustained growth of AuM. In health and pension business, we'll put in place a group-level management platform to promote collaborative development.

III. Major risks and mitigating measures

One is the high frequency of natural catastrophes. In 2017, we will continue to face the challenge of natural disasters caused by extreme weather, and major artificial accidents. Second is the volatility of the financial market triggered by "black swans", which means uncertainty for investment income. Third is the potential impact of fin-tech, which is increasingly re-shaping financial innovation and the market competitive landscape. While instilling vitality and change into the traditional financial services industry, it may also be a potentially disruptive force.

To mitigate these risks, we will make sound reinsurance arrangements, deepen ALM to improve SAA and implement the digital strategy.

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 2016.

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 2016, in the light of the requirements of the "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" issued by the China Associations 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 2016;

> 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 2016 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 2016, 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 2016 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 2016 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
Wesley Cui, FSA, FCAA
3rd March 2017

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2016 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 2016 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 2016 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 the 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 2016, and the value of one year's sales of CPIC Life in the 12 months to 31 December 2016 at a risk discount rate of 11%.

Unit: RMB Million

Valuation Date	31 December 2016	31 December 2015
Group Adjusted Net Worth	**144,651**	**115,065**
Adjusted Net Worth of CPIC Life	**78,556**	**59,785**
Value of In Force Business of CPIC Life Before Cost of Required Capital Held	113,727	109,259
Cost of Required Capital Held for CPIC Life	(10,680)	(17,127)
Value of In Force Business of CPIC Life After Cost of Required Capital Held	103,048	92,132
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	**101,288**	**90,559**
Group Embedded Value	**245,939**	**205,624**
CPIC Life Embedded Value	**181,603**	**151,918**

Valuation Date	31 December 2016	31 December 2015 (restated)	31 December 2015
Value of One Year's Sales of CPIC Life Before Cost of Required Capital Held	23,151	14,893	14,180
Cost of Required Capital Held	(4,109)	(2,723)	(2,158)
Value of One Year's Sales of CPIC Life After Cost of Required Capital Held	**19,041**	**12,170**	**12,022**

Note:

1. Figures may not be additive due to rounding
2. Results in column "31 December 2015" are those reported in the 2015 annual report
3. Results in column "Restated" are the 2015 value of one year's sales restated for adopting "Appraisal of Embedded Value" standard and 2016 economic assumptions.

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 2016, 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 published by the CAA in 2016. 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 2016:

(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 4.85% in 2016, 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 are expressed as a percentage of the standard industry mortality tables: "China Life Tables (2000-2003)":

- The majority of life products: 70% of China Life Table (2000-2003) for non-annuitants, with selection factors of 50% in policy year 1, 25% in policy year 2 and ultimate rates applicable thereafter;
- The majority of deferred annuity products: 80% of China Life Table (2000 to 2003) for annuitants, together with an allowance for future mortality improvements.

(IV) Morbidity

Assumptions have been developed based on CPIC Life's past morbidity experience, expectations of current and future experience, and vary by products. Claim ratios for short term accident and short term health business are assumed to be in the region of 20% to 80%.

(V) Lapse and Surrender Rates

Assumptions have been developed based on CPIC Life's past lapse and surrender experience, expectation of current and future experience, 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 2016 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 investment income assumed to be exempt from income tax is 16.5% in 2016 and thereafter. 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 2016.

Unit: RMB Million

		First Year Annual Premium (FYAP)		Value of One Year's Sales After Cost of Required Capital Held	
		2016	2015	2016	2015 (restated)
Total		57,816	41,194	19,041	12,170
Of which:	Traditional	21,312	7,930	10,026	4,637
	Participating	**20,539**	**22,275**	**8,627**	**7,354**

V. Analysis of change in embedded value

The following table shows the change in the Group Embedded Value from 31 December 2015 to 31 December 2016.

Unit: RMB Million

No.	Item	Value	Comments
1	**Embedded Value of the life business at 31 December 2015**	**151,918**	
2	Restatement for applying "Appraisal of Embedded Value" standard	7,553	
3	Expected Return on Embedded Value	14,082	Expected returns on the 2015 embedded value of CPIC Life and the value of one year's sales of CPIC Life in 2016
4	Value of One Year's Sales	19,041	Value of one year's sales in respect of new business written in the 12 months prior to 31 December 2016
5	Investment Experience Variance	(967)	Reflects the difference between actual and assumed investment return in 2016
6	Operating Experience Variance	509	Reflects the difference between actual and assumed operating experience
7	Change in methodology, assumptions and models	(5,090)	Reflects assumption and methodology changes, together with model enhancements
8	Diversification effects	4,145	Changes in diversification benefits on cost of required capital from new business and different business mix
9	Change in market value adjustment	(1,391)	Reflects the change in value of certain assets not valued on a market value basis
10	Shareholder Dividends	(8,420)	Shareholder dividends distributed to shareholders of CPIC Life
11	Others	224	
12	**Embedded Value of the life business at 31 December 2016**	**181,603**	

13	**Adjusted net worth of businesses other than CPIC Life as at 31 December 2015**	**57,319**	
14	Restatement for applying "Appraisal of Embedded Value" standard	9,295	
15	Change in Adjusted Net Worth before payment of shareholder dividends to shareholders of CPIC Group	12,479	
16	Shareholder dividends	(9,235)	Dividend distributed to shareholders of CPIC Group
17	Change in market value adjustment	(542)	Reflects the change in value of assets not valued on a market value basis
18	**Adjusted net worth of businesses other than CPIC Life as at 31 December 2016**	**69,315**	
19	Minority interests relating to equity and market value adjustments	(4,979)	Minority interests on Embedded Value as at 31 December 2016
20	**Group Embedded Value as at 31 December 2016**	**245,939**	
21	**Embedded Value as at 31 December 2016 per share (RMB)**	**27.14**	

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 2016 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%"

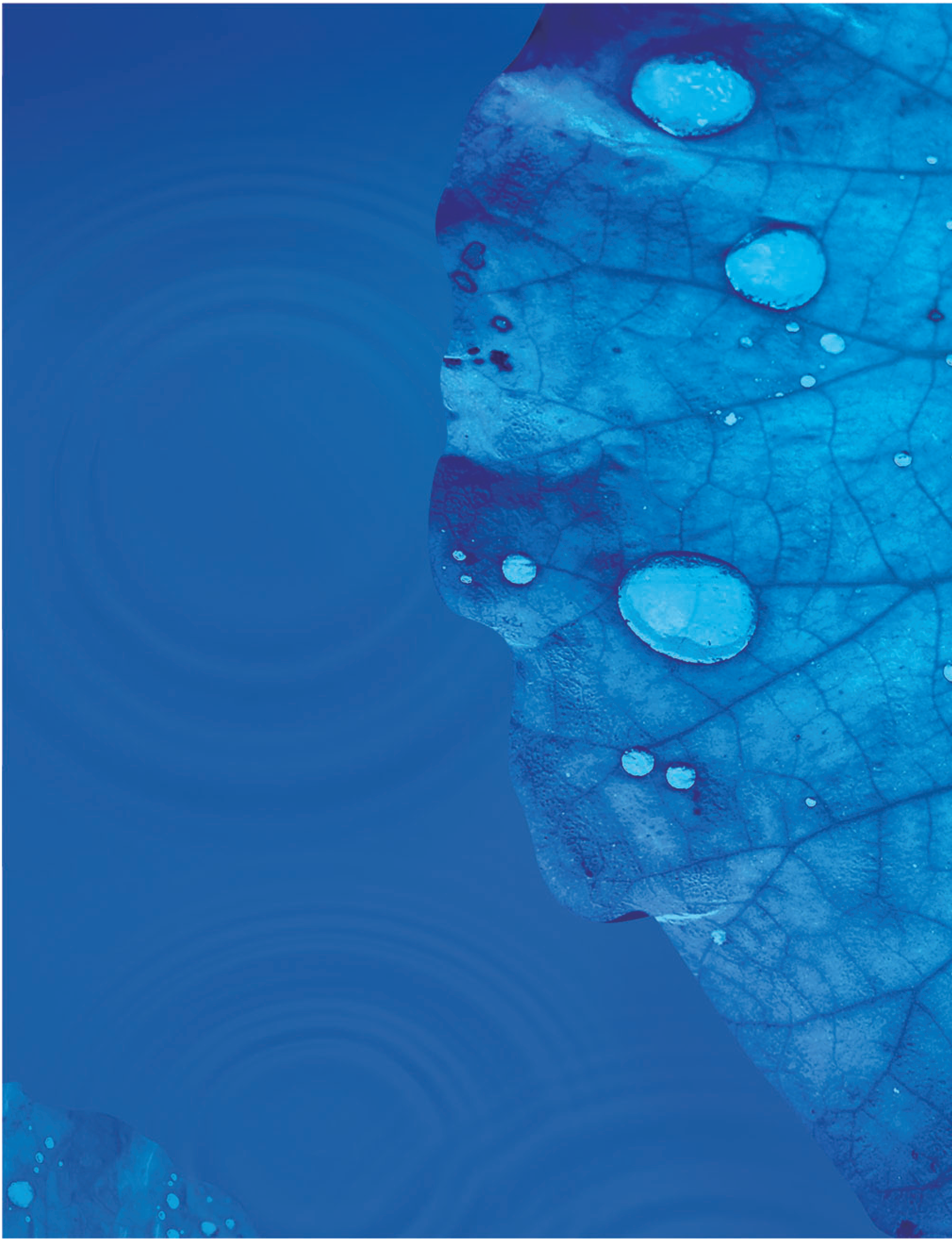
> Lapse and surrender rates "+ / - 10%"

> 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	**103,048**	**19,041**
Risk discount rate "+50 basis points"	99,190	18,146
Risk discount rate "-50 basis points"	107,245	20,010
Investment return "+50 basis points"	120,514	21,724
Investment return "-50 basis points"	85,081	16,360
Mortality "+10%"	102,254	18,765
Mortality "-10%"	103,840	19,318
Morbidity "+10%"	101,368	18,407
Lapse and surrender rates "+10%"	103,739	18,888
Lapse and surrender rates "-10%"	102,286	19,173
Expenses "+10%"	101,212	17,849



Corporate governance

Corporate governance

Report of the Board of Directors and significant events

1

Results and distributions

The net profits for the year 2016 included in the audited financial statements of the parent company, prepared in accordance with the PRC GAAP and HKFRS, were both RMB10.530 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 2016 included in the financial statements, prepared in accordance with the PRC GAAP and HKFRS, were both RMB11.291 billion.

Therefore, the profit distribution for 2016 is made based on the audited financial statements of the parent company. The Company intends to declare a cash dividend of RMB0.70 per share (including tax) for the year. Based on the total share capital of 9,062,000,000 shares, the amount of dividend in aggregate will be RMB6.343 billion. The remaining retained profits will be carried forward to 2017. No capital reserve was transferred to the share capital during the year. The proposed final dividends are expected to be paid on or around 16 August 2017 upon approval at the 2016 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 2016 published by the Company on the website of the SEHK (www.hkexnews.hk).

After cash dividend distribution, the Group's solvency ratio dropped from 294% to 287%, 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)
2016	6,343	12,057	52.6
2015	9,062	17,728	51.1
2014	4,531	11,049	41.0

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 the 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 an extraordinary resolution to the SGM for approval. The Board of Directors and the SGM 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 2015 shareholders' 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 2016. PricewaterhouseCoopers was engaged by the Company as the auditor of financial statements under HKFRS of the Company for the year 2016.

The year 2016 was the 3rd 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 2016 was RMB16.8545 million and RMB1.8300 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 2016, 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 2016 by approximately RMB9.292 billion and a decrease in profit before tax for 2016 by approximately RMB9.292 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 announcements of the Company dated 27 April 2016 and 29 July 2016.

(I) Continuing connected transactions with Hwabao Trust and Fortune SG Fund

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 Fortune SG Fund Management Co., Ltd. (華寶興業基金管理有限公司) ("Fortune SG Fund") (Hwabao Trust and Fortunate SG Fund are collectively referred to as the "Fortune Parties"), on 29 July 2016, the Company entered into a framework agreement in respect of the continuing connected transactions with the Fortune Parties. Pursuant to the agreement, the Group and the Fortune 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 Fortune SG 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 Baosteel Group Corporation. Pursuant to the requirements under the Hong Kong Listing Rules, both of Hwabao Trust and Fortune SG Fund are associates of Baosteel 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 Fortune Parties for the year ended 31 December 2016:

	Type of transaction	Annual cap for the year ended 31 December 2016 (RMB million)	Transaction amount for the year ended 31 December 2016 (RMB million)
The Fortune Parties	All types (aggregate amount of payment and receipt)	24,600	2,494

(II) Continuing connected transactions with Orient Securities and Orient Securities Asset Management

During the ordinary and usual course of business, the Company conducted transactions, including purchase and sale of bonds, the repurchase of bond and purchase and sale of asset management products, with Orient Securities Company Limited (東方證券股份有限公司) ("Orient Securities") and conducted purchase and sale of bonds and purchase of asset management plans with Shanghai Orient Securities Asset Management Company Limited (上海東方證券資產管理有限公司) ("Orient Securities Asset Management").

As of 7 July 2016, as Orient Securities was a 30%-controlled company of Shenergy (Group) Co., Ltd., a substantial shareholder of the Company, it was a connected person of the Company under the Hong Kong Listing Rules. Orient Securities Asset Management is a subsidiary of Orient Securities and thus is a subsidiary of a 30%-controlled company of Shenergy (Group) Co., Ltd., a substantial shareholder of the Company. Therefore, it was a connected person of the Company under the Hong Kong Listing Rules.

Orient Securities was listed on the Main Board of the SEHK on 8 July 2016. Upon the completion of the listing of Orient Securities, the shareholding of Shenergy (Group) Co., Ltd., a substantial shareholder of the Company, in Orient Securities was less than 30%, and Shenergy (Group) Co., Ltd. does not control a majority of the board of directors of Orient Securities or Orient Securities Asset Management. As such, each of Orient Securities and Orient Securities Asset Management has ceased to be a "30%-controlled company" of Shenergy (Group) Co., Ltd. since 8 July 2016. Accordingly, Orient Securities and Orient Securities Asset Management have ceased to be connected persons of the Company under the Hong Kong Listing Rules since 8 July 2016, and the transactions between the Group and these entities have ceased to constitute connected transactions of the Company since then. In light of the above, the Board is of the view that it is not required to enter into any framework agreement in respect of continuing connected transactions between the Company and Orient Securities and Orient Securities Asset Management.

From 1 January 2016 to 8 July 2016, the highest applicable percentage ratio in respect of the continuing connected transactions between the Group and Orient Securities and Orient Securities Asset Management under the Hong Kong Listing Rules exceeded 0.1% but were less than 5%, and were only subject to the announcement, reporting and annual review requirements but were 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 Orient Securities and Orient Securities Asset Management for the year ended 31 December 2016:

	Type of transaction	Annual cap for the year ended 31 December 2016 (RMB million)	Transaction amount for the year ended 31 December 2016 (RMB million)
Orient Securities and Orient Securities Asset Management	Sale and purchase of bonds	10,000	1,155
	Pledge-style bond repurchase	6,500	-
	Purchase and sale of asset management products or collective pension products	2,000	800
	Issuance of asset management products of the underlying assets of related parties	5,000	-

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 annual review report, 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.

10

Material contracts

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 maintain good communications with them. We provided sufficient career development opportunities for our employees through the strategic transformation initiative, which lifted their morale and confidence. We put in place diverse platforms for employee training and communication, and continuously improved the training system for agents, helping them to succeed. We also seek to foster an engaging work environment to enhance organizational cohesion.

(II) Environmental polices

We began to develop liability insurance products for environmental pollution in 2008, and have since vigorously explored the pilot program of the business, putting in place a comprehensive product line-up mainly consisting of products for national market, supplemented by those for regional markets. We responded to climate change, enhanced disaster mitigation, innovated weather-index products, and explored niche market business opportunities in renewable energy. We launched a number of debt investment schemes to fund green projects. We continued to push paperless operation to reduce carbon emissions. Shenxing Taibao, our life insurance on-line platform, has been able to support the entire business process including electronic signatures, receipts, policies and invoices, remarkably reducing paper consumption and carbon emissions. We strictly abide by The Law on Environmental Protection of the People's Republic of China and relevant rules and regulations, make a great effort to foster a green workplace and disseminate green philosophies to our customers.

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" in this annual report.

13

CPIC P/C injects capital into Anxin Agricultural

On 28 April 2016, CPIC P/C and Anxin Agricultural signed "Capital Increase Agreement between China Pacific Property Insurance Co., Ltd. and Anxin Agricultural Insurance Co., Ltd.". Under this agreement, CPIC P/C shall inject capital into (the Injection) Anxin Agricultural, a subsidiary of CPIC P/C. A total of 200 million shares of Anxin Agricultural were offered under this additional share offering, of which, 193.2316 million shares were subscribed to by CPIC P/C for RMB398.0571 million. Before the Injection, the registered capital of Anxin Agricultural was RMB500 million, and CPIC P/C held 171.6692 million shares, or 34.34% of Anxin Agricultural's equity base, and the Company indirectly held a 33.825% stake in Anxin Agricultural; after the Injection, the registered capital of Anxin Agricultural increased to RMB700 million, and CPIC P/C holds 364.9008 million shares, or 52.13% of Anxin Agricultural, and the Company indirectly holds a 51.348% stake in Anxin Agricultural.

14

CPIC P/C participated in the establishment of an insurance company

Signing an initiator agreement on 7 June 2016, CPIC P/C and Baidu Penghuan Asset Management (Beijing) Co., Ltd. (百度鹏寰资产管理（北京）有限公司) proposed to establish a joint stock property insurance company (the "Target Company"). The investment of CPIC P/C amounts to no less than RMB1 billion, accounting for no less than 50% of the total equities of the Target Company (the "Investment"). The final investment amount and shareholding of CPIC Property in the Investment shall be subject to the approval of CIRC.

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 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 annual 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 annual report.

22

Charitable and other donations

During the reporting period, the Company made charitable and other donations totaling approximately RMB15.0363 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 annual 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 annual 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 annual report.

26

Directors' and supervisors' interests in competing businesses

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 annual 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 annual report for details of the special committees of the Board of Directors.

29

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

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

Interest and short positions of directors, supervisors and senior management in shares or bonds

As at 31 December 2016, none of the directors, supervisors or senior management of the Company 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 SEHK 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 31 December 2016, 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[note1]	Investment manager	H shares	307,197,018(L)	11.07(L)	3.39(L)
Norges Bank	Beneficial owner	H shares	224,216,420(L)	8.08(L)	2.47(L)
Citigroup Inc.[note2]	Person having a security interest in shares, interest of corporation controlled by Citigroup Inc. and custodian – corporation/approved lending agent	H shares	221,967,620(L) 1,618,139(S) 210,240,477(P)	7.99(L) 0.05(S) 7.57(P)	2.45(L) 0.02(S) 2.32(P)
GIC Private Limited	Investment manager	H shares	194,536,400(L)	7.01(L)	2.15(L)
Blackrock, Inc.[note3]	Interest of corporation controlled by Blackrock, Inc.	H shares	189,927,245(L)	6.84(L)	2.10(L)

(L) denotes a long position; (S) denotes a short position; (P) denotes interest in a lending pool

Notes:

1. Pursuant to Part XV of the SFO, as at 31 December 2016, Schroders Plc is deemed or taken to be interested in a total of 307,197,018 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	307,197,018(L)
Schroder International Holdings Limited	134,178,018(L)
Schroder Investment Management Limited	100,739,400(L)
Schroder Investment Management Limited	72,279,600(L)
Schroder Investment Management North America Limited	72,279,600(L)
Schroder Investment Management (Singapore) Limited	41,367,600(L)
Schroder Investment Management (Hong Kong) Limited	92,810,418(L)

(L) denotes a long position

2. Pursuant to Part XV of the SFO, as at 31 December 2016, Citigroup Inc. is deemed or taken to be interested in a total of 221,967,620 H shares (long position) and 1,618,139 H shares (short position) of the Company. Included in the 221,967,620 H shares are 210,240,477 H shares which are held in the "lending pool", as defined under Section 5(4) of the Securities and Futures (Disclosure of Interests - Securities Borrowing and Lending) Rules. The details of the shareholding interests of the subsidiaries directly or indirectly controlled by Citigroup Inc. are set out below:

Name of controlled subsidiary	Number of shares
Citigroup Global Markets Hong Kong Limited	258,379(L) 1,165,739(S)
Citigroup Global Markets Limited	8,671,421(L) 452,400(S)
Citigroup Global Markets Inc.	0(L) 0(S)
Morgan Stanley Smith Barney Holdings LLC	0(L) 0(S)
Citibank N.A.	0(L) 0(S)
Citigroup Alternative Investments LLC	0(L) 0(S)
Automated Trading Desk Financial Services, LLC	0(L) 0(S)
Citigroup Trust - Delaware, National Association	0(L) 0(S)
Citicorp Trust, National Association	0(L) 0(S)
Citicorp Trust South Dakota	0(L) 0(S)
Citigroup Global Markets Asia Limited	0(L) 0(S)
Cititrust (Bahamas) Limited	0(L) 0(S)
Cititrust (Switzerland) Limited	0(L) 0(S)
Citigroup Global Markets Deutschland AG	0(L) 0(S)
Citigroup Derivatives Markets Inc.	0(L) 0(S)
Citigroup First Investment Management Limited	0(L) 0(S)
Cititrust Jersey Limited	0(L) 0(S)
Citibank (Switzerland) AG	104,200(L) 0(S)
Citigroup Global Markets Funding Luxembourg SCA	0(L) 0(S)
Impulsora de Fondos Banamex S.A. de C.V	0(L) 0(S)
Acciones y Valores, S.A. de C.V.	0(L) 0(S)
Citigroup Financial Products Inc.	258,379(L) 1,165,739(S)
Citigroup Global Markets Holdings Inc.	8,929,800(L) 1,618,139(S)

Name of controlled subsidiary	Number of shares
Citigroup Global Markets Europe Limited	8,671,421(L) 452,400(S)
Citigroup Global Markets Europe Limited	8,671,421(L) 452,400(S)
Citigroup Global Markets Europe Limited	8,671,421(L) 452,400(S)
Citigroup Global Markets (International) Finance AG	0(L) 0(S)
Citigroup Global Markets International LLC	0(L) 0(S)
Citigroup Global Markets Inc.	0(L) 0(S)
Citicorp Holdings Inc.	212,933,620(L) 0(S)
Citigroup Investments Inc.	0(L) 0(S)
Automated Trading Desk, LLC	0(L) 0(S)
Automated Trading Desk Holdings, Inc.	0(L) 0(S)
Citigroup Acquisition LLC	0(L) 0(S)
Citibank N.A.	0(L) 0(S)
Citigroup Global Markets Hong Kong Holdings Limited	0(L) 0(S)
Citigroup Global Markets Overseas Finance Limited	0(L) 0(S)
Citigroup Global Markets Overseas Finance Limited	0(L) 0(S)
Citigroup Global Markets Switzerland Holding GmbH	0(L) 0(S)
Citigroup Participation Luxembourg Limited	0(L) 0(S)
Citigroup International Luxembourg Limited	0(L) 0(S)
Citigroup Overseas Investments Bahamas Inc.	0(L) 0(S)
Citibank Overseas Investment Corporation	0(L) 0(S)
Citigroup Global Markets Hong Kong Holdings Limited	0(L) 0(S)
Grupo Financiero Banamex, S.A. de C.V.	0(L) 0(S)
Citicorp (Mexico) Holdings LLC	0(L) 0(S)
NAMGK Mexico Holding, S. de R.L. de C.V.	0(L) 0(S)
Citigroup Capital Partners Mexico, S. de R.L. de C.V.	0(L) 0(S)

Name of controlled subsidiary	Number of shares
Citicorp Global Holdings, Inc.	0(L) 0(S)
Citicorp Banking Corporation	104,200(L) 0(S)
Citigroup Global Markets Finance Corporation & Co. beschrankt haftende KG	0(L) 0(S)
Citigroup Global Markets Finance LLC	0(L) 0(S)
Acciones y Valores, S.A. de C.V.	0(L) 0(S)
Citibank N.A.	212,933,620(L) 0(S)
Citibank Canada	0(L) 0(S)
Citigroup Trust - Delaware, National Association	0(L) 0(S)

(L) denotes a long position

3. Pursuant to Part XV of the SFO, as at 31 December 2016, Blackrock, Inc. is deemed or taken to be interested in a total of 189,927,245 H shares (long 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	1,315,600(L)
BlackRock Investment Management, LLC	1,315,600(L)
BlackRock Holdco 2, Inc.	188,611,645(L)
BlackRock Financial Management, Inc.	187,035,245(L)
BlackRock Financial Management, Inc.	1,576,400(L)
BlackRock Holdco 4, LLC	108,899,166(L)
BlackRock Holdco 6, LLC	108,899,166(L)
BlackRock Delaware Holdings Inc.	108,899,166(L)
BlackRock Institutional Trust Company, National Association	48,390,566(L)
BlackRock Fund Advisors	60,508,600(L)
BlackRock Capital Holdings, Inc.	571,200(L)
BlackRock Advisors, LLC	571,200(L)
BlackRock International Holdings, Inc.	77,564,879(L)
BR Jersey International Holdings L.P.	77,564,879(L)
BlackRock Cayco Limited	3,126,200(L)
BlackRock Trident Holding Company Limited	3,126,200(L)
BlackRock Japan Holdings GK	3,126,200(L)
BlackRock Japan Co., Ltd.	3,126,200(L)
BlackRock Canada Holdings LP	265,523(L)
BlackRock Canada Holdings ULC	265,523(L)
BlackRock Asset Management Canada Limited	265,523(L)
BlackRock Australia Holdco Pty. Ltd.	361,600(L)
BlackRock Investment Management (Australia) Limited	361,600(L)
BlackRock (Singapore) Holdco Pte. Ltd.	7,848,420(L)
BlackRock Asia-Pac Holdco, LLC	7,848,420(L)
BlackRock HK Holdco Limited	7,848,420(L)
BlackRock Asset Management North Asia Limited	4,712,620(L)
BlackRock Group Limited	69,089,336(L)

Name of controlled subsidiary	Number of shares
BlackRock (Netherlands) B.V.	4,278,000(L)
BlackRock Advisors (UK) Limited	33,929,201(L)
BlackRock International Limited	134,400(L)
BlackRock International Limited	1,185,700(L)
BlackRock Luxembourg Holdco S.à r.l.	17,718,126(L)
BlackRock Investment Management Ireland Holdings Limited	16,821,926(L)
BlackRock Asset Management Ireland Limited	16,821,926(L)
BLACKROCK (Luxembourg) S.A.	882,600(L)
BlackRock Investment Management (UK) Limited	1,306,800(L)
BlackRock Investment Management (UK) Limited	10,537,109(L)
BlackRock Asset Management Deutschland AG	201,200(L)
BlackRock Fund Managers Limited	1,105,600(L)
BlackRock Life Limited	134,400(L)
BlackRock UK Holdco Limited	13,600(L)
BlackRock Asset Management (Schweiz) AG	13,600(L)
BlackRock Investment Management (Taiwan) Limited	9,600(L)

(L) denotes a long position

Save as disclosed above, as at 31 December 2016, the Company was 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" of this annual report.

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 annual 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 Chairman's Statement, Operation Overview, Review and Analysis of Operating Results and the relevant notes to financial statements in the section "Financial Report" of this annual 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 Chairman's Statement, Operation Overview, Review and Analysis of Operating Results, Directors, Supervisors, Senior Management and Employees and Corporate Governance of this annual 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 31 December 2016:

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 enterprises 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 denominated 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 31 December 2016, no shares issued by the Company have been placed to its employees.

2

Shareholders

(I) Number of shareholders and their shareholdings

As at 31 December 2016, the Company had no shares with selling restrictions.

Unit: share

A total number of 92,713 shareholders (including 87,079 A shareholders and 5,634 H shareholders) at the end of the reporting period.
Total number of shareholders as at the end of February 2017: 96,214 (including 90,610 A shareholders and 5,604 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%	2,772,987,436	+624,600	-	-	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%	424,099,214	-	-	-	A Share
Shanghai Jiushi (Group) Co., Ltd.	2.77%	250,949,460	-	-	-	A Share
China Securities Finance Co., Ltd.	2.58%	233,427,871	+19,822,039	-	-	A Share
Tianan Property Insurance Co., Ltd- BAO YING NO. 1	1.75%	158,372,285	+114,372,484	-	-	A Share
Yunnan Hehe (Group) Co., Ltd.	1.73%	156,709,360	+24,970	-	-	A Share
Central Huijin Investment Ltd.	1.22%	110,741,200	-	-	-	A Share
Description of connected relations or concerted action among the aforesaid shareholders	The Company is not aware of any 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 a number of its clients. As the SEHK does not require such shareholders to disclose to HKSCC Nominees Limited whether the shares 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 the 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 major shareholders do not exercise control over the Company and the Company has no controlling shareholder or de facto controllers.

As at 31 December 2016, 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 WANG Jian. 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).

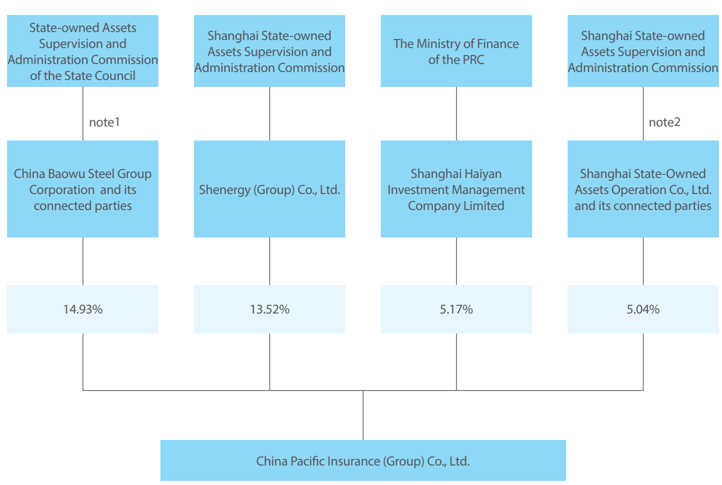
3. Shanghai State-Owned Assets Operation Co., Ltd.

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 FU Fan. 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 31 December 2016:



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 457,123,365 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 from the Company (Post-tax)	Aggregate Income Tax
Incumbent Directors, Supervisors and Senior Management						
GAO Guofu	Chairman and Executive Director	Male	June 1956	Since September 2006	88.1	31.5
HUO Lianhong	Executive Director and President	Male	April 1957	Since March 2001	88.1	31.5
WANG Jian	Vice Chairman and Non-Executive Director	Male	April 1955	Since July 2015	See note 5	
WANG Chengran	Non-Executive Director	Male	April 1959	Since July 2010	21.0	4.0
SUN Xiaoning	Non-Executive Director	Female	March 1969	Since July 2013	See note 5	
WU Junhao	Non-Executive Director	Male	June 1965	Since July 2012	See note 5	
WU Jumin	Non-Executive Director	Male	April 1956	Since July 2010	21.0	4.0
ZHENG Anguo	Non-Executive Director	Male	November 1964	Since July 2010	21.0	4.0
HA Erman	Non-Executive Director	Female	June 1975	Since August 2014	21.0	4.0
BAI Wei	Independent Non-Executive Director	Male	November 1964	Since July 2013	21.0	4.0
LEE Ka Sze, Carmelo	Independent Non-Executive Director	Male	May 1960	Since November 2015	21.0	4.0
LAM Chi Kuen	Independent Non-Executive Director	Male	April 1953	Since July 2013	25.2	4.8
ZHOU Zhonghui	Independent Non-Executive Director	Male	August 1947	Since July 2013	25.2	4.8
GAO Shanwen	Independent Non-Executive Director	Male	September 1971	Since August 2014	25.2	4.8
DAI Zhihao	Chairman of the Board of Supervisors, Shareholder Representative Supervisor	Male	June 1963	Since July 2013	21.0	4.0
ZHANG Xinmei	Shareholder Representative Supervisor	Female	November 1959	Since December 2015	21.0	4.0
LIN Lichun	Shareholder Representative Supervisor	Female	August 1970	Since June 2007	21.0	4.0
YUAN Songwen	Employee Representative Supervisor	Male	October 1967	Since July 2013	78.3	30.3
HE Qing	Vice President	Male	February 1972	Since May 2016	56.1	15.7
PAN Yanhong	Vice President and CFO	Female	August 1969	Since December 2013	80.0	27.6

Name	Position	Gender	Date of birth	Term of office	Total Remuneration from the Company (Post-tax)	Aggregate Income Tax
CAO Zenghe	Vice President	Male	September 1954	May 2012 - December 2016	185.0	114.0
	Chief HR Officer			Since January 2017		
YANG Xiaoling	Chief Digital Officer	Male	October 1958	Since January 2017	-	-
CHEN Wei	Chief Internal Auditor	Male	April 1967	Since September 2011	144.3	85.2
YU Bin	Assistant President	Male	August 1969	Since May 2012	134.6	84.1
ZHANG Yuanhan	Chief Actuary	Male	November 1967	Since January 2013	320.1	120.9
MA Xin	Board Secretary	Male	April 1973	Since July 2015	135.7	78.7
	Joint Company Secretary			Since June 2015		
ZHANG Weidong	Chief Risk & Compliance Officer	Male	October 1970	Since June 2016	76.7	33.2
Departed Directors, Supervisors and Senior Management						
LI Jieqing	Chief Risk & Compliance Officer	Male	November 1968	June 2012 - June 2016	75.1	36.7
Total	-	-	-	-	1726.7	739.8

Notes:

1. 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.

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 and the President 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. ZHENG Anguo received compensation from Fortune SGAM 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 SIG Asset Management Co., Ltd. and Shanghai Guosheng (Group) Co., Ltd., related parties 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. GAO Shanwen received compensation from Essence Securities Co., Ltd., a related party of the Company. Mr. DAI Zhihao received compensation from China Baowu Steel Group Corporation, a related party 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 January 2017, because of retirement, Mr. SONG Junxiang resigned as the Employee Representative Supervisor of the Company. In 2016, the total remuneration Mr. SONG received from the Company (Post-tax) and the aggregate income tax of Mr. SONG were around RMB421,000 and RMB117,000 respectively. In June 2016, due to changes to positions and definitions of their responsibilities of the Company and its subsidiaries, Mr. LI Jieqing no longer served as Chief Risk & Compliance Officer of the Company. In December 2016, because of job change, Mr. CAO Zenghe no longer served as Vice President of the Company. In January 2017, Mr. CAO Zenghe began to serve as Chief HR Officer of the Company. In January 2017, because of job change, Mr. WU Zongmin no longer served as Vice President of the Company. In 2016, the total remuneration Mr. WU received from the Company (Post-tax) and the aggregate income tax of Mr. WU were around RMB800,000 and RMB276,000 respectively, which are subject to further approval from superior institutions.

8. The Company disclosed information regarding part of the compensation of its chairman and president for 2015 in its 2015 Annual Report. The actual approved compensation of the aforementioned personnel is as follows, part of which is subject to deferred payment under applicable rules and regulations:

Unit: RMB 10,000

Name	Position	Total Remuneration from the Company (Post-tax)	Aggregate Income Tax
GAO Guofu	Chairman and Executive Director	86.0	33.6
HUO Lianhong	Executive Director and President	86.2	33.4

(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
GAO Guofu	A share	90,300	-	-	90,300	-
HUO Lianhong	A share	103,100	-	-	103,100	-
PAN Yanhong	A share	80,000	-	-	80,000	-
CHEN Wei	A share	40,000	-	-	40,000	-
YU Bin	A share	3,800	-	-	3,800	-
LI Jieqing	A share	20,000	-	-	20,000	-

(III) Professional background and biographies

1. Directors

Mr. GAO Guofu currently serves as chairman and executive director of the Company, a member of the 12th Session of the Chinese People's Political Consultative Conference (CPPCC) National Committee, a member of the Advisory Council for China of the City of London, a member of the Advisory Committee of China Europe International Business School and a member of the Advisory Committee of Antai College of Economics and Management, Shanghai Jiaotong University. Mr. GAO previously served as general manager of Shanghai Waigaoqiao Free Trade Zone Development (Holding) Company, deputy director of the Administration Committee of Shanghai Waigaoqiao Free Trade Zone, acting president of Shanghai Wanguo Securities Company, general manager of Shanghai Jiushi Corporation, and general manager of Shanghai Urban Construction Investment and Development Corporation. Mr. GAO received postgraduate education and has a doctorate degree.

Mr. HUO Lianhong currently serves as executive director and president of the Company, and is also director of CPIC Life, director of CPIC P/C, director of CPIC AMC, director of CPIC Allianz Health, vice chairman of China Insurance Institute and a member of the Geneva Association. Mr. HUO previously served as chairman of CPIC AMC, chairman of CPIC P/C, deputy general manager and general manager of the Hainan Branch and the Beijing Branch of China Pacific Insurance Company. Prior to that, Mr. HUO was deputy head of the Administration of the Chongqing Branch, and head and deputy manager of the Insurance Department of the Hainan Branch of Bank of Communications. Mr. HUO received university education with a bachelor's degree.

Mr. WANG Jian currently serves as vice chairman & non-executive director of the Company. He is also chairman 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 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 Shanghai State Asset Management Commission. Mr. WANG received postgraduate education and obtained a master's degree, with the designation of Senior Engineer.

Mr. WANG Chengran currently serves as non-executive director of the Company and chairman of Fortune Trust Co., Ltd. Mr. WANG is also chairman of New China Asset Management Co., Ltd., director of Bohai Banking Co., Ltd., director of Sailing Capital International (Shanghai) Co., Ltd. and chairman of the Supervisory Board of Sailing Capital Co., Ltd., chairman of the Supervisory Board of New China Life Insurance Company Ltd. (SSE stock code: 601336, SEHK stock code: 1336), a company listed in both Shanghai and Hong Kong stock exchanges. He is also director of Baosteel Group Finance Co., Ltd., director of China Trust Protection Fund Co., Ltd., director of Ouyeel Cloud Platform Co., Ltd., director of Shanghai Ouyeel Data Technology Co., Ltd., director of Shanghai Ouyeel Material Technology Co., Ltd., and director of Shanghai Ouyeel Logistics Co., Ltd. Mr. WANG held various positions such as director of the Asset Operation Office of the Planning and Finance Department and head of the Asset Operation Department of Shanghai Baosteel Group Corporation, business director and head of the Asset Operation Department of Baosteel Group Corporation, chairman of Fortune Investment Co., Ltd., head of the Audit Department and assistant to general manager of Baosteel Group Corporation, chairman and general manager of Shanghai Ouyeel Financial Information Service Co., Ltd., director of CPIC Life, director of CPIC P/C, director of Hua Tai Insurance Group Co., Ltd., director of SSE listed China State Shipbuilding Co., Ltd. (Stock code: 600150), director of SSE listed Shanghai Baosight Software Co., Ltd. (Stock code: 600845) and director of New China Life Insurance Company Ltd., a company listed in both Shanghai and Hong Kong. Mr. WANG received university education with a bachelor's degree.

Ms. SUN Xiaoning currently serves as non-executive director of the Company and general manager of The Government of Singapore Investment Consulting (Beijing) Co., Ltd. & co-head of The Government of Singapore Investment North Asia Investment. Ms. SUN is also a non-executive director of Taikang Insurance (Group) Co. Ltd. Prior to that, 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 the 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 the SSE and the SEHK, director of Shanghai Chengyi Renewable Energy Venture Capital Co., Ltd., director of Chengdu Xinshen Venture Capital Co., Ltd., Shanghai Jiulian (Group) Co., Ltd., supervisor of Shanghai Chengyi Investment Management Co., Ltd., supervisor of Everbright Banking Co., Ltd. (SSE stock code: 601818, SEHK stock code: 06818), a company listed in both Shanghai and Hong Kong 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 the supervisor of Shanghai Pharmaceuticals Holding Co., Ltd. (SSE stock code: 601607, SEHK stock code: 02607), a company listed on the SSE and on the SEHK. Mr. WU received postgraduate education and has a master's degree.

Mr. WU Jumin currently serves as non-executive director of the Company. Mr. WU previously served as deputy head of the Organization Section, head of the Education Section and the principal of the Factory-affiliated School, head of the Cadre Section, and deputy head and head of the Personnel and Educational Department of Shanghai Tobacco Factory. He also served as deputy general manager of Shanghai Gaoyang International Tobacco Co., Ltd., deputy general manager and general manager of Shanghai Tobacco Factory and deputy general manager of Shanghai Tobacco (Group) Corporation, which was renamed as Shanghai Tobacco (Group) Co., Ltd. and counsel and director of Shanghai Tobacco (Group) Corporation. Mr. WU received postgraduate education.

Mr. ZHENG Anguo currently serves as non-executive director of the Company, director of CPIC Life, director of CPIC P/C, and chairman of Fortune SGAM Fund Management Co., Ltd., a member of the standing committee of Shanghai's CPPCC. Mr. ZHENG held various positions in the securities sector, including manager of the Issuance Department and the Investment Department of the Shenzhen Branch of Nanfang Securities Co., Ltd., assistant to general manager of the Investment Banking Department of Nanfang Securities Co., Ltd., deputy general manager of the Shanghai Branch and deputy head of the Research Office of Nanfang Securities Co., Ltd., vice president, president and chairman of Fortune Trust Co., Ltd. and general manager of Fortune Investment Co., Ltd. Mr. ZHENG received graduate education and has a doctorate degree.

Ms. HA Erman currently serves as non-executive director of the Company, vice president of Shanghai Guosheng (Group) Co., Ltd., and supervisor of Shanghai Life Insurance Co., Ltd. She formerly worked as chairman of SIG Asset Management Co., Ltd., director of Shanghai Jinqiao Export Processing Zone Development Co., Ltd., and supervisor of Shenergy (Group) Co., Ltd.(Stock code: 600642), a company listed on SSE., chairman of Shanghai Qiaohe Properties Co., Ltd., Shanghai Guorong & Xinmin Properties Co., Ltd., deputy general manager of Sofitel Shanghai Hyland Hotel Co., Ltd., vice-chairman of Shanghai Jianguo Hotel Co., Ltd., and director of Beijing Kunlun Hotel Co., Ltd., vice chairman of Guotai & Junan Investment Management Co., Ltd., vice chairman of Shanghai State-owned Asset Operation Co., Ltd. and a civil servant in various positions such as vice director of the Commerce Committee, Xuhui District, Shanghai, director of the Food Bureau, Xuhui District, deputy director of Hunan Jiedao branch, Xuhui District, head of the Administration and Legal Department, Foreign Trade and Economics Committee, Xuhui District and vice head of the Trade Administration Department (Legal Department), Foreign Trade and Economics Committee, Xuhui District. Ms. HA has a master's degree.

Mr. BAI Wei currently serves as independent non-executive director of the Company and partner and lawyer at Jingtian & Gongcheng. Mr. BAI is also independent non-executive director of Ningxia Orient Tantalum Industry Co., Ltd. (Stock code: 000962), a company listed on the Shenzhen Stock Exchange. 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). 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 (the SEHK Listing) Committee, convener of the financial report review committee of HK Financial Reporting Council, Dual Filing Advisory Group of the Hong Kong Securities and Futures Commission, 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 the SEHK. In addition, Mr. Lee previously served as the deputy chairman and chairman of the Listing Committee of the SEHK, 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) and a non-executive of The Cross-Harbour (Holdings) Limited (Stock code: 00032), companies listed on the 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 the 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, a 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 independent non-executive director of Juneyao Airlines Co., Ltd. (Stock code: 603885), a company listed on the SSE, independent non-executive director of Shanghai Fudan-zhangjiang Bio-Pharmaceutical Co., Ltd. (Stock code: 01349), a company listed on SEHK and an independent non-executive director of S.F. Holding Co., Ltd. (Stock code: 002352, formerly known as Maanshan Dingtai Rare Earth&New Materials Co., Ltd.), a company listed on Shenzhen Stock Exchange. 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 the CSRC, a member of the International Advisory Committee of the CSRC, a member of the Audit Regulation Committee of Chinese Institution of Certified Public Accountant and independent non-executive director of BesTV New Media Co., Ltd. (Stock code: 600637), a company listed on the SSE. Mr. ZHOU received postgraduate education and 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 Institute of the State Council Development Research Center and the Administration Department of the People's Bank of China. He also served as independent non-executive director of Sunshine Insurance Group. Mr. GAO has a doctorate degree.

2. Supervisors

Mr. DAI Zhihao currently serves as chairman of the Board of Supervisors of the Company, chairman of Baoshan Iron & Steel Co., Ltd., chairman of Bao-Island Enterprise Limited and the Chief Supervisor of Shanghai Association of Listed Companies. Mr. DAI was formerly chairman of Baosteel Resources Co., Ltd., deputy general manager of Baosteel Group Corporation, chairman of Fortune Investment Co., Ltd., assistant to general manager and head of Marketing Department of Baosteel Group Corporation, as well as assistant to general manager and deputy general manager of Baoshan Iron & Steel Co., Ltd., president of Baosteel International Trade Co., Ltd. and general manager of Baoshan Iron & Steel Co., Ltd. Mr. DAI has a master's degree.

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 Industries (Holding) Group Co., Ltd., deputy chief accountant of Shanghai Metallurgical Industries (Holding) Group Co., Ltd., general manager of Finance Department, general manager of Funds Management Department, chief accountant and vice general manager of Shanghai Jiushi (Group) Co., Ltd. Ms. ZHANG also served as director of Shenwan & Hongyuan Securities Co., Ltd. (Stock code: 000166), a company listed in Shenzhen Stock Exchange and director of Shenergy (Group) 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 Co., Ltd. and supervisor of CPIC Life. Ms. LIN holds a master's degree and is a Certified Public Accountant in the PRC.

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 with the Audit Bureau of Putuo District of Shanghai. Mr. YUAN has a master degree.

3. Senior management

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

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

Mr. HE Qing currently serves as the vice president of the Company, director of CPIC P/C, CPIC Life and CPIC AMC. Prior to joining the Company, working for ICBC Shanghai Branch, Mr. HE served as a staff member of the international business department, head of the export unit, and client manager. He also served as assistant manager of the corporate finance department of the Shanghai Branch of Chase Manhattan Bank, 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, and chairman of Shanghai Minhang Shangying Bank Co., Ltd. Mr. HE has a master's degree

Ms. PAN Yanhong currently serves as vice president and CFO of the Company, director of CPIC P/C, CPIC Life, CPIC AMC, CPIC Allianz Health and Changjiang Pension and supervisor of CPIC Online. 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 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, 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 and designation of economist.

Mr. CHEN Wei currently serves as the Chief Internal Auditor 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 degree and is an Associate of the Chartered Insurance Institute (ACII).

Mr. YU Bin is assistant president of the Company and executive director and general manager of CPIC Online. 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 degree.

Mr. ZHANG Yuanhan is the Chief Actuary of the Company 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 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 and general manager of the Strategic Planning Division of the Company. 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 Shan Xi 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 the board secretary of CPIC P/C, CPIC Life and CPIC AMC. Previously, Mr. ZHANG was the general manager of the Legal Compliance Dept. of the Company. Mr. ZHANG holds a university degree.

(IV) Positions in corporate shareholders

Name	Name of corporate shareholders	Position held	Term
WANG Jian	Shenergy (Group) Co., Ltd.	Chairman	Since 2014
WU Junhao	Shenergy (Group) Co., Ltd.	Manager of the Financial Management Department	Since 2009
ZHENG Anguo	Fortune Investment Co., Ltd.	General Manager	2009-2016
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 Chengran	Hwabao Trust Co., Ltd.	Chairman	Since 2015
	New China Life Insurance Company Ltd.	Chairman of the Board of Supervisors	Since 2014
	New China Asset Management Co., Ltd.	Director	Since 2010
	China Bohai Bank	Director	Since 2010
	Sailing Capital Mangement Co., Ltd.	Chairman of the Board of Supervisors	Since 2013
	Sailing Capital International (Shanghai) Co., Ltd.	Director	Since 2013
	Shanghai Ouyeel Financial Information Service Co., Ltd.	Chairman and General Manager	2015-2017
	Baosteel Group Finance Co.,Ltd.	Director	Since 2010
	China Trust Protection Fund Co., Ltd.	Director	Since 2015
	Ouyeel Cloud Platform Co., Ltd.	Director	Since 2015
	Shanghai Ouyeel Data Technology Co., Ltd.	Director	Since 2015
	Shanghai Ouyeel Material Technology Co., Ltd.	Director	Since 2015
	Shanghai Ouyeel Logistics Co., Ltd.	Director	Since 2015
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
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	Since 2012
	Shanghai Shenery Leasing Co., Ltd.	Chairman of the Board of Supervisors	Since 2016
	Shanghai Shenery Chengyi Equity Investment Co., Ltd.	Chairman of the Board of Supervisors	Since 2016
ZHENG Anguo	Fortune SGAM Fund Management Co., Ltd.	Chairman	Since 2003

Name	Name of other entities	Position held	Term
HA Erman	Shanghai Guosheng (Group) Co., Ltd.	Vice President	Since 2016
	Shanghai Jinqiao Export Processing Zone Development Co., Ltd.	Director	Since 2016
	Shenergy (Group) Co., Ltd.	Supervisor	2015-2016
	Shanghai Life Insurance Co., Ltd.	Supervisor	Since 2015
	SIG Asset Management Co., Ltd.	Chairman	2015-2016
	Beijing Kunlun Hotel Co., Ltd.	Director	2015-2016
	Sofitel Shanghai Hyland Hotel Co., Ltd.	Vice Chairman	2015-2016
	Shanghai Qiaohe Properties Co., Ltd.	Chairman	2015-2016
	Shanghai Guorong & Xinmin Properties Co., Ltd.	Chairman	2015-2016
	Shanghai Jianguo Hotel Co., Ltd.	Vice Chairman	2015-2016
BAI Wei	Jingtian & Gongcheng	Partner & Solicitor	Since 1992
	Ning Xia Orient Tantalum Co., Ltd.	Independent Non-executive Director	Since 2011
	Hua Tai Securities Co., Ltd.	Independent Non-executive Director	2010-2016
LEE Ka Sze, Carmelo	Woo, Kwan, Lee & Lo	Senior Partner Solicitor	Since 1998
	Securities and Futures Commission (Listed on SEHK)	Member	Since 2012
	HKICPA Disciplinary Council	Member	2009-2017
	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
	Termbray Industries International (Holdings) Limited	Non-executive Director	Since 2004
	Y. T. Realty Group Limited	Non-executive Director	2004-2016
	Safety Godown Company 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
ZHOU Zhonghui	Juneyao Airlines Co., Ltd.	Independent Non-executive Director	Since 2011
	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	Independent Non-executive Director	Since 2013
	S. F. Holding Co., Ltd.	Independent Non-executive Director	Since 2017
GAO Shanwen	Essence Securities Co., Ltd.	Chief Economist	Since 2007

Name	Name of other entities	Position held	Term
DAI Zhihao	Baoshan Iron & Steel Co.	General Manager	2013-2017
	Baoshan Iron & Steel Co.	Chairman	Since 2017
	Baosteel Resources Co., Ltd.	Chairman	2008-2016
	Bao-Island Enterprise Limited	Chairman	Since 2008
ZHANG Xinmei	Haitong Securities Co., Ltd.	Director	Since 2014
	Shenwan Hongyuan Group Co., Ltd.	Director	2015-2016
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 31 December 2016, a total of 97,032 employees, including those from CPIC Group, CPIC Life, CPIC P/C, CPIC AMC, CPIC Online, CPIC Allianz Health, CPIC AII, Changjiang Pension and Anxin Agricultural, have signed employment contracts with the Company. Their expertise and educational background are set out below:

(I) Expertise

Expertise	Number	Percentage
Management	5,150	5.31%
Professional	54,451	56.12%
Marketing	37,431	38.58%
Total	97,032	100.0%

(II) Education background

Education Background	Number	Percentage
Master's Degree or Above	3,436	3.54%
Bachelor's Degree	44,434	45.79%
Other	49,162	50.67%
Total	97,032	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 2016, 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. During the reporting period, the Company focused on guidance on corporate governance to Anxin Agricultural (newly included in the consolidated account), putting it under strategic management under the Group's integrated management system.

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 the highest authority of the Company, 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

The SGM is the highest authority of the Company, composed of all shareholders. 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, dismissal or termination of appointment of the accountant of the Company, 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 70 (3) of the Articles of Association and Article 6 (3) 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 Article 67(12) 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 annual report.

In 2016, the Company held one shareholders' annual general meeting. The 2015 shareholders' annual general meeting was held in Shenzhen on 17 June 2016, which considered and approved the Resolution regarding the Report of Board of Directors of China Pacific Insurance (Group) Co., Ltd. for the year 2015, etc. Details of the resolutions were set out in the announcements published on the websites of the SEHK and the Company. Mr. GAO Guofu, chairman of the Board of Directors, presided at the meeting. Mr. HUO Lianhong, director and president, directors, Mr. WANG Chengran, Ms. SUN Xiaoning, Mr. ZHENG Anguo, independent directors, Mr. BAI Wei, Mr.LEE Ka Sze, Carmelo, Mr. LAM Chi Kuen, Mr. ZHOU Zhonghui and Mr. GAO Shanwen, and supervisors Ms. ZHANG Xinmei, Ms. LIN Chunli, and Mr. YUAN Songwen attended the meeting. The notification, convening, and proceeding of the meeting 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

The 7th 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, appoint or remove the president and secretary of the Board of Directors and, based on the recommendations of the president, to appoint or remove such senior officers as vice presidents or Chief Financial Officers, to decide on their remuneration 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. GAO Guofu and Mr. HUO Lianhong 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 2016, the Board of Directors held 6 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					
GAO Guofu	6	6	0	0	
HUO Lianhong	6	6	0	0	
Non-executive Directors					
WANG Jian	6	4	2	0	Unable to attend the 12th, 13th session of the 7th Board of Directors for work reasons and WU Junhao, director, was appointed to attend and vote at the meetings on his behalf.
WANG Chengran	6	5	1	0	Unable to attend the 15th session of the 7th Board of Directors for work reasons and ZHENG Anguo,director, was appointed to attend and vote at the meeting on his behalf.
SUN Xiaoning	6	6	0	0	
WU Junhao	6	6	0	0	
WU Jumin	6	3	3	0	Unable to attend the 12th, 14th, 15th session of the 7th Board of Directors for work reasons and HUO Lianhong, director, was appointed to attend and vote at the meetings on his behalf.
ZHENG Anguo	6	6	0	0	
HA Erman	6	5	1	0	Unable to attend the 14th session of the 7th Board of Directors for work reasons and GAO Guofu, director, was appointed to attend and vote at the meeting on her behalf.
Independent Non-executive Directors					
BAI Wei	6	6	0	0	
LEE Ka Sze, Carmelo	6	6	0	0	
LAM Chi Kuen	6	6	0	0	
ZHOU Zhonghui	6	6	0	0	
GAO Shanwen	6	6	0	0	

2. Board meetings and resolutions

The Board of Directors held 6 meetings in 2016 (for details please refer to the announcements published on the websites of SEHK and the Company):

> (1) On 25 March 2016, the Company held the 12th meeting 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 2015 were considered and approved.

> (2) On 29 April 2016, the Company held the 13th session of the 7th Board of Directors in Nanchang, at which resolutions including The Resolution in Relation to the First Quarter Report for 2016 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

> (3) On 25 July 2016, the Company held the 1st extraordinary session of the 7th Board of Directors by communications in2016 at which resolutions including The Resolution in Relation to the Capital Injection of China Pacific Insurance (Group) Co., Ltd. into Pacific Asset Management Co., Ltd. were considered and approved.

> (4) On 26 August 2016, the Company held the 14th session of the 7th Board of Directors in Shanghai, at which resolutions including The Resolution in Relation to A Share Interim Report 2016 and its Abstract of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

> (5) On 28 October 2016, the Company held the 15th session of the 7th Board of Directors in Shanghai, at which resolutions including The Resolution on the Third Quarter Report for 2016 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

> (6) On 28 December 2016, the Company held the 2nd extraordinary session of the 7th Board of Directors by communications, at which resolution including The Resolution on Internal Control Work Plan for 2017 of China Pacific Insurance (Group) Co., Ltd. was considered and approved.

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

In 2016, all the Company's board members conscientiously implemented the resolutions passed by the SGM including those on profit distribution for 2015 and the engagement of auditors for 2016, 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 RMB1.00 per share (including tax) in accordance with the Resolution on Profit Distribution Plan for the year 2015 approved at the 2015 shareholders' annual general meeting. The implementation of this distribution plan was completed in August 2016.

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 2016, 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. The Board of Directors revised corporate governance policies such as the Working Rules for the Risk Management Committee, and the Working Rules for the Audit Committee, etc., adding the relevant above-said content into them. The Board has completed the annual review of the effectiveness of the Company's risk management and internal control systems as of December 31, 2016 (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 Company's risk management and internal control, insider trading details, please see 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; 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 2016, the Strategic and Investment Decision-Making Committee held 5 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
GAO Guofu (committee chairman)	Chairman and Executive Director	5	5	0	0
WANG Jian	Vice-Chairman and Non-Executive Director	5	5	0	0
WANG Chengran	Non-Executive Director	5	5	0	0
SUN Xiaoning	Non-Executive Director	5	5	0	0
GAO Shanwen	Independent Non-Executive Director	5	5	0	0

(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 2016, the Audit Committee held 7 meetings and reviewed, among other things, the Company's 2015 annual report, the interim report and quarterly reports for 2016, 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
LAM Chi Kuen	Independent Non-Executive Director	7	7	0	0
WU Junhao	Non-Executive Director	7	7	0	0

The Audit Committee discussed with the external auditors and agreed on the schedule for the auditing of the Company's financial statements for 2016 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 2016, the Audit Committee submitted a report on the overview of auditing by external auditors for the year 2015 to the Board of Directors. In this report, it expressed satisfaction with the overall performance of the auditors. At its 2nd meeting in 2016, 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 2016, the Nomination and Remuneration Committee held 3 meetings to review the performance evaluation results of the Company for 2015 and performance appraisal plan of the senior management for 2016 and the appointment and removal of members of the senior management. 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
GAO Shanwen (chairman)	Independent Non-Executive Director	3	3	0	0
SUN Xiaoning	Non-Executive Director	3	3	0	0
ZHENG Anguo	Non-Executive Director	3	3	0	0
BAI Wei	Independent Non-Executive Director	3	3	0	0
LEE Ka Sze, Carmelo	Independent Non-Executive Director	3	3	0	0

(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; and conduct research on important findings of risk management issues.

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 2016, the Risk Management Committee held 5 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
LAM Chi Kuen (chairman)	Independent Non-Executive Director	5	5	0	0
HUO Lianhong	Independent Non-Executive Director, president	5	5	0	0
WU Jumin	Non-Executive Director	5	5	0	0
HA Erman	Non-Executive Director	5	5	0	0

(III) Supervisors and the Board of Supervisors

As at 31 December 2016, the Company had 5 supervisors, including 3 shareholder representative supervisors and 2 employee representative supervisors (their biographies are set out in the section “Directors, Supervisors, Senior Management and Employees” of this annual report). The number and composition of the members of the Board of Supervisors are in compliance with the applicable regulations and the Articles of Association.

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 2016, the Board of Supervisors held 4 meetings. Their attendance is as follows:

Name of Supervisors	No. of meetings convened	Attendance in person	Attendance by proxy	Absence	Remarks
DAI Zhihao	4	4	0	0	
LIN Lichun	4	4	0	0	
SONG Junxiang	4	0	4	0	Unable to attend the 12th, 13th, 14th and 15th session of the 7th Board of Supervisors for work reasons and appointed YUAN Songwen, supervisor, to attend and vote on his behalf.
YUAN Songwen	4	4	0	0	
ZHANG Xinmei	4	3	1	0	Unable to attend the 14th session of the 7th Board of Supervisors for work reasons and appointed DAI Zhihao, supervisor, to attend and vote on his behalf.

2. Meetings of the Board of Supervisors and resolutions

The Board of Supervisors held 4 meetings in 2016 (please refer to announcements published on the websites of the SEHK and the Company for details).

> (1) On 25 March 2016, the Company held the 12th 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 2015 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

> (2) On 29 April 2016, the Company held the 13th session of the 7th Board of Supervisors in Nanchang, at which resolutions including The Resolution in Relation to the First Quarter Report for 2016 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

> (3) On 26 August 2016, the Company held the 14th session of the 7th Board of Supervisors in Shanghai, at which resolutions including The Resolution on the A Share Interim Report for 2016 and its Abstract of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

> (4) On 28 October 2016, the Company held the 15th meeting of the 7th Board of Supervisors in Shanghai, at which resolutions including The Resolution Regarding the Third Quarter Report for 2016 of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

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

In 2016, 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: optimize business mix and strengthen business quality control to improve combined ratio and realize underwriting profitability for P/C business; expand new channels for automobile insurance to increase their sales contribution; strengthen investment performance attribution analysis, enhance entrustor's capability for asset allocation and selecting and managing asset managers; and develop a problem-oriented culture among the management.

The Company also organized a field study for its directors and supervisors at CPIC P/C Jiangxi branch and CPIC Life Jiangxi branch in 2016, during which they heard the branches' reports on transformation, watched demonstration of how new technologies were applied to front-line transformation, and visited the stores jointly set up by CPIC P/C Jiangxi branch and CPIC Life Jiangxi branch. In addition, some directors also participated in the annual audit meetings of the branches, and conducted field research on some functional departments, 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, SEHK, CIRC and CSRB Shanghai. In 2016, directors Wang Jian, LEE Ka Sze, Carmelo, supervisor ZHANG Xinmei attended a training program for newly appointed directors, supervisors and senior managers by CIRC. Directors ZHONG Zhonghui, GAO Shanwen attended the 2nd Follow-up Training Program for Independent Directors for 2016 organized by the SSE. YUAN Songwen attended the 2nd Training Program in 2016 for Directors and Supervisors of Listed Companies in Shanghai organized by CSRB Shanghai. In addition, all the Company's directors and supervisors participated in the on-line study held by CIRC, and by other means, carefully studied the latest laws, regulations and regulatory rules released from time to time by regulators, which helped with their performance of duties.

The Company also encouraged all its directors and supervisors to attend 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 annual 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 investors' 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 2016, the Company held its Interim/Annual Earnings Announcements followed by a global road-show, hosted over 90 visits from analysts and investors, held an Investors' Day on the achievements of the Company's strategic transformation, attended a total of 13 global investors' strategy meetings, forums and summits, and effectively communicated the Company's business performance and strategies. Besides, it employed diverse means of communications with investors/analysts including official WeChat account, WeChat version of regular reports, the E-communication platform of the SSE and Investors Newsletters. These initiatives were well received by the capital market, and in 2016 the Company won numerous IR program awards organized by medias like the magazine the Asset, Institutional Investors, Ta Kung Pao, and the Capital, etc.

(IX) Information disclosure and inside information management

Regarding information disclosure, the Company strictly abides by the principle "truthfulness, accuracy, completeness, timeliness and fairness" and focuses on investor's needs to further improve the relevance, effectiveness and transparency of information disclosure and fully ensure the investors' rights 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 communicate its major business development strategies and results to investors in a comprehensive and timely manner. The Company was rated A by the SSE for its information disclosure in 2015. At the same time, during the reporting period, based on 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 an insider information management system, covering: scope of inside information, insider information source management, insider 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 insider 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 2016, Mr. MA and Dr. Ngai have attended relevant professional trainings for not less than 15 hours respectively.

2

Independent non-executive directors

The Company's 7th 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 2016, 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, appointment of senior management and remuneration policy for and the performance appraisal of senior management.

(I) Attendance of independent non-executive directors at board meetings

In 2016, the Company's independent non-executive directors actively attended the meetings of the Board of Directors, details of which are as follows:

Names of independent non-executive directors	No. of board meetings convened	Attendance in person	Attendance by proxy	Absence
BAI Wei	1	1	0	0
LEE Ka Sze, Carmelo	1	1	0	0
LAM Chi Kuen	1	1	0	0
ZHOU Zhonghui	1	1	0	0
GAO Shanwen	1	1	0	0

(II) Attendance by independent non-executive directors of the SGM

In 2016, independent non-executive directors actively attended the SGM and the attendance of each of the independent non-executive directors is as follows:

Names of independent non-executive directors	No. of SGMs convened	Attendance in person	Attendance by proxy	Absence
BAI Wei	6	6	0	0
LEE Ka Sze, Carmelo	6	6	0	0
LAM Chi Kuen	6	6	0	0
ZHOU Zhonghui	6	6	0	0
GAO Shanwen	6	6	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.

5

Risk management of the Company

Risk management is one of the core elements of the Company's operation and management. The Company has an integrated risk management framework covering the Group as a whole to identify, assess and control the risks in its operation and management to ensure better business decision making and prudent operation.

The Board of Directors shoulders the ultimate responsibility of the Company's risk management and the oversight of the effectiveness of the Company's risk management system. The Board has a Risk Management Committee, 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. 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.

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.

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. Other functional departments and branches also 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 takes an centralized approach to risk management - set up one overarching risk management system 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.

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. 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 has established an early warning system to monitor the Group's major risks, complemented by crisis management mechanism and contingency plans. All CPIC subsidiaries also develop, regularly review, add to or replace contingency plans for various emergencies, and perform contingency drills to enhance their capability to prevent and tackle emergencies.

In 2016, in compliance with C-ROSS, the Company further improved its risk management regulations and policies, improved Group-oriented management, and strengthened control and management of key risks. It also defined its overall Risk Appetite Framework under C-ROSS, set up the Risk Functional Limits, and revised the 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 2016. Efforts were intensified in the analysis of macro-economic trends, regulatory and market changes, with a focus on managing the surrender and payout risk of life business, deterioration of underwriting profitability for P/C business, market risk, credit risk and the risk of operation. The Company also made progress in the optimization of ALM and the development of IT systems, and has strengthened its ALM capabilities. In response to CIRC's call for "enhancing internal control, strengthening external supervision, curbing irregularities and crimes", 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 2016, the Company was exposed to various risks, including insurance risk, market risk, credit risk, liquidity risk, operational risk, strategy risk, operational risk, reputational risk and compliance risk of solvency adequacy. In addition, the Company faced unique risks at the Group level, such as risk contagion, risk of opaque organizational structure, concentration risk, and non-insurance risks. In response, the Company has established a strict firewall mechanism for fund management, business operation, information system management and personnel. With clear ownership structures, CPIC subsidiaries have put in place concentration management strategies and monitoring mechanisms for transaction counterparties, insurance business, non-insurance business and investment assets. By focusing on developing insurance business with only modest growth of non-insurance, the Company managed to keep its Group-level risks under effective control.

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

6

Internal control

The Company has always been committed to improving its internal control 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 analyzing and 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.

To further improve internal control and its implementation, the Company formulated the "China Pacific Insurance (Group) Co., Ltd.

Policies on Internal Control (Provisional)", and fine-tuned the "Three lines of defense for internal control" model with well-defined roles and responsibilities for each line. In 2016, the requirements for internal control include: preventing the breaching of risk limits and occurrence of major risk incidents, tightening internal control standards, and strictly enforcing accountability. By focusing on risk identification and prevention and process optimization, internal control played a big role in safeguarding the Company's transformation. Guided by regulatory policies, the Company set its priority on the whole-process management of internal control, with a focus on managing key risks, preventing new risks, and enhancing market-oriented self-discipline management. Focusing on implementation, the Company broke down the basic requirements for internal control and compliance listed in the Internal Control Manual to each business line, organization, department and position of the Company, and encouraged everyone to possess the knowledge and know-how to meet those requirements and prevent compliance risk pro-actively. Continuing with the annual self-inspection for internal control, the Company paid great attention to optimization and rectification, and improved its internal control through the identification, assessment, response and monitoring of internal control risks. In 2016, with comfortable levels of internal control risks, the Company achieved sophisticated and effective internal control and saw continuous improvement in its execution. No major deficiencies of the Company's internal control were found in 2016.

In 2017, under the principle "focus on value, innovate provision, improve service, and strengthen risk control", the Company will set its priority on executing corporate strategy and boosting value growth while maintaining compliant and orderly business operation. To this end, it will launch the "Three alignments" initiative, and put in place the "Digital CPIC" internal control measures to rectify the systems which cause deficiencies and strengthen various lines of defense for internal control. The first is the alignment between internal control measures and the Company's corporate strategy. To better standardize and institutionalize internal control, relevant internal control measures should be put in place in response to the structural adjustments, process and business changes brought by the Company's "Digitization" strategy, as well as the regulatory and internal control requirements associated with the business transformation. Secondly, internal control rules should be aligned with regulatory requirements. The Company will set up a mechanism to track how external regulatory policies are implemented internally through regular reviews and assessments. On top of that, the internal control management process can be dynamically updated and upgraded to better meet the business development needs. The third alignment is between internal control tools and technology innovation. As per the regulatory requirements under C-ROSS, the Company will continue to improve the self-inspection method and tools for internal control, strengthen the daily operation mechanism for self-inspection, and optimize system functionality, so as to boost the efficiency and quality of self-inspection. Focusing on high risk deficiencies, the Company tightened the review on the effectiveness of risk deficiencies rectification to prevent repeated occurrence of high risk deficiencies in key areas and enhance the Company's internal control capability at the Group level under centralized 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: the Company has set up an audit center, an independent department responsible for the Group's internal audit and internal audit projects mandated by subsidiaries. Secondly, the Board chairman is in charge of the Company's internal audit, performed under the guidance and supervision of the Audit Committee of the Board. After review by the Audit Committee, the annual plan, HR plan, financial budget and basic policies of internal audit are subject to the Board's approval before implementation. Performance review for Internal Audit is independent and done by the Group Chairman, Chairman of the Supervisory Board, Chairman of the Audit Committee and the Company's president. The Internal Audit Responsible Person reports to the Board of Directors 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 2016 (the baseline date for internal control assessment report).

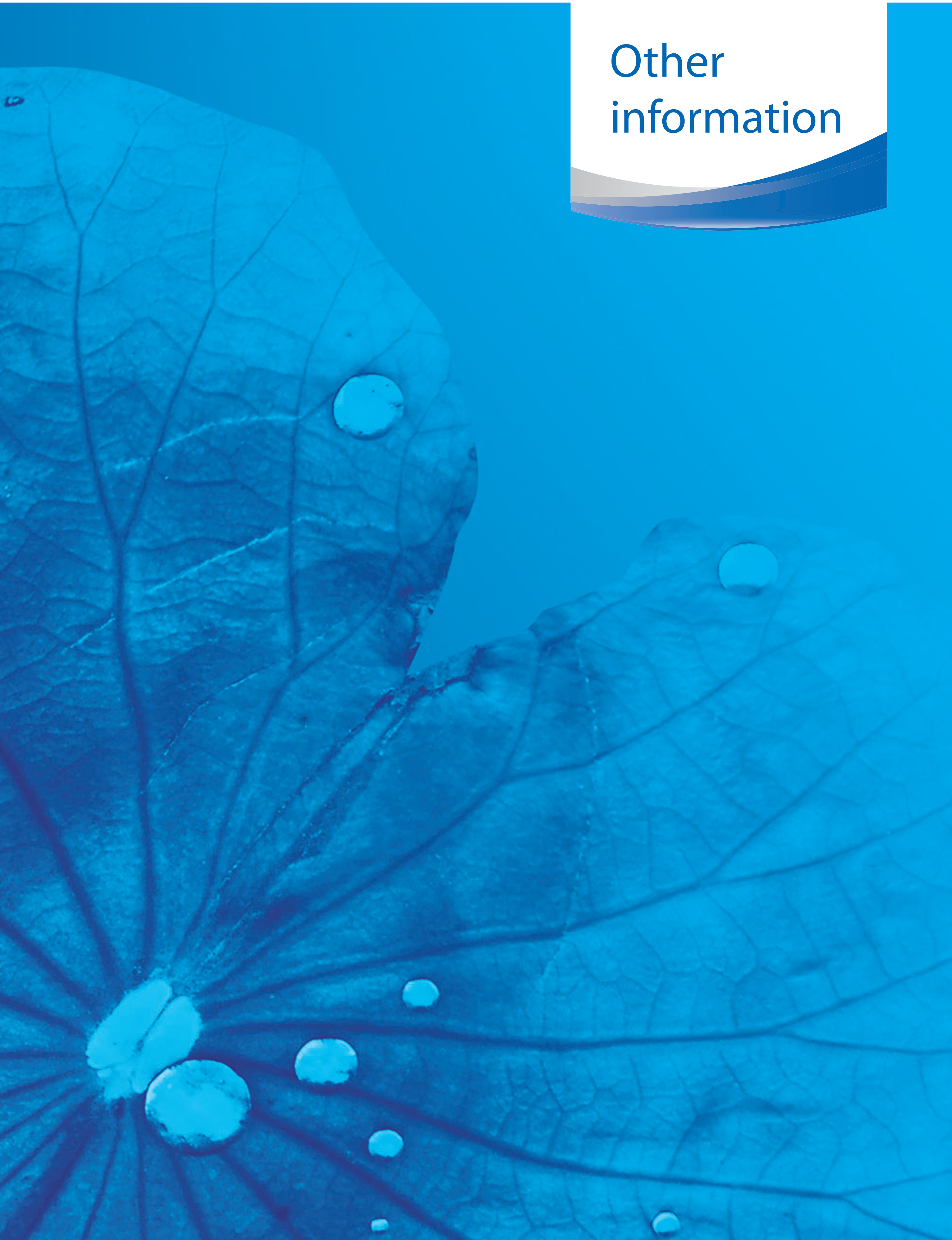
Based on the conclusions relating to the major deficiencies of the Company's internal control for financial reporting, on the baseline date there were no such deficiencies. The Board of Directors believes that the Company maintained effective internal control for financial reporting in all major aspects.

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 2016 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.

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: GAO Guofu

Board Secretary and Joint Company Secretary: MA Xin

Securities Representative: PAN Feng

Contact for Shareholder Inquiries:
Investor Relations Dept. of the Company

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South Tower, Bank of Communications Financial Building, 190 Central Yincheng Road, Pudong New District, Shanghai, PRC

Postal Code: 200120

Place of Business in Hong Kong:
Suite 4301, 43/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong

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.
"New Guo Shi Tiao"	Several Opinions of the State Council on Accelerating the Development of the Modern Insurance Service Industry
"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

The consolidated financial statements of China Pacific Insurance (Group) Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 5 to 102, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- 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 2016, 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 616 billion as at 31 December 2016, 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 challenged 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 included non-life insurance contract liabilities stated at RMB 37 billion at 31 December 2016, 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 19 billion as at 31 December 2016, representing 2% 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 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	2016	2015
Gross written premiums	6(a)	234,018	203,305
Less: Premiums ceded to reinsurers	6(b)	(13,649)	(13,405)
Net written premiums	6	220,369	189,900
Net change in unearned premium reserves		(796)	(524)
Net premiums earned		219,573	189,376
Investment income	7	43,879	55,287
Other operating income		2,629	2,300
Other income		46,508	57,587
Total income		266,081	246,963
Net policyholders' benefits and claims:			
Life insurance death and other benefits paid	8	(40,779)	(49,490)
Claims incurred	8	(56,102)	(56,734)
Changes in long-term life insurance contract liabilities	8	(71,178)	(46,623)
Policyholder dividends	8	(7,735)	(7,054)
Finance costs	9	(2,444)	(2,640)
Interest credited to investment contracts		(1,803)	(1,436)
Other operating and administrative expenses		(69,973)	(58,710)
Total benefits, claims and expenses		(250,014)	(222,687)
Share of profit in equity accounted investees		18	35
Profit before tax	10	16,085	24,311
Income tax	14	(3,801)	(6,273)
Net profit for the year		12,284	18,038
Attributable to:			
Equity holders of the parent		12,057	17,728
Non-controlling interests		227	310
		12,284	18,038
Basic earnings per share	15	RMB1.33	RMB1.96
Diluted earnings per share	15	RMB1.33	RMB1.96

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

(All amounts expressed in RMB million unless otherwise specified)

Group	Note	2016	2015
Net profit for the year		12,284	18,038
Other comprehensive (loss)/income			
Exchange differences on translation of foreign operations	16	32	23
Available-for-sale financial assets	16	(6,253)	4,070
Income tax relating to available-for-sale financial assets	16	1,566	(1,036)
Share of other comprehensive (loss)/income in equity accounted investees	16	(19)	9
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		(4,674)	3,066
Other comprehensive (loss)/income for the year	16	(4,674)	3,066
Total comprehensive income for the year		7,610	21,104
Attributable to:			
Equity holders of the parent		7,490	20,736
Non-controlling interests		120	368
		7,610	21,104

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

CONSOLIDATED BALANCE SHEET

31 December 2016

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	31 December 2016	31 December 2015
ASSETS			
Goodwill	17	962	962
Property and equipment	18	16,664	14,254
Investment properties	19	8,657	6,344
Other intangible assets	20	1,172	1,048
Prepaid land lease payments	21	56	57
Interests in associates	22	115	306
Investment in joint ventures	23	36	18
Held-to-maturity financial assets	24	304,874	310,343
Investments classified as loans and receivables	25	139,634	93,033
Restricted statutory deposits	26	6,078	5,938
Term deposits	27	132,226	154,398
Available-for-sale financial assets	28	258,711	218,062
Financial assets at fair value through profit or loss	29	27,204	22,251
Securities purchased under agreements to resell	30	21,138	14,691
Policy loans		27,844	19,610
Interest receivables	31	17,003	15,764
Reinsurance assets	32	20,141	18,257
Deferred income tax assets	33	1,382	80
Insurance receivables	34	12,267	8,091
Other assets	35	9,269	10,835
Cash and short-term time deposits	36	15,259	9,501
Total assets		1,020,692	923,843

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

CONSOLIDATED BALANCE SHEET (continued)
31 December 2016

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	31 December 2016	31 December 2015
EQUITY AND LIABILITIES			
Equity			
Issued capital	37	9,062	9,062
Reserves	38	83,930	86,546
Retained profits	38	38,772	37,728
Equity attributable to equity holders of the parent		131,764	133,336
Non-controlling interests		2,999	2,346
Total equity		134,763	135,682
Liabilities			
Insurance contract liabilities	39	693,826	621,079
Investment contract liabilities	40	48,796	40,033
Policyholders' deposits		75	75
Subordinated debts	41	11,498	19,497
Securities sold under agreements to repurchase	42	39,104	28,981
Deferred income tax liabilities	33	937	2,499
Income tax payable		3,145	2,974
Premium received in advance		22,326	17,265
Policyholder dividend payable		21,735	19,014
Payables to reinsurers		5,775	3,396
Other liabilities	43	38,712	33,348
Total liabilities		885,929	788,161
Total equity and liabilities		1,020,692	923,843

GAO Guofu
Director

HUO Lianhong
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 2016

(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 income in equity accounted 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 RMB9,062million (RMB1.00 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 2016

(All amounts expressed in RMB million unless otherwise specified)

Group	2015										
	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 income in equity accounted investees	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2015	9,062	66,742	3,574	5,539	5,573	(63)	10	26,694	117,131	2,064	119,195
Total comprehensive income	-	-	-	-	2,976	23	9	17,728	20,736	368	21,104
Dividend declared [1]	-	-	-	-	-	-	-	(4,531)	(4,531)	-	(4,531)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(86)	(86)
Appropriations to general reserves	-	-	-	1,566	-	-	-	(1,566)	-	-	-
Appropriations to surplus reserves	-	-	597	-	-	-	-	(597)	-	-	-
At 31 December 2015	9,062	66,742	4,171	7,105	8,549	(40)	19	37,728	133,336	2,346	135,682

1 *Dividend declared represents the final dividend on ordinary shares declared for the year ended 31 December 2014, amounting to RMB4,531 million (RMB0.50 per share).*

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

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2016

(All amounts expressed in RMB million unless otherwise specified)

Group	Note	2016	2015
OPERATING ACTIVITIES			
Cash generated from operating activities	49	68,038	45,922
Income tax paid		(4,900)	(5,027)
Net cash inflow from operating activities		63,138	40,895
INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(6,079)	(3,257)
Proceeds from sale of property and equipment, intangible assets and other assets		57	46
Purchases of investments, net		(83,467)	(73,981)
Acquisition of a subsidiary and other business entities, net		(132)	(27)
Proceeds from sale of a subsidiary and other business entities, net		2	-
Interest received		36,907	35,941
Dividends received from investments		8,627	3,054
Other cash receipts related to investing activities		163	-
Other cash payment related to investing activities		(7)	(330)
Net cash outflow from investing activities		(43,929)	(38,554)
FINANCING ACTIVITIES			
Securities sold under agreements to repurchase, net		10,123	2,073
Repayment of borrowings		(8,002)	(187)
Interest paid		(1,859)	(2,111)
Dividends paid		(9,235)	(4,617)
Proceeds from NCI of consolidated structured entities		1,888	12,588
Net cash (outflow)/inflow from financing activities		(7,085)	7,746
Effects of exchange rate changes on cash and cash equivalents		81	63
Net increase in cash and cash equivalents		12,205	10,150
Cash and cash equivalents at beginning of year		24,192	14,042
Cash and cash equivalents at end of year		36,397	24,192
Analysis of balances of cash and cash equivalents			
Cash at banks and on hand		9,717	8,124
Time deposits with original maturity of no more than three months		4,633	439
Other monetary assets		909	938
Investments with original maturity of no more than three months		21,138	14,691
Cash and cash equivalents at end of year		36,397	24,192

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

(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.

HKFRS 11 Amendments	Accounting for acquisitions of interests in joint operations
HKAS 16 and HKAS 38 Amendments	Clarification of acceptable methods of depreciation and amortisation
HKFRS 10 and HKAS 28 Amendments	Sale or contribution of assets between an investor and its associate or joint venture
HKAS 27 Amendments	Equity method in separate financial statements
Annual improvements 2014	Amendments to a number of HKFRSs Issued from the 2012 – 2014 reporting cycle
HKAS 1 Amendments	Disclosure initiative

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:

Amendments to HKAS 12	Income taxes[1]
Amendments to HKAS 7	Statement of cash flows[1]
HKFRS 15	Revenue from contracts with customers[2]
HKFRS 9	Financial instruments[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

None of these HKFRS is expected to have a significant effect on the consolidated financial statements of the Group, except the following 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 currently assessing the impact of HKFRS 9.

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 is currently assessing the impact of HKFRS 15.

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.

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 2016. 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.

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

2.2 Summary of principal accounting policies (continued)

(1) Basis of consolidation (continued)

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.

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.

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

2.2 Summary of principal accounting policies (continued)

(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 productsare 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.

(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.

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

2.2 Summary of principal accounting policies (continued)

(4) Investments in associates and joint ventures (continued)

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.

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.

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

2.2 Summary of principal accounting policies (continued)

(5) Business combinations and goodwill (continued)

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;

(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).

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

2.2 Summary of principal accounting policies (continued)

(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.

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.

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

2.2 Summary of principal accounting policies (continued)

(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.

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.

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

2.2 Summary of principal accounting policies (continued)

(11) Investments and other financial assets (continued)

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.

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.

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

2.2 Summary of principal accounting policies (continued)

(13) Fair value measurement (continued)

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: (i) whether the contract transfers insurance risk; (ii) whether the contract has commercial substance; (iii) 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 brenchmark 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.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

2.2 Summary of principal accounting policies (continued)

(30) Income tax (continued)

- 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.

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 reference to the 750-day moving average bond yield curve, published on the "China Bond" website. A premium is added by considering the liquidity, taxation impacts and other relevant factors. The ranges of discount rates used as at 31 December 2015 and 2016 were from 3.47% to 5.96% and from 3.23% to 5.69%, 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 2015 and 2016 were from 5.10% to 5.20% and from 4.85% 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 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 (2000-2003), adjusted where appropriate to reflect the Group's recent historical mortality experience.

Morbidity assumption is determined based on the Group's products pricing assumptions, analysis of historical morbidity experience and expectations of future developments, etc.

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 2016, 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 2016 by approximately RMB9,292 million and a decrease in profit before tax for 2016 by approximately RMB9,292 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 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 2016, gross written premiums from transactions with the top five external customers amounted to 0.38% (2015: 0.31%) of the Group's total gross written premiums.

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	Sub-total			
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	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
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	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
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)

4. SEGMENT INFORMATION (continued)

Segment income statement for the year ended 31 December 2015

	Life insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Gross written premiums	108,628	94,615	456	(361)	94,710	-	(33)	203,305
Less: Premiums ceded to reinsurers	(1,771)	(11,989)	(43)	365	(11,667)	-	33	(13,405)
Net written premiums	106,857	82,626	413	4	83,043	-	-	189,900
Net change in unearned premium reserves	(263)	(264)	3	-	(261)	-	-	(524)
Net premiums earned	106,594	82,362	416	4	82,782	-	-	189,376
Investment income	43,765	7,096	23	-	7,119	9,755	(5,352)	55,287
Other operating income	1,231	424	10	-	434	2,775	(2,140)	2,300
Other income	44,996	7,520	33	-	7,553	12,530	(7,492)	57,587
Segment income	151,590	89,882	449	4	90,335	12,530	(7,492)	246,963
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(49,490)	-	-	-	-	-	-	(49,490)
Claims incurred	(3,172)	(53,337)	(223)	(2)	(53,562)	-	-	(56,734)
Changes in long-term life insurance contract liabilities	(45,741)	-	-	-	-	-	(882)	(46,623)
Policyholder dividends	(7,054)	-	-	-	-	-	-	(7,054)
Finance costs	(2,235)	(295)	-	-	(295)	(110)	-	(2,640)
Interest credited to investment contracts	(1,436)	-	-	-	-	-	-	(1,436)
Other operating and administrative expenses	(28,149)	(29,247)	(157)	-	(29,404)	(2,930)	1,773	(58,710)
Segment benefits, claims and expenses	(137,277)	(82,879)	(380)	(2)	(83,261)	(3,040)	891	(222,687)
Segment results	14,313	7,003	69	2	7,074	9,490	(6,601)	24,276
Share of profit in equity accounted investees	53	36	-	-	36	(1)	(53)	35
Profit before tax	14,366	7,039	69	2	7,110	9,489	(6,654)	24,311
Income tax	(3,840)	(1,708)	(10)	-	(1,718)	(464)	(251)	(6,273)
Net profit for the year	10,526	5,331	59	2	5,392	9,025	(6,905)	18,038

4. SEGMENT INFORMATION (continued)

Segment balance sheet at 31 December 2015

	Life insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Sub-total			
Investment in associates	-	301	-	-	301	5	-	306
Investment in joint ventures	-	11	-	-	11	7	-	18
Financial assets *	551,184	65,551	384	-	65,935	26,570	-	643,689
Term deposits	129,490	22,662	-	-	22,662	2,246	-	154,398
Others	76,590	36,454	505	(372)	36,587	41,262	(29,007)	125,432
Segment assets	757,264	124,979	889	(372)	125,496	70,090	(29,007)	923,843
Insurance contract liabilities	548,859	72,147	346	(243)	72,250	-	(30)	621,079
Investment contract liabilities	40,033	-	-	-	-	-	-	40,033
Policyholders' deposits	10	65	-	-	65	-	-	75
Subordinated debts	15,500	3,997	-	-	3,997	-	-	19,497
Securities sold under agreements to repurchase	26,000	50	-	-	50	2,931	-	28,981
Others	58,884	15,165	180	(133)	15,212	7,282	(2,882)	78,496
Segment liabilities	689,286	91,424	526	(376)	91,574	10,213	(2,912)	788,161

* *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 2015

	Life insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Sub-total			
Depreciation and amortization	766	680	1	-	681	232	-	1,679
Capital expenditure	1,430	697	1	-	698	835	-	2,963
Impairment loss charges	265	52	-	-	52	3	-	320
Interest income	30,777	4,416	21	-	4,437	1,442	(64)	36,592
Unrealized gains from financial assets at fair value through profit or loss	64	(28)	-	-	(28)	192	(176)	52

5. SCOPE OF CONSOLIDATION

(a) Particulars of the Company's incorporated subsidiaries as at 31 December 2016 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	
China Pacific Life Insurance Co., Ltd. ("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	1,300,000	1,300,000	80.00	19.67	100.00	
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	787,610	787,610	-	50.87	51.75	(1)
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	
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	

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 31 December 2016 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		
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.	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 Insurance Co.,Ltd. ("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	(2)

* *Subsidiaries of City Island.*

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 31 December 2016 are as follows (continued):

(1) On 25 December 2015, CPIC Life signed the share purchase agreement with CPIC Asset Management to acquire 75,500,000 shares of Changjiang Pension by RMB117.025 million. After this transaction, CPIC Life owns 51.75% shares of Changjiang Pension directly which results in the Company holding 50.87% of Changjiang Pensions equity indirectly. On 19 February 2016, the CIRC approved this transaction.

(2) On 7 July 2014, CPIC Property signed the ownership transfer contract with Shanghai International Group and Shanghai State-owned Asset Management Co., Ltd. for transferring 171,669,200 shares of Anxin. After this transaction, the Company has an ownership percentage of 33.83%, which is held indirectly through CPIC Property. This provides CPIC Property for 34.34% of the voting rights in Anxin's. On 11 October 2014, the CIRC officially approved this transaction.

On 28 April 2016, CPIC Property signed a capital increase agreement with Anxin, whereby CPIC Property acquired approximately 193.23 million shares of common stocks at RMB2.06 per share issued by Anxin. After this capital injection, CPIC Property's ownership in Anxin will be 52.13% while the Company will hold 51.35% of Anxin's ownership indirectly through CPIC Property. On 15 August 2016, the CIRC officially approved this capital injection.

The business combination was a step acquisition, the information as at the transaction dates were set out below:

(i) Business combinations not under common control

Acquiree	Transaction date		Purchase cost		Percentage of equity acquired		Acquisition method		Acquisition date	Acquisition date basis	Acquire's revenue from acquisition date to the year ended	Acquire's net profit from acquisition date to the year ended	Acquire's net cash flow from operating activities from acquisition date to the year ended	Acquire's net cash flow from acquisition date to the year ended
Anxin	11 October 2014	15 August 2016	RMB224 million for acquiring 24.52% (diluted) on 11 October 2014	RMB398 million for acquiring 27.60% on 15 August 2016	Acquired 24.52% (diluted) on 11 October 2014	Acquired 27.60% on 15 August 2016	Acquired 24.52% (diluted) by assigning shares on 11 October 2014	Acquired 27.60% by subscribing for new shares on 15 August 2016	1 September 2016	Approved by the CIRC	346	16	(84)	(481)

(ii) Acquisition cost and Goodwill

	Anxin
Acquisition cost	
Cash	398
Fair value of shareholding before acquisition date	362
Less:	
Fair value of net assets acquired by the Group	(769)
Goodwill	(9)

(iii) Profit generated by remeasuring shares held before acquisition date at fair value

	Anxin
Fair value of original shareholding	362
Less:	
Book value of original shareholding	(313)
Profit generated by remesurement	49

The accumulated other comprehensive income of the shares held before acquisition which amounted to RMB20.27 million was transferrd to investment income.

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 31December 2016 are as follows(continued):

(iv) The fair values and carrying amounts of the identifiable assets and liabilities as at the acquisition date are as below:

	Acquisition date	Acquisition date	31 December 2015
	Fair values	**Carrying amounts**	**Carrying amounts**
Property and equipment	238	130	135
Investment properties	146	26	27
Other intangible assets	5	5	6
Restricted statutory deposits	100	100	100
Term deposits	308	308	314
Available-for-sale financial assets	1,010	1,010	1,053
Securities purchased under agreements to sell	-	-	30
Interest receivables	82	82	68
Reinsurance assets	46	46	41
Deferred income tax assets	99	99	74
Insurance receivables	272	272	138
Other assets	71	71	28
Cash and short-term time deposits	561	561	48
Investments classified as loans and receivables	40	40	20
Less:			
Insurance contract liabilities	(1,085)	(1,085)	(916)
Deferred income tax liabilities	(71)	(14)	(13)
Income tax payable	(32)	(32)	(22)
Premium received in advance	(22)	(22)	(27)
Payables to reinsurers	(27)	(27)	(15)
Other liabilities	(266)	(266)	(264)
Net assets	1,475	1,304	825
Less: Non-controlling interests	(706)	14	
Net assets acquired	769		

When determining the fair values of the identifiable assets and liabilities as at the acquisition date, the Group adopted market approach on the building recognised in property and equipment and investment properties, and adopted replacement cost method on the equipments recognised in property and equipment.

Execpt the assests listed above, the fair values of Anxin's net assets approximated their carrying amounts as at the acquisition date.

5. SCOPE OF CONSOLIDATION (continued)

(b) As at 31 December 2016, 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	3,359,640	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 band, 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.
Changjiang Pension Golden Wealth Management No. 6 Assets Management Product	100.00	1,000,000	This product, excluding monetary assets (with percentages no more than 10% of the product's net asset value), shall allocate to Huaxin Trust - Haorui No. 11 Assembled Funds Trust Plan in full amount.
Pacific Excellent Wealth Bond Funds Enhanced	24.68	997,296	Investing in fixed-income assets such as treasury bonds, central bank bills, local government bonds, policy bank bonds, commercial bank bonds, corporate bonds, medium term notes, commercial papers, subordinated debts, hybrid capital bonds, pure debt of warrant bonds, repo, bank deposit and deposit receipt; financial instruments such as asset-backed securities, bond funds and monetary market funds; financial products permitted by regulators such as infrastructure investments, real estate investments and project and asset support plans investments; and other fixed-income securities that permitted by laws and regulations or regulators.
Pacific Excellent Wealth Focus Dividend &Value Equity	99.17	884,733	Investing in financial instruments with strong liquidity including: legally listed domestic stocks (including: stocks listed in SME, GEM and others approved by CSRC), cash management products (including: cash, call deposits, short-term financing bonds, time deposits and certificate of deposits due within 1 year (inclusive), bond repurchase and central bank bill matured within 1 year (inclusive), bonds, asset-backed securities, medium term notes, monetary funds with residual maturity within 397 days (inclusive) and other cash management products approved by regulators.

Note: CPIC Asset Management and Changjiang Pension is the asset manager of the consolidated structured entities.

6. NET WRITTEN PREMIUMS

(a) Gross written premiums

	2016	2015
Long-term life insurance premiums	128,258	101,022
Short-term life insurance premiums	9,152	7,573
Property and casualty insurance premiums	96,608	94,710
	234,018	203,305

(b) Premiums ceded to reinsurers

	2016	2015
Long-term life insurance premiums ceded to reinsurers	(1,804)	(1,724)
Short-term life insurance premiums ceded to reinsurers	(97)	(47)
Property and casualty insurance premiums ceded to reinsurers	(11,748)	(11,634)
	(13,649)	(13,405)

(c) Net written premiums

	2016	2015
Net written premiums	220,369	189,900

7. INVESTMENT INCOME

	2016	2015
Interest and dividend income (a)	46,472	39,611
Realized (losses)/gains (b)	(860)	15,906
Unrealized (losses)/gains (c)	(768)	52
Charge of impairment losses on financial assets	(965)	(282)
	43,879	55,287

7. INVESTMENT INCOME (continued)

(a) Interest and dividend income

	2016	2015
Financial assets at fair value through profit or loss		
- Fixed maturity investments	678	715
- Investment funds	127	48
- Equity securities	38	46
- Other equity investments	44	-
	887	809
Held-to-maturity financial assets		
- Fixed maturity investments	15,322	15,699
Loans and receivables		
- Fixed maturity investments	16,345	15,400
Available-for-sale financial assets		
- Fixed maturity investments	5,488	4,778
- Investment funds	6,298	1,368
- Equity securities	601	628
- Other equity investments	1,531	929
	13,918	7,703
	46,472	39,611

(b) Realized (losses)/gains

	2016	2015
Financial assets at fair value through profit or loss		
- Fixed maturity investments	109	427
- Investment funds	(59)	(37)
- Equity securities	(101)	2,616
- Other equity investments	1	3
- Derivative instruments	38	-
	(12)	3,009
Available-for-sale financial assets		
- Fixed maturity investments	473	344
- Investment funds	(2,686)	3,949
- Equity securities	1,266	8,583
- Other equity investments	29	21
	(918)	12,897
Investments in subsidiaries	70	-
	(860)	15,906

(c) Unrealized (losses)/gains

	2016	2015
Financial assets at fair value through profit or loss		
- Fixed maturity investments	(373)	130
- Investment funds	(138)	-
- Equity securities	(264)	(76)
- Other equity investments	7	(2)
	(768)	52

8. NET POLICYHOLDERS' BENEFITS AND CLAIMS

	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

	2015		
	Gross	Ceded	Net
Life insurance death and other benefits paid	50,177	(687)	49,490
Claims incurred			
- Short-term life insurance	3,147	(16)	3,131
- Property and casualty insurance	60,750	(7,147)	53,603
Changes in long-term life insurance contract liabilities	47,493	(870)	46,623
Policyholder dividends	7,054	-	7,054
	168,621	(8,720)	159,901

9. FINANCE COSTS

	2016	2015
Current liabilities		
- Interest expense on securities sold under agreements to repurchase	917	1,103
- Interest expense on policyholder dividends	514	505
	1,431	1,608
Non-current liabilities		
- Interest expense on subordinated debts	1,009	1,021
- Interest expense on asset-backedsecurities	4	-
- Long-term borrowings	-	11
	1,013	1,032
	2,444	2,640

10. PROFIT BEFORE TAX

The Group's profit before taxis arrived at after charging/(crediting):

	2016	2015
Employee benefit expense (including directors' and supervisors' emoluments)(note 11)	17,417	15,400
Auditors' remuneration	24	19
Operating lease payments in respect of land and buildings	970	864
Depreciation of property and equipment(note 18)	1,179	1,086
Depreciation of investment properties (note 19)	245	219
Amortization of other intangible assets(note 20)	421	350
Amortization of prepaid land lease payments(note 21)	1	1
Amortization of other assets	26	23
Gain on disposal of items of property and equipment, intangible assets and other long-term assets	(23)	(30)
Charge of impairment loss on insurance receivables	176	38
Charge of impairment loss on financial assets (note 7)	965	282
Foreign exchange gain, net	(117)	(109)

11. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' AND SUPERVISORS' EMOLUMENTS)

	2016	2015
Salaries, allowances and other short-term benefits	14,474	12,791
Contributions to defined contribution plans (1)	2,763	2,489
Early retirement benefit obligation	179	54
Deferred bonus (2)	1	66
	17,417	15,400

(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)	2016	2015
Fees	1,400	1,288
Other remuneration		
- Salaries, allowances and other short-term benefits	5,767	6,171
- Contributions to defined contribution plans	353	665
- Deferred bonus (1)	-	-
- 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	-	-
	6,120	6,836
	7,520	8,124

(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 2016 (2015: RMB1,288 thousand). There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2016.

	2016					
(in RMB thousand)	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

	2015					
(in RMB thousand)	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
HUO Guangwen[1]	150	-	-	-	-	150
GAO Shanwen	267	-	-	-	-	267
LI Jiashi[2]	21	-	-	-	-	21
	1,288	-	-	-	-	1,288

1 Mr. HUO Guangwen, who passed away because of illness in June, 2015, no longer served as an independent non-executive director of the 7th Board of Directors of the Company

2 Independent non-executive director since November 2015

12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

(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

(in RMB thousand)	2015				
	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	-	1,002	194	-	1,196
HUO Lianhong	-	1,008	188	-	1,196
Non-executive directors:					
YANG Xianghai[1]	-	-	-	-	-
WANG Chengran	-	250	-	-	250
SUN Xiaoning	-	-	-	-	-
ZHENG Anguo	-	250	-	-	250
WU Jumin	-	250	-	-	250
WU Junhao	-	250	-	-	250
HA Erman	-	250	-	-	250
WANG Jian[2]	-	104	-	-	104
	-	3,364	382	-	3,746

1 Resign from non-executive director since May 2015
2 Non-executive director since July 2015

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 2016 (2015: SUN Xiaoning and YANG Xianghai).

12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(c) Supervisors

(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
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

(in RMB thousand)	2015				
	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
ZHANG Jianwei[1]	-	208	-	-	208
LIN Lichun	-	250	-	-	250
SONG Junxiang	-	903	173	-	1,076
YUAN Songwen	-	1,196	110	-	1,306
ZHANG Xinmei[2]	-	-	-	-	-
	-	2,807	283	-	3,090

1 Resign from supervisors since October 2015
2 Supervisors since December 2015

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 2016 and 2015.

(d) Directors' retirement benefits

There was no retirement benefits paid to the directors during 2016 and 2015.

(e) Directors' termination benefits

There was no termination benefits paid to directors during 2016 and 2015.

(f) Consideration provided to third parties for making available directors' services

There was no payment to third parties for making available directors' services during 2016 and 2015.

(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 2016 and 2015.

12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(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 2016 in the Group include no director (2015: no director) whose emoluments were reflected in the analysis presented in note 12.

The number of non-director, highest paid individuals whose remuneration fell within the following bands is set out below:

	2016	2015
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	-	1
RMB4,000,001 to RMB5,000,000	4	3
RMB5,000,001 to RMB6,000,000	1	1
RMB6,000,001 to RMB7,000,000	-	-
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)	2016	2015
Salaries, allowances and other short-term benefits	22,378	14,549
Contributions to defined contribution plans	712	1,083
Deferred bonus (1)	-	6,218
	23,090	21,850
The number of non-director individuals for the above remuneration	5	5

(1) This represents the amount under the Group's deferred bonus plansmentioned in note 11(2).

14. INCOME TAX

(a) Income tax

	2016	2015
Current income tax	5,071	6,370
Deferred income tax (note 33)	(1,270)	(97)
	3,801	6,273

(b) Tax recorded in other comprehensive income

	2016	2015
Deferred income tax (note 33)	(1,566)	1,036

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:

	2016	2015
Profit before tax	16,085	24,311
Tax computed at the statutory tax rate	4,021	6,078
Adjustments to income tax in respect of previous periods	18	(124)
Income not subject to tax	(2,974)	(1,432)
Expenses not deductible for tax	2,712	1,713
Others	24	38
Tax expense at the Group's effective rate	3,801	6,273

15. EARNINGS PER SHARE

The calculation of earnings per share is based on the following:

	2016	2015
Consolidated net profit for the year attributable to equity holders of the parent	12,057	17,728
Weighted average number of ordinary shares in issue (million)	9,062	9,062
Basic earnings per share	RMB1.33	RMB1.96
Diluted earnings per share	RMB1.33	RMB1.96

The Company had no dilutive potential ordinary shares as at 31 December 2016 and 2015.

16. OTHER COMPREHENSIVE INCOME

	2016	2015
Exchange differences on translation of foreign operations	32	23
Available-for-sale financial assets		
(Losses)/gains arising during the year	(11,883)	19,145
Reclassification adjustments for gains/(losses)included in profit or loss	918	(12,897)
Fair value change on available-for-sale financial assets attributable to policyholders	3,747	(2,460)
Impairment charges reclassified to the income statement	965	282
	(6,253)	4,070
Income tax relating to available-for-sale financial assets	1,566	(1,036)
Share of other comprehensive (loss)/income in equity accounted investees	(19)	9
Other comprehensive income	(4,674)	3,066

17. GOODWILL

Cost	
At 1 January 2015, 31 December 2015 and 2016	962
Impairment	
At 1 January 2015, 31 December 2015 and 2016	-
Carrying Value	
At 31 December 2015 and 2016	962

18. PROPERTY AND EQUIPMENT

	Land and buildings	Construction in progress	Motor vehicles	Office furniture and equipment	Leasehold improvements	Total
Cost						
At 1 January 2015	9,630	3,448	923	4,342	1,672	20,015
Additions	115	1,467	130	453	223	2,388
Transfer	784	(792)	-	-	8	-
Disposals	(13)	-	(69)	(220)	-	(302)
At 31 December 2015	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
Accumulated depreciation and impairment						
At 1 January 2015	(2,129)	-	(520)	(3,253)	(1,153)	(7,055)
Depreciation charge	(327)	-	(116)	(440)	(203)	(1,086)
Disposals	8	-	66	220	-	294
At 31 December 2015	(2,448)	-	(570)	(3,473)	(1,356)	(7,847)
Depreciation charge	(357)	-	(126)	(471)	(225)	(1,179)
Transfer from 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)
Net book value						
At 31 December 2015	8,068	4,123	414	1,102	547	14,254
At 31 December 2016	11,069	2,899	423	1,624	649	16,664

19. INVESTMENT PROPERTIES

Cost	
At 1 January 2015	7,382
Transfer to property and equipment, net	-
At 31 December 2015	7,382
Transfer from property and equipment, net	2,431
Acquisition of a subsidiary	159
At 31 December 2016	9,972
Accumulated depreciation	
At 1 January 2015	(819)
Depreciation charge	(219)
At 31 December 2015	(1,038)
Depreciation charge	(245)
Transfer from property and equipment, net	(19)
Acquisition of a subsidiary	(13)
At 31 December 2016	(1,315)
Carrying amount	
At 31 December 2015	6,344
At 31 December 2016	8,657

The fair values of investment properties of the Group as at 31 December 2016 amounted to RMB11,387 million (31 December 2015: RMB8,542 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 propertiesare categorized as property and equipment of the Group in the consolidated balance sheet.

20. OTHER INTANGIBLE ASSETS

	Software
Cost	
At 1 January 2015	2,429
Additions	512
Disposals	(5)
At 31 December 2015	2,936
Additions	540
Acquisition of a subsidiary	12
At 31 December 2016	3,488
Accumulated amortization	
At 1 January 2015	(1,543)
Amortization	(350)
Disposals	5
At 31 December 2015	(1,888)
Amortization	(421)
Acquisition of a subsidiary	(7)
At 31 December 2016	(2,316)
Carrying amount	
At 31 December 2015	1,048
At 31 December 2016	1,172

21. PREPAID LAND LEASE PAYMENTS

Cost	
At 1 January 2015、31 December 2015 and 31 December 2016	65
Accumulated amortization	
At 1 January 2015	(7)
Amortization	(1)
At 31 December 2015	(8)
Amortization	(1)
At 31 December 2016	(9)
Carrying amount	
At 31 December 2015	57
At 31 December 2016	56

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 2016							
	Historical cost	At 1 January 2016	Additions	Share of profit	Other com-prehensive income	Dividend declared	Transfer out due to business combination	At 31 December 2016
Anxin	617	289	398	36	-	(12)	(711)	-
Taiji (Shanghai) InformationTechnology Co., Ltd.(the "Taiji")	2	1	-	-	-	-	-	1
Shanghai Juche Information Technology Co., Ltd.(the "Juche")	3	2	-	(1)	-	-	-	1
Zhongdao Automobile Rescue Industry Co., Ltd. (the "Zhongdao")	14	14	3	1	-	-	-	18
Shanghai Proton and Heavy Ion Hospital(the "Zhizhong")	100	-	100	(8)	-	-	-	92
Shanghai Dedao Co., Ltd (the "Dedao")	5	-	5	(2)	-	-	-	3
	741	306	506	26	-	(12)	(711)	115

As at 31 December 2016, the Company holds 51.35% of Anxin's ownership indirectly through CPIC Property after the transaction of the injection to Anxin. Particulars of the Company's subsidiaries are set out in note 5.

On 22 September 2014, CPIC Online Services and Zhonghe-Xintai (Fujian) Investment set up Taiji with operating period of 20 years andregistered capital of RMB15 million. Among all, CPIC Online Services stands for 40% shares and its first capital contribution reaches RMB2.3 million.

On 10 September 2015, CPIC Property, CPIC Online Services, Shanghai Huizhong Investment Management LLP., Shanghai Taihui Investment Management LLP., and Suzhou Industrial Area 825 New Media Investment Management LLP., set up Juche with operating period of 20 years and registered capital of RMB5 million. Among all, CPIC Property stands for 32% shares and its first capital contribution reaches RMB1.6 million; CPIC Online Services stands for 16% shares and its first capital contribution reaches RMB0.8 million. In 2016, Ningbo Chunfeng Investment and Shanghai Huitian Car Services Limited became shareholders of Juche, and the total registered capital increased to RMB5.88 million. CPIC Property's holding of shares in Juche became 27.2%, and CPIC Online Services's holding of shares in Juche became 13.6%.

22. INTERESTS IN ASSOCIATES (continued)

On 25 September 2015, CPIC Property, CPIC Online Services signed the ownership transfer contract with Shanghai Bochen Business Informaiton Consulting Firm, Shanghai Shiji Investment Management LLP., and individual shareholders Jun Fan for transferring 33.6% shares of Zhongdao. After this transaction, CPIC Property held 25.6% shares of Zhongdao, and CPIC Online Services held 8% shares of Zhongdao, respectively. In 2016, CPIC Propery paid the remaining balance of RMB2.56 million to complete its capital investment in Zhongdao, and CPIC Online Services paid the remaining balance of RMB0.80 million to complete its capital investment in Zhongdao.

On 28 January 2016, CPIC Allianz Health signed the Capital injection contract with Shanghai Proton and Heavy Ion Hospital, Shanghai Electric (Group) Corporation, Jinjiang International and Shanghai Shenkang Investment company. After the completion of the transaction, CPIC Allianz Health holds 20% of the shares of Zhizhong.

On 23 November 2015, CPIC Online Services and Shenzhen Derun Electronic Company set up Shanghai Dedao Company with operating period of 10 years and registered capital of RMB20 million. Among all, CPIC Online Services stands for 25% shares and its first capital contribution reaches RMB5 million; Shenzhen Derun Electronic Companystands for 75% shares and its first capital contribution reaches RMB15 million.CPIC Online Servicesmade the capital contribution of RMB5 million in March 2016.

Nature of investment in associates as at 31 December 2016:

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

Summarised financial information for associates:

	2016	2015
Net profit for the year	72	109
Other comprehensive income for the year	2	28
Total comprehensive income for the year	74	137
Total comprehensive income attributable to the Group	26	45
Carrying amount of the Group's interest	115	306

23. INVESTMENT IN JOINT VENTURES

	31 December 2016	31 December 2015
Share of net assets	36	18

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. Binjiang-Xiangrui finally acquired the enterprise business license in March 2013.

On 10June 2015, CPIC Online Services and Jiaxing-Taiyi Technologyand Jiaxing-Taizhong Investment set up Taiyi (Shanghai) Information Technology Co., Ltd. ("Taiyi") with operating period of 20 years and registered capital of RMB10 million. Among all, CPIC Online Services stands for 48% sharesand its first capital contribution reaches RMB4.8 million.

On 6 September 2015, CPIC Online Services and Hangzhou Fujing Investment Management LLP. set up Hangzhou Dayu Internet Technology Co., Ltd. ("Dayu") with registered capital of RMB7 million. Among all, CPIC Online Services stands for 42.86% shares and its first capital contribution reaches RMB3 million. In April 2016, Hangzhou Fujing Investment Management LLP. injected another RMB3 million into Dayu. After the transaction, Dayu's registered capital increased to RMB10 million, and CPIC Online Services's holding hares was diluted to 30%. In August 2016, CPIC transferred 3% of its holding shares to other shareholders. By 31 December 2016, CPIC Online Servcies stands for 27% shares of Dayu, and its capital contribution changed to RMB2.7 million.

On 11 July 2016, CPIC Online Services, Shenzhen Zhongshunyi Financial Services, and Xianghu (Shanghai) Business Consulting Center LLP., and Shanghai Duoduoai Business Management ConsultantLLP. set up Aizhu (Shanghai) Information Technology Co., Ltd. ("Aizhu") with operating period of 20 years and registered capital of RMB10 million. CPIC Online Services stands for 35% shares and its first capital contribution reaches RMB1 million.

On 15 April 2016, CPIC Property and Euler Hermes Hong Kong set up Pacific Euler Hermes Insurance Sales Co., Ltd. ("Euler Hermes") with operating period of 20 years and registered capital of RMB50 million. CPIC Property stands for 51% shares and its first capital contribution reaches RMB25.50 million.

Particulars of the joint venture as at 31 December 2016 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				
Binjiang-Xiangrui	Shanghai	-	35.16%	35.70%	150,000	30,000	Real estate
Taiyi	Shanghai	-	48.00%	48.00%	10,000	10,000	Used car information service platform
Dayu	Hangzhou	-	27.00%	33.33%	10,000	10,000	Technology development services, consulting, etc.
Aizhu	Shanghai	-	35.00%	35.00%	10,000	10,000	Internet technology, etc.
Euler Hermes	Shanghai	-	50.24%	50.00%	50,000	50,000	Insurance sales

23. INVESTMENT IN JOINT VENTURES (continued)

The main financial information of the Group's joint venture:

	2016	2015
	(RMB thousand)	(RMB thousand)
The joint venture's net (loss)/income	(14,640)	118
The joint venture's other comprehensive income	-	-

As at 31 December 2016, the Group's investment in joint ventures had no impairment. The Group received no cash dividend from Binjiang-Xiangrui.

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 2016	31 December 2015
Listed		
Debt investments		
- Government bonds	1,368	1,362
- Finance bonds	5,757	6,036
- Corporate bonds	13,039	13,716
	20,164	21,114
Unlisted		
Debt investments		
- Government bonds	70,387	70,386
- Finance bonds	106,058	107,470
- Corporate bonds	108,265	111,373
	284,710	289,229
	304,874	310,343

25. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2016	31 December 2015
Debt investments		
- Finance bonds	2,899	3,419
- Debt investment scheme	61,397	53,025
- Wealth management products	43,338	24,789
- Preferred Shares	32,000	11,800
	139,634	93,033

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 RMB101.70 billion. Of these, the existing amounts approximately RMB35.96 billion are recognized in the Group's consolidated financial information(As at 31 December 2015, CPIC Asset Management, a subsidiary of the Group, issued and existed 63 debt investment schemes with a total value of RMB106.86 billion. Of these, the existing amounts approximately RMB39.07 billion are recognized in the Group's consolidated financial information). As at 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 RMB5.67 billion are recognized in the Group's consolidated financial information (31 December 2015, Changjiang Pension, a subsidiary of the Group, issued and existed 7 debt investment schemes with a total value of RMB7.90 billion. Of these, the existing amounts approximately RMB440 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 RMB19.77 billion (31 December 2015, RMB13.52 billion). The value guaranteed by third parties or pledge on debt investment schemes invested by the Group are RMB54.78 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 2016	31 December 2015
At the beginning of the year	5,938	5,580
Movement	140	358
At the end of the year	6,078	5,938

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 2016		
	Amount	Storage	Period
CPIC Property			
Bank of Communications	1,318	Term deposit	5 years
Industrial Bank	440	Term deposit	5 years and 1 month
Bank of Shanghai	200	Term deposit	3 years
China Minsheng Bank	100	Term deposit	3 years
China Merchants Bank	274	Term deposit	5 years
China Merchants Bank	368	Term deposit	3 years
Shanghai Pudong Development Bank	200	Term deposit	3 years
Bank of China	294	Term deposit	5 years
Evergrowing Bank	200	Term deposit	5 years
Zheshang Bank	500	Term deposit	5 years
Subtotal	3,894		
CPIC Life			
Bank of Communications	880	Term deposit	5 years
China Minsheng Bank	340	Term deposit	5 years
China Construction Bank	464	Term deposit	5 years
Subtotal	1,684		
Changjiang Pension			
Bank of Communications	50	Term deposit	3 years
China Minsheng Bank	30	Term deposit	3 years
Bank of China	80	Term deposit	5 years and1 month
Subtotal	160		
CPIC Allianz Health			
China Construction Bank	30	Term deposit	5 years
Bank of Communications	170	Term deposit	5 years
Subtotal	200		
Anxin			
Bank of Shanghai	40	Term deposit	3 years
China Construction Bank	20	Term deposit	3 years
China Everbright Bank	30	Term deposit	3 years
Shanghai Pudong Development Bank	10	Term deposit	3 years
Agricultural Bank of China	40	Term deposit	5 years
Subtotal	140		
Total	6,078		

26. RESTRICTED STATUTORY DEPOSITS (continued)

	As at 31 December 2015		
	Amount	Storage	Period
CPIC Property			
Bank of Communications	818	Term deposit	5 years
Industrial and Commercial Bank of China	100	Term deposit	5 years
China Construction Bank	100	Term deposit	5 years
China Minsheng Bank	240	Term deposit	5 years
China Merchants Bank	642	Term deposit	5 years
Shanghai Pudong Development Bank	1,000	Term deposit	5 years
China Everbright Bank	500	Term deposit	5 years
Bank of China	294	Term deposit	5 years
Evergrowing Bank	200	Term deposit	5 years
Subtotal	3,894		
CPIC Life			
Bank of Communications	680	Term deposit	5 years
China Minsheng Bank	340	Term deposit	5 years
Bank of China	500	Term deposit	5 years and 6 months
China Construction Bank	164	Term deposit	5 years
Subtotal	1,684		
Changjiang Pension			
Bank of Communications	50	Term deposit	3 years
China Minsheng Bank	30	Term deposit	3 years
Bank of China	80	Term deposit	5 years and 1 month
Subtotal	160		
CPIC Allianz Health			
China Construction Bank	30	Term deposit	5 years
Bank of Communications	170	Term deposit	5 years and 1 month
Subtotal	200		
Total	5,938		

27. TERM DEPOSITS

	31 December 2016	31 December 2015
1 month to 3 months (including 3 months)	35,683	24,122
3 months to 1 year (including 1 year)	10,078	23,541
1 to 2 years (including 2 years)	21,180	45,160
2 to 3 years (including 3 years)	25,030	21,180
3 to 4 years (including 4 years)	24,055	16,340
4 to 5 years (including 5 years)	16,200	24,055
	132,226	154,398

28. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are stated at fair value and comprise the following:

	31 December 2016	31 December 2015
Listed		
Equity investments		
- Equity securities	25,469	29,292
- Investment funds	8,741	7,639
- Wealth management products	1,015	1,024
Debt investments		
- Government bonds	8,424	6,168
- Finance bonds	1,555	806
- Corporate bonds	31,138	14,917
	76,342	59,846
Unlisted		
Equity investments		
- Investment funds	29,571	33,939
- Wealth management products	20,232	24,501
- Other equity investments	19,005	15,402
- Preferred Shares	4,544	2,217
Debt investments		
- Government bonds	16,340	5,693
- Finance bonds	18,714	10,908
- Corporate bonds	73,339	65,105
- Wealth management products	624	451
	182,369	158,216
	258,711	218,062

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 2016	31 December 2015
Listed		
Equity investments		
- Equity securities	5,716	4,353
- Investment funds	418	410
Debt investments		
- Government bonds	1	82
- Finance bonds	326	329
- Corporate bonds	5,770	7,126
	12,231	12,300
Unlisted		
Equity investments		
- Investment funds	5,682	3,969
- Wealth management products	1,561	190
- Other equity investments	30	29
Debt investments		
- Corporate bonds	5,993	4,691
- Finance bonds	1,281	1,064
- Government bonds	423	-
- Wealth management products	3	8
	14,973	9,951
	27,204	22,251

30. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	31 December 2016	31 December 2015
Securities - bonds		
Inter-bank market	17,506	13,173
Stock exchange	3,632	1,518
	21,138	14,691

The Group does not sell or re-pledge the collateral underlying the securities purchased under agreements to resell.

31. INTEREST RECEIVABLES

	31 December 2016	31 December 2015
Interest receivables from deposits	5,659	6,499
Interest receivables from debt investments	10,734	8,853
Interest receivables from loans	597	411
Interest receivables from securities purchased under agreements to resell	14	2
	17,004	15,765
Less: Bad debt provision	(1)	(1)
	17,003	15,764

32. REINSURANCE ASSETS

	31 December 2016	31 December 2015
Reinsurers' share of insurance contracts (note 39)	20,141	18,257

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 2016	31 December 2015
Net deferred income tax assets, at beginning of year	(2,419)	(1,480)
Acquisition of subsidiary	28	-
Recognized in profit or loss (note 14(a))	1,270	97
Recognized in other comprehensive income (note 14(b))	1,566	(1,036)
Net deferred income tax assets/(liabilities), at end of year	445	(2,419)

	31 December 2016	31 December 2015
Insurance contract liabilities	546	450
Impairment of assets	361	226
Commissions and handling fees	371	308
Net fair value adjustment on available-for-sale financial assets and financial assets carried at fair value through profit or loss	(1,325)	(3,432)
Fair value adjustments arising from acquisition of a subsidiary	(849)	(820)
Others	1,341	849
Net deferred income tax assets/(liabilities)	445	(2,419)
Represented by:		
Deferred tax assets	1,382	80
Deferred tax liabilities	(937)	(2,499)

34. INSURANCE RECEIVABLES

	31 December 2016	31 December 2015
Insurance receivables	12,763	8,450
Provision for impairment of insurance receivables	(496)	(359)
	12,267	8,091

An aged analysis of the insurance receivables is as follows:

	31 December 2016	31 December 2015
Within 3 months (including 3 months)	9,287	5,620
Over 3 months and within 1 year (including 1 year)	2,188	1,782
Over 1 year	792	689
	12,267	8,091

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 2016	31 December 2015
Insurance receivables that are individually determined to be impaired	96	68
Related provision for impairment	(68)	(59)
	28	9

35. OTHER ASSETS

	31 December 2016	31 December 2015
Due from a related-party (1)	1,318	1,206
Tax receivable other than income tax	99	580
Receivable for securities sold	3,983	5,953
Due from agents	763	712
Co-insurance receivable	81	106
Others	3,025	2,278
	9,269	10,835

(1) As at 31 December 2016, 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 2015, RMB1,206 million).

36. CASH AND SHORT-TERM TIME DEPOSITS

	31 December 2016	31 December 2015
Cash at banks and on hand	9,717	8,124
Time deposits with original maturity of no more than three months	4,633	439
Other monetary assets	909	938
	15,259	9,501

The Group's bank balances denominated in RMB amounted to RMB13,953 million as at 31 December 2016 (31 December 2015: RMB8,395 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 2016, RMB881 million in the Group's other monetary assets are restricted to meet the regulation requirement of the minimum settlement deposits (31 December 2015, RMB823 million).

37. ISSUED CAPITAL

	31 December 2016	31 December 2015
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 balance of SSR reaches 50% of the respective registered capital after the Company set aside RMB664 million to the SSR in 2016.

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, RMB7,088 million as at 31 December 2016(31 December 2015: RMB6,584 million) represents the Company's share of its subsidiaries' surplus reserve fund.RMB504 million as at 31 December 2016 (31 December 2015: RMB954 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 yearendnet 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, RMB8,392 million as at 31 December 2016 (31 December 2015: RMB7,105 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 16th meeting of the Company's 7th term of board of directors held on 29 March 2017, a final dividend of approximately RMB6,343 million (equivalent to RMB0.7 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 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

	31 December 2015		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 32)	Net
Long-term life insurance contracts	545,127	(7,743)	537,384
Short-term life insurance contracts			
- Unearned premiums	2,118	(2)	2,116
- Claim reserves	1,615	(16)	1,599
	3,733	(18)	3,715
Property and casualty insurance contracts			
- Unearned premiums	37,618	(4,155)	33,463
- Claim reserves	34,601	(6,341)	28,260
	72,219	(10,496)	61,723
	621,079	(18,257)	602,822
Incurred but not reported claim reserves	6,086	(885)	5,201

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 2015	493,905	(6,873)	487,032
Increase	101,399	(1,557)	99,842
Decrease			
- Claims paid	(24,960)	563	(24,397)
- Surrender	(25,217)	124	(25,093)
At 31 December 2015	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

(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 2015	1,868	(11)	1,857
Premiums written	7,573	(47)	7,526
Premiums earned	(7,323)	56	(7,267)
At 31 December 2015	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

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 32)	Net
At 1 January 2015	1,316	(11)	1,305
Claims incurred	3,156	(18)	3,138
Claims paid	(2,857)	13	(2,844)
At 31 December 2015	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

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 2015	37,322	(4,133)	33,189
Premiums written	94,710	(11,634)	83,076
Premiums earned	(94,414)	11,612	(82,802)
At 31 December 2015	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

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 32)	Net
At 1 January 2015	30,232	(6,139)	24,093
Claims incurred	60,735	(7,142)	53,593
Claims paid	(56,366)	6,940	(49,426)
At 31 December 2015	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

40. INVESTMENT CONTRACT LIABILITIES

At 1 January 2015	35,662
Deposits received	7,365
Deposits withdrawn	(5,276)
Fees deducted	(151)
Interest credited	1,436
Others	997
At 31 December 2015	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

41. SUBORDINATED DEBTS

On 21 December 2011, CPIC Life issued a 10-year subordinated debt with a total face value of RMB8 billion. CPIC Life has the option to redeem the debt at the end of the fifth year. The coupon rate of the debt is 5.5% 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 7.5% and would remain unchanged for the remaining term. CPIC Life exercised the early redemption option for the subordinated debt in 2016.

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.

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 2015	Issuance	Premium amortization	Redemption	31 December 2016
CPIC Life	15,500	-	-	(8,000)	7,500
CPIC Property	3,997	-	1	-	3,998
	19,497	-	1	(8,000)	11,498

42. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2016	31 December 2015
Bonds		
Inter-bank market	23,172	20,709
Stock exchange	15,932	8,272
	39,104	28,981

As at 31 December 2016, bond investments of approximately RMB39,857 million (31 December 2015: RMB29,229 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 2016	31 December 2015
Annuity and other insurance payables	17,754	15,714
Salary and staff welfare payable	3,871	2,819
Payables for securities purchased but not settled	3,525	3,724
Commission and brokerage payable	3,470	2,781
Tax payable other than income tax	1,538	1,309
Accrued expenses	1,247	795
Payables to non-controlling interests of consolidated structured entities	915	1,762
Payables for asset-backedsecurities	908	-
Payables for construction and purchase of office buildings	519	93
Insurance guarantee fund	305	247
Co-insurance payable	285	253
Others	4,375	3,851
	38,712	33,348

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 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%

44. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(a) Long-term life insurance contracts (continued)

Sensitivities (continued)

	As at 31 December 2015			
	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	(9,198)	9,198	-1.69%
	-25 basis points	9,865	(9,865)	1.81%
Mortality rates	+10%	1,061	(1,061)	0.19%
	-10%	(1,047)	1,047	-0.19%
Morbidity rates	+10%	3,167	(3,167)	0.58%
	-10%	(3,235)	3,235	-0.59%
Surrender rates	+10%	(509)	509	-0.09%
	-10%	606	(606)	0.11%
Expenses	+10%	3,416	(3,416)	0.63%
	-10%	(3,416)	3,416	-0.63%
Policy dividend	+5%	9,461	(9,461)	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 2016 by RMB1,401 million and RMB100 million (31 December 2015: RMB1,413 million and RMB80 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)					
	2012	**2013**	**2014**	**2015**	**2016**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	40,238	49,591	55,880	58,926	57,960	
One year later	41,713	51,733	55,420	57,737		
Two years later	42,127	52,324	55,098			
Three years later	42,141	52,189				
Four years later	42,199					
Current estimate of cumulative claims	42,199	52,189	55,098	57,737	57,960	265,183
Cumulative payments to date	(41,754)	(51,190)	(52,792)	(50,133)	(35,834)	(231,703)
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin						1,084
Total gross claim reserves included in the consolidated balance sheet						34,564

Net property and casualty insurance claim reserves:

	Property and casualty insurance (Accident year)					
	2012	**2013**	**2014**	**2015**	**2016**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	33,978	42,287	46,868	51,435	50,934	
One year later	35,185	44,203	46,816	50,423		
Two years later	35,901	44,660	46,654			
Three years later	36,085	44,603				
Four years later	36,088					
Current estimate of cumulative claims	36,088	44,603	46,654	50,423	50,934	228,702
Cumulative payments to date	(35,838)	(43,900)	(44,960)	(44,623)	(32,331)	(201,652)
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin						972
Total net claim reserves included in the consolidated balance sheet						28,022

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)					
	2012	**2013**	**2014**	**2015**	**2016**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	1,500	1,612	1,939	2,072	2,496	
One year later	1,549	1,633	1,877	1,952		
Two years later	1,525	1,612	1,878			
Three years later	1,528	1,614				
Four years later	1,522					
Current estimate of cumulative claims	1,522	1,614	1,878	1,952	2,496	9,462
Cumulative payments to date	(1,521)	(1,595)	(1,823)	(1,802)	(1,446)	(8,187)
Risk adjustment and others						804
Total gross claim reserves included in the consolidated balance sheet						2,079

Net short-term life insurance claim reserves:

	Short-term life insurance (Accident year)					
	2012	**2013**	**2014**	**2015**	**2016**	**Total**
Estimate of ultimate claim cost as of:						
End of current year	1,288	1,553	1,913	2,050	2,438	
One year later	1,348	1,579	1,843	1,916		
Two years later	1,333	1,552	1,826			
Three years later	1,323	1,547				
Four years later	1,317					
Current estimate of cumulative claims	1,317	1,547	1,826	1,916	2,438	9,044
Cumulative payments to date	(1,316)	(1,528)	(1,781)	(1,782)	(1,433)	(7,840)
Risk adjustment and others						800
Total net claim reserves included in the consolidated balance sheet						2,004

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 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

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(i) Currency risk (continued)

	As at 31 December 2015			
	RMB	USD	HKD	Total
Held-to-maturity financial assets	310,211	124	8	310,343
Investments classified as loans and receivables	93,033	-	-	93,033
Term deposits	154,037	361	-	154,398
Available-for-sale financial assets	217,763	295	4	218,062
Financial assets at fair value through profit or loss	22,233	-	18	22,251
Reinsurance assets	18,202	-	55	18,257
Cash and short-term time deposits	8,395	695	411	9,501
Others	73,629	823	19	74,471
	897,503	2,298	515	900,316
Insurance contract liabilities	620,977	-	102	621,079
Investment contract liabilities	40,033	-	-	40,033
Policyholders' deposits	75	-	-	75
Subordinated debts	19,497	-	-	19,497
Securities sold under agreements to repurchase	28,981	-	-	28,981
Others	49,861	284	-	50,145
	759,424	284	102	759,810

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 2016	
		Impact on profit before tax	Impact on equity
USD and HKD	+ 5%	138	181
USD and HKD	- 5%	(138)	(181)

Currency	Changes in exchange rate	31 December 2015	
		Impact on profit before tax	Impact on equity
USD and HKD	+ 5%	123	124
USD and HKD	- 5%	(123)	(124)

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 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

45. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

	As at 31 December 2015					
	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	19,212	22,269	25,996	242,866	-	310,343
Investments classified as loans and receivables	20,658	10,296	26,378	25,572	10,129	93,033
Restricted statutory deposits	2,808	2,192	938	-	-	5,938
Term deposits	47,214	59,240	39,754	-	8,190	154,398
Available-for-sale financial assets	29,409	21,821	15,258	37,560	-	104,048
Financial assets at fair value through profit or loss	4,984	1,375	3,007	3,934	-	13,300
Securities purchased under agreements to resell	14,691	-	-	-	-	14,691
Policy loans	19,610	-	-	-	-	19,610
Deposits with original maturity of no more than three months	439	-	-	-	9,062	9,501
Financial liabilities:						
Investment contract liabilities	40,033	-	-	-	-	40,033
Policyholders' deposits	75	-	-	-	-	75
Subordinated debts	8,000	7,500	3,997	-	-	19,497
Securities sold under agreements to repurchase	28,981	-	-	-	-	28,981

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 2016	
	Impact on profit before tax	Impact on equity
+50 basis points	(90)	(2,903)
-50 basis points	92	3,186

Change in RMB interest rate	31 December 2015	
	Impact on profit before tax	Impact on equity
+50 basis points	(94)	(1,940)
-50 basis points	96	2,109

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 2016	
	Impact on profit before tax	Impact on equity
+50 basis points	124	124
-50 basis points	(124)	(124)

Change in RMB interest rate	31 December 2015	
	Impact on profit before tax	Impact on equity
+50 basis points	134	134
-50 basis points	(134)	(134)

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 2016, 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 RMB1,547 million (31 December 2015: RMB2,470 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. 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 2016						
	Not due and not impaired	Past due but not impaired				Impaired	Total
		Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired		
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

	As at 31 December 2015						
	Not due and not impaired	Past due but not impaired				Impaired	Total
		Less than 30 days	31 to 90 days	More than 90 days	Total past due but not impaired		
Held-to-maturity financial assets	310,343	-	-	-	-	-	310,343
Investments classified as loans and receivables	93,033	-	-	-	-	-	93,033
Term deposits	154,398	-	-	-	-	-	154,398
Available-for-sale financial assets	103,996	-	-	-	-	52	104,048
Financial assets at fair value through profit or loss	13,300	-	-	-	-	-	13,300
Interest receivables	15,764	-	-	-	-	-	15,764
Reinsurance assets	18,257	-	-	-	-	-	18,257
Insurance receivables	6,735	-	-	-	-	1,356	8,091
Cash and short-term time deposits	9,501	-	-	-	-	-	9,501
Others	50,291	-	-	-	-	325	50,616
Total	775,618	-	-	-	-	1,733	777,351

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 and financial liabilities of the Group based on remaining undiscounted cash flows, and insurance contract liabilities of the Group based on the estimated timing of the net cash outflows.

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)

	As at 31 December 2015					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Held-to-maturity financial assets	-	20,532	117,944	414,686	-	553,162
Investments classified as loans and receivables	-	10,404	72,656	37,670	-	120,730
Restricted statutory deposits	-	3,088	3,410	-	-	6,498
Term deposits	-	51,610	82,812	29,689	-	164,111
Available-for-sale financial assets	-	35,011	60,687	78,280	82,748	256,726
Financial assets at fair value through profit or loss	-	2,704	8,517	4,917	8,731	24,869
Securities purchased under agreements to resell	-	14,695	-	-	-	14,695
Insurance receivables	1,786	6,422	242	-	-	8,450
Cash and short-term time deposits	9,051	451	-	-	-	9,502
Others	907	28,539	1,226	-	-	30,672
Total	11,744	173,456	347,494	565,242	91,479	1,189,415
Liabilities:						
Insurance contract liabilities	-	92,271	118,608	410,200	-	621,079
Investment contract liabilities	65	3,554	2,034	34,380	-	40,033
Policyholders' deposits	-	76	-	-	-	76
Subordinated debts	-	9,020	12,659	-	-	21,679
Securities sold under agreements to repurchase	-	28,993	-	-	-	28,993
Others	35,389	14,176	205	-	35	49,805
Total	35,454	148,090	133,506	444,580	35	761,665

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 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

	As at 31 December 2015		
	Current	Non-current	Total
Assets:			
Held-to-maturity financial assets	4,960	305,383	310,343
Investments classified as loans and receivables	5,200	87,833	93,033
Term deposits	47,663	106,735	154,398
Available-for-sale financial assets	113,000	105,062	218,062
Financial assets at fair value through profit or loss	10,762	11,489	22,251
Cash and short-term time deposits	9,501	-	9,501
Others	28,761	1,226	29,987
Total assets	219,847	617,728	837,575
Liabilities:			
Insurance contract liabilities	92,271	528,808	621,079
Investment contract liabilities	3,619	36,414	40,033
Policyholders' deposits	75	-	75
Subordinated debts	8,000	11,497	19,497
Securities sold under agreements to repurchase	28,981	-	28,981
Others	49,600	205	49,805
Total liabilities	182,546	576,924	759,470

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 2016	31 December 2015 (Unaudited)
Core capital	280,012	255,940
Actual capital	285,512	264,540
Minimum required capital	97,247	88,419
Core solvency margin ratio	288%	289%
Comprehensive solvency margin ratio	294%	299%

45. RISK MANAGEMENT (continued)

(e) Capital management risks (continued)

CPIC Property	31 December 2016	31 December 2015 (Unaudited)
Core capital	34,702	33,146
Actual capital	38,702	37,146
Minimum required capital	13,069	13,016
Core solvency margin ratio	266%	255%
Comprehensive solvency margin ratio	296%	285%

CPIC Life	31 December 2016	31 December 2015 (Unaudited)
Core capital	213,017	192,824
Actual capital	214,517	197,424
Minimum required capital	83,516	75,295
Core solvency margin ratio	255%	256%
Comprehensive solvency margin ratio	257%	262%

CPIC Allianz Health	31 December 2016	31 December 2015 (Unaudited)
Core capital	741	912
Actual capital	741	912
Minimum required capital	122	46
Core solvency margin ratio	607%	1971%
Comprehensive solvency margin ratio	607%	1971%

Anxin	31 December 2016	31 December 2015 (Unaudited)
Core capital	1,389	893
Actual capital	1,389	893
Minimum required capital	469	404
Core solvency margin ratio	296%	221%
Comprehensive solvency margin ratio	296%	221%

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.

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46. STRUCTURED ENTITIES (continued)

As at 31 December 2016, the size of unconsolidated structured entities and Group's funding and maximum exposure are shown below:

	31 December 2016				
	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	78,584	-	-	-	Management fee
Insurance asset management products managed by affiliated parties	248,234	47,450	47,986	47,479	Investment income and management fee
Insurance asset management products managed by third parties	Note 1	28,214	28,456	28,483	Investment income
Trust products managed by third parties	Note 1	39,594	39,673	39,627	Investment income
Bank wealth management products and asset management products managed by third parties	Note 1	22,095	22,097	22,360	Investment income
Total		137,353	138,212	137,949	

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 investments 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.

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, long-term borrowings, 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 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 at 31 December 2015	
	Carrying amounts	**Fair values**
Financial assets:		
Held-to-maturity financial assets	310,343	343,030
Investments classified as loans and receivables	93,033	93,328
Financial liabilities:		
Subordinated debts	19,497	20,361

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 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

48. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

	As at 31 December 2015			
	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	4,148	205	-	4,353
- Investment funds	4,379	-	-	4,379
- Debt securities	5,520	7,772	-	13,292
- Others	-	219	8	227
	14,047	8,196	8	22,251
Available-for-sale financial assets				
- Equity securities	25,357	3,935	-	29,292
- Investment funds	41,398	180	-	41,578
- Debt securities	16,190	87,407	-	103,597
- Others	-	28,576	15,019	43,595
	82,945	120,098	15,019	218,062
Assets for which fair values are disclosed				
Investments classified as loans and receivables (Note 47)	-	3,959	89,369	93,328
Held-to-maturity financial assets (Note 47)	10,057	332,973	-	343,030
Investment properties (Note 19)	-	-	8,542	8,542
Liabilities for which fair values are disclosed				
Subordinated debts (Note 47)	-	-	20,361	20,361

In 2016, 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 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. As at 31 December 2015, the Group also transferred the debt securities with a carrying amount of RMB11,632 million from Level 1 to Level 2 and RMB696 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 2016			
	Beginning of year	Purchases/ 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

	As at 31 December 2015			
	Beginning of year	Purchases	Net unrealised gain recognized in other comprehensive income	End of year
Financial assets at fair value through profit or loss				
-Wealth management products	-	8	-	8
Available-for-sale financial assets				
- Other equity investments	10,354	4,363	302	15,019

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 5.63% to 15% 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

(a) Reconciliation from profit before taxto cash generated from operating activities:

	2016	2015
Profit before tax	16,085	24,311
Investment income	(43,879)	(55,287)
Foreign currency income	(117)	(109)
Finance costs	1,930	2,135
Charge of impairment losses on insurance receivables and other assets, net	176	38
Depreciation of property and equipment	1,179	1,086
Depreciation of investment properties	245	219
Amortization of other intangible assets	421	350
Amortization of prepaid land lease payments	1	1
Amortization of other assets	26	23
Gain on disposal of items of property and equipment, intangible assets and other long-term assets, net	(23)	(30)
	(23,956)	(27,263)
Increase in reinsurance assets	(1,884)	(1,090)
(Increase)/decrease in insurance receivables	(4,176)	266
Decrease/(increase) in other assets	1,566	(3,391)
Change in insurance contract liabilities	73,342	52,702
Increase in other operating liabilities	23,146	24,698
Cash generated from operating activities	68,038	45,922

(b) Analysis of the net cash flow in respect of the acquisition:

	2016
Cash and cash equivalents paid for acquisitionthis year	(398)
Less: Cash and cash equivalents hold by subsidiary on acquisition date	561
Net inflow in respect of the acquisition	163

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

	2016	2015
Equity holders who individually own more than 5% of equity interests of the Company and the equity holders' parent company	22	33

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

	2016	2015
Equity holders who individually own more than 5% of equity interests of the Company	3,073	1,489

(c) Compensation of key management personnel

	2016	2015
Salaries, allowances and other short-term benefits	28	23
Deferred bonus (1)	-	3
Total compensation of key management personnel	28	26

(1) This represents the amount under the Group's deferred bonus plansmentioned in note 11(2).

Further details of directors' emoluments are included in note 12.

(d) The Company had the following major transactions with the joint venture:

	2016	2015
Payments made on behalf of Binjiang-Xiangrui for the purchase of land,construction fees and etc	112	126

The receivable due from Binjiang-Xiangrui is interest free with no determined maturity date.

50. RELATED PARTY TRANSACTIONS (continued)

(e) 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 2015 and 2016, 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 December2016	31 December 2015
Contracted, but not provided for	(1)(2)	850	918
Authorized, but not contracted for	(1)(2)	1,150	944
		2,000	1,862

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 2016, the cumulative amount incurred by the Company amounted to RMB1,399 million. Of the balance, RMB240 million was disclosed as a capital commitment contracted but not provided for and RMB361 million was disclosed as a capital commitment authorized but not contracted for.

(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 2016, the cumulative amount incurred by the Company amounted to RMB1,318 million. Of the balance, RMB149 million was disclosed as a capital commitment contracted but not provided for and RMB623 million was disclosed as a capital commitment authorized but not contracted for.

51. COMMITMENTS (continued)

(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 2016	31 December 2015
Within 1 year (including 1 year)	848	718
1 to 2 years (including 2 years)	644	493
2 to 3 years (including 3 years)	472	355
3 to 5 years (including 5 years)	473	359
More than 5 years	218	335
	2,655	2,260

(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 2016	31 December 2015
Within 1 year (including 1 year)	456	543
1 to 2 years (including 2 years)	359	363
2 to 3 years (including 3 years)	253	131
3 to 5 years (including 5 years)	235	82
More than 5 years	53	2
	1,356	1,121

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 2016, 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 2016	31 December 2015
ASSETS		
Investments in subsidiaries	62,834	62,079
Property and equipment	1,971	2,838
Investment properties	3,639	2,184
Intangible assets	97	59
Prepaid land lease payments	34	34
Held-to-maturity financial assets	900	900
Investments classified as loans and receivables	60	248
Term deposits	-	1,507
Available-for-sale financial assets	21,187	20,757
Financial assets at fair value through profit or loss	37	97
Securities purchased under agreements to resell	743	1,100
Interest receivables	335	422
Deferred income tax assets	44	-
Other assets	370	285
Cash and short-term time deposits	96	153
Total assets	92,347	92,663
EQUITY AND LIABILITIES		
Equity		
Issued capital	9,062	9,062
Reserves	70,814	70,623
Retained profits	11,291	10,487
Total equity	91,167	90,172
Liabilities		
Securities sold under agreements to repurchase	-	1,660
Deferred income tax liabilities	-	121
Income tax payable	15	40
Due to subsidiaries	48	20
Other liabilities	1,117	650
Total liabilities	1,180	2,491
Total equity and liabilities	92,347	92,663

GAO Guofu
Director

HUO Lianhong
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 2015	66,164	3,270	252	69,686	9,641
Total comprehensive income for the year	-	-	340	340	5,974
Dividend declared	-	-	-	-	(4,531)
Appropriations to surplus reserves	-	597	-	597	(597)
At 31 December 2015	66,164	3,867	592	70,623	10,487
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

Dividends from subsidiaries amounting to RMB10,238 million were included in the Company's net profit for 2016 (2015: RMB4,966 million).

54. POST BALANCE SHEET EVENTS

On 24 March 2017, the CIRC issued the 'Notice of the CIRC on Optimizing the Discount Rate Curve Applicable to Insurance Contract Liabilities' (Bao Jian Fa [2017] No.23), which is effective from 1 January 2017. The Group is currently assessing the impact of the Notice.

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 2017.

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