

CPIC ( SH601601, HK02601 )

**Stock Data (ending Mar 31, 2018)**

Total equity base (in million)	9,062
A-share	6,287
H-share	2,775
Total Cap (in RMB million)	276,927
A-share	198,669
H-share (in HKD million)	96,986
6-mth highest/lowest	
A-share (in RMB)	47.76/31.17
H-share (in HKD)	41.85/33.55

**CONTENTS**

- **Illustration on Publishing the Provisions on the Administration of Equity in Insurance Companies**

On November 10, CPIC released a Notice on HKEX, briefly illustrated the background of the proposed amendments to the Articles of Association as well as some other topics that shareholders may pay close attention to. Meanwhile, the Notice reminded the shareholders that CIRC (now CBIRC) was considering making revision to *the Administration of Equity in Insurance Companies*, which might impose additional conditions and requirements concerning qualifications of Shareholders, shareholding percentage restrictions and acts of Shareholders. Shareholders and potential investors of the Company are therefore advised to pay close attention to such revision. As soon as it becomes aware of such revision to the Administrative Measures promulgated by the CIRC becoming effective, the Company will publish the major contents of aforementioned Measures.

On 2 March 2018, *the Provisions on the Administration of Equity in Insurance Companies* was promulgated, and it came into force on 10 April 2018. As a result, we publish the major contents of aforementioned Measures in both Chinese and English versions on the website of the Company for shareholders' reference.

**IR Calendar**

May 9-10, 2018  
Strategy Conference of Changjiang Securities  
Chengdu  
May 15-18, 2018  
Interim Strategy Conference of CITIC Securities  
Hangzhou  
May 30 - June 1, 2018  
Morgan Stanley Fourth Annual China Summit  
Beijing

**Investor Relations Department**

Tel: 021-58767282

Fax: 021-68870791

E-MAIL: ir@cpic.com.cn

Add: 40F, 190 Central Yincheng Rd.,  
Shanghai, P.R. China, 200120**Contact: Katrina Xie**

Tel: 021-33961157

E-MAIL: xieyusheng@cpic.com.cn

**Disclaimer:**

China Pacific Insurance Company (the "Company") abides by the disclosure obligations by securities regulators and stock exchanges in accordance with the law. The newsletter is for information purpose only and do not constitute investment suggestion in any circumstances. The Company nor has any liability for any loss howsoever arising from any information contained in the newsletter. All copyrights are reserved by the Company. The newsletter belongs to non-public information. Without written authorization by the Company, none part of the newsletter could be copied or substituted to others in any circumstance

# Provisions on the Administration of Equity in Insurance Companies

## Chapter 1 General provisions

### Article 1

To strengthen equity supervision of insurance companies, standardize the behavior of shareholders of insurance companies, protect the legitimate rights and interests of policyholders, insureds and beneficiaries, and maintain an orderly insurance market, "The Provisions" was formulated as per the *Company Law of the People's Republic of China*, the *Insurance Law of the People's Republic of China*, and other relevant laws and administrative regulations.

### Article 2

The equity management of insurance companies shall abide by the following principles:

- (1) Shareholders must have good qualifications with clear equity structure;
- (2) Insurer must have reasonable ownership structure and good business behavior;
- (3) Equity transfer must be conducted in an open, transparent and orderly way.

### Article 3

CIRC implements substantive and differentiated equity supervision of insurance companies.

Equity supervision covers the following areas:

- (1) The establishment of insurance companies;
- (2) The change of the registered capital of insurance companies;
- (3) Equity change of insurance companies;
- (4) Listing of insurance companies;
- (5) Mergers and splitting of insurance companies;
- (6) Corporate governance of insurance companies;
- (7) Risk management or bankruptcy liquidation of insurance companies.

### Article 4

According to the proportion of shareholdings, qualifications, and the impact on the operation and management of insurance companies, the shareholders of insurance companies are divided into the following four categories:

- (1) Financial Shareholder Class I. This refers to shareholders

holding less than 5% of the company's equity.

(2) Financial Shareholder Class II. This refers to shareholders who hold over 5% percent but less than 15 percent of the company's equity.

(3) Strategic shareholder. It refers to shareholders hold more than 15 percent of but less than one third of the company's equity, or shareholders whose capital contribution or voting rights give them a significant impact on the resolutions of the shareholders meeting.

(4) Controlling shareholder. It refers to a shareholder that holds more than one-third of the company's equity, or a shareholder whose capital contribution and the voting rights give him/her a controlling influence on the resolutions of the company's shareholders meeting.

#### **Article 5**

CIRC encourages investors with professional capabilities in risk management, technological innovation, health management and pension services to invest in the insurance industry to promote the transformation, upgrade, and optimization of insurance companies.

### **Chapter 2**

#### **Qualification of shareholders**

#### **Article 6**

The following investors who meet the conditions prescribed in “The Provisions” may become insurance company shareholders:

- (1) Domestic corporate legal person;
- (2) Domestic limited partnership;
- (3) Domestic institutions and social organization;
- (4) Overseas financial institution.

Institutions and social organizations can only become financial I shareholders of insurance companies, except as otherwise provided for by the State Council.

Natural persons can only become insurance company financial I shareholders through the purchase of listed insurance company stocks, unless otherwise provided by the CIRC.

#### **Article 7**

Asset management plans and trust products may invest in listed insurance companies by purchasing publicly issued stocks. The proportion of the shares held by a single asset management plan or trust product shall not exceed 5% of the total share capital of the insurer. If there is a related party relationship between the asset management plan or trust product, or if the investments are entrusted with the same or an affiliated organization, the investment proportion shall be calculated in combination.

#### **Article 8**

Financial Shareholder Class I shall meet the following conditions:

- (1) Business in good shape and reasonable operating income;
- (2) Good financial conditions and profit in the most recent fiscal year;
- (3) Good tax records, no tax evasion records in the last three years;
- (4) No records of major dishonesty in the last three years;
- (5) Good compliance record, and no major violation in the past three years;
- (6) Other conditions stipulated by the relevant laws, administrative regulations and the CIRC.

#### **Article 9**

Financial Shareholder Class II shall meet the following conditions in addition to those stated in Article 8:

- (1) Good reputation, stable investment behavior, and prominent core business;
- (2) Sustained capital-raising capability and continuous profits in the last two accounting years;
- (3) Strong financial strength and net assets of at least RMB 200 million;
- (4) Other conditions stipulated by the relevant laws, administrative regulations and the CIRC.

#### **Article 10**

A strategic shareholder, in addition to meeting the conditions of Articles 8 and 9, shall also meet the following conditions:

- (1) Having sustained capital contribution capabilities and continuous profitability in the last three accounting years;
- (2) Net assets of at least RMB 1 billion;
- (3) Balance of equity investments smaller than the net assets;
- (4) Other conditions stipulated by the relevant laws, administrative regulations and the CIRC.

#### **Article 11**

In addition to meeting the conditions of Articles 8, 9 and 10, a controlling shareholder shall also meet the following conditions:

- (1) Total assets of no less than RMB 10 billion;
- (2) Net assets at the end of the latest year higher than 30% of the total assets;
- (3) Other conditions stipulated by the relevant laws, administrative regulations and the CIRC.

Where the State provides otherwise, a financial institution may not be subject to the second condition.

#### **Article 12**

Where an investor is a domestic limited partnership enterprise, in addition to meeting the conditions of Articles 8 and 9, it shall also meet the following conditions:

- (1) The general partners of the company should keep a good record of good faith, and there are no major violations in the past three years;
- (2) Where there is a fixed duration of existence, and it shall promise to transfer its insurance equity before the expiration of the duration;
- (3) Clear and simple company structure.

Domestic limited partnership enterprises may not initiate the establishment of insurance companies.

#### **Article 13**

Investors who are domestic institutions or social organizations shall meet the following conditions in addition to the ones set forth in Article 8:

- (1) The main business or major business is related to the insurance industry;
- (2) It does not have any government administrative functions;
- (3) Obtain the approval of competent authorities.

#### **Article 14**

Where an investor is a domestic financial institution, it shall also comply with the relevant laws and administrative regulations and the requirements issued by the financial regulatory authorities of the industry it is in.

#### **Article 15**

Where an investor is an overseas financial institution, in addition to meeting the above qualification requirements, it shall also meet the following conditions:

- (1) Continuous profits for the last three fiscal years;
- (2) Total assets at the end of the last year no less than USD 2 billion;
- (3) A or above long-term credit ratings by international rating agencies for the last 3 years;
- (4) Complying with the local financial regulatory requirements.

#### **Article 16**

An insurance company that wants to initiate the establishment of a new insurance company or become a controlling shareholder of another insurance company shall meet the following conditions:

- (1) Been in business for more than three years;
- (2) Good corporate governance and sound internal control;
- (3) Profitable in the last fiscal year;
- (4) No major violation by the head office in the most recent year;
- (5) No record of major dishonesty in the last three years;

- (6) Net assets of no less than RMB 3 billion;
- (7) In the last four quarters, core solvency ratio at least 75%, comprehensive solvency ratio at least 150%, comprehensive risk rating above Category B;
- (8) Other conditions stipulated by the CIRC.

#### **Article 17**

If the related parties and parties acting in concert hold shares that meet the standards of financial shareholder Class II, strategic or controlling shareholders, the shareholders holding the highest proportion of shares shall meet the corresponding qualification requirements as prescribed in "The Provisions" and also need to apply to the CIRC for approval.

Where there is an affiliation relationship within 12 months before the signing date of the investment agreement, it shall be deemed as a related party.

#### **Article 18**

An investor may not be a shareholder of an insurance company if it is under one of the following circumstances:

- (1) A serious breach of trust has been determined by relevant state authorities and it has become a subject of joint disciplinary action and it shall be subject to corresponding punishment in the field of insurance;
- (2) The equity structure is not clear or there is a dispute over ownership;
- (3) It has entrusted others or has been entrusted by others with insurance company shares;
- (4) It has invested in the insurance industry before, and has conducted acts of providing false materials or making false statements;
- (5) It has invested in the insurance industry before, and shoulders a major responsibility for the failure of the insurance company which it invested in. And the failure happened less than three years ago;
- (6) It has invested in the insurance industry before, and has a major responsibility for serious compliance violations of the insurance company;
- (7) It has invested in the insurance industry before, and has refused to cooperate with the supervision and inspection of the CIRC.

#### **Article 19**

Investors who want to become a controlling shareholder of an insurance company shall have strong capital strength, good risk control ability, and prudent investment philosophy. If an investor is under any of the following circumstances, it shall not become a controlling shareholder of the insurance company:

- (1) The fluctuation of its cash flow is greatly affected by the

economic climate;

(2) The business plan is not feasible;

(3) The financial capacity is insufficient to support the continuous operation of the insurance company;

(4) Its core business is not prominent and its business scope involves too many industries;

(5) There are obvious defects in its corporate governance structure and mechanism;

(6) It has too many affiliated companies, and its ownership relationship is complex and opaque. Its related transactions are frequent and abnormal;

(7) There is a record of bad investment behavior in the open market;

(8) It has conducted dishonest business practices;

(9) Improper behavior that has been verified by the relevant authorities;

(10) Other situations that may have major adverse effects on the insurance company.

The above provisions also apply to the actual controller of the insurance company.

### **Chapter 3** **Equity Acquisition**

#### **Article 20**

An investor may acquire insurance company equity through the following methods:

(1) Initiate the establishment of an insurance company;

(2) Subscribe for unlisted shares issued by insurance companies;

(3) Accept transfer of shares held by other shareholders;

(4) Acquire insurance company equity publicly transferred by other shareholders through bidding;

(5) Purchase shares of listed insurance companies on the stock market;

(6) Purchase convertible bonds of insurance companies and obtain the equity of insurance companies under the conditions stipulated in the contract;

(7) As the pledgee of the equity of an insurance company, the investor may obtain the equity under the conditions that meet the relevant regulations;

(8) Obtain equity through participating in the CIRC's risk disposal of insurance companies;

(9) Obtain the equity of insurance company through administrative allocation;

(10) Other methods approved by the CIRC.

#### **Article 21**

The investor of an insurance company shall fully understand the operating characteristics, business rules of the insurance industry and the responsibilities and obligations as a shareholder of the insurance company, and shall know the information concerning the operation and management of the insurance company and the potential risks.

Where an investor invests in an insurance company, it shall be willing to make a true investment and perform necessary internal decision-making procedures.

#### **Article 22**

In order to obtain insurance company equity by way of initiating the establishment of an insurance company, the investors shall complete the preparation and opening of the insurance company in accordance with the conditions and procedures set forth in the *Insurance Law of the People's Republic of China* and the *Regulations for the Administration of Insurance Companies*.

#### **Article 23**

In order to subscribe for the shares issued by an insurance company or to be the transferee of the shares held by other shareholders, the investor shall, in accordance with the stipulations of the company's Articles of Association and "The Provisions", report to or seek approval from the CIRC after conducting the corresponding internal examination and decision procedures.

Where the Articles of Association stipulates that the shareholders have the right of first refusal to purchase shares of other shareholders, the transferor of the shares shall require the insurance company to ensure that other shareholders can exercise the right of first refusal.

#### **Article 24**

Where the equity of an insurance company is transferred by way of agreement or bidding, the company shall inform the investor in advance of the relevant stipulations of "The Provisions".

The investors participating in the bidding shall meet the qualifications stipulated in "The Provisions". After winning the bid, the investor shall, report to or seek approval from the CIRC. If the approval is not granted, the bid winner shall transfer out the equity it acquired within one year from the date of disapproval.

#### **Article 25**

Where an investor purchases shares of a listed insurance company from the stock market and the equity held by it reaches the proportion prescribed in Article 55 of "The Provisions", it shall report to the CIRC for approval. If approval is not granted, the purchased shares shall be transferred out within 50 trading days from the date of disapproval. In



case of trade suspension, it shall be transferred out within ten trading days from the date of resumption of trading.

#### **Article 26**

If an investor purchases a convertible bond of an insurance company, and converts it into equity according to the contractual conditions, or obtains the equity through pledge, it shall report to the CIRC for approval or record in accordance with the stipulations of “The Provisions”.

#### **Article 27**

Where the transfer of equity involves state-owned assets, it shall comply with the relevant provisions on the administration of state-owned assets.

In case of merger of state-owned equities of insurance companies through administrative allocation, the stipulations concerning the proportion of shares held and the conditions of investors shall be complied with, unless otherwise provided for by the State.

#### **Article 28**

If an investor obtains the equity through participation in employee stock ownership plan, the shareholding structure and proportion shall be stipulated by the CIRC.

#### **Article 29**

In addition to fulfilling the provisions of Articles 4 and 6, the shareholding proportion shall also meet the following requirements:

- (1) The proportion of shares held by a single shareholder shall not exceed one third of the registered capital of the insurance company;
- (2) The proportion of shares held by a single domestic limited partnership shall not exceed 5% of the registered capital of the insurance company, and the total shareholding of multiple domestic limited partnerships shall not exceed 15% of the registered capital of the insurance company.

If an insurance company needs to invest in the establishment or acquisition of another insurance company due to its business innovation, specialization, or group operation, the ceiling of its investment or shareholding ratio will not be limited.

The shareholding proportions of shareholders and their related parties and parties acting in concert are to be combined in calculation.

#### **Article 30**

Investors, their related parties and parties acting in concert may only become a controlling shareholder of an insurance company operating a similar business. If the investor is an insurance company, it may not

invest in another insurance company that operates the same business.

The investors, their related parties and parties acting in concert may become controlling and strategic shareholders of insurance companies through equity acquisition, but they may not become controlling and strategic shareholders of more than 2 insurance companies.

If an insurance company invests in the establishment of a new insurance company because of business innovation or specialization, it is not subject to the above said limitations, but it may not transfer its control over the new insurance company to others. Those who become controlling shareholders of more than two insurance companies may not become strategic shareholders of other insurance companies.

The investment entities authorized by the State Council to hold the equity of insurance companies and the companies and institutions that have been approved to participate in the risk management of insurance companies by the China Insurance Regulatory Commission are not subject to the restrictions of Paragraphs 1 and 2 of this Article.

#### **Article 31**

An investor may not entrust others or accept the entrustment of others to hold shares in an insurance company.

### **Chapter 4**

#### **Funds to purchase equity**

#### **Article 32**

When an investor acquires the equity of an insurance company, it shall use its self-owned funds of legitimate origin, except as otherwise provided by the CIRC.

The self-owned funds referred to here are limited to the net assets. Investors may not circumvent the regulation of self-owned funds by way of setting up shareholding institutions and transferring the expected income rights of equity. According to the principles of substantive supervision, the CIRC has the right to trace the source of investors' self-owned funds.

#### **Article 33**

Investors shall make capital contribution in currency and may not use non-monetary assets such as physical objects, intellectual property rights, land use rights, etc. as their capital contribution. The CIRC may make exceptions for insurance group (controlling) companies.

#### **Article 34**

Where the investor is an insurance company, it shall not use its registered capital to make repeated capital contributions to its subsidiaries.

### Article 35

Investors may not obtain the equity of insurance companies directly or indirectly through the following funds:

- (1) Loans related to insurance companies;
- (2) Funds secured by deposits or other assets of insurance companies;
- (3) Funds obtained from the improper use of the financial influence of the insurance company or the improper association with the insurance company;
- (4) Funds obtained by other methods prohibited by the CIRC.

It is strictly forbidden to misappropriate insurance funds, or make circular investment of insurance companies with funds obtained from insurance company investment trust plans, private equity funds, and equity investments.

### Article 36

Insurance companies and insurance companies' preparatory groups shall open and use capital verification accounts in accordance with relevant state regulations.

If an investor makes a contribution to an insurance company, the fund should be verified by an accounting firm and a capital verification certificate must be issued.

## Chapter 5 Shareholder Behavior

### Article 37

The equity structure of the insurance company shall be clear and reasonable, and it shall report to the CIRC the information about its actual controllers.

### Article 38

The shareholders of the insurance company shall exercise the rights and perform the obligations of shareholders in accordance with the provisions of the *Company Law of the People's Republic of China*, as well as its Articles of Association.

### Article 39

It shall be stipulated in the Articles of Association that under any of the following circumstances, the shareholders shall not exercise the rights such as the right to participate in shareholders meeting, the right to vote, the right of proposal, etc., and promise to accept the measures taken by the CIRC.

- (1) The change in shareholders has not been approved by or filed with CIRC;
- (2) The change of the actual controller of the shareholders has not

been reported to CIRC;

(3) Entrusted the shares to others or been entrusted by others with shares of an insurance company;

(4) Controlling the equity in disguised form such as being entrusted with the right to vote, or through transfer of income rights;

(5) Self-capital injection or false capital increase in a direct or indirect way through the use of insurance funds;

(6) Other behaviors of investment and shareholding that do not meet regulatory requirements.

#### **Article 40**

Shareholders of insurance companies shall establish effective risk isolation mechanism to prevent risks from being transmitted and transferred between shareholders, insurance companies and other related parties.

#### **Article 41**

Shareholders of an insurance company may not engage in improper related party transactions with the company, and shall not use its influence on the operation and management of the company to obtain improper interests.

#### **Article 42**

Where an insurance company needs to adopt a capital injection to solve its solvency problem, the shareholders are obligated to inject capital. Shareholders who cannot increase capital or do not want to increase capital shall agree that other shareholders or investors shall adopt a reasonable plan to increase capital.

#### **Article 43**

If a risk event or a major illegal act of an insurance company takes place, and the CIRC takes over the company or takes other disposal measures, the shareholders of the company shall cooperate.

#### **Article 44**

The controlling shareholders of an insurance company shall exercise their power of control over the company in strict accordance with the law, and shall not use its controlling power to the detriment of the lawful rights and interests of the company and other stake holders.

#### **Article 45**

When exercising the rights and obligations of shareholders, the controlling shareholders of an insurance company shall comply with the regulations of the CIRC on controlling shareholders.

When an insurance group (holding) company exercises its

shareholder rights and obligations with the insurance company which it controls, it shall meet the requirements of the CIRC regarding the insurance group (holding) company.

#### **Article 46**

The shareholders of an insurance company shall truthfully report to the company information such as financial information, shareholding structure, source of funds for the shares of the insurance company, names of the controlling shareholders, actual controllers, related parties, and parties acting in concert.

In case of changes to its controlling shareholder or its actual controller, the shareholder of an insurance company shall notify the company in writing of the changes, such as the status of related parties and affiliation relationships, and the status of the parties acting in concert after the change.

#### **Article 47**

The information disclosed by shareholders of insurance companies according to the law shall be truthful, accurate and complete, and shall not contain false records, misleading statements or major omissions.

#### **Article 48**

The shareholders of an insurance company shall notify the company in writing within 15 working days from the date of the occurrence of the following circumstances:

- (1) Litigation preservation or court injunction measures have been taken against the shares that the shareholder holds;
- (2) Shares held by the shareholder have been pledged or mortgaged;
- (3) Failure to complete the necessary procedures within three months after obtaining the approval from the CIRC for the change in equity;
- (4) Name change;
- (5) Merger or split;
- (6) Dissolution, bankruptcy, closure, takeover;
- (7) Other situation which may cause changes in the shares that the shareholder holds.

#### **Article 49**

When pledging the shares, the shareholder must not damage the interests of other shareholders and the insurance company.

Shareholders of an insurance company may not hold the shares in the form of equity pledges, get involved in affiliated shareholding in violation of regulations, or transfer shares to others in disguised form.

When a shareholder of an insurance company pledges equity, it shall

not agree with the pledgee that when the debtor fails to pay back the due debts, the pledged equity shall be owned by the creditor; and no agreement may be made that the pledgee or its related party is entitled to exercise the voting rights or other shareholder's rights; nor shall the shareholder transfer the control rights of the equity to others by means like equity benefits transfer.

#### **Article 50**

Investors may not transfer the equity it holds within five years from the date of becoming a controlling shareholder; may not transfer the equity it holds within three years from the date of becoming a strategic shareholder; may not transfer the equity held within two years from the date of becoming a Financial shareholder Class II; and may not transfer the equity held within one year from the date of becoming a Financial shareholder Class I.

The exceptions include: the CIRC approved the risk disposal, and instructed the shareholder to transfer the shares it holds; or the transfer is between different entities controlled by the same controller.

### **Chapter 6 Equity Affairs**

#### **Article 51**

For an insurance company, the Board Office is responsible for dealing with equity affairs. And the chairman of the board and board secretary are directly responsible for the handling of equity transactions.

#### **Article 52**

Equity affairs such as administrative approval application, event reports or documents submission are the insurance company's responsibility. If necessary, with the consent of the CIRC, the shareholders may submit relevant materials directly to the CIRC. When initiating and establishing an insurance company, it's up to all the sponsors or authorized sponsors to submit relevant materials to the CIRC.

#### **Article 53**

An insurance company's change of a shareholder holding 5% or more of the company's equity shall be approved by CIRC.

An insurance company's change of shareholders holding less than 5% of the equity shall be reported to CIRC for filing purposes and be publicly disclosed on the official website of the company and the designated website of the CIRC. Listed insurance companies are exempted.

If the actual controller of the shareholder changes and the value of the shares held by the shareholder accounts for more than one-half of its

total assets, the actual controller shall comply with the relevant regulations of *The Provisions* concerning the qualifications of the shareholders and provide relevant materials to the company in a timely manner. And the insurance company shall submit the relevant information to the CIRC for filing purposes within 20 working days prior to the change.

#### **Article 54**

The insurance company shall report to the CIRC for approval or filing within three months from the date of signing the equity transfer agreement by the shareholder.

#### **Article 55**

Where an investor purchases shares of a listed insurance company, and the percentage of the equity it holds reaches 5%, 15% and 1/3 of the total equity of the insurance company, the investor shall, within five working days from the date of the transaction, report the purchase in writing to the company. And the company shall report to the CIRC within ten working days after receiving the report from the investor.

#### **Article 56**

Where a shareholder, or its controlling shareholder or actual controller has incurred the circumstances stipulated in Paragraph 2 of Article 46 or Article 48 of the *Provisions*, the insurance company shall report in writing the relevant information to the CIRC within 10 working days from the date of knowledge.

#### **Article 57**

Insurance companies shall, in accordance with relevant regulatory requirements, disclose the relevant equity information in a timely, truthful, accurate, and complete manner. The disclosure includes:

- (1) Shareholding structure and its changes;
- (2) Information about the shareholder holding more than 5% of the company's shares, as well as the controlling shareholder or actual controller of the shareholder;
- (3) Changes in the Class II financial shareholders, strategic shareholders, and controlling shareholders, as well as their controlling shareholders, actual controllers, related parties and parties acting in concert;
- (4) Information about the equity pledged by the company's shareholders;
- (5) Shareholders' nomination of directors and supervisors;
- (6) Other information requested by CIRC.

#### **Article 58**

Where an investor becomes a controlling shareholder of an insurance company, the insurance company shall amend its Articles of Association and make reasonable arrangements for director nomination and election rules, and for protection of the interests of minority shareholders, policy holders, the insureds, and the beneficiaries.

#### **Article 59**

Insurance companies shall strengthen the management of shareholders' equity, verify the information of shareholders and their controlling shareholders, actual controllers, related parties and parties acting in concert and keep abreast with the related changes, evaluate the impact of shareholders on the business decisions, and report, or disclose relevant information in a timely, accurate and complete manner.

#### **Article 60**

An insurance company shall complete the change of the Articles of Association and the corporate registration formalities within three months from the date of approval by or filing with the CIRC.

If the change is not completed within the prescribed time period, the insurance company shall promptly report in writing to the CIRC.

#### **Article 61**

Insurance companies shall strengthen the management of equity pledge or removal of equity pledge, record the pledge-related information on the register of shareholders, and promptly assist the shareholders in handling pledge registration with the relevant authorities.

### **Chapter 7**

#### **Materials for Application**

#### **Article 62**

Where an application is initiated to establish or invest in an insurance company, the insurance company or investor shall submit the application materials in accordance with the requirements of the CIRC. The application materials must be truthful, accurate, and complete.

The application materials must include basic information, financial information, corporate governance information, subsidiary information, and other relevant materials requested by the CIRC.

#### **Article 63**

The basic information materials include the following documents:

- (1) Copy of business license;
- (2) Description of business scope;
- (3) Organization and management framework;
- (4) Description of long-term external equity investment;



(5) Description of the situation in which the company and its related parties invest in equity of other financial institutions.

#### **Article 64**

Financial information materials include the following documents:

- (1) for Financial Shareholder Class I: accounting report of the most recent year audited by an accounting firm; for Financial Shareholder Class II: accounting reports of the last two years audited by an accounting firm; for overseas financial institutions, strategic shareholders, and controlling shareholders: accounting reports of the most recent three years audited by an accounting firm;
- (2) Description of the source of funds for the equity acquisition;
- (3) Tax payment certificates for the last three years;
- (4) Records of the investor's credit information issued by credit agency;
- (5) Long-term credit rating of the overseas financial institutions over the past three years by international rating agencies;
- (6) Solvency reports for the last four quarters.

#### **Article 65**

The corporate governance information materials include the following documents:

- (1) Disclosure of the ownership structure (level by level to the final equity beneficiary);
- (2) Relevant proof materials for public disclosure of equity information;
- (3) Description of the controlling shareholder and actual controller, as well as changes of them (if any) within the last year;
- (4) Equity subscription agreement signed by the investor or the equity transfer agreement signed by the transferor and the transferee;
- (5) Materials that prove that the shareholders meeting or the board of directors approved the equity transaction with the investor;
- (6) Description of the relationship between and the concerted action taken by the investor and its actual controller and the insurance company's other investors. The newly established insurance institution shall also provide the basic information of its related parties;
- (7) Description of the work experience, business records, and past investments of the company's actual controller, or of the actual controller of the company's controlling shareholder;
- (8) Description of the controlling shareholder's plan on corporate governance, business operation, and follow-up capital arrangements.

#### **Article 66**

Accessory information materials include the following documents:

- (1) Power of attorney issued by the investor regarding materials

submission;

- (2) Approval for the investment from competent authorities;
- (3) Financial Institution Prudential Supervision Indicators Report;
- (4) Supervisory opinions issued by financial regulatory agencies;
- (5) Statement of no record of major violation of law and regulations;
- (6) Other statements or promises requested by the CIRC.

#### **Article 67**

For a domestic limited partnership enterprise to invest in equity of an insurance company, in addition to submitting the relevant materials stipulated in Articles 63 to 66 of *The Provisions*, the following materials shall also be submitted:

- (1) Description of the source of funds, the names of partners, nationality, business scope or occupation, amount of capital contributions, etc.;
- (2) Commitments that the partner responsible for execution does not violate the relevant provisions about anti-money laundering on the source of funding;
- (3) Description of the relationship between the partners and other investors of the insurance company.

#### **Article 68**

When changing the registered capital, insurance companies shall submit a written application, as well as the following materials, to the CIRC.

- (1) Resolution passed by the company's shareholders meeting to increase or decrease the registered capital;
- (2) Plan and feasibility report for increasing or decreasing registered capital;
- (3) Equity structure after the increase or decrease of registered capital;
- (4) Capital verification reports and shareholder's capital contribution or reduction certificates;
- (5) Financial and accounting reports of the shareholders participating in the capital increase, audited by an accounting firm;
- (6) The name, basic situation and the amount of capital reduction of the shareholder who has withdrawn the shares;
- (7) Other materials requested by the CIRC.

Where an insurance company adds new shareholders, it shall submit the relevant materials as prescribed in Articles 63 to 66 of *The Provisions*.

#### **Article 69**

When an insurance company shareholder transfers the equity it holds, the company shall report the transaction to the CIRC for approval or filing, and submit the equity transfer agreement and the financial

accounting report of the transferee audited by an accounting firm.

Where the transferee is a new shareholder, the insurance company shall also submit the relevant materials as prescribed in Articles 63 to 66 of *The Provisions*.

#### **Article 70**

When an insurance company reports to the CIRC that litigation preservation or court injunction measures have been taken against its equity, it shall submit relevant judicial documents.

#### **Article 71**

When an insurance company reports to the CIRC on the pledge or the removal of pledge of shares, the following materials shall be submitted:

- (1) Written report on the situation of the pledge or the removal of pledge;
- (2) Contract concerning the pledge or the removal of pledge;
- (3) Main debtor and creditor contract or the equity rights transfer contract;
- (4) Registration documents issued by the relevant authorities;
- (5) Description of the relationship between the pledger and the debtor;
- (6) Shareholders' statement that the pledge is in compliance with the company's Articles of Association and regulatory requirements, and promises that if they provide a false statement, they will accept the measures taken by the regulators for the disposal of their equity;
- (7) All the information on the pledge of equity as of the reporting date;
- (8) Other materials requested by the CIRC.

Among them, the written report shall include the basic information of the pledger, debtor, and pledgee, the type and amount of the secured claims, the deadline for the debtor to pay off the debts, the amount of pledged equity, the scope of the guarantee, the use of the funds, and the ability to repay funds, as well as related arrangements, possible risks and countermeasures. Where the pledgee is a non-financial enterprise, it shall also explain the source of the funds of the pledgee and the relationship between the pledgee and the pledger.

#### **Article 72**

When an insurance company reports to the CIRC to change the name of a shareholder, it shall submit to the CIRC the post-change business license and the registration documents issued by relevant authorities.

## **Chapter 8 Supervision and Administration**

### Article 73

The China Insurance Regulatory Commission shall strengthen the straight-through supervision and review of the shareholders of insurance companies and may make substantive determinations on the shareholders and their actual controllers, related parties, and parties acting in concert.

The China Insurance Regulatory Commission adopts the following measures to exercise supervision over the equity of insurance companies:

(1) Perform a review of acquisition or change of equity in accordance with law;

(2) Require insurance companies to report on the relevant matters of the equity according to relevant regulations or regulatory requirements;

(3) Require insurance companies to disclose relevant equity information in the designated media;

(4) Entrust professional intermediary agencies to review financial information and other information provided by insurance companies;

(5) Conduct regulatory talks with directors, supervisors, senior management personnel and other related parties of insurance companies and asking them to make explanations on relevant matters;

(6) Conduct investigations or open inquiries on shareholders' behavior involving company equity;

(7) Require shareholders to submit audit reports, management information, equity information and other materials;

(8) Inquire and copy the documents and materials of the financial and accounting statements of shareholders and relevant units and personnel;

(9) Inspect insurance companies and impose administrative penalties on insurance companies and related personnel in accordance with the law;

(10) Other regulatory measures that CIRC may take according to law.

### Article 74

The China Insurance Regulatory Commission adopted an administrative licensing system for obtaining or changing the equity of an insurance company, which focuses on the following:

(1) Completeness of the application materials;

(2) Compliance concerning the insurance company's decision-making process;

(3) Compliance concerning shareholder qualifications and investment behaviors;

(4) Compliance concerning funding sources;

(5) Relationship between shareholders;

(6) Other contents that the China Insurance Regulatory Commission

deems necessary to review.

The applicant shall truthfully submit relevant materials and report the actual situation, and shall be responsible for the authenticity of the application materials.

#### **Article 75**

When issuing an administrative license for the acquisition or change of equity of an insurance company, the CIRC may take the following measures:

- (1) Review the application materials;
- (2) Require the insurance company or the shareholders to submit the certification materials according to the needs of prudent supervision;
- (3) Conduct supervisory talks or open inquiries with insurance companies or related shareholders;
- (4) Require relevant shareholders to disclose their shareholders or actual controllers level by level;
- (5) As per the requirements of prudential supervision, require the relevant shareholders to declare the related relationship and sources of funding level by level.
- (6) Consult related authorities to review relevant accounts or to obtain relevant information;
- (7) Visit the shareholders or investigate their business operation;
- (8) Other methods deemed necessary by the CIRC.

#### **Article 76**

In the course of an administrative license, if an investor, an insurance company, or a shareholder is under any of the following circumstances, the CIRC may suspend the review:

- (1) There is a dispute over the ownership of the relevant equity;
- (2) It is still required to be investigated due to whistle-blowing;
- (3) Under investigation by relevant departments or by the judicial authorities for suspected violation of laws and regulations, the case has not been closed;
- (4) The indictment has not yet been decided;
- (5) Other circumstances as identified by the CIRC.

#### **Article 77**

When issuing administrative licenses or performing other supervisory duties, the CIRC may require insurance companies or the shareholders to make statements on the authenticity of information provided by them, such as qualifications, related relationships or the funds for shares, and require them to make a commitment to the consequences of false statements.

#### **Article 78**

If an insurance company or a shareholder provides false materials or makes a false statement, and if the case is serious, the CIRC will revoke the administrative license according to the law. An investor who has been revoked of an administrative license shall withdraw his share at the lower one of the two: share price, or the net asset price per share. And the party that takes over the withdrawn equity shall meet the relevant requirements of the China Insurance Regulatory Commission.

#### **Article 79**

Where an insurance company fails to comply with *The Provisions* for equity management, the China Insurance Regulatory Commission may adjust the results of the company's corporate governance evaluation or change the Differentiated Regulatory Evaluation category for the company.

#### **Article 80**

The China Insurance Regulatory Commission shall establish a record of bad equity management of insurance companies and include them in the insurance enterprise credit information system, and share information with government agencies through the national credit information sharing platform.

#### **Article 81**

Where an insurance company, its directors and senior management personnel falsify or malpractice in equity management and seriously damage the interests of the company, the CIRC shall impose an administrative penalty on it or require the company to replace the relevant party (parties).

#### **Article 82**

Where a shareholder of an insurance company or a related party violates *The Provisions*, the CIRC may adopt the following regulatory measures:

- (1) Make a public criticism and order it to be corrected;
- (2) Publicly denounce him and disclose to the public;
- (3) Restrict his rights in the company;
- (4) Order him to transfer or auction the shares he/she holds in accordance with the law. Restrict his rights of shareholders before the equity transfer is completed. If the transfer is not completed within the time limit, investors who meet the relevant requirements of the CIRC can be the transferee of the equity at the assessed price;
- (5) Limit his investment activities in the insurance industry and report to other financial regulatory agencies;
- (6) Restrict the company's distribution of dividends, issuance of bonds, and listing;

(7) Other measures that the CIRC may take according to the law.

#### **Article 83**

The China Insurance Regulatory Commission shall establish a negative list of market access for investors of insurance companies, record the violation of laws and regulations by investors, and formally notify all the insurance companies and investors. According to the seriousness of the violations of the investor, the China Insurance Regulatory Commission may restrict the investor from reinvesting in the insurance industry for five years or even for life. Those suspected of committing crimes shall be transferred to judicial organs according to law.

#### **Article 84**

The China Insurance Regulatory Commission shall establish credit files for third-party intermediary institutions such as accounting firms, to record the practice quality of accounting firms, law firms and their employees. If a third-party intermediary institution produces an unreliable assessment report or has other acts of dishonest conduct, the CIRC will no longer accept the reports issued by it within five years from the date of its occurrence, and will make it known to the public.

### **Chapter 9**

#### **Supplementary Provisions**

#### **Article 85**

*The Provisions* applies to Chinese-funded insurance companies registered in the territory of the People's Republic of China according to law.

All the insurance companies with foreign shareholders holding more than 25% of the company's registered capital shall refer to the relevant provisions of this document.

#### **Article 86**

The equity management of insurance groups (holding companies) and insurance asset management companies shall be governed by *The Provisions*. If laws, administrative regulations or the CIRC otherwise stipulate, they shall prevail.

#### **Article 87**

Where financial regulatory agencies provide other regulations for non-financial enterprises to invest in financial institutions, those regulations shall prevail.

#### **Article 88**

The designated institution that has CIRC approval to participate in the risk disposal of an insurance company or to accept a shareholding

stake, is not subject to the provisions of this document on the qualifications of shareholders, proportion of shares held, and funds for shares.

#### **Article 89**

The purchase of a listed insurance company's shares to become a Financial Shareholder Class I of the company shall not be subject to Article 8, Article 12, Article 13, Article 15, Article 50, and the third paragraph of Article 53, Article 62, Article 67, and Article 69 of *The Provisions*.

#### **Article 90**

The insurance companies listed on the National Small and Medium-sized Enterprise Equity Transfer System shall refer to the provisions of this document concerning listed insurance companies.

#### **Article 91**

The term "above" and "not below" in this document shall include this number. "less than" and "exceeding" shall not include this number.

#### **Article 92**

The term "concerted action" as used in this document refers to the act or fact that an investor expands the voting rights of an insurance company he/she can control through an agreement or other arrangements with other investors.

Investors who have taken concerted actions in equity transactions are persons acting in concert to each other. If the investor is under one of the following circumstances, he/she is considered to be a person acting in concert, unless there is evidence to the contrary.

(1) The principal members of the investor's directors, supervisors or senior management personnel, also serve as director, supervisor or senior management personnel of another investor;

(2) The investor obtains the relevant equity through the financing arrangements provided by other investors other than banks;

(3) There are partnerships, cooperation, joint ventures and other economic interests among investors;

(4) Other circumstances stipulated by the China Insurance Regulatory Commission.

If the investor believes that he/she should not be regarded as a person acting in concert, he/she may provide relevant evidence to the China Insurance Regulatory Commission.

#### **Article 93**

*The Provisions* shall be interpreted by the China Insurance Regulatory Commission.



#### Article 94

*The Provisions shall come into force on April 10, 2018. And documents such as the Provisions on the Administration of Equity in Insurance Companies (Document No.: CIRC 2010) 6, issued by CIRC on May 4,2010), CIRC's Decision on Revising the Provisions on the Administration of Equity in Insurance Companies (Document No.: CIRC (2014) 4, issued by CIRC on April 15,2014),CIRC Notice on the Article 4 of the Provisions on the Administration of Equity in Insurance Companies (Document No.: CIRC (2013) 29, issued by CIRC on April 9,2013),CIRC Notice on Regulating the Limited Partnerships Equity Investments in Insurance Companies(Document No.: CIRC (2013) 36, issued by CIRC on April 17,2013),and the CIRC Notice on Circulating the Administrative Measures on the Acquisition and Merger of Insurance Companies (Document No.: CIRC (2014) 26, issued by CIRC on March 21,2014),will be repealed on April 10, 2018.*