Investors' Newsletter（January 30, 2018） Vol. No. 1 in 2018

CPIC（SH601601, HK02601）

Stock Data (ending Dec 31, 2017)

Total equity base (in million)	9,062
A-share	6,287
H-share	2,775
Total Cap（in RMB million）	347,207
A-share	260,407
H-share（in HKD million）	104,201
6-mth highest/lowest	
A-share (in RMB)	47.76/32.42
H-share (in HKD)	41.40/31.65

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Investor Relations Calendar

April 3, 2018
2017 Annual Results Announcement
Shanghai / Hong Kong

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Premium Income (Unit: in RMB million)

	Jan. to Dec.	Changes	Dec.	Changes
P&C	105,100	9.40%	10,662	10.80%
Life	173,982	26.66%	4,531	-1.33%

Briefing

Q & A for Shareholders' General Meeting in 2017

1. **Q: CPIC has just celebrated 10th anniversary of its listing. We are glad to see the growth of the company and meanwhile decent returns for shareholders during these 10 years. Could the new management talk about the plan and outlook for the future?**

A: Maybe you have noticed the LCD advertisement of the Shanghai Centre commemorating our 10th listing anniversary. In the past 10 years, former chairman GAO Guofu and former president HUO Lianhong successfully completed IPOs of CPIC in Shanghai and Hong Kong, and made an important decision to launch the strategic transformation in an all-around way. Ten years on, with the smooth succession of the Board of Directors and management, it is by no means the time for complacency. Earlier today, we held a seminar for directors and supervisors, centering on how to push forward Transformation 2.0 and build CPIC into a leader in promoting healthy and steady development of the industry at a time of "a new stage of high-quality development". I believe that is the new mandate for the management. The consensus we reached is to adhere to protection as the central insurance value proposition, build on our strengths, and transform the company into a composite insurance group with "superb customer experience, high business quality and strong risk control capabilities". Of course, as for the steps to be taken, our president HE Qing has outlined the "road-map" of Transformation 2.0 at a press conference held earlier. Essentially, we will focus on 5 key areas, i.e., talent, digitalization, collaboration, group strategic control, and business portfolio to promote the high quality development of CPIC, while generating even better returns for our shareholders going forward. (By KONG Qingwei, Chairman)

2. **Q: Could the management briefly talk about the business performance for the first 3 quarters and whether it is in line with your expectations?**

A: In the first 3 quarters, under the stewardship of the Board of Directors, we continued to adhere to sustainable value growth, delivered improvement in both quality and volume, and are on track to fulfill the budgets of the year.

First, we achieved faster top-line growth. For the first nine months, gross written premiums reached RMB 233.572 billion, a growth of over 23% and higher than the industry average. Of this, our life operation reported RMB 154.991 billion in GWP, up 32.1%, driven by strong growth of both new and renewal business. CPIC P/C pro-actively responded to the 2nd round of auto insurance deregulation and posted RMB 78.4 billion in GWP, an increase of 9.4%.

Second, we saw continued quality improvement. The long-term protection business of CPIC Life grew faster this year, with continued product mix improvement, in line with regulator's requirements and the public's demand. Half year VNB amounted to RMB 19.7 billion, up 59%, and the VNB margin reached a record 40.6%, both leading among listed insurers. As for property and casualty insurance, the combined ratio improved continuously over the past 3 years, and stood at 98.7% for the first half of 2017, better than the industry average and delivering underwriting profitability for both automobile and non-auto segments for the first time in the past few years. When it comes to investment, we continued to improve SAA, and seized opportunities in H-share and fixed income assets, recording higher investment yields compared with 2016.

As a result, Group net profits for the first 3 quarters amounted to RMB 10.926 billon, up 23.8%. Group solvency also remained strong and stable.

Apart from the business metrics, CPIC also received a good rating by CIRC in its evaluation of risk management, compliance and customer service. I would like to express my gratitude to our shareholders and directors for their trust and support, to our 100,000 employees and almost 1 million agents for their hard work, and in particular to former president HUO Lianhong for the solid foundation he put in place. (By HE Qing, President)

3. **Q: Your DPS was RMB 0.7 for 2016, meaning a pay-out ratio of 52.6%. As a shareholder, we appreciate the commitment of the management and directors to create value and generate returns for investors. Given strong profit growth for the first 3 quarters, can we expect even higher DPS for 2017?**

A: Since our listing, we have adhered to prudent business management, and committed ourselves to sustainable value growth and decent shareholder returns. Over the past decade, the DPS overall has been improving steadily. CIRC recently launched the Phase II of C-ROSS, which could mean changes to existing solvency rules. We will closely track the development of the agenda. The dividend strategy going forward is to continue to provide sustainable, steady and increasing returns for shareholders, while balancing between a number of factors, including, say, the needs of business development and the C-ROSS requirements. (By PAN Yanhong, Group Senior Vice President, CFO and Finance Responsible Person)

Regulatory Updates

- **CIRC issues Circular on Investment in Private Equity Schemes by Insurance Funds**

The circular was issued to tighten the restriction on PE investment schemes which merely serve as a channel, are embedded, or by nature are debt instruments, in a bid to rein in growth of implicit debt of local governments.

The document seeks to intensify regulation on the process of establishing PE investment schemes. First, it requires such schemes to base their investment yield on the business performance of the invested targets to prevent "driving up the financing costs for the real economy by dressing up a debt instrument as equity investments". The circular explicitly bans "expected returns" and the payment of a fixed income on a regular basis, or the unconditional repurchase by the invested target or an associated third-party upon maturity. Second, it stipulates that insurance asset managers shall shoulder the responsibility of "active management", and shall not take on, directly or indirectly, channel business or embedded investments. Third, it allows for the establishment of a green channel for the registration to encourage insurance funds to better support the real economy based on their long-term nature.