
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Pacific Insurance (Group) Co., Ltd., you should at once hand this circular and the accompanying proxy form and reply slip to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

(Stock Code: 02601)

**REPORTS OF THE BOARD OF DIRECTORS AND THE BOARD OF
SUPERVISORS FOR THE YEAR 2017
ANNUAL REPORTS OF A SHARES AND H SHARES FOR THE YEAR 2017
FINANCIAL STATEMENTS AND REPORT FOR THE YEAR 2017
PROFIT DISTRIBUTION PLAN FOR THE YEAR 2017
PROPOSAL ON APPOINTMENT OF AUDITORS FOR THE YEAR 2018
DUE DILIGENCE REPORT OF THE DIRECTORS FOR THE YEAR 2017
REPORT ON PERFORMANCE OF INDEPENDENT DIRECTORS
FOR THE YEAR 2017
PROPOSAL ON THE GENERAL MANDATE
PROPOSED ELECTION OF SHAREHOLDER REPRESENTATIVE
SUPERVISORS OF THE 8TH SESSION OF THE BOARD OF SUPERVISORS
REPORT ON THE STATUS OF RELATED PARTY TRANSACTIONS AND
THE IMPLEMENTATION OF MANAGEMENT
SYSTEM FOR RELATED PARTY TRANSACTIONS FOR THE YEAR 2017
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the 2017 Annual General Meeting of China Pacific Insurance (Group) Co., Ltd. to be held at Meixi Lake Luxury Collection Hotel, Changsha, Hunan, the PRC on Friday, 15 June 2018 at 1:30 p.m. is set out on pages 39 to 45 of this circular.

If you intend to appoint a proxy to attend the Annual General Meeting, you are required to complete and return the proxy form in accordance with the instructions printed thereon. For holders of H Shares, the proxy form should be returned to Computershare Hong Kong Investor Services Limited, in any event served in hand or by post not less than 24 hours before the time stipulated for convening the AGM or any adjourned meeting thereof (i.e. before 1:30 p.m. on Thursday, 14 June 2018). Completion and return of the proxy form will not preclude you from attending and voting at the AGM or at any adjourned meeting thereof in person if you so wish.

If you intend to attend the Annual General Meeting in person or by proxy, you are required to complete and return the reply slip to Computershare Hong Kong Investor Services Limited on or before Friday, 25 May 2018.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“AGM” or “Annual General Meeting”	the annual general meeting of the Company for the year 2017 to be held at Meixi Lake Luxury Collection Hotel, Changsha, Hunan, the PRC on Friday, 15 June 2018 at 1:30 p.m.
“Articles of Association”	the articles of association of the Company, as amended from time to time
“A Share(s)”	domestic share(s) of RMB1.00 each in the share capital of the Company which are listed on the Shanghai Stock Exchange and traded in RMB
“Board” or “Board of Directors”	the board of Directors of the Company
“Board of Supervisors”	the board of Supervisors of the Company
“CBRC”	previously known as China Banking and Insurance Regulatory Commission
“CIRC”	China Insurance Regulatory Commission
“Company” or “the Company” or “CPIC Group”	China Pacific Insurance (Group) Co., Ltd., a joint stock company incorporated in the PRC with limited liability
“Company Law”	The Company Law of the People’s Republic of China
“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“H Share(s)”	overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company which are listed on the Stock Exchange and traded in Hong Kong dollars
“Independent Director(s)” or “Independent Non-executive Director(s)”	independent non-executive Director(s) of the Company
“Non-executive Director(s)”	non-executive Director(s) of the Company
“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this circular only, Hong Kong, Macau Special Administrative Region of the People’s Republic of China, and Taiwan region
“RMB” or “Yuan”	the lawful currency of the PRC
“Share(s)”	A Share(s) and H Share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares of the Company
“Supervisor(s)”	supervisor(s) of the Company
“SZSE”	Shenzhen Stock Exchange
“SSE”	Shanghai Stock Exchange

Note: If there is any inconsistency between the Chinese and English versions of this circular, the Chinese version shall prevail.

LETTER FROM THE BOARD



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)
(Stock Code: 02601)

Executive Director and Chairman:
Mr. KONG Qingwei

Executive Director and President:
Mr. HE Qing

Non-executive Directors:
Mr. WANG Jian
Mr. WANG Tayu
Mr. KONG Xiangqing
Mr. ZHU Kebing
Ms. SUN Xiaoning
Mr. WU Junhao
Mr. CHEN Xuanmin

Independent Non-executive Directors:
Mr. BAI Wei
Mr. LEE Ka Sze, Carmelo
Mr. LAM Chi Kuen
Mr. ZHOU Zhonghui
Mr. GAO Shanwen

To the Shareholders

Dear Sir or Madam,

**REPORTS OF THE BOARD OF DIRECTORS AND THE BOARD OF
SUPERVISORS FOR THE YEAR 2017
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LETTER FROM THE BOARD

1. INTRODUCTION

On behalf of the Board of Directors, I invite you to attend the AGM to be held at Meixi Lake Luxury Collection Hotel, Changsha, Hunan, the PRC on Friday, 15 June 2018 at 1:30 p.m.

The purpose of this circular is to provide you with the notice of the AGM and to provide you with all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the AGM.

2. BUSINESS TO BE TRANSACTED AT THE AGM

The business to be transacted at the AGM as specified in the notice of the AGM set out on pages 39 to 45 of this circular.

Ordinary resolutions to be proposed at the AGM for the Shareholders' consideration and approval include: (a) the report of the Board of Directors for the year 2017; (b) the report of the Board of Supervisors for the year 2017; (c) the annual report of A Shares for the year 2017 and its summary; (d) the annual report of H Shares for the year 2017; (e) the financial statements and report for the year 2017; (f) the profit distribution plan for the year 2017; (g) the proposal on appointment of auditors for the year 2018; (h) the due diligence report of the Directors for the year 2017; (i) the report on performance of Independent Directors for the year 2017; and (j) proposed election of Shareholder representative Supervisors of the 8th session of the Board of Supervisors.

The special resolution to be proposed at the AGM for the Shareholders' consideration and approval includes: the grant of a general mandate to the Board of Directors to issue new Shares.

A report to be submitted at the AGM only for Shareholders' review and not for approval includes: the report on the status of related party transactions and the implementation of management system for related party transactions of the Company for the year 2017.

In order to enable you to have a better understanding of the resolutions to be proposed at the AGM and to make informed decisions upon obtaining sufficient and necessary information, we have provided detailed information in this circular, including explanatory information on the proposed resolutions to be considered and approved at the AGM (see Appendix I), the due diligence report of the Directors for the year 2017 (see Appendix II), the report on performance of Independent Directors for the year 2017 (see Appendix III), the report of the Board of Supervisors for the year 2017 (see Appendix IV), the proposal on granting of the general mandate to the Board of Directors to issue new Shares (see Appendix V), the biographical details of candidates of Supervisors (see Appendix VI) and the report on the status of related party transactions and the implementation of management system for related party transactions for the year 2017 (see Appendix VII).

LETTER FROM THE BOARD

3. THE AGM

Along with this circular, the proxy form and the reply slip for the AGM are also enclosed herewith.

If you intend to appoint a proxy to attend the AGM, you are required to complete and return the proxy form in accordance with the instructions printed thereon. For holders of H Shares, the proxy form should be returned to Computershare Hong Kong Investor Services Limited, in any event served in hand or by post not less than 24 hours before the time stipulated for convening the AGM or any adjourned meeting thereof (i.e. before 1:30 p.m. on Thursday, 14 June 2018). Completion and return of the proxy form will not preclude you from attending and voting at the AGM or at any adjourned meeting thereof in person if you so wish.

If you intend to attend the AGM in person or by proxy, you are required to complete and return the reply slip to Computershare Hong Kong Investor Services Limited on or before Friday, 25 May 2018.

4. VOTING BY POLL

According to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the chairman of the AGM will demand a vote by poll in relation to all the proposed resolutions at the AGM in accordance with the requirements of Article 92 of the Articles of Association.

5. RECOMMENDATION

The Board of Directors considers that all resolutions to be proposed at the AGM are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board of Directors recommends that the Shareholders vote in favour of all the resolutions to be proposed at the AGM.

By Order of the Board of Directors
China Pacific Insurance (Group) Co., Ltd.
KONG Qingwei
Chairman

Shanghai, the PRC, 28 April 2018

1. REPORTS OF THE BOARD OF DIRECTORS AND THE BOARD OF SUPERVISORS FOR THE YEAR 2017

According to the requirements of the Company Law and the Articles of Association, the shareholders' general meeting has the right to examine and approve the reports of the Board of Directors and the Board of Supervisors. Pursuant to the Rules of Shareholders' Meeting of Listed Companies of the CSRC, the Board of Directors and the Board of Supervisors should issue a report with respect to their work in the preceding year at the AGM. The report of the Board of Directors for the year 2017 is set out in the sections headed "Operation Overview, Letter from Chairman to Shareholders, Review and Analysis of Operating Results, Report of the Board of Directors and Significant Events and Corporate Governance" in the annual report of H Shares for the year 2017. The report of the Board of Supervisors for the year 2017 is set out in Appendix IV to this circular.

2. ANNUAL REPORTS OF A SHARES AND H SHARES FOR THE YEAR 2017

The Board proposes to approve the annual reports of A Shares and H Shares for the year 2017. The annual report of A Shares of the Company for the year 2017 was published on 29 March 2018 on the SSE website (www.sse.com.cn). The annual report of H Shares for the year 2017 was published on 23 April 2018 on the Stock Exchange website (www.hkexnews.hk).

3. FINANCIAL STATEMENTS AND REPORT FOR THE YEAR 2017

The financial statements and report for the year 2017 are set out in the Company's annual report for the year 2017.

4. PROFIT DISTRIBUTION PLAN FOR THE YEAR 2017

The Company intends to distribute a cash dividend of RMB0.8 per share (inclusive of tax) for the year, amounting to approximately RMB7.25 billion in aggregate, based on a total share capital of 9.062 billion shares. The remaining undistributed profits is carried forward to the year 2018. No capitalization from capital reserve will be implemented for the current year.

5. PROPOSAL ON APPOINTMENT OF AUDITORS FOR THE YEAR 2018

The Board proposed to appoint PricewaterhouseCoopers Zhong Tian LLP as the auditor and the internal control auditor of financial reports under the PRC accounting standards of the Company for the year 2018 and to appoint PricewaterhouseCoopers as the auditor of financial reports under the Hong Kong financial report standards of the Company for the year 2018.

The Board will propose to the Shareholders at the AGM to authorize the Board to authorize the management of the Company to determine their actual remunerations.

6. DUE DILIGENCE REPORT OF THE DIRECTORS FOR THE YEAR 2017

Pursuant to the regulatory requirements of relevant regulatory authorities, the Board shall conduct an annual due diligence appraisal of the Directors, and submit the due diligence report of the Directors to the Shareholders' general meeting and the Board of Supervisors. Such report is set out in Appendix II to this circular.

7. REPORT ON PERFORMANCE OF INDEPENDENT DIRECTORS FOR THE YEAR 2017

Pursuant to the regulatory requirements of relevant regulatory authorities, Independent Directors shall issue a report in respect of the performance of their duties in the year 2017 to the Shareholders' general meeting. Such report is set out in Appendix III to this circular for Shareholders' reference.

8. PROPOSAL ON THE GENERAL MANDATE

The purpose of the proposed special resolution number 11 as set out in the notice of AGM dated 28 April 2018 is to seek approval from the Shareholders in the AGM to grant a general mandate to the Board of Directors to allot, issue and deal, with new A Shares and/or H Shares of the Company subject to the applicable laws, rules and regulations. The Board of Directors declares that the Company currently has no plan to issue A Shares and/or H Shares. Such proposal is set out in Appendix V to this circular.

9. PROPOSED ELECTION OF SHAREHOLDER REPRESENTATIVE SUPERVISORS OF THE 8TH SESSION OF THE BOARD OF SUPERVISORS

According to relevant requirements of the Company Law and the Articles of Association, Mr. ZHU Yonghong and Mr. LU Ning were nominated as the candidates of Shareholder representative Supervisors of the 8th session of the Board of Supervisors. The qualifications of Mr. ZHU and Mr. LU are subject to approval of the Shareholders at the AGM and the approval of the CBRC.

According to the requirements of Rule 13.51(2) of the Hong Kong Listing Rules, biographical details of the candidates of Shareholder representative Supervisors are set out in Appendix VI to the circular, so as to enable the Shareholders to make informed decisions on the relevant resolutions at the AGM.

10. REPORT ON THE STATUS OF RELATED PARTY TRANSACTIONS AND THE IMPLEMENTATION OF MANAGEMENT SYSTEM FOR RELATED PARTY TRANSACTIONS FOR THE YEAR 2017

Pursuant to the requirements of CIRC, the Board shall issue a report in respect of the status of related party transactions and the implementation of the management system for related party transactions for the year 2017 at the AGM. Such report will be laid before the AGM for Shareholders' review but no approval by the Shareholders is required. Such report is set out in Appendix VII to this circular.

In accordance with Guidelines for the Operation of Board of Directors of Insurance Companies (Bao Jian Fa (2008) No. 58) promulgated by CIRC and relevant requirements of Measures for Appraisal of Due Diligence of Directors of China Pacific Insurance (Group) Co., Ltd. of the CBRC, the board of insurance companies shall conduct a due diligence report on its directors annually, and such report shall be submitted to the Board of Supervisors and Shareholders' meeting. In 2017, all the Directors performed their duties and responsibilities as stipulated under relevant laws and regulations and the Articles of Association in an honest, diligent, loyal and conscientious manner. Upon conducting appraisal of due diligence on Directors in 2017, the appraisal results of all Directors (including Independent Directors) were all "competent". The due diligence report of the Directors for the year 2017 is set out below:

I. SMOOTH COMPLETION OF CHANGE OF SESSION OF THE BOARD, REALIZING SMOOTH TRANSITION

On 9 June 2017, the Company held the 2016 annual general meeting for election of members of the 8th session of the Board of the Company. The 8th session of the Board of the Company comprises of 14 members: 2 executive Directors, namely, KONG Qingwei and HUO Lianhong; 7 non-executive Directors, namely WANG Jian, WANG Tayu, KONG Xiangqing, ZHU Keping, SUN Xiaoning, WU Junhao and CHEN Xuanmin; 5 independent non-executive Directors, namely BAI Wei, LEE Ka Sze, Carmelo, LAM Chi Kuen, ZHOU Zhonghui and GAO Shanwen. The terms of office of Directors are three years. Mr. KONG Qingwei and Mr. WANG Jian were elected as the chairman and vice chairman respectively at the 1st meeting of the 8th session of the Board of the Company.

On 23 October 2017, Mr. HUO Lianhong resigned his position as an executive Director of the 8th session of the Board of the Company due to his age. On 27 December 2017, the Company held the 2017 first extraordinary general meeting to elect Mr. HE Qing as an executive Director of the 8th session of the Board of the Company, with the same term of office as that of the 8th session of the Board.

Upon establishment, the new session of the Board focuses on formulating the Company's strategies, making decisions on the Company's material matters and key issues in relation to the development of the Company, gives full play to the core competency of corporate governance, continually encourages the operating management to optimize marketing strategy and implementation, in order to upgrade the Company's development to a new level, which was widely recognized by different social sectors, Shareholders, regulatory authorities, customers and employees.

II. PERFORMING DUTIES WITH DUE DILIGENCE, THE DIRECTORS CARRIED OUT A VARIETY OF DUTIES IN FULL

1. Directors' Attendance of Board Meetings

As the strategic decision-making institution of the Company, the Board consistently plays a decisive and leading role in the healthy development of the Company. In 2017, the Board held a total of 13 Board meetings. The Directors of the Company performed their duties with due diligence, proactively participated in decision-making and mostly attended the meetings in person. For individual cases where some Directors were not able to attend due to other business reasons, they all appointed another Director in writing as their proxy to attend and vote at the meeting on their behalves. Details are as follows:

Name of Directors	No. of Board meetings requiring attendance	Attendance in person (no. of times)	Attendance by proxy (no. of times)	Absence (no. of times)	Remarks
		Current Directors			
KONG Qingwei	5	5	0	0	
HE Qing	0	0	0	0	
WANG Jian	13	12	1	0	Absent from the 5th meeting of the 8th session of the Board of Directors due to business reasons and WU Junhao, a Director, was appointed as his proxy to attend and vote at the meeting on his behalf
ZHU Kebing	5	4	1	0	Absent from the 5th meeting of the 8th session of the Board of Directors due to business reasons and KONG Xiangqing, a Director, was appointed as his proxy to attend and vote at the meeting on his behalf
SUN Xiaoning	13	13	0	0	
WU Junhao	13	13	0	0	
CHEN Xuanmin	5	5	0	0	
KONG Xiangqing	5	5	0	0	
WANG Tayu	5	5	0	0	
BAI Wei	13	13	0	0	

Name of Directors	No. of Board meetings requiring attendance	Attendance in person (no. of times)	Attendance by proxy (no. of times)	Absence (no. of times)	Remarks
LEE Ka Sze, Carmelo	13	13	0	0	
LAM Chi Kuen	13	13	0	0	
ZHOU Zhonghui	13	13	0	0	
GAO Shanwen	13	13	0	0	
Previous Directors					
GAO Guofu	5	5	0	0	
HUO Lianhong	11	11	0	0	
WANG Chengran	7	7	0	0	
WU Jumin	4	3	0	1	Absent from the 16th meeting of the 7th session of the Board of Directors due to sickness
ZHENG Anguo	7	7	0	0	
HA Erman	7	7	0	0	

2. Voting and Expression of Opinions by Directors at the Board Meetings

In 2017, all Directors of the Company diligently performed the power conferred by the Articles of Association, kept updated about the important business information of the Company, paid full attention to the Company's development and actively participated in the Board meetings. All Directors made appropriate decisions after having fully understood the situation and having expressed their opinions, and all resolutions of the Board meetings were passed by unanimous votes.

3. Work of the Special Committees of the Board

The Board has established four committees, namely the Strategic and Investment Decision-Making Committee, the Audit Committee, the Nomination and Remuneration Committee and the Risk Management Committee. The chairmen of the three latter committees are all Independent Directors. The Board and the Board Committees performed their respective duties properly by leveraging their respective expertise to ensure that the Board can make informed and appropriate decisions after considering various advice and suggestions. In 2017, in compliance with the requirements on risk management of strategic planning and repayment capability, the special committees of the Board of the Company optimized both opportunity and policy to further strengthen the Company's integrated management and monitoring on the subsidiaries by performing pre-evaluation on resolutions of related subsidiaries, while satisfying the supervisory requirements.

In 2017, the Strategic and Investment Decision-Making Committee held 11 meetings, the Audit Committee held 7 meetings, the Nomination and Remuneration Committee held 9 meetings, and the Risk Management Committee held 7 meetings. At the meetings, the Directors performed due diligence to carefully study and discuss the strategic planning, material capital operation, internal and external auditing, performance assessment and appointment and dismissal of senior management and risk control and connected transaction of the Company and actively participated in the decision-making to provide professional advices for the decision-making of the Board.

4. Directors' Discussion and Studies

In 2017, the Directors of the Company received multiple of special reports to formulate the development targets of transformation 2.0 and "Digital CPIC", pursuant to which the Company is required to pay special attention to its shortcomings, the application of new technological achievements, synergy and integration and application promotion, so as to proactively cope with the challenges brought about by new technologies. The Directors paid an on-site visit to and conducted researches on the Chengdu data center and received work report to understand the implementation of digital strategy of the Company, and watched the on-site display of new technology application.

In addition, some of the Directors improved their understandings on the operation of the Company by way of participating in the auditing of annual work meetings and research of the operational departments.

5. The Directors' Participations of Training

During the reporting period, in addition to self-studies, Directors improved their responsibility performance capability through participating in training held by each of the supervisory department.

In 2017, some of the Directors participated in the "New Directors, Supervisors and Senior Management Training Session in 2017 held by the CIRC", subsequent training for independent directors of the listed companies organized by the SSE, and lectures jointly organized by the SSE and the Stock Exchange. In addition, all of the Directors and Supervisors of the Company participated in network studies organized by the CIRC and training of connected transaction organized by the Company, watched a series of training videos of Directors such as "Directors' Responsibilities and Roles and Responsibilities of the Board Committee" published by the Stock Exchange, as well as studied the latest laws, regulations and regulatory requirements published by the regulatory departments, understood related laws, regulations and regulatory updates of regulatory department to ensure the smooth performance of responsibilities.

III. FOCUSING ON SIGNIFICANT MATTERS TO MANIFEST THE CORE ROLE OF THE BOARD

1. Launching “Transformation 2.0” to Lead the New Development of the Company

Coping with new status, new opportunities and new challenges, based on the achievements of the previous transformation, the new session of the Board launched “Transformation 2.0”, which focuses on five key words, namely, “talents”, “number”, “synergy”, “management and control” and “deployment” to improve the sense of achievement of the employees and solve the institutional and mechanical obstacles and incompetency that hinder the development of the Company. The Board put forward that “Transformation 2.0” aims at focusing on the demand of customers and key problems arising during development continuously to achieve quality development, so as to forge the Company into a comprehensive insurance group which is the best in customer experience, business quality and risk control capabilities and hence, become the leader featuring healthy and stable development in the industry.

2. Amending the Articles of Association from All Dimensions to Continuously Improve the Governance of the Company

The new session of the Board took the lead to introduce party construction into the Articles of Association for the purpose of strengthen the linkage between consolidating the leadership position of the Party and optimizing the governance of the Company. Pursuant to the Guidance on Articles of Association of Insurance Companies issued by the CIRC and based on the actual situation of the Company, the Board of the Company comprehensively amended the current Articles of Association with the purpose of regulating the governance structure of the Company and preventing the risks of governance. The 75 content adjustments, 3 new chapters and 20 articles emphasize on the right and obligation of the Shareholders, refine the authorization mechanism of the Company and enhance the management on connected transactions and the processing mechanism of special matters, so as to further consolidate the foundation of the governance structure of the Company, build a long-term mechanism of risk prevention and improve the effectiveness of corporate governance.

3. Attaching Great Importance to the Operation and Risk Management of the Company

The Board reviewed the effectiveness of the risk management system on a regular basis, paid close attention to the impact of new insurance regulations on the Company, proactively lived up to the requirement of risk control promulgated by the CIRC, upheld the principal of “1+4+N” documents, and persisted in “protection as the central insurance value proposition” to stress on the prevention of financial risk and proactively deal with the opportunities and challenges arising from the change of policy. As of the end of the reporting period, the Company and each of its insurance subsidiaries boasted strong solvency, stable profitability and good liquidity, without any occurrence of major risks, with key compliance indicators stayed at comfortable levels.

4. Obtaining Multiple Awards on Corporate Governance with Comprehensive Strength

In 2017, the regulatory authorities and capital market highly recognized the Company's excellent performance in corporate governance regarding effective operation of the Board. The Company was honored with the following domestic and overseas awards: the Company and its six insurance subsidiaries (CPIC P/C, CPIC Life, CPIC AMC, CPIC Allianz Health, Changjiang Pension, Anxin Agriculture) were accredited as premium class during the on-site assessment conducted by the CIRC in 2017; awarded with "Hong Kong Company with Excellent Governance in 2017-Hang Seng China (listed in Hong Kong) 100 Index Constituent Stock Company" in the "Hong Kong Company with Excellent Governance in 2017" jointly held by Chamber of Hong Kong Listed Companies and Corporate Governance and Financial Policy Research Center of the Baptist University. The Company maintained an appraisal result of A (Excellence) in the SSE's appraisal of information disclosure of listed companies in 2016; awarded "Award of the Best H Share and Red Chip Share Annual Report" in "the Best Annual Report of 2017" held by The Hong Kong Management Association. These awards adequately reflected the high recognition of domestic and overseas capital markets on the Company with regard to the achievements in the corporate governance such as operation of the Board, investor relationship and information disclosure.

In 2017, all of the Independent Directors performed their duties faithfully, diligently, independently, strictly in accordance with the requirements of the Company Law, the Interim Measures in relation to Independent Directors of Insurance Companies promulgated by CIRC, the Guidance on the Establishment of Independent Directors System in Listed Companies promulgated by the CSRC, Rules Governing the Listing of Securities on Shanghai Stock Exchange, Hong Kong Listing Rules and other relevant laws, rules and regulations, the Articles of Association, the terms of reference for Independent Directors of the Company and other internal requirements, and through attending the regular and extraordinary Board meetings, meetings of special committees of the Board and Shareholders' general meetings in time and carefully considering and expressing independent opinions on resolutions of the Board to protect the interests of the Company, insurant and minority Shareholders. The report on the performance of the Independent Directors for the year 2017 is set out below:

I. BASIC INFORMATION OF INDEPENDENT DIRECTORS

The Board of Directors consists of 14 Directors, including 5 Independent Directors, all of whom are specialists in finance, auditing and law, with required expertise and capability to perform duties. The details are as follows:

Mr. BAI Wei is currently an Independent Non-executive Director of the Company and partner and lawyer of Jingtian & Gongcheng. Mr. Bai previously worked as a lawyer in Global Law Office in China and Sullivan & Cromwell LLP, and served as an independent non-executive director in Huatai Securities Co., Ltd., a company listed on the SSE (stock code: 601688) and the Stock Exchange (stock code: 06886) and Ningxia Orient Tantalum Industry Company Limited, a company listed on the SZSE (stock code: 000962). Mr. Bai holds a master's degree and is a qualified lawyer in China and New York State of the United States.

Mr. LEE Ka Sze, Carmelo, is currently an 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 Stock Exchange Listing) Committee, convenor of the Financial Reporting Review Panel of the Financial Reporting Council in Hong Kong, member of the Campaign Committee of the Community Chest of Hong Kong and the co-chairman of the Community Chest Corporate Challenge Half Marathon. Currently, Mr. Lee also serves as non-executive director of the following companies listed on the Stock Exchange: 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 as independent non-executive director of the following companies listed on the Stock Exchange: KWG Property Holding Limited (stock code: 01813) and Esprit Holdings Limited (stock code: 00330). Mr. Lee previously served as deputy chairman and chairman of the Listing Committee of the Stock Exchange, member of Dual Filing Advisory Group of the Hong Kong Securities and Futures Commission, and member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants, non-executive

director of Y. T. Realty Group Limited (stock code: 00075) listed on the Stock Exchange, and independent non-executive director of Ping An Insurance (Group) Company of China, Ltd., a company listed on the SSE (stock code: 601318) and the Stock Exchange (stock code: 02318). 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 is currently an Independent Non-executive Director of the Company. Currently, Mr. Lam also serves as independent non-executive director of Luks Group (Vietnam Holdings) Company Limited, a company listed on the Stock Exchange (stock code: 00366). Mr. Lam was the senior consultant and partner of Ernst & Young and independent director of Leo Paper Group (Hong Kong) Co., Ltd.. Mr. Lam holds a higher diploma in accounting and is a member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. ZHOU Zhonghui is currently an Independent Non-executive Director of the Company, executive council member of the China Association of Chief Financial Officers, and member of the Advisory Committee of the China Appraisal Society. Currently, Mr. Zhou also serves as independent non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd., a company listed on the Stock Exchange (stock code: 01349), independent non-executive director of S.F. Holding Co., Ltd. (stock code: 002352), a company listed on the Shenzhen Stock Exchange, respectively, and independent non-executive director of COSCO Shipping Holdings Co., Ltd., a company listed on the SSE (stock code: 601919) and the Stock Exchange (stock code: 01919). Mr. Zhou was formerly lecturer, associate professor and professor of Shanghai University of Finance and Economics, Chief Financial Officer of Xinlong Hong Kong Co., Ltd., general manager and the chief accountant of PricewaterhouseCoopers Zhong Tian LLP, senior partner of the PricewaterhouseCoopers, chief accountant of the CSRC, a member of the International Advisory Committee of CSRC, member of the Audit Regulation Committee of Chinese Institution of Certified Public Accountant and independent non-executive director of BesTV New Media Co., Ltd. (now known as Oriental Pearl Group Co., Ltd., a company listed on the SSE (stock code: 600637)) and independent non-executive director of Juneyao Airlines Co., Ltd., a company listed on the SSE (stock code: 603885). Mr. Zhou received postgraduate education and has a doctorate degree, and is a Chinese Certified Public Accountant.

Mr. GAO Shanwen is currently an 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. Mr. Gao also served as an independent non-executive director of Sunshine Insurance Group Co., Ltd. Mr. Gao is a postgraduate with a doctorate degree.

II. PERFORMANCE OF INDEPENDENT DIRECTORS FOR THE YEAR 2017

(I). Attendance of Meetings

1. The General Meetings

In 2017, the Company held two general meetings. All Independent Directors attended in person. Details are as follows:

Name of Independent Director	No. of Shareholders' general meetings during the year	Attendance	Attendance	Absence
		in person <i>(no. of times)</i>	by proxy <i>(no. of times)</i>	
BAI Wei	2	2	0	0
LEE Ka Sze, Carmelo	2	2	0	0
LAM Chi Kuen	2	2	0	0
ZHOU Zhonghui	2	2	0	0
GAO Shanwen	2	2	0	0

2. The Board Meetings

In 2017, the Company held a total of 13 Board meetings. All Independent Directors attended in person. Details are as follows:

Name of Independent Director	No. of Board meetings during the year	Attendance	Attendance	Absence	Remarks
		in person <i>(no. of times)</i>	by proxy <i>(no. of times)</i>		
BAI Wei	13	13	0	0	
LEE Ka Sze, Carmelo	13	13	0	0	
LAM Chi Kuen	13	13	0	0	
ZHOU Zhonghui	13	13	0	0	
GAO Shanwen	13	13	0	0	

3. Meetings of the Special Committees

The Board has established four special committees, among which, members of the audit committee, the nomination and remuneration committee and the risk management committee were served by Independent Directors. In 2017, the strategic development and investment committee, the audit committee, the nomination and remuneration committee and the risk management committee held 11, 7, 9 and 7 meetings, respectively. All Independent Directors attended in person. Details are as follows:

Name of Independent Director	The Strategic and Investment Decision-Making Committee	The Audit Committee	The Nomination and Remuneration Committee	The Risk Management Committee
	(no. of times to attend and no. times attended)	(no. of times to attend and no. times attended)	(no. of times to attend and no. times attended)	(no. of times to attend and no. times attended)
BAI Wei	/	4/4	9/9	/
LEE Ka Sze, Carmelo	/	/	9/9	5/5
LAM Chi Kuen	/	7/7	/	7/7
ZHOU Zhonghui	/	7/7	/	5/5
GAO Shanwen	11/11	/	9/9	/

Note: On 9 June 2017, the first meeting of the 8th session of the Board elected members of the special committees of the 8th session of the Board, among which, Mr. ZHOU Zhonghui and Mr. LEE Ka Sze, Carmelo were appointed as members of the risk management committee and Mr. BAI Wei was appointed as a member of the audit committee.

(II) Expression of Opinions

The Board meetings and general meetings of the Company in 2017 were held in conformity with legal procedures. Material operational decisions were made in accordance with the required procedures and in compliance with the laws and regulations, and the Articles of Association. All of the Independent Directors voted for the resolutions with full understanding of all the matters considered by the Board of Directors during 2017 after thorough discussions and prudent consideration of such matters. The Independent Directors did not raise any objection to the resolutions of the Board of Directors and relevant matters. Meanwhile, all of the Independent Directors, who possess the necessary professional knowledge and experience, put forward various constructive opinions and recommendations regarding the strategic transformation, corporate governance, business operation, financial management, Directors nomination, appointment of senior management, internal control and risk compliance of the Company based on their own professional expertise and practical

experience on the Board meetings and meetings of the Board committees in 2017. In the meetings, all independent Directors participated in decision-making of significant matters of the Company from their independent and objective position, prudently performed duties and obligations, actively participated in discussion in meetings, and proactively proposed guiding opinions in respect of resolutions considered in the meetings to leverage substantive effects, thereby maintaining the interests of the Company as a whole, while the decision-making process particularly concerned the legitimate equity interests of minority Shareholders. The management of the Company was able to provide responses and to implement relevant opinions, proposals and questions of the Independent Directors. No Independent Director was prevented from expressing his opinion and no opinion raised was rejected by the Company.

(III) Participation in the Work on Annual Report

In accordance with the regulatory requirements and requirements on annual reports as set out in the terms of reference for Independent Directors, the Independent Directors of the Company participated in the work related to the preparation of the annual report of the Company and duly performed their duties for the auditing of the annual report for 2017. In particular, they attended annual report discussion meetings, considered the proposal for the annual report of the Company, maintained timely and thorough communication on audit progress and arrangements, audit results and audit opinion regarding the annual financial report with the accounting firm for the annual audit, supervised the progress of the audit, received the reporting by the management of the Company on its results of operation for the year and the progress of significant events, which helped the audit of annual reports being carried out legally and in compliance with relevant rules and regulations.

(IV) Performance of Duties with Due Diligence and Better Understanding of the Operation of the Company through Various Channels

In 2017, Independent Directors performed their duties with due diligence and proactively kept abreast of the operations and management of the Company through various channels:

1. Attending Board meetings and Board committee meetings in person to receive the report on the results of operation and management by the management. In addition, the Independent Directors were also concerned about the impact of new insurance regulations on the Company, required the Company to implement the requirements of the CIRC, persisted in protection as the central insurance value proposition, focused on prevention of financial risks, actively responded to the opportunities and challenges brought by changes in policies; adhered to the target of “innovating digital experience, improving digital supply, and sharing the digital eco-system”, required explicit implementation path of “Digital CPIC”, and actively responded to the challenges brought by new technologies; participated in transformation 2.0 seminar, proposed to focus on customers’ demand, continued to focus on key problems during development, and achieved high quality development targets.

2. Visiting and investigating Chengdu data centre, adequately listening to work report, understanding the practice of digitalized strategy of the Company and carrying out on-site inspection of application demonstration of new technology. In addition, certain Independent Directors deepened their understanding of the operating results and risk management of the Company through attending the annual audit meetings, inspections of functional departments and other means.
3. Studying the monthly financial statements, monthly brief reports for Directors and Supervisors, monthly audit reports, capital market newsletters, internal press and information published by the Company, and other information and data about operations and management released from time to time, to fully understand the operations and management of the Company, and, as deemed necessary, communicating with the management on the issues regarding operations of their concerns.

Independent Directors were in the opinion that they were able to fully understand the operations of the Company through various channels with effective communication in a timely manner.

III. MAJOR ISSUES REGARDING THE DUTY PERFORMANCE OF INDEPENDENT DIRECTORS FOR THE YEAR

On the basis of full understanding of the Company, the Independent Directors performed their duties with due diligence in an objective and prudent manner. They focused on the following major issues regarding the duty performance and expressed independent opinions on certain major issues of their concerns in accordance with relevant requirements:

In 2017, all Independent Directors attended Board meetings in a timely manner in order to understand the operations and management of the Company. The Independent Directors conducted investigation and obtained information necessary for making decisions and made independent and clear judgment on and expressed independent opinions in favour of matters including changes in significant accounting estimation, connected transactions, profit distribution, appointment and dismissal of senior management and remuneration and performance assessment of senior management of the Company.

In 2017, there is no external guarantee or misappropriation of funds of the Company. The use of proceeds was consistent with such usages as resolved and approved by the Shareholders' general meetings and the Board. The proceeds were used to replenish the working capital of the Company to support business growth.

In 2017, the Company did not publish the announcement of result forecast.

In 2017, there were no undertakings that the Company was required to disclose. The information disclosure of the Company was true, accurate and complete and made in a timely manner. The Company has not failed to disclose any discloseable information.

In 2017, the Company continued to appoint PricewaterhouseCoopers Zhong Tian LLP as the auditor of the Company for 2017 and PricewaterhouseCoopers as the auditor of financial statements under Hong Kong Financial Reporting Standards (“**HKFRSs**”) of the Company for 2017. The Independent Directors are of the view that the appointment of the aforesaid accounting firms met the Company’s requirements for auditing work. The decision-making procedures for such appointments were in compliance with the requirements of the relevant laws, regulations and the Articles of Association, without prejudicing the rights and interests of the Company and its Shareholders. The Independent Directors expressed independent opinions in favour of such appointments.

In 2017, the Company was committed to establishing a sound internal control system in order to provide reasonable assurance of the achievement of internal control objectives, including the legal compliance of our operation and management, assets security and reliability, truthfulness and completeness of financial reports and related information, improvement of operation efficiency and implementation of development strategies for the sustainable development of the Company. The Company has conducted self-assessment of internal control as of 31 December 2017 and an audit report was issued by the auditor. The Independent Directors are of the view that the Company has established a sound, scientific, standardized and effective internal control system. The acts of the Company regarding corporate governance, business operations, financial management, decision-making on significant events and other aspects were conducted in compliance with the internal control requirements of the Company. The internal control system of the Company was effectively implemented.

In 2017, the Board of the Company has duly performed their functions and duties under the laws and regulations, and the provisions under the Articles of Association. The Board played the core role in decision-making of the Company by effective and standardized operation. Assemble, convening and resolutions of the Board and special committee of the Company were in compliance with the statutory procedures, while material decision-making performed necessary procedures in compliance with the requirements of laws and regulations and the Articles of Association. The Board and special committee operated prudently and effectively. Under the leadership of the Board, the management of the Company completed the annual major operational targets and business goals set by the Board.

IV. OVERALL EVALUATION AND RECOMMENDATION

All of the Independent Directors are of the view that they have duly performed their functions and duties, and fulfilled their obligations to acting with integrity and diligence pursuant to the laws and regulations and the provisions under the Articles of Association in 2017. They actively attended Board meetings and meetings of the Board committees and participated independently and objectively in the decision-making of the Company on significant issues. In particular, they were concerned about the legal rights of the minority Shareholders. All of the Independent Directors made objective and impartial judgments on the issues to be resolved by the Board. They also performed due diligence reviews on the appointment, removal, and performance appraisal of Directors and senior management, and any other issues which might significantly affect the interests of insured parties and the minority Shareholders. This helped promote the scientificity and objectivity of the Board's decisions, and helped maintain the sustainable, healthy and stable growth of the Company.

In 2018, the Independent Directors will continue to perform their duties faithfully and diligently to play an active role as Independent Directors in safeguarding the interests of the Company as a whole and the legitimate interests of all Shareholders and promoting the healthy and sustainable development of the Company.

In 2017, the Supervisors prudently performed their duties and adequately exercised the functions in accordance with relevant laws and regulations and the Articles of Association. The Board of Supervisors carried out effective supervision in respect of the strategic development, corporate governance, financial position, internal control and risk management of the Company to practically maintain legitimate equity interests of the Company and Shareholders as a whole. The performance of duties of the Supervisors and the major work report of the Board of Supervisors in 2017 are as follows:

I. EFFECTIVE REGULATION OF OPERATION OF THE BOARD OF SUPERVISORS

(I) Smooth Completion of election of the Board of Supervisors.

In 2017, according to the requirements of relevant laws and regulations and the Articles of Association, Shareholders representative Supervisors and employee representative Supervisors were re-elected, and the new chairman of the Board of Supervisors was elected. On the basis of results obtained in the 7th session of the Board of Supervisors, the 8th session of the Board of Supervisors upheld the two major principles, namely promotion of the Company's development and protection of benefits of the Company's shareholders, to constantly optimise the operation mechanism of the Board of Supervisors, ensuring normative operation of the Board of Supervisors.

(II) The Board of Supervisors was convened in accordance with regulations.

In 2017, the Board of Supervisors held 7 meetings in total, considered 31 resolutions, and listened to 17 reports: in the 2017 first extraordinary meeting of the 7th session of the Board of Supervisors convened in Shanghai on 20 February 2017, resolutions such as Resolution on Nomination of Candidates for Supervisors of the 8th Session of the Board of Supervisors of China Pacific Insurance (Group) Co., Ltd. were considered and approved; in the sixteenth meeting of the 7th session of the Board of Supervisors convened in Shanghai on 29 March 2017, resolutions such as Resolution on Report of the Board of Supervisors for the Year 2016 of China Pacific Insurance (Group) Co., Ltd. were considered and approved; in the seventeenth meeting of the 7th session of the Board of Supervisors convened in Shanghai on 28 April 2017, resolutions such as Resolution on the 2017 First Quarterly Report of China Pacific Insurance (Group) Co., Ltd. were considered and approved; in the first meeting of the 8th session of the Board of Supervisors convened in Shenzhen on 9 June 2017, resolutions such as Resolution on Election of the Chairman of the 8th session of the Board of Supervisors of China Pacific Insurance (Group) Co., Ltd. were considered and approved; in the second meeting of the 8th session of the Board of Supervisors convened in Shanghai on 25 August 2017, resolutions such as Resolution on Full Text and Summary of A Share 2017 Half Yearly Report of China Pacific Insurance (Group) Co., Ltd. were considered and approved; in the third meeting of the 8th session of the Board of Supervisors convened in Shanghai on 27 October 2017, resolutions such as Resolution on the 2017 Third Quarterly Report of China

Pacific Insurance (Group) Co., Ltd. were considered and approved; in the fourth meeting of the 8th session of the Board of Supervisors convened by way of communications on 25 December 2017, resolutions such as Resolution on the Daily Related Party Transactions of China Pacific Insurance (Group) Co., Ltd. were considered and approved.

Assemble, convening and decision-making of the above meetings were in compliance with the statutory procedures, while various resolutions considered were approved and implemented. The operation of the Board of Supervisors was in compliance with rules and decision-making was effective.

(III) Supervisors punctually attended the meeting of the Board of Supervisors, adequately expressed opinions, and performed the duties as Supervisors.

In 2017, the Supervisors of the 7th session and the 8th session of the Board of Supervisors punctually attended the meetings of the Board of Supervisors. Details are as follows:

Name of Supervisors	No. of meetings requiring attendance	Attendance in person (no. of times)	Attendance by proxy (no. of times)	Absence (no. of times)	Remarks
DAI Zhihao	3	3	0	0	
ZHOU Zhuping	3	3	0	0	
LIN Lichun	7	7	0	0	
ZHANG Xinmei	7	7	0	0	
SONG Junxiang	0	0	0	0	
YUAN Songwen	7	7	0	0	

Notes:

1. On 25 January 2017, Mr. SONG Junxiang resigned from his position as an employee representative Supervisor due to retirement;
2. On 9 June 2017, Mr. ZHOU Zhuping, Ms. LIN Lichun, Ms. ZHANG Xinmei were elected as Shareholder representative Supervisors of the 8th session of the Board of Supervisors at the 2016 Annual General Meeting of the Company; Mr. DAI Zhihao no longer served as a Supervisor of the Company.
3. Upon election of employee representative meeting of the Company, Mr. YUAN Songwen and Mr. JIN Zaiming served as employee representative Supervisors of the 8th session of the Board of Supervisors; currently, the appointment qualification of Mr. JIN Zaiming is subject to the approval of the CIRC.

Supervisors attending the meetings voted in favour of all resolutions considered at the meetings on the basis of adequate expression of opinions.

II. PERFORMANCE OF DUTIES OF SUPERVISORS WITH DUE DILIGENCE**(I) Listening to special reports and concerning material matters of implementation of strategies.**

In 2017, the Supervisors of the Company received various special reports of the Company's management with a focus on major issues relating to the implementation of strategies. The Supervisors were also concerned about the impact of new insurance regulations on the Company, required the Company to implement the requirements of the CIRC, persisted in protection as the central insurance value proposition, focused on prevention of financial risks, actively responded to the opportunities and challenges brought by changes in policies; adhered to the target of "innovating digital experience, improving digital supply, and sharing the digital eco-system", required explicit implementation path of "Digital CPIC", actively responded to the challenges brought by new technologies; participated in transformation 2.0 strategies. The Supervisors of the Company also put emphasis on focusing on customers' demand, continued to focus on key problems during development, achieved high quality development targets, and created the Company as the comprehensive insurance group with the "best customers' experience, the best business quality and the greatest risk control capability", becoming the leader of healthy and stable development in the industry.

(II) Attending on-site investigation and understanding the operation and management of the Company.

In 2017, Supervisors visited and investigated Chengdu data centre, understood the practice of digitalized strategy of the Company, and carried out on-site inspection of application demonstration of new technology. In addition, certain Supervisors deepened their understanding of the operating results and risk management of the Company through attending the annual audit meetings, inspections of functional departments and other means.

(III) Concerning corporate governance and strengthening the supervision on the Board of Directors and the management of the Company.

In 2017, Supervisors attended the general meetings and the meetings of the Board of Supervisors, and played an active role in supervising the decision-making process and the performance of duties by the Board of Directors. The Board of Supervisors is of the view that the corporate governance was comprehensive, the operating procedures of the general meetings and the Board meetings of the Company were in compliance with regulations, and the matters considered and resolutions made thereat were legitimate and valid. In addition, the Board of Supervisors supervised and assessed the annual performance of Directors and senior managements through data, material review, site visit, inspections, rating and other ways. No conduct was found to have breached any laws, regulations or the Articles

of Association or damaged the interests of the Company and its Shareholders. The Board of Supervisors is of the view that the corporate governance was effective, the Directors performed their duties with due diligence and the senior management members of the Company were devoted to their duties.

(IV) Strengthening financial supervision and safeguarding Shareholders' interests.

In 2017, the Board of Supervisors reviewed resolutions including those concerning periodic reports and profit distribution, and paid special attention to activities that had major cash flow consequences, changes in accounting, accounting items which had a significant impact on the results of operations as well as matters which had a significant impact on Shareholders' equity. Moreover, the Board of Supervisors supervised the preparation and review procedures as well as content and format of reports in respect of their truthfulness, accuracy and completeness, while keeping track of the Company's financial conditions in a timely manner through regular review of its financial reports such as monthly operation indicators. The Board of Supervisors duly performed its duties of financial supervision.

The Board of Supervisors had also expressed its opinions on the Company's appointment of auditors. It commented favorably on the overall performance of the auditors and agreed to continue to appoint PricewaterhouseCoopers Zhong Tian LLP as the auditor of the Company for 2017 and PricewaterhouseCoopers as the auditor of financial statements under HKFRSs of the Company for 2017.

(V) Strengthening internal control supervision and optimising risk management system.

The Board of Supervisors regularly reviews the report of the Company on works of strengthening internal control and risk management, and continuously supervises the Board and the management to build and implement comprehensive internal control and risk management mechanism.

For the year 2017, under the supervision of the Board of Supervisors, the internal control of the Company continued to deeply implement the spirit of "emphasizing services, enforcing stringent regulations, preventing risks and promoting development", comprehensively comply with the new regulatory rules and overall strategies of the Company, and strengthen the individual supervision of the third defense line. The audit work closely adhered to target of "enhancement of internal audit supervision and evaluation as well as capability of value-added services for increase in value and in pursuit for excellence", deepened the capability of "risk-oriented auditing" to strengthen capability of problem discovery, enhance value-added service capability, create digitalized internal audit mechanism, and enhance comprehensive quality management. For the year 2017, the Company comprehensively completed the KPI indicators of "efficient internal control auditing, discovery of material problems

and achievement of 100% key work” proposed by the audit committee of the Board, comprehensively constructed internal audit centralized management system of “horizontal to the edge and vertical to the bottom”, thereby realizing audit supervision of “complete coverage with penetration”.

For the year of 2017, under the supervision of the Board of Supervisors, the risk management work of the Company comprehensively implemented the spirit of “1+4” series documents of “risk prevention, disorder governance and weakness bolstering”, robustly improved the risk prevention and control level of the Company, optimized the management mechanism of the Company, enhanced key risk management and control, strengthened compliance operating basis, deeply commenced special governance activities focusing on nine risks and eight disorders, clarified potential risks, strengthened investigation of accountability, insisted on addressing problems, supplemented weakness of system, and developed long-term efficient governance; according to the requirements of solvency risk management of the second generation, the Company reviewed and updated overall risk preference, amended and optimized risk quota system and risk management system, pushed forward and completed the renovation projects of risk management information system, continued to be concerned about macro environment, regulatory policies and market changes, focused on management and control of liquidity risk, market risk, credit risk, operational risk and other key risks, harshly fought against illegal and rule-breaking cases, properly controlled and prevented risks of the cases, and remained high-hand posture of governance of illegal acts to ensure better compliant operating indicators.

III. ACTIVE PARTICIPATION OF TRAINING OF SUPERVISORS

To improve their professional skills and knowledge of insurance policies and regulations, Supervisors of the Company participated in the training and lectures held by SSE, CIRC and the Company. In 2017, newly appointed Supervisor Mr. ZHOU Zhuping attended a training program for newly appointed Directors, Supervisors and senior managers in 2017 by CIRC. In addition, all the Company’s Directors and Supervisors participated in the related party transaction training held by the Company, proactively watched a series of Directors’ training videos provided by the Stock Exchange including the “Duties of Directors and Roles and Functions of the Committees of the Board of Directors” 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.

IV. INDEPENDENT ADVICE AND SUGGESTIONS OF THE BOARD OF SUPERVISORS

In 2017, the Board of Supervisors focused on the key performance of their duties and provided independent advice and suggestions:

(I) The Company's operational compliance.

The Board of Supervisors is of the opinion that during the reporting period, the Company maintained legally compliant operations and the Company's operational activities complied with regulatory requirements including those of the Company Law and the Articles of Association. The corporate governance structure was further improved. The decision-making procedures of the Board of Directors and the management were legal and valid, and the Directors and senior management were faithful and diligent in the process of operating and managing the Company. No conduct was found to have breached any laws or regulations or damaged the interests of Shareholders.

(II) Truthfulness and accuracy of the financial statements.

The financial statements of the Company for the year were audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, based on their respective independent auditing standards, who issued the standard unqualified opinion of the auditors. The Board of Supervisors is of the view that the financial acts of the Company were in strict compliance with the relevant requirements of the national relevant laws and regulations and the financial management system of the Company as well as internal control system; the procedures of preparing the financial reports of the Company were in compliance with the requirements of laws and regulations; the 2017 audit report with standard unqualified opinion as audited and issued by the auditing firms was objective and fair, truly reflecting the financial conditions and operating results of the Company.

(III) Consistent use of proceeds from the fund raising according to the grant.

During the reporting period, the proceeds of the fund raising had been used by the Company to enrich the capital base to support sustainable business development, which was consistent with the use granted by the resolutions of the general meetings and the Board of Directors of the Company.

(IV) During the reporting period, the company made no major asset acquisition or major disposal of assets.

(V) Fair and reasonable related party transactions.

During the reporting period, the Company's related party transactions were fair and reasonable. The consideration, voting and disclosure procedures of related party transactions are legitimate. No conduct was found to have damaged the interests of the Company and Shareholders.

(VI) No objection to the report on internal controls.

During the reporting period, the Company established a relatively complete, reasonable and effective internal control system. The Board of Supervisors reviewed the Company's "Assessment Report on Internal Control" and raised no objection.

(VII) Effective implementation of resolutions approved by shareholders at the general meeting.

During the reporting period, the Board of Supervisors raised no objections to any of the reports and resolutions submitted by the Board of Directors for Shareholders' consideration at the general meetings and supervised the implementation of the resolutions approved by Shareholders at the general meetings. The Board of Supervisors is of the opinion that the Board of Directors is able to effectively implement the resolutions approved by Shareholders at the general meetings.

The Company proposes to obtain Shareholders' approval for granting a general mandate to authorize the Board of Directors to determine if the Company shall allot, issue and deal with, A Shares and H Shares, separately or concurrently, according to market conditions and the needs of the Company, provided that the respective number of Shares shall not exceed 20% of each of the A Shares or H Shares of the Company in issue on the date of the passing of this resolution. However, notwithstanding the granting of the general mandate to the Board of Directors, any issue of new A Shares would require another Shareholders' approval at a Shareholders' meeting in accordance with the relevant PRC laws and regulations.

- (1) Subject to paragraphs (3) and (4) below and pursuant to the Company Law and the relevant regulatory stipulations (as amended from time to time) of the places where the Shares of the Company are listed, the Board of Directors shall be granted a general and unconditional mandate to exercise all the powers of the Company to allot, issue and deal with new Shares during the Relevant Period (as hereinafter defined) and to determine the terms and conditions for the allotment and issue of new Shares which include, without limitation, the following terms:
 - (a) the class and number of new Shares to be issued;
 - (b) the method of determining the issue price and/or the issue price (including the price range of new Shares);
 - (c) the starting and closing dates for the issue;
 - (d) the class and number of the new Shares to be issued to existing Shareholders; and
 - (e) the making or granting of offers, agreements and options which might require the exercise of such powers.
- (2) The approval in paragraph (1) shall authorize the Board of Directors during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period.
- (3) The aggregate nominal amount of the new A Shares and new H Shares allotted, issued and dealt with conditionally or unconditionally (whether pursuant to an option or otherwise) by the Board of Directors pursuant to the approval in paragraph (1), other than the Shares issued pursuant to a Rights Issue (as hereinafter defined) or the rights to purchase the Shares of the Company under any option scheme or similar arrangement, shall not exceed 20% of each of the A Shares and H Shares of the Company in issue as at the date of passing this resolution.
- (4) In exercising the powers granted in paragraph (1), the Board of Directors must: (a) comply with the Company Law and the relevant regulatory stipulations (as amended from time to time) of the places where the Shares of the Company are listed; and (b) obtain approval from CSRC and other relevant PRC government departments.

- (5) For the purpose of this resolution:

“**Relevant Period**” means the period from the date of passing this resolution until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the 12-month period following the passing of this resolution; and
- (c) the revocation or variation of the mandate granted under this resolution by a special resolution of the Shareholders at a Shareholders’ general meeting.

“**Rights Issue**” means the allotment or issue of Shares in the Company or other securities which would or might require Shares to be allotted and issued pursuant to an offer made to all the Shareholders of the Company (excluding for such purpose any Shareholder who is resident in a place where such offer is not permitted under the law of that place) and, where appropriate, the holders of other equity securities of the Company entitled to such offer, pro rata (apart from fractional entitlements) to their existing holdings of Shares or such other equity securities.

- (6) The Board of Directors, subject to the approval of the relevant authorities of the PRC and in accordance with the Company Law, shall be authorized to increase the registered capital of the Company to the required amount upon the exercise of the powers pursuant to paragraph (1) above.
- (7) The Board of Directors shall be authorized to sign the necessary documents, complete the necessary formalities and take other necessary steps to complete the allotment, issue and listing of new Shares, provided that the same do not violate the relevant laws, administrative regulations and regulatory stipulations (as amended from time to time) of the places where the Shares of the Company are listed, and the Articles of Association.
- (8) Subject to the approval of the relevant PRC authorities, the Board of Directors shall be authorized to make amendments to the Articles of Association as appropriate and necessary after the completion of the allotment and issue of new Shares according to the method of the allotment and issue of new Shares by the Company, the type and number of new Shares to be allotted and issued by the Company, and the actual shareholding structure of the Company at the time of completion of the allotment and issue of new Shares, in order to reflect the changes in the Share capital structure and the registered capital of the Company pursuant to the exercise of this mandate.

Particulars of the candidates of Shareholder representative Supervisors are as follows:

Mr. ZHU Yonghong

Mr. ZHU Yonghong, born in January 1969, is currently the chief accountant of China Baowu Steel Group Corporation Limited, chairman of Hwabao Investment Co., Ltd., Wugang Group Kunming Iron and Steel Company Limited and Wuhan Iron & Steel Group Financial Corporation Limited, and the chairman of the board of supervisors of Baoshan Iron & Steel Co., Ltd., a company listed on the SSE (stock code: 600019). Currently, Mr. ZHU also serves as a vice chairman of Hebi Fuyuan Clean Coal Co., Ltd., director of Hankou Bank Co., Ltd. and North Bay Property and Casualty Insurance Co., Ltd., and the chairman of the board of supervisors of Changjiang Property & Casualty Insurance Co., Ltd..

Mr. ZHU previously served as the chief financial officer and head of the financial department, deputy chief accountant, and the chief accountant of Wuhan Iron and Steel (Group) Corporation, director of Wuhan Iron and Steel Co., Limited and Hubei United Development Investment Co., Ltd..

Mr. ZHU holds a doctorate degree, with the designation of senior economist and senior accountant.

Mr. LU Ning

Mr. LU Ning, born in September 1968, is currently the head of financial asset department of Yunnan Hongta Group Co., Ltd.. Currently, Mr. LU also serves as chairman of Shanghai Hongta Hotel Co., Ltd., Yunnan Hongta Hotel Co., Ltd., Yunnan Honghe Investment Co., Ltd., Kunming Hongta Mansion Co., Ltd. and Kunming Hongta Mansion Property Management Co., Ltd., and director of Yunnan Hongta Sports Center Co., Ltd., Yunnan Zhongwei Hotel Management Co., Ltd. and Kunming Wanxing Real Estate Development Co., Ltd..

Mr. LU served as the vice general manager of Yunnan Tobacco Group Xingyun Co., Ltd., the general manager of Kunming Wanxing Real Estate Development Co., Ltd., the head of the hotel property department of Yunnan Hongta Group Co.,Ltd., a director of Yunnan Tobacco Xingyun Investment Co., Ltd., and chairman of Yunnan Hongta Real Estate Development Co., Ltd. and Zhongshan Hongta Property Development Co., Ltd..

Mr. LU received university education, with a degree in economics and the designation of economist of real estate.

None of Mr. ZHU Yonghong and Mr. LU Ning entered into a service contract with the Company. The terms of their office will expire at the end of the terms of office of the 8th session of the Board of Supervisors, and are renewable upon re-election when they expire. Their emoluments will be determined according to the “Remuneration Management System of Directors and Supervisors” approved by the Shareholders at the 2010 annual general meeting of the Company.

Save as disclosed above, Mr. ZHU Yonghong and Mr. LU Ning have not held any directorship in other listed companies in the past three years or any other position within the Company or any of its subsidiaries, are not connected with any Directors, Supervisors, senior management officers or substantial or controlling Shareholders of the Company, and do not have any interest in the Shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance in Hong Kong.

Furthermore, there is nothing in respect of Mr. ZHU Yonghong and Mr. LU Ning which needs to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Hong Kong Listing Rules nor is there any other thing which needs to be brought to the attention of the Shareholders.

Under the “Interim Measures for the Administration of related party transaction of Insurance Companies” (Bao Jian Fa [2007] No. 24, the “**Interim Measures**”) of the CIRC, “the board of an insurance company shall report annually to the shareholders’ general meeting on the status of related party transaction and the implementation of a related party transaction administration system”. Under the “Guidelines for Consolidated Supervision of Insurance Groups” (the “**Guidelines for Consolidated Supervision**” promulgated by CIRC, “The compliance department of the insurance group or the company shall make annual appraisal reports by evaluating the internal transactions of the group. Such annual appraisal reports shall be submitted to the Board of Directors and the Board of Supervisors, and the Board of Directors shall submit the annual report to the General Meeting.” In particular, the “internal transactions” mentioned in the “Guidelines for Consolidated Supervision” shall mean within the scope of “related party transaction” stipulated by the Interim Measures. The status of related party transactions (including the internal transactions) of the Company and the implementation of the management system for related party transactions are hereby reported as follows:

I. STATUS OF RELATED PARTY TRANSACTION (INCLUDING THE INTERNAL TRANSACTIONS) IN 2017

(I) Status and Appraisal of Internal Transactions

With a total transaction amount of RMB24.120 billion, the internal transactions among the CPIC Group and its member companies for the year 2017 included capital increase, dividend distribution, purchase or sale of commodities (providing and receiving labor services), lease and other types of transactions. For details, please see the financial report of the Company in 2017.

For the year ended 31 December 2017, the Company has formulated the “Management Measures for the Connected Transaction of China Pacific Insurance (Group) Co., Ltd.” and its implementation rules to set up the policy and procedure for monitoring, reporting on, controlling and handling the internal transactions in compliance with the regulatory requirements of “Guidelines for Consolidated Supervision”. The internal transactions have been conducted in accordance with the reasonable pricing and normal business standards, with neither damage to the clients’ benefits nor unfavorable impact on the stability of the Company.

(II) New Material Related Party Transactions

In 2017, there were six material related party transactions in total, all traded in fair market price and reported and disclosed in accordance with the rules of CIRC. In addition, according to the listing rules of the places where the shares of the Company are listed and the rules of the CIRC, the Company made appropriate estimation on routine related party transaction amount in relation to capital utilization and financial product business, which is subject to the approval of the Board before implementation.

1. Material Related Party Transactions

- (1) On 2 May 2017, the Company subscribed for Changjiang Pension–Debt Investment Schemes for Transformation of Squatter Area of Chengtou in Changsha issued by Changjiang Pension Insurance Co., Ltd. (“**Changjiang Pension**”) at a consideration of RMB0.33 billion. Upon considering at the 17th meeting of the 7th session of the Board of the Company, the estimated transaction caps of (continued) related party transactions in relation to the capital utilization between CPIC Group and Changjiang Pension in 2017 was approved.
- (2) On 28 June 2017, the Company entered into a “Cooperation Contract” with Shanghai Baosight Software Co., Ltd. (“**Baosight Software**”). Upon considering at the first meeting of the 8th session of the Board of the Company, the material related party transaction in relation to service cooperation with the data center of Baosight Software was approved. The term of cooperation of the project is 240 months, with an estimated service budget of RMB5.5 billion.
- (3) On 31 July 2017, the Company entered into Related Party (Connected) Transaction Framework Agreement with Haitong Securities Co., Ltd. (“**Haitong Securities**”). Upon considering at the 16th meeting of the 7th session of the Board of the Company, the estimated transaction caps of routine related party transactions in relation to the capital utilization and financial product business between the Company and Haitong Securities in 2017 was approved. For routine related party transactions within estimated limits, there is no necessity for separate submission to the Board of Directors for consideration for each of such transactions. According to the requirement of business, the Board is approved to authorize the operating management of the Company to enter into relevant agreements with relevant related parties within the estimated limits.
- (4) On 3 August 2017, the Company entered into Related Party (Connected) Transaction Framework Agreement with Orient Securities Company Limited (“**DFZQ**”). Upon considering at the 16th meeting of the 7th session of the Board of the Company, the estimated transaction caps of routine related party transactions in relation to the capital utilization and financial product business between the Company and DFZQ in 2017 was approved. For routine related party transactions within estimated limits, there is no necessity for separate submission to the Board of Directors for consideration for each of such transactions. According to the requirement of business, the Board is approved to authorize the operating management of the Company to enter into relevant agreements with relevant related parties within the estimated limits.

- (5) On 12 October 2017, the Company signed the “Share Subscription Agreement” in relation to the capital increase in Pacific Asset Management Co., Ltd. (“**CPIC AMC**”). Upon considering at the 3rd meeting of the 8th session of the Board of the Company, capital increase totaled RMB0.64 billion from the Group to CPIC AMC through the above method was approved.
- (6) On 12 December 2017, the Company signed the “Share Subscription Agreement” in relation to the capital increase in CPIC Allianz Health Insurance Co., Ltd. (“**CPIC Allianz Health**”). Upon consideration and approval at the 5th meeting of the 8th session of the Board of the Company, the Company was approved to subscribe for 539,357,000 shares at a consideration of RMB539,357,000 by way of cash.

2. Authorization of the Routine Related Party Transactions

The Company and its subsidiaries carry out the routine trading of debt securities, securities investment funds, pledge-style bond repurchase, trust products, asset management products, bank deposits and routine transaction in respect of funds utilization and financial products with various counterparties at fair market prices. The Company approved the routine related party transactions of the fund utilization and financial product businesses by the Company and all subsidiaries within the expected annual maximum amounts at the 16th meeting of the 7th session of the Board on 29 March 2017 and the 17th meeting of the 7th session of the Board on 28 April 2017, without the necessity for separate submission to the Board of Directors for consideration for each of such transactions. The routine related party transactions of the fund utilization and financial product businesses in 2017 are categorized and summarized as follows:

Unit: RMB100 million

Content of Transactions	Related Party	Amount Expected to be Generated in 2017	Amount Actually Generated in 2017	Total Amounts of Comparable Transactions	Proportion
Trading of debt securities	Bohai Bank (渤海銀行)	65	0.40	2027.63	0.02%
	DFZQ (東方證券)	65	20.41		1.01%
Application for fund redemption	Hwabao Fund (華寶基金)	65	9.29	1882.76	0.49%
Trust products	Hwabao Trust (華寶信託)	65	65.00	707.21	9.19%
Asset management products	Baosteel Group Finance (寶鋼集團財務)	65	0.74	2656.36	0.03%
Bank deposits	Bohai Bank (渤海銀行)	65	13.00	900.99	1.44%
Purchase of pension products by related natural person	Related natural person	65	0.07	132.90	0.05%

The above routine related party transactions have been approved by the Board of the Company, and completed relevant information disclosure and reporting procedures in accordance with the regulatory requirements.

The above routine related party transactions which were conducted by the Company and each of its controlling subsidiaries in accordance with the normal commercial terms during its ordinary course of business, had no influence on the independence of the Company. Though the above routine related party transactions were not required to be approved at the shareholders' general meetings, it was required to be disclosed collectively pursuant to the Hong Kong Listing Rules and therefore a disclosure was made in the Company's annual report.

II. AMENDMENTS OF MANAGEMENT SYSTEM FOR RELATED PARTY TRANSACTIONS

In 2017, the CIRC further intensified the management and control on related party transactions and issued regulatory requirements such as “Notice on Further Strengthening Matters in relation to the Management of Related Party Transactions of Insurance Companies” (hereinafter referred to as “**Bao Jian Fa [2017] No. 52**”), which brought about material impacts on the management of related party transactions of the Company. In order to carry out the regulatory requirements, further regulate the management of related party transactions of the Company, and with reference to the Company’s situation on the management of related party transactions, the Company amended the related party transaction management system for three times and filed such amendments in accordance with the requirements of the CIRC in 2017.

The Management Measures on Related Party Transactions of China Pacific Insurance (Group) Co., Ltd. (Tai Bao Fa [2017] No. 84) clarified the three-barriers management system and put forward requirements for manpower support and evaluation and accountability; amended the standards for major related party transactions in accordance with regulatory requirements, and refined the right of approval of the Board and Shareholders’ general meeting. The second amendment optimized the relate party transaction management structure, set up the controlling committee of related party transactions and internal review procedures, optimized the review procedures of major and general related party transactions, and further regulated the management procedure for unified transaction agreement management. The Implementation Rules of Management Measures on Related Party Transactions of China Pacific Insurance (Group) Co., Ltd. (Tai Bao Fa [2017] No. 16) made further amendments to the management responsibilities of the Company and each of its subsidiaries and departments, optimized the management procedures of submitting related party transactions for the review of the Board and report and information disclosure.

III. IMPLEMENTATION OF MANAGEMENT SYSTEMS FOR RELATED PARTY TRANSACTIONS

In order to carry out the regulatory requirements in full and prevent relevant risks of related party transactions, the Company and its subsidiaries have kept on enhancing and optimizing the management of related party transactions. In 2017, the Company stringently put forward the management system for related party transactions. Based on its experience in managing related party transactions, it further organized and optimized the update of information on related parties and strengthened the management of processes, such as the review, approval, disclosure and reporting of related party transactions, and continuously enhanced the risk control level and effectiveness of its management of related party transactions, in order to ensure that the related party transactions of the Company meet the requirements of the regulatory authorities and the listing rules of the Company’s places of listing, and in compliance with the principal of compliance, integrity, fairness and justice so as to safeguard the interests of the Company and its Shareholders.

(I) Improvement on Management Structure of Related Party Transactions

According to the requirement of Bao Jian Fa [2017] No. 52 document, the Company established controlling committee of related party transactions in the level of operating management, among which, the chairman of the committee shall be served by the president of the Company, while members of the committee are served by members of the economic management committee of the Company. The committee is responsible for the identification and maintenance of related parties, management of related party transactions, reviewing, and approving and risk control. In addition to formulating the “Rules of Procedures for Controlling Committee of Related Party Transactions of China Pacific Insurance (Group) Co., Ltd.” (Tai Bao Fa [2017] No. 91), the committee clarified the form of meeting, the responsibilities of its members and the review procedure, so as to ensure the effective operation of the controlling committee of related party transactions. In addition, the Company further ensured the effective operation of the three barriers of related party transactions, continued to maintain its manpower, and focused on enhance the professional responsibility performance capability of institutions and departments of all levels.

(II) Improvement on Management of Information of Related Parties

According to the requirement of Bao Jian Fa [2017] No. 52 document, the Company further optimize the management of information of related parties, strengthen management and control of the Group, and clarified the related party information management principal of “Following the general coordination of the Group and the self-governance of each of the legal person”. During the reporting period, the subsidiaries of the Company strictly implemented the regulatory requirements of regular and in-time update of information, and endeavored to ensure the quality and efficiency in the issuance of name list of related parties. In order to ensure the compliance in the management of information of related parties, any updates of such information shall be submitted to the Company’s controlling committee of related party transactions in time. As of 31 December 2017, the Company had 146 related legal persons and other organizations, and 254 related natural persons under the rules of CIRC.

(III) Optimization of Review of Related Party Transactions

Pursuant to Bao Jian Fa [2017] No. 52 document, the Company continued to improve the internal control mechanism of related party transaction, enhance the internal auditing procedures, including key auditing procedures for business, finance and compliance, so as to make sure that the auditing opinions and resolutions of meetings of the controlling committee of related party transactions were properly filed and trackable. According to the Management Measures on Related Party Transactions of China Pacific Insurance (Group) Co., Ltd. and the Interim Management Measures on Connected Transactions of H Shares of China Pacific

Insurance (Group) Co., Ltd., major related party transactions will be submitted to the Board or Shareholders' general meeting of the Company for approval upon reviewing by the controlling committee of related party transactions, while the Company and its relevant departments are authorized to review general related party transactions and shall file such transactions with the controlling committee of related party transactions on a regular basis.

(VI) Proper Information Disclosure and Reporting

In compliance with the relevant regulations, the Company duly completed the information disclosure on related party transaction as well as a variety of reporting work. Based on the regulation of "Standards for Disclosure of Information on Funds Utilisation by Insurance Companies No. 1: Related Party Transaction" (Bao Jian Fa [2014] No.44) and Bao Jian Fa [2016] No.52 document of the CIRC, the Company made public disclosure and reporting of information in respect of related party transactions through the website of the Company and the website of Association of Insurance Industry in time and urged each of its subsidiaries to complete the information disclosure and reporting work on the related party transactions in 2017 that required disclosure in accordance with the requirements of the CIRC.

(V) Conducting Special Audit of Related Party Transactions Regularly

Based on the requirements of the Interim Measures of CIRC, the audit department of the Company carried out special audits of related party transactions and the implementation of its procedures during the year of 2017 and gave opinions on the policy implementation problems faced. The compliance management department of the Company asked the relevant departments to promptly rectify such problems so as to ensure the compliancy and fairness of the Company's related party transactions and to safeguard the legitimate interests of the Company and its Shareholders.

IV. CHALLENGES IN AND RESPONSE TO MANAGEMENT OF RELATED PARTY TRANSACTIONS

In 2017, the CIRC further improved the supervision on related party transactions, as a result of which insurance companies will face more pressure and challenges on the management of related party transactions. With the development of the business of the Company and the expansion of the scale of management and control of the Group as a whole, the transaction volume of material related party transactions increased significantly, while the types of transaction kept evolving, which made it more difficult to manage such transactions. The management of related party transactions of the Company was subject to compliance of multi-legal system and multi-industry norms in various places, which also involved corporate governance, capital utilization, innovative business and many other areas, which put forward higher professional requirements on management of related party transactions.

In response to the above challenges, the Company intended to further optimize the internal control mechanism of related party transactions, focus on the effectiveness on the implementation of the Group's related party transaction unified management system, consolidate the foundation of management and improve the effectiveness of management and control. Firstly, the Company shall take full advantage of new technology to upgrade the risk management and control of related party transactions, endeavor to optimize the features of the related party transaction management system, and continue to supervise on the caps of related party transactions, in order to promote refined management on the identification, review and disclosure procedures of related party transactions as well as systematic management on limit monitoring. Secondly, the Company shall further strengthen the effective implementation of the routine evaluation mechanism of related party transactions, upgrade the setting of evaluation indicators, and emphasize on the sense of responsibility of different sectors, in order to put both evaluation guidelines and the accountability system into practice. Thirdly, the Company shall optimize the equipment of the special teams of related party transactions, and effectively improve the responsibility performance capability of the management members of related party transactions by way of increasing manpower support in terms of position arrangement and the training system

NOTICE OF THE ANNUAL GENERAL MEETING



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)
(Stock Code: 02601)

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (“AGM” or “Annual General Meeting”) of China Pacific Insurance (Group) Co., Ltd. (the “Company”) will be held at Meixi Lake Luxury Collection Hotel, Changsha, Hunan, the PRC, on Friday, 15 June 2018 at 1:30 p.m., for the purpose of considering, and if thought fit, passing the following resolutions. Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meaning as defined in the circular of the Company dated 28 April 2018.

ORDINARY RESOLUTIONS

1. To consider and approve the report of the Board of Directors of the Company for the year 2017
2. To consider and approve the report of the Board of Supervisors of the Company for the year 2017
3. To consider and approve the full text and the summary of the annual report of A Shares of the Company for the year 2017
4. To consider and approve the annual report of H Shares of the Company for the year 2017
5. To consider and approve the financial statements and report of the Company for the year 2017
6. To consider and approve the profit distribution plan of the Company for the year 2017
7. To consider and approve the proposal on the appointment of auditors of the Company for the year 2018
8. To consider and approve the due diligence report of the Directors of the Company for the year 2017
9. To consider and approve the report on performance of Independent Directors of the Company for the year 2017

NOTICE OF THE ANNUAL GENERAL MEETING

10. To consider and approve the election of Shareholder representative Supervisors of the 8th session of the Board of Supervisors
 - 10.1 To consider and approve the election of Mr. ZHU Yonghong as a Shareholder representative Supervisor of the 8th session of the Board of Supervisors
 - 10.2 To consider and approve the election of Mr. LU Ning as a Shareholder representative Supervisor of the 8th session of the Board of Supervisors

SPECIAL RESOLUTION

11. As special business, to authorize the Board of Directors of the Company to determine if the Company shall allot, issue and deal with, A Shares and H Shares, separately or concurrently, according to market conditions and the needs of the Company, provided that the respective number of shares shall not exceed 20% of each of the A Shares or H Shares of the Company in issue on the date of the passing of this special resolution. However, notwithstanding the granting of the general mandate to the Board of Directors, any issue of new A Shares would require another shareholders' approval at a Shareholders' meeting in accordance with the relevant PRC laws and regulations.
 - (1) Subject to paragraphs (3) and (4) below and pursuant to the Company Law of the People's Republic of China (the "**Company Law**") and the relevant regulatory stipulations (as amended from time to time) of the places where the shares of the Company are listed, the Board of Directors shall be granted a general and unconditional mandate to exercise all the powers of the Company to allot, issue and deal with new shares during the Relevant Period (as hereinafter defined) and to determine the terms and conditions for the allotment and issue of new shares which include, without limitation, the following terms:
 - (a) the class and number of new shares to be issued;
 - (b) the method of determining the issue price and/or the issue price (including the price range of new Shares);
 - (c) the starting and closing dates for the issue;
 - (d) class and number of the new shares to be issued to existing shareholders; and
 - (e) the making or granting of offers, agreements and options which might require the exercise of such powers.

NOTICE OF THE ANNUAL GENERAL MEETING

- (2) The approval in paragraph (1) shall authorize the Board of Directors during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period.
- (3) The aggregate nominal amount of the new A Shares and new H Shares allotted, issued and dealt with conditionally or unconditionally (whether pursuant to an option or otherwise) by the Board of Directors pursuant to the approval in paragraph (1), other than the shares issued pursuant to a Rights Issue (as hereinafter defined) or the rights to purchase the shares of the Company under any option scheme or similar arrangement, shall not exceed 20% of each of the A Shares and H Shares of the Company in issue as at the date of passing this resolution.
- (4) In exercising the powers granted in paragraph (1), the Board of Directors must (a) comply with the Company Law and the relevant regulatory stipulations (as amended from time to time) of the places where the shares of the Company are listed; and (b) obtain approval from China Securities Regulatory Commission and other relevant PRC government departments.
- (5) For the purpose of this resolution:

“**Relevant Period**” means the period from the date of passing this resolution until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the 12-month period following the passing of this resolution; and
- (c) the revocation or variation of the mandate granted under this resolution by a special resolution of the Company’s shareholders in a general meeting.

“**Rights Issue**” means the allotment or issue of shares in the Company or other securities which would or might require shares to be allotted and issued pursuant to an offer made to all the shareholders of the Company (excluding for such purpose any shareholder who is resident in a place where such offer is not permitted under the law of that place) and, where appropriate, the holders of other equity securities of the Company entitled to such offer, pro rata (apart from fractional entitlements) to their existing holdings of shares or such other equity securities.

- (6) The Board of Directors, subject to the approval of the relevant authorities of the PRC and in accordance with the Company Law, shall be authorized to increase the registered capital of the Company to the required amount upon the exercise of the powers pursuant to paragraph (1) above.

NOTICE OF THE ANNUAL GENERAL MEETING

- (7) The Board of Directors shall be authorized to sign the necessary documents, complete the necessary formalities and take other necessary steps to complete the allotment, issue and listing of new shares, provided that the same do not violate the relevant laws, administrative regulations, and regulatory stipulations (as amended from time to time) of the places where the shares of the Company are listed, and the Articles of Association.
- (8) Subject to the approval of the relevant PRC authorities, the Board of Directors shall be authorized to make amendments to the Articles of Association as appropriate and necessary after the completion of the allotment and issue of new shares according to the method of the allotment and issue of new shares by the Company the type and number of new shares to be allotted and issued by the Company, and the actual shareholding structure of the Company at the time of completion of the allotment and issue of new shares, in order to reflect the changes in the share capital structure and the registered capital of the Company pursuant to the exercise of this mandate.

REPORT TO BE REVIEWED

To review the report on the status of related party transactions and the implementation of management system for related party transactions of the Company for the year 2017.

Note: The English version of this notice is an unofficial translation and is for reference only. In case of inconsistency between the English and Chinese versions, the Chinese version shall prevail.

By Order of the Board of Directors
China Pacific Insurance (Group) Co., Ltd.
KONG Qingwei
Chairman

Shanghai, the PRC, 28 April 2018

Notes:

1. ELIGIBILITY FOR ATTENDING THE ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS FOR H SHARES

The Annual General Meeting will be held on Friday, 15 June 2018. The H Share Register of Members of the Company will be closed for the purpose of determining H Share shareholders' entitlement to attend the AGM, from Wednesday, 16 May 2018 to Friday, 15 June 2018 (both days inclusive), during which no transfer of H Shares will be registered. In order to attend the AGM, H Share shareholders should ensure that all transfer documents, accompanied with the relevant share certificates, are lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Tuesday, 15 May 2018.

NOTICE OF THE ANNUAL GENERAL MEETING

2. PROPOSED FINAL DIVIDEND

On 29 March 2018, the Board recommended a final dividend of RMB0.8 per share (including tax) for the year ended 31 December 2017, amounting to approximately RMB7.250 billion in aggregate. The proposed final dividend is subject to the approval of Shareholders at the Annual General Meeting. If approved, it is expected that the payment of the final dividend will be made on or before Wednesday, 8 August 2018 to the Shareholders whose names appear on the H Share Register of Members of the Company on Wednesday, 27 June 2018.

3. WITHHOLDING OF DIVIDEND INCOME TAX

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the PRC and its implementation rules enacted in 2008, the Company is required to withhold 10% of corporate income tax when it distributes the final dividend to its non-resident enterprise H shareholders of the Company who is entitled to receive the proposed final dividend.

Pursuant to the applicable provisions of the Individual Income Tax Law of the PRC and its implementation rules and confirmed by the relevant tax authorities in the PRC after consulting with them by the Company, the Company will withhold individual income tax at the tax rate of 10% when it distributes the final dividend for 2017 to individual holders of H Shares of the Company who is entitled to receive the proposed final dividend. However, if it is otherwise stated in the tax regulations and relevant tax treaty, the Company will withhold individual income tax based on their dividend at the required tax rate and in accordance with the relevant procedures. If the applicable dividend tax rate is less than 10%, the individual H Share shareholders are entitled to apply for refund of the over-deducted amount on their own or appoint an agent to act on their behalf according to the tax treaty entered into between their countries of domicile and the PRC and the regulations of the relevant PRC tax authorities.

The Company will withhold the relevant enterprise income tax as well as the individual income tax as required by law. The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H Share Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H Share Shareholders or any disputes over the withholding mechanism or arrangements.

Withholding of Income Tax for Holders of H Shares via the Hong Kong Stock Connect

Pursuant to the Notice on Relevant Taxation Policies Concerning the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) promulgated on 17 November 2014:

- In respect of the dividends received by Mainland individual investors who invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect Program, the Company will withhold individual income tax at the rate of 20%. Individual investors may, by producing valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Company Limited for tax credit relating to the withholding tax already paid abroad. In respect of the dividends received by Mainland securities investment funds that invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect Program, the Company will withhold individual income tax in the same way as the foregoing requirements;
- In respect of the dividends received by Mainland corporate investors that invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect Program, the Company will not withhold any income tax from the dividend and the Mainland corporate investors shall file the tax returns on their own.

NOTICE OF THE ANNUAL GENERAL MEETING

In accordance with the Notification on Relevant Tax Policies for Pilot Operation of Transaction Interconnection Mechanism of Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)) put into force on 5 December 2016:

- For the dividend income obtained by mainland individual investors from investment in H Shares of the Company through HK-Shenzhen Stock Connect, the Company shall withhold the income tax as per the 20% tax rate. Individual investors may, by producing valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Company Limited for tax credit relating to the withholding tax already paid abroad. For the dividend income obtained by mainland securities investment funds from investment in H Shares of the Company through HK-Shenzhen Stock Connect, the income tax shall be levied in accordance with the above provisions;
- For the dividend income obtained by mainland enterprise investors from investment in H Shares of the Company through HK-Shenzhen Stock Connect, the income tax on the mainland enterprises shall not be withheld by the Company, and the tax payable shall be declared and paid by the mainland enterprises.

Withholding of Income Tax for Holders of A Shares via the Shanghai Stock Connect

For investors of the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A shares of the Company listed on the SSE (the “**Shanghai Stock Connect**”), the dividends received by them will be distributed in RMB by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited as the nominee account holding such A shares. Pursuant to the Notice on Relevant Taxation Policies Concerning the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), the Company will withhold income tax at the rate of 10% on behalf of those investors and will undertake the reporting procedures on the tax withholding and payment with the tax authorities, and the after-tax cash dividend will be RMB0.72 per share. For investors of Shanghai Stock Connect who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may apply to the competent tax authorities for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the amount paid in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

All investors should read this notice carefully. Shareholders are recommended to consult their tax advisors on the PRC, Hong Kong and other tax effects regarding their holding and disposing of H shares of the Company.

4. ELIGIBILITY FOR PROPOSED FINAL DIVIDEND AND CLOSURE OF H SHARE REGISTER OF MEMBERS

The H Share Register of Members of the Company will be closed from Friday, 22 June 2018 to Wednesday, 27 June 2018 (both days inclusive), during which period no transfer of H Shares will be registered. In order to be eligible for the entitlement of the final dividend, H Share shareholders should ensure that all transfer documents, accompanied with the relevant share certificates, are lodged with the Company’s H Share Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Thursday, 21 June 2018.

5. PROXY

- (1) Each shareholder entitled to attend and vote at the Annual General Meeting may appoint one or more proxies in writing to attend and vote on his behalf. A proxy need not be a shareholder of the Company.

NOTICE OF THE ANNUAL GENERAL MEETING

- (2) The instrument appointing a proxy must be in writing by the appointor or his attorney duly authorized in writing, or if the appointor is a legal entity, either under seal or signed by a director or a duly authorized attorney. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign or other document of authorization must be notarized. To be valid, for holders of H Shares, the form of proxy and notarized power of attorney or other document of authorization must be delivered to Computershare Hong Kong Investor Services Limited, not less than 24 hours before the time appointed for the Annual General Meeting (i.e. no later than 1:30 p.m. on Thursday, 14 June 2018) (Form of proxy for use at the Annual General Meeting is attached herewith).
- (3) If a shareholder appoints more than one proxy, such proxies shall only exercise the right to vote by poll.

6. REGISTRATION PROCEDURES FOR ATTENDING THE ANNUAL GENERAL MEETING

- (1) A shareholder or his proxy should produce proof of identity when attending the Annual General Meeting. If a shareholder is a legal person, its legal representative or other person authorized by the board of directors or other governing body of such shareholder may attend the Annual General Meeting by producing a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.
- (2) Shareholders of the Company intending to attend the Annual General Meeting in person or by their proxies should complete and return the reply slip for attending the Annual General Meeting to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong on or before Friday, 25 May 2018.

7. VOTING BY POLL

According to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the chairman of the Annual General Meeting will demand a poll in relation to all the proposed resolutions at the Annual General Meeting in accordance with Article 92 of the Articles of Association.

8. MISCELLANEOUS

- (1) The Annual General Meeting is expected to be held for no more than half a day. Shareholders who attend the meeting in person or by proxy shall bear their own travelling and accommodation expenses.
- (2) The address of Computershare Hong Kong Investor Services Limited is: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (3) The address of China Securities Depository and Clearing Corporation Limited Shanghai Branch is: Level 36, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai, the People's Republic of China.
- (4) The registered office of the Company is at:

South Tower, Bank of Communications Financial Building, 190 Central Yincheng Road, Pudong New District, Shanghai, the People's Republic of China
Postal Code: 200120
Contact office: Office of the Board of Directors
Contact Person: JIANG Zhenxiang
Telephone No.: 86 (21)3396 8598
Facsimile No.: 86 (21)6887 0791