



New China Life Insurance Company Ltd.
新華人壽保險股份有限公司

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

Stock Code: 1336



Annual Report **2012**

Methods of New China Life for Winning

**Winning by
Strategies**

**Winning by
Culture**

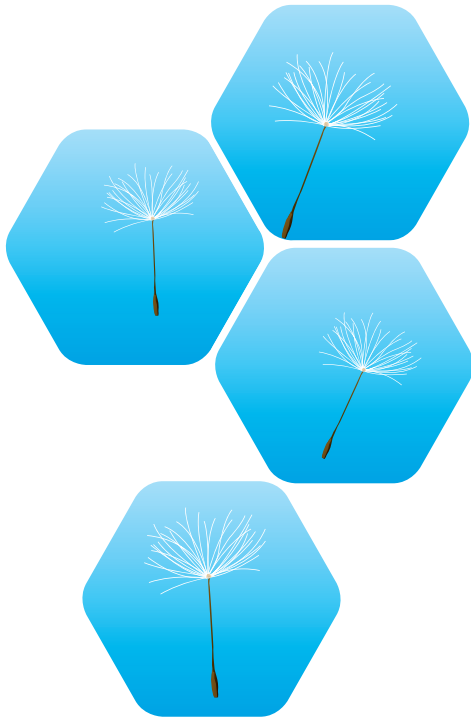
**Winning by
Services**

**Winning as
a Whole**

**Winning by
Details**



Contents



2	Important Information and Definitions
4	Corporate Information
7	Summary of Accounting Data and Operating Data
10	A Letter to Shareholders from the Chairman of the Board
19	Management Discussion and Analysis
46	Significant Events
52	Changes in Share Capital and Shareholders' Profile
63	Directors, Supervisors, Senior Management and Employees
83	Corporate Governance Report
105	Risk Management
114	Report of the Board
120	Corporate Social Responsibility
130	Embedded Value
139	Appendix

Section 1

Important Information and Definitions



Important information

1. The board of directors of the Company (the Board), the board of supervisors of the Company (the Board of Supervisors) and directors, supervisors, and members of senior management warrant that there are no false representations, misleading statements or material omissions in the contents of the 2012 Annual Report, and are jointly and severally liable for the authenticity, accuracy and completeness of the 2012 Annual Report.
2. The 2012 Annual Report of the Company was considered and approved at the fourth meeting of the fifth session of the Board of the Company on 26 March 2013, which 15 directors were required to attend and 11 of them attended in person. Director CHEN Johnny, CHEONG Chee Meng respectively authorized the chairman of the Board KANG Dian, director WANG Chengran, ZHAO John Huan respectively authorized director MENG Xingguo to attend the meeting and vote on behalf of them.
3. The Company has distributed a special dividend of RMB0.32056 (before tax) per share to A Shareholders and H Shareholders on 24 August 2012 and 28 September 2012 respectively, totalling RMB1.0 billion, representing 33.86% of the distributable profit of the Company achieved within the year as contained in the consolidated financial statements, which meets the minimum requirement of cash distribution as stipulated in the Articles of Association. In light of this, the Company proposes not to distribute any other portion of the distributable profit after tax in 2012 except for the above special dividend.
4. PricewaterhouseCoopers conducted the audit on the 2012 consolidated financial statements of the Company in accordance with the International Standards on Auditing and issued the standard unqualified audit report.
5. Mr. KANG Dian, the chairman of the Company, Mr. CHEN Guogang, the Chief Financial Officer, Mr. GONG Xingfeng, the Chief Actuary of the Company and Ms. MENG Xia, the officer in charge of the Accounting Department of the Company warrant the authenticity, accuracy and completeness of the financial report in the 2012 Annual Report.
6. In addition to the facts stated herein, this report includes forward-looking statements and analysis, which may differ from the actual results of the Company in the future. The Company does not make any warrant or undertaking upon its future performance. You are advised to exercise caution.

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

the Company, NCI Asset Management Company	New China Life Insurance Company Ltd.
Chongqing Agency	New China Asset Management Co., Ltd., a subsidiary of the Company
Yunnan Agency	Chongqing New China Insurance Agency Co., Ltd., a subsidiary of the Company
New China Xiadu	Yunnan New China Insurance Agency Co., Ltd., a subsidiary of the Company
	New China Xiadu Technology Training (Beijing) Co., Ltd., a subsidiary of the Company
Xinhua Seniors	Xinhua Village Seniors Business Management (Beijing) Co., Ltd., a subsidiary of the Company
Shanggu Real Estate	Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd, a subsidiary of the Company
Tanzhou Real Estate	Xinhua Village Tanzhou (Beijing) Real Estate Co., Ltd, a subsidiary of the Company
New China Health	New China Life Excellent Health Investment Management Co., Ltd., a subsidiary of the Company
Wuhan Clinic	New China Life Insurance (Wuhan) Clinic Co., Ltd., a subsidiary of the Company
Xi'an Clinic	New China Life Insurance (Xi'an) Clinic Co., Ltd., a subsidiary of the Company
Zijin Century	Beijing Zijin Century Real Estate Co., Ltd.
MJ Screening	Beijing MJ Health Screening Co., Ltd.
Huijin	Central Huijin Investment Ltd.
Baosteel Group	Baosteel Group Corporation
Zurich Insurance	Zurich Insurance Company Ltd
CIRC	China Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
CBRC	China Banking Regulatory Commission
SSF	the National Council for Social Security Fund of the PRC
SSE	Shanghai Stock Exchange
Hong Kong Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited
RMB	Renminbi
PRC, China	People's Republic of China, for purpose of this report, excluding Hong Kong, Macau and Taiwan
PRC GAAP	China Accounting Standards for Business Enterprises issued by Ministry of Finance of the PRC, and the application guide, interpretation and other related regulations issued afterwards
Interpretation No.2	Interpretation No.2 on Accounting Standards for Business Enterprises issued by China's Finance Ministry on 7 August 2008.
Articles of Association	The articles of association of New China Life Insurance Company Ltd., approved by the First Extraordinary General Meeting of 2013 of the Company on 1 February 2013, and became effective as approved by the CIRC on 7 February 2013
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Model Code for Securities Transactions	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Corporate Governance Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

Section 2

Corporate Information



Legal Name in Chinese: 新華人壽保險股份有限公司

Abbreviation in Chinese: 新華保險

Legal Name in English: NEW CHINA LIFE INSURANCE COMPANY LTD.

Abbreviation in English: NCI

Legal Representative: KANG Dian

Board Secretary and Joint Company Secretary: ZHU Ying

Securities Representative: WANG Hongli

Tel: 86-10-85213233

Fax: 86-10-85213219

Email: ir@newchinalife.com

Address: 13th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC

Joint Company Secretary: MOK Ming Wai

Tel: 852-35898678

Fax: 852-35898555

Email: mandy.mok@kcs.com

Address: 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong

Registered Office: No. 1, East Hunan Road, Yanqing County, Beijing, PRC

Postal Code: 102100

Place of Business: NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC

Postal Code: 100022

Place of Business in Hong Kong: 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong

Website: <http://www.newchinalife.com>

Email: ir@newchinalife.com

Registered Capital: RMB3,119,546,600

Section 2 – Corporate Information

Business scope: Life insurance in RMB and foreign currencies (including various life insurance, health insurance, accident and casualty insurance); acting as an agent for domestic and foreign insurance institutions for insurance, verification and claim settlement; insurance consulting; and engaging in capital operations in accordance with relevant regulations

Business regions: Beijing, Tianjin, Shanghai, Chongqing, Hei Longjiang, Jilin, Liaoning, Shandong, Hebei, Henan, Anhui, Jiangsu, Zhejiang, Hubei, Hunan, Jiangxi, Fujian, Guangdong, Guangxi, Hainan, Yunnan, Sichuan, Guizhou, Ningxia, Shanxi, Shaanxi, Gansu, Qinghai, Inner Mongolia, Xinjiang, Xiamen, Ningbo, Dalian, Qingdao, Shenzhen in PRC

Customer Service and Complaint Tel: 95567

Newspapers for Information Disclosure (A share): China Securities Journal, Shanghai Securities News

Website for publishing the Annual Report (A share): <http://www.sse.com.cn>

Website for publishing the Annual Report (H share): <http://www.hkexnews.hk>

Place where copies of the Annual Report are kept: Board of Directors Office of the Company

Stock Exchange for A Share Listing: The Shanghai Stock Exchange

Stock Name for A Share: 新華保險

Stock Code for A Share: 601336

A Share Registrar:

China Securities Depository and Clearing Corporation Limited, Shanghai Branch

Address: 36th Floor, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai, PRC

Stock Exchange for H Share Listing: The Stock Exchange of Hong Kong Limited

Stock Name for H Share: NCI

Stock Code for H Share: 1336

H Share Registrar: Computershare Hong Kong Investor Services Limited

Address: Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Date of Initial Registration: 28 September 1996

Place of Initial Registration: The State Administration for Industry & Commerce of the PRC

Registration Number of Business License: 110000009900854

Tax Registration Number: Jing Shui Zheng Zi: 110229100023875

Organization Code: 10002387-5

Domestic Auditor: PricewaterhouseCoopers Zhong Tian Certified Public Accountants Limited Company

Address: 11/F, PricewaterhouseCoopers Center, Corporate Avenue 2, 202 HuBin Road, Huangpu District, Shanghai

Signed by Certified Public Accountant ZHOU Xing and LI Shan

International Auditor: PricewaterhouseCoopers

Address: 22nd Floor, Prince's Building, Central, Hong Kong

Section 2 – Corporate Information

A Share Joint Sponsors: China International Capital Corporation Limited
Address: 27/F and 28/F China World Office 2, No. 1 Jianguomenwai Avenue, Beijing, PRC
Sponsor Representative: SHI Fang, QIAO Fei

UBS Securities Company Limited
Address: 15/F, Yinglan International Finance Center, No. 7, Finance Avenue, Xicheng District,
Beijing, PRC
Sponsor Representative: LIU Wencheng, WANG Xi

Continuous Supervision Period: The rest time of the year after the initial public offering and the next complete two fiscal years.

H Share Joint Sponsors: China International Capital Corporation Hong Kong Securities Limited
Address: 29/F, One International Finance Center, 1 Harbour View Street, Central, Hong Kong

UBS AG Hong Kong Branch
Address: 52/F, Two International Finance Center, 8 Finance Street, Central, Hong Kong

Domestic Legal Advisor: Commerce & Finance Law Offices
Address: 6th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC

Hong Kong Legal Advisor: Davis Polk & Wardwell, Hong Kong Solicitors
Address: 18th Floor, The Hong Kong Club Building, 3A Chater Road, Hong Kong

Section 3

Summary of Accounting Data and Operating Data

I. HISTORICAL KEY ACCOUNTING DATA AND FINANCIAL INDICATORS AS OF THE END OF THE REPORTING PERIOD

Unit: RMB in millions

Key accounting data	2012	2011	Year-on-year increase/decrease (%)	2010	2009	2008
Total revenues	111,699	108,610	2.8%	102,709	73,906	48,979
Gross written premiums and policy fees	98,081	95,151	3.1%	91,956	65,422	47,266
Net profit before income tax	2,288	3,275	(30.1%)	2,255	2,651	182
Net profit for the year	2,934	2,800	4.8%	2,250	2,661	651
Net cash flows from operating activities ⁽¹⁾	54,252	55,983	(3.1%)	61,594	40,800	30,228

	As of 31 December 2012	As of 31 December 2011	Year-end to year-end increase/decrease (%)	As of 31 December 2010	As of 31 December 2009	As of 31 December 2008
Total assets	493,693	386,771	27.6%	304,566	206,618	164,959
Equity attributable to shareholders of the Company	35,870	31,306	14.6%	6,567	4,238	1,380

Section 3 – Summary of Accounting Data and Operating Data

Key financial indicators	2012	2011	Year-on-year increase/ decrease (%)	2010	2009	2008
Basic weighted average earnings per share attributable to shareholders of the Company (RMB)	0.94	1.24	(24.2%)	1.87	2.22	0.54
Diluted weighted average earnings per share attributable to shareholders of the Company (RMB)	0.94	1.24	(24.2%)	1.87	2.22	0.54
Weighted average return on equity attributable to shareholders of the Company	8.69%	16.84%	N/A	41.63%	94.70%	25.34%
Weighted average net cash flows from operating activities per share(RMB)	17.39	24.91	(30.2%)	51.33	34.00	25.19

	As of 31 December 2012	As of 31 December 2011	Year-end to year-end increase/ decrease (%)	As of 31 December 2010	As of 31 December 2009	As of 31 December 2008
Net assets per share attributable to shareholders of the Company(RMB/share)	11.50	10.04	14.5%	5.47	3.53	1.16

Note:

1. The comparative figures of 2011 have been reclassified in accordance with the disclosures made in the consolidated financial statements of the current period.

II. OTHER KEY FINANCIAL AND REGULATORY INDICATORS

Unit: RMB in millions

Indicators	2012/ As of 31 December 2012	2011/ As of 31 December 2011	Year-on-year increase/ decrease (%)	2010/ As of 31 December 2010	2009/ As of 31 December 2009	2008/ As of 31 December 2008
Investment assets ⁽¹⁾	478,481	373,958	28.0%	292,866	196,747	155,752
Total investment yield ⁽²⁾	3.2%	3.8%	N/A	4.3%	4.6%	1.1%
Gross written premiums and policy fees	98,081	95,151	3.1%	91,956	65,422	47,266
Increase rate of gross written premiums and policy fees	3.1%	3.5%	N/A	40.6%	38.4%	N/A
Benefits, claims and expenses	107,666	104,531	3.0%	100,192	71,062	48,421

Notes:

- The comparative figures of 2011 have been reclassified in the same way as the disclosures made in the consolidated financial statements.
- Total investment yield = Total investment income/Average investment assets.

III. THE DISCREPANCY BETWEEN THE PRC GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (“PRC GAAP”) AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

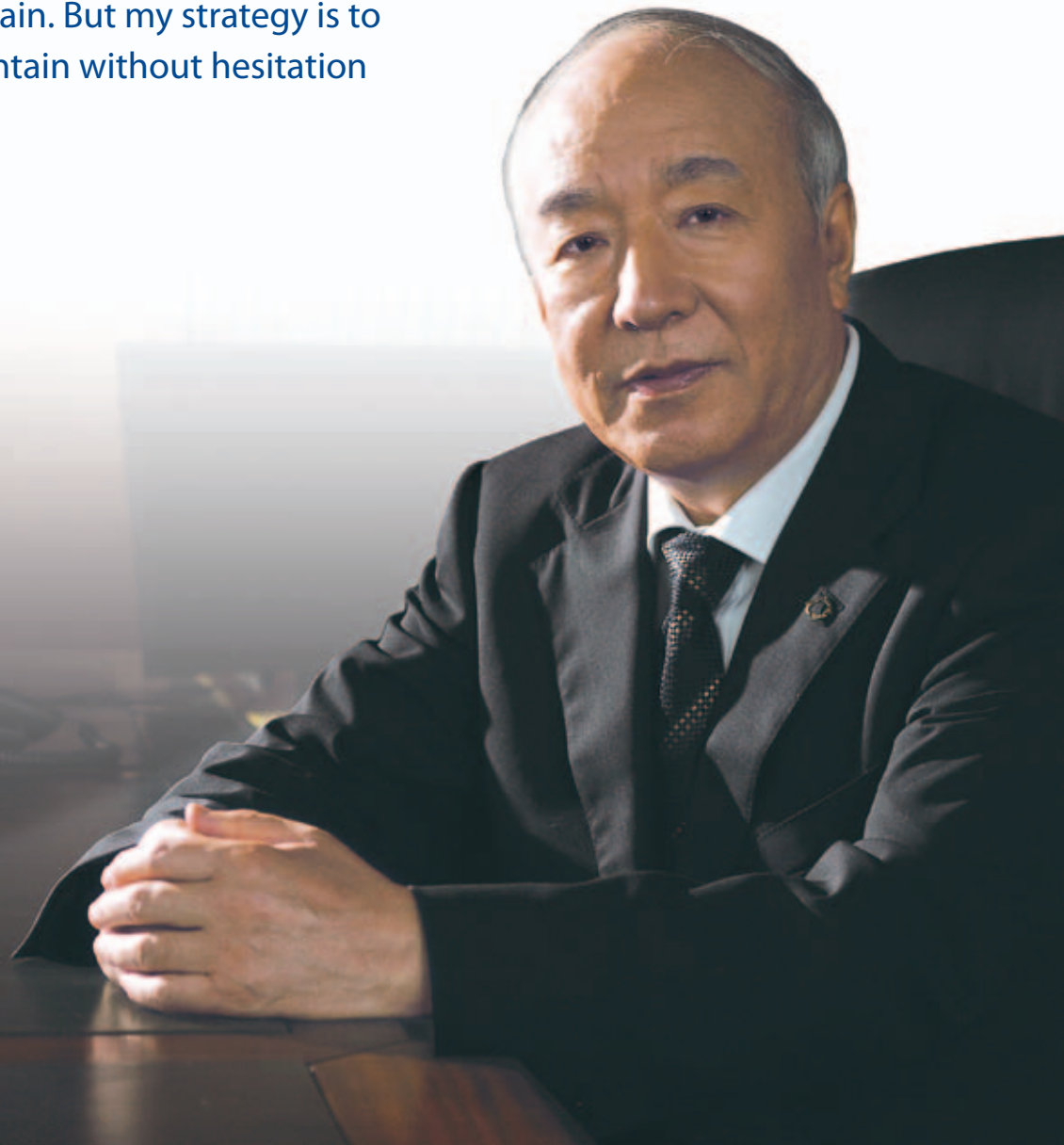
There is no difference on the consolidated net profit of the Company for the year ended 31 December 2012 and the consolidated equity of the Company as of 31 December 2012 as stated in the consolidated financial statements prepared in accordance with the PRC GAAP and the IFRS.

Section 4

A Letter to Shareholders from the Chairman of the Board



“ We were facing a high mountain and we have two easy options: either to watch others blazing a trail so we can follow, or to find a longer and smooth path to get around the mountain. But my strategy is to climb up the mountain without hesitation now. ”



Section 4 – A Letter to Shareholders from the Chairman of the Board

Dear Shareholders,

Following the coldest winter in the past three decades, the spring has come to Beijing as expected. With such a beautiful spring, it suddenly occurred to me that Beijing would have been indeed adorable if there was no smog or traffic jam. Reviewing the year 2012, I would still like to use the phrase of last year – treading as if on thin ice.

I would like to start this letter with the just past chilly winter.

I. Review of 2012

In late 2012, a famous TV station reported a story titled The Insurer's Wealth Management Traps, which involved a product sold by NCI in 2007 via bancassurance channel that was accused of misleading sales practice. While this happened during our 2013 annual work planning conference, I told the team that there was no need to complain or feel upset. The solution is to face the media and our customers directly. As the core principle of NCI's strategic transformation is to be "customer-centric", we must understand our customers' needs, improve their experiences, and provide them with more attentive products and services. "To forge iron, a hard hammer is a must". What we need to immediately reflect on is to find if we could have improved our products, agency force or other aspects in any possible way. It is the only way that we can establish a healthy, trustworthy relationship with our customers so that we can have a more respectable corporate image in the society.

Media supervision is only one of the many sources of the pressure we face. We launched our transformation in 2012

to achieve our "customer-centric" strategy following the completion of our A+H Share Initial Public Offering ("IPO") at the end of 2011 with enhanced capital position and solvency. However, the whole industry was facing many challenges arising from the uncertain macro-economy, which were amplified by the internal difficulties NCI had to overcome for the transformation. For our Company, the year 2012 was full of not only puzzles of and reflections for the transformation but also the forward-looking ambitions and visions.

1. Key operation indicators

- As of the end of 2012, the Company's total assets reached RMB493.693 billion, with equity attributable to shareholders of the Company being RMB35.870 billion.
- The net profit attributable to shareholders of the Company for 2012 was RMB2.933 billion.
- As of the end of 2012, solvency margin ratio of the Company increased to 192.56%.
- In 2012, our Company maintained the overall positive growth of our insurance business. The gross written premiums (GWP) reached RMB97.719 billion, increased by 3.1% year on year; we achieved a market share of 9.8%, and our No.3 position in market was solidified.
- The net investment yield for 2012 was 4.7%, representing a significant increase from that in previous years, i.e. 4.1% for 2011 and 3.8% for 2010.



Section 4 – A Letter to Shareholders from the Chairman of the Board

2. Key transformation efforts

On the basis of the comprehensive analyses of our Company's management and business, we conducted specific researches, evaluation, design and experimental trials for our transformation in more than ten aspects, primarily including:

- **Optimizing product portfolios and increasing new business margin**

The first was improving the product planning system, absorbing domestic and foreign experience, reassessing and building a new product strategy and developing a whole set of product management system covering product development, promotion and innovation processes.

The second was enhancing the restructuring by launching a series of products with high new business margin. For the agent channel, more sales efforts were put into the protection-type products such as health insurance, accident insurance, term and whole life insurance as well as long premium payable period products. The health insurance business in 2012 increased by 1.1 percentage points to 6.6%. The overall business structure of the Company continued to optimize while the overall new business margin increased by 2.2 percentage points up to 12.4%.

- **Exploring customer operation and ushering in business model transformation**

The Company launched a special pilot program to study how to explore high-end customers and how to enhance our agency force, especially those high performing ones. While maintaining a stable total number of agents, we had 29,000 high performing agents at the end of 2012, increased by 16.7% compared with 2011.

We have redesigned our training manuals and consulted renowned professors of China for advice. The training ranges from the Company's strategic vision and transformation road map to our business management practice as well as product system, and the courses, which cover both our back-office and agency force, worked on changing the management's working mode by synergizing the theories with the practices.

Some of our institutions at the coastal areas have achieved encouraging results in exploring new marketing modes. They improved the customer stability and both the agents' performance and income through promoting a more entrepreneurial operations and organizing various interesting customer-experience events.

In addition, we also introduced a series of new bancassurance sales models in bancassurance channel. On the basis of the joint management by both banks and the insurers, we provided comprehensive support to bolster the independent sales of banking staff by way of regulation, training, meeting management, proposal support, supervision and tracking. This may help NCI, a sector pioneer which entered the bancassurance business earlier than most peers, reinforce our vanguard image for innovation and transformation.



Section 4 – A Letter to Shareholders from the Chairman of the Board

- **Improving investment management**

After several years of endeavor, our investment team has significantly improved their overall capability in research and management. We adopted a prudent investment strategy to stabilize the overall return on the Company's assets. Meanwhile, we had actively applied for and obtained the investment licenses for equity, real estate and overseas investments. The further diversification of the investment channels will help NCI continue to improve its investment yield and diversify investment risks.

- **Stably expanding the businesses**

In 2012, we set up Xinhua Seniors to build the fundamental framework for our senior care business. Meanwhile, Xi'an Clinic and Wuhan Clinic have officially commenced operation with the management system and organization structure being generally accomplished, and profitability periods and targets being clearly defined.

3. **Key challenges and weaknesses**

We are unfolding our transformation amid drastic fluidity of the external environment, which has begun to result in certain problems. The most obvious one was the decline of GWP: we shifted to the products with higher new business margins, but the significant increase of new business margins could not offset the much shrinking size of available new business value resulted from its premium decrease. Meanwhile, the income drop of some agents also adversely affected the stability of our agency force. I believe that four key reasons led to this situation:

Firstly, agency force needs time to adapt to new conditions. We produced and distributed a large number of training materials in texts or videos to introduce and explain our strategic concepts to all levels of agents and have hosted many comprehensive training sessions to the management and agents from front- and back-offices. I personally attended dozens of such training sessions given to our management and high-end agents, and explained to

them specifically the Company's transformation strategy. Even the most junior agents understand well that NCI is implementing the transformation, which is keenly and enthusiastically recognized by them. However, they need time to learn how to transform, and how fast should such transformation be, as well as how to sell high new-business-margin products to the right customers.

At a workshop hosted by one of our branches, a fellow colleague who has stayed with our team for over ten years once commented: *"I have been working for NCI for over ten years, and I indeed feel the urgency to implement transformation; otherwise we would not survive the next decade. After the Company proposed the transformation, we've been making explorations, but we indeed have to confront many challenges, such as where we can find new customers, how to find them, and what we should do and learn. We have too many puzzles."*

Secondly, the supplementary and supportive policies and measures for our undergoing transformation still lack due collaboration and coordination.

Thirdly, the existing business structure also imposes pressure on transformation.

As we all know, bancassurance has been maintaining a key position in NCI's business, but the business in this channel suffered from a significant fall in 2012 across the life insurance industry. The negative impact was felt more by NCI. The agency channel contributed 44% to our premiums in the year of 2012, increased by 6.2 percentage points compared to last year, which was not only due to an optimized business structure but also to the major decline of premiums in bancassurance channel. As the premium increase from the agents channel failed to offset the decline in bancassurance channel, the overall decline in the premium income from our new policies may seem disappointing in some analysts' eyes.

Section 4 – A Letter to Shareholders from the Chairman of the Board

Fourthly, the middle- and back-office support systems remain relatively underdeveloped for NCI. It was NCI's policy of allocating more resources to the front-line work and the attractive sales incentives at the early stage that made great contributions to NCI's growth into the third largest life insurer in China. However, it is the way of Heaven to diminish superabundance, and to supplement deficiency. Things have changed as time goes by. The business growth of the Company and the industry maturity have certainly led to higher requirements for the middle- and back-office support services. In this regard, we must take actions to avoid compromising sustainable growth in the future. Thus, NCI last year also established the new System Project Management Office besides the aforementioned efforts in products research & development ("R&D") and operation management. This new office is responsible for the upgrade of the core systems. Compared with the leading peers, we need time to address some legacy problems properly, which we expect would not be solved in one go.

Besides, we were somewhat weak in professionally coordinating the front-, middle- and back-office management. For example, our human and financial resources failed to stay close enough to the market; the internal decision-making process is protracted; our responses to the market changes were slow; our management efficiency was less than satisfactory. When the whole industry's growth slows down, the adverse effect caused by these constraints was amplified to impede our business growth.

II. Challenges in 2013

When a senior executive from the Life Insurance Marketing and Research Association (LIMRA) of the United States of America visited NCI, I asked him about the global challenges faced by the life insurance industry. In his view, key challenges include what the regulatory changes will be and how to increase agency productivity, with both of which I completely agree. I believe that NCI will at least face the following four external challenges in 2013:

1. Hypercompetition among life insurers in the high-yield, saving-substitute products

Traditional insurance products earn profits from the "three margins": Customers, insurers, channels and agency force constitute the value chain, sharing the value created by the insurers. High yields and high agency expenditures will surely force the insurers to allocate more profits to customers, channels and agency force. In the current weak markets, many peers prefer to promote such products for market share and cash flows. However, the adverse impacts of such hypercompetition on the value chain of the life insurance industry should not be neglected. The promised high-yields to customers may delay the life insurers' cash flow problem while they can only bet on high investment returns to be realized in future; this may multiply the investment risks.

Despite the significant improvements in profitability and new business margin, thanks to the transformation in 2012, NCI still underperforms other listed life insurers in terms of those indicators – we have few chips to win such hypercompetition; One man's candy may be another's poison; how to accurately position ourselves in the current circumstances will deeply test our management capability.

2. Changes to the competitive landscape of bancassurance business

As of the end of 2012, the GWP of the insurers controlled by some state-owned banks grew by around 50%, with their market shares up by 1.2 percentage points. Meanwhile, the bancassurance business contributed 25% less GWP on average to the top life insurers. It is reasonable to conclude that, given NCI's traditional reliance on bancassurance business to a large extent, the Company will face serious challenges.

3. Continuous attention by the regulators and media to misleading sales practices

Regulators and media have become more committed to protecting the interests of consumers in recent years. Their ongoing concern and monitoring will undoubtedly help improve the image of insurers and create a favorable market environment in a long run. However, it indeed puts substantial pressure on the sales and after-sales management of life insurers in the short term.

4. Pressure on cash flow and loss of customer due to maturities and surrenders

The domestic life insurance market has been favoring the scale growth and focusing more on short-term products in the past years. In particular, recently sold regular premiums products via bancassurance channel were dominated by those with maturity of 3 or 5 years. When the new policies cannot maintain a high growth, the renewal premiums will be greatly impacted. NCI is facing a challenging situation: the renewal premiums may continue dropping in the next one or two years without effective countermeasures.

Meanwhile, we observed that the number of new customers for the entire industry has been dropping on a continual basis due to maturities and surrenders, while the customer retention became increasingly difficult. The life insurance industry undoubtedly needs to explore a new model for customer exploration, service and value creation.

III. Countermeasures

Implementing the “customer-centric” strategy is the only choice for NCI in future.

I once asked Mr. Peter Walker, the Senior Director of McKinsey & Company and also a veteran fan of Lao Tzu, on what areas the global life insurance companies are focused. With the experience of over 40 years in insurance

consulting, he replied that the life insurance companies globally are trying to design more sophisticated products and committed to building the corresponding R&D and pricing capabilities in order to meet the complicated insurance needs of the better segmented markets thus obtaining competitive edge and profitability.

This indeed is consistent with our “customer-centric” strategy.

At the annual working conference for 2013, I proposed almost ten tasks that must be started by relevant divisions to boost the implementation of the “customer-centric” strategy during the year: such tasks involve the constructions of the customer service system, the core “customer-centric” supportive policy system, the institutional system, the sales team, the training system, the product system, the operation system and the information system.

For NCI, all these transformation efforts put high requirements on the professional and detailed operation of all relevant divisions and stakeholders.

In 2013, we will strive to steer all our organizational behaviors towards the customers and markets, simplify the decision-making procedures, respond to market changes faster, optimize the resource allocation efficiency, better motivate the front-line agents, and develop internal policies to clearly define responsibility, right and interest, hence finally improving the professionalism of all links of the value chain to deliver higher value to customers. Winning customers means winning the world. No matter what challenges we face, be it the high-yield products competition, the uncertain bancassurance business changes, or the pressure imposed by the regulators, media and loss of customers, as long as we win customers, those challenges may only present opportunities for NCI to outperform in the hypercompetition.

IV. Transformation and innovation

In his book *The World Economy: a Millennial Perspective*, Angus Madison attributed the innovation in technologies/institutions to one of the three factors driving the world's economic development in the history of human society.

This rule is also true for the life insurance industry. I had repeatedly said in our internal addresses that it is a must to change the business model for life insurance operation. Just like that the hordes traditionally following the traces of water had to shift towards the farming culture, I personally believe that this is also the rule of the economic development, which is actually consistent with Madison's view. After the earlier exponential growth of the life insurance in China, it seems that we have no new markets to explore. The competitive edge and bargaining power previously existed in the value chain of cooperation is gradually disappearing. We will have to seek innovation in both technology and institution. NCI's strategy has three pillars, seeking transformation and innovation is one of them.¹

- **Transformation**

According to the *McKinsey Quarterly Performance Transformation Survey* covering 2,261 samples², the transformation efforts of 72% of the ambitious enterprises globally finally failed. McKinsey's another survey³ has identified the key reasons to such transformation failure: the employee resistance, the management behaviors unable to support the intended changes, as well as resources, budgets and others accounted for 39%, 33% and 28% respectively. We can see that human factors are absolutely critical.

In 2012, NCI's transformation encountered challenges. Many people, including employees and external professionals, were unsure or worried about our transformation, and many suggested me to abandon or slow down the process by citing various case studies and theories.

In my view, our transformation has solid theoretical and practical basis, but what we need more is confidence and passion. David Hume once said: "reason is, and ought only to be, the slave of passions". For a company, if the management has no passion to face the market and the competition, no courage to face difficulties and challenges, no determination to reduce redundancy and reposition the misallocated "cheese", no ability to deal with the complicated interests, how can they establish a healthy, feasible and ambitious strategic goal to unite and incentivize employees? How can they convince investors that our transformation is for a race amongst the brave and the confident and we are their best choice to create outstanding value?

Surely, we should assess the risks and design the paths to realize our goals. In accordance with Hume, we should use rationality as instruments to contain overconfident passion, and to analyze and decide what the achievable goals should be, such as how to identify shortage and improve certain core competencies, how to stimulate the engagement of employees at all levels with the transformation, how to measure and how to track for further correction. Only the ongoing optimization of all these details can ensure the success of our transformation efforts.

I told our team at an internal meeting that we were facing a high mountain and we had two easy options: either to watch others blazing a trail so we can follow, or to find a longer and smooth path to get around the mountain. But my strategy is to climb up the mountain without hesitation, now. We have thoroughly studied and evaluated NCI's strategy, and we realised that we have not many alternative options. The hypercompetitive markets, rising demands from our customers, and the evolving financial landscape, altogether require us to take immediate action to face the markets and customers in a new way if we want to win the competition in the future.

¹ The first is to maintain the stable growth of the existing businesses, the second is to continuously seek transformation and innovations, and the third is returning to the essence of the insurance

² McKinsey Quarterly Performance Transformation Survey, July 2008; McKinsey Quarterly Performance Transformation Survey, January 2010

³ Management Literature Review

Section 4 – A Letter to Shareholders from the Chairman of the Board

• Innovation

Nowadays, the diary of a life insurance agent may read: morning meeting at 8:30 a.m., meeting a customer in a tea house at 9:30a.m., meeting another customer in a coffee bar at noon, delivering a policy to a customer in afternoon, and so on. However, during the past two decades, the internet has engulfed the whole world, penetrating deep into every corner. I can even imagine that those agents born in 1990s will adopt a completely different way to do their business in future: they can enjoy the most professional training via mobile network devices without leaving home, liaise with potential customers within their internet-based social network, or even introduce products to customers via voices and videos chats without face-to-face meeting. All consulting, transactions and payments can be a simple keyboard maneuvering on computers or mobile phones. However, there also is an opinion that life insurance is different from property insurance: life policies can only be “sold” while their property counterparts can be “bought”. Thus, it is true that the business model of the life insurance will always depend on the social relationships, and there has been no evidence that the online sales of life insurance can achieve great success so far according to international experience. In the new age, how these new channels can productively generate a series of lively, in-coming policies might be subtle, if not totally unimaginable.

In my view, all business models will change along with their customers. The life insurance industry in North America is of no exception as it is also facing the challenges of aging agents and the consequently widening gap with their new generation consumers. As the young generation who grew up with the internet comes to marry and bear children, their insurance demand will soon be awakened. These higher-educated, younger consumers may have stronger insurance awareness. Following the “customer-centric” strategy, we have to adapt to their consumption preferences and even seek changes ahead of time before new trends emerge.

First of all, we need to develop the ability of product innovation based on customer needs, which implies innovation at two levels. The first level requires understanding of differentiated insurance needs of customers through the customer insights, which can only be obtained with a whole new philosophy. In light of more convenient access for data collection and processing, thanks to the internet era, NCI is considering its input in this area. The second level entails designing of completely new products and services based on the above-said differentiated customer needs.

Secondly, we need to develop the ability of marketing innovation based on customer preferences, i.e. how to provide the aforementioned products/services to customers. A series of new marketing approaches have been introduced to the insurance industry to sell insurance products by some peers. As a new entrant in this area, NCI will try to explore multi-media and multi-channel marketing through cooperation with some professional internet marketing firms and platforms in the future.

Thirdly, we need to develop the ability of integrating technical innovation among front-, middle- and back-offices. The aforementioned ability of innovation in product, service and marketing will be made possible only when all of our offices form a united, mutually supportive coalition.

Deeply rooted in NCI, innovation is a component of our core enterprise culture. In 2013, my team and I will continue to strive on innovation exploration and leverage on new technology and information to deliver an impressive result slip standing various tests, ranging from increasing the efficiency of the existing business model and improving customer experience, to entering the new segmented markets and winning new customers. I also hope that our input in innovation can be better supported and understood by our shareholders.

Section 4 – A Letter to Shareholders from the Chairman of the Board

V. Prospects

The year 2013 is still full of uncertainties. Discussing how the life insurance industry shall be affected by the state's monetary policy, the US fiscal situation, the EU's debt problems and regional or state conflicts does not help much to our Company's specific transformation implementation. The accurate forecast of our business requires thorough understanding about and confidence in the key variants. However, in his speech Pretense of Knowledge in 1974, Hayek lamented: "We can in fact ascertain only some but not all the particular circumstances which determine the outcome of a given process; and in consequence we are able to predict only some but not all the properties of the result we have to expect".

I cannot leave our shareholders' hope to chance. Rather, I would like to say that my extensive rural life experience has given me an unforgettable revelation: no harvest is possible without drops of sweat, furrows of ploughing and, surely, the blessing of nature. Hence I would continue to request myself and my team to work just like a diligent cultivator.

I would rather not mention some optimistic cliches to our shareholders only saying that the dawn always comes after the night or the spring will surely arrive after the winter. For any company, without the correct strategy and measures, the nights and winters could be endless. My confidence is firmly based on the capability of NCI's management and the entire team. My optimism comes from NCI's correct strategy and the whole team's powerful execution capability. Since NCI was established 17 years ago, it has attracted many of the most talented professionals in China's life insurance industry. They hold the key for NCI's future and they are the foundation and pillars for the success of NCI's transformation.

Amongst all peers, NCI is young. Though I am becoming older, the poem by the ancient poet Wang Guowei still inspires me very much: "All seasons are full of loveliness but spring has the most/one who enjoys an ardent dedication can be young forever". My whole team and I will continue to improve management, promote reform, transform with rationality, endeavor with passion, so as to bring NCI into a bright, broad and scenic landscape in the new era.

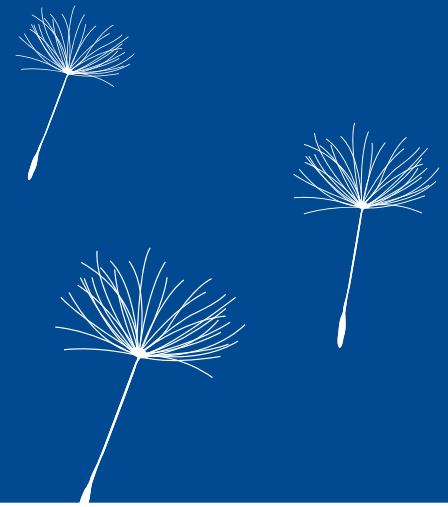
Wish you a fine spring.



KANG Dian

Section 5

Management Discussion and Analysis



As a major life insurance company in the PRC, the Company is primarily engaged in provision of life insurance products and services to individuals and institutions through its national branch network. Meanwhile, the Company also manages and utilizes its insurance assets through its subsidiary Asset Management Company.

Financial data and indicators in this announcement are prepared in accordance with IFRS. Unless otherwise specified, the management discussion and analysis is based on the consolidated financial data of the Company.

I. Key operational indicators

Unit: RMB in millions

For the 12 months ended 31 December	2012	2011
Gross written premiums and policy fees	98,081	95,151
Total investment income ⁽¹⁾	13,539	12,677
Net profit for the year attributable to shareholders of the Company	2,933	2,799
Value of one year's new business	4,172	4,360
Market share ⁽²⁾	9.8%	9.9%
Persistency ratio		
Individual life insurance business 13-month persistency ratio ⁽³⁾	89.84%	91.45%
Individual life insurance business 25-month persistency ratio ⁽⁴⁾	88.50%	88.33%

As of 31 December	2012	2011
Total assets	493,693	386,771
Net assets	35,878	31,313
Investment assets ⁽⁵⁾	478,481	373,958
Equity attributable to shareholders of the Company	35,870	31,306
Embedded value	56,870	48,991
Amount of customers (in thousands)	27,766	27,111
of which: individual customers	27,707	27,052
of which: institutional customers	59	59

Section 5 – Management Discussion and Analysis

Notes:

1. Total investment income = interest income from cash and cash equivalents, term deposits, debt securities and other investment assets + dividend income from equity securities + realized gains/(losses) + unrealized gains/(losses) + impairment losses on financial assets.
2. Market share: represents the data published by the CIRC.
3. 13-month persistency ratio: premiums under in-force regular premium life insurance policies 13 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.
4. 25-month persistency ratio: premiums under in-force regular premium life insurance policies 25 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.
5. The comparative figures have been reclassified in the same way as the disclosures made in the consolidated financial statements for the current period.

II. Business analysis

(I) Life insurance business

In 2012, the global economy witnessed a slow recovery. Though at the gentle pace, the domestic economy has gradually stabilized, and the economic and social developments have made progress steadily. Amidst the slowdown in economic growth and tightening regulations, the life insurance industry continued its transformation in 2011, with the balanced development of both value and scale becoming the new direction of development in the life insurance industry.

In 2012, on the premises of sustaining the steady growth of its business, the Company actively fostered strategic transformation and thoroughly adopted the balanced development approach with “value” as its essence, thereby putting forward the transformation from various aspects such as general direction, business development and comprehensive management. Firstly, the operation direction of balanced development of both value and scale has been determined; secondly, the optimization of the business structures for all channels was fostered and greater efforts were also put to promote high value products and long-term products to enhance new business margin; thirdly, the Company has generally consolidated its value management foundation and enhanced the comprehensive management by the continuous improvement in budget management mode, performance and management administration system as well as back office operational efficiency.

According to the data published by the CIRC, in terms of gross premium income (after adjustments made in accordance with Interpretation No. 2), the Company recorded a gross premium income of RMB97,719 million in 2012 with a market share of 9.8%, ranking the third in the PRC life insurance market. Meanwhile, the Company continued to improve its term structure, upgrade its product design and boost the sales of high value products and long-term products, thereby optimizing its business structure.

Section 5 – Management Discussion and Analysis

Following the commencement of operation of the main shared service center in 2011, the Company's Xi'an branch shared service center also duly commenced operation in 2012, hence formulating the preliminary deployment of main and branch centers, accomplishing the transformation of concentrated operation mode, and improving the operation efficiency, quality, standardization and the support to the Company's business. At the same time, the Company proactively promoted various new operation technologies such as E-Bao, devoted great efforts on the projects and activities such as "the 12th Customer Day", deepened its claim settlement brand, protected customer's rights and interests, and commenced leaning projects for its operation flows by fully introducing Lean Six Sigma methodology for operation flows, while continuously promoted the optimization of its operation flows and enhanced service quality as well as customers' experiences. As of 31 December 2012, the life insurance customers of the Company are comprised of approximately 27,707 thousand individual customers and approximately 59 thousand institutional customers.

1. Analysis by distribution channels

Unit: RMB in millions

For the 12 months ended 31 December	2012	2011
Individual life insurance	96,253	93,495
Of which:		
Individual insurance agent channel	42,993	35,871
First year premiums	10,131	9,758
Regular premiums	8,948	8,878
Single premiums	1,183	880
Renewal premiums	32,862	26,113
Bancassurance channel	52,163	56,692
First year premiums	21,569	30,985
Regular premiums	5,074	7,562
Single premiums	16,495	23,423
Renewal premiums	30,594	25,707
Wealth management channel	1,097	932
First year premiums	635	818
Regular premiums	375	457
Single premiums	260	361
Renewal premiums	462	114
Group insurance	1,466	1,302
Total	97,719	94,797

Section 5 – Management Discussion and Analysis

(1) Individual life insurance business

① Individual insurance agent channel

In 2012, the Company focused on the transformation of its individual insurance agent channel business. On one hand, the Company edged up its efforts on the sales of long-term products as well as protection-type products such as health insurance and whole life insurance and enhanced its business mix, driving the growth of channel new business margin; on the other hand, the Company reinforced the fundamental construction of its agent force by maintaining the stability of its scale and emphasizing the improvement in the quality of newly recruited personnel. Meanwhile, the Company continued to strengthen and optimize its high performance honoring system with enhancements on various performance indicators. As of the end of 2012, the number of the Company's individual insurance agents remained stable at 204,000, including approximately 29,000 high performing agents, representing an increase of 16.7% as compared to the end of last year⁽¹⁾.

The GWP contributed by individual insurance agent channel to the Company was RMB42,993 million in 2012, increased by 19.9% as compared to the last year. Included in such income were first year premiums of RMB10,131 million, representing an increase of 3.8% as compared to the last year. The first year premiums contributed by such regular premium products with premium payment periods of twenty years or above reached RMB4,592 million, representing an increase of 1.3% as compared to the last year. Renewal premiums amounted to RMB32,862 million, representing an increase of 25.8% as compared to the last year. In 2012, the new policy business explored by the renewal team continued to maintain rapid growth with first year premiums of RMB1,776 million, representing a growth of 31.5% as compared to the last year.

¹ The number of high performing individual insurance agents for a reporting period is an average number calculated by dividing the sum of the monthly numbers of individual insurance agents in the reporting period who have sold at least one insurance policy by the number of months in the reporting period. The policy should not have been surrendered within one month of being underwritten, with a payment term of more than one year and standard premiums of no less than RMB7,000 or RMB10,000 (depending on branch location). Standard premium means, with respect to first year premiums of different payment terms, product types and insured periods, the premium income calculated by weighing their respective contributions to the value of the life insurance company

② Bancassurance channel

In 2012, with respect to the bancassurance channel, the Company firmly upheld the principle concepts of “value enhancement, efficiency facilitation, pursuit of reform and risk prevention” under the sustained bancassurance market downturn, and has been actively undergoing structural adjustments to enhance value and fostering the sales of long-term regular premium products and high value products on one hand, while strengthening its principles of operation in compliance and co-operating with mainstream channels such as Industrial and Commercial Bank of China, Agricultural Bank of China and China Construction Bank Corporation in areas such as product promotion, joint marketing and professional training on the other hand, thus enhancing its comprehensive competitiveness.

The GWP contributed by the bancassurance channel to the Company was RMB52,163 million in 2012, decreased by 8.0% as compared to the last year, among which, the first year premiums amounted to RMB21,569 million, representing a decrease of 30.4% from the last year. The first year premiums contributed by regular premium products with premium payment periods of five years or above increased to 90% from 72% in 2011, indicating that the structural adjustment has progressed. Renewal premiums amounted to RMB30,594 million, representing a growth of 19.0% from the last year.

③ Wealth management channel

The GWP contributed by the wealth management channel to the Company was RMB1,097 million in 2012, increased by 17.7% from the last year, among which, renewal premiums amounted to RMB462 million, representing a growth of 305.3% as compared to the last year.

(2) Group insurance business

In 2012, the GWP generated by the group insurance business amounted to RMB1,466 million, representing an increase of 12.6% as compared to the last year.

Section 5 – Management Discussion and Analysis

2. Analysis by types of insurance products

Unit: RMB in millions

For the 12 months ended 31 December	2012	2011
GWP	97,719	94,797
Traditional insurance	848	704
Participating insurance	89,318	87,940
Universal insurance	37	32
Unit-linked insurance	–⁽¹⁾	– ⁽¹⁾
Health insurance	6,491	5,255
Accident insurance	1,025	866

Note: 1. The amount for each period indicated was less than RMB500,000.

In 2012, the Company realized life insurance GWP of RMB97,719 million, representing an increase of 3.1% as compared to the last year, among which, the premiums generated by participating insurance business amounted to RMB89,318 million, representing an increase of 1.6% as compared to the last year and accounting for 91.4% of the overall GWP. The GWP generated by health insurance was RMB6,491 million, representing an increase of 23.5% as compared to last year, among which, first year premiums were RMB2,281 million, representing an increase of 32.9% as compared to the last year and significantly outperforming the overall premium growth. The proportion of GWP generated from health insurance to overall GWP increased from 5.5% in 2011 to 6.6%, demonstrating the Company's strategy on driving value enhancement through product transformation. The GWP generated by other types of life insurance amounted to RMB1,910 million in aggregate, accounting for 2.0% of the overall GWP.

3. Analysis by geographic regions

Unit: RMB in millions

For the 12 months ended 31 December	2012	2011
GWP	97,719	94,797
Beijing	9,775	9,719
Guangdong	8,263	8,177
Henan	7,110	7,110
Shandong	6,845	6,315
Shanghai	6,073	6,617
Hubei	5,489	5,503
Sichuan	5,304	5,327
Jiangsu	4,216	4,571
Hunan	4,160	4,197
Shaanxi	3,585	3,223
Sub-total	60,820	60,759
Other regions	36,899	34,038
Total	97,719	94,797

In 2012, approximately 62.2% of the GWP of the Company were contributed by the regions of the PRC with relatively developed economy or dense population, such as Beijing, Guangdong, Henan, Shandong, Shanghai, Hubei, Sichuan, Jiangsu, Hunan and Shaanxi, etc.

(II) Asset management business

Within the restrictions imposed by asset-liability management, while taking into account of the security, liquidity and profitability of its managed funds, the Company seeks to maximize the investment returns of its investment portfolio on the basis of sound asset allocation and effective risk control.

In 2012, based on the characteristics of liabilities of insurance business and fluctuation cycles of capital markets, the Company proactively broadened its investment channels, improved its allocation for investment portfolio, properly increased the proportion of fixed-income assets in order to enhance net investment yield and maintain stable and sustainable investment returns. In 2012, the Company was granted licenses on overseas investment as well as equity and real estate investment by CIRC and was also granted overseas investment quota of USD500 million by the State Administration of Foreign Exchange of PRC. Hence, the investment channels of the Company have been greatly expanded, while the overseas investment as well as equity and real estate investment business have experienced proactive and steady progress.

As to the equity investment, the overall income from equity investments under the income statement had shown a relatively significant decline due to the sustained downturn of domestic capital market in 2012. The Company recorded RMB5,281 million in impairment losses on financial assets.

Section 5 – Management Discussion and Analysis

1. Investment portfolio

Unit: RMB in millions

As of 31 December	2012	2011
Investment assets⁽¹⁾	478,481	373,958
Classified by investment type		
Term deposits ⁽²⁾	171,853	122,949
Debt securities	234,130	190,464
Equity securities ⁽³⁾	32,085	29,051
– Funds	15,869	12,077
– Stocks	16,216	16,974
Cash and cash equivalents ⁽²⁾	25,066	21,095
Other investment assets ⁽⁴⁾	15,347	10,399
Classified by investment purpose		
Financial assets at fair value through income	4,755	5,529
Available-for-sale financial assets	84,335	72,876
Held-to-maturity securities	176,817	141,090
Loans and receivables ⁽⁵⁾	212,574	154,463

Notes:

1. The comparative figures have been reclassified in the same way as the disclosures made in the consolidated financial statements for the current period.
2. Cash and cash equivalents include term deposits with maturity of 3 months or less, while term deposits exclude those with maturity of 3 months or less.
3. Equity securities exclude investments in associates.
4. Other investment assets include statutory deposits, policy loans, financial assets purchased under agreements to resell and accrued investment income, etc. The comparative figures have been reclassified in the same way as the disclosures made in the consolidated financial statements for the current period.
5. Loans and receivables mainly include term deposits, cash and cash equivalents, statutory deposits, policy loans, financial assets purchased under agreements to resell, accrued investment income and loans and receivables, etc. The comparative figures have been reclassified in the same way as the disclosures made in the consolidated financial statements for the current period.

Section 5 – Management Discussion and Analysis

As of the end of the reporting period, the Company had investment assets of RMB478,481 million, increased by 28.0% as compared to the end of last year. Such increase was mainly attributable to the cash inflows from the insurance business.

As of the end of the reporting period, term deposits accounted for 35.9% of the investment assets, representing an increase of 3.0 percentage points as compared to the end of last year, which was mainly due to the increased allocation of negotiated term deposits, especially those with maturity of 5 years or above.

As of the end of the reporting period, debt securities accounted for 48.9% of the investment assets, representing a decrease of 2.0 percentage points as compared to the end of last year, mainly due to the decrease of the proportion of financial bonds.

As of the end of the reporting period, equity securities accounted for 6.7% of the investment assets, representing a decrease of 1.1 percentage points as compared to the end of last year. Such decrease was mainly due to the control of equity assets positions as the Company adjusted its assets allocation strategies based on the prevailing market developments.

As of the end of the reporting period, cash and cash equivalents accounted for 5.2% of the investment assets, representing a decrease of 0.4 percentage point as compared to the end of last year. Such decrease was mainly attributable to the requirements for investment assets allocation and liquidity management.

As of the end of the reporting period, other investment assets accounted for 3.2% of the investment assets, representing an increase of 0.4 percentage point as compared to the end of last year. Such increase was mainly due to the increase in interest receivable and policy loans.

In terms of investment purposes, as of the end of the reporting period, investment assets of the Company is mainly comprised of loans and receivables and held-to-maturity securities. Investments in loans and other receivables increased by 37.6% as compared to the end of last year, mainly due to the increase in term deposits as well as cash and cash equivalents.

Section 5 – Management Discussion and Analysis

2. Investment income

Unit: RMB in millions

For the 12 months ended 31 December	2012	2011
Interest income from cash and cash equivalents	101	110
Interest income from term deposits	8,455	4,842
Interest income from debt securities	9,929	7,639
Dividend income from equity securities	1,111	938
Interest income from other investment assets ⁽¹⁾	278	130
Net investment income ⁽²⁾	19,874	13,659
Realized gains/(losses)	(1,559)	1,150
Unrealized gains/(losses)	505	(1,228)
Impairment losses on financial assets	(5,281)	(904)
Total investment income ⁽³⁾	13,539	12,677
Net investment yield	4.7%	4.1%
Total investment yield	3.2%	3.8%

Notes: Investment yield = investment income/[(investment assets at the beginning of the period + investment assets at the end of the period)/2]

1. Interest income from other investment assets includes interest income from statutory deposits, policy loans and financial assets purchased under agreements to resell.
2. Net investment income includes interest income from cash and cash equivalents, term deposits, debt securities and other investment assets, and dividend income from equity securities.
3. Total investment income = net investment income + realized gains/(losses) + unrealized gains/(losses) + impairment losses on financial assets.

The Company achieved total investment income of RMB13,539 million during the reporting period, representing an increase of 6.8% as compared to the last year; the total investment yield was 3.2%, representing a decrease of 0.6 percentage point as compared to the last year.

The Company achieved net investment income of RMB19,874 million, representing an increase of 45.5% as compared to the last year; the net investment yield was 4.7%, representing an increase of 0.6 percentage point as compared to the last year. Such increase was mainly attributable to the significant increase in interest income from term deposits and debt securities.

Total realized and unrealized gains and losses, and impairment losses on financial assets amounted to a loss of RMB6,335 million, primarily driven by the continued decline in the fair value of equity securities assets held by the Company caused by the sustained downturn of the domestic capital market in 2012. According to the accounting policies adopted by the Company, impairment losses on financial assets of RMB5,281 million were recorded.

3. External equity securities

(1) Securities investment

No.	Type of securities	Security code	Abbreviated security name	Initial investment costs (RMB in millions)	Number of securities held (in millions)	Carrying amount at the end of the period (RMB in millions)	As a percentage of total investments in securities at the end of the period	Profits/losses during the reporting period (RMB in millions)
1	Convertible bonds	110020	Nan Shan CB	169.25	1.69	178.61	6.21%	1.49
2	Stock	000568	Luzhou Laojiao	202.84	4.90	173.53	6.03%	7.33
3	Stock	600999	China Merchants Securities	144.72	15.20	160.40	5.57%	-0.02
4	Stock	601628	China Life Insurance	129.94	6.91	147.96	5.14%	-1.39
5	Stock	002146	Rise Sun Development	80.51	8.15	114.04	3.96%	6.93
6	Stock	601088	China Shenhua	114.05	4.46	113.17	3.93%	2.41
7	Stock	601669	Sinohydro	117.14	29.00	110.78	3.85%	-2.22
8	Stock	002024	Suning Appliance	161.01	15.30	101.75	3.54%	-8.42
9	Stock	600028	Sinopec	96.21	14.15	97.92	3.40%	1.69
10	Stock	600153	C&D	89.14	11.46	80.53	2.80%	2.90
Investments in other securities held at the end of the period				1,666.58	/	1,599.06	55.57%	116.40
Profits/losses of investments in securities sold during the reporting period				/	/	/	/	-350.99
Total				2,971.38	/	2,877.74	100%	127.10

Notes:

- Securities investments stated in this table represent investments such as stock, options and convertible bonds, etc, ordered in accordance with the carrying amount at the end of the period. Among them, only the parts of tradable financial assets attributable to the Company are presented for stock and convertible bonds.
- Investments in other securities represent investments in other securities apart from the top ten securities.
- Profits/losses for the reporting period are comprised of the realized investment gains/losses as well as the unrealized gains/losses.

Section 5 – Management Discussion and Analysis

(2) Shareholding in other listed companies

Security code	Abbreviated security name	Initial investment costs (RMB in millions)	As a percentage of equity interests in that company (%)	Carrying amount at the end of the period (RMB in millions)	Profits/losses for the reporting period (RMB in millions)	Changes in owners' equity during the reporting period (RMB in millions)	Accounting Classification	Source of securities
03328	Bank of Communication	921.47	0.27%	955.42	1.73	27.90	Available-for-sale	Purchase
601601	CPIC	561.67	0.25%	508.50	-112.23	211.25	Available-for-sale	Purchase
601111	Air China	678.02	0.52%	410.27	-443.45	425.60	Available-for-sale	Purchase
601318	Ping An	432.14	0.11%	391.41	-138.68	363.82	Available-for-sale	Purchase
600690	Qingdao Haier	355.15	1.01%	363.50	-43.20	169.07	Available-for-sale	Purchase
601006	Daqin Railway	359.83	0.32%	318.58	15.17	-20.98	Available-for-sale	Purchase
000039	CMIC	469.86	0.97%	298.71	-177.17	167.32	Available-for-sale	Purchase
601299	China CNR	364.53	0.61%	282.49	-125.24	155.61	Available-for-sale	Purchase
601989	CSIC	381.35	0.39%	271.85	2.65	-33.13	Available-for-sale	Purchase
002024	Suning Appliance	536.87	0.54%	263.29	-297.92	229.47	Available-for-sale	Purchase
Investments in other securities held at the end of the period		11,610.80	/	9,451.56	-3,404.31	3,453.66	/	/
Total		16,671.69	/	13,515.59	-4,722.65	5,149.57	/	/

Notes:

- The table presents the shareholding in other listed companies by the Company as classified under available-for-sale financial assets ordered in accordance with the carrying amount at the end of the reporting period.

(3) Shareholding in unlisted financial enterprises

During the reporting period, the Company did not hold any shares of unlisted financial enterprises.

(4) Trading of shares in other listed companies

	Shares purchased/sold during the reporting period (in millions)	Amount of capital utilized (RMB in millions)	Investment gains incurred (RMB in millions)
Purchase	2,100.76	18,374.98	/
Sale	1,817.67	/	-1,585.02

III. Principal contents and analysis of consolidated financial statements

(I) Analysis of principal components of consolidated statement of financial position

1. Principal assets

Unit: RMB in millions

Component	31 December 2012	31 December 2011
Debt securities	234,130	190,464
– Held-to-maturity	176,817	141,090
– Available-for-sale	55,624	46,866
– At fair value through income	1,381	2,488
– Loans and receivables	308	20
Equity securities	32,085	29,051
– Available-for-sale	28,711	26,010
– At fair value through income	3,374	3,041
Term deposits	171,853	122,949
Statutory deposits	717	522
Policy loans	3,866	2,055
Financial assets purchased under agreements to resell	–	79
Accrued investment income ⁽¹⁾	10,764	7,743
Investment properties	1,635	451
Intangible assets	102	65
Deferred tax assets	863	14
Cash and cash equivalents	25,066	21,095
Other assets not included in the above assets ⁽¹⁾	12,612	12,283
Total	493,693	386,771

Note:

- The comparative figures have been reclassified in the same way as the disclosures made in the consolidated financial statements for the current period.

Section 5 – Management Discussion and Analysis

Debt securities

As of the end of the reporting period, debt securities increased by 22.9% as compared to the end of 2011, primarily due to the expanding in scale of held-to-maturity securities.

Equity securities

As of the end of the reporting period, equity securities increased by 10.4% as compared to the end of 2011, primarily due to the growth of total investment assets and the control of equity securities positions based on the judgement of the capital market.

Term deposits

As of the end of the reporting period, term deposits increased by 39.8% as compared to the end of 2011, primarily due to the increased allocation on the negotiated deposits, especially those with maturity of 5 years or above.

Statutory deposits

As of the end of the reporting period, statutory deposits increased by RMB195 million as compared to the end of 2011, primarily due to the increase in share capital of the Company to RMB3,120 million after its listing. According to the relevant regulatory requirements, the Company correspondingly increased its statutory deposits by RMB195 million during the reporting period.

Policy loans

As of the end of the reporting period, policy loans increased by 88.1% as compared to the end of 2011, primarily due to an increase in demand for policy loans.

Financial assets purchased under agreements to resell

As of the end of the reporting period, financial assets purchased under agreements to resell were nil, while the amount at the end of 2011 was RMB79 million. The change was primarily due to the requirements for liquidity management.

Accrued investment income

As of the end of the reporting period, accrued investment income increased by 39.0% as compared to the end of 2011, primarily due to the growth of total interest-earning investment assets.

Investment properties

As of the end of the reporting period, investment properties increased by 262.5% as compared to the end of 2011, primarily due to the partial transfer of "7th office building at Shanghai Port International Cruise Terminal and ancillary commercial project" from the construction-in-progress to investment properties.

Intangible assets

As of the end of the reporting period, intangible assets increased by 56.9% as compared to the end of 2011, primarily due to the increase in software development services purchase expense.

Deferred tax assets

As of the end of the reporting period, deferred tax assets increased by 6,064.3% or RMB849 million as compared to the end of 2011, which was primarily because that the Company determined during the reporting period, that there would be sufficient taxable profits to utilize deductible temporary differences, unused losses and unused tax credits in the future, and therefore the Company recognized deferred income tax assets of RMB846 million during the reporting period.

Cash and cash equivalents

As of the end of the reporting period, cash and cash equivalents increased by 18.8% as compared to the end of 2011, primarily due to the requirements for investment assets allocation and daily liquidity management.

2. Principal liabilities

Unit: RMB in millions

Component	31 December 2012	31 December 2011
Insurance contracts	362,272	293,814
Long-term insurance contracts liabilities	361,070	292,818
Short-term insurance contracts liabilities		
– Outstanding claims liabilities	452	392
– Unearned premiums liabilities	750	604
Investment contracts	18,988	19,001
Borrowings ⁽¹⁾	15,000	5,000
Financial assets sold under agreements to repurchase	55,437	32,481
Benefits, claims and surrenders payable	789	499
Current income tax liabilities	62	192
Other liabilities not included in the above liabilities ⁽¹⁾	5,267	4,471
Total	457,815	355,458

Note:

- The comparative figures have been reclassified in the same way as the disclosures made in the consolidated financial statements for the current period.

Section 5 – Management Discussion and Analysis

Insurance contracts liabilities

As of the end of the reporting period, insurance contracts liabilities increased by 23.3% as compared to the end of 2011, primarily due to the growth of insurance business and the accumulation of insurance obligations. As of the balance sheet date, liabilities for all insurance contracts of the Company had passed adequacy tests.

Borrowings

As of the end of the reporting period, borrowings increased by RMB10 billion as compared to the end of 2011, primarily due to the issuance of RMB10 billion subordinated term debts by the Company in 2012, which was a 10-year debt with a fixed coupon rate of 4.6%. The Company has the right to redeem the debt in whole or in part at the end of the fifth year. If the Company does not exercise the redemption right or partially exercise the redemption right, the annual coupon rate for the rest of the five interest-bearing years will be 6.6%.

Financial assets sold under agreements to repurchase

As of the end of the reporting period, financial assets sold under agreements to repurchase increased by 70.7% as compared to the end of 2011, primarily due to the requirements for investment assets allocation and liquidity management.

Insurance benefits and claims payable

As of the end of the reporting period, insurance benefits and claims payable increased by 58.1% as compared to the end of 2011, primarily due to the increase in maturities.

Current income tax liabilities

As of the end of the reporting period, current income tax liabilities for the period decreased by 67.7% as compared to the end of 2011, primarily due to the decrease in current income tax for the year of 2012 as compared to the year of 2011.

3. Shareholders' equity

As of the end of the reporting period, equity attributable to shareholders of the Company amounted to RMB35,870 million, representing an increase of 14.6% as compared to the end of 2011, primarily due to the business growth of the Company.

(II) Analysis of principal components of consolidated statement of comprehensive income

1. Revenues

Unit: RMB in millions

Component	2012	2011
Gross written premiums and policy fees	98,081	95,151
Less: premiums ceded out	5	584
Net written premiums and policy fees	98,086	95,735
Net change in unearned premiums liabilities	(135)	(71)
Net premiums earned and policy fees	97,951	95,664
Investment income	13,559	12,754
Other income	189	192
Total	111,699	108,610

Gross written premiums and policy fees

During the reporting period, gross written premiums and policy fees increased by 3.1% as compared to the same period of last year. The slow-down of growth was primarily due to the adverse impact of industry-wide bancassurance business adjustment, leading to the decrease in the Company's first year premiums generated by bancassurance channel. However, the increase in the renewal premiums brought about by the Company's optimization of its business mix helped offset the aforementioned decline to a certain extent.

Premiums ceded out

During the reporting period, premiums ceded out decreased by 99.1% as compared to the same period of last year and still remained negative, primarily due to the decrease in surrenders from certain reinsurance business which resulted in a corresponding decrease in policy surrenders recovered from reinsurers, thus reducing premiums (negative) ceded out.

Net change in unearned premiums liabilities

During the reporting period, net change in unearned premiums liabilities increased by 90.1% as compared to the same period of last year, primarily due to the growth in scale in premiums for short-term health insurance and accident insurance as well as the increase in the net change in unearned premiums liabilities.

Investment income

During the reporting period, investment income increased by 6.3% as compared to the same period of last year. On one hand, the Company increased the proportion of fixed-income assets such as term deposits and debt securities, leading to the increase in interest income. On the other hand, driven by the prolonged decline in the fair value of equity securities held by the Company caused by the sustained downturn of the domestic capital market in 2012, the Company recorded considerable impairment losses on financial assets.

Section 5 – Management Discussion and Analysis

2. Insurance business expenditures and other expenses

Unit: RMB in millions

Component	2012	2011
Insurance benefits and claims	(89,898)	(87,151)
Claims and net change in outstanding claims liabilities	(1,084)	(867)
Life insurance death and other benefits	(23,983)	(20,311)
Increase in long-term insurance contracts liabilities	(64,831)	(65,973)
Investment contracts benefits	(660)	(635)
Commission and brokerage expenses	(7,047)	(7,317)
Administrative expenses	(9,785)	(9,229)
Other expenses	(276)	(199)
Total	(107,666)	(104,531)

Claims and net change in outstanding claims liabilities

During the reporting period, claims and net change in outstanding claims liabilities increased by 25.0% as compared to last year, primarily due to the business growth and the increase in accumulated volume of policies of the Company.

Life insurance death and other benefits

During the reporting period, life insurance death and other benefits increased by 18.1% as compared to last year, primarily due to the business growth and the increase in accumulated volume of policies of the Company.

Increase in long-term insurance contracts liabilities

During the reporting period, increase in long-term insurance contracts liabilities decreased by 1.7% as compared to last year, partially due to an increase in surrenders in 2012 as compared to last year, resulting in the decline in increase in insurance contracts liabilities. In addition, the business structure adjustment of the Company, especially the increasing proportion of long premiums payable period products, led to the decline in increase in long insurance contracts liabilities to a certain extent as compared to the last year.

Commission and brokerage expenses

During the reporting period, commission and brokerage expenses decreased by 3.7% as compared to last year, primarily due to decrease of premiums for new policies.

Administrative expenses

During the reporting period, administrative expenses increased by 6.0% as compared to the same period of last year, primarily due to the expanding business scale and the increase in salary and welfare expenses.

Other expenses

During the reporting period, other expenses increased by 38.7% as compared to last year, primarily due to the increase in interest expenses for securities sold under agreements to repurchase and interest expenses for term subordinated debts.

3. Income tax

During the reporting period, income tax gains amounted to RMB646 million as compared to income tax expenses of RMB475 million for the last year. The change was led by the deferred income tax, which was primarily because the Company's management anticipated that the Company will have sufficient taxable profits to utilize deductible temporary differences, unused losses and unused tax credits in the future and therefore the Company recognized deferred income tax credit of RMB834 million during the reporting period, as compared to the deferred income tax expenses of RMB266 million recognized in the last year.

4. Net profit

During the reporting period, the Company achieved net profit attributable to shareholders of the Company of RMB2,933 million, representing an increase of 4.8% as compared to last year. The slowdown in net profit growth was primarily driven by the continued decline in fair value of the equity securities held by the Company caused by the sustained downturn of the domestic capital market in 2012. The Company recorded impairment losses on assets which led to a decline in profits before tax compared to that of last year.

5. Other comprehensive income

During the reporting period, other comprehensive income was RMB2,853 million as compared to a loss in the last year, primarily due to the partial transfer of variable losses on investment assets recorded in other comprehensive income in the previous period to impairment losses on assets and realized gains/losses in the reporting period.

Section 5 – Management Discussion and Analysis

(III) Analysis of consolidated statement of cash flows

Unit: RMB in millions

Components	2012	2011
Net cash flows from operating activities ⁽¹⁾	54,252	55,983
Net cash flows from investing activities ⁽¹⁾	(81,382)	(85,832)
Net cash flows from financing activities	31,100	23,677

Note:

1. The comparative figures have been reclassified in the same way as the disclosures made in the consolidated financial statements for the current period.

1. Net cash flows from operating activities

Net cash flows from operating activities of the Company for the year 2012 and 2011 amounted to RMB54,252 million and RMB55,983 million respectively. Cash inflows from operating activities of the Company were primarily comprised of cash premiums received. Cash premiums received from existing insurance contracts for the year of 2012 and 2011 amounted to RMB97,450 million and RMB94,444 million respectively. Increase in cash premiums was primarily due to the continuous growth in premiums income as a result of consistent development in the scale of the Company's insurance business.

Cash outflows from operating activities of the Company in 2012 and 2011 amounted to RMB44,439 million and RMB39,559 million respectively. Cash outflows from operating activities of the Company were primarily comprised of benefits and claims expenses, commission and brokerage expenses paid in cash, cash paid to or for employees, and other cash payments related to operating activities. Claims expenses in cash from existing insurance contracts for the year of 2012 and 2011 amounted to RMB25,643 million and RMB21,012 million respectively. The above changes were primarily due to the increase of benefits and claims paid arising from the Company's business growth.

2. Net cash flows from investing activities

Net cash flows from investing activities of the Company in 2012 and 2011 amounted to negative RMB81,382 million and negative RMB85,832 million respectively. Cash inflows from investing activities of the Company in 2012 and 2011 amounted to RMB137,878 million and RMB134,499 million respectively. Cash inflows from investing activities of the Company were primarily comprised of cash received from recovery of investments, cash received from investment returns and cash received from the sale of financial assets purchased under agreement to resell, etc.

Cash outflows from investing activities of the Company in 2012 and 2011 amounted to RMB219,260 million and RMB220,331 million respectively. Cash outflows from investing activities of the Company were primarily comprised of cash paid for investments, net increase in policy loans, cash paid for purchase of properties, plants and equipments, intangible assets and other long-term assets, and cash paid for financial assets purchased under agreements to resell, etc.

3. Net cash flows from financing activities

Net cash flows from financing activities of the Company in 2012 and 2011 amounted to RMB31,100 million and RMB23,677 million respectively. Cash inflows from financing activities of the Company in 2012 and 2011 amounted to RMB4,703,198 million and RMB1,354,725 million respectively. Cash inflows from financing activities of the Company were primarily comprised of cash received from sale of financial assets under agreements to repurchase, cash received from bonds issuance and cash proceeds from share issuance, etc.

Cash outflows from financing activities of the Company in 2012 and 2011 amounted to RMB4,672,098 million and RMB1,331,048 million respectively. Cash outflows from financing activities of the Company were primarily comprised of cash paid for financial assets sold under agreements to repurchase.

IV. Analysis by component

(I) Solvency

The Company calculated and disclosed actual capital, minimum capital and solvency margin ratio according to relevant requirements of the CIRC. As required by the CIRC, solvency margin ratio of a domestic insurance company in the PRC must reach a required level.

Unit: RMB in millions

	31 December 2012	31 December 2011	Reason(s) of change
Actual capital	35,764	23,866	Issuance of subordinated term debts, gains/losses for the current period and changes in fair value of financial assets
Minimum capital	18,574	15,304	Growth in insurance business
Surplus	17,190	8,562	
Solvency Margin ratio	192.56%	155.95%	

(II) Gearing ratio

	31 December 2012	31 December 2011
Gearing ratio	92.7%	91.9%

Note: Gearing ratio = Total liabilities/Total assets

Section 5 – Management Discussion and Analysis

(III) Reinsurance business

The Company's reinsurance business currently includes business ceded through quota share, surplus and catastrophe reinsurance contracts. The existing reinsurance contracts cover almost all products with risks and obligations. Reinsurers of the Company are mainly China Life Reinsurance Company Ltd. and Swiss Reinsurance Company Ltd., Beijing Branch, etc.

During 2012, premiums ceded out of the Company were set out as follows:

Unit: RMB in millions

For the 12 months ended 31 December	2012	2011
China Life Reinsurance Company Ltd. ⁽¹⁾	(108)	(666)
Swiss Reinsurance Company Ltd., Beijing Branch	93	76
Others ⁽²⁾	10	6
Total	(5)	(584)

Notes:

- Premiums ceded out were negative primarily because policy surrenders recovered from the reinsurer exceeded the premiums ceded out during the year.
- Others primarily included Hannover Ruckversicherung AG, Shanghai Branch, SCOR Global Life SE, Singapore Branch, Munich Reinsurance Company, Beijing Branch, and General Reinsurance Corporation, Shanghai Branch, etc.

(IV) Operation of the top 5 insurance products in terms of GWP

Unit: RMB in millions

Rank	Product name	Gross premium income	Standard premium for new policies
1	Hongshuangxi New Type C endowment insurance (Participating)	24,457	660
2	Zunxiangrensheng Annuity insurance (Participating)	7,214	210
3	Hongshuangxi Yingbaoli endowment insurance (Participating)	7,021	211
4	Hongshuangxi Jinqiangui Annuity insurance (Participating)	6,193	394
5	Jixinggaozhao Type A endowment insurance (Participating)	4,331	– ⁽¹⁾

Notes:

- The sale of this product ceased in October 2010.

V. Analysis of subsidiaries and associates

Profiles of subsidiaries and associates of the Company as of 31 December 2012 are as follows:

Unit: RMB in millions

Company name	Major business scope	Registered capital	Shareholding percentage	Total assets	Net assets	Net profit
Asset Management Company	Management and utilization of self-owned capital and insurance funds; entrusted capital management; consultation business relevant to the assets management business; other assets management business permitted by applicable PRC laws and regulations.	100	97%	340	261	39
New China Xiadu ⁽¹⁾	Real estate development, job skill training (excluding motor vehicle driver training), human resources training, conference services, exhibitions, organization of culture exchange activities, sports training, and information consultancy (excluding agency services).	632	100%	572	563	(41)
Yunnan Agency	Agency for sales of insurance products; agency for receipt of premiums; agency for damage investigation and claim settlement of relevant businesses according to entrustment from insurance companies.	5	100%	6	3	– ⁽⁵⁾
Chongqing Agency ⁽²⁾	Agency for sales of insurance products; agency for receipt of premiums; agency for damage investigation and claim settlement of relevant businesses according to entrustment from insurance companies.	5	100%	2	(7)	– ⁽⁵⁾
Xinhua Seniors ⁽³⁾	Management of living areas of elderly and operation of special businesses complementary to elderly protection policies of the PRC and entrusted by the government; other businesses approved by CIRC.	15	100%	12	3	(12)
Shanggu Real Estate ⁽³⁾	Real estate projects development and construction.	15	100%	15	15	– ⁽⁵⁾
Tanzhou Real Estate ⁽³⁾	Real estate projects development and construction.	10	95%	10	10	– ⁽⁵⁾

Section 5 – Management Discussion and Analysis

Company name	Major business scope	Registered capital	Shareholding percentage	Total assets	Net assets	Net profit
New China Health ⁽³⁾	Investment management; asset management; project management; economic information consultation; software development; undertaking of exhibition and conference services; technology promotion; technical services; design, production, agency and publication of advertisements; sales of computer software, hardware and ancillary equipment, stationeries and art wares.	500	100%	500	500	– ⁽⁵⁾
Wuhan Clinic ⁽³⁾	Prevention and healthcare, internal medicine, surgery, gynecology, ophthalmology and otolaryngology, stomatology, Chinese medicine, Chinese and Western medicine, clinicallaboratory, medical imaging (X-ray diagnosis; ultrasonic diagnosis; ECG diagnosis).	20	100%	39	18	(2)
Xi'an Clinic ⁽³⁾	Prevention and healthcare, internal medicine, surgery, gynecology, Chinese medicine, Chinese and Western medicine, stomatology, otolaryngology, clinicallaboratory, medical imaging and health examination.	20	100%	40	18	(2)
Zijin Century ⁽⁴⁾	Real estate development; sales of self-developed commodity houses; hotel management and enterprise management; motor vehicle parking services; commercial consultation; undertaking of exhibitions, and conference services.	2,500	24%	4,608	2,492	(5)
MJ Health	Provision of health examination services and related health consultation services; specific health examinations include: internal medicine, surgery, gynecology, pediatrics, stomatology, otolaryngology, ophthalmology, dermatology, medical imaging and clinicallaboratory.	USD4 million	30%	52	43	8

Notes:

1. During the reporting period, the Company injected RMB631 million to New China Xiadu. The registered capital of New China Xiadu is RMB632 million after capital injection.
2. The seventh shareholders' extraordinary general meeting of 2011 of the Company has considered and approved the *Proposal on Application for Dissolution of Chongqing New China Insurance Agency Co., Ltd.*. As of the end of the reporting period, Chongqing Agency is still under liquidation and has not yet completed the cancellation procedures.
3. Xinhua Seniors, Shanggu Real Estate, Tanzhou Real Estate, New China Health, Wuhan Clinic and Xi'an Clinic are subsidiaries set up and incorporated into the scope for consolidation in 2012.
4. The fifth shareholders' extraordinary general meeting of 2011 of the Company has considered and approved the *Proposal on the Company's Transfer of the Entire Equity Interests of Beijing Zijin Century Real Estate Co., Ltd.*. As of the end of the reporting period, the equity interests in Zijin Century held by the Company failed to transfer.
5. The amount ranged from negative RMB500,000 to RMB500,000 in the current period.

VI. OTHER MATTERS

Material acquisition and disposal of subsidiaries and associated companies

As approved at the fifth shareholders' extraordinary general meeting of 2011, the Company intended to transfer all of its 24% equity interests in Zijin Century. For details, please see section 6 "Significant Events – III. Acquisition and disposal of assets, merger and division" in this annual report.

Employees' remuneration, remuneration policies and bonus

As of the end of the reporting period, the Company has 57,487 employees in total. For details of employee remuneration policies, please see section 8 "Directors, Supervisors, Senior Management and Employees – VII. The Company's employees" in this annual report. For details of the amount paid for employees' remuneration by the Company during the reporting period, please see Note 27(1) to the Consolidated Financial Statements in this annual report.

Charges on assets

During the reporting period, the Company had no charges on assets.

Exposure to fluctuations in exchange rates and related hedges

For details of exposure to fluctuations in exchange rates and related hedges of the Company, please see Note 4(2)(a)(iii) to the Consolidated Financial Statements in this annual report.

Contingent liabilities

For details of contingent liabilities of the Company, please see Note 34 to the Consolidated Financial Statements in this annual report.

VII. Future prospects

In 2013, the macro-economy and financial market conditions are expected to see further improvement, and thus to fuel the continued development of the life insurance industry. Although the global economy remains relatively weak four years after the outbreak of the global financial crisis, the risks of the debt crisis in Euro zone, the fiscal problems in the United States and the slowdown in China's economic growth as well as their associated potential impact have already been subdued. In tandem with the above, extensive monetary stimulus policies adopted by some major economies are expected to lead to a positive impact on economic growth, thereby increasing the probability of a stronger-than-expected global economic recovery. Meanwhile, driven by the increased efforts on reform placed by the new session of government as well as the introduction of a series of policies for continuous economic development and livelihood improvement, domestic economy and capital market are expected to stabilize and rebound. Yet, given the generally inadequate demand from the Europe and the United States in the short term, and that the domestic economy is expected to be in lack of autonomous growth momentum, the development of macro-economy may still face uncertainties to a certain extent.

The overall development trend of the life insurance industry is still expected not to be optimistic in 2013 with the co-existence of opportunities and challenges. Improvement in macro-economy and financial environment, opportunities arising from urbanization and aging population, release of demand in insurance such as health and pension, as well as the introduction of a series of new investment and regulatory policies will probably favor the development of life insurance industry in the long term. Nonetheless, the challenges faced by the industry shall also not be neglected. With a lack of growth momentum of the major channels in the industry, especially for bancassurance channel where the significant negative growth does not show any significant improvement, no substantial breakthrough is found in the bottleneck for traditional growth mode. On the other hand, the peak for maturities is gradually coming for the life insurance industry which, coupled with the continuous weakening in renewal dividends, would impose pressure on cash flows for the industry. In addition, the rapid growth in asset-oriented products in the industry does not only bring along new momentum, but also the continuous tightening of requirements on asset-liability match and risk control for the industry.

In light of future opportunities and challenges, the Company will continue to uphold its "customer-centric" development strategies, sustain steady growth of its existing businesses, undertake reform and innovation, as well as emphasize on value and return to the essence of life insurance. Capturing the prevailing opportunities arising from urbanization and aging population, the Company is expected to build itself as the most excellent financial service group in China devoting to all-round life insurance.

Section 5 – Management Discussion and Analysis

In 2013, the Company will continue to promote value transformation and uphold the operation concept of “customer-centric”. Through establishing a service system based on customers’ entire life cycle as well as ancillary policy system, institution system, sales team, training system, product system, operation system and information system with focus on core customer groups, the Company aims to establish and improve its “customer-centric” structures and operation system, and thus foster the shift of the Company’s customer base towards those of mid or higher income. At the same time, the Company plans to proactively explore innovative business development modes, while actively expand into internet sales business and utilize the extensive customer base on the internet with a view to effectively create a channel catering for emerging consumer groups and their consumption characteristics. The Company plans to constantly widen its investment channels to enhance its capabilities in utilizing funds. With the establishment of systematic risk control mechanism with rapid response, enhancement on IT system reform and innovation as well as risk prevention capabilities, continuous optimization of the construction of back office support such as risk control, operation and IT, the comprehensive management would be enhanced and thus promote the solid development of the Company. The Company strives to realize steady growth in GWP, business value and net profits in 2013 according to our plan.

Pursuant to the solvency requirements imposed by regulatory authorities on insurance companies and to meet the adequacy solvency level II (a solvency margin ratio of 150%), the Company has established an effective, solvency management-centric capital monitor, improvement, assessment and allocation mechanism in order to satisfy its long-term strategic development needs via capital planning and management.

The Company is exposed to various risks, including market risk, credit risk, insurance risk, liquidity risk, operational risk, reputation risk and strategic risk. For details of risks and the corresponding strategies and measures adopted by the Company, please refer to Section 10 “Risk Management” of this annual report.

Section 6

Significant Events



I. Significant litigation, arbitration events and general media doubts

During the reporting period, the significant litigation in which the Company was a defendant is referred to the dispute arising from the Company's entrustment for New Industry Investment Co., Ltd. ("New Industry") to hold equity interest in China Minzu Securities Co., Ltd. ("Minzu Securities"), particulars of which are as follows:

Shenzhen Municipal Intermediate People's Court issued a civil judgment ("Shenzhen Intermediate Court's Judgment") with respect to this case on 9 November 2012, confirming the judgment issued by Beijing Arbitration Commission on 30 December 2010 ("Beijing Arbitration's Judgment") as a binding legal instrument. Pursuant to Beijing Arbitration's Judgment, New Industry is obliged to repay the principal amount of RMB170 million and its interest to the Company. Moreover, Shenzhen Intermediate Court's Judgment adjudicated that the Company should pay the principal amount of RMB170 million and its interest to Orient Group. In order to execute Beijing Arbitration's Judgment and Shenzhen Intermediate Court's Judgment, New Industry, Orient Group and the Company reached an agreement, pursuant to which the Company should then pay the principal amount of RMB170 million and its interest to Orient Group and New Industry should pay the principal amount of RMB170 million and its interest to the Company.

For details of other litigations regarding the recovery for monetary loss relating to the former chairman's misconduct during the reporting period, please refer to "IX. Other significant events – (V) Recovery for the monetary loss relating to the former chairman's misconduct" in this section.

The above litigations had no material adverse effect on the Company's financial condition and continuous profitability.

During the reporting period, the Company had no general media doubts.

II. Non-operating capital attributable to controlling shareholders and their related parties

During the reporting period, the Company had no non-operating capital attributable to controlling shareholders and their related parties.

III. Acquisition and disposal of assets, merger and division

(I) Acquisition of material assets

In August 2011, the Company signed the Shanghai Commodity Housing Pre-sale Contract and Supplemental Provisions with Shanghai Port International Cruise Terminal Development Co., Ltd., pursuant to which the Company purchased the “Shanghai Port International Cruise Terminal No. 7 office building of the commercial supporting facilities project” (with a total construction area of 36,062.52 square meters) and basement parking garage located at No. 558, Dongdaming Road, Shanghai, at a total price of approximately RMB2.3 billion. The Company has filed with the CIRC for record in respect of the above asset acquisition. The Company obtained the Property Certificate for such property on 18 June 2012 and paid the consideration in full in July 2012. The purchase, as a normal purchase of assets in the process of operations of the Company, had no material effect on the Company’s business, financial condition and results of operation.

(II) Disposal of material assets

Pursuant to the resolution of the Fifth Extraordinary General Meeting of 2011 of the Company convened on 23 August 2011, the Company intended to dispose 24% equity interest in Zijin Century. The Company conducted an asset evaluation on the equity interest proposed to be transferred and filed with the Ministry of Finance of the PRC for record. On 29 August 2011, the equity interest in Zijin Century was concurrently listed by the Company on Shanghai United Assets and Equity Exchange and Beijing Financial Assets Exchange for transfer at an appraised listing price of RMB2.150 billion. As of the expiration day of the listing, the equity interest in Zijin Century failed to transfer. On 31 October 2011 and 1 November 2011, the equity interest was re-listed by the Company on Shanghai United Assets and Equity Exchange and Beijing Financial Assets Exchange, respectively, at a listing price of RMB2.0425 billion. As of the end of reporting period, the listing of the equity interest in Zijin Century has expired and the equity interest in Zijin Century failed to transfer. The transfer of equity interest in Zijin Century had no material effect on the Company’s business, financial condition and results of operation.

(III) Merger and Division

During the reporting period, the Company had no merger or division events.

IV. Connected transactions

During the reporting period, the Company didn’t conduct any connected transaction or continuing connected transaction which shall comply with the requirements of Chapter 14A (Connected Transactions) of the *Hong Kong Listing Rules* on reporting, announcement or approval of independent shareholders.

Section 6 – Significant Events

V. Significant contracts and their performances

- (I) During the reporting period, there were no such events as managing, contracting and leasing assets of other companies by the Company or managing, contracting and leasing the Company's assets by other companies that brought the Company more than 10% (inclusive) profit of the Company's total profit of the current year;
- (II) During the reporting period, there was no external contact guarantee and the Company did not provide security for its subsidiaries;
- (III) During the reporting period, the Company did not entrust other companies with asset management in cash except for entrusting Asset Management Company with fund investment management; and
- (IV) Unless otherwise disclosed in this annual report, during the reporting period, the Company had no other significant contracts.

VI. Commitments of the Company or shareholders with over 5% shares during the reporting period or till the reporting period

(I) Controlling shareholders' commitment relating to avoidance of horizontal competition

For details of the commitment made by Huijin, the controlling shareholder of the Company, to avoid horizontal competition, please refer to the section titled "Substantial Shareholder – Relationship with Huijin" in the Prospectus dated 2 December 2011 issued by the Company.

During the reporting period, the commitment relating to avoidance of horizontal competition is being fulfilled continuously and normally.

(II) Pre-IPO shareholders' commitment of not to transfer the Company's shares within a lock-up period

For details of pre-IPO shareholders' commitment of not to transfer the Company's shares within a lock-up period, please refer to section titled "Share Capital – Lock-up Periods" in the Prospectus dated 2 December 2011 issued by the Company.

During the reporting period, Huijin, our controlling shareholder, is fulfilling its commitment of not to transfer the Company's shares within a lock-up period continuously and normally. On 15 December 2012, our shareholders, Zurich Insurance, Fullerton Management Pte Ltd., CICC Securities (HK) Limited, Nomura Securities Co., Ltd. and Standard Chartered Principal Finance (Cayman) Ltd., had fulfilled their commitments of not to transfer their pre-IPO shares within one year commencing on the date of the Company's initial public offering (IPO) of H shares and its listing and trading on the main board of the HKSE.

(III) Commitment relating to special dividend distribution and the establishment of public investor protection mechanism

For details of the commitment of special dividend distribution and the establishment of public investor protection mechanism, please refer to *Announcement on the Declaration of Special Dividend* issued by the Company on 26 July 2012. The aforesaid special dividends have been distributed to shareholders of A shares and H shares of the Company on 24 August 2012 and 28 September 2012 respectively.

Pursuant to the commitment made by all shareholders existed prior to the IPO and listing of the Company (“Then Existing Shareholders”), the portion of special dividend attributable to the Then Existing Shareholders (“Special Fund”) has been deposited into custodial bank accounts designated by the Company (“Special Fund Accounts”) onshore and offshore on a pro rata basis of shares (deducting the shares disposed by the state-owned shareholders during the IPO) owned by the Then Existing Shareholders as of the date on which the *Proposal Concerning Special Dividend Distribution and Public Investor Protection Mechanism of New China Life Insurance Company Ltd.* was passed at the Sixth Extraordinary General Meeting of 2011. The custody period will expire after 36 months from the listing date of the Company. The Company will manage the Special Fund in Special Fund Accounts in a way that guarantees the principal amount. As of 31 December 2012, the balance of the onshore Special Fund Accounts for the special dividend distribution amounted to RMB612,604,694.19, while that of the offshore Special Fund Accounts amounted to HK\$225,188,800.20. The aforesaid Special Fund is used to cover other actual losses beyond the impairments and provisions as disclosed in the Prospectus arising from the former chairman’s misconduct during the custody period. Such commitment is being fulfilled continuously and normally.

VII. Appointment of accounting firms

PricewaterhouseCoopers Zhong Tian CPAs Limited Company is the domestic auditor of the Company for the year 2012, and it has provided annual auditing service to the Company for seven consecutive years. PricewaterhouseCoopers is the international auditor of the Company for the year 2012, and it has provided annual auditing service to the Company for two consecutive years. The Company paid RMB14.42 million to the auditors as the 2012 annual service fee for auditing, reviewing and executing agreed-upon procedures of the financial reports.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company is the accounting firm appointed for the Company’s internal control audit. The Company paid RMB1.4 million as its 2012 annual internal control auditing service fee.

VIII. Penalty and rectification of the Company and the Company's directors, supervisors, members of senior management and shareholders with over 5% shares

During the reporting period, neither the Company, nor its directors, supervisors, members of senior management or shareholders with over 5% shares was subject to any investigation, administrative penalty or official censure by the CSRC, public reprimand by stock exchanges, or compulsory measures by judicial or discipline inspection authorities, or was transferred to judicial authorities, or held responsible for any criminal liability.

IX. Other significant events

(I) Issuance of 2012 subordinated term debts

To further enhance the Company's solvency adequacy ratio, pursuant to the resolution of the First Extraordinary General Meeting of 2012 of the Company, the Company planned to issue subordinated term debts with a period of more than 5 years and a total amount of not more than RMB10 billion in 2012. Upon approval by the CIRC, the issuance of subordinated term debts with a period of 10 years and a total amount of RMB10 billion was completed by the Company in July 2012. For details, please refer to *Announcement on the Completion of Issuance of Subordinated Term Debts* issued by the Company on 31 July 2012.

(II) Issuance of 2012 debt financing instruments

To further enhance the Company's solvency adequacy ratio, pursuant to the resolution of the Company's First Extraordinary General Meeting of 2012, the Company planned to issue debt financing instruments (excluding the 2012 subordinated term debts set out in aforesaid "IX. Other significant events- (I) Issuance of 2012 Subordinated Term Debts" in this section) with a period of more than 10 years and a total amount of not more than RMB5 billion in 2012. As of 31 December 2012, the aforesaid debt financing instruments hadn't been issued by the Company. The validity of the resolution in respect of the issuance of the aforesaid debt financing instruments at the First Extraordinary General Meeting of 2012 had expired.

(III) Issuance of 2013 debt financing instruments

To further enhance the Company's solvency adequacy ratio, pursuant to the resolution of the Company's Second Extraordinary General Meeting of 2013, the Company planned to issue debt financing instruments with a period of more than 5 years and a total amount of not more than RMB5 billion in 2013. The issuance of the 2013 debt financing instruments of the Company is pending on the approval of regulatory authorities.

(IV) Indirect investment in infrastructure projects

During the reporting period, the Company entrusted Asset Management Company to subscribe for RMB1 billion in "Taiping Asset-the South-to-North Water Diversion Project Phase III Debt Investment Plan (Second Tranche)" initiated and established by Taiping Asset Management Company Co., Ltd. on 28 November 2012 and entrusted Asset Management Company to subscribe for RMB200 million in "Sun Life Everbright-Yingkou Port Debt Investment Plan" initiated and established by Sun Life Everbright Asset Management Co., Ltd. on 6 December 2012.

(V) Recovery for the monetary loss relating to the former chairman's misconduct

1. On 5 November 2010, the Company brought a lawsuit to Beijing Municipal Higher People's Court, requiring Orient Group Co., Ltd. and its affiliates to return the debt principal of approximately RMB940 million and its interest (For details, please refer to the section titled "Business – Special Events – Measures taken in respect of the former chairman's misconduct" in the Prospectus dated 2 December 2011 issued by the Company). On 27 July 2012, Beijing Municipal Higher People's Court dismissed the Company's lawsuit in its ruling.
2. To settle fund transactions and clarify the debtor-creditor relationship between the Company and Beijing Tianhuan Real Estate Development Co., Ltd. during the term of office of the former chairman, the Company brought a lawsuit against Beijing Tianhuan Real Estate Development Co., Ltd., requiring the latter to return the debt principal of RMB575 million and its interest to the Company. In December 2012, Beijing Second Intermediate People's Court ruled to reject the lawsuit filed by us. The Company made an appeal to Beijing Municipal Higher People's Court during the appealing period. Beijing Municipal Higher People's Court has made the second instance ruling, which sustained the first instance ruling of Beijing Second Intermediate People's Court. The Company brought a lawsuit regarding the aforesaid matter to Chongqing Municipal Higher People's Court on 18 March 2013. The case is now under trial.
3. For details related to the dispute arising from the Company's entrustment for New Industry Investment Co., Ltd. to hold equity in China Minzu Securities Co., Ltd., please refer to "(I) Significant Litigation, Arbitration and General Media Doubts" in this section.

Section 7

Changes in Share Capital and Shareholders' Profile



I. Changes in share capital

(I) Table of changes in share capital

The table below shows the changes in our share capital as of 31 December 2012:

Unit: share

	31 December 2011		Increase or decrease during the reporting year (+ or -)					31 December 2012	
	Number	Percentage	New shares issued	Bonus shares	Transfer from reserve	Others	Sub-total	Number	Percentage
1. Shares with selling restrictions									
(1) State-owned shares	990,201,488	31.77%	-	-	-	-5,342,920	-5,342,920	984,858,568	31.57%
(2) State-owned legal person shares	471,296,512	15.12%	-	-	-	-471,296,512	-471,296,512	-	-
(3) Other domestic shares	486,968,000	15.62%	-	-	-	-486,968,000	-486,968,000	-	-
held by:									
legal entities	486,968,000	15.62%	-	-	-	-486,968,000	-486,968,000	-	-
natural persons	-	-	-	-	-	-	-	-	-
(4) Foreign shares	859,926,600	27.59%	-	-	-	-859,926,600	-859,926,600	-	-
held by:									
legal persons	859,926,600	27.59%	-	-	-	-859,926,600	-859,926,600	-	-
natural persons	-	-	-	-	-	-	-	-	-
Total	2,808,392,600	90.10%	-	-	-	-1,823,534,032	-1,823,534,032	984,858,568	31.57%
2. Shares without selling restrictions									
(1) Ordinary Shares denominated in RMB	126,832,000	4.07%	-	-	-	+973,748,772	+973,748,772	1,100,580,772	35.28%
(2) Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
(3) Overseas listed foreign shares (H share)	181,735,400	5.83%	+2,586,600	-	-	+849,785,260	+852,371,860	1,034,107,260	33.15%
(4) Others	-	-	-	-	-	-	-	-	-
Total	308,567,400	9.90%	+2,586,600	-	-	+1,823,534,032	+1,826,120,632	2,134,688,032	68.43%
3. Total number of shares	3,116,960,000	100.00%	+2,586,600	-	-	-	+2,586,600	3,119,546,600	100.00%

Notes:

- "Shares with selling restrictions" refer to the shares held by shareholders who are subject to restrictions on sales in accordance with laws, regulations and rules or undertakings.
- "State-owned shares" refer to the shares held by Huijin and A shares that transferred from Huijin to SSF at the time of the Company's initial public offering.
- The reasons for the change of shares during the reporting period are the exercise of over-allotment of 2,586,600 H shares in January 2012, the transfer of state-owned shares due to the over-allotment and the expiry of selling restrictions on certain shares during the reporting period.

Section 7 – Changes in Share Capital and Shareholders' Profile

(II) Table of changes in the number of shares with selling restrictions

The table below shows the changes in the number of shares with selling restrictions of the Company during the reporting period:

Unit: share

No.	Name of shareholders	Number of shares with selling restrictions at the beginning of the year	Increase/decrease of the number of shares with selling restrictions for the year	Number of shares with selling restrictions at the end of the year	Reason for selling restrictions	Expiry date of selling restrictions
1	Central Huijin Investment Ltd. ⁽¹⁾	974,347,488	-174,334	974,173,154	Restriction upon issuance	2014-12-16
2	Baosteel Group Corporation ⁽¹⁾	471,296,512	-471,296,512	–	Restriction upon issuance	2012-12-16
3	Zurich Insurance Company Ltd	390,000,000	-390,000,000	–	Restriction upon issuance	2012-12-15
4	Hebei Deren Investment Co., Ltd.	126,987,805	-126,987,805	–	Restriction upon issuance	2012-12-16
5	Tianjin Xinshang Investment Management Limited	81,454,878	-81,454,878	–	Restriction upon issuance	2012-12-16
6	Century Golden Resources Investment Group Co., Ltd.	78,000,000	-78,000,000	–	Restriction upon issuance	2012-12-16
7	Fullerton Management Pte Ltd	78,000,000	-78,000,000	–	Restriction upon issuance	2012-12-15
8	CICC Securities (HK) Limited	65,000,000	-65,000,000	–	Restriction upon issuance	2012-12-15
9	Nomura Securities Co., Ltd.	65,000,000	-65,000,000	–	Restriction upon issuance	2012-12-15
10	Shanghai Zendai Investment Management Co., Ltd.	46,865,000	-46,865,000	–	Restriction upon issuance	2012-12-16
11	Tibet Xiaxin Investment Co., Ltd.	40,426,829	-40,426,829	–	Restriction upon issuance	2012-12-16
12	Standard Chartered Principal Finance (Cayman) Ltd.	39,000,000	-39,000,000	–	Restriction upon issuance	2012-12-15
13	Vats Group Company Limited	31,745,000	-31,745,000	–	Restriction upon issuance	2012-12-16
14	Beijing Taiji Huaqing Information System Co., Ltd.	26,000,000	-26,000,000	–	Restriction upon issuance	2012-12-16
15	Shanghai Fosun Industrial Technology Development Company Limited	23,780,488	-23,780,488	–	Restriction upon issuance	2012-12-16
16	International Finance Corporation	10,400,000	-10,400,000	–	Restriction upon issuance	2012-12-16
17	The National Council for Social Security Fund of the PRC ⁽²⁾	10,685,414	0	10,685,414	Restriction upon issuance	2014-12-16
18	The allottees of A shares under off-line placement ⁽³⁾	5,168,586	-5,168,586	0	Restriction upon issuance	2012-12-16
19	The Cornerstone Investors of H shares ⁽⁴⁾	31,708,000	-31,708,000	–	Restriction upon issuance	2012-3-16
		212,526,600	-212,526,600	–	Restriction upon issuance	2012-6-15
Total		2,808,392,600	-1,823,534,032	984,858,568		

Section 7 – Changes in Share Capital and Shareholders' Profile

Notes:

1. According to the Replies to Relevant Questions Regarding the Transfer of State-owned Shares of New China Life Insurance Company Ltd. from the Ministry of Finance (Cai jin Han No.[2011]61), Huijin and Baosteel Group performed their obligations by transferring ten percent of the total initial public offering shares to SSF without consideration. The Company over-allotted 2,586,600 H shares in January 2012, Huijin and Baosteel Group transferred 174,334 shares and 84,326 shares respectively, thus a total of 258,660 shares, to the H share account of SSF according to their respective proportion of the Company's state-owned shares. The shares transferred to the H share account of SSF are no longer subject to selling restrictions.
2. The shares held by SSF, of which the selling restrictions for the 10,685,414 A shares transferred from Huijin will expire on 16 December 2014, and the selling restrictions for the 5,168,586 A shares transferred from Baosteel Group expired on 16 December 2012.
3. The selling restrictions of the A shares allotted under off-line placement expired on 16 March 2012.
4. The selling restrictions of the 212,526,600 H shares subscribed by the four cornerstone investors of the Company, Great Eastern Holdings Limited, Teluk Intan Investments (Cayman Islands) Limited, D.E. Shaw Valence International, Inc. and Longevity Inc., expired on 15 June 2012.
5. Except for the shares held by Huijin, the A shares held by the rest of shareholders before the Company's initial public offering are no longer subject to selling restrictions since 16 December 2012, while the H shares are no longer subject to selling restrictions since 15 December 2012.

(III) Issue and listing of securities

1. Issue of securities in the prior three years

(1) Capital Injection in 2010

As considered and approved by the Fourth Extraordinary General Meeting of 2010 held on 14 October 2010, the Company conducted a rights issue to its existing shareholders at a price of RMB10 per share. The rights issue was conducted on the basis of 14 rights shares for every 12 existing shares. After the rights issue, the total number of the shares of the Company increased to 2,600,000,000. On 30 March 2011, the CIRC issued "The Approval on the Change of Registered Capital of New China Life Insurance Company Ltd." (Bao Jian Fa Gai No.[2011]423) and approved the increase of the Company's registered capital to RMB2,600,000,000.

Section 7 – Changes in Share Capital and Shareholders' Profile

(2) Initial Public Offerings and Listing in 2011

Unit: share

Type	Dates of issue	Issue Prices	Number of shares issued	Dates of listing	Number of shares approved for listing	Date of termination of dealings
A share	7 December 2011	RMB23.25	158,540,000	16 December 2011	2,085,698,000	–
H share	7 December 2011	HK\$28.5	358,420,000	15 December 2011	1,031,262,000	–
	6 January 2012	HK\$28.5	2,586,600	11 January 2012	2,845,260	–

Note: After the H share over-allotment in January 2012, 258,660 A shares were converted to H shares due to the state-owned shareholders' performance of their transfer obligations, and thus the number of listed and traded A shares decreased to 2,085,439,340.

As considered and approved by First Extraordinary General Meeting of 2011 held on 31 March 2011, and as approved by the "The Approval on the Issue of Overseas Listed Foreign Shares of New China Life Insurance Company Ltd." (Zheng Jian Xu Ke No.[2011]1816) and "The Approval on the Initial Public Offerings of New China Life Insurance Company Ltd." (Zheng Jian Xu Ke No.[2011]1837), issued by the CSRC on 15 November 2011 and 21 November 2011 respectively, the Company was approved to issue no more than 412,183,000 H shares (including 53,763,000 H shares under the over-allotment option) and no more than 158,540,000 A shares. In December 2011, the Company issued 158,540,000 A shares at a price of RMB23.25 per share and 358,420,000 H shares at a price of HK\$28.5 per share. Upon completion of these issuances, the total number of the shares of the Company increased to 3,116,960,000. On 31 December 2011, the CIRC issued "The Approval on the Change of Registered Capital of New China Life Insurance Company Ltd." (Bao Jian Fa Gai No.[2011]2029) and approved the increase of the Company's registered capital to RMB3,116,960,000. In January 2012, the Company further issued 2,586,600 H shares at a price of HK\$28.5 per share upon the exercise of the over-allotment option, whereby the total number of the shares of the Company increased to 3,119,546,600. On 6 March 2012, the CIRC issued "The Approval on the Change of Registered Capital of New China Life Insurance Company Ltd." (Bao Jian Fa Gai No. [2012]255) and approved the increase of the Company's registered capital to RMB3,119,546,600.

2. Shares held by employees

As of 31 December 2012, no share issued by the Company has been placed to its employees.

Section 7 – Changes in Share Capital and Shareholders' Profile

II. Shareholders

(I) Number of shareholders and their shareholdings

As of the end of the reporting period, there are 12,580 shareholders of the Company, including 12,207 A shareholders and 373 H shareholders.

Shares held by top ten shareholders

Unit: share

Names of the shareholders	Classes of the shares	Percentage of the shareholding (%)	Total number of shares held	Increase or decrease of shareholding during the reporting period (+,-)	Number of shares held with selling restrictions	Number of shares pledged or frozen	Types of shares
Central Huijin Investment Ltd.	State-owned shares	31.23	974,173,154	-174,334	974,173,154	-	A
Baosteel Group Corporation	State-owned legal person shares	15.11	471,212,186	-84,326	-	-	A
HKSCC Nominees Limited ⁽¹⁾	Overseas legal person shares	14.81	461,926,260	+67,958,160	-	-	H
Zurich Insurance Company Ltd	Overseas legal person shares	12.50	390,000,000	-	-	-	H
Hebei Deren Investment Co., Ltd	Domestic legal person shares	4.00	124,825,942	-2,161,863	-	-	A
Century Golden Resources Investment Group Co., Ltd.	Domestic legal person shares	2.50	78,000,000	-	-	78,000,000	A
Fullerton Management Pte Ltd	Overseas legal person shares	2.50	78,000,000	-	-	-	H
CICC Securities (HK) Limited	Overseas legal person shares	2.08	65,000,000	-	-	-	H
Tibet Shannan Xinshang Investment Management Limited	Domestic legal person shares	1.45	45,288,722	+45,288,722	-	32,581,951	A
Standard Chartered Principal Finance (Cayman) Ltd.	Overseas legal person shares	1.25	39,000,000	-	-	-	H
Description of connected relations or concerted action among the aforesaid shareholders	Huijin holds 43.35% equity interest in China International Capital Corporation Limited. An overseas fund operated by an overseas subsidiary of China International Capital Corporation Limited holds 100% equity interest in CICC Securities (HK) Limited, and CICC Securities (HK) Limited holds 2.08% equity interest in the Company. Except this, the Company is not aware of any connections among the shareholders or whether they are parties acting in concert.						

Notes:

1. HKSCC Nominees Limited is a company that holds shares on behalf of the clients of the Hong Kong stock brokers and other participants of CCASS system. The relevant regulations of the HKSE do not require such persons to declare whether their shareholdings are pledged or frozen. Therefore, HKSCC Nominees Limited is unable to calculate or provide the number of shares pledged or frozen.

Section 7 – Changes in Share Capital and Shareholders' Profile

Shares held by top ten shareholders who are not subject to selling restrictions

Unit: share

Name of shareholders	Number of shares held without selling restrictions	Types of shares
Baosteel Group Corporation	471,212,186	A
HKSCC Nominees Limited	461,926,260	H
Zurich Insurance Company Ltd	390,000,000	H
Hebei Deren Investment Co., Ltd	124,825,942	A
Century Golden Resources Investment Group Co., Ltd.	78,000,000	A
Fullerton Management Pte Ltd	78,000,000	H
CICC Securities (HK) Limited	65,000,000	H
Tibet Shannan Xinshang Investment Management Limited	45,288,722	A
Standard Chartered Principal Finance (Cayman) Ltd.	39,000,000	H
Tianjin Xinshang Investment Management Limited	36,166,156	A
Description of connected relations or concerted action among the aforesaid shareholders	Tibet Shannan Xinshang Investment Management Limited and Tianjin Xinshang Investment Management Limited are both controlled by Shanghai Shangyan Investment Center (Limited Partnership). Except this, the Company is not aware of any connections among the shareholders or whether they are parties acting in concert.	

As of 20 March 2013, there are 23,475 shareholders of the Company, including 23,116 A Shareholders and 359 H Shareholders.

(II) Controlling shareholder and the actual controller

The controlling shareholder of the Company is Huijin. Huijin is a wholly state-owned company established in Beijing in December 2003 under the Company Law with the approval of the State Council. The registered capital of Huijin is RMB828,208,627,183.88 and the registered address is New Poly Plaza, 1 Chaoyangmen Beidajie, Dongcheng District, Beijing, PRC. The legal representative of Huijin is LOU Jiwei. The organization code is 71093296-1. As of December 31 2011, the assest of Huijin amounted to 2,020,950.21 million, the liabilities summed up to 148,784.18 million, owners' equity amounted to 1,872,166.03 million; net profit for the year 2011 was 337,478.75 million; and the net cash flow produced from operating activities, investing activities and financing activities was -37,693.77 million. Huijin, in accordance with authorization by the State Council, makes equity investments in major state-owned financial enterprises, and shall to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not conduct any other business or commercial activity, and does not intervene in the daily operations of the major state-owned financial enterprises which it controls.

Section 7 – Changes in Share Capital and Shareholders' Profile

As of the end of the reporting period, the information of the listed companies that Huijin controlled or participated in equity investment is listed below:

No.	Company Name	Percentage of Huijin's equity participation
1	Industrial and Commercial Bank of China Limited ★ ☆	35.46%
2	Agricultural Bank of China Limited ★ ☆	40.21%
3	Bank of China Limited ★ ☆	67.72%
4	China Construction Bank Corporation ★ ☆	57.21%
5	China Everbright Bank Company Limited ★	48.37%
6	New China Life Insurance Company Ltd. ★ ☆	31.23%

★: a company listed on SSE ; ☆: a company listed on HKSE

The Company does not have any actual controller.

(III) Other corporate shareholders holding 10% or more of the shares in the Company

1. Baosteel Group

Baosteel Group, established on 1 January 1992, is a legally established wholly state-owned corporation for which the State-owned Assets Supervision and Administration Commission under the State Council performs the duties of investor on behalf of the State Council. The registered capital of Baosteel Group is RMB51,082,621,000 and the registered address is No.370 Pudian Road, Pudong New District, Shanghai, PRC. The legal representative of Baosteel Group is XU Lejiang. The organization code of Baosteel Group is 13220082-1. The business scope of Baosteel Group includes operation of state-owned assets to the extent of authorization by the State Council and relevant investment businesses, and operations in industry sectors such as iron and steel, metallurgy and mining, chemical industry (except hazardous substances), electricity, ports, logistics, transportation, iron and steel related business, and technology development, technology transfer, technology service and management consultancy, import and export approved by relevant government departments, domestic and overseas trade (non-special) and services.

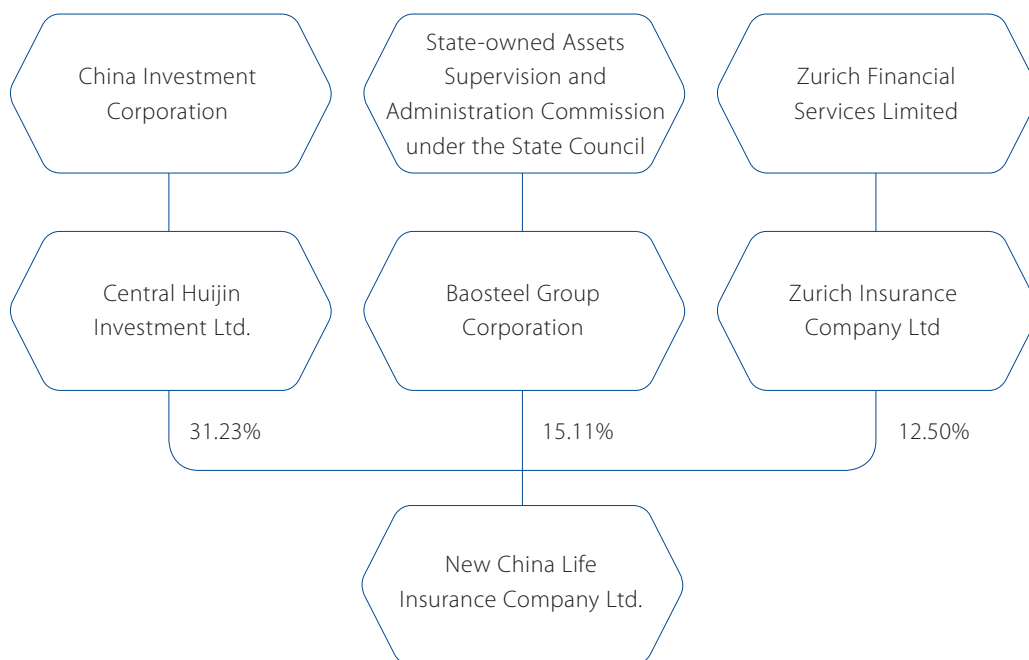
Section 7 – Changes in Share Capital and Shareholders' Profile

2. Zurich Insurance

Zurich Insurance is a company incorporated in 1884, the registered capital of which is CHF825,000,000, and the place of registration is Zurich, Switzerland. The Chairman of Zurich Insurance is Josef ACKERMANN and the CEO is Martin SENN. The business scope of Zurich Insurance (excluding its subsidiaries) includes various businesses related to insurance and reinsurance except direct life insurance. Its main regions of production and business include Europe, North America, Asia Pacific and other markets. Zurich Insurance Group Ltd is the sole shareholder of Zurich Insurance, which holds the 100% equity interest in Zurich Insurance.

Saved as disclosed above, as of 31 December 2012, there was no other corporate shareholders holding 10% or more of the shares in the Company (excluding HKSCC Nominees Limited).

The following chart sets forth the connections between the Company and the ultimate controllers of the corporate shareholders holding 10% or more of shares in the Company as of 31 December 2012:



Section 7 – Changes in Share Capital and Shareholders' Profile

(IV) Interests and short positions of substantial shareholders and other persons in the shares and underlying shares

So far as the directors of the Company are reasonably aware of, as of 31 December 2012, Baosteel Group holds 471,212,186 A shares of the Company, which account for 15.11% of the total shares the Company issued, and 22.60% of the total A shares the Company issued.

In addition to the above, so far as the directors of the Company are reasonable aware of, as of 31 December 2012, the following persons (other than the directors, supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, and have been entered into the register maintained by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholders	Types of shares		Number of shares	Percentage of the total	Percentage of the A	Percentage of the H	Long Position/ Short Position/ Interest in a lending pool
	Capacity	shares issued		shares issued	shares issued		
				%	%	%	
1 Central Huijin Investment Ltd.	A share	Beneficial owner	974,347,488	31.23	46.72	–	Long Position
2 XU Minsheng	A share	Interests of Controlled Corporation	124,887,805 (Note 1)	4.00	5.99	–	Long Position
3 Chinese Academy of Science	A share	Interests of Controlled Corporation	124,887,805 (Note 1)	4.00	5.99	–	Long Position
4 Chinese Academy of Sciences Holdings Co., Ltd.	A share	Interests of Controlled Corporation	124,887,805 (Note 1)	4.00	5.99	–	Long Position
5 Beijing Hony 2010 Equity Investment Center (Limited Partnership)	A share	Interests of Controlled Corporation	124,887,805 (Note 1)	4.00	5.99	–	Long Position
6 Hony Capital (Tianjin) Co., Ltd.	A share	Interests of Controlled Corporation	124,887,805 (Note 1)	4.00	5.99	–	Long Position
7 Hony Capital (Beijing) Co., Ltd.	A share	Interests of Controlled Corporation	124,887,805 (Note 1)	4.00	5.99	–	Long Position
8 Hony Investment Management (Tianjin) (Limited Partnership)	A share	Interests of Controlled Corporation	124,887,805 (Note 1)	4.00	5.99	–	Long Position
9 Hebei Deren Investment Co., Ltd.	A share	Beneficial owner	124,887,805 (Note 1)	4.00	5.99	–	Long Position
10 Legend Holdings Ltd.	A share	Interests of Controlled Corporation	124,887,805 (Note 1)	4.00	5.99	–	Long Position
11 CAO Yonggang	A share	Interests of Controlled Corporation	124,887,805 (Note 1)	4.00	5.99	–	Long Position
12 WANG Lijie	A share	Interests of Controlled Corporation	124,887,805 (Note 1)	4.00	5.99	–	Long Position
13 Beijing Hony Assets Management Co., Ltd.	A share	Interests of Controlled Corporation	124,887,805 (Note 1)	4.00	5.99	–	Long Position

Section 7 – Changes in Share Capital and Shareholders' Profile

Name of substantial shareholders	Types of shares	Capacity	Number of shares	Percentage	Percentage	Percentage	Long Position/ Short Position/ Interest in a lending pool
				of the total shares issued	of the A shares issued	of the H shares issued	
				%	%	%	
14 Zurich Insurance Company Ltd	H share	Beneficial owner	390,000,000 (Note 2)	12.50	–	37.71	Long Position
15 Zurich Financial Services Ltd	H share	Interests of Controlled Corporation	390,000,000 (Note 2)	12.50	–	37.71	Long Position
16 Overseas-Chinese Banking Corporation Limited	H share	Interests of Controlled Corporation	103,538,600 (Note 3)	3.32	–	10.01	Long Position
17 Great Eastern Holdings Limited	H share	Interests of Controlled Corporation	103,538,600 (Note 3)	3.32	–	10.01	Long Position
18 The Great Eastern Life Assurance Company Limited	H share	Beneficial owner	63,158,500 (Note 3)	2.02	–	6.11	Long Position
19 Temasek Holdings (Private) Limited	H share	Interests of Controlled Corporation	78,000,000	2.50	–	7.54	Long Position
20 China International Capital Corporation Limited	H share	Interests of Controlled Corporation	65,000,000 (Note 4)	2.08	–	6.29	Long Position
21 China International Capital Corporation (Hong Kong) Limited	H share	Interests of Controlled Corporation	118,763,000	3.81	–	11.48	Long Position
		Interests of Controlled Corporation	53,763,000 (Note 4)	1.72	–	5.20	Short Position
22 CICC Investment Group Company Limited	H share	Interests of Controlled Corporation	65,000,000 (Note 4)	2.08	–	6.29	Long Position
23 CICC Growth Capital Fund GP, Ltd.	H share	Interests of Controlled Corporation	65,000,000 (Note 4)	2.08	–	6.29	Long Position
24 CICC Principal Fund GP, Ltd.	H share	Interests of Controlled Corporation	65,000,000 (Note 4)	2.08	–	6.29	Long Position
25 CICC Principal Fund I, L.P.	H share	Interests of Controlled Corporation	65,000,000 (Note 4)	2.08	–	6.29	Long Position
26 CICC Securities (HK) Limited	H share	Beneficial owner	65,000,000 (Note 4)	2.08	–	6.29	Long Position
27 China International Capital Corporation Hong Kong Securities Limited	H share	Community of Interest	53,763,000	1.72	–	5.20	Long Position
		Community of Interest	53,763,000 (Note 4)	1.72	–	5.20	Short Position

Section 7 – Changes in Share Capital and Shareholders' Profile

Notes:

1. The 124,887,805 A shares refer to the same shareholding interest.
2. Zurich Financial Services Ltd directly holds 100% equity interest in Zurich Insurance Company Ltd and is therefore deemed to be interested in the 390,000,000 H shares directly held by Zurich Insurance Company Ltd.
3. Overseas-Chinese Banking Corporation Limited indirectly holds interest in Great Eastern Holdings Limited, and is therefore deemed to be interested in the 103,538,600 H shares held by Great Eastern Holdings Limited. Great Eastern Holdings Limited directly holds interest in The Great Eastern Life Assurance Company Limited, The Overseas Assurance Corporation Limited and The Great Eastern Trust Private Limited separately, and is therefore deemed to be interested in the 63,158,500 H shares held by The Great Eastern Life Assurance Company Limited, the 9,318,500 H shares held by The Overseas Assurance Corporation Limited and the 31,061,600 H shares held by The Great Eastern Trust Private Limited.
4. China International Capital Corporation Limited indirectly holds 100% equity interest in China International Capital Corporation (Hong Kong) Limited. China International Capital Corporation (Hong Kong) Limited indirectly holds 100% equity interest in CICC Investment Group Company Limited. CICC Investment Group Company Limited indirectly holds 100% equity interest in CICC Growth Capital Fund GP, Ltd.. CICC Growth Capital Fund GP, Ltd. indirectly holds 100% equity interest in CICC Principal Fund GP, Ltd.. CICC Principal Fund GP, Ltd. indirectly holds 100% equity interest in general partner of CICC Principal Fund I, L.P.. CICC Principal Fund I, L.P. directly holds 100% equity interest in CICC Securities (HK) Limited.

According to the Disclosure of Interests Form 2 submitted on 13 January 2012 by China International Capital Corporation Limited, China International Capital Corporation (Hong Kong) Limited indirectly holds 100% equity interest of China International Capital Corporation Hong Kong Securities Limited, thus China International Capital Corporation Hong Kong Securities Limited holds no equity interest or short position of the Company.

Save as disclosed above, as of 31 December 2012, the Company was not aware that there was any other person (other than the directors, supervisors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered into the register maintained by the Company.

Section 8

Directors, Supervisors, Senior Management and Employees



I. Directors, supervisors and members of senior management

(I) Directors

Unit: 10 thousand RMB

Name	Position	Status	Gender	Date of birth	Term of office	Total after tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Total remuneration received from shareholders during the reporting period
KANG Dian	Executive Director and Chairman	In Office	Male	July 1948	Since February 2013	362.15	228.24	-
HE Zhiguang	Executive Director	In Office	Male	August 1959	Since February 2013	321.82	210.70	-
ZHAO Haiying	Non-Executive Director	In Office	Female	January 1965	Since February 2013	-	-	3.3 ⁽⁴⁾
MENG Xingguo	Non-Executive Director	In Office	Male	November 1955	Since February 2013	-	-	78 ⁽⁴⁾
LIU Xiangdong	Non-Executive Director	In Office	Male	June 1969	Since February 2013	-	-	75 ⁽⁴⁾
WANG Chengran	Non-Executive Director	In Office	Male	April 1959	Since February 2013	-	-	Not being disclosed by shareholder for confidential reasons
CHEN Johnny	Non-Executive Director	In Office	Male	October 1959	Since February 2013	-	-	Not being disclosed by shareholder for confidential reasons
CHEONG Chee Meng	Non-Executive Director	In Office	Male	November 1952	Since February 2013	-	-	Not being disclosed by shareholder for confidential reasons
ZHAO John Huan	Non-Executive Director	In Office	Male	January 1963	Since February 2013	-	-	-
CAMPBELL Robert David	Independent Non-Executive Director	In Office	Male	August 1954	Since February 2013	25.20	4.80	-
CHEN Xianping	Independent Non-Executive Director	In Office	Female	November 1954	Since February 2013	21.00	4.00	-
WANG Yuzhong	Independent Non-Executive Director	In Office	Male	May 1949	Since February 2013	21.00	4.00	-
ZHANG Hongxin	Independent Non-Executive Director	In Office	Male	December 1965	Since February 2013	21.00	4.00	-
ZHAO Hua	Independent Non-Executive Director	In Office	Male	June 1954	Since February 2013	25.20	4.80	-
FONG Chung Mark	Independent Non-Executive Director	In Office	Male	June 1951	Since February 2013	21.00	4.00	-
HUAN Guocang	Non-Executive Director	Resigned	Male	October 1949	Since December 2009 until March 2012	-	-	-

Notes:

- The above table listed the directors as of the publication date of this annual report.
- Each director of the Company is appointed for a term of 3 years and is eligible for re-election and re-appointment. Each independent non-executive director is not allowed to serve a consecutive term of more than 6 years.
- The Fifth Session of the Board was elected at the First Extraordinary General Meeting of 2013 held on 1 February 2013. Please refer to the *Announcement on the Voting Results of the First Extraordinary General Meeting of 2013 and Election of Employee Representative Supervisors* for the Fifth Session of the Board of Supervisors published on 1 February 2013 by the Company for details.
- It's the remuneration received from Huijin for fulfilling the director's duties of the Company during the reporting period.

Section 8 – Directors, Supervisors, Senior Management and Employees

(II) Supervisors

Unit: 10 thousand RMB

Name	Position	Status	Gender	Date of birth	Term of office	Total after tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Total remuneration received from shareholders during the reporting period
CHEN Jun	Supervisor and Chairman of the Board of Supervisors	In Office	Male	February 1960	Since February 2013	292.98	186.20	-
AI Bo	Shareholder Representative Supervisor	In Office	Female	February 1971	Since February 2013	-	-	3.3 ⁽⁴⁾
CHEN Xiaojun	Shareholder Representative Supervisor	In Office	Male	March 1959	Since February 2013	-	-	-
LV Hongbo	Shareholder Representative Supervisor	In Office	Male	February 1976	Since February 2013	-	-	N/A
LIU Yiyi	Employee Representative Supervisor	In Office	Female	April 1960	Since February 2013	139.94	63.48	-
ZHU Tao	Employee Representative Supervisor	In Office	Male	April 1958	Since February 2013	84.78	26.47	-
YANG Jing	Employee Representative Supervisor	In Office	Female	June 1962	Since February 2013	58.92	15.21	-
ZHU Nansong	Shareholder Representative Supervisor	Resigned	Male	November 1966	Since January 2010 until February 2013	-	-	Not being disclosed by shareholder for confidential reasons

Notes:

1. The above table listed the supervisors as of the publication date of this annual report.
2. Each supervisor of the Company is appointed for a term of 3 years and is eligible for re-election and re-appointment.
3. The Fifth Session of the Board of Supervisors was selected at the First Extraordinary General Meeting of 2013, held on 1 February 2013. Please refer to the Announcement on the Voting Results of the First Extraordinary General Meeting of 2013 and Election of Employee Representative Supervisors for the Fifth Session of the Board of Supervisors published on 1 February 2013 by the Company for details.
4. It's the remuneration received from Huijin for fulfilling the supervisor's duties of the Company during the reporting period.

Section 8 – Directors, Supervisors, Senior Management and Employees

(III) Members of senior management

Unit: 10 thousand RMB

Name	Position	Status	Gender	Date of birth	Term of office	Total after tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Total remuneration received from shareholders during the reporting period
KANG Dian	Chief Executive Officer	In Office	Male	July 1948	Since February 2013	362.15	228.24	-
HE Zhiguang	President	In Office	Male	August 1959	Since February 2010	321.82	210.70	-
	Chief Operation Officer				Since February 2013			
HUANG Ping	Vice President	In Office	Male	March 1956	Since April 2001	274.47	173.77	-
LIU Yigong	Vice President	In Office	Male	September 1959	Since December 2004	271.70	172.27	-
	Compliance Principal	Resigned			Since April 2010 until February 2013			
CHEN Guogang	Vice President	In Office	Male	December 1959	Since July 2011	246.55	148.46	-
	Chief Financial Officer (Financial Principal)				Since April 2010			
YUE Ran	Assistant to President	In Office	Male	February 1963	Since February 2013	223.54	130.80	-
	Chief Human Resource Officer				Since April 2010			
GONG Xingfeng	Assistant to President	In Office	Male	October 1970	Since February 2013	182.80	100.58	-
	Chief Actuary				Since September 2010			
YUAN Chaojun	Assistant to President	In Office	Male	April 1972	Since July 2011	188.74	102.90	-
SUN Yuchun	Assistant to President	In Office	Male	April 1967	Since July 2011	181.20	96.73	-
ZHU Ying	Assistant to President	In Office	Male	February 1971	Since February 2013	175.14	95.19	-
	Board Secretary				Since July 2011			
	Chief Risk Officer (Compliance Principal)				Since February 2013			
CHEUNG Wing Kuen Samuel	Assistant to President	In Office	Male	September 1964	Since February 2013	160.24	88.72	-
	Chief Information Officer				Since November 2011			
TANG Gengrong	Assistant to President	In Office	Male	January 1961	Since February 2013	N/A	N/A	-
LI Yuan	Assistant to President	In Office	Male	August 1962	Since February 2013	N/A	N/A	-
CHEN Zhengyang	Assistant to President	In Office	Male	April 1971	Since February 2013	N/A	N/A	-
YU Zhigang	Assistant to President	In Office	Male	December 1964	Since February 2013	N/A	N/A	-
LI Dan	Vice President	Resigned	Female	July 1957	Since July 2011	247.08	148.81	-
					until February 2013			

Notes:

- The above table listed the members of senior management as of the publication date of this annual report.
- On 22 February 2013, the Company held the Third Meeting of the Fifth Session of the Board at which the Company appointed the members of the senior management and established the Executive Committee. Please refer to "V. Changes in the Company's directors, supervisors and members of senior management – (III) Changes in members of senior management" in this section for details.
- For the foresaid members of senior management, the qualifications of Mr. GONG Xingfeng as Assistant to President, Mr. ZHU Ying as Assistant to President and Chief Risk Officer (Compliance Principal), Mr. TANG Gengrong, Mr. LI Yuan, Mr. CHEN Zhengyang and Mr. YU Zhigang as Assistant to President were subject to the approval of CIRC.

II. Biographies of directors, supervisors and senior management

(I) Directors

Mr. KANG Dian, Age 64, Chinese (Hong Kong Resident)

Mr. KANG Dian has been the Chairman of our Board and an Executive Director of the Company since December 2009, and the Chief Executive Officer(CEO) of the Company since February 2013. Mr. KANG has also served as chairman of Asset Management Company since January 2010. Prior to joining our Company, Mr. KANG served as chairman of the board of supervisors of Shenzhen Development Bank Company Limited (a company listed on the Shenzhen Stock Exchange, stock code: 000001) from 2005 to 2009, chairman of Springridge Investment Management Limited from 2001 to 2005, director and vice president of the Guangdong Enterprises (Holdings) Limited, chairman of the board of the Guangdong Securities Limited and Guangdong Capital Holdings Ltd. from 1994 to 2000, as well as vice president of China National Packaging Corporation from 1990 to 1994. He also served as vice president of China Agribusiness Trust & Investment Corporation from 1987 to 1990 and worked at the Overseas Investment Department of China International Trust & Investment Corporation from 1984 to 1987. Mr. KANG is currently an independent non-executive director of Silver Grant International Industries Limited (a company listed on the HKSE, stock code: 00171). Mr. KANG graduated from Beijing Steel and Iron Institute in 1982. He also received a master's degree in economics from the Graduate School of the Chinese Academy of Social Sciences in 1984.

Mr. HE Zhiguang, Age 53, Chinese

Mr. HE Zhiguang has been the President and an Executive Director of the Company since February and March 2010, respectively, and the Chief Operation Officer (COO) of the Company since February 2013. Mr. HE also serves as non-executive director of Asset Management Company. Mr. HE has 30 years of experience in the insurance industry. Prior to joining our Company, Mr. HE served as vice president of China Taiping Insurance Group Co. and chairman of board of directors in Taiping Life Insurance Co., Ltd. from 2008 to 2010, as well as an executive director of China Taiping Insurance Holdings Company Limited (a company listed on the HKSE, stock code: 00966) from 2009 to 2010. From 2001 to 2008, he was responsible for the establishment of Taiping Life Insurance Co., Ltd. and served as its general manager. From 1999 to 2001, he was responsible for the establishment of Sino Life Insurance Co., Ltd. He also served as vice president of the life insurance business in Ping An Insurance Co., Ltd. of China, from 1997 to 1999, assistant of general manager and deputy general manager in the Shanghai Branch of Ping An Insurance Company of China from 1993 to 1997. From 1983 to 1993, he worked for the Guangxi branch of People's Insurance Company of China. Mr. HE is a senior economist certified by the Professional Qualification Reform Office in Guangdong Province. He received a master's degree in business administration jointly granted by the East China University of Science and Technology and the University of Canberra, Australia in 2002.

Section 8 – Directors, Supervisors, Senior Management and Employees

Ms. ZHAO Haiying, Age 48, Chinese

Ms. ZHAO Haiying has been a Non-Executive Director of the Company since December 2009. She currently serves as a member of the executive committee of China Investment Corporation, vice general manager of Huijin and a director of China International Capital Corporation Limited. Ms. ZHAO serves as a committee member of the 11th and the 12th National Committee of the Chinese People's Political Consultative Conference. From February 2012 to April 2012, Ms. ZHAO was a member of the executive committee of China Investment Corporation and a vice general manager of Huijin as well as the director of its securities institution management department. From October 2009 to February 2012, she served as vice general manager of Huijin as well as the director of its non-bank department. Ms. ZHAO served as head of the department of asset allocation and strategic research of China Investment Corporation from September 2007 to October 2009, a director of the Industrial and Commercial Bank of China Limited (a company listed on the HKSE, stock code: 01398; and listed on the SSE, stock code: 601398) from October 2005 to December 2008 and, in the meantime, the head of the department of research and legal affairs of Huijin from May 2006 to September 2007. Ms. ZHAO also served as deputy director of the department of public offering supervision of the CSRC from January 2002 to October 2005 and a commissioner of the strategy and development commission of the CSRC from January 2001 to January 2002. Ms. ZHAO taught at the School of Economics and Finance of the University of Hong Kong from 1995 to 2001 and served as a consultant for the Asian Development Bank from 1995 to 1997. She also taught at the Business School of Hong Kong University of Science and Technology from 1992 to 1995. Ms. ZHAO received a bachelor's degree in precision instrument from Tianjin University in 1984 and a doctorate degree in economics from the University of Maryland in 1992.

Mr. MENG Xingguo, Age 57, Chinese

Mr. MENG Xingguo has been a Non-Executive Director of the Company since December 2009. He is currently employed by Huijin. He also serves as a non-executive director of Asset Management Company, a council member of Beijing Financial Education Centre and an independent non-executive director of APT Satellite Holdings Limited (a company listed on the HKSE, stock code: 01045). Prior to that, he served as the director of the insurance division in the department of non-banking financial institutions of Huijin from December 2007 to January 2011, a director of China Reinsurance Group Co., Ltd. appointed by Huijin from December 2006 to December 2007, a senior consultant to the China Advisory Panel of the Financial Planning Standards Board from May 2004 to December 2006, as well as the senior vice president of Sun Life Everbright Life Insurance Company from May 2000 to May 2004. He also served as the executive vice president of Allianz Dazhong Life Insurance Co., Ltd. from November 1997 to May 2000, a deputy division head of the Shenzhen branch of the People's Bank of China from September 1994 to November 1997 and a principal staff member of the reinsurance department of People's Insurance Company of China from September 1985 to January 1988. Mr. MENG received a doctorate degree from the School of Business and Management of Temple University in 1994.

Mr. LIU Xiangdong, Age 43, Chinese

Mr. LIU Xiangdong has been a Non-Executive Director of the Company since October 2010. He is currently employed by Huijin and previously served as a senior manager of the Comprehensive Management Department of Huijin from December 2009 to November 2010. From July 2003 to December 2009, Mr. LIU successively served as vice directorate secretary, directorate secretary and assistant inspector in the General Office of the State Council Development Research Center. He also served as principal staff member, assistant researcher and vice division director of the administrative department of the State Council Office for Restructuring the Economic Systems from September 1998 to July 2003, as well as a staff member and vice principal of the personnel department in the State Commission for Restructuring the Economic Systems from January 1995 to September 1998. He received a master's degree in western economics from Peking University in 1999 and a doctorate degree in finance from Renmin University of China in 2009.

Section 8 – Directors, Supervisors, Senior Management and Employees

Mr. WANG Chengran, Age 53, Chinese

Mr. WANG Chengran has been a Non-Executive Director of the Company since December 2009. He currently serves as assistant general manager of Baosteel Group, a non-executive director of Asset Management Company, a non-executive director of Huatai Insurance Group Co., Ltd. and a non-executive director of China Bohai Bank Co., Ltd. He served as director of the audit department of Baosteel Group from January 2010 to April 2011 and the chairman of Fortune Investment Co., Ltd. from June 2009 to January 2010. Since May 2009, Mr. WANG has served as a non-executive director of China CSSC Holdings Limited (a company listed on the SSE, stock code: 600150) and has served his consecutive term since re-elected in 2011. Since June 2010, he has served as a non-executive director of China Pacific Insurance (Group) Co., Ltd. (a company listed on the SSE, stock code: 601601; and on the HKSE, stock code: 02601). He was also appointed as business director and director of the asset management department of Baosteel Group from April 2008 to May 2009, successively the vice director and the director of the asset management department of Baosteel Group from June 2003 to April 2008, successively the vice director and the director of the asset management division of the finance department of Baosteel Group from October 1998 to June 2003. Mr. WANG is an economist granted by Baoshan Steel & Iron Factory. He received a bachelor's degree in economic information management from Renmin University of China in 1982.

Mr. CHEN Johnny, age 53, American

Mr. CHEN Johnny has been a Non-Executive Director of the Company since July 2005. He is currently serving as the CEO for general insurance, Asia Pacific of Zurich Insurance Company Ltd, an executive director of Zurich Insurance (Taiwan) Ltd, and an executive director of Zurich Australian Insurance Ltd and Zurich Financial Services Australia Ltd. In addition, Mr. CHEN was appointed as an independent non-executive director of Viva China Holdings Limited (a company listed on the Growth Enterprise Market (GEM) of the HKSE, stock code: 08032), and an independent non-executive director of Stella International Holdings Limited (a company listed on the HKSE, stock code: 01836). Prior to that, Mr. CHEN served as the CEO of Greater China and South East Asia of Zurich Insurance from March 2005 to October 2010, a board member of PricewaterhouseCoopers LLP's China and Hong Kong offices and the managing partner of PricewaterhouseCoopers Zhong Tian CPAs Limited Company Beijing branch from September 1993 to March 2005. Mr. CHEN holds a United States CPA license and he received a master's degree in accounting from the University of Rhode Island in 1983.

Mr. CHEONG Chee Meng, Age 60, Australian

Mr. CHEONG Chee Meng has been a Non-Executive Director of the Company since June 2010. He is currently the CEO of Zurich Insurance Malaysian Berhad (previously known as Malaysian Assurance Alliance Berhad). Prior to that, he served as the Business Promoting Officer of life insurance channel in Asia Pacific and Middle East of Zurich Life Insurance Company Ltd. Mr. CHEONG served as deputy CEO of ING Asia/Pacific Ltd. from May 2008 to April 2010. Mr. CHEONG had served as the CEO of PCA Life Assurance Co. Ltd. in Taiwan from January 2004 to April 2008. Mr. CHEONG also served as the CEO of AXA Group in the Philippines, Indonesia and China from October 1986 to December 2003. Mr. CHEONG received a bachelor's degree in mechanical engineering (first class honors) in 1975 and a master's degree in business administration (distinction) in 1985, both from the University of Melbourne. Mr. CHEONG was appointed a member of the board of directors of Melbourne Business School in May 2010.

Section 8 – Directors, Supervisors, Senior Management and Employees

Mr. ZHAO John Huan, Age 50, American

Mr. ZHAO John Huan, has been a Non-Executive Director of the Company since November 2012. Mr. ZHAO is an executive director and the general manager of Hebei Deren Investment Co., Ltd., a director and an executive vice president of Legend Holdings Limited, and director and the CEO of Beijing Hony Future Investment Advisor Ltd. Mr. ZHAO currently also serves as a director of the Simcere Pharmaceutical Group (a company listed on the New York Stock Exchange, stock code: SCR), a non-executive director of China Glass Holdings Limited (a company listed on the HKSE, stock code: 03300), an executive director of China Pharmaceutical Group Limited (a company listed on the HKSE, stock code: 01093), a non-executive director of Chinasoft International Limited (a company listed on the HKSE, stock code: 00354), a non-executive director of Wumart Stores, Inc. (a company listed on the HKSE, stock code: 01025), a director of Fiat Industrial S.p.A., and a non-executive director at Lenovo Group Limited (a company listed on the HKSE, stock code: 00992). Prior to that, Mr. ZHAO has consecutively served as the research & development director of Shure Brothers, Inc., a vice president of US Robotics Inc. (a company listed on the NASDAQ, stock code: USRX), the CEO of Vadem, Inc., the chairman and CEO of Infolio Inc., and a managing partner at eGarden Ventures, Ltd. From February 2011 to October 2012, he served as a director of Jiangsu Phoenix Publishing & Media Corporation Limited (a company listed on the SSE, stock code: 601928). From April 2008 to April 2011, Mr. ZHAO was an independent director of Gemdale Corporation (a company listed on the SSE, stock code: 600383). Mr. ZHAO obtained a bachelor's degree in physics from Nanjing University in July 1984, a master's degree in physics from Northern Illinois University in the USA in 1990, and a master's degree in business administration from the Kellogg School of Management at Northwestern University in the USA in June 1996.

Mr. CAMPBELL Robert David, Age 58, English

Mr. CAMPBELL Robert David has been an Independent Non-Executive Director of the Company since December 2009. He has worked in the actuarial field for over 30 years. Since January 2010, Mr. CAMPBELL has been an independent non-executive director of China Life Insurance (Overseas) Company Limited. After his retirement from PricewaterhouseCoopers Consultants (Shenzhen) Limited Shanghai Branch and PricewaterhouseCoopers LLP in June 2008, Mr. CAMPBELL acted as a consultant to PricewaterhouseCoopers Thailand until December 2009. Prior to this, Mr. CAMPBELL served as head of the Asia Pacific insurance business of PricewaterhouseCoopers LLP from 2004 to June 2008, a partner of PwC Consultants (Shenzhen) Ltd. Shanghai Branch from 2003 to June 2008, a partner of the actuarial business of PricewaterhouseCoopers LLP (UK) from 1997 to 2003, an actuarial consultant and then a partner of Bacon & Woodrow, an actuarial consulting firm from 1976 to 1997. Mr. CAMPBELL is a Fellow of the Institute of Actuaries of England. He received a master's degree in mathematics and statistics from Oxford University in 1976.

Ms. CHEN Xianping, Age 58, Chinese

Ms. CHEN Xianping has served as an Independent Non-Executive Director of the Company since December 2009. She is currently a vice president of Beijing Financial Education Co., Ltd. She previously served as deputy secretary general of FPSB China Advisory Panel from February 2009 to April 2010, the deputy secretary general of the Financial Planning Standards Council under the China Foundation for Development of Financial Education from December 2004 to January 2009, the head of Beijing Financial Training Center from November 2006 to October 2007, and the chief operating officer of Winsure net of Beijing Simplex Netech Co., Ltd. from June 2000 to December 2003. From 1997 to 2000, she was in charge of applying for the establishment of an insurance brokerage company. From February 1993 to December 1996, Ms. CHEN served as the deputy general manager of Beijing Zhonglian Consultancy Joint Stock Company. From July 1985 to February 1993, she served as a principal staff member, deputy manager, manager of division and assistant department general manager of People's Insurance Company of China. Ms. CHEN is an economist granted by People's Insurance Company of China and received a master's degree in money and banking from the Graduate School of the People's Bank of China in 1985.

Section 8 – Directors, Supervisors, Senior Management and Employees

Mr. WANG Yuzhong, Age 63, Chinese

Mr. WANG Yuzhong has been an Independent Non-Executive Director of the Company since December 2009. Mr. WANG retired from Sinochem Group in 2009 after working at various financial enterprises over an extensive period of time. Prior to that, he served as vice general manager of Manulife-Sinochem Life Insurance Company from May 1998 to May 2003, executive vice president of Sinochem Asia Holdings (Co.) Ltd. From February 1995 to March 1997, general manager of Sino-Heath Co. Ltd. from July 1989 to March 1993, a deputy division director of the International Economics Research Institute of the Ministry of Foreign Trade and Economics from October 1985 to August 1987, and a staff member of the Beijing Import and Export Administration Committee from August 1982 to March 1983. Mr. WANG is a senior international business engineer granted by the Ministry of Foreign Trade and Economics Cooperation and is granted a Fellow of Life Office Management Institute (FLMI) by Life Office Management Institute USA. He received a master's degree in international management from the Universite Catholique de Louvain in Belgium in 1989.

Mr. ZHANG Hongxin, Age 47, Chinese

Mr. ZHANG Hongxin has been an Independent Non-Executive Director of the Company since December 2009. From January 2000 till now, Mr. ZHANG is the chairman of the Zhongzi Assets Appraisal Co., Ltd. Prior to that, Mr. ZHANG was a department manager, deputy general manager and the general manager of the Zhongzi Assets Appraisal Office of the China International Engineering Consulting Corporation from December 1992 to December 1999, an engineer in the department of economic and legal affairs of the China International Engineering Consulting Corporation from July 1988 to November 1992. Mr. ZHANG is a director of the China Appraisal Society and an executive director of the Beijing Institute of Certified Public Accountants. Mr. ZHANG is an engineer granted by the State Planning Commission of the PRC, a real estate appraiser granted by the Ministry of Construction of the PRC and a certified public valuer granted by the China Appraisal Society. He received a master's degree in economics from Tianjin College of Finance and Economics in 1999.

Mr. ZHAO Hua, Age 58, Chinese

Mr. ZHAO Hua has been an Independent Non-Executive Director of the Company since December 2009. He is currently a vice general manager of China National Investment and Consulting Co., Ltd., a subsidiary of State Development & Investment Corporation. Prior to that, Mr. ZHAO served as director of the consulting department of China Investment Association from January 2001 to May 2004, chairman of Beijing Zhongzi North Investment Advisory Consultants Ltd. of China International Engineering Consulting Corporation from August 1995 to December 2000, assistant general manager of China International Engineering Consulting Corporation from August 1993 to August 1995, general manager of Hainan Economic Construction Consulting Corporation of China International Engineering Consulting Corporation from February 1989 to August 1993, a senior engineer of the textile department of China International Engineering Consulting Corporation from November 1986 to February 1989, and an engineer of Beijing Institute of Aeronautical Materials under the Ministry of Aviation Industry from September 1980 to November 1986. Mr. ZHAO is a senior engineer granted by the State Planning Commission and a registered consulting engineer granted by the National Development and Reform Commission. He graduated from the Graduate School of the Chinese Academy of Social Sciences with a major in monetary banking in 1998.

Section 8 – Directors, Supervisors, Senior Management and Employees

Mr. FONG Chung Mark, Age 61, Chinese (Hong Kong Resident)

Mr. FONG Chung Mark has served as an Independent Non-Executive Director of the Company since July 2011. Currently he also serves as an executive director for China development of Grant Thornton International Ltd. (since June 2009 till now), an independent non-executive director of Sinopec Kantons Holdings Limited (a company listed on the HKSE, stock code: 00934) (since September 2004 till now), and an independent non-executive director of Worldsec Limited (a company listed on the London Stock Exchange (ticker: WSL)) (since February 1997 till now). He served as a partner in Grant Thornton from June 2007 to May 2009. Mr. FONG served as a managing partner in Moores Rowland in Hong Kong from April 1981 to May 2007, and as an assistant to partner in Kwan Wong Tan & Fong from November 1977 to March 1981. Mr. FONG is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Institute of Chartered Accountants in England and Wales. He has been a Fellow of the Hong Kong Institute of Certified Public Accountant (Practising) from 1980 to 2010. Mr. FONG received his bachelor's degree in electronic & electrical engineering from University College London in 1972 and received his master's degree in biomechanics from University of Surrey in 1973.

(II) **Supervisors**

Mr. CHEN Jun, Age 53, Chinese

Mr. CHEN Jun has been a Supervisor and Chairman of the Board of Supervisors of the Company since January 2010, and the chairman of the board of supervisors of Asset Management Company since February 2010. Mr. CHEN served as the investment director of China region of Zurich Insurance from September 2009 to July 2010 and the chief representative of its Beijing office from February 2006 to September 2009. He served as chief representative of AEGON Life Insurance Company's Beijing office from 1998 to 2006, secretary of the board of directors and vice president of AEGON-CNOOC Life Insurance Company from 2003 to 2006, chief representative of Clemente Capital (Asia) Co., Ltd. from 1994 to 1997 and deputy manager of the audit department of CITIC Accountant Company from 1989 to 1993. He participated in on-job training at KPMG in Hamburg, Germany from 1987 to 1989 and served as a consultant of China International Economic Consultants Co., Ltd. which is a subsidiary of China International Trust & Investment Corporation from 1982 to 1987. Mr. CHEN holds the qualification of certified public accountant granted by the Ministry of Finance of the PRC. He received a bachelor's degree in English literature from Sichuan University in 1982.

Ms. AI Bo, Age 42, Chinese

Ms. AI Bo has been a Shareholder Representative Supervisor of the Company since January 2010 and currently serves as a senior manager of the Department of Institutional Integrity of China Investment Corporation. Ms. AI served as senior deputy manager of the Department of Institutional Integrity of China Investment Corporation from 2008 to 2010, principal staff member and vice director of the No. 2 Inspection Office of the Discipline Commission of the Communist Party of China from 2000 to 2008, and staff member and vice principal staff member of the Integrated Inspection Office of the Discipline Commission of the Communist Party of China from 1993 to 2000. Ms. AI graduated from the undergraduate program of the Central University of Finance and Economics with a major in monetary banking in 2001.

Section 8 – Directors, Supervisors, Senior Management and Employees

Mr. CHEN Xiaojun, Age 54, Chinese

Mr. CHEN Xiaojun has been a Shareholder Representative Supervisor of the Company since January 2010. He currently serves as chairman of Zhenjiang KF Mobile System Company, and serves as a supervisor of Asset Management Company. Mr. CHEN served as China representative of the World Wheelchair Foundation from 2004 to 2007, chairman and general manager of Beijing Keland Technology Co., Ltd. from 2002 to 2004, chairman and general manager of Beijing Honlink Technology Co., Ltd. from 2001 to 2003, and a staff officer of the Technology Equipment Bureau of General Logistics Department of the People's Liberation Army (the "PLA") from 1985 to 2001. Mr. CHEN graduated from the PLA Nanjing Institute of Communications Engineering with a major in radio communications engineering in 1983.

Mr. LV Hongbo, Age 37, Chinese

Mr. LV Hongbo has been a Shareholder Representative Supervisor of the Company since March 2013. He currently serves as investment vice president of CITIC Private Equity Funds Management Co., Ltd., and a director of Sichuan Shengdilecun Eco-food Co., Ltd., as well as a supervisor of Tibet Shannanxinshang Investment Management Co., Ltd.. Mr. LV served as vice president of Industry Funds Business Line at CITIC Securities Company Limited (a company listed on the SSE, stock code: 600030; and on the HKSE, stock code: 06030) from 2006 to 2008, and previously, he served as a senior investment manager at Beijing Tomorrow Holding Company Limited from 2001 to 2006. From 1998 to 2001, he served as the financial manager at Dalian Tianhe Real Property Group Co., Ltd.. Mr. LV graduated from Hunan University of Finance and Economics with a major in Finance in 1998, and further obtained his master's degree in management science and engineering from the Graduate School of Chinese Academy of Sciences in 2007.

Ms. LIU Yiyang, Age 52, Chinese

Ms. LIU Yiyang has been an Employee Representative Supervisor of the Company since January 2010. She currently serves as a general inspector and the general manager of the Audit Department of the Company, as well as a supervisor of the board of supervisors of Xinhua Seniors and New China Xiadu. Since joining the Company in 1997, Ms. LIU has successively held various positions including assistant general manager and deputy general manager of the Discipline and Investigation Department, general manager of the Inspection Department and general manager of the Compliance Department. Prior to joining the Company, Ms. Liu served as a vice director of the planning department, finance department and inspection department of Peoples' Insurance Company of China from 1983 to 1997. Ms. LIU holds the Certified Diploma in accounting and finance granted by the Association of Chartered Certified Accountants (ACCA). She is a Certified Senior Enterprise Risk Manager as well as a senior economist granted by the People's Insurance Company (Group) of China Limited. Ms. LIU graduated in 1983 and received a bachelor's degree in economics from the Beijing Finance and Trade Institute. She obtained an EMBA degree from Tsinghua University in 2011.

Section 8 – Directors, Supervisors, Senior Management and Employees

Mr. ZHU Tao, Age 54, Chinese

Mr. ZHU Tao has been an Employee Representative Supervisor of the Company since January 2010, and currently serves as the presiding deputy general manager and chairman of the labor union of our Tianjin Branch. Since joining the Company in 1999, he has successively held various positions in our Tianjin Branch, including vice manager of the administration and human resources department, manager of the health insurance department, manager of the administrative management department and assistant general manager of our Tianjin Branch. From 1995 to 1999, he worked at Tianjin Social Insurance Company as vice director of its life insurance department. He served as a vice regiment-level secretary of the political department of PLA Navy Press from 1990 to 1995, and served as publicity secretary and political instructor of a unit of the Headquarters of the General Staff of the PLA from 1976 to 1990. Mr. ZHU is a senior political advisor certified by the Tianjin Municipal Senior Political Advisors Evaluation Committee. He completed his studies in insurance as a graduate student in Nankai University and graduated from the Party School of Tianjin Municipal Committee of the Communist Party of China with a divisional cadre graduate degree in 1999 and 2000, respectively.

Ms. YANG Jing, Age 50, Chinese

Ms. YANG Jing has been an Employee Representative Supervisor of the Company since January 2010 and currently serves as chairman of the Institutional Labor Union and the general manager assistant of the Department of Party-Masses Relationship of the Company. Since joining the Company in 1997, Ms. Yang has consecutively served as deputy director of the general office of the Training Department, assistant to the manager of the Administration and Human Resources Department of our Tianjin Branch, and manager of the Human Resources Department. From 2001 to 2004, she was stationed at the Insurance Association of China as a director of its secretariat. Prior to joining the Company, she served as an instructor at the Beijing Institute of Economics (now known as Capital University of Economics and Business). Ms. YANG graduated from the Beijing Institute of Economics (now known as Capital University of Economics and Business) and obtained a bachelor's degree in economics majoring in industrial enterprises management. Ms. YANG completed advanced graduate studies in finance at the Central University of Finance and Economics in 2000.

(III) **Members of senior management**

Mr. KANG Dian, See "II Biographies of directors, supervisors, senior management – (I) Directors" in this section.

Mr. HE Zhiguang, See "II Biographies of directors, supervisors, senior management – (I) Directors" in this section.

Mr. HUANG Ping, Age 57, Chinese

Mr. HUANG Ping has been a Vice President of our Company since April 2001. Since he joined our Company in September 2000 until March 2001, Mr. HUANG had served as an assistant to the President. Prior to joining the Company, Mr. HUANG served as chief life insurance supervisor and vice president of life insurance business of Ping An Insurance Co., Ltd. of China from January 1996 to December 1999, general manager of the Shenzhen branch of Ping An Insurance Company of China from January 1995 to December 1995, general manager of the life insurance department of Ping An Insurance Company of China from March 1991 to December 1994, vice director of the life insurance division of the Hunan branch of the People's Insurance Company of China from September 1984 to February 1991, director of the general office of the Changsha Municipal Committee of the China Communist Youth League from November 1978 to August 1984. Mr. HUANG is a senior economist certified by Ping An Insurance.

Section 8 – Directors, Supervisors, Senior Management and Employees

Mr. LIU Yigong, Age 53, Chinese

Mr. LIU Yigong has been a Vice President of the Company since December 2004 and served as compliance officer of the Company from April 2010 to February 2013. Mr. LIU had served as an assistant to the President and general manager of our Beijing Branch since he joined us in October 2004 till November 2004. Prior to joining the Company, he served as deputy director of new business channels department of Ping An Insurance (Group) Company of China, Limited (a company listed on the HKSE, stock code: 02318; and listed on the SSE, stock code: 601318) from August 2004 to October 2004, general manager of Qingdao branch of Ping An Insurance Co., Ltd of China from June 1998 to July 2004, senior director of financial investment department, deputy general manager of industrial investment department, deputy general manager of its securities investment department, general manager of its human resources department of Ping An Insurance Company of China from 1992 to 1998. Mr. LIU is a senior economist granted by the Guangdong Provincial Department of Personnel, and a Certified Senior Enterprise Risk Manager (CSERM) approved by the Asia Association of Risk and Crisis Management. He received a master's degree in economics from Zhongnan University of Finance and Economics in 1996.

Mr. CHEN Guogang, Age 53 Chinese

Mr. CHEN Guogang has been the Chief Financial Officer of our Company since April 2010 and has been a Vice President of the Company since July 2011. He currently also serves as a non-executive director of Asset Management Company, a supervisor at both Xi'an Clinic and Wuhan Clinic, and an independent director at Guotai Junan Securities Co., Ltd. since 2013. Prior to joining the Company in April 2010, Mr. CHEN served as a director of Sinofert Holdings Limited (a company listed on the HKSE, stock code: 00297) from 2005 to 2010, a director of Sinochem International Corporation (a company listed on the SSE, stock code: 600500) from 2000 to 2010. Mr. CHEN also served as the chief accountant of Sinochem Group from December 2000 to April 2010, and the deputy chief accountant and general manager of the finance department of Sinochem Group from February 1999 to December 2000, vice president of China International United Petroleum and Chemicals Co., Ltd. from May 1997 to February 1999, general manager of the petroleum accounting department and vice director of the finance department at Sinochem Group from March 1994 to May 1997, financial manager of its U.S. agrichemical subsidiary from July 1991 to March 1994. Prior to this, Mr. CHEN served as deputy chief financial officer of Hino Company in Hong Kong from July 1988 to July 1991 and was an assistant professor at Xiamen University from July 1984 to March 1985. Mr. CHEN is granted the professional titles of a senior accountant by Ministry of Foreign Trade and Economic Cooperation as well as a certified public accountant by China Certified Public Accountant Association. He received a doctorate degree in economics from Xiamen University in 1988.

Mr. YUE Ran, Age 50, Chinese

Mr. YUE Ran has been the Chief Human Resources Officer of our Company since April 2010 and an Assistant to President since February 2013. Since joining the Company in January 2010 till March 2010, Mr. YUE has been acting as director of our Inspection Office. Prior to joining the Company, from October 2008 to January 2010, Mr. YUE served as the deputy General Manager of the human resources department at China Unicom Group. From January 2004 to October 2008, Mr. YUE served as the deputy general manager of the human resources department at China Netcom Group. From June 2001 to January 2004, he worked as director of human resources at China Netcom (Holdings) Company Limited. From March 1997 to June 2001, he served as the manager of human resources department at Pulead Technology Industry Co., Ltd. From May 1992 to March 1997, he was the manager of human resources department at Beijing Coca-Cola Beverage Co. Ltd. From July 1984 to May 1992, he served as the principal staff officer at the organization department of Beijing Municipal Committee of the Communist Party of China. Mr. YUE obtained a bachelor's degree in philosophy from Beijing Normal University in 1984. He completed graduate studies in enterprise management at the University of International Business and Economics in 2003.

Section 8 – Directors, Supervisors, Senior Management and Employees

Mr. GONG Xingfeng, Age 42, Chinese

Mr. GONG Xingfeng has been the Chief Actuary of our Company since September 2010 and was appointed as an Assistant to President by the Board in February 2013. Since joining the Company in January 1999, Mr. GONG has served as the head of investment business of Asset Management Company from February 2007 to September 2010, Chief Actuary from September 2003 to January 2007, general manager of the Customer Service Department from June 2002 to September 2003, deputy general manager of the Underwriting Approval and Claims Settlement Department from January 2002 to May 2002, and assistant general manager of the Actuarial Department from January 1999 to September 2000. From September 2000 to December 2001, he worked and was trained at Zurich Insurance in the U.K. Prior to joining the Company, from January 1996 to December 1998, Mr. GONG worked at the People's Bank of China and the CIRC as principal staff member. Mr. GONG is granted the professional titles of a senior economist by Beijing Senior Specialized Technique Qualification Evaluation Committee and an actuary by the CIRC. He received a master's degree in economics majoring in money and banking from Central University of Finance and Economics in 1996.

Mr. YUAN Chaojun, Age 40, Chinese

Mr. YUAN Chaojun has been an Assistant to President of the Company since July 2011, and our regional general manager of North China and manager of Beijing branch since March 2013. Since joining the Company in November 2002, Mr. YUAN has served as the director of the individual business from May 2010 to July 2011 and the assistant to the general manager, the vice general manager, the general manager and the senior general manager of our Shandong branch from January 2005 to May 2010. He also served as the general manager of the central branch in Weifang from November 2002 to January 2005. Before joining the Company, Mr. YUAN was the assistant general manager of the central branch in Weifang of China Pacific Insurance (Group) Co., Ltd. from November 2001 to November 2002, the general manager of the business department and the group business department, the deputy director and the director of the business division, the assistant to the manager and the deputy manager of the business department and the group business department of the central branch in Weifang of China Pacific Insurance Company from March 1994 to November 2001. He also worked at the Weifang branch of Bank of Communications from August 1992 to March 1994. Mr. YUAN was granted the mid-level professional insurance qualification by the Ministry of Human Resources in 2000. He obtained his degree of executive master of business administration from Zhongnan University of Economics and Law in 2011.

Mr. SUN Yuchun, Age 45, Chinese

Mr. SUN Yuchun has been an Assistant to President of our Company since July 2011. Since joining the Company in July 1996, Mr. SUN has been the chief strategic officer from April 2010 to July 2011, the director of the Strategic Management Center from March 2007 to March 2010, and the general manager of Shanghai branch from July 2004 to February 2007. He was in charge of the Enterprise Planning Department from December 2000 to June 2004, and served as the assistant general manager of the Finance Planning Department from September 2000 to November 2000. He was the secretary general of New China International Insurance Research Institute from May 1999 to August 2000 and the head of the management office and the head of the research office under the Research and Development Center from December 1997 to April 1999. He was appointed as the secretary and the vice director of the general office from July 1996 to November 1997. Before joining the Company, Mr. SUN was the head of the secretary division of Management Institute of the People's Bank of China from September 1988 to July 1996. Mr. SUN is a senior economist. He received his master's degree in finance from Zhongnan University of Economics and Law in 2007.

Section 8 – Directors, Supervisors, Senior Management and Employees

Mr. ZHU Ying, Age 42, Chinese

Mr. ZHU Ying has been the Board Secretary of the Company since July 2011, and was appointed as an Assistant to President and the Chief Risk Officer (Compliance Officer) by the Board in February 2013. Before joining the Company, Mr. ZHU was the assistant to the director general and the deputy director general of the Tianjin Bureau of the CIRC from September 2008 to July 2011. He was temporarily transferred to second secretarial bureau of General Office of the State Council from October 2005 to October 2008. He successively served as a deputy-director-level secretary and a director-level secretary at the General Office of the CIRC from June 2002 to September 2005, the principal staff member of the Life Insurance Supervision Department of the CIRC from November 1998 to June 2002, and a staff member of the insurance department of People's Bank of China from August 1996 to November 1998. Mr. ZHU is a Chinese certified public accountant and a non-practicing member of the Chinese Institute of Certified Public Accountants. Mr. ZHU received his bachelor's degree from Banking & Finance Institute of China with a major in international finance in 1993 and received his master's degree in economics from the graduate program of the Banking and Finance Research Institute of People's Bank of China in 1996.

Mr. Cheung Wing Kuen Samuel, Age 48, Chinese

Mr. Cheung Wing Kuen Samuel has been the Chief Information Officer of the Company since November 2011, and an Assistant to President since February 2013. Before joining the Company, Mr. Cheung had served as the head of systems planning and the head of electronic business of the head office of Ping An Life Insurance Company of China, Ltd from January 2007 to January 2011. He was the head of system development and maintenance of Asia Corporate Solutions of MLC (Hong Kong), Ltd and the senior manager of systems development of Corporate Solutions of MLC (Hong Kong) Ltd from January 2000 to August 2006. He was the project manager of information technology of Canadian Eastern Life Assurance, which changed the name to MLC (Hong Kong) Ltd later, from April 1995 to December 1999. He worked as the senior systems analyst in information technology department of the Prudential Assurance Co. Ltd from July 1991 to April 1995. He was the senior systems analyst in the corporate systems department of American International Assurance Co. Ltd from August 1988 to July 1991. Mr. Cheung is a certified information systems auditor, a certified information systems security professional and a certified project management professional. He is also certified in the governance of enterprise IT. Mr. Cheung received his bachelor's degree of arts in quantitative analysis for business from City University of Hong Kong in 1989 and received his master's degree of science in E-commerce for executives from the Hong Kong Polytechnic University in 2002.

Mr. TANG Gengrong, Age 52, Chinese

Mr. TANG Gengrong was appointed as an Assistant to President of the Company by the Board in February 2013. He has been our regional general manager of East China since March 2013 and the manager of our Shanghai branch since May 2010. Since joining the Company in December 2011, Mr. TANG had served as the director of operation management center, director of risk management center, director of bankassurance channel and the regional director, etc., from March 2007 to February 2013. He was the general manager of Hunan Branch from March 2002 to February 2007 and officer of preliminary team for Hunan branch from December 2001 to February 2002. Prior to joining the Company, he was vice general manager of China Pacific Life Insurance Co., Ltd Hunan Branch from June 2001 to November 2001 and headmaster of Hunan Senior College of Finance and Economics from April 1999 to May 2001. He was deputy director of Hunan Finance Department office, officer of tax administration office and laws and regulations office and director of toll bureau and officer of division of planning from July 1992 to March 1999. He was the head of Dongan County People's Government, Hunan from July 1989 to June 1992 and the deputy officer and then officer of Dongan County Finance Department, Hunan from May 1985 to June 1989. He was a teacher in finance major at Hunan College of Finance and Economics from July 1983 to April 1985. Mr. TANG is a senior accountant and as well as a certified public accountant by China Certified Public Accountant Association. He received a bachelor degree in finance from Hunan College of Finance and Economics in 1983 and a doctorate degree in management science and engineering from Wuhan University of Technology in 2008.

Section 8 – Directors, Supervisors, Senior Management and Employees

Mr. LI Yuan, Age 50, Chinese

Mr. LI Yuan was appointed as an Assistant to President of the Company by the Board in February 2013. He has been our regional general manager of South China and the manager of our Guangdong branch since March 2013. Since joining the Company in October 2001, Mr. LI has been the director of sales management center and senior general manager of Guangdong branch, officer of individual business channel, officer of bankassurance channel and general manager of wealth management department, the regional director and manager of our Beijing branch from January 2010 to February 2013. He was assistant general manager, deputy general manager, general manager and senior general manager of Guangdong branch from October 2001 to December 2009. Prior to joining the Company, Mr. LI was manager of agency department and sales region of China Ping An Insurance Co., Ltd. Guangzhou branch from December 1998 to September 2001. He was department manager of Peoples Insurance Company of China Hunan Changde branch from April 1993 to November 1998 and was officer of business division of Peoples Insurance Company of China Hunan Shimen branch from May 1983 to March 1993. He was the director of Hunan Shimen Business Bureau office from November 1981 to April 1983. Mr. LI is a senior economist. He graduated in insurance enterprise management major from China Insurance Management Cadre College 1989 and obtained a master degree of EMBA from Sun Yat-sen University in 2010.

Mr. CHEN Zhengyang, Age 41, Chinese

Mr. CHEN Zhengyang was appointed as an Assistant to President of the Company by the Board in February 2013. He was the operation director of the Company from May 2010 to February 2013. Prior to joining the Company, Mr. CHEN was deputy general manager and compliance principal of Taiping Pension Co., Ltd. from February 2005 to April 2010 and was deputy general manager and then general manager of group insurance operation department, enterprise pension department and group insurance business department of Taiping Life Insurance Co., Ltd from July 2001 to January 2005. He was manager and then assistant general manager of group insurance product planning department of China Ping An Insurance Co., Ltd. Life Insurance head office from March 2000 to June 2001. He was assistant manager of business management department of China Ping An Insurance Co., Ltd. Shanghai branch Minhang sub branch from March 1996 to June 2000. He is granted FLMI certificate (Fellow · Life Management Institute) by Life Office Management Association and Associate of Society Actuary certificate by Society of Actuaries. He received a bachelor degree of material science and industrial management engineering from Shanghai Jiao Tong University in 1993 and a master degree of management science from Shanghai Jiao Tong University in 1996.

Section 8 – Directors, Supervisors, Senior Management and Employees

Mr. YU Zhigang, Age 48, Chinese

Mr. YU Zhigang was appointed as an Assistant to President of the Company by the Board in February 2013. He has been our regional general manager of Central China since March 2013. Since joining the Company in April 1997, Mr. YU has been the regional director and senior general manager of Beijing branch, the director of bankassurance channel from January 2011 to February 2013. He was senior general manager of Beijing branch from May 2010 to December 2010 and general manager and then senior general manager of Shanghai branch from March 2007 to April 2010. He was assistant general manager of enterprise planning and research department, deputy director of general manager's office, general manager of office and general manager of enterprise planning department and etc., from April 1997 to February 2007. Prior to joining the Company, Mr. YU was staff and deputy officer of secretary division of general office of China International Trust and Investment Corporation from August 1986 to March 1997. Mr. YU is an intermediate editor. He received a bachelor degree of Chinese linguistic literature from Peking University in 1986, finished monetary banking course from Graduate School of Chinese Academy of Social Sciences in 1998 and received a master degree of EMBA from Guanghua School of Management of Peking University in 2010.

III. Positions of current directors, supervisors and members of senior management in corporate shareholders and other entities

(I) Positions in corporate shareholders

Name	Name of shareholders	Position held	Term
ZHAO Haiying	Central Huijin Investment Ltd.	Deputy General Manager	Since October 2009
MENG Xingguo	Central Huijin Investment Ltd.	Employee	Since December 2006
LIU Xiangdong	Central Huijin Investment Ltd.	Employee	Since December 2009
WANG Chengran	Baosteel Group Corporation	Assistant to General Manager	Since May 2009
CHEN Johnny	Zurich Insurance Company Ltd	CEO of Asia Pacific Region Property Insurance	Since October 2010
ZHAO John Huan	Hebei Deren Investment Co., Ltd.	Executive Director and General Manager	Since November 2010
LV Hongbo	Tibet Shannan Xinshang Investment Management Limited	Supervisor	Since December 2012

Section 8 – Directors, Supervisors, Senior Management and Employees

(II) Major positions in other entities

Name	Name of Other Entities	Position Held	Term
KANG Dian	New China Asset Management Co., Ltd.	Chairman	Since January 2010
	Silver Grant International Industries Limited	Independent Non-Executive Director	Since May 1998
HE Zhiguang	New China Asset Management Co., Ltd.	Non-Executive Director	Since May 2010
ZHAO Haiying	China Investment Corporation	Member of Executive Committee Director	Since February 2012
	China International Capital Corporation Limited		Since August 2011
MENG Xingguo	New China Asset Management Co., Ltd.	Non-Executive Director	Since January 2010
	APT Satellite Holdings Limited	Independent Non-Executive Director	Since July 2012
WANG Chengran	New China Asset Management Co., Ltd.	Non-Executive Director	Since January 2010
	China CSSC Holding Limited	Non-Executive Director	Since May 2009
	CSSC: China State Shipbuilding Corporation		Consecutive Term from June 2011
	China Pacific Insurance (Group) Co., Ltd.	Non-Executive Director	Since June 2010
	Huatai Insurance Group	Non-Executive Director	Since April 2008
			Consecutive Term from December 2010
CHEN Johnny	Zurich Australian Insurance Ltd	Executive Director	Since October 2011
	Zurich Financial Services Australia Ltd	Executive Director	Since October 2011
	Zurich Insurance (Taiwan) Ltd	Executive Director	Since June 2008
	VIVA China Holdings Limited	Independent Non-Executive Director	Since June 2010
	Stella International Holdings Limited	Independent Non-Executive Director	Since February 2009
CHEONG Chee Meng	Zurich Insurance Malaysia Berhad	Chief Executive Officer	Since September 2011
ZHAO John Huan	Legend Holdings Limited	Director	Since May 2010
		Executive Vice President	Since January 2012
	Lenovo Group Limited	Non-Executive Director	Since November 2011
	Beijing Hony Future Investment Advisor Ltd.	Director and President	Since November 2005
	Simcere Pharmaceutical Group	Director	Since August 2006
	China Glass Holdings Limited	Non-Executive Director	Since January 2005
	China Pharmaceutical Group Limited	Executive Director	Since December 2008
	Chinasoft International Limited	Non-Executive Director	Since July 2011
	Wumart Stores, Inc.	Non-Executive Director	Since November 2009
	Fiat Industrial S.p.A.	Director	Since January 2011
CAMPBELL Robert David	China Life Insurance (Overseas) Company Limited	Independent Non-Executive Director	Since January 2010
FONG Chung Mark	Sinopec Kantons Holdings Limited	Independent Non-Executive Director	Since September 2004
	Worldsec Limited	Independent Non-Executive Director	Since February 1997
CHEN Jun	New China Asset Management Co., Ltd.	Chairman of the Board of Supervisors	Since January 2010
AI Bo	China Investment Corporation	Senior Manager of the Department of Institutional Integrity	Since June 2010
CHEN Xiaojun	New China Asset Management Co., Ltd.	Supervisor	Since January 2010
LV Hongbo	CITIC Private Equity Funds Management Co., Ltd.	Investment Vice President	Since January 2008
CHEN Guogang	New China Asset Management Co., Ltd.	Non-Executive Director	Since April 2011
	New China Life Insurance (Xi'an) Clinic Co., Ltd.	Supervisor	Since October 2012
	New China Life Insurance (Wuhan) Clinic Co., Ltd.	Supervisor	Since October 2012
LIU Yiyang	Xinhua Village Seniors Business Management (Beijing) Co., Ltd.	Supervisor	Since May 2012
	New China Xiadu Technology Training (Beijing) Co., Ltd., a subsidiary of the Company	Supervisor	Since June 2012

IV. Remuneration of directors, supervisors and members of senior management

In accordance with the principles of marketization and globalization, the remuneration of directors, supervisors and members of senior management is determined based on the factors such as company's operation, performance assessment with reference to the compensation level in the market. The remuneration of directors and supervisors is determined by the general meetings, while the remuneration of members of senior management is submitted to the Board for approval.

During the reporting period, the aggregate amount of after tax remuneration that all directors, supervisors and members of senior management received from the Company is RMB35.4655 million and the total amount of individual income tax paid is RMB20.1413 million. For detailed remuneration of each, please refer to "I. Directors, supervisors and members of senior Management" in this section of this annual report.

During the reporting period, no share incentive plan or any other long term incentive plans were implemented by the Company.

V. Changes in directors, supervisors and members of senior management

(I) Changes in directors

The changes in directors of the Company during the reporting period are set out below:

Name	Position Held	Change
HUAN Guocang	Non-Executive Director	Mr. HUAN Guocang submitted his resignation to the Board on 12 March 2012 due to change of job and applied for resignation as a non-executive director. His resignation became effective since the resignation was submitted to the Board on 12 March 2012.
ZHAO John Huan	Non-Executive Director	Mr. ZHAO John Huan was recommended as a candidate of non-executive director of the Fourth Session of the Board by the Fourth Session of the Board at the Forty-fourth Meeting, and was elected to serve as a non-executive director of the Fourth Session of the Board at the Annual General Meeting of 2011 on 20 June 2012. His qualification as director was approved by the CIRC on 7 November 2012.

On 1 February 2013, the Company held the First Extraordinary General Meeting of 2013 at which the fifth session of Board was elected. For details, please refer to the *Announcement on the Voting Results of the First Extraordinary General Meeting of 2013 and Election of Employee Representative Supervisors* for the Fifth Session of the Board of Supervisors published on 1 February 2013 by the Company.

Section 8 – Directors, Supervisors, Senior Management and Employees

(II) Changes in supervisors

During the reporting period, there was no change in supervisors of the Company.

On 1 February 2013, the Company held the First Extraordinary General Meeting of 2013 at which the fifth session of the Board of Supervisors was elected. For the details please refer to the Announcement on the Voting Results of the First Extraordinary General Meeting of 2013 and Election of Employee Representative Supervisors for the Fifth Session of the Board of Supervisors published on 1 February 2013 by the Company.

(III) Changes in members of senior management

During the reporting period, there was no change in members of senior management of the Company.

On 22 February 2013, the Company held the Third Meeting of the Fifth Session of the Board at which the Company appointed the members of the senior management and established the Executive Committee: appointed Mr. KANG Dian as CEO; appointed Mr. HE Zhiguang as COO (the President); appointed Mr. HUANG Ping, Mr. LIU Yigong and Mr. CHEN Guogang as Vice President, among them Mr. CHEN Guogang was also appointed as Chief Finance Officer (Financial Principal); appointed Mr. YUE Ran, Mr. GONG Xingfeng, Mr. YUAN Chaojun, Mr. SUN Yuchun, Mr. ZHU Ying, Mr. Cheung Wing Kuen Samuel, Mr. TANG Gengrong, Mr. LI Yuan, Mr. CHEN Zhengyang and Mr. YU Zhigang as Assistant to President, among them Mr. YUE Ran was also appointed as Chief Human Resource Officer, Mr. GONG Xingfeng was also appointed as Chief Actuary, Mr. ZHU Ying was also appointed as Board Secretary and Chief Risk Officer (Compliance Principal) and Mr. Cheung Wing Kuen Samuel was also appointed as Chief Information Officer. All personnel above were the members of the Executive Committee.

For the foresaid personnel, the qualifications of Mr. GONG Xingfeng as Assistant to President, Mr. ZHU Ying as Assistant to President and Chief Risk Officer (Compliance Principal), Mr. TANG Gengrong, Mr. LI Yuan, Mr. CHEN Zhengyang and Mr. YU Zhigang as Assistant to President were subject to the approval by CIRC.

VI. Shareholding of directors, supervisors and members of senior management

(I) Shareholding of the Company's A shares by directors, supervisors and members of senior management

Name	Position Held	Types of Shares	Number of shares held at the beginning of the reporting period	Increase/decrease during the reporting period (+/-)	Number of shares held at the end of the reporting period	Reasons for change
ZHU Nansong	Supervisor	A	0	+4,350,000	4,350,000	Dealings at the secondary market

Except directly holding the shares listed above, Mr ZHU Nansong held 49.25% of equity interests in Shanghai Zendai Investment Management Co., Ltd., a shareholder of the Company which held 30,114,921 A shares of the Company at the end of the reporting period.

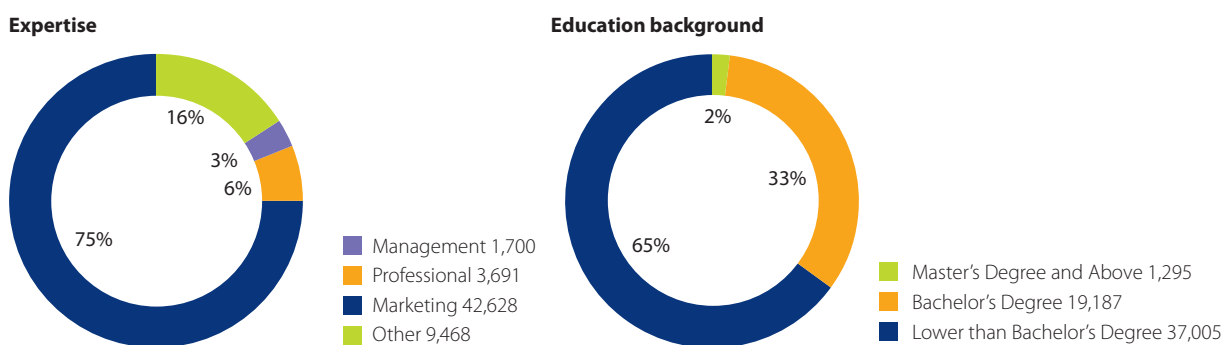
Section 8 – Directors, Supervisors, Senior Management and Employees

(II) Interests and short positions of directors, supervisors and chief executives under Hong Kong laws, regulations and rules

At of 31 December 2012, according to the information available to the Company and the information our directors are reasonably aware of, director Mr. KANG Dian was deemed to be interested in 50,000 H shares of the Company held by Excel Class Investments Limited (of which Mr. KANG Dian directly held 100% equity interest), and supervisor Mr. ZHU Nansong was interested in 34,814,921 A shares of the Company, in which he directly held 4,350,000 A shares, and was deemed to be interested in 350,000 A shares of the Company held by his wife Ms. YANG Liwen and 30,114,921 A shares of the Company held by Shanghai Zendai Investment Management Co., Ltd. (of which Mr. ZHU Nansong held 49.25% equity interest). Except for the foresaid, there are no interests or short positions held by our directors, supervisors and chief executives in our shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which shall have to be notified to the Company and the HKSE pursuant to Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein or which will be required to be notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions.

VII. The Company's employees

As of 31 December 2012, there are a total of 57,487 employees that entered into employment contracts with the Company or any of its subsidiaries. Their expertise and education background are set out below:

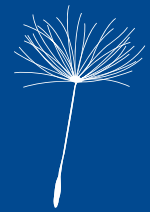


In accordance of characteristics of the business and demand of talent competition in the market, the Company provided employees with competitive remuneration with reference to the level of its counterpart in the industry. Carrying the remuneration philosophy of paying for the position, paying for the ability and paying for the performance, the Company encouraged employees to steadily achieve and exceed the ability and caliber requirement of the position by self-improving to gain corresponding remuneration treatment. As is required by the state, the Company provided employees with social security and housing fund. In addition to the social security, the Company provided part of employees with supplementary pension insurance plan, a defined contribution plan, during the reporting period. The Company paid supplementary pension insurance on the pro rata basis of certain employees' remuneration monthly. For the total amount of the supplementary pension insurance during the reporting period, please refer to Note 27(1) to the Consolidated Financial Statements.

The Company has established a sound employee training system. The Company conducts trainings to each level of employees, focusing on the Company's strategy, business development and the requirement for the employees' capacities, based on the cooperation between the headquarter and its branches, to deepen the implementation of the all-member training system. The system was a gradually improving basic management platform combing multiple training methods such as face to face training, online learning, electronic course, reading, etc., to steadily promote employees' knowledge, ability and comprehensive quality.

Section 9

Corporate Governance Report



I. Overview of corporate governance

Pursuant to the Company Law, Insurance Law, Securities Law and other applicable laws and regulations as well as the requirements of domestic and overseas regulatory authorities, the Company has established and improved the corporate governance system consisting of the shareholders' general meeting, the Board, Board of Supervisors and the senior management, and formed an operation mechanism under which the authorities, decision-making organs, supervisory organs and executive organs support and coordinate with each other with appropriate checks and balances. During the reporting period, the Company complied with the regulatory rules of the listing places, took effective measures to increase the operation efficiency of the Board, regulated and improved the information disclosure mechanism, enhanced communication with investors and improved transparency of the Company's operation.

During the reporting period, except that five non-executive directors (including two independent non-executive directors) did not attend the Shareholders' Annual General Meeting of 2011 of the Company held on 20 June 2012 in person because of other work, the Company observed all the other code provisions in (1) the Code on Corporate Governance Practices (expired on 1 April 2012) during the period from 1 January 2012 to 31 March 2012 and (2) the Corporate Governance Code (effective from 1 April 2012) during the period from 1 April 2012 to 31 December 2012 contained in Appendix 14 to the Hong Kong Listing Rules, and adopted most of the best practices set out therein.

(I) General meeting

Shareholders' rights

According to the regulations of the Articles of Association, the general meeting of shareholders is the supreme authority of power of the Company and shall mainly perform the following duties: to decide on the Company's operational policies, development strategies and investment plans; to elect and replace directors and to decide the remuneration of directors; to elect and replace supervisors who are representatives of shareholders and to decide the remuneration of supervisors; to examine and approve reports of the Board; to examine and approve reports of the Board of Supervisors; to examine and approve the Company's proposed annual financial budget plan and final account plan; to examine and approve the Company's profit distribution plan and loss recovery plan; to decide on the increase or reduction of the Company's registered capital; to decide on listing, share repurchase and issue of corporate bonds and other securities; to decide on the merger, division, dissolution, liquidation or change of form of the Company; to examine and amend relevant governance systems including but not limited to the Articles of Association, rules of procedure of general meeting, the Board and the Board of Supervisors, measures of management on related party transactions and authorization systems of asset management; to decide on the engagement, dismissal and non-reappointment of the Company's accounting firm; to consider any proposals raised by the shareholders who hold more than 3% of total voting shares of the Company; to consider and approve matters including major external investment, asset disposal, pledge of assets, external guarantee and donations; to consider and approve related party transactions which, in accordance with laws, regulations and regulatory documents, shall be approved by the general meeting; to consider and approve matters relating to the changes in the use of proceeds; and to decide on other matters which, in accordance with laws, regulations, regulatory documents, the rules of the securities regulatory authorities of the place where the Company's shares are listed and the Articles of Association, shall be approved by the general meeting.

Section 9 – Corporate Governance Report

Shareholder(s) shall have the right to propose convening an extraordinary general meeting. Pursuant to the Articles of Association, shareholder(s) individually or jointly holding more than 10% of the Company's total voting shares for over ninety consecutive days ("proposing shareholders") shall have the right to propose convening an extraordinary general meeting. Where proposing shareholders propose convening of an extraordinary general meeting, they shall submit the issues to be resolved and detailed proposals in writing to the Board and make sure that the aforesaid proposals do not violate provisions under laws, regulations, regulatory documents and the Articles of Association. The Board shall give a written reply on whether to convene the extraordinary general meeting within 10 days after receipt of the written proposals submitted by proposing shareholders. Where the Board agrees to convene the extraordinary general meeting, it shall give a notice of such meeting within five days after the resolution is made by the Board. Where the Board does not agree to hold the extraordinary general meeting, it shall give the reasons in writing. If the Board does not approve the proposing shareholders' proposal to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, or it does not give the notice of such meeting within 20 days after receipt of the proposal although it agrees with convening of such meeting, it shall be deemed as refusing to convene the extraordinary general meeting. In this case, proposing shareholders shall have the right to make a written proposal to the Board of Supervisors. The Board of Supervisors shall give a notice of convening such meeting within five days after receipt of the proposal. If the Board of Supervisors fails to give the notice of such meeting within the prescribed period, the proposing shareholders may convene and preside over the meeting by themselves.

Shareholder(s) shall have the right to make proposals at the general meeting. Pursuant to the Articles of Association, shareholder(s) jointly holding no less than 3% of the shares in the Company may make proposals 10 days prior to the convening of general meeting and submit the proposals to the convener in writing. The convener shall, within two days after the receipt of such proposal, give supplementary notice for the general meeting, and announce the subjects of such proposal. The content of such proposal shall be within the scope of authority of the general meeting and shall have a clear subject and specific issues to be resolved, and such proposal shall comply with relevant provisions under laws, regulations and the Articles of Association.

Shareholder(s) shall have the right to make enquiries to the Company. According to the regulations of the Articles of Association, shareholders may obtain the information such as the list of registered shareholders, individual profiles of directors, supervisors and senior management, share capital and minutes of general meetings. Shareholders shall make requests in writing and provide evidence of equity interests for inspection of or access to relevant information. The Company shall provide such information as required by shareholders after shareholders' identities are verified.

For the contact information for the purpose of making proposals or enquiries by shareholders, please refer to section 2 "Corporate Information" of this annual report.

General meetings of shareholders

During the reporting period, the Company held two general meetings in total. The details are as follows:

Session	Date	Venue	Proposal	Publication media for resolutions	Publication date
The First Extraordinary General Meeting of 2012	20 March 2012	Beijing	<ol style="list-style-type: none"> To consider the Proposal on the Appointment of Accounting Firms for the year 2011 To consider the Proposal on the Issue of 2012 Subordinated Term Debts To consider the Proposal on the Issue of 2012 Debt Financing Instruments 	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	20 March 2012
The Annual General Meeting of 2011	20 June 2012	Shenzhen	<ol style="list-style-type: none"> To consider the Proposal on the Report of the Board for the year 2011 To consider the Proposal on the Report of the Board of Supervisors for the year 2011 To consider the Proposal on the Annual Report and its Summary for the year 2011 To consider the Proposal on the Final Accounting for the year 2011 To consider the Proposal on the Profit Distribution Plan for the year 2011 To consider the Proposal on the Appointment of Accounting Firms for the year 2012 To consider the Proposal on the Report of Performance of the Directors for the year 2011 To consider the Proposal on the Report of Performance of the Independent Non-executive Directors for the year 2011 To consider the Proposal on the Election of Mr. ZHAO John Huan as a Non-executive Director of the Fourth Session of the Board To consider the Proposal on the Purchase of Liability Insurance for Directors, Supervisors and Senior Management To consider the Proposal on the General Mandate to the Board to Issue New Shares To hear the Report on the Status of Related Party Transactions and the Implementation of Management System for Related Party Transactions for the year 2011 	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	20 June 2012

The procedures of giving meeting notices, calling for the meetings, convening the meetings and voting at the meetings were in compliance with the Company Law, the Articles of Association and relevant regulations. The general meetings established and improved the effective channels of communicating with shareholders, actively gathered comments and suggestions from shareholders, ensured that the shareholders have the rights to know, participate in and vote on major matters of the Company, and created a sound environment for shareholders to fully participate in decision-making and to equally exercise rights.

Section 9 – Corporate Governance Report

(II) Directors and the Board

The Board has 15 directors consisting of two executive directors, seven non-executive directors and six independent non-executive directors (INEDs) (see Section 8 “Directors, Supervisors, Senior Management and Employees” of this annual report for brief introductions of directors). Directors serve a term of three years and are eligible for re-election, but the consecutive terms of INEDs shall not exceed six years. Number of directors and composition of the Board are in compliance with the regulatory requirements and the Articles of Association.

Members of the Board do not have any financial, business, family or other material relations among each other.

Duties of the Board and senior management

In accordance with the Articles of Association, the Board shall perform the following major duties: to convene general meetings and report its work to the general meetings; to implement the resolutions passed at the general meetings; to determine the Company’s business and investment plans, to control and supervise the Company’s financial position and use of funds; to formulate the Company’s development strategies; to prepare the annual financial budget plan and final account plan of the Company; to prepare the profit distribution plan and loss recovery plan of the Company; to formulate the plan for increase or reduction of the Company’s registered capital, plan for issue of bonds or other securities and plan of listing; to formulate plans for material acquisitions, share repurchase, merger, division, dissolution or change of form of the Company; to decide on the external investment, disposal and purchase of assets, external guarantee and donations, etc. within the scope of authority granted by the general meeting; to determine the setup of internal administration authorities of the Company; to formulate the basic administration system (including the business policies) of the Company; to assess and optimize the governance of the Company and review the corporate governance report on a regular basis; to appoint or remove the CEO, the COO (President), the Board secretary and, in accordance with the nominations of the CEO, to appoint or remove vice presidents, financial principal, chief actuary and other members of senior management, and to decide on and implement the plans concerning their annual performance evaluation, annual remuneration, awards and punishments, which shall be the basis of their incentives, reappointment and replacement; to set up Board committees, including but not limited to Strategy and Investment Committee, Audit Committee, Nomination and Remuneration Committee and Risk Management Committee according to the Company’s needs or the regulator’s requirements; to formulate amendments to the Articles of Association; to make proposal of any appointment or replacement of the accounting firm which audits the Company’s accounts at the general meeting, and review reports of external auditors on a regular basis and from time to time; to consider and approve related party transactions which, in accordance with laws, regulations and regulatory documents, shall be approved by the Board; to hear the work report of the Executive Committee and CEO and examine their work; to manage matters such as information disclosure, comprehensive risk management, internal control and compliance; and to exercise other functions and powers as stipulated by laws, regulations, regulatory documents or the Articles of Association or conferred by the general meetings.

According to Articles of Association, the Company established the Executive Committee. The Executive Committee is comprised of the CEO, the COO (President), the Vice President, the Assistant to President, the Financial Principal and the chief actuary of the Company, as well as such other officers as approved by the Board, and its major duties include: to deliver the instructions of the meetings of the Board, and implement the specific tasks and measures of the resolutions of the Board; to implement the plans in connection with material mergers and acquisitions, equity and real property investments and financings, and assets disposal plans, subject to the authorization by the Board or in accordance with resolutions of the Board, and report to the Board; to study on the material decisions of the Company on its operations and provide advice to the Board; to study on the plans of establishment of subsidiaries as well as material management system and proposed selection for assignment to subsidiaries, and hear the work report by assigned personnel; to monitor the Company’s regular material operations and activities, and hear the work report by the senior management in connection with regular material operations of the Company; to hear opinions of the regulators on the regulation of the Company, and deliberate the rectification measures; to review and assess the viability of the corporate governance structure of the Company to ensure that the financial reports, material events reporting system and internal control comply with the standards of corporate governance; and such other functions and authorities of the Executive Committee as authorized by the Board through authorization plans or special resolutions.

Board meetings

During the reporting period, the Company held 10 Board meetings in total. The details are as follows:

Session	Date	Publication media for resolutions	Publication date
43rd meeting of the fourth session of the Board	1 February 2012	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	1 February 2012
44th meeting of the fourth session of the Board	28 March 2012	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	28 March 2012
45th meeting of the fourth session of the Board	26 April 2012	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	26 April 2012
46th meeting of the fourth session of the Board	19 June 2012	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	20 June 2012
47th meeting of the fourth session of the Board	26 July 2012	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	26 July 2012
48th meeting of the fourth session of the Board	29 August 2012	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	29 August 2012
49th meeting of the fourth session of the Board (by circulation of written resolution)	6 September 2012	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	6 September 2012
50th meeting of the fourth session of the Board	29 October 2012	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	29 October 2012
51st meeting of the fourth session of the Board	16 November 2012	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	16 November 2012
52nd meeting of the fourth session of the Board	14 December 2012	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	14 December 2012

Section 9 – Corporate Governance Report

Attendance of meetings of directors

All directors fulfilled their duties diligently, actively attended general meetings and Board meetings, and earnestly heard the opinions from shareholders. The directors emphasized the communication and interaction with shareholders, strived to make decisions based on thorough understanding of the situation and safeguard the interests of the Company and all shareholders. During the reporting period, attendance of each director in general meetings and Board meetings is given as follows:

Name of director	Attendance of general meetings		Attendance of Board meetings			Remarks
	Number of general meeting convened	Number of attendance of general meeting ⁽¹⁾	Number of scheduled attendance	Number of attendance in person	Number of attendance by proxy	
Executive Directors						
KANG Dian	2	2	10	9	1	KANG Dian could not attend the 51st meeting of the fourth session of the Board for business reasons but appointed director HE Zhiguang to attend and exercise the voting right on behalf thereof
HE Zhiguang	2	1	10	9	1	HE Zhiguang could not attend the 45th meeting of the fourth session of the Board for business reasons but appointed director KANG Dian to attend and exercise the voting right on behalf thereof
Non-Executive Directors						
ZHAO Haiying	2	0	10	6	4	ZHAO Haiying could not attend the 2011 Annual General Meeting for business reasons; ZHAO Haiying could not attend the 43rd, 44th, 46th and 50th meetings of the fourth session of the Board for business reasons but appointed director MENG Xingguo to attend and exercise the voting right on behalf thereof
MENG Xingguo	2	2	10	9	1	MENG Xingguo could not attend the 45th meeting of the fourth session of the Board for business reasons but appointed director LIU Xiangdong to attend and exercise the voting right on behalf thereof
LIU Xiangdong	2	1	10	8	2	LIU Xiangdong could not attend the 47th and 49th meetings of the fourth session of the Board for business reasons but appointed director MENG Xingguo to attend and exercise the voting right on behalf thereof
WANG Chengran	2	0	10	4	5	WANG Chengran could not attend the 2011 Annual General Meeting for business reasons; WANG Chengran could not attend the 43rd and 44th meetings of the fourth session of the Board for business reasons but appointed director MENG Xingguo to attend and exercise the voting right on behalf thereof; WANG Chengran could not attend the 45th meeting for business reasons but appointed director LIU Xiangdong to attend and exercise the voting right on behalf thereof; WANG Chengran could not attend the 48th meeting for business reasons; WANG Chengran could not attend the 50th meeting for business reasons but appointed director KANG Dian to attend and exercise the voting right on behalf thereof; WANG Chengran could not attend the 51st meeting for business reasons but appointed director ZHAO Haiying to attend and exercise the voting right on behalf thereof

Section 9 – Corporate Governance Report

Name of director	Attendance of general meetings		Attendance of Board meetings			Remarks
	Number of general meeting convened	Number of attendance of general meeting ⁽¹⁾	Number of scheduled attendance	Number of attendance in person	Number of attendance by proxy	
CHEN Johnny	2	1	10	10	0	
CHEONG Chee Meng	2	0	10	7	3	CHEONG Chee Meng could not attend the 2011 Annual General Meeting for business reasons; CHEONG Chee Meng could not attend the 46th, 51st and 52nd meetings of the fourth session of the Board for business reasons but appointed director CHEN Johnny to attend and exercise the voting right on behalf thereof
ZHAO John Huan	2	0	1	1	0	Mr. ZHAO John Huan has acted as a Non-Executive Director of the Company since 7 November 2012
HUAN Guocang	2	0	1	1	0	Mr. HUAN Guocang resigned as a Non-Executive Director of the Company on 12 March 2012
INEDs						
CAMPBELL Robert David	2	0	10	10	0	CAMPBELL Robert David could not attend the 2011 Annual General Meeting for business reasons
CHEN Xianping	2	1	10	10	0	
WANG Yuzhong	2	1	10	9	1	WANG Yuzhong could not attend the 49th meeting of the fourth session of the Board for business reasons but appointed INED ZHANG Hongxin to attend and exercise the voting right on behalf thereof
ZHANG Hongxin	2	1	10	10	0	
ZHAO Hua	2	1	10	10	0	
FONG Chung Mark	2	0	10	8	2	FONG Chung Mark could not attend the 2011 Annual General Meeting for business reasons; FONG Chung Mark could not attend the 46th and 49th meetings of the fourth session of the Board for business reasons but appointed INEDs ZHANG Hongxin and CHEN Xianping to attend and exercise the voting right on behalf thereof respectively

Note:

- Rules A.6.7 of Corporate Governance Code in respect of the requirement that non-executive directors shall attend the general meeting became effective on 1 April 2012. Since the above rule does not apply to the First Extraordinary General Meeting of 2012 held by the Company on 20 March 2012, directors excluding Mr. KANG Dian and Mr. MENG Xingguo did not attend that meeting.

Section 9 – Corporate Governance Report

Training for directors

During the reporting period, each director has received the report and information on the latest regulatory rules and updates, industry information as well as the operation and administration of the Company prepared by the Company on a regular basis to enable them to continuously develop and update their knowledge and skills as well as to perform their duties with thorough understanding of information.

In addition, the Company has arranged the directors to participate in relevant training courses at the Company's expenses. During the reporting period, the Company arranged the directors, including KANG Dian, ZHAO Haiying, MENG Xingguo, LIU Xiangdong, WANG Chengran, CHEN Johnny and CHEONG Chee Meng to participate in the directors training by Beijing Securities Regulatory Commission, which covers areas including the regulatory emphasis for listed companies, normative corporate governance, prevention of insider trading, financial statements analysis and internal control for corporations. The Company also arranged INEDs, including CAMPBELL Robert David, CHEN Xianping, WANG Yuzhong, ZHANG Hongxin, ZHAO Hua and FONG Chung Mark, to participate in the specific training for INEDs by SSE, which covers areas including the latest policies and measures on the development of capital market, new regulations and moves on the regulation of listed companies, operation framework, corporate governance and normative operation of listed companies, financial statements analysis, risk assessment, risk management and internal control of listed companies as well as the rights, obligations and legal liabilities of INEDs.

(III) Board committees under the Board

The Board has four committees which are Strategy and Investment Committee, Audit Committee, Nomination and Remuneration Committee and Risk Management Committee. The committees are accountable to the Board and perform their duties by way of giving professional opinions to the Board.

Strategy and Investment Committee

The Strategy and Investment Committee consists of two executive directors (KANG Dian and HE Zhiguang), five non-executive directors (ZHAO Haiying, MENG Xingguo, WANG Chengran, CHEONG Chee Meng and ZHAO John Huan) and one INED (CAMPBELL Robert David), and KANG Dian serves as the chairman.

1. *Duties of the Strategy and Investment Committee*

The Strategy and Investment Committee performs the following major duties: to consider the Company's overall or special development strategies and annual business plan and submit suggestions to the Board; to consider the Company's use of funds, investment policies, strategic asset allocation, asset-liability management system and annual plan and submit suggestions to the Board; to consider matters such as the rules and guidelines in respect of use of insurance funds and asset management, investment, asset purchase, asset disposal, pledge of assets, entrusted wealth management and external donations of the Company and its holding subsidiaries, and submit suggestions to the Board; to consider the increase or reduction of the Company's registered capital, issue of bonds and other securities, listing and financing plans, and submit suggestions to the Board; to consider the Company's dividend distribution and loss recovery plan, and submit suggestions to the Board; to formulate plans for the Company's major acquisitions, repurchase of the shares of the Company, establishment of subsidiaries and merger, division, dissolution or change of form of the Company, and submit suggestions to the Board; to consider the amendments to the Articles of Association of the Company or its subsidiaries, and submit suggestions to the Board; and to undertake other responsibilities authorized by the Board.

2. *Meetings and attendance*

During the reporting period, the Strategy and Investment Committee held six meetings in total. Attendance of each member is given as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
KANG Dian	6	5	1
HE Zhiguang	6	5	1
ZHAO Haiying	6	5	1
MENG Xingguo	6	5	1
WANG Chengran	6	3	3
CHEONG Chee Meng	6	2	4
CAMPBELL Robert David	6	4	2
HUAN Guocang ⁽¹⁾	1	0	1

Note:

1. Mr. HUAN Guocang resigned as a non-executive director of the Company and members of the Board committees on 12 March 2012.

3. *Performance of duties of the Strategy and Investment Committee*

In 2012, the Strategy and Investment Committee dutifully performed its duties in accordance with the Articles of Association and the Work Rules for the Strategy and Investment Committee:

- (1) To consider the Company's annual and future work plans. During the reporting period, the Strategy and Investment Committee has reviewed the 2012 work plan of the Company and issued professional opinions consenting to the submission to the Board for its consideration; and heard the reporting of the work plans of the Company for the next three years.
- (2) To consider matters such as the use of Company's funds, asset management and investment policies. During the reporting period, the Strategy and Investment Committee has reviewed the proposals such as the 2012 entrusted investment management agreement, the investment guidelines for the use of insurance funds, overseas investment plans, equity investment, real estates investment and management, infrastructure investment, authorization to the Company's senior management to conduct equity and real estates investment, ect., and issued professional opinions consenting to the submission to the Board for its consideration.
- (3) To formulate the incorporation and alternation plans on subsidiaries. The Strategy and Investment Committee has reviewed proposals such as the incorporation of Yanqing senior care project company, Miyun senior care project company, establishment of Xi'an and Wuhan Health Care Centers, alternation of development entity for the Yanqing Senior Care Residential Area, increase in capital of New China Xiadu, incorporation of New China Asset Management (Hong Kong) Co., Ltd. and alternation of registered capital of New China Health Industry Management Co., Ltd. (preparatory) during the reporting period, and issued professional opinions consenting to the submission to the Board for its consideration.
- (4) To firmly perform other duties, and play its professional functions in respect of areas such as bond issuance plan, amendment of the Articles of Association as well as the purchase and disposal of real estates, etc.

Section 9 – Corporate Governance Report

Audit Committee

The Audit Committee consists of five INEDs (CAMPBELL Robert David, CHEN Xianping, WANG Yuzhong, ZHANG Hongxin and FONG Chung Mark) and two non-executive directors (LIU Xiangdong and CHEN Johnny), and CAMPBELL Robert David serves as the chairman.

1. *Duties of the Audit Committee*

The Audit Committee performs the following major duties: to regularly review internal control evaluation reports, solvency reports, make proposals of improving internal control and solvency adequacy to the Board; to review the Company's basic internal auditing system and provide suggestions to the Board, supervise the Company's internal control, review the Company's core businesses and management regulations and the implementation thereof, examine and evaluate the compliance and effectiveness of the Company's major operating activities and submit suggestions to the Board on improvements; to review the Company's financial information and disclosure thereof, review the Company's major financial policies and implementation thereof and supervise the financial position; to monitor the truthfulness of financial reports and the effectiveness of procedures according to which the management implements financial reports; to consider the Company's annual financial account plan and annual statutory auditing report and submit suggestions to the Board; to formulate the procedures and standards of appointing accounting firms that carry out statutory audit of the Company's annual reports and advise the Board to appoint or replace the accounting firms; to adopt appropriate measures to supervise the work of accounting firms, hear and review various reports of accounting firms and ensure accounting firms' ultimate liabilities for general meeting, the Board and the Audit Committee; to coordinate the communication between internal audit departments and external audit institutions; to formulate the management system of related party transactions and the standards of major related party transactions and submit suggestions to the Board; to confirm the Company's related parties and report to the Board and Board of Supervisors; to review various related party transactions and make specific report to the Board on implementation of the management system of related party transactions and the details of related party transactions; to consider the Company's annual budget plan and give suggestions to the Board; and to exercise other functions and powers authorized by the Board and stipulated in the Hong Kong Listing Rules.

2. *Meetings and attendance*

During the reporting period, the Audit Committee held eight meetings in total. Attendance of each member is given as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
CAMPBELL Robert David	8	7	1
LIU Xiangdong	8	8	0
CHEN Johnny	8	7	1
CHEN Xianping	8	8	0
WANG Yuzhong	8	8	0
ZHANG Hongxin	8	8	0
FONG Chung Mark	8	5	3

3. *Performance of duties of the Audit Committee*

In 2012, the Audit Committee dutifully performed its duties in accordance with the Articles of Association and the Work Rules for the Audit Committee:

- (1) To regularly examine financial reports of the Company and perform financial supervision functions. The Audit Committee has reviewed proposals such as the financial report of 2011, first quarterly report of 2012, interim report of 2012, third quarterly report of 2012, final account report of 2011 and the changes in accounting estimates of 2011 of the Company during the reporting period, and communicated with the auditor of the Company in respect of the above proposals, and then issued professional opinions consenting to the submission to the Board for its consideration. The Audit Committee also heard the reporting on 2012 audit work plan from the auditor, and approved the work plan in general.
- (2) To examine the internal control and internal audit of the Company. The Audit Committee has reviewed proposals such as the 2011 Internal Control Assessment Manual, 2011 Internal Control Assessment Report, Internal Control Normative Implementation Work Plan and General Operation Table, Internal Control Practice Manual (2011 Edition) and the overall internal control construction and development plan of the Company during the reporting period, and issued professional opinions consenting to the submission to the Board for its consideration. Audit Committee also heard the reporting on internal audit of the Company for a number of times.
- (3) To examine the connected transactions of the Company. The Audit Committee has reviewed proposals such as the report on the Company's 2011 connected transactions and implementation of connected transactions administration system, 2011 special audit report on connected transactions, alternation of development entity for the Yanqing Senior Care Residential Area, increase in capital of New China Xiadu and subscription for 2012 corporate bonds of Legend Holdings Ltd. during the reporting period, and issued professional opinions consenting to the submission to the Board for its consideration. The Audit Committee also heard the reporting on the specific explanation on the occupation of fund by controlling shareholders and other related parties in 2011, and confirmed on the information of related parties.
- (4) To proceed with the selection and appointment of the auditor for the year. The Audit Committee has heard and examined various reporting of work from the auditors of the Company for several times (PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers), and issued a conclusion report on the audit work of PricewaterhouseCoopers of 2011 to the Board. In addition, the Audit Committee reviewed the proposal on the appointment of accounting firm for 2012, and proposed to the Board to re-appoint PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the domestic auditor of the Company and PricewaterhouseCoopers as the international auditor of the Company. The Audit Committee also reviewed the Administrative Method on the Selection and Appointment of Accounting Firm of the Company, and further normalized the selection and appointment of accounting firm.
- (5) To firmly perform other duties, and fully play its functions in respect of areas such as dividend distribution, liabilities, solvency and audit on resignation of senior management.

Section 9 – Corporate Governance Report

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of four INEDs (ZHAO Hua, CAMPBELL Robert David, CHEN Xianping and WANG Yuzhong) and three non-executive directors (ZHAO Haiying, WANG Chengran and CHEN Johnny) and ZHAO Hua serves as the chairman.

1. *Duties of the Nomination and Remuneration Committee*

The Nomination and Remuneration Committee performs the following major duties: to formulate the standards and plans of appointing directors and senior management and submit suggestions to the Board; to regularly evaluate the reasonableness of the structure, number of positions and composition of the Board and the management, and submit suggestions to the Board; to carry out initial examination on the candidates of directors, CEO, COO (President) and other members of senior management (including Board secretary) and the candidates of directors, supervisors, president and other members of senior management assigned to subsidiaries that the Board considers important and submit suggestions to the Board; to formulate evaluation measures and remuneration plans of directors and senior management, and evaluate the performance and conducts of directors and submit suggestions to the Board; to nominate candidates for members of each Board committees (excluding the Nomination and Remuneration Committee) except for the chairman of such Board committees; to consider the Company's overall (including senior management of the Company) human resources and remuneration strategies and basic systems thereof and submit suggestions to the Board; to consider the evaluation of the performance and remuneration made by the CEO of heads of the Company's departments and branches (except for the audit principal), and submit suggestions to the Board; to consider the setting of internal organizational structure of the Company and submit suggestions to the Board; and to exercise other functions and powers authorized by the Board or stipulated in the Hong Kong Listing Rules.

2. *Meetings and attendance*

During the reporting period, the Nomination and Remuneration Committee held five meetings in total. Attendance of each member is given as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
ZHAO Hua	5	5	0
ZHAO Haiying	5	4	1
WANG Chengran	5	2	3
CHEN Johnny	5	4	1
CAMPBELL Robert David	5	2	3
CHEN Xianping	5	5	0
WANG Yuzhong	5	5	0

3. *Performance of duties of the Nomination and Remuneration Committee*

In 2012, the Nomination and Remuneration Committee dutifully performed relevant duties in accordance with the Articles of Association and the Work Rules for the Nomination and Remuneration Committee:

- (1) To carry out initial examination on the candidates of directors and make nomination. The Nomination and Remuneration Committee has reviewed proposals on the recommendation of the candidate of directors, the nomination of the candidates of directors of the fifth session of the Board and the nomination of INEDs of the fifth session of the Board during the reporting period, and examined the qualifications of the candidates of directors in accordance with laws, regulations, regulatory documents, regulatory requirements and the Articles of Association, and issued professional opinions consenting to the submission to the Board for its consideration. The Nomination and Remuneration Committee also nominated INEDs to the Board.
- (2) To organize evaluation of performance of senior management. The Nomination and Remuneration Committee has heard or reviewed the work report of senior management for 2011, and reviewed proposals on the results of performance evaluation of senior management for 2011, the system of performance evaluation of senior management as well as the evaluation plan of senior management for 2012 during the reporting period, and issued professional opinions consenting to the submission to the Board for its consideration.
- (3) To examine the candidates of directors, supervisors and members of senior management to be assigned to the subsidiaries of the Company. The Nomination and Remuneration Committee has heard the reporting of candidates of directors, supervisors, general manager and deputy general manager of Xinhua Seniors, the reporting of recruitment and appointment of directors, supervisors and general manager of New China Xiadu, the reporting of the directors of New China Health as well as the executive directors, supervisors and proposed members of the management of Wuhan Clinic and Xi'an Clinic during the reporting period.
- (4) To firmly perform other duties, and conduct studies and discussion on matters such as the setup of organizational structure of the Company and adjustment of departments.

Risk Management Committee

The Risk Management Committee consists of three non-executive directors (MENG Xingguo, LIU Xiangdong and CHEN Johnny), one executive director (HE Zhiguang) and two INEDs (CHEN Xianping and ZHANG Hongxin), and MENG Xingguo serves as the chairman.

1. *Duties of the Risk Management Committee*

The Risk Management Committee performs the following major duties: to consider the overall objective, fundamental policy and working system of risk management, monitor and evaluate the related implementation and results and submit suggestions to the Board; to examine and amend the Company's principles of risk appetite and tolerance and submit suggestions to the Board; to formulate, supervise and evaluate the setting and duties of risk management departments and propose suggestions on improvements of risk management; to consider the risk assessment of major resolutions and solutions to major risks and submit suggestions to the Board; to supervise and evaluate the risk control of market and operation conducted by senior management, and submit suggestions to the Board; to regularly evaluate the risks of the Company, review comprehensive risk management reports submitted by risk management departments and submit suggestions to the Board; to regularly examine compliance reports and submit opinions and suggestions on improvements of compliance related matters to the Board; and to exercise other functions and powers authorized by the Board.

Section 9 – Corporate Governance Report

2. Meetings and attendance

During the reporting period, the Risk Management Committee held three meetings in total. Attendance of each member is given as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
MENG Xingguo	3	2	1
HE Zhiguang	3	3	0
LIU Xiangdong	3	3	0
CHEN Johnny	3	3	0
CHEN Xianping	3	2	1
ZHANG Hongxin	3	3	0

3. Performance of duties of the Risk Management Committee

In 2012, Risk Management Committee dutifully performed its duties in accordance with the Articles of Association and the Work Rules for the Risk Management Committee:

- (1) To make regular evaluation on the risk and compliance condition of the Company. The Risk Management Committee has reviewed proposals such as 2011 Comprehensive Risk Management Report and 2011 Compliance Report of the Company during the reporting period, and issued professional opinions consenting to the submission to the Board for its consideration.
- (2) To consider solutions to major risks of the Company. The Risk Management Committee has reviewed the proposal on improving the emergency management system for contingencies during the reporting period, and issued professional opinions consenting to the submission to the Board for its consideration. The Risk Management Committee has also heard the analysis report on surrenders, maturities and complaints for 2012.
- (3) To firmly perform other duties, and conduct studies and discussion on the management proposal for 2011 issued by the auditor.

(IV) Board of Supervisors

The Board of Supervisors consists of seven supervisors, including four shareholder representatives supervisor and three employee representative supervisor (See Section 8 “Directors, Supervisors, Senior Management and Employees” of this annual report for brief introduction of supervisors). The number and composition of the Board of Supervisors are in compliance with the regulatory requirements and the Articles of Association.

Meetings of the Board of Supervisors

During the reporting period, the Company held 5 meetings of Board of Supervisors in total. The details are as follows:

Session	Date	Publication media for resolutions	Publication date
10th meeting of the fourth session of the Board of Supervisors	28 March 2012	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	28 March 2012
11th meeting of the fourth session of the Board of Supervisors	26 April 2012	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	26 April 2012
12th meeting of the fourth session of the Board of Supervisors	29 August 2012	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	29 August 2012
13th meeting of the fourth session of the Board of Supervisors	29 October 2012	As the resolutions only include written review opinions on the 2012 Third Quarterly Report, announcement on the resolutions of the Board of Supervisors was exempted from disclosure under relevant rules.	
14th meeting of the fourth session of the Board of Supervisors	14 December 2012	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	14 December 2012

Section 9 – Corporate Governance Report

Attendance of supervisors for the meetings of the Board of Supervisors

All the supervisors, in accordance with the principle of honesty, earnestly performed the duty of supervising and effectively protected the interests of shareholders, the Company and employees. During the reporting period, attendance of supervisors in the meetings of the Board of Supervisors is given as follows:

Name of supervisor	Number of scheduled attendance	Number of attendance in person	Number of attendance by proxy	Remarks
CHEN Jun	5	5	0	
AI Bo	5	5	0	
ZHU Nansong	5	4	1	ZHU Nansong could not attend the 11th meeting for business reasons but appointed CHEN Jun, the chairman of the Board of Supervisors, to attend and exercise voting right on behalf thereof
CHEN Xiaojun	5	5	0	
LIU Yiyi	5	5	0	
ZHU Tao	5	5	0	
YANG Jing	5	5	0	

Training for supervisors

During the reporting period, each supervisor has received the report and information on the latest regulatory rules and updates, industry information as well as the operation and administration of the Company prepared by the Company on a regular basis to enable them to continuously develop and update their knowledge and skills as well as to perform their duties with thorough understanding of information.

In addition, the Company has organized the supervisors to participate in relevant training courses at the Company's expenses. During the reporting period, the Company arranged the supervisors, including CHEN Jun, AI Bo, ZHU Nansong, CHEN Xiaojun, LIU Yiyi, ZHU Tao and YANG Jing, to participate in the supervisors training by Beijing Securities Regulatory Commission, which covers areas including the regulatory emphasis for listed companies, normative corporate governance, prevention of insider trading, financial statements analysis and internal control for corporations.

Opinions of the Board of Supervisors on matters under supervision

During the reporting period, the Board of Supervisors supervised the operating activities, financial position, internal control, connected transactions and cash dividends as well as the performance of duties of the directors and senior management of the Company through attending general meetings and Board meetings, hearing special reports, conducting on-site investigations and visiting branches, etc. The Board of Supervisors had no objection on matters under supervision during the reporting period.

(V) Chairman and president

During the reporting period, the chairman and the president of the Company hold positions separately: Mr. KANG Dian, serving as the chairman and legal representative of the Company, is in charge of presiding over general meetings, convening and presiding over Board meetings, examining the implementation of the Board resolutions and other relevant matters. Mr. HE Zhiguang, serving as the president of the Company, is in charge of implementing the Board resolutions, presiding over operation and management of the Company and other relevant matters.

In order to streamline the Company's management system and further enhance the Company's operation efficiency, according to the Articles of Association, the Company established the system of Executive Committee and the position of CEO. According to the resolution of the Third Meeting of the Fifth Session of the Board held on 22 February 2013, the chairman of the Board, Mr. KANG Dian, was appointed as CEO.

(VI) Company secretary

The Company has appointed, externally, Ms. MOK Ming Wai (a fellow member of Hong Kong Institute of Chartered Secretaries) as the joint company secretary of the Company. The main contact person of Ms. MOK in the Company is Mr. ZHU Ying, the Board secretary and joint company secretary of the Company. The contact information of Mr. ZHU Ying is set out in Section 2 "Corporate Information" of this annual report.

During the reporting period, Mr. ZHU Ying and Ms. MOK Ming Wai attended relevant professional training for not less than 15 hours.

(VII) Investigations conducted by directors and supervisors

During the reporting period, directors and supervisors of the Company conducted on-site investigations in 16 branches located in Jiangsu, Shanxi, Hebei, Xiamen, Fujian, Yantai, Zhejiang, Tianjin, Anhui, Shanghai, Inner Mongolia, Gansu, Guizhou, Hunan, Beijing, Jiangxi and Wuhan Clinic to encourage front-line employees, look into the problems in operations faced by branches, and hear the comments and suggestions of branch management. The directors and supervisors also timely reported such comments and suggestions to the management of the Company in the form of investigation reports and management proposals, which has drawn close attention from the management, and thus had a positive function on pushing the strategic transformation and improving the risk control and management level of the Company.

The Board of Supervisors of the Company has commenced specific investigations on the budget implementation and expense management in headquarter of the Company, through which the Board of Supervisors understood the specific implementation of budget management of the Company, summarized effective management experiences and measures, and thus facilitated the improvement of management level of the Company.

Section 9 – Corporate Governance Report

(VIII) Amendments to the Articles of Association

During the reporting period, the Company amended the Articles of Association in respect of change of registered capital upon the completion of the IPO and the over allotment. For details, please refer to the *Announcement on Modification of Registered Capital and Amendments to the Articles of Association* issued by the Company on 9 May 2012.

On 1 February 2013, the First Extraordinary General Meeting of 2013 of the Company amended the Articles of Association. For details, please refer to the circular of the First Extraordinary General Meeting of 2013 published on 17 December 2012 by the Company. The Amended Articles of Association became effective upon approval of CIRC on 7 February 2013. The full text of the revised Articles of Association has been published on the website of HKSE and the Company on 26 February 2013.

(IX) Implementation of management system for insiders

According to the relevant requirements of the CSRC, the Company formulated *the Insider Registration and Filing Measures of New China Life Insurance Company Ltd.*, which specifies the scope and confidentiality control of inside information, as well as the scope, registration and filing of insiders. Such Measures has been strictly observed by the Company. During the reporting period, the Company has conducted insider registration and filing for its directors, supervisors, senior management, employees involved in the preparation of periodic reports and relevant personnel of external units to whom the reports are submitted to before disclosure. During the reporting period, the Company conducted random check on insiders' purchase of the shares of the Company and was not aware of any insider trading of shares of the Company utilizing inside information.

(X) Information disclosure and investor relations

During the reporting period, the Company has actively adapted to the new regulatory environment after the dual listings of A shares and H shares and strictly observed various regulatory rules of the listing places. The Company has effectively implemented the information disclosure system established by its own, and ensured that domestic and foreign investors can obtain true, accurate and complete information. The Company has established a sound and effective information disclosure mechanism; studied and integrated the periodic reporting systems of A shares and H shares, and continuously enriched the contents of periodic reports with improved disclosure quality; strengthened internal information communication and regularly organized relevant training to reinforce the awareness of information disclosure, thus ensured the timeliness, accuracy and completeness of information disclosure. The Company has completed its information disclosure in compliance in the first year after the listing.

During the reporting period, according to *the Administrative Measures for Investor Relations of New China Life Insurance Company Ltd.*, the Company further defined the administrative principles, administrative goals, duties and procedures of investor relations, and actively provided services to domestic and foreign institutional and individual investors with enthusiasm and efficiency, which has reinforced the mutual understanding between investors and the Company. The Company has improved the communication with capital market focusing on development strategies, value transformation, channel strategies and senior health care, and communicated with thousands of investors and analysts through channels such as general meetings, press conferences of results, road show presentations, reception of researchers, websites and phone calls. The Company has arranged the press conferences of 2011 annual results, 2012 interim results as well as road show presentations, and uploaded the relevant presentation materials on the Company's website for investors' perusal.

In 2013, the Company aims to gain more support and attention from investors by further enhancing the quality of information disclosure, strengthening the communication with investors and improving investors' understanding and recognition of the Company.

II. Duty performance of INEDs

The Board includes six INEDs who are professionals in areas such as actuarial sector, financial affairs, finance and management, etc. The number of INEDs exceeds one third of the number of members of the Board, which conforms to the regulatory requirements and the Articles of Association.

The Company's INEDs have necessary professional knowledge and experience, can perform duties in strict accordance with relevant laws and regulations, regulatory documents and the Articles of Association, and have provided various comments and suggestions in respect of the Company's corporate governance, business operation, risk management and internal control, etc. INEDs play a substantial role through participating in decision making on the Company's major matters with independent and objective stances, and have paid special attention to legitimate rights and interest of minority shareholders during decision making.

(I) INEDs' Attendance of meetings

The details of INEDs' attendance in general meetings and Board meetings during the reporting period are set out in "I. Overview of corporate governance" in this section of this annual report.

(II) Objections from INEDs to relevant issues of the Company

The INEDs raised no objections to relevant issues of the Company during the reporting period.

(III) Confirmation of independence of INEDs

The Company has obtained written confirmation of each INED on his/her independence from the Company. The Company confirms that all INEDs were independent from the Company as of 31 December 2012.

III. The independence of the Company from controlling shareholders in respect of assets, personnel, finance, institutions and businesses

The Company is independent from controlling shareholders in assets, personnel, finance, institutions and businesses, etc., and has a comprehensive business system and the ability to operate independently.

In respect of assets: the Company has independent and intact assets, as well as business systems and assets for its operation. The property rights of the Company's assets are definite, i.e. it has the right of use or ownership of the land or properties relating to business operations, with no capital, assets or other resources occupied by the controlling shareholders.

In respect of personnel: senior management of the Company are not serving any position in the controlling shareholders and other enterprises controlled by the controlling shareholders other than directors and supervisors, or receiving any remuneration from the same. The financial personnel of the Company are not serving any positions in the controlling shareholders and other enterprises controlled by the controlling shareholders.

In respect of finance: relying on its independent finance department and independent financial accounting system, the Company is capable of making independent financial decisions and has normalized and independent financial and accounting system and financial management system over branches thereof, as well as independent financial and accounting books. The Company opened independent bank accounts, and does not share accounts with controlling shareholders and other enterprises controlled by them.

In respect of institutions: the Company has set up sound institutions of internal operation and management, including the general meeting, the Board and the Board of Supervisors, etc., which independently exercise discretions in the operation and management of businesses. There is no mix of institutional settings with the controlling shareholders and other enterprises controlled by them.

In respect of businesses: the businesses of the Company are independent from those of the controlling shareholders and other enterprises controlled by them and the Company has no intra-industry competition with the controlling shareholders or any unfair connected transaction with the controlling shareholders and other enterprises controlled by them.

IV. Appraisal and incentives for senior management

The Nomination and Remuneration Committee of the Board is responsible for organizing and carrying out performance evaluations on the senior management of the Company. Annual performance evaluation plans are determined in accordance with the mid/long-term development strategies and annual operation plans of the Company and implemented upon consideration and adoption by the Board. The annual evaluation results are linked to the annual performance-based bonus of senior management.

The Company has established a position-based and performance-oriented remuneration incentives system with reference to the market, and revised the remuneration system of the senior management according to the regulatory requirements. Currently, the remuneration of the senior management comprises basic remuneration, performance-based bonus and extra bonus.

V. Securities trading of directors or supervisors

The Company has established *the Administrative Measures for the Shares of the Company held by Directors, Supervisors and Senior Management and their Changes of New China Life Insurance Company Ltd.* to regulate the securities transactions of directors, supervisors and senior management of the Company, the standards of which are not lower than that required in Model Code for Securities Transactions. After making specific enquiries with all directors and supervisors, the Company confirmed that each of the directors and supervisors has observed the code of conduct set out in the Model Code for Securities Transactions and *the Administrative Measures for the Shares of the Company held by Directors, Supervisors and Senior Management and their Changes of New China Life Insurance Company Ltd.* during the reporting period.

VI. Remuneration of auditors

See Section 6 “Significant Events – VII. Appointment of accounting firms” of this annual report for remuneration of auditors.

VII. Responsibilities of directors towards financial statements

Directors confirm that they are obliged to prepare financial statements and to truly and fairly report the Company's position. The statement made by the Company's auditor about its responsibility for reporting the accounts is set out in Appendix “2012 Audited Financial Report” of this annual report. After making appropriate enquiries, the directors consider that the Company has enough resources for sustained operation, so the basis of sustained operation shall be adopted to prepare the financial statements.

VIII. Internal control

The Company has committed to establishing and improving internal control to promote sustainable development. The Board is responsible for the establishment, improvement and effective implementation of internal control, as well as evaluating its effectiveness. The Audit Committee of the Board is responsible for supervising the effective implementation and self-assessment of internal control, engagement of and coordination with external auditing institutions. The Board of Supervisors is responsible for overseeing the establishment and implementation of internal control by the Board. The management is responsible for organizing and leading daily operations of the internal control. The Risk Management Department of the Company is responsible for organizing and promoting the internal control of the Company. Each of the functional departments and business units has fully implemented the provisions and requirements of internal control. The Audit Department is responsible for overseeing the internal control.

Based on the internal control requirements such as the Basic Standard for Enterprise Internal Control (Cai Kuai [2008] No.7) and the Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control (Cai Kuai [2010] No.11) published jointly by the Ministry of Finance, CSRC, National Audit Office, CBRC and CIRC, and the Basic Standards for Internal Control of Insurance Companies (Bao Jian Fa [2010] No.69) of the CIRC, the Company has observed the basic principles of combining comprehensiveness and specificity, balancing and coordination, authoritativeness and accommodation, and effective control and reasonable cost, so as to provide reasonable assurance that the Company's operation and management is in compliance with relevant laws and regulations; the Company's assets are properly safeguarded; financial reports and other related information are true and complete; the operation efficiency and effect are improved; and the development strategies are promoted and implemented. The Company has established and implemented a whole set of internal control system which includes the internal control of financial reports and covers five elements (internal environment, risk assessment, control activities, information and communication, and internal monitoring) to guarantee that the Company operates in compliance, soundly and effectively.

In 2012, based on the commencement of C-SOX project in 2011, the Company has fully promoted the implementation of Basic Standards for Enterprise Internal Control, officially published the unified Internal Control Self-assessment Manual, updated the Internal Control Practice Manual, thoroughly rationalized the key operation procedures, fully normalized and optimized the internal control system of the Company according to the Guidelines for Insurance Inspection and Auditing issued by CIRC, thus have established and improved the internal control of the Company persistently.

The Company has formulated a sound control on sales, operations, accounting and finance as well as capital. In respect of sales management, the Company took opportunities in major risk control and management, such as comprehensive rectification of misleading sales and prevention of risks of surrenders, to improve relevant systems and procedures (including the management of sales personnel, training and quality), reinforce the management of promotion information and expansion, and enhance the quality of service. In respect of operation management, the Company established a hierarchical operating service system with professional and sound management. The Company promoted a centralized operation and shared service model and optimized business procedure through innovative projects. Functions of the system and authority management were also improved and the centralized management of operating risks was reinforced. In respect of accounting and finance, the Company focused on the resource input for the relevant functions of internal control in financial reporting, and provided training to its accounting and finance personnel to enhance their knowledge and professional skills, so as to upgrade the functions of its financial management system, and thus further optimize the standardized work procedures of accounting and finance. In respect of the operation and management of capital, the Company established the Investment Management Committee to regularly assess the capital market, timely adjust its investment strategies for its responsible businesses, improve investment portfolio which helps to better match assets with liabilities and effectively control the risk of capital utilization.

The Company established clear, effective internal and external information communication system which imposes strict requirements on the timeliness of information transfer so as to implement the administrative system of information disclosure and improve the administration of inside information and its registration and filing. The Company also formulated the system of accountability for significant errors of information disclosure in annual report, which clearly defines the significant errors in information disclosure and its responsibility. Standards of significant errors and accountability mechanism were established, and strictly complied.

Section 9 – Corporate Governance Report

The Company has established a relatively independent internal audit system with centralized management and regional operations. The audit department is responsible for the organization and implementation of internal audit and has been exercising the internal control function in a uniform manner. Auditing rules were formulated by the Company to continuously improve the standardized guidelines for auditing, optimize the audit management system and achieve comprehensive audit supervision of branches. The audit results were directly reported to the Board, Audit Committee and senior management.

The Company has established administrative measures for accountability including Rules of Penalty for Non-compliances and Rules of Accountability for Liabilities of Cases, specifying the scope, ways, standards and procedures of accountability as well as the information transfer mechanism. Breaches of laws and regulations and administrative provisions of the Company will be handled by relevant departments of the Company according to applicable measures for accountability to prevent any other cases and non-compliances.

Based on the Basic Standard for Enterprise Internal Control (Cai Kuai [2008] No.7) and the Circular on Printing and Distributing the Complementary Guidelines for Enterprises Internal Control (Cai Kuai [2010] No. 11), the Board has conducted self-assessment on the implementation of internal control as of 31 December 2012, the scope of which covers the financial supervision, operational supervision, compliance supervision and risk management functions of headquarter, branches and subsidiaries. The Board is of the view that the establishment and operation of the Company's internal control system were effective and adequate as a whole. The auditor has issued an audit report on this regard.

Section 10

Risk Management



I. Overview of comprehensive risk management of the company

(I) Optimization of the operating mechanism on risk management

We strive to promote the continuous optimization and excellent operation of our risk management system based on our comprehensive risk management framework. Our comprehensive risk management system primarily explains the subjects, persons involved and methods of risk management from the perspectives of types of risks and risk management elements, which in turn formulates a comprehensive risk management system. Types of risk could be classified into market risk, credit risk, insurance risk, liquidity risk, operational risk, reputation risk and strategy risk, etc. Risk management elements includes risk organizational structure and personnel, risk strategies and policies, risk communication and transparency, procedures, tools and IT system as well as risk culture.

Our risk management procedures primarily include risk identification, risk assessment, risk supervision, risk response and reporting. We regularly organize major departments to conduct risk assessment through special meetings on risk assessment, and thereby to comprehensively identify and evaluate the various risks that we are exposed to. The Company has preliminarily established a regular risk supervision mechanism to trace and analyze key risk indicators covering various risks, the results of which are the basis for us to discuss with departments and formulate strategies to cope with risks.

Our risk management system is established with three lines of defense on risk management: all operation levels of the Company serve as the first line of defense on risk management, which formulate and optimize rules and systems such as the risk management control methods and standardized guidelines on operation procedures for various business fields; Legal Compliance Department and Risk Management Department, acting as the second line of defense, determine the key procedures and standards for risk control via the formulation of basic systems in respect of risk management and legal compliance; Audit and Supervision Department serves as the third line of defense, and puts its role on audit and supervision on risk management into play through continuous enhancement on the standardization and regulations of the internal audit of the Company.

(II) Risk management entities and the situation of performance

The risk management organizational structure of the Company is the ultimate responsibility of the Board and directly led by senior management, which covers all business units on the reliance of risk management entities and the foundation of close co-operation among relevant functional departments. Audit Committee and Risk Management Committee are established under our Board, which are responsible to monitor risk management activities of the Company. The senior management and relevant risk management departments of the Company, which mainly refer to Risk Management Department, Legal Compliance Department, Audit Department and Disciplines Inspection and Supervision Office, are liable to specific risk management work.

Section 10 – Risk Management

In 2012, Risk Management Committee under the Board of the Company held three meetings in total, and reviewed the comprehensive risk management report of the Company for 2011, compliance working report for 2011 and proposal on the optimization of emergency response system for contingencies, respectively. It also heard the analysis report on surrenders, maturities and complaints for 2012. Audit Committee under the Board of the Company held eight meetings in total, which mainly covers the regular review of financial reports of the Company, continuous concern on the internal control of the Company, internal audit, monitoring of related transactions of the Company as well as the facilitation of the selection and appointment of the auditor for the year, etc.

Relevant risk management departments of the Company conduct daily risk management work based on principles of risk prevention and value enhancement. They are engaged in optimization of risk management system and structure, establishment of risk supervision mechanism, rationalization and optimization of key internal control procedures, annual internal control assessment as well as anti-money laundering work. These departments fully participate in the response to and handling of material emergencies of the Company, effectively conduct comprehensive control on misleading sales, optimize audit system, enhance project quality and implement audit reform, while provide thorough risk and compliance training, and nurture corporate risk culture and compliance culture.

II. General risk strategies of the company

The Company follows the risk preference of balance and stability, and handles the relationship between risk and gain under rational and prudential principles. As an insurance company, assuming risks is the core feature of our business operation, and we strive to maintain the balance between risks and returns. The Company would, via economic and capital management system as well as risk pricing mechanism, induce continuous optimization of business structure while foster the matching of gains and risks assumed.

In terms of capital adequacy ratio, as of the end of 2012, the solvency of the Company satisfied the requirements of type II regulatory solvency margin ratio. According to the regulatory requirements, the precondition to perform our operations and businesses normally is to fulfill the requirement that the solvency adequacy ratio would reach over 150%. As such, in respect of solvency, the Company maintains prudential risk preference, and its risk limit shall make reference to regulatory requirements, while satisfying its own long term strategic and development needs.

In terms of profit and value, in 2012, the growth of first year premiums from individual insurance agent channel showed a slowdown and the first year premiums from bancassurance channel also recorded a significant decline, coupling with the prolonged downturn and turmoil of the capital market, which have imposed a serious impact on investment gains. In such circumstances, the risk preference of the Company shall be prudential.

III. Various risk exposure and response strategies of the Company

(I) Market risk

The Company invests in equity assets such as stocks and funds as well as assets that are classified as available-for-sale and tradable assets, which are exposed to market risk. Equity assets that are of greatest influence are the key subjects under monitoring. The Company places continuous concern on the position, value at risk (Var) and gains of its equity assets, and makes regular stress tests on the impact on its overall asset gains and solvency adequacy ratio, based on which management and adjustment are conducted. For bond investments, the Company regards value management as the core component while taking into account of the liquidity of its assets, and gradually adjusts its bond portfolio by adding new assets, so as to fit the risk and gain characteristics of the overall portfolio into the value and risk management requirements of the Company.

The Company mainly adopts the following strategies to manage market risk:

1. To make stable investment while focus on matching gains with costs of liabilities for assets deployment to avoid excessive assumption of risk;
2. To place focus on macro-economic studies, actively anticipate market trend and initiate the management of position of equity assets, thus to maintain the control on risk exposure; to uphold value investment, make active studies and select assets with appreciation potential, and pursue for middle-to-long term investment gains;
3. To enhance risk forecast and assessment, and be prepared for emergencies.

Section 10 – Risk Management

(II) Credit risk

1. Credit risk on counterparties

Most of the assets invested by the Company are fixed income assets such as bonds and deposits. In daily risk supervision, the Company utilizes concentration of credit rating as a monitoring indicator, and controls the proportion of bonds with low credit rating to ensure that the overall investment credit risk exposure is under control. The overall credit conditions of the Company's fixed income investments are excellent, and the possibility of credit default is relatively minimal.

Distribution of credit rating of fixed income assets

RMB in millions

Type of assets	Amount	Proportion
Deposits	172,367	42.50%
Of which: Stated-owned, joint stock and listed banks (including foreign invested listed banks)	164,039	95.17%
Unlisted city commercial banks	8,328	4.83%
Bonds	233,240	57.50%
Of which: treasury bonds	38,557	16.53%
Policy financial bonds	30,858	13.23%
AAA	147,475	63.23%
Below AAA	16,350	7.01%
Total of fixed income assets	405,607	100.00%

The Company mainly adopts the following strategies to handle credit risk on counterparties:

- (1) To implement strict internal rating system and make stringent check on the types of investment;
- (2) To regulate the accounting classification on the types of investment at investment guideline level, and clearly regulate the classification of held-to-maturity investment category, so as to prevent assets with high risk profile from being classified into the held-to-maturity category for concealing risk;
- (3) To monitor the market value of bonds, analyze and assess the possibility of credit default events so as to avoid significant losses.

2. Credit risk on reinsurance

In 2012, there were a total of 12 reinsurance companies in co-operation with the Company, and all of their credit ratings were above A as of the end of 2012. Taking Standard & Poor's rating as an example, one company had the AA+ rating, one company had the AA rating, three companies had the AA- rating and five companies had the A+ rating. In addition, China Life Reinsurance Company and China Reinsurance (Group) Company Ltd. only had the AM Best rating, and both of them were A. The credit distribution of the reinsurance business of the Company is excellent, and there exists no material credit risk.

For the prevention of credit risk on reinsurance, pursuant to its risk management strategies and on the basis of complying with regulatory requirements and its own internal requirements, the Company selects reinsurance companies in a prudential manner. The Administrative Methods on Reinsurance of the Company has clear requirements on the selection principles of reinsurer, while setting indicators on the proportion of credit rating and concentration of reinsurance business. The Company monitors the changes in credit rating of all reinsurance companies to adopt reasonable measures in a timely manner.

(III) Insurance risk

Insurance risk usually includes the death/serious illness occurrence rate and surrender rate of long-term insurance as well as the compensation rate of short-term insurance, and the Company would make use of relevant assumptions in its measurement. The following conclusions are made based on the analysis of the experience in 2012:

1. In 2012, the actual experience and analysis results of death rate has achieved a considerable improvement as compared with that of 2011, yet no substantive changes have incurred and the experience is relatively stable, which is in line with the trend in the industry. The main reason is the enhancement on living standards and the improvement in medical technology, which in turn reduce the fatality rate of many illnesses;
2. In 2012, the actual experience and analysis results of serious illness occurrence rate was in consistent with that of 2011, yet no substantive changes have incurred. Generally, the change in serious illness occurrence rate usually relates to both internal and external factors. Internal factors usually relate to products and the procedures of underwriting approval and claims settlement, while external factors usually relate to the change in living style and the enhancement on medical diagnosis technologies;
3. The actual experience analysis results of surrender rate in 2012 was in consistent with that of 2011, yet no substantive changes have incurred. Numerous factors affect the surrender rate, of which, internal factors mainly include the attractiveness and payment method of a product as well as whether misleading exists in the process of sales, while external factors mainly include macro-economic environment, policies, peer competition and understanding of insurance by customers.

The Company mainly controls insurance risk via underwriting strategies and reinsurance agreements:

1. For underwriting strategies, underwriting is made to each underwriting individual based on appropriate conditions, and it is ensured that its individual risk is within the scope which the Company could assume.
2. For reinsurance, the method includes quota share basis, surplus basis and catastrophe excess of loss. Meanwhile, reinsurance contract has basically covered all products with risk liabilities, which has effectively transferred insurance risk.

Section 10 – Risk Management

(IV) Liquidity risk

The Company is in the stage of rapid growth, and its premium income significantly exceeds compensation expenses and surrender expenses. Meanwhile, in consideration of asset portfolio management, many assets with better liquidity are deployed. In addition, the Company maintains a relatively strong financing capability in the repurchase market. The liquidity of the Company is excellent in general with sufficient short-term liquidity.

The Company mainly adopts the following measures to manage liquidity risk:

1. In product design stage, on the condition of guaranteeing the legal interests of the insured and sufficient market competitiveness, the adverse impact imposed on the Company by the surrender of the insured shall be minimized;
2. In product sales management stage, misleading in the course of sales shall be put under control, while daily supervision on indicators related to surrender rate shall be performed, and unusual changes shall be handled in a timely manner;
3. To handle provisional requirements on material payment, settlement provision system is specifically established for payment in case of emergencies;
4. To conduct regular stress tests, enhance the estimate on future cash flow, pay attention to and evaluate current assets and current ratio, and formulate solutions in advance.

(V) Operational risk

Operational risk of the Company refers to the risks arising out of direct or indirect losses resulted from imperfect internal operation procedures, personnel, systems or external incidents, including legal and regulatory compliance risks. According to the assessment results, the major operational risk faced by the Company is the risk on misleading sales, concentrated surrender, material maturities as well as information system.

1. Risk on misleading sales

Risk on misleading sales represents various misleading acts towards customers in the course of sales, which induces customer complaints, negative media exposure, regulatory penalties and collective complaint events, and thus incurs the risk of economic loss, harm on reputation or other adverse impact on the Company. To effectively handle risk on misleading sales, the Company, based on the requirements of strategic transformation, optimizes its product structure and implements value management, while establishes an effective rectification mechanism on misleading sales in terms of product design, personnel training, sales acts, promotion materials, quality management as well as supervision and examination, so as to reduce the occurrence of misleading sales and their impacts.

- (1) To implement value management structure, advocate the return to the essence of insurance, promote the research and development of high-value and high-protection products, and adjust product structure, therefore to reduce the incentives on the occurrence of misleading risk from the beginning;
- (2) To determine the development path of sales personnel, establish training files management system, regulate business expansion activities, enhance compliance and risk awareness, therefore to regulate sales acts from the foundation;

- (3) To formulate administrative methods on product information disclosure, make uniform regulation on the design, amendment and printing of promotion materials, therefore to regulate sales acts from medium;
- (4) To formulate administrative methods and implementation rules on quality, clarify the rights and obligations of sales personnel, conduct regular assessment on business quality, enhance the accountability and handling of breach acts, therefore to enhance management and control of quality;
- (5) To establish risk supervision and alerting mechanisms, conduct self-examination and self-rectification as well as on-site examination, formulate accountability methods on irregularities of misleading sales, establish assessment system of the rectification of misleading sales, of which assessment results are linked with performance review, therefore to put the rectification of misleading sales into practice.

2. Risk on concentrated surrender and material maturities

Risk on concentrated surrender and material maturities refers to the occurrence of collective events such as concentrated surrender and material maturities, which incurs the risk of economic loss, harm on reputation or other adverse impacts on the Company. To effectively handle the risk on concentrated surrender and material maturities, the Company mainly adopts the following measures:

- (1) To establish three-tier alerting system at headquarters, branches and sub-branches, regularly publish business operation analysis and supervision reports, optimize emergency plan for contingencies, organize drills for handling emergencies, thus to enhance work procedures for handling emergencies;
- (2) To provide training and promotion and utilize diversified service tools, thus to increase customers' understanding and recognition of insurance;
- (3) To optimize business administration system, advance closed loop management on complaints, establish joint feedback mechanism on complaint response and quality management, thus to enhance quality of business;
- (4) To establish service quality system by taking actions such as service commitment programs and researches on industry satisfaction, thus to increase customers' satisfaction.

3. Information system risk

Information system risk refers to risks such as the failure of information system to provide effective support to the strategies and business development needs of the Company due to the insufficiency or unreasonable planning; failure to effective control risks due to the information system development that does not comply with the risk management requirements as well as the improper settings of authorization and authority; loss of information technicians or absence of key positions as well as the insufficiencies of system operation and maintenance as well as security measures, which might result in the release or damage of information and improper operation of system, and thus impose adverse impact on the operational efficiency and results of the Company. To effectively handle information system risk, the Company mainly adopts the following measures:

- (1) To formulate information technology strategic plans, and determine the overall development targets of information technology and implementation path;
- (2) To implement new core business system development project, and establish project management office which is fully responsible to the establishment of new system so as to satisfy business development needs;

Section 10 – Risk Management

- (3) To optimize the construction of data center and disaster recovery center, conduct drills for handling emergencies and safeguard data security in the system;
- (4) To establish information system monitory platform, conduct real-time supervision and change of control to all systems of the Company, which greatly increase the time efficiency for handling, so as to safeguard the stable operation of information system;
- (5) To replenish and optimize information technology administration systems, strengthen the administration, control and examination on system change, authorization settings and accounts allocation, and ensure the stability and reliability of system change;
- (6) To determine the approval procedures for data access, conduct assessment on security rating, terminal management, update on anti-virus software, and safeguard data security and reliability in the system.

(VI) Reputation risk

2012 witnessed the first year of listing of A shares and H shares of the Company, and the public opinion remained stable throughout year. Affected by internal and external factors, the reputation of the Company would probably face more challenges ahead. From the perspective of the Company, along with its continuous growth in scale, its influence would gradually edge up and attract increasing attention. From the perspective of external environment, with the continuous extension of the marketization of commercial media as well as the rapid development of new media such as Micro-blog, Micro-message and mobile Internet, such changes would greatly increase the possibility of the occurrence of reputation risk on the Company.

The Company mainly adopts the following measures to handle reputation risk:

1. On the premises of fulfilling information disclosure requirements, to increase information transparency in order to reduce the possibility of misinterpretation of the Company's information by media;
2. To establish and optimize communication channels with media, accept supervision from media with an open attitude, and strive for factual and objective reporting on the Company by media;
3. To optimize the reputation administration system of the Company in order to enhance risk resistance capability. In 2012, the Company launched a new corporate culture system, and both office and field teams within the Company were promoted with the value of integrity, responsibility, fairness, innovation and activeness, thus gradually eliminating adverse factors which lead to reputation risk;
4. To actively contribute to social welfare and charity, and step up to perform corporate social responsibility.

(VII) Strategy risk

The current strategic planning of the Company is based on the judgment on market environment, current status of the Company and future development trends, and the future strategic objectives and path would be determined upon thorough communication among various levels in headquarters and branches. There may exist strategy risk caused by deviation from judgment, ineffective implementation and uncertainties of external environment. For the management of strategy risk, the Company mainly adopts the following measures currently:

1. To establish and optimize the internal and external information communication mechanism, secure a stable information and data source, and regularly update internal and external information database;
2. To formulate internal operation assessment system and external macro-environment analysis system, and strengthen the understanding and studies on internal and external environment;
3. To enhance the communication on strategic objectives among various levels in the Company, and formulate the mechanism on co-ordination, feedback and adjustment;
4. To undertake in establishing a strategy alerting system, trace the implementation of strategies, and adjust strategic objectives on a timely basis in response to the changes in internal and external environment as well as the completion of institutional strategies.

Confronting new risks and opportunities which may arise, the Company would pay close attention to following aspects in the future:

1. To enhance efforts on structural adjustment and product transformation, and adopt measures to raise value from various aspects such as channel establishment, quality management and fee control;
2. To reinforce the construction of business channels in terms of team development, customer operation, product matchup and strategy formulation, solidify fundamental management and place focus on key performance indicators, so as to enhance business platform;
3. To enhance fee control and facilitate the implementation of business-budget matchup system;
4. To place concern on the development of new policies on insurance such as serious illness medical insurance, individual deferred taxation pension insurance and new village co-operation medical insurance, and make corresponding preparation in respect of system development, link-up products and sales mode, etc.

Section 11

Report of the Board



I. Main businesses and results analysis

As approved by the regulatory authorities and the company registration authorities, the business scope of the company is: Life insurance in RMB and foreign currencies (including various life insurance, health insurance, accident and casualty insurance); acting as an agent for domestic and foreign insurance institutions for insurance, verification and claim settlement; insurance consulting; and engaging in capital operations in accordance with relevant regulations. There has not been any change of major business scope of the Company during the reporting period.

For the analysis of the Company's business results during the reporting period, please refer to Section 5 "Management Discussion and Analysis" of this annual report.

II. Principal customers

During the reporting period, the premium income contributed by any single customer was less than 30% of the Company's annual premium income. The total premium income from the top five customers was also less than 30% of the Company's annual premium income.

III. Dividend distribution

(I) Establishment and Implementation of Dividend Distribution Policies

Dividend distribution policies

According to the Articles of Association implemented during the reporting period, the Company may distribute dividend in the form of cash or shares. The Company's profit distribution plan shall be decided by the Board with reference to the Company's solvency adequacy ratio, business development and business performance of the time. On the premise of complying with laws and regulations and supervisory regulations, the profit distributed in the form of cash each year shall be more than 10% of the distributable profit achieved within the year. The specific profit distribution plan shall be implemented after the approval by the general meeting of the time. The Board of the Company should complete profit distribution within two months after the general meeting.

The First Extraordinary General Meeting of 2013 of the Company held on 1 February 2013 considered and approved the Proposal in relation to the Amendments to the Articles of Association, and amended the article on dividend distribution accordingly. For details of the amendments, please refer to the Circular of the First Extraordinary General Meeting of 2013 published on 17 December 2012 and *the Announcement on the Voting Results of the First Extraordinary General Meeting of 2013 and Election of Employee Representative Supervisors for the Fifth Session of the Board of Supervisors* published on 1 February 2013 by the Company. The amended article on dividend distribution further clarifies the standards and percentage of dividend distribution, refines the related decision-making procedures, emphasizes the roles of INEDs and pays more attention to the communication with minority shareholders. The amended article also stipulates in detail the conditions and procedures on the adjustments or changes of dividend distribution policies and thus protects the legitimate rights of minority shareholders.

Dividend distribution in the recent three years

Year of dividend distribution	Amount of dividend per share (RMB) (including tax)	Total amount of cash dividend (RMB million) (including tax)	Net profit attributable to shareholders of the Company in the consolidated statements for the year of dividend distribution (RMB million)	Percentage of the total amount of cash dividend in net profit attributable to shareholders of the Company in the consolidated statements
2012	0.32056	1000	2,933	34.09%
2011	0.09	281	2,799	10.04%
2010	–	–	2,249	–

1. *Special dividend of 2012*

In 2012, the Company distributed a special dividend of RMB0.32056 per share (before tax), which amounted to approximately RMB1 billion. Please refer to the Announcement on the Declaration of Special Dividend published by the Company on 26 July 2012 for the details of the special dividend.

2. *Annual dividend of 2011*

The Company approved *the Proposal on the 2011 Profit Distribution Plan* at the 44th meeting of the fourth session of the Board on 28 March 2012, and agreed to submit such proposal to the general meeting for review. The INEDs also provided independent opinions approving such proposal. The Company approved the aforesaid proposal at the Annual General Meeting of 2011 on 20 June 2012. According to the aforesaid Proposal, the Company distributed a cash dividend of RMB0.09 per share (including tax), amounting to RMB280,759,194 in aggregate, to all the shareholders based on the Company's total share capital of 3,119,546,600 shares in issue of the Company out of 10% of the net profit achieved within the year as in the Company's financial report of 2011 under the PRC Generally Accepted Accounting Principles. The Company published the *Announcement on the Dividend Distribution for the Year 2011* on 27 June 2012, declaring the implementation of the aforesaid 2011 dividend distribution plan. The 2011 dividend distribution plan of the Company was in line with the provisions of the Articles of Association, as well as the requirements of resolutions of the general meeting. The dividend standard and percentage were definite, decision-making procedure and mechanism were complete, independent directors fully performed their duties, and minority shareholders fully expressed their opinions and requests, thus their legitimate rights were fully protected.

3. *Annual dividend of 2010*

As the Company failed to meet the minimum solvency adequacy ratio of 100% required by the CIRC in 2010, the distribution of dividend of the Company was under restriction, thus no dividend was distributed.

Section 11 – Report of the Board

(II) The plans of dividend distribution and increase of shares with the use of capital reserve for the year 2012

The net profit of the Company for the year 2012 in the financial statements is RMB29,53.06 million. Since there is no uncovered deficit in the previous years, the distributable profit of the Company achieved within the year 2012 in the financial statements is RMB29,53.06 million. In accordance with relevant laws, regulations and Articles of Association, the Company with drawn the statutory reserve of RMB295.306 million and the general risk reserve of RMB295.306 million respectively, each of which represents 10% of the distributable profit of the Company achieved within the year 2012 in the financial statements.

In 2012, the Company has distributed a special dividend totalling RMB1.0 billion, representing 33.86% of the distributable profit of the Company achieved within the year 2012 in the financial statement, which meets the minimum requirement of cash distribution as stipulated in the Articles of Association of the Company. The portion of the above special dividend attributable to the Then Existing Shareholders has been deposited into special bank accounts designated by the Company on behalf of the Then Existing Shareholders. The deposit period will be expired after 36 months from the listing date of the Company. Apart from the Then Existing Shareholders, the Company has dispatched the remaining portion of the special dividend to its other A Shareholders and H Shareholders on 24 August 2012 and 28 September 2012, respectively. For details of the distribution, please refer to *the Announcement on the Declaration of Special Dividend* published by the Company on 26 July 2012. In light of this, the Company proposes not to distribute any other portion of the distributable profit after tax in 2012 except for the above special dividend.

The company has no plan of increasing shares with the use of capital reserve for the year 2012.

IV. Changes in accounting policies and accounting estimates

Changes in accounting estimates of the Company for 2012 mainly included changes in actuarial assumptions, and there was no other change in major accounting estimates. The Company determined actuarial assumptions, including discount rates, mortality rates, morbidity rates, expense assumptions, lapse rates, and policy dividend assumptions, based on information available as of the balance sheet date, to measure insurance contracts liabilities as of the balance sheet date.

The Company re-assessed the above assumptions on 31 December 2012 according to the information then available. Movements in liabilities for various insurance contracts arising from changes in the above assumptions were included in statement of comprehensive income for 2012. The forementioned change in assumptions resulted in an increase of RMB1,098 million in long term insurance contracts liabilities and a decrease of RMB1,098 million in total in profit before income tax for 2012.

V. Use of proceeds

During the reporting period, the Company's proceeds raised were all used for replenishing the capital base to support sustainable business growth, consistent with the commitments in the IPO Prospectus.

VI. Reserves

Please see Note 22 to the Consolidated Financial Statements for details of reserves (including distributable reserves) of the Company during the reporting period.

VII. Charitable donations and other donations

During the reporting period, the charitable donations and other donations of the Company approximated to RMB6,020,000. For details please refer to Section 12 “Corporate Social Responsibility” of this annual report.

VIII. Property, plant and equipment

Please see Note 6 to the Consolidated Financial Statements for details of property, plant and equipment of the Company during the reporting period.

IX. Share capital

Please see Section 7 “Changes in Share Capital and Shareholders’ Profile” of this annual report for details of changes in share capital.

X. Issue of debts

Please see Section 6 “Significant Events – IX. Other significant events” of this annual report for details of issue of debts of the Company.

XI. Withholding and payment of income tax for individual foreign shareholders and non-resident enterprise shareholders

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發<非居民享受稅收協定待遇管理辦法(試行)>的通知》(國稅發[2009]124號)), the Notice of the State Administration of Taxation on the Issues Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348)(《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號))and other relevant laws and regulations, the Company shall, as a withholding agent, withhold and pay dividend income tax for the H shareholders in respect of the 2012 final dividend to be distributed to them, including individual income tax for individual foreign shareholders and enterprise tax for non-resident enterprise shareholders. For details regarding withholding and payment of dividend income tax for the H shareholders and materials that H shareholders need for tax deduction, please refer to *Further Announcement in Relation to the Distribution of 2011 Final Dividend* published by the Company on 27 June 2012.

XII. Bank loans

During the reporting period, the Company had no other bank loans other than the subordinated term debts in issue and the assets sold under agreements to repurchase involved in the investment business of the Company.

XIII. Post-balance sheet events

Please see Note 38 to the Consolidated Financial Statements for post-balance sheet events.

XIV. Connected transactions

Please see Section 6 “Significant Events – IV. Connected transactions” of this annual report for details of connected transactions of the Company.

Section 11 – Report of the Board

XV. Management contracts

During the reporting period, the Company did not enter into any management contract in relation to its entire or primary businesses.

XVI. Purchase, sale or redemption of the listed securities of the company

During the reporting period, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company.

XVII. Pre-emptive right

During the reporting period, pursuant to PRC laws and regulations and the Articles of Association, shareholders of the Company had no pre-emptive right; and the Company did not have any share option plan.

XVIII. Biographies of directors, supervisors and senior management

For the biographical details of directors, supervisors and senior management, please refer to Section 8 “Information of Directors, Supervisors, Senior Management and Employees” of this annual report.

XIX. Interests of directors on competitive businesses

The Company’s non-executive director Mr. WANG Chengran now also serves as non-executive director of China Pacific Insurance (Group) Co., Ltd. which is a comprehensive insurance group in China and provides life insurance, property insurance, and pension products and services for individual and institutional customers nationwide, The subsidiary of China Pacific Insurance (Group) Co., Ltd., China Pacific Life Insurance Co., Ltd. is one of the Company’s major competitors in China’s life insurance market. Currently, Mr. Wang also serves as a non-executive director of Huatai Insurance Group Co., Ltd., which, as a comprehensive insurance group, provides property insurance and life insurance products and services in China. Life insurance business of Huatai Insurance Group Co., Ltd. is competitive with that of the Company. Strictly complying with relevant PRC laws and regulations and the Articles of Association in performing his duties as a director, Mr. Wang attends to his fiduciary duties and manages to avoid actual and potential conflicts in interest and post.

The Company’s non-executive director CHEN Johnny is currently serving as the CEO of general insurance, Asia Pacific of Zurich Insurance Company Ltd, executive director of Zurich Insurance (Taiwan) Ltd and executive director of Zurich Australian Insurance Ltd. and Zurich Financial Services Australia Ltd. The Company’s non-executive director CHEONG Chee Meng is currently serving as the CEO of Zurich Insurance Malaysia Berhad (used name: Malaysian Assurance Alliance Berhad). Zurich Insurance (Taiwan) Ltd. is a subsidiary of Zurich Insurance; Zurich Australian Insurance Ltd. is a wholly owned subsidiary of Zurich Financial Services Australia Ltd, which, together with Zurich Insurance Malaysia Berhad, are wholly owned subsidiaries of Zurich Insurance, while Zurich Insurance is a wholly owned subsidiary of Zurich Insurance Group Ltd, a Swiss corporation listed on the SIX Swiss Exchange). Zurich Insurance Group Ltd and its subsidiaries (collectively the “Zurich Group”) are an insurance-based financial services provider with a global network. The Zurich Group also engages in distribution of non-insurance products, including mutual fund, mortgage and other financial services and products, from selected third-party providers. Zurich Group mainly operates through subsidiaries, branches and representative offices in Europe, Latin America and Asia Pacific. Except for holding equity of the Company, Zurich Group conducts no life insurance business in China, therefore the Company does not consider Mr. CHEN Johnny and Mr. CHEONG Chee Meng as having any competing interest with the Company by virtue of their posts in Zurich Group.

XX. Service contracts and remunerations of directors and supervisors

During the reporting period, no director or supervisor of the Company entered into with the Company or its subsidiaries any service contract which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

For remunerations of the directors and supervisors, please refer to Section 8 “Information of Directors, Supervisors, Senior management and Employees” of this annual report.

XXI. Interests of directors and supervisors in the contracts of significance

During the reporting period, the directors and supervisors had no material interest in the contracts of significance entered into by the Company and its subsidiaries with any third parties.

XXII. Rights of directors and supervisors to acquire shares

During the reporting period, the Company did not grant its directors, supervisors or their respective spouses or children aged under 18 the right to purchase shares or bonds of the Company and its subsidiaries.

XXIII. Statement of the board on internal control responsibility

According to the self-assessment of the effectiveness of internal control performed as of 31 December 2012 by the Board of the Company in compliance with the Basic Standard for Enterprise Internal Control (Cai Kuai [2008] No. 7) and the Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control (Cai Kuai [2010] No. 11), the establishment and operation of internal control system were effective as a whole.

XXIV. Sufficient public float

According to the data obtained from public resources by the Company and according to the knowledge of the directors as of the latest practicable date before the publication of this annual report, no less than 25% of the issued share capital and no less than 15% of the H shares of the Company have been held by the public, in compliance with the minimum requirement of the public float in accordance with the Hong Kong Listing Rules.

By order of the Board

KANG Dian

Chairman

Cultural System of New China Life





Section 12

Corporate Social Responsibility

I. Communication system of strategy, culture and corporate social responsibility of the Company

(I) Strategy and culture of the Company

The Company adheres to the values of “honesty, responsibility, fairness, innovation and activeness” and the operational philosophy of “creating value, stability and continuity” and insists on the working principles of “briefness, objectiveness, cooperation and responsibility”, for the mission to provide the clients with the guarantee of happy life, to offer stable and sustainable rewards to shareholders, to create opportunities of self-achievement for the staff and to make a contribution to the harmonious and peaceful society, abiding by the development strategies of “customer-centric, sustained and stable growth of existing business, continued reform and innovation, insisting on value and returning to the essence of insurance, and capturing opportunities arising from urbanization and an aging population”, and spares no effort to forge the most excellent financial service group in China devoting to all-round life insurance services.

(II) Communication system of corporate social responsibility

2012 witnesses the first year of listing of both A shares and H shares of the Company. During the year, the Company had outlined a clearer profile of its mission and responsibility. While the Company is dedicated to create value for our shareholders, it also puts more efforts on better performance of corporate social responsibility. The Company went on learning in-depth from the experience and practices in the management of corporate social responsibility from the international and domestic pioneer counterparts, and for the first time prepared Administration Plan on Corporate Social Responsibility (CSR) of NCI, and formulated and introduced Administration Standards on Corporate Social Responsibility of NCI. The Company also actively communicated with all stakeholders (stakeholders of the Company include clients, shareholders, staff, government and communities, regulators and partners, environments and so on) to understand their needs and establish a set of complete corporate social responsibility structure via combining its own business and operation characteristics and thorough analysis.



II. Providing the guarantee of happy life for customers

In 2012, the Company has thoroughly promoted the transformation of “centering on customers” and continued to refine and foster its “customer-centric” operation initiatives, thereby providing customers with all-round insurance and wealth management services that cover the whole life cycle to make their life better.

The Company insists on returning to the essence of insurance, deeply understands customers’ varying insurance demands in different stages of life. Through adjusting the product structure and strengthening the protection function of insurance, the Company has developed a product structure with distinctive features, comprehensive functions and different varieties. Popular products sold in individual insurance agent channels such as “Auspicious Supremacy endowment insurance (participating insurance)” and “Honorable Life annuity insurance (participating insurance)” can satisfy customers’ demand for insurance and pension. Apart from the reputable “Hongshuangxi” series of products, we also vigorously promote our high-end insurance products such as “Health & Care Concern-free cancer protection plan” through the bancassurance channel; products such as “Employee Welfare series of group medical insurance” provide a comprehensive medical protection for employees of institutions, corporations and social organizations, and their spouses and children; meanwhile, we actively explore brand new ways of insurance marketing, and utilized the Company’s official website as a platform to sell various online exclusive products, among which the “Baby-at-ease children critical illnesses protection plan” does not only provide a comprehensive protection for kid’s health and growth, but also achieves breakthrough and innovation in the children’s insurance products.

In 2012, the Company released and implemented a series of documents such as *Notice on Further Propelling Comprehensive Rectification of Misleading Sales*, *Notice on Printing and Distributing “Guidelines on the Sales Standards of Individual Insurance Business”* and *Notice on Works in Relation to Comprehensive Rectification of Misleading Sales of Individual Life Insurance*, and further strengthened the systematic trainings for sales personnel to strive to improve their sincerity, sense of responsibility and compliance consciousness. Meanwhile, the Company insisted on efficient, standardized, open and transparent management of the marketing process, and the management process and performance targets were effectively aligned.

The Company has been continuously improving the construction of service platforms to offer convenient and caring service experiences for its customers: with nearly a thousand standardized customer service centers spreading all over China and coverage of all institutional networks of the Company, provided customers with convenient one-stop services; the 95567 uniform nationwide call center provides customers in China with 24-hour, year-round services of product enquiries, insurance policy information enquiries, alterations of policy holders’ information and feedback interview; the official website of the Company (www.newchinalife.com) provides global customers with online services; electronic service means such as SMS notification, greeting service, “New China Palm” (掌上新華) customer service experience tools are continuously improved; the Company introduced value-added services like traditional Chinese medical health care, 12-hour family doctor, roadside emergency assistance and customer service festival, to make our customer feel that they are truly cared and concerned. Furthermore, the Company also places particular emphasis on innovation and breakthrough, and 50 new services were introduced in the year, such as automatic telephone identification of VIP customers and star operators, which have in turn comprehensively improved service quality and raised customer service satisfaction.

As of 31 December 2012, the Company’s had paid billions of the accumulated benefits for the year, and the number of completed claim settlement is 772,000 representing a continuous remarkable increase in the satisfaction of claim settlement. Among them, the quick response to the claims for “7.21 heavy rainstorm in Beijing” had won the recognition for the Company from all sectors of the society. In order to optimize our claim service, the Company conducts star-rated certification review on 55 out of 190 star-rated certified claim settlement branches of the Company, and the adequacy rate was 91.4%. The Company constantly improves the claims service quality according to the requirements of customers, while continuously enhances claims service level and is dedicated to provide faster, simpler and more caring claims services. The Company promises: the average time limit for claim settlement is 1.95 days; claims of less than RMB2,000 shall be resolved within one hour (it has been adjusted since 1 January 2013 that claims of less than RMB3,000 shall be resolved within one hour); complicated and significant claims shall be settled properly within 30 days. Meanwhile, in order to provide our customers with more efficient and swift claim settlement service, The Company also launched a series of innovative measures such as one-number insurance policy, barrier-free transfer of

Section 12 – Corporate Social Responsibility

insurance policy, updating information without filling forms, guarantee for loss of policy when updating information, 3G mobile claim settlement, globalized prepayment for claims, personal risk service management solution, star-rated standard management mode for claim settlement and caring claim settlement charity activities.

III. Offering stable and sustainable rewards to shareholders

The Company insists on the operational philosophy of “creating value, stability and continuity” and always regards the value as an important indicator in the operation objectives and performance assessment of the Company. The Company does not only continuously enhance its business value and business quality as well as optimizes its management platform and business model, but also focuses on the balanced development in value and scale. Since its foundation in 1996, the Company has realized rapid growth in premiums and developed strong and powerful competitive advantages, while trying hard to improve its core competitiveness. By establishing a scientific and effective corporate governance structure, reinforcing compliance operations, improving risk control system, enhancing assets management business and strictly regulating its information disclosure system, the Company has brought stable investment returns to its shareholders, and realized the sustainable development of value as well as built a first-class public company.

IV. Creating opportunities for staff to realize their value

The Company adheres to the values of “honesty, responsibility, fairness, innovation and activeness” and the recruitment principle of “only hiring those with both ability and integrity”, placing concern on every step of its staff’s development. In 2012, the Company realized the high efficiency operation of the new position structure, occupational development structure and remuneration structure. Leveraging on impartial and fair, scientific and reasonable, highly efficient and standardized, innovative and results incentive human resources management and employment culture, the Company was honored as one of the “Best Employers in China of the Year 2012” by the Corporate Social Responsibility and Employer Brand Communication and Research Centre of Peking University and Zhaopin.com.

For talent selection, the Company insists on the democracy, openness and superior-preference based principles to recruit employees from extensive channels and in various ways. Through the thorough implementation of Yunfan campus plan, the Company could replenish quality employees with potential; optimize the internal selection procedures, and thus forms a fair, regulated and effective selection and employment mechanism; continuously foster attachment and exchange program to revitalize management team. The Company also establishes the reserve team structure to safeguard the continuous supply of talents.

For performance management, the Company structures and improves the strategy-oriented comprehensive performance management system, characterized by “overall coverage, control over the whole process and participation of all employees”. Through organizing performance management and individual performance management with coverage of all entities and employees, the Company promotes its strategic orientation, places concern on strategic focus, implements strategic tasks and fosters the achievement of performance objectives. The Company also builds and continuously deepens the assessment and motivation structure of “facilitating balanced development in value and scale with value as its core”. With the target of “value enhancement and balanced development”, the Company also realizes an effective promotion of its value targets, and thus facilitates the achievement of its strategic objectives.

For employee training, the Company jointly and steadily launches the “5+X” training structure (motivation, aggressiveness, core power, E power, group learning + various professional training) in its headquarter and branches, and implements various training programs in various stages to fully cover the development needs from employees to middle and senior management, so as to facilitate the nurturing of its management and staff in the entire system and foster the enhancement on ability of management and staff at different levels.

V. Making contribution to a harmonious and peaceful society

In 2012, the Company continued to make active participation in numerous welfare and charity programs involving areas such as families, education and disaster relief. The Company has donated approximately RMB6.02 million in aggregate in the year, and made active contribution to the improvement of the people's livelihood and construction of a harmonious society. In particular, the Company has organized and implemented a large welfare and charity project named "New China cares with parcels to mothers" (母親郵包寄深情·新華大愛暖萬家) within its system. The office general staff and business staff of over 1500 entities have made voluntary donation and gave their help to raise a total of over RMB3.08 million for "parcels to mothers".

As a nationwide insurance enterprise with strong sense of social responsibilities, the Company actively undertakes its corporate citizenship responsibility, strictly performs the duty of taxpayers and pays taxes initiatively according to the laws. In addition, the speedy development of the Company has also brought about a large number of job opportunities nationwide and employed many university graduates as well as people of all levels from the society to undertake the work of management and marketing. Besides, the Company sets up a stage for the staff to fulfill their self-improvement and value of life.

Through the insurance functions of economic compensation, financing and social management, the Company initiatively serves for the development of national economy, improvement of the people's livelihood and construction of a harmonious society. Besides, by making full use of its advantages in networks and teams, the Company has also actively developed insurance products with public value, popularized the insurance knowledge, and actively took part in pension and culture building of the community, making due contributions to the construction of a harmonious society.

VI. Exploring the way of the healthy development of the industry

The Company have been actively cooperating with supervisory authorities of all levels, strictly abiding by the laws, regulations and relevant policies, actively participating in formation of industry culture and maintaining orders of the industry, leveraging its advantages in product innovation, management and channels, actively exploring new ideas and methods to promote the healthy development of the insurance industry and to foster further prosperity of insurance culture. In the meantime, the Company endeavored to expand the depth and breadth of cooperation with partners to realize mutual benefits and harmonious win-win situations with partners.

VII. Proactively participating in the environmental protection

The Company has been always regarding the environmental protection as a strategic issue concerning its self-development. The establishment of an "environment-friendly enterprise" has always been the operational concept and target of the Company. In 2012, apart from continuous enhancement on the awareness on environmental protection among employees, the Company also took the active role in organizing relevant activities for the joint participation of its customers and partners, and thus further lowered carbon emissions.

During the business operation and in the daily work, the Company encouraged its employees to travel by bike, bus or on foot and consume in an environmental protection manner through improving working environments, created an atmosphere of green living, and publicized the idea of environmental protection so as to contribute its power for environmental protection.

In 2012, the Company invested a large amount of funds into the corporate information construction, developed customer experience tools such as "New China Palm" (掌上新華) and made continuous optimization on electronic service measures, so as to provide caring, convenient and comprehensive services for customers and improved customer service quality. In the meantime, with modern and information-oriented means of office working, such printing consumables as papers and toner cartridges were gradually less used; on the other hand, the Company further intensified the functions of SMS, multimedia messages and call center to further decrease the environmental protection cost of customer services.

Section 12 – Corporate Social Responsibility

The Company was not only devoted to reducing energy and resources consumption, but also committed to reducing the carbon emissions generated in business operations by planting trees. During the Arbor Day in 2012, employees from different places voluntarily participated in and organized various activities of tree planting, and customers and partners were motivated to participate in the activities, thus taking part in the tree planting action to the utmost.

VIII. Glories and awards

January 2012	The Company won the “Excellent Life Insurance Company of the Year” award in the “2011 China Insurance Industry Billboard” sponsored by the magazine <i>Insurance Manager</i> .
January 2012	The Company listed the 1st in the “Top Ten Charity Award of the Year 2011” in the ninth session of the “Top List of Finance and Economics Entities in China” sponsored by Hexun.com.
January 2012	The Company won the “Annual Enterprise of Financial Desheng Award-Insurance Company with Strongest Growth in 2011 Award” in the “Sohu Financial Desheng Forum-Insurance Sector Assessment” held by sohu.com.
February 2012	The Company won the “Best Insurance Company Brand of the Year” in the ninth session of the “Top List of Finance and Economics Entities in China” sponsored by Hexun.com.
February 2012	The Company won the “Insurance Company with Greatest Development Potential in 2011” award in the “2012 Golden Phoenix Finance Ceremony and 2011 Awards Presentation Ceremony” sponsored by ifeng.com.
June 2012	The Company ranked the 98th among the “Top 500 Most Valuable Brands in China” in the “World Brand Association” held by World Brand Lab.
July 2012	The Company won the “2011 Top 100 Golden Bull Listed Companies” in “2011 Chinese Listed Companies Golden Bull Award Campaign” held by <i>China Securities Journal</i> .
September 2012	The Company ranked the 100th among “Top 500 Enterprises in China for 2012” sponsored by China Enterprise Confederation and China Enterprise Directors Association, and also ranked the 37th among the “Top 500 Enterprise in Service Sector in China for 2012”.
October 2012	The Company won the “Best Commercial Mode Listed Company” title in the “Reputation List of Chinese Listed Companies of the Year 2012” assessment sponsored by <i>National Business Daily</i> .
October 2012	The Company won the “Annual Best Financing Model Award--Best Main Board IPO Listed Company of the Year” in the “2012 Annual China Capital Strength Meeting” assessment sponsored by <i>China Business News</i> .
November 2012	In the “2012 Top Insurance Products List for Millions of Middle Classes in China” sponsored by <i>Money Weekly</i> , “xiangruiyisheng” of the Company won the life insurance product award; Chairman KANG Dian won the Annual Figure of the Insurance Industry; the Company won the Innovation Award and Top Ten Insurance Company Award.
November 2012	Chairman KANG Dian won the “Most Influential Leader of Listed Companies” in the “China Securities Golden Bauhinia Awards” assessment sponsored by <i>Ta Kung Pao</i> .
November 2012	Chairman KANG Dian won the “Insurer of Year 2012” title in the “China Business Network Financial Value Billboard Award Presentation Ceremony” assessment sponsored by <i>China Business News</i> .

Section 12 – Corporate Social Responsibility

December 2012	The Company won the “Outstanding Sino Life Insurance Company” in the “China Outstanding Financial Award of the Year 2011-2012” sponsored by <i>The Economic Observer</i> .
December 2012	The Company won the “Most Competitive Insurance Company Award of the Year 2012” in the “2012 China Financial Forum and Third Session Golden Censer Prize Award Presentation Ceremony” sponsored by <i>National Business Daily</i> .
January 2013	The Company won the “Best Insurance Company Award” and “Best Service Award” in the “Pilot China” annual financial industry assessment of the financial industry.
January 2013	The Company won the “Best Insurance Brand of the Year Award” in the “Wealth Management Gold Award” assessment sponsored by <i>Shanghai Securities News</i> .
January 2013	The Company won the “Best Social Responsibility Award of the Year” in the “China Insurance Industry Billboard of the Year” assessment sponsored by <i>Insurance Manager</i> .
January 2013	The Company won the “Most Trusted Life Insurance Company of the Year 2012” award in the tenth session of the “Top List of Finance and Economics Entities in China” sponsored by Hexun.com.
January 2013	The Company won the Best Employer in China of the Year 2012 award in the “2012 China Best Employer of the Year” award jointly sponsored by Corporate Social Responsibility and Employer Brand Communication and Research Centre of Peking University and Zhaopin.com.

Glories and Awards





Section 13

Embedded Value



TOWERS WATSON'S REVIEW OPINION REPORT ON EMBEDDED VALUE

To The Directors New China Life Insurance Company Ltd

New China Life Insurance Company Ltd ("NCL") has prepared embedded value results for the financial year ended 31 December 2012 ("EV Results"). The disclosure of these EV Results, together with a description of the methodology and assumptions that have been used, are shown in the Embedded Value section.

NCL has engaged Towers Watson Management (Shenzhen) Consulting Co. Ltd, Beijing Branch ("Towers Watson") to review its EV Results. This report is addressed solely to NCL in accordance with the terms of our engagement letter, and sets out the scope of our work and our conclusions. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than NCL for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

Scope of work

Our scope of work covered:

- A review of the methodology used to calculate the embedded value and the value of one year's sales as at 31 December 2012, in the light of the requirements of the "Life Insurance Embedded Value Reporting Guidelines" issued by the China Insurance Regulatory Commission ("CIRC") in September 2005;
- A review of the economic and operating assumptions used to calculate the embedded value as at 31 December 2012 and the Value of New Business; and
- A review of the results of NCL's calculation of EV results.

In carrying out our review, we have relied on the accuracy of audited and unaudited data and information provided by NCL.

Opinion

Based on the scope of work above, we have concluded that:

- The embedded value methodology used by NCI is consistent with the requirements of the “Life Insurance Embedded Value Reporting Guidelines” issued by the CIRC. The methodology applied by NCI is a common methodology used to determine embedded values of life insurance companies in China at the current time;
- The economic assumptions used by NCI are internally consistent, have been set with regard to current economic conditions, and have made allowance for the company’s current and expected future asset mix and investment strategy;
- The operating assumptions used by NCI have been set with appropriate regard to past, current and expected future experience;
- No changes have been assumed to the treatment of tax, but some sensitivity results relating to tax have been shown by NCI; and
- The EV Results have been prepared, in all material respects, in accordance with the methodology and assumptions set out in the Embedded Value section.

Towers Watson confirms that the results shown in the Embedded Value section of NCI’s 2012 annual report are consistent with those reviewed by Towers Watson.

For and on behalf of Towers Watson

Adrian Liu, FIAA, FCAA

26 March 2013

Section 13 – Embedded Value

I. Background

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared the Company's Embedded Value as at 31 December 2012 and have disclosed the relevant information in this section.

Embedded Value (EV) is an actuarially determined estimate of the economic value of the life insurance business of an insurance company based on a series of assumptions about future experience. But it does not incorporate the contribution of economic value from future new business. Value of New Business (VNB) represents an actuarially determined estimate of the economic value arising from new life insurance business issued during a certain period of time. Hence, the embedded value method can provide an alternative measure of the value and profitability of a life insurance company.

The reporting of embedded value and value of new business provides useful information to investors in two respects. First, Value of In-Force business (VIF) represents the total amount of after-tax distributable profits in present value terms, which can be expected to emerge over time, based on the assumptions used. Second, Value of New Business provides a metric to measure the value created for investors from new business activities and hence the potential growth of the company. However, the information on embedded value and value of new business should not be viewed as a substitute of financial measures under other relevant financial bases. Investors should not make investment decisions based solely on embedded value and value of new business information.

As standards for the disclosure of embedded value continue to develop internationally and in the PRC, the form and content of our presentation of embedded value may change. Hence, differences in definition, methodology, assumptions, accounting basis and disclosures may cause inconsistency when the results of different companies are compared. Also, embedded value calculations involve substantial technical complexity and estimates of value can vary materially as key assumptions are changed.

The embedded value and value of new business are prepared by us in accordance with the "Life Insurance Embedded Value Reporting Guidelines" (EV Guidelines) issued by the China Insurance Regulatory Commission in September 2005. Towers Watson, an international firm of consultants, performed a review of our embedded value. The review statement from Towers Watson is contained in the "Towers Watson's Review Opinion Report on Embedded Value" section.

II. Definitions of Embedded Value

Our embedded value is the sum of the adjusted net worth and the value of in-force business allowing for the cost of capital supporting the Company's solvency margin.

"Adjusted Net Worth" (ANW) is equal to the sum of:

- Net assets, defined as assets less PRC solvency reserves and other liabilities; and
- Net-of-tax adjustments for relevant differences between the market value and the book value of assets, together with relevant net-of-tax adjustments to certain liabilities.

The market value of assets can fluctuate significantly over time due to the impact of the prevailing market environment. Hence, the adjusted net worth can fluctuate significantly between valuation dates.

The "value of in-force business" is the discounted value of the projected stream of future after-tax distributable profits for existing in-force business at the valuation date. The "value of one year's new business" is the discounted values of the projected stream of future after-tax distributable profits for sales in the 12 months immediately preceding the valuation date. Distributable profits are the profits after reflecting PRC solvency reserves and cost of capital supporting the Company's solvency margin.

The value of in-force business and the value of new business have been determined using a traditional deterministic discounted cash flow methodology. This methodology is consistent with EV Guidelines and is also commonly-used in determining EVs of life insurance companies in China at the current time. This methodology makes implicit allowance for all sources of risks, including the cost of investment guarantees and policyholder options, asset/liability mismatch risk, credit risk, the deviation of the actual experience from the projected and the economic cost of capital, through the use of a risk-adjusted discount rate.

III. Key assumptions

In determining the embedded value and the value of new business as at 31 December 2012, we have assumed that the Company continues to operate as a going concern under the current economic and regulatory environment, and the current method for determining solvency reserves and statutory minimum solvency margin levels remains unchanged. The operational assumptions are mainly based on the results of experience analyses, together with reference to the overall experience of the Chinese life insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimates of the future based on information currently available at the valuation date.

(I) Risk Discount Rate

The risk discount rate used to calculate the value of in-force business and value of new business is 11.5%.

(II) Investment Returns

The investment return assumptions as at 31 December 2012 are shown below for the different funds respectively.

	Investment Return Assumptions for VIF and VNB as at 31 December 2012			
	2013	2014	2015	2016+
Non-participating	5.00%	5.10%	5.20%	5.20%
Participating	5.00%	5.10%	5.30%	5.50%
Universal life	5.00%	5.20%	5.50%	5.60%
Unit-linked	7.60%	7.60%	7.80%	7.90%

Note: Investment return assumptions are applied to calendar year.

(III) Mortality

Mortality assumptions are expressed as a percentage of the standard industry mortality tables: "China Life Tables (2000 to 2003)". Assumed ultimate mortality rates are:

- Individual Life and Annuity Products (accumulation phase): Male: 65%, Female: 60%
- Individual Annuity Products (payout phase): 75% of Individual Life
- Group Life and Annuity Products (accumulation phase): Male: 75%, Female: 70%
- Group Annuity Products (payout phase): 75% of Group Life

Selection factors are applied to Individual Life and Annuity Products (accumulation phase) and Group Life and Annuity Products (accumulation phase) mentioned above in the first and second policy year. Ultimate rates are applicable thereafter.

(IV) Morbidity

Morbidity assumptions are expressed as a percentage of base morbidity tables used in pricing. Assumed ultimate morbidity rates are:

- Individual Dread Disease Products: Male: 65%, Female: 95%
- Group Dread Disease Products: Male: 75%, Female: 105%

Selection factors are applied for these products in the first and second policy year. Ultimate rates are applicable thereafter.

(V) Discontinuance Rates

Assumptions have been developed based on our past discontinuance experience, expectations of current and future experience, and overall knowledge of the Chinese life insurance market. Assumptions vary by product type and premium payment mode.

(VI) Expenses

Unit cost assumptions have been developed based on our actual experience in 2012 and expected future outlook. Future inflation of 2.0% p.a. has been assumed in respect of per policy expenses.

(VII) Commission and Handling Fees

The assumed level of commission and commission override has been set based on the levels currently being paid for individual business. For group products and bancassurance products, allowance has been made for handling fees as part of our overall expenses.

(VIII) Policyholder Bonuses and Dividends

The assumptions regarding policyholder dividends have been derived in accordance with our current policyholder bonus and dividend policy, whereby 70% of surplus arising from participating business is paid to policyholders.

(IX) Tax

Tax has been assumed to be payable at 25% of profits with allowance for the exemption of certain investment income, including Chinese government bonds, and dividend income from equities and equity investment funds. Tax is assumed to be calculated on taxable income using reserves calculated on the PRC solvency basis.

In addition, a 5% business tax has been applied to the gross premium of short-term accident business.

Section 13 – Embedded Value

(X) Cost of Holding Required Capital

The level of required capital assumed to be held by us in the calculation of VIF and VNB is 100% of the minimum solvency margin required by the CIRC, i.e. sufficient to be classified as adequate solvency level I.

The current basis for calculating the required statutory minimum solvency margin has been assumed unaltered throughout the course of projection.

(XI) Other Assumptions

The current methods for calculating our policy reserves under the PRC solvency basis and surrender values have been assumed unaltered throughout the course of projection.

Our current reinsurance arrangements have been assumed to remain unaltered.

IV. Embedded value results

The table below shows our embedded value and value of new business as at 31 December 2012 and their corresponding results as at prior valuation dates.

Unit: RMB in millions

Valuation Date	31 December 2012	31 December 2011
Adjusted Net Worth	25,458	21,966
Value of In-Force Business Before Cost of Capital	42,321	36,818
Cost of Capital	(10,909)	(9,793)
Value of In-Force Business After Cost of Capital Embedded Value	31,412	27,025
Value of One Year's New Business		
Value of One Year's New Business Before Cost of Capital	5,624	6,054
Cost of Capital	(1,452)	(1,694)
Value of One Year's New Business After Cost of Capital	4,172	4,360

Note: Numbers may not be additive due to rounding.

V. Analysis of change

The analysis of change in Embedded Value from 31 December 2011 to 31 December 2012, calculated at a risk discount rate of 11.5%, is shown below.

Unit: RMB in millions

Analysis of Change in EV from 31 December 2011 to 31 December 2012 at a Risk Discount Rate of 11.5%	
1. EV at the beginning of period	48,991
2. Impact of Value of New Business	4,475
3. Expected Return	4,841
4. Operating Experience Variances	670
5. Economic Experience Variances	(103)
6. Operating Assumption Changes	(251)
7. Economic Assumption Changes	(299)
8. Capital Injection/Shareholder Dividend Payment	(1,221)
9. Others	(213)
10. Value Change Other Than Life Insurance Business	(19)
11. EV at the end of period	56,870

Note: Numbers may not be additive due to rounding.

Items (2) to (10) are explained below:

2. Value of New Business as measured at the valuation date instead of at the point of issuing.
3. Expected Return on ANW and value of in-force business during the relevant period.
4. Reflects the difference between the actual operating experience in the period (including mortality, morbidity, discontinuance rates and expenses) and the assumed.
5. Reflects the difference between actual and expected investment returns in the period.
6. Reflects the change in operating assumptions between valuation dates.
7. Reflects the change in economic assumptions between valuation dates.
8. Capital Injection and other dividend payment to shareholders.
9. Other miscellaneous items.
10. Value change other than those arising from the life insurance business.

Section 13 – Embedded Value

VI. Sensitivity tests

Sensitivity tests are performed under a range of alternative assumptions. In each of the sensitivity tests, only the assumption referred to is changed, with all other assumptions unchanged. The results are summarised below.

Unit: RMB in millions

VIF and Value of One Year's New Business Sensitivity Results as at 31 December 2012

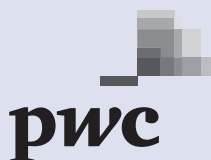
Scenarios	VIF after CoC	VNB after CoC
Base Scenario	31,412	4,172
Risk Discount Rate at 12.0%	29,727	3,895
Risk Discount Rate at 11.0%	33,207	4,469
Investment Return 0.5% higher	36,952	4,854
Investment Return 0.5% lower	25,859	3,488
Expenses 10% higher (110% of Base)	30,416	3,781
Expenses 10% lower (90% of Base)	32,408	4,563
Discontinuance Rates 10% higher (110% of Base)	31,031	4,036
Discontinuance Rates 10% lower (90% of Base)	31,804	4,312
Mortality 10% higher (110% of Base)	31,250	4,143
Mortality 10% lower (90% of Base)	31,575	4,201
Morbidity and Loss Ratio 10% higher (110% of Base)	30,699	4,018
Morbidity and Loss Ratio 10% lower (90% of Base)	32,127	4,326
Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30%	26,933	3,671
Statutory Minimum Solvency Margin 50% higher (150% of Base)	31,146	3,445
Taxable Income Based on China Accounting Standards	30,128	3,896

Section 14

Appendix



Audited financial report for 2012



羅兵咸永道

Independent Auditor's Report

To the Shareholders of New China Life Insurance Company Ltd.

(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of New China Life Insurance Company Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 141 to 256, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

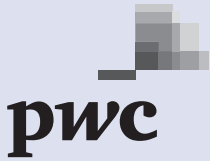
Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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羅兵咸永道

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2013

Consolidated Statement of Financial Position

As of 31 December 2012 (All amounts in RMB millions unless otherwise stated)

	Notes	As of 31 December	
		2012	2011
ASSETS			
Property, plant and equipment	6	4,126	4,284
Investment properties	7	1,635	451
Intangible assets	8	102	65
Investments in associates	9	708	709
Financial assets			
Debt securities		234,130	190,464
– Held-to-maturity	10(1)	176,817	141,090
– Available-for-sale	10(2)	55,624	46,866
– At fair value through income	10(3)	1,381	2,488
– Loans and receivables	10(4)	308	20
Equity securities		32,085	29,051
– Available-for-sale	10(2)	28,711	26,010
– At fair value through income	10(3)	3,374	3,041
Term deposits	10(5)	171,853	122,949
Statutory deposits	10(6)	717	522
Policy loans		3,866	2,055
Financial assets purchased under agreements to resell		–	79
Accrued investment income	10(7)	10,764	7,743
Premiums receivable	11	1,556	1,395
Deferred tax assets	20	863	14
Reinsurance assets	12	3,282	4,202
Other assets	13	2,940	1,693
Cash and cash equivalents		25,066	21,095
Total assets		493,693	386,771

The notes on pages 150 to 256 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position (Continued)

As of 31 December 2012 (All amounts in RMB millions unless otherwise stated)

	Notes	As of 31 December 2012	2011
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contracts liabilities	14	361,070	292,818
Short-term insurance contracts liabilities			
– Outstanding claims liabilities	14	452	392
– Unearned premiums liabilities	14	750	604
Financial liabilities			
Investment contracts	15	18,988	19,001
Borrowings	16	15,000	5,000
Financial assets sold under agreements to repurchase	17	55,437	32,481
Benefits, claims and surrenders payable		789	499
Premiums received in advance		518	560
Reinsurance liabilities		33	31
Provisions	18	458	458
Other liabilities	19	4,258	3,422
Current income tax liabilities		62	192
Total liabilities		457,815	355,458
Shareholders' equity			
Share capital	21	3,120	3,117
Reserves	22	25,967	22,468
Retained earnings		6,783	5,721
Total shareholders' equity		35,870	31,306
Non-controlling interests		8	7
Total equity		35,878	31,313
Total liabilities and equity		493,693	386,771

The notes on pages 150 to 256 form an integral part of these consolidated financial statements.

Statement of Financial Position

As of 31 December 2012 (All amounts in RMB millions unless otherwise stated)

	Notes	As of 31 December	
		2012	2011
ASSETS			
Property, plant and equipment	6	3,747	3,897
Investment properties	7	1,635	451
Intangible assets	8	93	60
Investments in subsidiaries	36	1,320	109
Investments in associates	9	610	610
Financial assets			
Debt securities		234,119	190,454
– Held-to-maturity	10(1)	176,817	141,090
– Available-for-sale	10(2)	55,624	46,866
– At fair value through income	10(3)	1,381	2,488
– Loans and receivables	10(4)	297	10
Equity securities		32,039	29,024
– Available-for-sale	10(2)	28,711	26,010
– At fair value through income	10(3)	3,328	3,014
Term deposits	10(5)	171,652	122,748
Statutory deposits	10(6)	715	520
Policy loans		3,866	2,055
Financial assets purchased under agreements to resell		–	79
Accrued investment income	10(7)	10,760	7,739
Premiums receivable	11	1,556	1,395
Deferred tax assets	20	846	–
Reinsurance assets	12	3,282	4,202
Other assets	13	2,962	2,409
Cash and cash equivalents		24,262	20,744
Total assets		493,464	386,496

The notes on pages 150 to 256 form an integral part of these consolidated financial statements.

Statement of Financial Position (Continued)

As of 31 December 2012 (All amounts in RMB millions unless otherwise stated)

	Notes	As of 31 December	
		2012	2011
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contracts liabilities	14	361,070	292,818
Short-term insurance contracts liabilities			
– Outstanding claims liabilities	14	452	392
– Unearned premiums liabilities	14	750	604
Financial liabilities			
Investment contracts	15	18,988	19,001
Borrowings	16	15,000	5,000
Financial assets sold under agreements to repurchase	17	55,437	32,481
Benefits, claims and surrenders payable		789	499
Premiums received in advance		518	560
Reinsurance liabilities		33	31
Provisions	18	458	458
Other liabilities	19	4,208	3,344
Current tax liabilities		47	177
Total liabilities		457,750	355,365
Shareholders' equity			
Share capital	21	3,120	3,117
Reserves	22	25,919	22,420
Retained earnings		6,675	5,594
Total equity		35,714	31,131
Total liabilities and equity		493,464	386,496

The notes on pages 150 to 256 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

	Notes	For the year ended 31 December	
		2012	2011
REVENUES			
Gross written premiums and policy fees	23	98,081	95,151
Less: premiums ceded out		5	584
Net written premiums and policy fees		98,086	95,735
Net change in unearned premiums liabilities		(135)	(71)
Net premiums earned and policy fees		97,951	95,664
Investment income	24	13,559	12,754
Other income	25	189	192
Total revenues		111,699	108,610
BENEFITS, CLAIMS AND EXPENSES			
Insurance benefits and claims			
Claims and net change in outstanding claims liabilities	26	(1,084)	(867)
Life insurance death and other benefits	26	(23,983)	(20,311)
Increase in long-term insurance contracts liabilities	26	(64,831)	(65,973)
Investment contracts benefits		(660)	(635)
Commission and brokerage expenses		(7,047)	(7,317)
Administrative expenses	27	(9,785)	(9,229)
Other expenses	28	(276)	(199)
Total benefits, claims and expenses		(107,666)	(104,531)
Share of results of associates		1	2
Finance cost	29	(1,746)	(806)
Net profit before income tax		2,288	3,275
Income tax	20	646	(475)
Net profit for the year		2,934	2,800
Net profit for the year attributable to:			
– Shareholders of the Company	30	2,933	2,799
– Non-controlling interests		1	1
Earnings per share (RMB)			
Basic and diluted	31	0.94	1.24

The notes on pages 150 to 256 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

	Notes	For the year ended	
		31 December 2012	2011
Other comprehensive income/(losses)			
Available-for-sale financial assets			
Gains/(losses) arising from fair value changes		33	(10,474)
Reclassification adjustments for gains/(losses) included in profit or loss		2,013	(919)
Impairment charges reclassified to the statement of comprehensive income		5,281	904
Changes in liabilities for insurance and investment contracts arising from net unrealized (gains)/losses		(4,489)	6,530
Income tax relating to components of other comprehensive income		15	266
Total other comprehensive income/(losses)		2,853	(3,693)
Total comprehensive income/(losses)		5,787	(893)
Total comprehensive income/(losses) for the year attributable to:			
– Shareholders of the Company		5,786	(894)
– Non-controlling interests		1	1

The notes on pages 150 to 256 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

	Attributable to shareholders of the Company			Total	Non-controlling Interests	Total Equity
	Share capital (Note 21)	Reserves (Note 22)	Retained earnings			
For the year ended 31 December 2011						
As of 1 January 2011	1,200	1,889	3,478	6,567	6	6,573
Net profit for the year	–	–	2,799	2,799	1	2,800
Other comprehensive losses	–	(3,693)	–	(3,693)	–	(3,693)
Total comprehensive losses	–	(3,693)	2,799	(894)	1	(893)
Capital injection (Note 21)	1,400	12,600	–	14,000	–	14,000
Initial public offering (Note 21)	517	11,116	–	11,633	–	11,633
Appropriation to reserves	–	556	(556)	–	–	–
Total transactions with owners	1,917	24,272	(556)	25,633	–	25,633
As of 31 December 2011	3,117	22,468	5,721	31,306	7	31,313
For the year ended 31 December 2012						
As of 1 January 2012	3,117	22,468	5,721	31,306	7	31,313
Net profit for the year	–	–	2,933	2,933	1	2,934
Other comprehensive income	–	2,853	–	2,853	–	2,853
Total comprehensive income	–	2,853	2,933	5,786	1	5,787
New shares issued (Note 21)	3	56	–	59	–	59
Dividends paid (Note 32)	–	–	(1,281)	(1,281)	–	(1,281)
Appropriation to reserves	–	590	(590)	–	–	–
Total transactions with owners	3	646	(1,871)	(1,222)	–	(1,222)
As of 31 December 2012	3,120	25,967	6,783	35,870	8	35,878

The notes on pages 150 to 256 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	2,288	3,275
Adjustments for:		
Investment income	(13,559)	(12,754)
Finance cost	1,746	806
Net change in outstanding claims liabilities	66	109
Net change in unearned premiums liabilities	135	71
Increase in long-term insurance contracts liabilities	64,831	65,973
Investment contracts benefits	660	635
Policy fees	(362)	(354)
Depreciation and amortization	386	290
Impairment losses on other receivables	(268)	(359)
Losses on disposal of property, plant and equipment	27	5
Changes in operational assets and liabilities:		
Receivables and payables	(1,652)	(648)
Investment contracts	(364)	(1,095)
Income tax paid	318	29
Net cash flows from operating activities	54,252	55,983
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of securities investment		
Proceeds from sales of debt securities	12,229	13,849
Proceeds from maturities of debt securities	3,071	6,209
Proceeds from sales of equity securities	36,721	36,072
Purchases of securities investment		
Purchase of debt securities	(58,087)	(45,368)
Purchase of equity securities	(39,916)	(36,536)
Proceeds from disposal of property, plant and equipment, intangible assets and other assets	7	4
Purchase of property, plant and equipment, intangible assets and other assets	(1,339)	(1,567)
Interests received	15,525	9,344
Dividends received	1,113	937
Term deposits, net	(48,954)	(68,122)
Financial assets purchased under agreements to resell, net	59	581
Others	(1,811)	(1,235)
Net cash flows from investing activities	(81,382)	(85,832)

The notes on pages 150 to 256 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issuance (Note 21)	59	11,643
Received from borrowings	10,000	5,000
Interests paid	(953)	–
Financial assets sold under agreements to repurchase, net	21,994	7,034
Net cash flows from financing activities	31,100	23,677
Effect of foreign exchange rate changes	1	(101)
Net increase/(decrease) in cash and cash equivalents	3,971	(6,273)
Cash and cash equivalents		
Beginning of the year	21,095	27,368
End of the year	25,066	21,095
Analysis of balance of cash and cash equivalents		
Cash at bank and in hand	24,836	12,997
Short-term bank deposits	230	8,098
Total of cash and cash equivalents	25,066	21,095

The notes on pages 150 to 256 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

1 Background and principal activities

New China Life Insurance Company Ltd. (the “Company”) was incorporated as a joint stock limited company in September 1996 in Beijing, the People’s Republic of China (the “PRC”) with the authorization by the State Council of PRC and the approval by the People’s Bank of China. The Company’s initial registered capital on the date of incorporation was Renminbi (“RMB”) 500 million. The registered capital was increased to RMB1,200 million in December 2000 and increased to RMB2,600 million in March 2011, with the approval by the China Insurance Regulatory Commission (the “CIRC”). In December 2011, the Company completed its initial public offering of 158,540,000 shares of A share in the Shanghai Stock Exchange, and issued 358,420,000 shares of H share in the Hong Kong Stock Exchange. In January 2012, the Company exercised the right of H share over allotment in the overseas markets, and issued 2,586,600 of H shares of over allotment shares. Upon the approval of the CIRC, the Company’s registered capital was increased to RMB3,120 million. The address of the Company’s registered office is No.1 East Hunan Road, Yanqing County, Beijing, the PRC.

The Company’s principal activities include underwriting life insurance policies denominated in both RMB and foreign currencies, including life, health and accident insurance products; acting as agent for domestic and international insurance companies; providing insurance related consulting services; and conducting capital management operations in accordance with relevant laws and regulations.

As of 31 December 2012, the Company has direct equity interests in subsidiaries as detail in Note 36. The Company and its subsidiaries are hereinafter collectively referred to as the “Group”.

These Consolidated Financial Statements have been approved for issuance by the Board of Directors on 26 March 2013.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented.

(1) Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), its amendments and interpretations issued by the International Accounting Standards Board (the “IASB”). The Consolidated Financial Statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the requirements of the Hong Kong Company’s Ordinance. The Consolidated Financial Statements have been prepared under the historical cost convention except for financial instruments measured at fair value and insurance contracts liabilities measured based on actuarial methods.

The preparation of the Consolidated Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 3.

All IFRS that remain in effect which are relevant to the Group have been applied.

Changes in accounting policy and disclosures are as follows:

(a) Amended standards adopted by the Group

The following revised amendment is mandatory for the first time for the financial year beginning 1 January 2012.

- IFRS 7 (Amendment), “Disclosures – Transfers of financial asset”. This amendment will promote transparency in the reporting of transfer transactions and improve users’ understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position, particularly those involving securitization of financial assets.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(1) Basis of preparation (Continued)

(a) Amended standards adopted by the Group (Continued)

- IAS 12 (Amendment), “Deferred tax: Recovery of underlying assets”. IAS 12, ‘Income taxes’, currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, ‘Investment property’. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, ‘Income taxes – recovery of revalued non-depreciable assets’, will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.

(b) New and revised standards, amendments and interpretations mandatory for the first time for the financial year beginning on 1 January 2012 but not currently relevant to the Group

- IFRS 1 (Amendment), “First time adoption—on hyperinflation and fixed dates”. The first amendment replaces references to a fixed date of ‘1 January 2004’ with ‘the date of transition to IFRSs, thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning on 1 January 2012

The standards, amendments and interpretations noted below are relevant to the Group but are not yet effective and have not been early adopted by the Group in 2012.

- IAS 1 (Amendment), “Presentation of financial statements”. The main change resulting from this amendment is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment will be effective for annual periods beginning on or after 1 July 2012. Early adoption is permitted.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(1) Basis of preparation (Continued)

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning on 1 January 2012 (Continued)

- IFRS 10, “Consolidated financial statements”. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that control one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. The standard will be effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.
- IAS 27 (Revised 2011), “Separate financial statements”. This standard contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. It requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 “Financial Instruments”. The standard will be effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.
- IFRS 11, “Joint arrangements”. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venture has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The standard will be effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.
- IAS 28 (Revised 2011), “Investments in associates and joint ventures”. IAS 28 (as amended in 2011) is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. It prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard will be effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(1) Basis of preparation (Continued)

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning on 1 January 2012 (Continued)

- IFRS 12, “Disclosure of interests in other entities”. IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard will be effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted.
- IFRS 13, “Fair value measurements”. Aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The standard will be effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted. The disclosure requirements of the new guidance do not need to be applied in comparative information for periods before initial application of IFRS 13.
- IAS 19 (Amendment), “Employee benefits”. The amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The amendment will be effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted.
- IFRS 7 (Amendment), “Disclosure: Offsetting Financial Assets and Financial Liabilities”. The amendment does not change the current offsetting model in IAS 32, but clarifies the meaning of ‘currently has a legally enforceable right of set-off’ and clarifies that some (non-simultaneous) gross settlement systems would be considered equivalent to net settlement. The amendment will be effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.
- IFRS 10, IFRS11, IFRS12 (Amendment) provide additional transition relief to IFRS 10, IFRS 11 and IFRS 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. The amendment will be effective for annual periods beginning on or after 1 January 2013.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(1) Basis of preparation (Continued)

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning on 1 January 2012 (Continued)

- Annual improvements in 2011, the annual improvements address six issues in the 2009-2011 reporting cycle. It includes changes to: IFRS 1, "First time adoption". IAS 1, "Financial statement presentation". IAS 16, "Property plant and equipment". IAS 32, "Financial instruments: Presentation". IAS 34, "Interim financial reporting". The amendment will be effective for annual periods beginning on or after 1 January 2013.
- IAS 32 (Amendment), "Financial instruments: Presentation – Offsetting financial assets and financial liabilities". The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right of set-off'; and (ii) that some gross settlement systems may be considered equivalents to net settlement. The amendment will be effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted.
- IFRS 9, "Financial instruments". IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The standard will be effective for annual periods beginning on or after 1 January 2015.

So far, except for IFRS 9, the directors have concluded that the adoption of the above new and revised IFRS would not have a significant impact on the Group's results of operations and financial position. The directors are in the process of making an assessment of the impact of IFRS 9 and are considering the timing of its adoption.

A summary of the significant accounting policies adopted and consistently applied by the Group in the preparation of the Consolidated Financial Statements is set out below.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(2) Consolidation

(a) Subsidiary

Subsidiaries are all entities (including special purpose entities) over which the Group has effective control, i.e. the Group has the power to govern the financial and operating policies or control more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls an entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the sum of the fair value of the assets transferred, the liabilities assumed and the equity interests issued by the Group in return for the subsidiary. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The investments in subsidiaries are accounted for in the Company only statement of financial position at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains or losses on transactions between group companies are eliminated on consolidation. Unrealized losses are also eliminated on consolidation unless they indicate impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(2) Consolidation (Continued)

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests holders as transactions with shareholders of the Group. For purchases from non-controlling interests holders, the difference between the consideration paid and the carrying value of share of the net assets of the subsidiary acquired is recorded in shareholders' equity. Gains or losses on disposal to non-controlling interests holders are also recorded in shareholders' equity.

When the Group ceases to have control or significant influence, any retained interests in the entity is re-measured at its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses unless it has incurred obligations or made payments on behalf of the associate. Investments in associates are assessed for impairment (Note 2 (8)).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(2) Consolidation (Continued)

(c) Associates (Continued)

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in the consolidated statement of comprehensive income.

The investment in associates is stated at cost less impairment in the Company only statement of financial position. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

(3) Segment reporting

The Group's operating segments are presented in a manner consistent with the internal management reporting provided to the president's office for deciding how to allocate resources and for assessing performance.

Operating segment refers to the segment within the Group that satisfies following conditions: i) the segment generates income and incurs costs from daily operating activities; ii) management evaluates the operating results of the segment to make resource allocation decision and to evaluate the business performance; iii) the Group can obtain relevant financial information of the segment, including financial condition, operation results, cash flow and other financial performance indicators. If more than two segments possess similar economic character and meet certain condition, they are combined as one segment for disclosure.

(4) Foreign currency translation

Both the functional currency and the presentation currency are RMB. Transactions in foreign currency are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated using the spot exchange rate at the end of the reporting period. Gains or losses resulted from changes in exchange rates are recognized in profit or loss in the current period. Non-monetary assets or liabilities denominated in foreign currency measured at historical cost are translated using the spot exchange rate at the date of the transaction. The effect of exchange rate changes on cash is presented separately in the consolidated statement of cash flows.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(5) Property, plant and equipment

Property, plant and equipment are stated at historical costs less accumulated depreciation and any accumulated impairment losses.

The historical costs of property, plant and equipment comprise its purchase price, and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost of a major renovation is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will be received by the Group.

Depreciation is computed on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life. For impaired property, plant and equipment, the related depreciation expense is prospectively determined based upon the adjusted carrying amounts over its remaining useful lives.

The estimated useful lives and the estimated residual values are as follows:

	Estimated useful life	Estimated residual value	Annual depreciation rate
Buildings	40-45 years	5%	2.11%-2.38%
Office equipment	5-8 years	5%	11.88%-19.00%
Motor vehicles	5-12 years	5%	7.92%-19.00%

The assets' estimated useful lives, residual values and depreciation method are reviewed by the Group at the end of each year and adjusted if appropriate. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount (Note 2(8)). Assets held for sale are presented at the lower of carrying amount and fair value less estimated disposal expense. If the fair value less estimated disposal expense of an asset held for sale is lower than its carrying amount, the difference is recognized as impairment loss.

Property, plant and equipment are derecognized when they are disposed of or put out of operation permanently, or no future economic benefits can be expected from operation or disposal. The gain or loss on sale, transfer, disposal or damage of property, plant and equipment is the proceeds less the carrying amount, adjusted with related taxes and expenses, and is included in profit or loss.

Construction in progress represents buildings and fixtures under construction and is recorded at cost. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for use. An impairment loss is recognized for the amount by which the carrying amount exceeds its recoverable amount (Note 2(8)).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(6) Investment properties

Investment properties are properties that are held for rental income, capital appreciation, or both. Investment properties comprise buildings that are leased out. Investment properties are initially measured at cost. Cost of subsequent expenditures is included in the cost of investment properties if future economic benefits associated with such expenditures will probably flow to the Group and the relevant cost can be reliably measured. Other expenditures are expensed as incurred.

The Group's investment properties are subsequently measured using the cost method. Depreciation on investment properties is computed on a straight-line basis to write down the cost of the assets to their residual values over their estimated useful lives. The estimated useful lives and the estimated residual values expressed as a percentage of cost are as follows:

	Estimated useful life	Estimated residual value	Annual depreciation rate
Buildings	40-45 years	5%	2.11%-2.38%

When the purpose of investment properties changes to self-use, they are transferred to property, plant and equipment on the date of the change. When the purpose of self-use properties changes to rental income or capital appreciation, they are transferred to investment properties on the date of the change. The carrying value before transfer is the carrying value after transfer.

The Group reviews the estimated useful life, the estimated residual value, and the depreciation method at the end of every year, and makes appropriate adjustments if necessary. An impairment loss is recognized for the amount by which the investment property's carrying amount exceeds its recoverable amount. (Note 2(8))

Investment properties are de-recognized if they are disposed of or are put out of operation permanently, or no future economic benefits can be expected from disposal. The gain or loss on sale, transfer, disposal, or damage of investment properties is the proceeds less the carrying amount of the investment properties, adjusted with related taxes and expenses, and is included in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(7) Intangible assets

Intangible assets are purchased computer software, and are initially measured at actual costs. Computer software is amortized over its estimated useful life using straight-line method. The estimated useful life and amortization method are reviewed annually and adjusted as necessary. An impairment loss is recognized for the amount by which the intangible asset's carrying amount exceeds its recoverable amount (Note 2(8)).

(8) Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life – for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are reviewed individually. When review of individual asset is impractical, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generate units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The Group assesses at the end of each reporting period whether there is any objective evidence that its investments in associates are impaired. Such objective evidence includes whether there has been any significant adverse changes in the technological, market, economic or legal environment in which the associates operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in an associate is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognized in profit or loss for the amount by which the carrying amount is higher than the higher of the investment's fair value less costs to sell or value in use. Any reversal of such impairment loss in subsequent periods is reversed through profit or loss.

Impairment testing of the investments in subsidiaries and associates is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the investee concerned in the period the dividend is declared, or if the carrying amount of the relevant investment in the Company's statement of financial position exceeds the carrying amount in the consolidated statement of financial position of the investee's net assets including goodwill.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(9) Financial assets

(a) Classification

The Group classifies its financial assets into the following categories: held-to-maturity securities, securities at fair value through income, available-for-sale securities and loans and receivables. Management determines the classification of its financial assets at initial recognition based upon the purpose for which the financial assets are acquired. Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market, other than those that the Group intends to sell in the short term or those that are available for sale. Loans and receivables mainly comprise term deposits, statutory deposits, policy loans, financial assets purchased under agreements to resell, and accrued investment income as presented in the Consolidated Statements of Financial Position.

(i) *Held-to-maturity securities*

Held-to-maturity securities are non-derivative debt financial assets with fixed maturity, fixed or determinable payments that the Group has the positive intention and ability to hold to maturity and do not meet the definition of loans and receivables nor designated as available-for-sale securities or securities at fair value through income.

(ii) *Securities at fair value through income*

Securities at fair value through income include financial assets held for trading and those designated at fair value through income at inception. A financial asset is classified as held for trading at inception if acquired principally for the purpose of selling in the short term or if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking. Other financial assets may be designated at fair value through income at inception by the Group.

(iii) *Available-for-sale securities*

Available-for-sale securities are non-derivative financial assets that are either designated in this category or not classified in either of the other categories.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(9) Financial assets (Continued)

(b) Recognition and measurement

Purchases and sales of financial assets are recognized on trade date, when the Group commits to purchase or sell assets. Financial assets are initially recognized at fair value plus, in the case of all financial assets not carried at fair value through income, transaction costs that are directly attributable to their acquisition. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or when they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Available-for-sale securities and securities at fair value through income are carried at fair value. Held-to-maturity securities are carried at amortized cost using the effective interest method. Investment gains and losses on sales of securities are determined principally by specific identification. Realized and unrealized gains and losses arising from changes in the fair value of the “securities at fair value through income” category, and changes of available-for-sale debt securities’ fair value due to foreign exchange impact on the amortized cost are included in the net profit in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of available-for-sale securities are recognized in other comprehensive income. When available-for-sale securities are sold or impaired, the accumulated fair value adjustments are included in the net profit as realized gains and losses on financial assets.

Fair value of financial assets with an active market is based on the quoted price in the active market. If the market for a financial asset is not active, the Group establishes fair value using valuation techniques. These techniques include the use of recent arm’s length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis models. When using valuation techniques, the Group maximizes usage of market inputs and minimizes using the Group’s specific inputs.

In cases where the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less any impairment.

(c) Term deposits

Term deposits primarily represent traditional bank deposits which have fixed maturity dates and are carried at amortized cost.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(9) Financial assets (Continued)

(d) Policy loans

Policy loans are carried at amortized cost less impairment.

(e) Financial assets purchased under agreements to resell

Financial assets purchased under agreements to resell are funds advanced through purchasing financial assets such as notes, securities, loans, etc., under agreements to resell at predetermined prices. These agreements are carried at amortized cost, i.e. their cost plus accrued interest at the date of the consolidated statement of financial position.

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(g) Impairment of financial assets other than securities at fair value through income

Financial assets other than those accounted for as at fair value through income are adjusted for impairments, where there are declines in value that are considered to be impairment.

In evaluating whether a decline in value is an impairment for financial assets, the Group considers several factors including, but not limited to: (1) Significant financial difficulty of the issuer or debtor; (2) A breach of contract, such as a default or delinquency in payments; (3) It becomes probable that the issuer or debtor will enter into bankruptcy or other financial reorganization; (4) The disappearance of an active market for that financial asset because of financial difficulties. In evaluating whether a decline in value is impairment for equity securities, the Group also considers the extent or the duration of the decline.

The Group reviews whether a decline in value is impairment for available for sale equity securities separately at the balance sheet date. If the market price of the equity securities was more than 50% below its cost (50% included) at the balance sheet date, or the market price of the equity securities was below its cost for a period of more than one year (one year included), it indicates the equity security is impaired.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(9) Financial assets (Continued)

(g) Impairment of financial assets other than securities at fair value through income (Continued)

When the decline in value is considered impairment, held-to-maturity debt securities or loans and receivables are written down to their present value of estimated future cash flows discounted at the effective interest rates; available-for-sale debt securities and equity securities are written down to their fair value, and the change is recorded as the impairment in the income statement. The impairment loss is reversed through the net profit if in a subsequent period the fair value of a debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized through the net profit. The impairment losses recognized in the net profit on equity instruments are not reversed through the net profit.

(10) Cash and cash equivalents

Cash comprises cash on hand and demand deposits held in banks. Cash equivalents are short-term and highly liquid investments with original maturity of 90 days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(11) Insurance contracts and investment contracts

(a) Classification

The Group issues contracts that transfer insurance risk or financial risk or both. The contracts issued by the Group are classified as insurance contracts and investment contracts. Insurance contracts are those contracts that transfer significant insurance risk. They may also transfer financial risk. Investment contracts are those contracts that transfer financial risk without significant insurance risk. Some insurance and investment contracts contain a discretionary participating feature ("DPF"). This feature entitles the policyholders to receive additional benefits or bonuses that are, at least in part, discretionary to the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(11) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts

(i) Recognition and measurement

Short-term insurance contracts

Premiums from the sale of short duration accident and health insurance products are recorded when written and are accreted to earnings on a pro-rata basis over the term of the related policy coverage. Claims and claim adjustment expenses are charged to the net profit as incurred. Liabilities for short duration insurance products consist of unearned premiums liabilities and outstanding claims liabilities.

Unearned premiums liabilities represent the larger of a) portion of the premiums written net of certain acquisition costs relating to the unexpired terms of coverage and b) estimated future net cash outflows.

Outstanding claims liabilities consist of the liabilities for reported and unreported claims and liabilities for claim expenses with respect to insured events. In developing these liabilities, the Group considers the nature and distribution of the risks, claims cost development, and experiences in deriving the best estimated amount and the applicable margin. Methods used for reported and unreported claims include “case by case” method, average cost per claim method, chain ladder method, liability development method, Bornhuetter-Ferguson method, etc.

Long-term insurance contracts

Long-term insurance contracts include whole life insurance, term life insurance, endowment insurance, annuities policies, and long-term health insurance contracts with significant insurance risk, such as mortality and morbidity risk.

The Group uses the discounted cash flow method to estimate the liabilities for long-term insurance contracts. Liabilities for long-term insurance contracts consist of a reasonable estimate of liability, a risk margin and a residual margin. Long-term insurance contracts liabilities are calculated using various assumptions, including assumptions on mortality rates, morbidity rates, lapse rates, discount rate, and expenses assumption, and based on the following principles:

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(11) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts (Continued)

(i) Recognition and measurement (Continued)

Long-term insurance contracts (Continued)

The reasonable estimate of liabilities for long-term insurance contracts is the present value of reasonable estimates of future cash outflows less future cash inflows. The expected future cash inflows include cash inflows of future premiums arising from the undertaking of insurance obligations, with consideration of decrement mostly from death and surrenders. The expected future cash outflows are cash outflows incurred to fulfill contractual obligations, consisting of the following:

- The guaranteed benefits based on contractual terms, including payments for deaths, disabilities, diseases, survivals, maturities and surrenders.
- Additional non-guaranteed benefits, such as policyholder dividends.
- Reasonable expenses incurred to manage insurance contracts or to process claims, including maintenance expense and claim settlement expense. Future administration expenses are included in the maintenance expense. Expenses are determined based on an expense analysis with consideration of estimate of future inflation and the likely impact of the Group's expense management.

On each reporting date, the Group reviews the assumptions for reasonable estimates of liabilities and risk margins, with consideration of all available information, and taking into account the Group's historical experience and expectation of future events. Changes in assumptions are recognized in the net profit.

Margins have been taken into consideration while computing the liabilities of insurance contracts, measured separately and recognized in the net profit in each period over the life of the contracts.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(11) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts (Continued)

(i) Recognition and measurement (Continued)

Margin comprises of risk margin and residual margin. Risk margin is the reserve accrued to compensate for the uncertain amount and timing of future cash flows. At the inception of the contracts, the Group does not recognize “Day-one” gain in income statement, but included in the insurance contracts liabilities as a residual margin, whereas on the other hand, “Day-one” loss is recognized as incurred. The residual margin is amortized over the life of the contracts. The subsequent measurement of residual margin is independent from reasonable estimate of future discounted cash flows and risk margin. The assumption changes have no effect on the subsequent measurement of residual margin.

The Group has considered the impact of time value on the liability calculation for insurance contracts.

Universal life contracts and unit-linked contracts

Universal life contracts and unit-linked contracts are unbundled into the following components:

- Insurance components
- Non-insurance components

The insurance components are accounted for as insurance contracts; and the non-insurance components are accounted for as investment contracts (Note 2 (11)(c)), which are stated in the investment contracts liabilities.

(ii) Liability adequacy test

The Group assesses the adequacy of insurance contracts liabilities using the current estimate of future cash flow with available information at the end of each reporting period. If that assessment shows that the carrying amount of its insurance contracts liabilities (less related intangible assets, if applicable) is inadequate in light of the estimated future cash flows, the insurance contracts liabilities will be adjusted accordingly, and any changes of the insurance contracts liabilities will be recognized in the net profit.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(11) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts (Continued)

(iii) Reinsurance contracts held

Contracts with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts with reinsurers that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

The Group assesses its reinsurance assets for impairment as of the end of the reporting period. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the net profit.

(c) Investment contracts

Revenue from investment contracts with or without DPF is recognized as policy fee income, which consists of various charges (handling fees, management fees, etc.) during the period.

The liabilities with investment nature in investment contracts are recorded as liabilities of investment contracts. Except for unit-linked contracts, the liabilities of investment contracts are carried at amortized cost. Unit-linked contracts are measured at fair value by reference to the value of the underlying asset value on each balance sheet date.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(11) Insurance contracts and investment contracts (Continued)

(d) DPF in long-term insurance contracts and investment contracts

DPF is contained in certain long-term insurance contracts and investment contracts. These contracts are collectively called participating contracts. The Group is obligated to pay to policyholders of participating contracts as a group at 70% of accumulated surplus available or at the rate specified in the contracts when higher and it is fully classified into liability. The accumulated surplus available mainly arises from investment income and gains and losses arising from the assets supporting these contracts. To the extent unrealized gains or losses from available-for-sale securities affect the surplus owed to policyholders, shadow adjustments are recognized in other comprehensive income. The surplus owed to policyholders is included in the long-term insurance contracts liabilities when they are not declared. The amount and timing of distribution to policyholders of participating contracts are subject to future declarations by the Group.

(12) Financial liabilities

Financial liabilities of the Group mainly include financial assets sold under agreements to repurchase, liabilities of investment contracts and borrowings.

(a) Financial assets sold under agreements to repurchase

Financial assets sold under agreements to repurchase are funds financed through sale of notes, securities, loans, etc. under agreements to repurchase at predetermined prices, which are carried at amortized cost, i.e. their cost plus accrued interest at the balance sheet date.

(b) Liabilities of investment contracts

Accounting policy for investment contracts liabilities is stated in Note 2(11)(c).

(c) Borrowings

Borrowings are initially recorded as liabilities at the amount equal to original fund raised. The difference between fund raised and bonds' par value is booked as premium or discount, which is amortized using the effective interest method over the term of the bonds.

When present obligation of financial liabilities has been fully or partially released, financial liabilities are fully or partially derecognized accordingly. The difference between carrying value derecognized and consideration paid is recorded in the profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(13) Derivative instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gain or loss of derivative financial instruments is recognized in the consolidated statement of comprehensive income. Fair values are obtained from quoted market prices in active markets, taking into consideration of recent market transactions or valuation techniques, including discounted cash flow models and option pricing models, as appropriate. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Embedded derivatives that are not closely related to their host contracts and meet the definition of a derivative are separated and fair valued through profit or loss. The Group does not separately measure embedded derivatives that meet the definition of an insurance contract or embedded derivatives that are closely related to host insurance contracts including embedded options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate).

(14) Employee benefits

Employee benefits represent salary, bonuses, social insurance and other related expenditure incurred by the Group in exchange for service rendered by employees. Employee benefits are recognized over the period when service is being rendered and recorded as cost or expense depending on the beneficial entities.

All employees of the Group participate in social security plans, including pension, medical, housing and other welfare benefits, organized and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated on regulated basis, subject to a certain ceiling, and are paid to the labor and social welfare authorities. Contributions to the plans are expensed as incurred. These social security plans are defined contribution plans.

In addition to the above social security plans, the Group also provides supplementary pension plan for certain qualified employees. Employees' and employers' contributions are calculated based on certain percentage of employees' salaries and recognized in profit or loss as cost or expense according to the vesting policy. This supplementary pension plan is a defined contribution plan and is terminated at the end of 2012.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(15) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

(16) Revenue recognition

(a) Premium and policy fee

The recognition of premium and policy fee income is stated in Note 2(11)(b)(i) and Note 2(11)(c), respectively.

(b) Investment income

Investment income is comprised of interest income from term deposits, cash and cash equivalents, debt securities, financial assets purchased under agreements to resell, dividend income from equity securities, net fair value gains or losses on securities at fair value through income, and realized gains or losses on securities at fair value through income and available-for-sale securities less impairment loss or plus reversed impairment losses. Interest income is recorded on an accrual basis using the effective interest rate method. Dividend income is recognized when the right to receive dividend payment is established.

(17) Commission and brokerage expenses

Commission and brokerage expenses are recognized in profit or loss when incurred.

(18) Income tax

The income tax expense for the period comprises current and deferred tax. Tax is recognized in the net profit, except to the extent that it relates to items recognized directly in other comprehensive income, where the tax is recognized in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries or associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(18) Income tax (Continued)

Deferred income tax is recognized, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. Substantively enacted tax rates are used in the determination of deferred income tax.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be recognized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(19) Government grants

The Company records monetary grants by government in the profit and loss in the year the grants are received when there is no condition attached and there is no other basis existed for allocating a grant to years.

(20) Operating leases

Leases of assets where all the risks and rewards incidental to ownership of the assets are in substance retained by the lessors are classified as operating leases. Payments made under operating leases are capitalized as the related assets' cost or expensed on a straight-line basis over the period of the lease.

(21) Provisions

Provisions are recognized when there is a present obligation as a result of past transactions or events, and it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Future operating losses should not be recognized as provisions. The initial measurement of provisions is based on the best estimate to the outflow of present obligation by considering relevant risks, uncertainty and time value of money, etc. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognized as interest expense. The Group reviews the carrying amount of provisions on each balance sheet date and makes appropriate adjustments in order to reflect the current best estimate.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

2 Summary of significant accounting policies (Continued)

(22) Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized in the statement of financial position but is disclosed in the notes to the Consolidated Financial Statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably measured, it will then be recognized as a provision.

(23) Earnings per share

Basic earnings per share is calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all diluted potential ordinary shares. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

3 Critical accounting estimates and judgments

Estimates and assumptions made by the Group during the preparation of the Consolidated Financial Statements would affect the reported amounts and disclosures of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including reasonable expectation and judgment of future events based on objective circumstantial evidences.

(1) Estimate of future benefit payments and premiums arising from long-term insurance contracts

The determination of liabilities under long-term insurance contracts is based on estimates of future benefit payments, premiums and relevant expenses made by the Group, and the margins. Assumptions about mortality rates, morbidity rates, lapse rates, discount rate, and expenses assumption are made based on the most recent historical analysis and current and future economic conditions. The liability uncertainty arising from uncertain future benefits payments, premiums and relevant expenses is reflected in the risk margin.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

3 Critical accounting estimates and judgments (Continued)

(1) Estimate of future benefit payments and premiums arising from long-term insurance contracts (Continued)

The residual margin relating to the long-term insurance contracts is amortized over the expected life of the contracts, based on the assumptions (mortality rates, morbidity rates, lapse rates, discount rate, and expenses assumption) that are determined at inception of the contracts and remain unchanged for the duration of the contracts.

The judgments exercised in the valuation of insurance contracts liabilities (including contracts with DPF) affect the amounts recognized in the Consolidated Financial Statements as insurance contracts benefits and insurance contracts liabilities.

The various assumptions are described in Note 14.

(2) Financial assets and financial liabilities

The Group's principal investments are debt securities, equity securities, term deposits and loans. The critical estimates and judgments are those associated with the recognition of impairment and the determination of fair value.

Fair value is defined as the amount at which the financial assets and liabilities could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, rather than in a forced or liquidation sale. The methods and assumptions used by the Group in estimating the fair value of financial assets and liabilities are:

- Debt securities: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using either price observed in latest transactions or from current bid prices of comparable investments, or through valuation techniques when there is no active market.
- Equity securities: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using appropriate price earnings ratio or modified price/cash flow ratio reflecting the specific circumstances of the issuer. Equity securities, whose fair value cannot be reliably measured because the investee's business was at the early developing stage, are recognized at cost less impairment.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

3 Critical accounting estimates and judgments (Continued)

(2) Financial assets and financial liabilities (Continued)

- Term deposits, statutory deposits, financial assets purchased under agreements to resell, financial assets sold under agreements to repurchase, policy loans, accrued investment income and borrowings: carrying amounts approximate fair values.
- Investment contracts: The fair value of investment contracts are determined using valuation techniques, with consideration of the present value of expected cash flows arising from contracts using a risk-adjusted discount rate, allowing for risk free rate available on valuation date, the Group's own credit risk and risk margin associated with the future cash flows.
- Other assets: The fair value of other assets, including investment clearing account and litigation deposit, approximates its carrying amount.

The Group considers a wide range of factors in the impairment assessment as described in Note 2(9)(g).

The table below presents the carrying value and estimated fair value of main financial assets and liabilities.

Carrying amount	As of 31 December	
	2012	2011
Financial assets		
Debt securities	234,130	190,464
Equity securities	32,085	29,051
Term deposits	171,853	122,949
Statutory deposits	717	522
Policy loans	3,866	2,055
Financial assets purchased under agreements to resell	–	79
Accrued investment income	10,764	7,743
Cash and cash equivalents	25,066	21,098
Total financial assets	478,481	373,956
Financial liabilities		
Unit-linked contracts	254	271
Investment contracts excluding unit-linked contracts	18,734	18,730
Borrowings	15,000	5,000
Financial assets sold under agreements to purchase	55,437	32,481
Total financial liabilities	89,425	56,482

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

3 Critical accounting estimates and judgments (Continued)

(2) Financial assets and financial liabilities (Continued)

Fair value	As of 31 December	
	2012	2011
Financial assets		
Debt securities	231,074	188,703
Equity securities	32,085	29,051
Term deposits	171,853	122,949
Statutory deposits	717	522
Policy loans	3,866	2,055
Financial assets purchased under agreements to resell	–	79
Accrued investment income	10,764	7,743
Cash and cash equivalents	25,066	21,095
Total financial assets	475,425	372,197
Financial liabilities		
Unit-linked contracts	254	271
Investment contracts excluding unit-linked contracts	16,947	15,137
Borrowings	15,000	5,000
Financial assets sold under agreements to purchase	55,437	32,481
Total financial liabilities	87,638	52,889

(3) Contingencies and provisions

In the ordinary course of business, the Group may be involved in some contingencies including lawsuits and disputes. The adverse effects of the contingencies mainly include claims from insurance policies and other operations, including but not limited to the following: former chairman irregularities, defrauded funds by some of the Company's former employees (Note 13(5) and Note 19), and pending lawsuits and disputes (Note 18). Provisions have been made on those claims when losses are probable and can be reasonably estimated taking into consideration of legal advices. No provision has been made for events whose outcome cannot be reasonably estimated or contingencies that are unlikely to happen. Because these contingency events develop over time, provisions recognized currently may be significantly different from final payment amounts actually paid.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

3 Critical accounting estimates and judgments (Continued)

(4) Former Chairman Irregularities

The former chairman of the Company, who served from 1998 to 2006 and resigned in December 2006 (the “former chairman”), was allegedly involved in the misuse of insurance funds and other matters in violation of regulations (the “Former Chairman Irregularities”). The Jurisdiction has the judgment on the alleged illegal part of the event. The Company is proactively engaged in the follow-up recovery works in connection with the irregularities mentioned above. The Consolidated Financial Statements are prepared in accordance with the information available to and the best estimates made by the Company as well as the following important assumptions and judgments.

The former chairman pledged the Company’s bonds and conducted repurchase transactions which were not authorized by the Company (“Off-balance sheet repurchase transactions”) through bank accounts not reflected in the Company’s financial records (“Off-balance sheet accounts”). Funds received through these Off-balance sheet repurchase transactions were transmitted to the former chairman for unauthorized lendings. The Company was informed of these Off-balance sheet repurchase transactions after the regulator’s investigation and paid cash to settle these repurchase transactions and related interest expense with a total amount of RMB2,910 million.

The Company received funds from Insurance Security Fund in 2007. Based on the instruction from Insurance Security Fund, the amount related to the transfer of equity interest in the Company from the Company’s certain former shareholders to Insurance Security Fund, and it was paid to the Company to certain amounts which was overdue.

The Company does not have complete information regarding these Off-balance sheet repurchase transactions or cash flows to or from those Off-balance sheet accounts. The Company is not able to assess the nature of these transactions or clearly identify receivable or payable balances between the Company and those aforementioned former shareholders. The Company tentatively netted funds received and paid described above and recorded a net amount of RMB1,455 million as receivable from Off-balance sheet repurchase transactions under “Other Assets”. The Company’s management anticipated large uncertainty in recovering the balance therefore recognized a full provision.

The Company has been in the process of recovering the amount through legal actions.

In March 2011, the Company received approximately RMB354 million from New Industry Investment Co., Ltd., (“New Industry”). The Company considered the recovery was part of the Receivable from Off-balance sheet repurchase transactions under “Other Assets”, and reversed RMB354 million of provision of impairment through other expenses accordingly (Note 28).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

3 Critical accounting estimates and judgments (Continued)

(4) Former Chairman Irregularities (Continued)

The Company signed contracts with New Industry in 2001 and 2002, through which it entrusted New Industry to hold 170 million shares of China Minzu Securities Co., Ltd. (“Minzu Securities”), and Orient Group Co., Ltd. (the “Orient Group”) was involved in this transaction. In December 2010, the Beijing Arbitration Commission adjudicated that New Industry should repay the Company funds for entrusted Minzu Securities shares of RMB170 million with interests. On 9 November 2012, Shenzhen Municipal Court accepted the arbitration recognized by Beijing Arbitration Commission and adjudicated that the Company has the responsibility to repay Orient Group of RMB170 million with interest. According to the results of the aforementioned arbitration and adjudication, the Company signed a tripartite agreement with New Industry and Orient Group in the end of year 2012. According to the agreement, New Industry will pay the Company RMB112 million of interest in advance, for the Company to repay to Orient Group on behalf of New Industry. Meanwhile, New Industry should pledge its shares in Minzu Securities under the name of the Company as the collateral of rest of its repayment of RMB170 million in two years. The Company should transfer the repayment for Minzu Security capital contribution to Orient Group after New Industry completes pledging the shares. According to the information available to the Company, the Company judged the capital contribution which the New Industry should repay as part of receivables of former chairman irregularities. Because of the new development on this dispute, and that New Industry has agreed to pay back the capital contribution to the Company and pledged its shares in Minzu Securities under the name of the Company as the collateral, the Company has reversed the provision for bad debt of RMB170 million at the year end of 2012. According to the Court’s judgment that the Company should repay Minzu Securities capital contribution to Orient Group, the Company recognized other payables and other expenses of RMB170 million. For the interest of RMB112 million that the Company should collect and repay on behalf of New Industry, the Company recognized the other receivables and other payables as of 31 December 2012. The Company, Orient Group and New Industry have begun to implement the above agreement in early 2013.

(5) Taxation

The Group pays business tax, income tax and related surcharges in various localities. Due to the uncertainty of final tax treatment for various transactions during normal course of business, the Group needs to exercise significant judgment when determining tax expenses. The Group recognizes tax liabilities based on estimate of whether there will be additional tax payments resulting from tax inspection. If there is any difference between the final result and previously recorded amount, the difference will impact current tax and deferred tax.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

3 Critical accounting estimates and judgments (Continued)

(6) Change of significant accounting estimates

Insurance contracts liabilities are calculated using various actuarial assumptions, including assumptions on discount rate, mortality rate, morbidity rate, lapse rate and expenses assumption. These assumptions are determined by the Group on basis of information obtained on the date of financial position. The Group redefined these assumptions on the date of financial position, and the effects of change in these assumptions are recorded in statement of comprehensive income of each period and disclosed in Note 14(4).

4 Management of insurance and financial risk

The Group issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the Group manages them.

(1) Insurance risk

(a) Types of insurance risk

The risk under any one insurance contract is the possibility that an insured event occurs and there is uncertainty about the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This occurs when the frequency or severity of claims and benefits exceeds the estimates. Insured events are random and the actual number of claims and the amount of benefits paid will vary each year from estimates established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the more dispersive the risk will be, the smaller the relative variability about the expected outcome will be. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of policies to reduce the variability of the expected outcome.

The Group offers long term life insurance, critical illness insurance, annuity, accident and short term health insurance products. Social and economy development, widespread changes in lifestyle, epidemics and medical technology development could have significant influence to the Group's insurance business. Insurance risk is also affected by policyholders' rights to terminate the contract, reduce premiums, refuse to pay premiums or exercise annuity conversion rights etc. Thus, insurance risk is also subject to policyholders' behaviors and decisions.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

4 Management of insurance and financial risk (Continued)

(1) Insurance risk (Continued)

(a) Types of insurance risk (Continued)

The Group manages insurance risks through underwriting strategy, reinsurance agreements and claim management. The Group's reinsurance agreements include ceding on quota share basis, surplus basis or catastrophe excess of loss. The reinsurance agreements cover almost all products. These reinsurance agreements spread insured risk and stabilize financial results of the Group. However, the Group's responsibilities for direct insurance to policyholders are not relieved because of credit risk associated with the failure of reinsurance companies to fulfill their responsibilities.

(b) Concentration of insurance risk

Currently the Group's businesses are all from the PRC and insurance risk at each area has insignificant differences. Information relating to major long-term insurance products is listed below:

Product Name		As of/for the year ended 31 December 2012					
		Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
		Amount	% of total	Amount	% of total	Amount	% of total
i	Hongshuangxi New Type C endowment insurance (Participating)	83,256	23.06%	24,457	25.60%	2,357	9.48%
ii	Hongshuangxi Type A endowment insurance (Participating)	50,222	13.91%	2,809	2.94%	7,180	28.89%
iii	Hongshuangxi New Type A endowment insurance (Participating)	26,837	7.43%	112	0.12%	4,130	16.62%
iv	Hongshuangxi Jinqiangui annuity insurance (Participating)	16,158	4.48%	6,193	6.48%	567	2.28%
v	Hongshuangxi Yingbaoli endowment insurance (participating)	14,531	4.02%	7,021	7.35%	445	1.79%
	Others	170,066	47.10%	54,929	57.51%	10,176	40.94%
	Total	361,070	100.00%	95,521	100.00%	24,855	100.00%

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

4 Management of insurance and financial risk (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

Product Name	As of/for the year ended 31 December 2011					
	Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
	Amount	% of total	Amount	% of total	Amount	% of total
i Hongshuangxi New Type C endowment insurance (Participating)	59,408	20.29%	24,468	26.32%	1,609	7.91%
ii Hongshuangxi Type A endowment insurance (Participating)	52,864	18.05%	5,282	5.68%	6,416	31.55%
iii Hongshuangxi New Type A endowment insurance (Participating)	29,684	10.14%	756	0.81%	4,414	21.70%
iv Hongshuangxi Jinqiangui annuity insurance (Participating)	10,420	3.56%	5,763	6.20%	334	1.64%
v Hongshuangxi Yingbaoli endowment insurance (participating)	7,996	2.73%	8,815	9.48%	163	0.80%
Others	132,446	45.23%	47,880	51.50%	7,404	36.40%
Total	292,818	100.00%	92,964	100.00%	20,340	100.00%

(i) Hongshuangxi New Type C endowment insurance (Participating)

Hongshuangxi New Type C endowment insurance (Participating) is participating endowment insurance with three or five year premium installment. There are 4 types of durations: 10, 15, 20 and 30 years. Payments on maturity are total of basic sum insured and dividend accumulation. For death due to illness within the 1st year, premium (interest excluded) is refunded; for death due to illness after the 1st year, benefit is calculated based on the following formula: death benefit = effective sum insured x effective policy years/duration of insurance; for death due to illness after payment period and before maturity, benefit is the total of basic sum insured and dividend accumulation; for death due to accident before payment period, benefit is calculated based on the following formula: 2 x death benefit = effective sum insured x effective policy years/duration of insurance; for death due to accident after payment period, benefit is the total of basic sum insured and dividend accumulation.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

4 Management of insurance and financial risk (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

(ii) *Hongshuangxi Type A endowment insurance (Participating)*

Hongshuangxi Type A endowment insurance (Participating) is participating endowment insurance with single premium payment. There are four types of durations: 10, 15, 20 and 30 years. Payments on maturity are total of basic sum insured and dividend accumulation. For death due to illness within the 1st year, benefit equals to premium (interest excluded); for death due to illness after the 1st year or death due to accident, benefit is total of basic sum insured and dividend accumulation.

(iii) *Hongshuangxi New Type A endowment insurance (Participating)*

Hongshuangxi New Type A endowment insurance (Participating) is participating endowment insurance with single premium payment with a duration of 10 years. Payments on maturity are total of sum insured and dividend accumulation. For death due to illness within the 1st year, benefit equals to premium (interest excluded); for death due to illness after the 1st year, benefit is total of basic sum insured and dividend accumulation; for death due to accident, benefit are paid at 200% the total of basic sum insured and dividend accumulation.

(iv) *Hongshuangxi Jinqiangui Annuity insurance (Participating)*

Hongshuangxi Jinqiangui Annuity insurance (Participating) is participating annuity insurance with single premium payment and annual premium payment. There are two types of duration: 20 and 30 years. If the insured lives on the effective date of the insurance policy every year, the caring annuity is 1% of the down payment of the insurance policy. If the insured lives on the effective date of the insurance policy every five years, life benefit is 25% of the total of basic sum insured and dividend accumulation. If the insured dies of disease within one year since the contract comes into effect, the death benefit is the basic sum insured (interest excluded); if the insured dies of disease after one year since the contract comes into effect, the death benefit is the total of 110% of basic sum insured and cash value of dividend accumulation. If the insured dies from accidental harm, the death benefit is the total of 220% of basic sum insured and cash value of dividend accumulation. If the insured is full-body disabled because of accidental harms or disease after one year since the contract comes into effect, the renewal insurance premium of the whole year can be exempted since being full-body disable. If the insured dies from accidental harm the renewal insurance premium of the whole year can be exempted since dead.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

4 Management of insurance and financial risk (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

(v) *Hongshuangxi Yingbaoli endowment insurance (participating)*

Hongshuangxi Yingbaoli endowment insurance (participating) is a participating insurance with single premium payment with a duration of 5 years. Payments on maturity are total of basic sum insured and dividend accumulation. For death or total disability due to illness within the 1st year, benefit equals to premium (interest not excluded). For the date of death or total disability due to illness after the 1st year, if the person was under 18 years old and the date of death or total disability is before the policy inception date in the year, benefit equals to maximum of premium and cash value of sum insured plus cash value of dividend accumulation, otherwise, benefit equals to the sum insured plus dividend accumulation. For death or total disability due to ordinary accident, if insured person was under 18 years old, and the date of death or total disability is before policy inception date in the year, benefit equals to maximum of premium and cash value of sum insured plus cash value of dividend accumulation, otherwise, benefit equals to sum insured plus dividend accumulation. For death or total disability due to particular traffic accident, if the insured person was under 18 years old, and the date of death or total disability is before policy inception date in the year, benefit equals to maximum of premium and cash value of sum insured plus cash value of dividend accumulation, otherwise, benefit equals to 3 times of total of sum insured and dividend accumulation. For death or total disability due to aviation accident, benefit equals to 5 times of total of sum insured and dividend accumulation.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

4 Management of insurance and financial risk (Continued)

(1) Insurance risk (Continued)

(c) Sensitivity analysis

(i) Sensitivity analysis of long-term insurance contracts

Liabilities for life and long-term health insurance contracts are calculated based on significant assumptions including discount rate, mortality rate, morbidity rate, lapse rate, expense assumption, etc. The analysis below is performed to demonstrate the reasonably possible movements in key assumptions with all other assumptions held constant, showing increase/ (decrease) on pre-tax profit.

Change in discount rates	For the year ended 31 December	
	2012	2011
+50 basis points ("bps")	7,455	6,515
-50bps	(8,034)	(7,003)

Change in mortality and morbidity rates	For the year ended 31 December	
	2012	2011
+10%	(1,520)	(1,124)
-10%	1,424	1,115

Change in lapse rates	For the year ended 31 December	
	2012	2011
+10%	(1,808)	(1,534)
-10%	1,807	1,622

Change in expense assumption	For the year ended 31 December	
	2012	2011
+10%	(1,043)	(811)
-10%	856	903

Key assumptions are disclosed in Note 14.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

4 Management of insurance and financial risk (Continued)

(1) Insurance risk (Continued)

(c) Sensitivity analysis (Continued)

(ii) Sensitivity analysis of short-term insurance contracts

The change of claim amount for short-term insurance contracts may cause the change of loss ratio assumptions and in turn affect insurance contracts liabilities.

All other variables being constant, if the loss ratio increases or decreases 100bps, estimated pre-tax profit will decrease or increase by RMB12 million for the year ended 31 December 2012 (for the year ended 2011: RMB10 million).

Short-term insurance contracts liabilities are not directly sensitive to the level of investment returns, as they are undiscounted and contractually non-interest-bearing.

Key assumptions are disclosed in Note 14.

(d) Claims development analysis of short-term insurance contracts

Claims development of the Group's short term insurance contracts gross of reinsurance is as follows:

Cumulative claims	Accident year					Total
	2008	2009	2010	2011	2012	
End of current year	370	472	766	919	1,122	
1 year later	431	483	781	933		
2 years later	426	484	781			
3 years later	426	484				
4 years later	426					
Estimated claims expenses	426	484	781	933	1,122	3,746
Less: cumulative claims paid	(426)	(484)	(781)	(905)	(719)	(3,315)
Subtotal	–	–	–	28	403	431
Add: claims handling expenses	–	–	–	1	20	21
Unpaid claims expenses	–	–	–	29	423	452

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

4 Management of insurance and financial risk (Continued)

(1) Insurance risk (Continued)

(d) Claims development analysis of short-term insurance contracts (Continued)

Claims development of the Group's short term insurance business net of reinsurance is as follows:

Cumulative claims	Accident year					Total
	2008	2009	2010	2011	2012	
End of current year	339	434	711	861	1,058	
1 year later	385	436	721	885		
2 years later	378	428	720			
3 years later	378	428				
4 years later	378					
Estimated claims expenses	378	428	720	885	1,058	3,469
Less: cumulative claims paid	(378)	(428)	(720)	(857)	(677)	(3,060)
Subtotal	–	–	–	28	381	409
Add: claims handling expenses	–	–	–	1	20	21
Unpaid claims expenses	–	–	–	29	401	430

(e) Matching risk of assets and liabilities

The Group uses asset-liability management techniques to manage assets and liabilities and the techniques used include: scenario analysis method, cash flow matching method and immunity method etc. The Group uses scenario analysis, through multi-angles, to understand the existing risk and the complex relationship, considering the timing and amount of future cash outflow and attributes of liabilities, to comprehensively and dynamically manage the Group's assets and liabilities and its solvency. The Group takes measures to enhance its solvency, including capital contribution by shareholders, issuing subordinated debts, arranging reinsurance, improving the performance of branches, optimizing business structure, establishing competitive cost structure etc.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

4 Management of insurance and financial risk (Continued)

(2) Financial risk

The Group's key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund obligations arising from the Group's insurance and investment contracts. The most important components of financial risk are market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Risk management department, investment management department and asset-liability management department are in close cooperation to identify, evaluate and manage financial risks.

The Group manages financial risks by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any one specific industry or issuer. The structure of the main investment portfolio held by the Group is disclosed in Note 10.

The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated (for example, changes in interest rate and fair values).

(a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's financial assets are principally comprised of term deposits and debt securities. Changes in the level of interest rates can have a significant impact on the Group's overall investment return. Many of the Group's insurance policies offer guaranteed returns to policyholders. These guarantees expose the Group to interest rate risk. The Group manages and tests interest rate risk through adjustments to portfolio asset allocation, and, to the extent possible, by monitoring the mean duration of its assets and liabilities.

The sensitivity analysis for interest rate risk illustrates how changes in interest income and the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The analysis below is performed to show the reasonably possible movements in market interest rates by 50bps with all other variables held constant, net of portion attributable to policyholders of participating and unit-linked products.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

4 Management of insurance and financial risk (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(i) Interest rate risk (Continued)

Change in market interest rates	Impact on pre-tax profit For the year ended 31 December	
	2012	2011
+50bps	(8)	(20)
-50bps	9	20

Change in market interest rates	Impact on pre-tax available for sale reserve in equity For the year ended 31 December	
	2012	2011
+50bps	(596)	(509)
-50bps	620	533

(ii) Price risk

Price risk arises mainly from the price volatility of equity securities held by the Group. Prices of equity securities are determined by market forces. Most of the equity securities of the Group are in Chinese capital markets. The Group is subject to increased market risk largely because the PRC's stock markets are relatively volatile.

The Group manages price risk by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any one specific industry or issuer.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

4 Management of insurance and financial risk (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

The analysis below is performed to show the impacts of changes in the Group's equity securities' prices by 10% with all other variables held constant, net of portion attributable to policyholders of participating and unit-linked products.

Change in equity securities' prices	Impact on pre-tax profit For the year ended 31 December	
	2012	2011
+10%	133	92
-10%	(133)	(92)

Change in equity securities' prices	Impact on pre-tax available for sale reserve in equity For the year ended 31 December	
	2012	2011
+10%	1,152	962
-10%	(1,152)	(962)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

4 Management of insurance and financial risk (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(iii) Currency risk

Currency risk is volatility of fair value or future cash flows of financial instruments resulting from changes in foreign currency exchange rates. The Group has cash and cash equivalents and term deposits denominated in US dollar (“USD”) or Hong Kong dollar (“HK dollar” or “HKD”).

The following table summarizes financial assets denominated in currencies other than RMB, expressed in RMB equivalent:

31 December 2012	USD	HKD	Total
Cash and cash equivalents	16	349	365
Term deposits	8,666	183	8,849
Accrued investment income	293	–	293
Available for sale securities	–	1,294	1,294
Total	8,975	1,826	10,801

31 December 2011	USD	HKD	Total
Cash and cash equivalents	26	8,086	8,112
Term deposits	2,238	60	2,298
Accrued investment income	39	1	40
Total	2,303	8,147	10,450

Monetary assets are exposed to currency risk whereas non-monetary assets, such as equity securities, mainly expose themselves to price risk. Considering HK dollar exchange rate is pegged to USD exchange rate, the Group combined the USD assets with the HK dollar assets when conducting the currency risk analysis.

As of 31 December 2012, if RMB had strengthened or weakened by 10% against USD and HK dollar with all other variables being constant, considering the effect on insurance and financial liabilities for participating products and unit-linked products, pre-tax profit would have been decreased or increased by RMB1,080 million (2011: RMB1,045 million), mainly as a result of foreign exchange losses or gains from the translation of USD and HK dollar denominated financial assets other than equity securities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

4 Management of insurance and financial risk (Continued)

(2) Financial risk (Continued)

(b) Credit risk

Credit risk is the risk that one party to a financial transaction or the issuer of a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. In term of investment vehicles, a significant portion of the portfolio of the Group is in government bonds, government agency bonds, corporate bonds guaranteed by state-owned commercial banks and large industrial groups and bank deposits with state-owned or other national commercial banks. In term of counterparties, the majority of Group's counterparties are state policy-related banks, state-owned or other national commercial banks. Therefore the Group's overall exposure to credit risk is relatively low.

Credit risk exposure

The carrying amount of financial assets on the Group's consolidated statement of financial position represents the maximum credit exposure without taking into account of any collateral held or other credit enhancements attached.

Collateral and other credit enhancements

Financial assets purchased under agreements to resell are pledged by counterparties' debt securities of which the Group could take the ownership should the owner of the collateral defaults. Policy loans are pledged by their policies' cash value as collateral according to terms and conditions of policy loan contracts and policy contracts signed between the Group and policyholders. The trusted scheme, special asset management plan and debt investment plan are all guaranteed by third parties, or use the budgeted financial income of central government as the source of funding for repayment.

The credit risk associated with financial assets purchased under agreements to resell and policy loans will not have a material impact on the consolidated statement of financial position taking into consideration of their collateral held and maturity that is within one year as of 31 December 2012.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

4 Management of insurance and financial risk (Continued)

(2) Financial risk (Continued)

(b) Credit risk (Continued)

Credit quality

The Group's debt securities include government bonds, central bank bills, financial bonds issued by state policy-related banks, financial institution bonds, corporate bonds and subordinated bonds/debts. The bond/debt's credit rating is assessed by qualified rating agencies in the PRC at the time of its issuance. Most of the Group's bank deposits are with the four largest state-owned commercial banks and other national commercial banks in the PRC. The Group's majority reinsurance agreements are with state-owned reinsurance companies or large international reinsurance companies. The Group believes these commercial banks and reinsurance companies have high credit quality. As a result, the Group concludes credit risk associated with debt securities, term deposits and accrued interest income thereof, statutory deposits, cash equivalents and reinsurance assets will not have a material impact on the Consolidated Financial Statements as of 31 December 2012.

Proportion	As of 31 December	
	2012	2011
Financial institution bonds having credit rating of AA/A-2 or above	100%	100%
Corporate bonds having credit rating of AA/A-2 or above held by the Group	100%	100%
Subordinated bonds/debts having credit rating of AA/A-2 or above, or issued by national banking or insurance companies	100%	99.39%
Bank deposits with the four largest state-owned commercial banks and other national commercial banks in the PRC	92.32%	94.48%

(c) Liquidity risk

Liquidity risk is the risk that the Group will not have access to sufficient funds to meet its liabilities as they become due. In the normal course of business, the Group attempts to match investment assets to insurance liabilities through asset-liabilities management to reduce liquidity risk (Note 4(1)(e)).

The following tables set forth the contractual or expected undiscounted cash flows for major financial assets, insurance assets, financial liabilities and insurance liabilities:

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

4 Management of insurance and financial risk (Continued)

(2) Financial risk (Continued)

(c) Liquidity risk (Continued)

As of 31 December 2012	Contractual or expected cash flows (undiscounted)					
	Carrying amount	No stated maturity	Within 1 year (including 1 year)	1-3 years (including 3 year)	3-5 years (including 5 year)	Over 5 years
Financial and insurance assets						
Debt securities	234,130	–	16,161	43,853	32,364	265,558
Equity securities	32,085	32,085	–	–	–	–
Term deposits	171,853	–	21,924	55,732	123,589	–
Statutory deposits	717	–	482	24	253	–
Policy loans	3,866	–	3,866	–	–	–
Accrued investment income	10,764	–	10,637	9	118	–
Premiums receivables	1,556	–	1,556	–	–	–
Reinsurance assets	3,282	–	632	112	1,809	1,354
Cash and cash equivalents	25,066	–	25,066	–	–	–
Total Financial and insurance assets	483,319	32,085	80,324	99,730	158,133	266,912
Financial and insurance liabilities						
Long-term insurance contracts	(361,070)	–	40,757	18,031	(44,878)	(922,164)
Short-term insurance contracts	(1,202)	–	(804)	–	–	–
Investment contracts	(18,988)	–	(3,174)	(3,876)	(3,572)	(33,801)
Borrowings	(15,000)	–	(745)	(1,490)	(16,205)	–
Financial assets sold under agreements to repurchase	(55,437)	–	(55,695)	–	–	–
Benefits, claims and surrenders payable	(789)	–	(789)	–	–	–
Reinsurance liabilities	(33)	–	(33)	–	–	–
Total financial and insurance liabilities	(452,519)	–	(20,483)	12,665	(64,655)	(955,965)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

4 Management of insurance and financial risk (Continued)

(2) Financial risk (Continued)

(c) Liquidity risk (Continued)

As of 31 December 2011	Contractual or expected cash flows(undiscounted)					
	Carrying amount	No Stated maturity	Within	1-3 years	3-5 years	Over 5 years
1 year			(including 3 year)	(including 5 year)		
Financial and insurance assets						
Debt securities	190,464	–	8,254	38,104	30,802	212,011
Equity securities	29,051	29,051	–	–	–	–
Term deposits	122,949	–	5,066	22,058	118,641	3,015
Statutory deposits	522	–	287	26	267	–
Policy loans	2,055	–	2,055	–	–	–
Financial assets purchased under agreements to resell	79	–	79	–	–	–
Accrued investment income	7,743	–	6,331	1,379	33	–
Premiums receivables	1,395	–	1,395	–	–	–
Reinsurance assets	4,202	–	1,508	231	1,775	1,475
Cash and cash equivalents	21,095	–	21,098	–	–	–
Total Financial and insurance assets	379,555	29,051	46,073	61,798	151,518	216,501
Financial and insurance liabilities						
Long-term insurance contracts	(292,818)	–	38,857	39,317	(39,017)	(825,757)
Short-term insurance contracts	(996)	–	(668)	–	–	–
Investment contracts	(19,001)	–	(1,711)	(3,307)	(2,816)	(40,582)
Borrowings	(5,000)	–	(285)	(570)	(570)	(6,925)
Financial assets sold under agreements to repurchase	(32,481)	–	(32,556)	–	–	–
Benefits, claims and surrenders payable	(499)	–	(499)	–	–	–
Reinsurance liabilities	(31)	–	(31)	–	–	–
Total financial and insurance liabilities	(350,826)	–	3,107	35,440	(42,403)	(873,264)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

4 Management of insurance and financial risk (Continued)

(2) Financial risk (Continued)

(c) Liquidity risk(Continued)

The amounts set forth in the tables above for financial assets, borrowings, financial assets sold under agreements to repurchase, and benefits claims and surrenders payable are undiscounted contractual cash flows. The amounts for insurance and investment contracts in each column are the cash flows representing expected future benefit payments taking into consideration of future premiums payments or deposits from policyholders. The excess cash inflow from matured financial assets will be reinvested to cover any future liquidity exposures. The estimate is subject to assumptions related to mortality, morbidity, lapse rate, investment ratio, loss ratio, expenses assumption and other assumptions. Actual experience may differ from estimates.

Although the contractual terms can be exercised immediately by all policyholders at once, the Group's expected cash flows as shown in the above tables are based on past experience and future expectations. The Group prepared another maturity analysis assuming that all investment contracts were surrendered immediately. This would cause a cash outflows of RMB18,794 million as of 31 December 2012, payable within one year (as of 31 December 2011: RMB18,720 million).

(d) Capital management

The Company's objectives when managing capital, which is actual capital, calculated as the difference between admitted assets and admitted liabilities as defined by the CIRC, are to comply with the insurance capital requirements by the CIRC to meet the minimum capital and safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company managed its capital requirements by assessing shortfalls, if any, between actual capital and minimum capital on a regular basis. The Company continuously and proactively monitors the business mix, the asset quality and allocation so as to enhance the profitability in relation to solvency margin.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

4 Management of insurance and financial risk (Continued)

(2) Financial risk (Continued)

(d) Capital management (Continued)

The table below summarizes the solvency ratio of the Company, the actual capital held against the minimum required capital:

	As of 31 December	
	2012	2011
Actual capital	35,764	23,866
Minimum capital	18,574	15,304
Solvency margin ratio	192.56%	155.95%

According to “Solvency Regulations of Insurance Companies”, the solvency margin ratio is computed by dividing the actual capital by the minimum capital. The CIRC closely monitors those insurance companies with solvency margin ratio less than 100% and may, depending on the individual circumstances, undertake certain regulatory measures, including but not limited to restricting the payment of dividends. Insurance companies with solvency margin ratio between 100% and 150% would be required to submit and implement plans preventing capital from being inadequate. And insurance companies with solvency margin ratio above 100% but significant solvency risk noticed would be required to take necessary rectification action.

(3) Fair value hierarchy

Level 1 fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can obtain at the measurement date.

Level 2 fair value is based on valuation technique using significant inputs, other than Level 1 quoted price, that are observable for the asset being measured, either directly or indirectly, for substantially the full term of the assets through corroboration with observable market data. Observable inputs generally used to measure the fair value of securities classified as Level 2 include quoted market prices for similar assets in active markets; quoted market prices in markets that are not active for identical or similar assets and other market observable inputs. This level includes the debt securities for which quotations are available from pricing service providers. Fair value provided by pricing service providers are subject to a number of validation procedures by management. These procedures include a review of the valuation models utilized and the results of these models, and as well as the recalculation of prices obtained from pricing service providers at the end of each reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

4 Management of insurance and financial risk (Continued)

(3) Fair value hierarchy (Continued)

Under certain conditions, the Group may not received price from independent third party pricing services. In this instance, the Group may choose to apply internally developed values to the assets being measured. In such cases, the valuations are generally classified as Level 3. Key inputs involved in internal valuation are not based on observable market data, and reflect assumptions made by management based on judgments and experience.

As of 31 December 2012	Level 1	Level 2	Level 3	Total
Assets				
Available for sale securities				
– Equity securities	28,189	522	–	28,711
– Debt securities	1,507	53,534	583	55,624
Securities at fair value through income				
– Equity securities	3,355	19	–	3,374
– Debt securities	178	1,203	–	1,381
Total Assets	33,229	55,278	583	89,090
Liabilities				
Unit-linked contracts	–	254	–	254
Total Liabilities	–	254	–	254
As of 31 December 2011				
Assets				
Available for sale securities				
– Equity securities	25,764	246	–	26,010
– Debt securities	3,240	43,626	–	46,866
Securities at fair value through income				
– Equity securities	3,030	11	–	3,041
– Debt securities	1,962	526	–	2,488
Total Assets	33,996	44,409	–	78,405
Liabilities				
Unit-linked contracts	–	271	–	271
Total Liabilities	–	271	–	271

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

4 Management of insurance and financial risk (Continued)

(3) Fair value hierarchy (Continued)

The changes in level 3 financial assets are analyzed below:

	Available for sale debt securities
1 January 2012	–
Purchase	583
31 December 2012	583

The total gains recognized in comprehensive income for the year ended 31 December 2012 that are attributable to level 3 financial assets held by the Group as at 31 December 2012 amounted to RMB3 million (31 December 2011: Nil).

5 Segment information

(1) Operating segments

The Group mainly has the following three segments:

(i) Individual insurance business

Individual life insurance business relates primarily to sale of insurance contracts and investment contracts to individuals.

(ii) Group insurance business

Group insurance business relates primarily to sale of insurance contracts and investment contracts to group entities.

(iii) Other business

Other business relates primarily to the Group's asset management and unallocated income and expense.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

5 Segment information (Continued)

(2) Allocation basis of income and expense

Insurance business income and expense directly attributable to segments will be allocated to each segment; investment income indirectly attributable to operating segments will be allocated to each segment in proportion to the respective segment's average insurance contracts liabilities and investment contracts liabilities at the beginning and end of the accounting period. Income tax expenses are not allocated but assigned to other business operating segment directly.

(3) Allocation basis of asset and liability

Insurance business assets and liabilities directly attributable to operating segments will be allocated to each segment; investment assets and liabilities indirectly attributable to operating segments will be allocated to each segment in proportion to the respective segment's insurance contracts liabilities and investment contracts liabilities at the end of the accounting period. Statutory deposits, investment properties, property, plant and equipment, intangible assets, other assets, investments in associates, borrowings, provision, other liabilities, deferred tax assets, deferred tax liabilities and current income tax liabilities are not allocated but assigned to other business operating segment directly.

(4) All of the Group's operating revenues are deemed as external except for those presented as inter-segment revenue

Substantially all of the Group's revenue is derived from its operations in the PRC. All of the Group's assets are located in the PRC.

For the year ended 31 December 2012, no gross written premiums and policy fees from transactions with a single external customer amounted to 1% or more of the Group's total gross written premiums and policy fees.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

5 Segment information (Continued)

	For the year ended 31 December 2012				Total
	Insurance		Others	Elimination	
	Individual	Group			
Revenues					
Gross written premiums and policy fees	96,601	1,480	–	–	98,081
Less: premiums ceded out	93	(88)	–	–	5
Net written premiums and policy fees	96,694	1,392	–	–	98,086
Net change in unearned premiums liabilities	(82)	(53)	–	–	(135)
Net premiums earned and policy fees	96,612	1,339	–	–	97,951
Investment income	13,149	397	13	–	13,559
Other income	155	14	247	(227)	189
Including: inter-segment revenue	5	–	222	(227)	–
Total revenues	109,916	1,750	260	(227)	111,699
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(426)	(658)	–	–	(1,084)
Life insurance death and other benefits	(23,846)	(137)	–	–	(23,983)
Increase in long-term insurance contracts liabilities	(64,641)	(190)	–	–	(64,831)
Investment contracts benefits	(645)	(15)	–	–	(660)
Commission and brokerage expenses	(6,819)	(229)	–	1	(7,047)
Including: inter-segment expenses	(1)	–	–	1	–
Administrative expenses	(8,977)	(834)	(200)	226	(9,785)
Including: inter-segment expenses	(202)	(19)	(5)	226	–
Other expenses	88	(46)	(318)	–	(276)
Total benefits, claims and expenses	(105,266)	(2,109)	(518)	227	(107,666)
Share of results of associates	–	–	1	–	1
Finance cost	(1,708)	(38)	–	–	(1,746)
Net profit before income tax	2,942	(397)	(257)	–	2,288
Income tax	–	–	646	–	646
Net profit for the year	2,942	(397)	389	–	2,934
Segment assets	473,386	7,720	12,610	(23)	493,693
Segment liabilities	432,516	7,141	18,181	(23)	457,815

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

5 Segment information (Continued)

Other segment information for the year ended 31 December 2012:

	Insurance		Others	Elimination	Total
	Individual	Group			
Depreciation and amortization	266	25	6	–	297
Interest income	18,289	461	13	–	18,763
Impairment	(4,956)	(57)	–	–	(5,013)
Share of profit of associates under equity method	–	–	1	–	1

	Insurance		Others	Elimination	Total
	Individual	Group			
For the year ended 31 December 2011					
Revenues					
Gross written premiums and policy fees	93,838	1,313	–	–	95,151
Less: premiums ceded out	665	(81)	–	–	584
Net written premiums and policy fees	94,503	1,232	–	–	95,735
Net change in unearned premiums liabilities	(36)	(35)	–	–	(71)
Net premiums earned and policy fees	94,467	1,197	–	–	95,664
Investment income	12,482	263	9	–	12,754
Other income	150	9	240	(207)	192
Including: inter-segment revenue	6	–	201	(207)	–
Total revenues	107,099	1,469	249	(207)	108,610
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(362)	(505)	–	–	(867)
Life insurance death and other Benefits	(20,153)	(158)	–	–	(20,311)
Increase in long-term insurance contracts liabilities	(65,757)	(216)	–	–	(65,973)
Investment contracts benefits	(602)	(33)	–	–	(635)
Commission and brokerage expenses	(7,220)	(98)	–	1	(7,317)
Including: inter-segment expenses	(1)	–	–	1	–
Administrative expenses	(8,440)	(826)	(169)	206	(9,229)
Including: inter-segment expenses	(184)	(16)	(6)	206	–
Other expenses	13	(51)	(161)	–	(199)
Total benefits, claims and expenses	(102,521)	(1,887)	(330)	207	(104,531)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

5 Segment information (Continued)

	For the year ended 31 December 2011				Total
	Insurance		Others	Elimination	
	Individual	Group			
Share of results of associates	–	–	2	–	2
Finance cost	(765)	(41)	–	–	(806)
Net profit before income tax	3,813	(459)	(79)	–	3,275
Income tax	–	–	(475)	–	(475)
Net profit for the year	3,813	(459)	(554)	–	2,800
Segment assets	371,193	7,244	8,342	(8)	386,771
Segment liabilities	341,220	6,701	7,545	(8)	355,458

Other segment information for the year ended 31 December 2011:

	Insurance		Others	Elimination	Total
	Individual	Group			
Depreciation and amortization	231	23	5	–	259
Interest income	12,458	253	10	–	12,721
Impairment	(476)	(7)	–	–	(483)
Share of profit of associates under equity method	–	–	2	–	2

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

6 Property, plant and equipment

Group

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As of 1 January 2012	2,655	740	163	1,533	5,091
Additions	4	117	15	1,144	1,282
Transfers upon completion	1,162	2	–	(1,164)	–
Transfers from investment properties (Note 7)	40	–	–	–	40
Transfers to investment properties (Note 7)	(68)	–	–	(1,176)	(1,244)
Disposals	(48)	(44)	(8)	–	(100)
As of 31 December 2012	3,745	815	170	337	5,067
Accumulated depreciation					
As of 1 January 2012	(357)	(410)	(40)	–	(807)
Charges for the period	(67)	(104)	(14)	–	(185)
Transfers from investment properties (Note 7)	(6)	–	–	–	(6)
Transfers to investment properties (Note 7)	9	–	–	–	9
Disposals	2	42	4	–	48
As of 31 December 2012	(419)	(472)	(50)	–	(941)
Net book value					
As of 1 January 2012	2,298	330	123	1,533	4,284
As of 31 December 2012	3,326	343	120	337	4,126

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

6 Property, plant and equipment (Continued)

Group (Continued)

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As of 1 January 2011	2,600	662	146	188	3,596
Additions	–	86	27	1,372	1,485
Transfer upon completion	1	26	–	(27)	–
Transfers from investment properties (Note 7)	174	–	–	–	174
Transfers to investment properties (Note 7)	(120)	–	–	–	(120)
Disposals	–	(34)	(10)	–	(44)
As of 31 December 2011	2,655	740	163	1,533	5,091
Accumulated depreciation					
As of 1 January 2011	(290)	(352)	(32)	–	(674)
Charges for the period	(62)	(90)	(13)	–	(165)
Transfers from investment properties (Note 7)	(20)	–	–	–	(20)
Transfers to investment properties (Note 7)	15	–	–	–	15
Disposals	–	32	5	–	37
As of 31 December 2011	(357)	(410)	(40)	–	(807)
Net book value					
As of 1 January 2011	2,310	310	114	188	2,922
As of 31 December 2011	2,298	330	123	1,533	4,284

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

6 Property, plant and equipment (Continued)

Company

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As of 1 January 2012	2,422	728	160	1,371	4,681
Additions	4	72	15	1,132	1,223
Transfers upon completion	1,162	2	–	(1,164)	–
Transfers from investment properties (Note 7)	40	–	–	–	40
Transfers to investment properties (Note 7)	(68)	–	–	(1,176)	(1,244)
Disposals	–	(41)	(7)	–	(48)
As of 31 December 2012	3,560	761	168	163	4,652
Accumulated depreciation					
As of 1 January 2012	(338)	(405)	(41)	–	(784)
Charges for the year	(62)	(94)	(13)	–	(169)
Transfers from investment properties (Note 7)	(6)	–	–	–	(6)
Transfers to investment properties (Note 7)	9	–	–	–	9
Disposals	–	41	4	–	45
As of 31 December 2012	(397)	(458)	(50)	–	(905)
Net book value					
As of 1 January 2012	2,084	323	119	1,371	3,897
As of 31 December 2012	3,163	303	118	163	3,747

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

6 Property, plant and equipment (Continued)

Company (Continued)

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As of 1 January 2011	2,367	651	144	28	3,190
Additions	–	85	26	1,370	1,481
Transfer upon completion	1	26	–	(27)	–
Transfers from investment properties (Note 7)	174	–	–	–	174
Transfers to investment properties (Note 7)	(120)	–	–	–	(120)
Disposals	–	(34)	(10)	–	(44)
As of 31 December 2011	2,422	728	160	1,371	4,681
Accumulated depreciation					
As of 1 January 2011	(276)	(349)	(33)	–	(658)
Charges for the period	(57)	(88)	(13)	–	(158)
Transfers from investment properties (Note 7)	(20)	–	–	–	(20)
Transfers to investment properties (Note 7)	15	–	–	–	15
Disposals	–	32	5	–	37
As of 31 December 2011	(338)	(405)	(41)	–	(784)
Net book value					
As of 1 January 2011	2,091	302	111	28	2,532
As of 31 December 2011	2,084	323	119	1,371	3,897

The Group was in the process of obtaining legal title in respect of the ownership of buildings with aggregate net book value of approximately RMB79 million as of 31 December 2012 (31 December 2011: RMB169 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

7 Investment properties

Group and Company

	For the year ended 31 December	
	2012	2011
Cost		
Beginning of the year	507	561
Transfers from property, plant and equipment (Note 6)	1,244	120
Transfers to property, plant and equipment (Note 6)	(40)	(174)
End of the year	1,711	507
Accumulated depreciation		
Beginning of the year	(56)	(48)
Charges for the year	(17)	(13)
Transfers from property, plant and equipment (Note 6)	(9)	(15)
Transfers to property, plant and equipment (Note 6)	6	20
End of the year	(76)	(56)
Net book value		
Beginning of the year	451	513
End of the year	1,635	451

Rental income from investment properties are recognized in "Other income" (Note 25).

According to the asset valuation report issued by Jones Lang LaSalle Sallmanns Limited, the fair value of investment properties as of 31 December 2012 were RMB2,533 million (31 December 2011: RMB1,129 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

8 Intangible assets

The intangible assets held by the Group and the Company are computer software.

Group

	For the year ended 31 December	
	2012	2011
Cost		
Beginning of the year	212	181
Additions	61	31
End of the year	273	212
Accumulated amortization		
Beginning of the year	(147)	(124)
Amortization	(24)	(23)
End of the year	(171)	(147)
Net book value		
Beginning of the year	65	57
End of the year	102	65

Company

	For the year ended 31 December	
	2012	2011
Cost		
Beginning of the year	205	177
Additions	57	28
End of the year	262	205
Accumulated amortization		
Beginning of the year	(145)	(123)
Amortization	(24)	(22)
End of the year	(169)	(145)
Net book value		
Beginning of the year	60	54
End of the year	93	60

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

9 Investments in associates

Details of investments in associates, all unlisted, are as follows:

Group

	For the year ended 31 December	
	2012	2011
Beginning of the year	709	707
Share of results	1	2
Cash dividend from investment in associates	(2)	–
End of the year	708	709

Assets, liabilities, revenue and profit/(loss) of associates are as follows:

As of/for the year ended 31 December 2012	Country of incorporation	Interest held	Assets	Liabilities	Revenue	Profit/ (losses)
Beijing Zijin Century Real Estate Co., Ltd. ("Zijin Century") ⁽¹⁾	Beijing, the PRC	24%	4,608	2,116	3	(5)
Beijing MJ Health Screening Center Co., Ltd. ("MJ Health")	Beijing, the PRC	30%	52	9	59	8
Total			4,660	2,125	62	3

As of/for the year ended 31 December 2011	Country of incorporation	Interest held	Assets	Liabilities	Revenue	Profit
Zijin Century	Beijing, the PRC	24%	4,401	1,904	–	–
MJ Health	Beijing, the PRC	30%	49	7	55	5
Total			4,450	1,911	55	5

All investments in associates are directly held by the Group and the Company. The English names of the associates represented the best effort by management of the Company in translating their Chinese names as they do not have official English names.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

9 Investments in associates (Continued)

(1) Zijin Century

As approved by the fifth Shareholders' extraordinary general meeting on 23 August 2011, the Company plans to sell its share holdings of 24% of Zijin Century. As of the date of the Consolidated Financial Statements, the Company has not signed any sales agreement.

Company

	For the year ended 31 December	
	2012	2011
Beginning of the year	610	610
End of the year	610	610

10 Financial assets

(1) Held-to-maturity securities

Group and Company

	As of 31 December	
	2012	2011
Debt securities		
Government bonds	38,557	33,624
Financial bonds	28,468	26,558
Corporate bonds	49,107	40,305
Subordinated bonds/debts	60,685	40,603
Total	176,817	141,090
Debt securities		
Listed in the PRC	29,382	24,458
Unlisted	147,435	116,632
Total	176,817	141,090

The estimated fair value of listed held-to-maturity securities is RMB29,306 million as of 31 December 2012 (as of 31 December 2011: RMB24,862 million).

The unlisted debt securities refer to debt securities not traded on stock exchanges and include both debt securities traded on the interbank market in the PRC and debt securities not publicly traded.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

10 Financial assets (Continued)

(1) Held-to-maturity securities (Continued)

The due dates of debt securities which are classified as held-to-maturity securities are as follows:

Maturity	As of 31 December	
	2012	2011
Within 1 year (including 1 year)	7,852	2,703
After 1 year but within 3 years(including 3 years)	11,019	15,929
After 3 years but within 5 years (including 5 years)	7,567	3,935
After 5 years	150,379	118,523
Total	176,817	141,090

(2) Available-for-sale securities

Group and Company

	As of 31 December	
	2012	2011
Debt securities		
Financial bonds	2,234	5,214
Corporate bonds	32,314	25,207
Subordinated bonds/debts	20,493	16,445
Others	583	–
Subtotal	55,624	46,866
Equity securities		
Funds	15,195	11,252
Stocks	13,516	14,758
Subtotal	28,711	26,010
Total	84,335	72,876
Debt securities		
Listed in the PRC	5,764	4,460
Unlisted	49,860	42,406
Subtotal	55,624	46,866
Equity securities		
Listed in the PRC	17,555	19,061
Unlisted	11,156	6,949
Subtotal	28,711	26,010
Total	84,335	72,876

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

10 Financial assets (Continued)

(2) Available-for-sale securities (Continued)

The due dates of debt securities which are classified as available-for-sale securities are as follows:

Maturity	As of 31 December	
	2012	2011
Within 1 year (including 1 year)	524	113
After 1 year but within 3 years (including 3 years)	11,543	4,726
After 3 years but within 5 years (including 5 years)	5,342	9,454
After 5 years	38,215	32,573
Total	55,624	46,866

The unlisted securities refer to debt/equity securities not traded on stock exchanges and include both debt securities traded on the interbank market in the PRC and securities not publicly traded.

(3) Securities at fair value through income

Group

	As of 31 December	
	2012	2011
Debt securities		
Financial bonds	–	1,911
Corporate bonds	991	226
Subordinated bonds/debts	390	351
Subtotal	1,381	2,488
Equity securities		
Funds	674	825
Stocks	2,700	2,216
Subtotal	3,374	3,041
Total	4,755	5,529
Debt securities		
Listed in the PRC	178	1,962
Unlisted	1,203	526
Subtotal	1,381	2,488
Equity securities		
Listed in the PRC	2,848	2,404
Unlisted	526	637
Subtotal	3,374	3,041
Total	4,755	5,529

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

10 Financial assets (Continued)

(3) Securities at fair value through income (Continued)

Company

	As of 31 December	
	2012	2011
Debt securities		
Financial bonds	–	1,911
Corporate bonds	991	226
Subordinated bonds/debts	390	351
Subtotal	1,381	2,488
Equity securities		
Funds	628	798
Stocks	2,700	2,216
Subtotal	3,328	3,014
Total	4,709	5,502
Debt securities		
Listed in the PRC	178	1,962
Unlisted	1,203	526
Subtotal	1,381	2,488
Equity securities		
Listed in the PRC	2,848	2,404
Unlisted	480	610
Subtotal	3,328	3,014
Total	4,709	5,502

The unlisted securities refer to debt/equity securities not traded on stock exchanges and include both debt securities traded on the interbank market in the PRC and securities not publicly traded. As of 31 December 2012 and 2011, the entire Group's and the Company's securities classified as at fair value through income were held for trading purpose.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

10 Financial assets (Continued)

(4) Loans and receivables

Group

	As of 31 December	
	2012	2011
Debt investment plan	287	–
Others	21	20
Total	308	20

Company

	As of 31 December	
	2012	2011
Debt investment plan	287	–
Others	10	10
Total	297	10

(5) Term deposits

The due dates of the term deposits are as follows:

Group

Maturity	As of 31 December	
	2012	2011
Within 1 year (including 1 year)	18,349	2,386
After 1 year but within 3 years (including 3 years)	39,473	9,500
After 3 years but within 5 years (including 5 years)	114,031	108,063
After 5 years	–	3,000
Total	171,853	122,949

Company

Maturity	As of 31 December	
	2012	2011
Within 1 year (including 1 year)	18,348	2,385
After 1 year but within 3 years (including 3 years)	39,313	9,500
After 3 years but within 5 years (including 5 years)	113,991	107,863
After 5 years	–	3,000
Total	171,652	122,748

As of 31 December 2012, RMB796 million of the Company's term deposit are restricted deposit for special dividends (Note 19(1)).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

10 Financial assets (Continued)

(6) Statutory deposits

The due dates of the statutory deposits are as follows:

Group

Maturity	As of 31 December	
	2012	2011
Within 1 year (including 1 year)	476	281
After 1 year but within 3 years (including 3 years)	1	1
After 3 years but within 5 years (including 5 years)	240	240
Total	717	522

Company

Maturity	As of 31 December	
	2012	2011
Within 1 year (including 1 year)	475	280
After 3 years but within 5 years (including 5 years)	240	240
Total	715	520

According to the relevant regulations issued by the CIRC, statutory deposits can only be used by the insurance company and insurance agency to discharge debt upon liquidation.

(7) Accrued investment income

Group

	As of 31 December	
	2012	2011
Bank deposits	7,159	4,753
Debt securities	3,514	2,988
Other	91	2
Total	10,764	7,743
Current	10,637	6,331
Non-current	127	1,412
Total	10,764	7,743

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

10 Financial assets (Continued)

(7) Accrued investment income (Continued)

Company

	As of 31 December	
	2012	2011
Bank deposits	7,155	4,749
Debt securities	3,514	2,988
Other	91	2
Total	10,760	7,739
Current	10,633	6,327
Non-current	127	1,412
Total	10,760	7,739

11 Premiums receivables

Premiums receivables are due within 3 months.

12 Reinsurance assets

Group and Company

	As of 31 December	
	2012	2011
Claims and claim adjustment expenses ceded (Note 14)	22	28
Unearned premiums liabilities ceded (Note 14)	27	16
Long-term insurance contracts ceded (Note 14)	2,869	3,884
Due from reinsurance companies	364	274
Total	3,282	4,202
Current	538	1,222
Non-current	2,744	2,980
Total	3,282	4,202

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

13 Other assets

Group

	As of 31 December 2012		
	Book value balance	Provision for impairment	Net book value
Prepaid taxes (1)	1,432	–	1,432
Receivable from Off-balance sheet repurchase transactions (Note 3 (4))	1,101	(913)	170
Prepaid and deferred expenses	441	–	441
Investment clearing account (2)	276	–	276
Litigation deposit (3)	121	–	121
Prepayment for Heilongjiang branch's office building (4)	37	(37)	–
Prepayment for Taizhou and Yongzhou cases (5)	26	(26)	–
Entrusted fund receivable from liquidation group of Minfa Securities (6)	16	(16)	–
Receivable from Huaxinrong Company (7)	12	(12)	–
Others	508	(8)	500
Total	3,970	(1,030)	2,940

	As of 31 December 2011		
	Book value balance	Provision for impairment	Net book value
Receivable from Off-balance sheet repurchase transactions (Note 3 (4))	1,101	(1,101)	–
Prepaid taxes (1)	566	–	566
Prepaid and deferred expenses	485	–	485
Prepayment for Taizhou and Yongzhou cases (5)	288	(288)	–
Litigation deposit (3)	232	–	232
Entrusted fund receivable from liquidation group of Minfa Securities (6)	159	(104)	55
Prepayment for Heilongjiang branch's office building (4)	37	(37)	–
Receivable from Huaxinrong Company (7)	12	(12)	–
Others	361	(6)	355
Total	3,241	(1,548)	1,693

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

13 Other assets (Continued)

Company

	As of 31 December 2012		
	Book value balance	Provision for impairment	Net book value
Prepaid taxes (1)	1,432	–	1,432
Receivable from Off-balance sheet repurchase transactions (Note 3 (4))	1,101	(931)	170
Prepaid and deferred expenses	406	–	406
Investment clearing account (2)	276	–	276
Litigation deposit (3)	121	–	121
Receivables from subsidiaries (Note 33 (3))	69	–	69
Prepayment for Heilongjiang branch's office building (4)	37	(37)	–
Prepayment for Taizhou and Yongzhou cases (5)	26	(26)	–
Entrusted fund receivable from liquidation group of Minfa Securities (6)	16	(16)	–
Receivable from Huaxinrong Company (7)	12	(12)	–
Others	496	(8)	488
Total	3,992	(1,030)	2,962

	As of 31 December 2011		
	Book value balance	Provision for impairment	Net book value
Receivable from Off-balance sheet repurchase transactions (Note 3 (4))	1,101	(1,101)	–
Receivables from subsidiaries (Note 33 (3))	752	–	752
Prepaid taxes (1)	566	–	566
Prepaid and deferred expenses	463	–	463
Prepayment for Taizhou and Yongzhou cases (5)	288	(288)	–
Litigation deposit (3)	232	–	232
Entrusted fund receivable from liquidation group of Minfa Securities (6)	159	(104)	55
Prepayment for Heilongjiang branch's office building (4)	37	(37)	–
Receivable from Huaxinrong Company (7)	12	(12)	–
Others	347	(6)	341
Total	3,957	(1,548)	2,409

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

13 Other assets (Continued)

Group

	As of 31 December	
	2012	2011
Current	2,395	1,070
Non-current	545	623
Total	2,940	1,693

Company

	As of 31 December	
	2012	2011
Current	2,452	1,398
Non-current	510	1,011
Total	2,962	2,409

(1) Prepaid Taxes

Prepaid taxes are prepaid business taxes and surcharges related to the Group's insurance and investment activities. They will be refunded to the Group or can be used as credits to offset future tax obligations after tax bureau's approval.

(2) Investment clearing account

Investment clearing account balance represents unsettled security in transit as at the balance sheet date.

(3) Litigation deposit

The Group is in the process of recovering fund relating to the irregularities of the former chairman through legal proceedings. Litigation deposit represents the deposit required by the court in legal process, and will be returned to the Group upon the conclusion of the cases.

(4) Prepayment for Heilongjiang branch office building

In 2005, the Company signed an office building purchase contract for RMB37 million with Heilongjiang Shida Real Estate Co., Ltd. The Company paid RMB37 million to Heilongjiang Guantong Investment Co., Ltd. (hereinafter referred to as "Guantong Investment") in 2005. Because the payment recipient is not a party of the contract, as of the date of this report, the Company was not able to obtain the office building ownership certificate, and to recover the payment made to Guantong Investment was significantly uncertain. Based on the best estimation of the future cash flow, the Company recognized a full provision for this prepayment.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

13 Other assets (Continued)

(5) Prepayment for Taizhou and Yongzhou cases

In 2009, certain former employees of the Company's Taizhou municipal branch of Jiangsu provincial branch and Yongzhou municipal branch of Hunan provincial branch allegedly sold counterfeit insurance products under the Company's brand, through which they illegally defrauded funds for personal use. Based on the Company's assessment, the Company estimated that the total amount of the unrealized principle and interest insufficiency to settle all claims from defrauded policyholders was RMB295 million, of which approximately RMB277 million is for Taizhou case and RMB18 million is for Yongzhou case, principal and interest included. The Company anticipated significant uncertainty in recovering the prepayment and recognized a full loss provision based on the best estimates of future cash flows. In 2011, the court reached a verdict on the Yongzhou case. The Company updated its estimates according to the verdict and reversed approximately RMB7 million of provision for doubtful debts.

In the year of 2012, the Company recovered RMB20 million from the Taizhou case. The court closed the Taizhou case in 2012 and there was no new payment incurred during the year. As the result, the Company reversed the outstanding payments in other liabilities with the amount of RMB80 million (Note 19), and reversed other assets and its provision for doubtful debts of RMB100 million.

Based on the Company's judgment on Taizhou and Yongzhou case, the Company considered that they might recover RMB26 million in the future, but it still has significant uncertainty. The Company wrote off the remaining balance of RMB162 million of other assets and its provision for doubtful debts.

(6) Entrusted fund receivable from liquidation group of Minfa Securities

Minfa Securities Co., Ltd. (hereinafter referred to as "Minfa Securities") was closed down by the China Securities Regulatory Commission and undertook administrative liquidation in 2005; and the Company's investments entrusted to Minfa Securities with carrying amount of RMB477 million were deemed uncollectible at the time of the liquidation. The Company reclassified these investments into other receivable at their carrying amount and recognized a full provision against such balance. The Company received the fund RMB373 million allowances for doubtful debts according to the distribution arrangement as approved by the Court during 2009 to 2012. In the year of 2012, the Court adjudicated to terminate the bankruptcy proceedings of Minfa Securities and related companies. The Company judged that they might recover RMB16 million in the future, but it still has significant uncertainty. The Company wrote off the remaining balance of RMB88 million of other assets and its provision for doubtful debts.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

13 Other assets (Continued)

(7) Receivable from Huaxinrong Company

In 2004, the Company signed an office building purchase contract with Shenzhen Lianjiuzhou Logistics Network Co., Ltd. (“Lianjiuzhou Company”) amounted to RMB104 million. In 2004, the Company made a payment of RMB100 million to Beijing Huaxinrong Investment Co., Ltd. (“Huaxinrong Company”) for the purpose of purchasing the office building, and then made a payment of RMB16 million to Lianjiuzhou Company directly. In 2007, the Company reached an agreement with Lianjiuzhou Company that the Company had fulfilled all obligations in respect of the office building purchase contract. The Company has obtained the building ownership certificate.

The Company anticipated that there are uncertainties in recovering the excess payment made to Huaxinrong Company of RMB12 million and recognized a full provision.

14 Insurance contracts liabilities

(1) Process used to determine assumptions

(a) Discount rate assumption

For long-term insurance contracts whose future insurance benefits are affected by investment yields of corresponding investment portfolios, investment return assumptions are applied as discount rates to assess the time value impacts on liabilities computation.

In developing discount rate assumptions, the Group considers investment experience, current and future investment portfolio and trend of the yield curve. The discount rate reflects the future economic outlook as well as the Group’s investment strategy. The expected discount rates with risk margins are as follows:

	Discount rate assumption
31 December 2012	4.75%~5.23%
31 December 2011	5.23%

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

14 Insurance contracts liabilities (Continued)

(1) Process used to determine assumptions (Continued)

(a) Discount rate assumption (Continued)

For life insurance contracts whose future insurance benefits are not affected by investment yields of corresponding investment portfolios, the Group uses discount rate assumption to assess the time value impacts based on the “yield curve of liability computation benchmark for insurance contracts”, published on the “China Bond” website, with consideration including liquidity spreads, taxation impacts and other relevant factors. The expected discount rates are as follows:

	Discount rate assumption
31 December 2012	3.12%~5.61%
31 December 2011	2.65%-5.66%

The discount rate assumption is affected by certain factors, such as future macro-economy, fiscal policies, capital market and availability of investment channel of insurance funds. The Group determines discount rate assumption based on the information obtained at the end of each reporting period including consideration of risk margins.

(b) Mortality and morbidity assumption

The Group bases its mortality assumption on the China Life Insurance Life Mortality Table (2000-2003), adjusted where appropriate to reflect the Group’s historical mortality rate. The main source of uncertainty with life insurance contracts is that epidemics, such as bird flu, AIDS and SARS, and wide-ranging lifestyle changes could result in deterioration in future mortality rate, thus leading to an inadequate liability provision. Similarly, continuous advancements in medical care and social welfare could result in improvements in longevity that exceed that used in the estimates to determine the liabilities for contracts where the Group is exposed to longevity risk.

The Group bases its morbidity assumptions for critical illness products on analysis of historical experience and expectations of future developments. There are two main sources of uncertainty. First, wide-ranging lifestyle changes could result in future deterioration in morbidity rate. Second, future development of medical technologies and improved availability of medical facilities to policyholders may lead to early diagnosis of critical illness, which demands earlier payment of the critical illness benefits. Both could ultimately result in an inadequate liability provision if current morbidity assumptions do not properly reflect such secular trends.

Mortality and morbidity vary with the age of insured and types of contracts. Risk margin is considered in the Group’s mortality and morbidity assumptions.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

14 Insurance contracts liabilities (Continued)

(1) Process used to determine assumptions (Continued)

(c) Expenses assumption

The Group's expenses assumption is determined based on actual experience analysis, with consideration of future inflation and risk margin, expressed on both per-policy/insured and a percent-of-premium basis. The Group's expense assumption is affected by certain factors, such as inflation and market competition. The Company determines expense assumption based on the information obtained at the end of each reporting period with the consideration of risk margin.

	Individual life insurance		Group life insurance	
	RMB per Policy	% of Premium	RMB per Insured	% of Premium
31 December 2012	70-95	0.83%-1.03%	30	0.38%
31 December 2011	65-95	0.69%-1.05%	25	0.86%

(d) Policy dividend assumption

Policy dividend assumption is determined based upon the investment yields of participating account, contract terms, dividends policy enacted by the Group, reasonable expectation of policyholders and other factors. Pursuant to relevant contract terms, the Group is obligated to pay to the policyholders of participating contracts at least 70% of distributable surplus.

(e) Lapse rate and other assumptions

The lapse rates and other assumptions are affected by certain factors, such as future macro-economy, availability of financial substitutions, and market competition. The lapse rates and other assumptions are determined based on past experience, current conditions, future expectations and other information obtained at the end of each reporting period with consideration of risk margin.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

14 Insurance contracts liabilities (Continued)

(2) Net liabilities of insurance contracts

Group and Company

	As of 31 December	
	2012	2011
Gross		
Long-term insurance contracts liabilities	361,070	292,818
Short-term insurance contracts liabilities		
– Outstanding claims liabilities	452	392
– Unearned premiums liabilities	750	604
Total, gross	362,272	293,814
Recoverable from reinsurers		
Long-term insurance contracts (Note12)	(2,869)	(3,884)
Short-term insurance contracts		
– Outstanding claims liabilities (Note12)	(22)	(28)
– Unearned premiums liabilities (Note12)	(27)	(16)
Total, ceded	(2,918)	(3,928)
Net		
Long-term insurance contracts liabilities	358,201	288,934
Short-term insurance contracts liabilities		
– Outstanding claims liabilities	430	364
– Unearned premiums liabilities	723	588
Total, net	359,354	289,886

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

14 Insurance contracts liabilities (Continued)

(3) Movements in liabilities of short-term insurance contracts

The table below presents movements in outstanding claims liabilities:

Group and Company

	For the year ended	
	31 December 2012	2011
Beginning of the year – Gross	392	274
Cash paid for claims settled in year		
– Cash paid for current year claims	(719)	(560)
– Cash paid for prior year claims	(359)	(262)
Claims incurred in the year		
– Claims arising in the current year	1,142	937
– Claims accrued/(adjusted) for prior years	(4)	3
End of the year – Gross	452	392

The table below presents the movement in unearned premiums liabilities:

Group and Company

	Gross	Ceded	Net
As of 1 January 2011	530	(13)	517
Increase	1,833	(81)	1,752
Release	(1,759)	78	(1,681)
As of 31 December 2011	604	(16)	588
Increase	2,198	(103)	2,095
Release	(2,052)	92	(1,960)
As of 31 December 2012	750	(27)	723

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

14 Insurance contracts liabilities (Continued)

(4) Movements in liabilities of long-term insurance contracts

The table below presents the movements in the liabilities of long-term insurance contracts:

Group and Company

	For the year ended	
	31 December	2011
	2012	
Beginning of the year	292,818	233,821
Premiums	95,521	92,964
Release of liabilities (i)	(45,077)	(39,175)
Accretion of interest	17,383	13,821
Changes in assumption (ii)	1,098	295
Other movements (iii)	(673)	(8,908)
End of the year	361,070	292,818

- (i) The release of liabilities mainly consists of payments for death or other termination and related expenses, release of residual margin and change of outstanding claims liabilities of long-term insurance contracts.
- (ii) Changes in assumption are impact of changes in discount rate assumption, mortality and morbidity assumption, expenses assumption, policy dividend assumption, and lapse rate and other assumptions.
- (iii) Other movements include accumulated realized but not yet announced policy dividend movement and change of shadow adjustments.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

15 Liabilities of investment contracts

The table below presents the movement in liabilities of investment contracts:

Group and Company

	For the year ended 31 December	
	2012	2011
Non-unit-linked contracts		
Beginning of the year	18,730	19,538
Deposits received	2,670	2,070
Deposits paid and liabilities transferred out	(4,709)	(3,338)
Policy fees deducted from account balances	(362)	(354)
Interest and benefits accreted	2,352	911
Changes in investment contracts recorded in other comprehensive income	53	(97)
End of the year	18,734	18,730
Unit-linked contracts		
Beginning of the year	271	374
Deposits received	1	8
Deposits paid and liabilities transferred out	(12)	(24)
Fair value changes	(6)	(87)
End of the year	254	271
Total liabilities of investment contracts as at end of the year	18,988	19,001

16 Borrowings

Upon the approval of the CIRC in September 2011, the Company completed an offering of 10-year subordinated debt in an aggregated principal amount of RMB5,000 million, and with an interest rate 5.7% per annum. The Company has the right to redeem the debts partially or wholly at the end of the fifth year. If the Company does not exercise the redemption right or partially exercise the redemption right, the interest rate will step up to 7.7% per annum beginning on the sixth year until the maturity date.

Upon the approval of the CIRC in July 2012, the Company completed an offering of 10-year subordinated debt in an aggregated principal amount of RMB10,000 million, and with an interest rate 4.6% per annum. The Company has the right to redeem the debts partially or wholly at the end of the fifth year. If the Company does not exercise the redemption right or partially exercise the redemption right, the interest rate will step up to 6.6% per annum beginning on the sixth year until the maturity date.

The repayment of principal and interests of the subordinated debt is subordinated to policy liabilities and other liabilities but prior to the Company's equity capital.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

17 Financial assets sold under agreements to repurchase

Group and Company

	As of 31 December	
	2012	2011
By market		
Inter-bank market	39,002	14,619
Stock exchange	16,435	17,862
Total	55,437	32,481
By collateral		
Bond	55,437	32,481
Total	55,437	32,481

Maturity:

	As of 31 December	
	2012	2011
Within 3 months (including 3 months)	44,937	32,481
After 3 months but within 6 months (including 6 months)	10,500	–
Total	55,437	32,481

As of 31 December 2012, bonds with par value of RMB42,792 million (31 December 2011: RMB14,960 million) were pledged as collateral for financial assets sold under agreements to repurchase resulted from repurchase transactions entered into by the Group in the inter-bank market. The collateral is restricted from trading during the period of the repurchase transaction.

For debt repurchase transactions through stock exchange, the Group and the Company is required to deposit certain exchange-traded bonds into a collateral pool and the fair value converted at a standard rate pursuant to stock exchange's regulation which should be no less than the balance of related repurchase transaction. As of 31 December 2012, the amount of securities deposited in the collateral pool was RMB33,816 million (31 December 2011: RMB28,221 million). The collateral is restricted from trading during the period of the repurchase transaction. The Group and the Company can withdraw the exchange-traded bonds from the collateral pool under the condition that the value of certain bonds is no less than the balance of related repurchase transactions.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

18 Provisions

Group and Company

Lawsuits and disputes	For the year ended 31 December	
	2012	2011
Beginning of the year	458	574
Decrease	–	(116)
End of the year	458	458

When future cash outflow is probable and can be reasonably measured, provision should be made based on the projected payment of current lawsuits and disputes. After taking consideration of specific circumstances and legal advice, the Company makes the best estimation according to the relevant accounting standards. The final payments of those lawsuits and disputes depends on the final investigation, judgment and settlement amount, thus it may differ from the current provision.

19 Other liabilities

Group

	As of 31 December	
	2012	2011
Salary and welfare payable	1,031	1,004
Commission and brokerage payable	630	637
Special dividends for shareholders (1)	796	–
Repayment payable for non-insurance contracts	287	564
Amount payable for Orient Group (Note 3(4))	282	–
Taxes payable other than income tax	208	216
Security deposits by agent for holding the Company's documents	168	169
Unallocated receipts	88	154
Insurance security fund payable	47	44
Purchase payment for Heilongjiang branch's building (Note13(4))	37	37
Taizhou and Yongzhou cases outstanding payments (Note 13(5))	–	80
Others	684	517
Total	4,258	3,422
Current	3,257	2,764
Non-current	1,001	658
Total	4,258	3,422

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

19 Other liabilities (Continued)

Company

	As of 31 December	
	2012	2011
Salary and welfare payable	965	947
Commission and brokerage payable	630	637
Special dividends for shareholders (1)	796	–
Repayment payable for non-insurance contracts	287	564
Amount payable for Orient Group (Note 3(4))	282	–
Taxes payable other than income tax	206	212
Security deposits by agent for holding the Company's documents	168	169
Unallocated receipts	88	154
Insurance security fund payable	47	44
Purchase payment for Heilongjiang branch's building (Note 13(4))	37	37
Taizhou and Yongzhou cases outstanding payments (Note 13(5))	–	80
Others	702	500
Total	4,208	3,344
Current	3,207	2,686
Non-current	1,001	658
Total	4,208	3,344

(1) Special dividends for shareholders

The "Resolution on Specific Matters Relating to the Special Dividend Distribution and Public Investor Protection Mechanism of New China Life Insurance Company Ltd." was approved at the 47th meeting of the fourth session of the Board of the Company on 26 July 2012. The Special Dividend, as calculated and declared in RMB on the basis of the total number of shares of 3,119,546,600 currently issued by the Company, is RMB0.32056 (including tax) per share, totalling approximately RMB1 billion.

The Company's shareholders prior to its initial public offering have further undertaken that to provide protection to public investors, after the completion of the above special dividend distribution, they will deposit their share of the special dividend distribution into custodial bank accounts designated by the Company as a "Special Appropriation", to compensate the Company for any actual losses from the former chairman irregularities within 36 months from the listing date of the Company, and that are in excess of the impairments or provisions that which have been disclosed in the Consolidated Financial Statements. Upon the maturity of the 36 month period, the funds remaining in such custodial bank accounts will be paid out to these shareholders. As of 31 December 2012, the amount in Special Appropriation bank account is RMB796 million.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

20 Taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relate to the same fiscal authority. All of income taxes shown below are taxes in the PRC and no provision for Hong Kong profits tax has been made for the year.

(1) **The amount of income tax charged to the net profit represents:**

	For the year ended 31 December	
	2012	2011
Current tax	188	209
Deferred tax	(834)	266
Total income tax	(646)	475

(2) **The reconciliation between the Group's effective tax rate and the statutory tax rate of 25% in the PRC is as follows:**

	For the year ended 31 December	
	2012	2011
Profit before income tax	2,288	3,275
Tax computed at the statutory tax rate	572	819
Non-taxable income (i)	(700)	(649)
Expenses not deductible for tax purpose (i)	29	64
Cumulative tax losses utilized	-	(273)
Effect on unrealized deferred tax assets arising from deductible temporary differences	(560)	497
Past due income tax paid	13	17
Income tax at effective tax rate	(646)	475

- (i) Non-taxable income mainly includes government bond interest income and dividend income. Expenses not deductible for tax purposes mainly include those expenses such as penalty, donation and hospitality expenses that do not meet the criteria for deduction set by relevant tax regulations.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

20 Taxation (Continued)

(3) The movements in deferred tax assets and deferred tax liabilities during the year are as follows:

Group

	Financial assets	Insurance and others	Total
As of 1 January 2011	(1,142)	1,156	14
Charged/(Credited) to net profit	264	(530)	(266)
Charged to other comprehensive income	1,897	(1,631)	266
As of 31 December 2011	1,019	(1,005)	14
As of 1 January 2012	1,019	(1,005)	14
Charged/(Credited) to net profit	(83)	917	834
Charged to other comprehensive income	(1,107)	1,122	15
As of 31 December 2012	(171)	1,034	863

	As of 31 December	
	2012	2011
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	563	1,461
– deferred tax assets to be recovered after more than 12 months	1,090	–
Subtotal	1,653	1,461
Deferred tax liabilities		
– deferred tax liabilities to be settled within 12 months	(100)	(1,447)
– deferred tax liabilities to be settled after more than 12 months	(690)	–
Subtotal	(790)	(1,447)
Total net deferred income tax assets	863	14

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

20 Taxation (Continued)

- (3) The movements in deferred tax assets and deferred tax liabilities during the year are as follows:
(Continued)

Company

	Financial assets	Insurance and others	Total
As of 1 January 2011	(1,143)	1,143	–
Charged/(Credited) to net profit	264	(530)	(266)
Charged to other comprehensive income	1,897	(1,631)	266
As of 31 December 2011	1,018	(1,018)	–
As of 1 January 2012	1,018	(1,018)	–
Charged/(Credited) to net profit	(83)	914	831
Charged to other comprehensive income	(1,107)	1,122	15
As of 31 December 2012	(172)	1,018	846

	As of 31 December	
	2012	2011
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	547	1,447
– deferred tax assets to be recovered after more than 12 months	1,090	–
Subtotal	1,637	1,447
Deferred tax liabilities		
– deferred tax liabilities to be settled within 12 months	(101)	(1,447)
– deferred tax liabilities to be settled after more than 12 months	(690)	–
Subtotal	(791)	(1,447)
Total net deferred income tax assets/(liabilities)	846	–

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

20 Taxation (Continued)

- (4) **Deferred income tax assets are recognized for tax losses carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The amount of deductible temporary differences and unused tax losses for which no deferred tax asset is recognized is as follows:**

	As of 31 December	
	2012	2011
Deductible temporary differences	532	5,670

As of 31 December 2012, The Company's management anticipates that the Group will have sufficient taxable profits to utilize deductible temporary differences, unused losses and unused tax credits in the future, therefore, the Group recognized deferred income tax assets to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

21 Share capital

All shares of the Company issued are fully paid common shares. The par value per share is RMB1. The Company's number of shares is as follows:

	As of 31 December	
	2012	2011
Number of shares registered, issued and fully paid at RMB1 per share (million)	3,120	3,117

Through private placement, the Company issued 1,400 million new shares, at a par value of RMB1 per share and a subscription price of RMB10 per share in 2010. For the year ended 31 December 2010, the Company received the subscription proceeds of RMB14 billion and such amount was recognized as other liabilities as of 31 December 2010. Upon the approval from the CIRC (Baojianfagai [2011] No. 423) in March 2011, the Company recognized RMB1,400 million under "share capital" and RMB12,600 million as "share premium" (Note 22).

In December 2011, the Company completed its initial public offering of 158,540,000 shares of A share in the Shanghai Stock Exchange, and also issued 358,420,000 shares of H share in the Hong Kong Stock Exchange. The par value per share is RMB1, and the issuance prices were RMB23.25 and HKD28.5. Upon the approval from the CIRC (Baojianfagai [2011] No. 2029) as of 31 December 2011, the Company recorded RMB517 million under "share capital", and RMB11,116 million as "share premium" (Note 22).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

21 Share capital (Continued)

In January 2012, the Company exercised the right of H share over allotment in the overseas markets, and issued 2,586,600 of H shares of over allotment shares, at a par value of RMB1 per share. Upon the approval from the CIRC (Baojianfagai [2012] No. 255) at 6 March 2012, the Company recorded RMB3 million under “share capital” and RMB56 million as share premium(Note 22).

The Company received all fund from A share Initial Public Offering (“IPO”), H share IPO and over allotment. All fund was verified by PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. in PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. (2012) Capital Verification Report No. 111.

According to the regulations on the transfer of state shares, the state shareholders of the Company transferred 10% of shares to the National Social Insurance Fund Board in proportion with the shares held in the Company.

Upon the Company’s A share offering, its shareholder, Central Huijin Investment Ltd. (hereinafter referred to as the “Huijin”) committed that it would not transfer nor entrust others, directly or indirectly its shares in the Company within 36 months since the date of the Company’s A share listing. And, it would not let the Company buy back the shares held by Huijin. Huijin will strictly comply with the above commitment.

22 Reserves

Group

	Share premium (a)	Unrealized income/ (losses)	Surplus reserve (b)	Reserve for general risk (c)	Total
As of 1 January 2011	190	845	427	427	1,889
Other comprehensive losses	–	(3,693)	–	–	(3,693)
Appropriation to reserves	–	–	278	278	556
Capital increase (Note 21)	23,716	–	–	–	23,716
As of 31 December 2011	23,906	(2,848)	705	705	22,468
Other comprehensive income	–	2,853	–	–	2,853
Appropriation to reserves	–	–	295	295	590
Capital increase (Note 21)	56	–	–	–	56
As of 31 December 2012	23,962	5	1,000	1,000	25,967

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

22 Reserves (Continued)

Company

	Share premium (a)	Unrealized income/ (losses)	Surplus reserve (b)	Reserve for general risk (c)	Total
As of 1 January 2011	190	797	427	427	1,841
Other comprehensive losses	–	(3,693)	–	–	(3,693)
Appropriation to reserves	–	–	278	278	556
Capital increase (Note 21)	23,716	–	–	–	23,716
As of 31 December 2011	23,906	(2,896)	705	705	22,420
Other comprehensive income	–	2,853	–	–	2,853
Appropriation to reserves	–	–	295	295	590
Capital increase (Note 21)	56	–	–	–	56
As of 31 December 2012	23,962	(43)	1,000	1,000	25,919

(a) Share premium

Share premium represents the excess of the paid-in capital.

(b) Surplus reserve

Surplus reserve consist of the statutory surplus reserve and the discretionary surplus reserve.

(i) Statutory surplus reserve

In accordance with the Company Law and the Company's Article of Association, the Company should appropriate 10% of the net profit for the year to the statutory surplus reserve. The Company can cease appropriation when statutory surplus reserve has accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up losses or increase the Company's share capital after approval.

The Company appropriated RMB295 million for the year ended 31 December 2012 to the statutory surplus reserve (for the year ended 31 December 2011: RMB278 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

22 Reserves (Continued)

(b) Surplus reserve (Continued)

(ii) Discretionary surplus reserve (“DSR”)

After making necessary appropriations to the Statutory surplus reserve, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings. The DSR may be used to offset accumulated losses, if any, and may be converted into capital. The Company appropriated no DSR as of 31 December 2012 (as of 31 December 2011: same).

(c) Reserve for general risk

Pursuant to “Financial Standards of Financial Enterprises-Implementation Guide” issued by Ministry of Finance of People’s Republic of China on 20 March 2007, for the year ended 31 December 2012, the Company appropriated 10% of the net profit to general reserve for future uncertain disasters, which cannot be used for dividend distribution or share capital increment (for the year ended 31 December 2011: same).

23 Gross written premiums and policy fees

	For the year ended 31 December	
	2012	2011
Gross written premiums		
– Long-term insurance contracts	95,521	92,964
– Short-term insurance contracts	2,198	1,833
Subtotal	97,719	94,797
Policy fees		
– Investment contracts	362	354
Gross written premiums and policy fees	98,081	95,151

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

24 Investment income

	For the year ended	
	31 December 2012	2011
Held-to-maturity financial assets		
– Interest income	7,170	5,663
Available-for-sale financial assets		
– Interest income	2,695	1,917
– Dividend income	1,022	894
– Net realized (losses)/gains	(1,229)	1,169
– Impairment losses on equity securities	(5,281)	(904)
Financial assets at fair value through income		
– Interest income	64	59
– Dividend income	89	44
– Net fair value gains/(losses)	175	(1,247)
Interest income from bank deposit	8,584	4,970
Interest income from policy loans	231	62
Interest income from financial assets purchased under agreements to resell	18	50
Reversal of provision for entrusted fund receivable from		
Minfa Securities (Note 13(6))	–	62
Others	21	15
Total	13,559	12,754
Including:		
Investment income using the effective interest method	18,763	12,721
Investment income from listed investment	(3,495)	1,352
Investment income from unlisted investment	17,054	11,402
Total	13,559	12,754

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

25 Other income

	For the year ended	
	31 December	2011
	2012	
Rental income from investment property	69	60
Government grants	12	–
Other	108	132
Total	189	192

26 Insurance benefits and claims

	For the year ended	
	31 December	2011
	2012	
Gross		
Claims and change in outstanding claims liabilities	1,138	940
Life insurance death and other benefits	24,855	20,340
Increase in long-term insurance contracts liabilities	63,816	65,430
Total	89,809	86,710
Recovered from reinsurers		
Claims and change in outstanding claims liabilities	(54)	(73)
Life insurance death and other benefits	(872)	(29)
Increase in long-term insurance contracts liabilities	1,015	543
Total	89	441
Net		
Claims and change in outstanding claims liabilities	1,084	867
Life insurance death and other benefits	23,983	20,311
Increase in long-term insurance contracts liabilities	64,831	65,973
Total	89,898	87,151

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

27 Administrative expenses

	For the year ended	
	31 December 2012	2011
Employee benefit expenses (including directors' emoluments) (1)	6,302	5,543
Travel and conference fees	701	818
Operating lease expense	627	534
Entertainment fees	430	361
Official fees	340	430
Depreciation and amortization	297	259
Promotional printing cost	236	367
Insurance guarantee fund	165	157
Postal fees	138	135
Advertising fees	118	185
Vehicle use fees	75	85
Electronic equipment operating costs	49	63
Auditors' remuneration	16	10
Others	291	282
Total	9,785	9,229

(1) Employee benefit expenses are presented below:

	For the year ended	
	31 December 2012	2011
Salary and welfare expenses	5,133	4,690
Social security costs – pension	410	304
Social security costs – other	407	271
Including:		
Supplementary defined contribution pension expense	152	75
Supplementary medical expense	18	15
Housing fund	219	168
Employee education and labor union fees	133	110
Total	6,302	5,543

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

28 Other expenses

	For the year ended	
	31 December 2012	2011
Business tax and surcharges	134	140
Exchange losses	37	206
Reversal of provision for prepayment for Taizhou and Youngzhou case (Note 13(5))	(100)	(7)
Reversal of provision for receivable from Off-balance sheet repurchase transactions(Note 3(4))	(170)	(354)
Amount payable for Orient Group(Note 3(4))	170	–
Others	205	214
Total	276	199

29 Finance cost

	For the year ended	
	31 December 2012	2011
Interest expenses for financial assets sold under agreements to repurchase	1,250	733
Interest expenses for the subordinated debts	496	73
Total	1,746	806

30 Net profit attributable to shareholders of the company

The net profit attributable to shareholders of the Company for the year ended 31 December 2012 is RMB2,933 million (for the year ended 31 December 2011: RMB2,799 million) which is included in the Consolidated Financial Statements of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

31 Earnings per share

(1) **Basic**

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares issued during the year.

	For the year ended	
	31 December 2012	2011
Net profit attributable to shareholders of the Company (RMB in millions)	2,933	2,799
Weighted average number of ordinary shares issued (in millions)	3,120	2,250
Basic earnings per share (RMB)	0.94	1.24

(2) **Diluted**

The Company has no diluted potential ordinary shares. Diluted earnings per share is the same as basic earnings per share for the year ended 31 December 2012 (2011: same).

32 Dividend

Pursuant to the shareholders' approval at the General Meeting on 20 June 2012, a cash dividend of RMB0.09 per share (including tax), totalling RMB281 million in respect of the year ended 31 December 2011 was declared.

Pursuant to the approval at the 47th meeting of the fourth session of the Board of the Company on 26 July 2012, a cash dividend of RMB0.32056 per share (including tax), totalling approximately RMB1 billion was declared (Note 19(1)).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

33 Significant related party transactions

(1) Related parties

The table set forth below summarizes the significant related parties of the Company in 2012:

Significant related parties	Relationships
New China Asset Management Co., Ltd. ("New China Asset Management")	Subsidiary of the Company
New China Xiadu Technology Training (Beijing) Co., Ltd. ("New China Xiadu")	Subsidiary of the Company
Chongqing New China Insurance Agency Co., Ltd. ("Chongqing New China")	Subsidiary of the Company
Yunnan New China Insurance Agency Co., Ltd. ("Yunnan New China")	Subsidiary of the Company
Xinhua Village Seniors Business Management (Beijing) Co., Ltd. ("Xinhua Seniors")	Subsidiary of the Company
Xinhua Village Tanzhou (Beijing) Real Estate Co., Ltd. ("Tanzhou Real Estate")	Subsidiary of the Company
Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd. ("Shanggu Real Estate")	Subsidiary of the Company
New China Life Excellent Health Investment Management Co., Ltd. ("New China Health")	Subsidiary of the Company
New China Life Insurance (Wuhan) Clinic Co., Ltd. ("Wuhan Clinic")	Subsidiary of the Company
New China Life Insurance (Xi'an) Clinic Co., Ltd. ("Xi'an Clinic")	Subsidiary of the Company
MJ Health	Associate of the Company
Zijin Century	Associate of the Company
Huijin	Shareholders that has significant influence over the Company

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

33 Significant related party transactions (Continued)

(2) Transactions with significant related parties

The table set forth below summarizes significant related parties' transactions:

	For the year ended 31 December	
	2012	2011
Transactions between the Group and the Company and other related parties		
– Interests from bonds issued by the Huijin (i)	12	12
Transactions between the Company and its subsidiaries		
– Investment management fee to New China Asset Management (ii)	221	198
– Rent earned from New China Asset Management (iii)	5	6
– Interest income from planned Capital injection to New China Asset Management	2	–
– Commission charged to the Company from agencies (iv)	1	1
– Commission fee to New China Asset Management (v)	–	2

(i) Bond interest from Huijin

Huijin became shareholder of the Company in 2009 and it holds 31.23% of the Company's shares directly as of 31 December 2012. Huijin is a state-owned investment company approved by the State Council. The function of Huijin is to hold specific equity investment on behalf of the State Council. Huijin exercises the obligation and rights of the specific bank and financial investor on behalf of the state. The Group and Company conduct transactions with other entities that are controlled by, under common controls or significant influence of Huijin in the business, including deposit, investment trust, sales agency of insurance products and re-insurance transactions, etc.

In 2010, the Company purchased bonds issued by Huijin at a par value of RMB300 million from inter-bank market. As of 31 December 2012, the carrying value of these bonds is RMB299 million. The recognized bond interests for the year ended 31 December 2012 is RMB12 million (for the year ended 31 December 2011: RMB12 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

33 Significant related party transactions (Continued)

(2) Transactions with significant related parties (Continued)

(ii) Investment management service agreement

The Company and New China Asset Management entered into an annual investment management service agreement for entrusted insurance funds in 2011-2012, respectively. According to this agreement, New China Asset Management provides investment management services to the Company and independently makes investment decisions and transactions in accordance with investment guidance stipulated by the Company. The Company was entitled to all investment returns and bore all losses (subject to negotiation on a case by case basis) from the entrusted insurance funds. The Company pays the basic service fee, floating management fee and performance management fee to New China Asset Management.

(iii) Office rental contracts

The Company rented parts of New China Life Building to New China Asset Management as its office space.

(iv) Agency contracts

Yunnan New China acted as agency for the Company's individual insurance business. According to the agency contract, Yunnan New China charged commissions at 1% (2011: 1%) of standard premiums they generated.

(v) Subordinated debt underwriting

In September 2011 the Company issued subordinated debt at the issuance price of RMB5,000 million. According to the agreement on the subordinated debt underwriting, the Company should paid New China Asset Management, one of the underwriters, approximately RMB2 million underwriting fee.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

33 Significant related party transactions (Continued)

(3) Balance of related party transactions

Balance of related party transactions	As of 31 December	
	2012	2011
Group		
Interest receivables		
Receivable from investor that has significant influence on the Company Huijin	4	4
Payables		
Payable to investor that has significant influence on the Company Huijin (i)	312	–
Company		
Receivables from subsidiaries		
Xi'an Clinic	21	–
Wuhan Clinic	20	–
Chongqing New China	9	9
Yunnan New China	8	8
Xinhua Seniors	6	–
New China Xiadu (ii)	5	418
New China Asset Management (iii)	–	317
Payables to subsidiaries		
New China Asset Management	21	–
Yunnan New China	1	–
Chongqing New China	1	1

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

33 Significant related party transactions (Continued)

(3) Balance of related party transactions (Continued)

(i) Payable to Huijin

Payable to Huijin are due to special dividends for shareholders (Note 19(1)).

(ii) Receivable from New China Xiadu

Receivable from New China Xiadu consist primarily of transfer of assets and advanced payment.

(iii) Receivable from New China Asset Management

In 2011 the Company paid New China Asset Management Company RMB310 million based on the planned capital injection agreement approved by the shareholders' Annual General Meeting of 2010. The New China Asset Management Co revoked the application of capital injection so that the amount of capital injection has been all returned to the Company in 2012.

The Company did not recognize the provision for bad debts for receivables from related party.

The balances between the Company and its subsidiaries have been eliminated in the Consolidated Statement of Financial Position.

(4) Key management's remuneration

Key management members include directors, supervisors and senior management team members. Key management members' remuneration incurred by the Company is as follows:

	For the year ended	
	31 December	2011
	2012	2011
Payroll and welfare	56	51
Total	56	51

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

33 Significant related party transactions (Continued)

(5) Transactions with state-owned enterprises

Under IAS 24 (Amendment), business transactions between state-owned enterprises controlled by the PRC government are within the scope of related party transactions. The Group's key business is insurance relevant and therefore the business transactions with other state-owned enterprises are primarily related to insurance and investment activities. The related party transactions with other state-owned enterprises were conducted in the ordinary course of business. Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group. Nevertheless, the Group believes that the following captures the material related parties and applied IAS 24 (amendment) exemption and discloses only qualitative information.

As of 31 December 2012, most of bank deposits were with state-owned banks; the issuers of debt securities held by the Group were mainly state-owned enterprises; most investments were entrusted to state-owned enterprises. For the years ended 31 December 2012, a large portion of its group insurance business of the Group were with state-owned enterprises; the majority of bancassurance brokerage charges were paid to state-owned banks and postal office; almost all of the reinsurance agreements of the Group were entered into with a state-owned reinsurance company; most of bank deposit interest income were from state-owned banks.

34 Contingencies

The Group is involved in estimates for contingencies and legal proceedings in the ordinary course of business, including, but not limited to, being the plaintiff or the defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies, other claims, and litigation matters. Provision has been made for probable losses to the Group, including those claims where management can reasonably estimate the outcome of the lawsuits taking into account any legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability is low or remote. For these pending lawsuits, management also believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group or any of its subsidiaries.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

35 Commitments

(1) Capital commitments

Capital commitments are for purchase of debt investment plan, property plant and equipment and software, etc. Management confirms that the Group has sufficient future income or funding to fulfil these capital commitments.

	As of 31 December	
	2012	2011
Contracted but not provided for	1,038	955

(2) Operating lease commitments

The future aggregate minimum lease payments due under non-cancellable operating leases are as follows:

	As of 31 December	
	2012	2011
Within 1 year (including 1 year)	335	296
Between 1 and 5 years (including 5 years)	363	370
More than 5 years	2	3
Total	700	669

36 Investment in subsidiaries

Company

	As of 31 December	
	2012	2011
Unlisted investments at cost	1,320	109

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

36 Investment in subsidiaries (Continued)

The basic information of the Company's subsidiaries at 31 December 2012 are as follow:

	Place of incorporation and operation	Principal activities	Registered capital	Group's interest %
New China Asset Management	Beijing, China	Asset management	RMB100 million	97%
Chongqing New China (i)	Chongqing, China	Insurance agency	RMB5 million	100%
Yunnan New China	Kunming, China	Insurance agency	RMB5 million	100%
New China Xiadu (ii)	Beijing, China	Real estate property development and training	RMB632 million	100%
Xinhua Seniors (iii)	Beijing, China	Service	RMB15 million	100%
Tanzhou Real Estate (iii)	Beijing, China	Real estate property development	RMB10 million	95%
Shanggu Real Estate (iii)	Beijing, China	Real estate property development	RMB15 million	100%
New China Health (iii)	Beijing, China	Investment Management, Management Consulting	RMB500 million	100%
Wuhan Clinic (iii)	Wuhan, China	Health Management	RMB20 million	100%
Xi'an Clinic (iii)	Xian, China	Health Management	RMB20 million	100%

- (i) In 2011, the Company's shareholders' general meeting approved the application for dissolution of Chongqing New China. At the beginning of 2013, Chongqing New China began to liquidate. As of the issuance date of the Consolidated Financial Statements, the liquidation of Chongqing New China has not been commenced.
- (ii) In 2012, the Company injected RMB631 million to New China Xiadu. The registered capital of New China Xiadu is RMB632 million after capital injection.
- (iii) Xinhua Seniors, Tanzhou Real Estate, Shanggu Real Estate, New China Health, Wuhan Clinic and Xi'an Clinic are set up in 2012 and are incorporated into the scope for consolidation.

All companies comprising the Group have adopted 31 December as their financial year end date.

The English names of certain subsidiaries represented the best effort by management of the Company in translating their Chinese names as they do not have official English names.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

37 Directors', supervisors' and senior management's remuneration

(1) Directors' emoluments

The Directors receive compensation in the form of directors' fees, salaries, allowances and benefits in kind, bonuses, pension scheme contributions, inducement fees and compensation for loss of office as director. Bonuses represent the variable components in the Directors' compensation and are linked to the performance of the Group and each of the individual Directors.

The aggregate amounts of emoluments of directors of the Company for the year ended of 31 December 2012 are as follows:

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
in RMB thousands							
Dian Kang	-	4,859	1,045	-	-	-	5,904
Zhiguang He (i)	-	4,487	855	-	-	-	5,342
Haiying Zhao	-	-	-	-	-	-	-
Xingguo Meng	-	-	-	-	-	-	-
Xiangdong Liu	-	-	-	-	-	-	-
Chengran Wang	-	-	-	-	-	-	-
Johnny Chen	-	-	-	-	-	-	-
Chee Meng Cheong	-	-	-	-	-	-	-
Guocang Huan (ii)	-	-	-	-	-	-	-
John Huan Zhao (iii)	-	-	-	-	-	-	-
Robert David Campbell	300	-	-	-	-	-	300
Xianping Chen	250	-	-	-	-	-	250
Yuzhong Wang	250	-	-	-	-	-	250
Hongxin Zhang	250	-	-	-	-	-	250
Hua Zhao	300	-	-	-	-	-	300
Chung Fong (iv)	250	-	-	-	-	-	250

During the year, no director waived or has agreed to waive any emoluments.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

37 Directors', supervisors' and senior management's remuneration (Continued)

(1) Directors' emoluments (Continued)

The aggregate amounts of emoluments of directors of the Company for the year ended 31 December 2011 are as follows:

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
			in RMB thousands				
Dian Kang	-	4,990	550	-	-	-	5,540
Zhiguang He	-	4,481	450	-	-	-	4,931
Haiying Zhao	-	-	-	-	-	-	-
Xingguo Meng	-	-	-	-	-	-	-
Xiangdong Liu	-	-	-	-	-	-	-
Chengran Wang	-	-	-	-	-	-	-
Johnny Chen	-	-	-	-	-	-	-
Chee Meng Cheong	-	-	-	-	-	-	-
Guocang Huan	-	-	-	-	-	-	-
Robert David Campbell	300	-	-	-	-	-	300
Xianping Chen	250	-	-	-	-	-	250
Yuzhong Wang	250	-	-	-	-	-	250
Hongxin Zhang	250	-	-	-	-	-	250
Hua Zhao	300	-	-	-	-	-	300
Chung Fong	83	-	-	-	-	-	83

During the year, no director waived or has agreed to waive any emoluments.

- (i) Zhiguang He is also the president of the Company.
- (ii) Resigned on 12 March 2012.
- (iii) Appointed on 20 June 2012.
- (iv) Appointed on 4 August 2011.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

37 Directors', supervisors' and senior management's remuneration (Continued)

(2) Supervisors' emoluments

The aggregate amounts of emoluments of supervisors of the Company for the period ended 31 December 2012 are as follows:

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
in RMB thousands						
Jun Chen	4,039	770	–	–	–	4,809
Bo Ai	–	–	–	–	–	–
Nansong Zhu	–	–	–	–	–	–
Xiaojun Chen	–	–	–	–	–	–
Yiying Liu	1,284	767	–	–	–	2,051
Tao Zhu	792	335	–	–	–	1,127
Jing Yang	476	281	–	–	–	757

The aggregate amounts of emoluments of supervisors of the Company for the year ended 31 December 2011 are as follows:

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
in RMB thousands						
Jun Chen	4,069	405	–	–	–	4,474
Bo Ai	–	–	–	–	–	–
Nansong Zhu	–	–	–	–	–	–
Xiaojun Chen	–	–	–	–	–	–
Yiying Liu	1,409	1,128	–	–	–	2,537
Tao Zhu	714	353	–	–	–	1,067
Jing Yang	499	231	–	–	–	730

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2012 (All amounts in RMB millions unless otherwise stated)

37 Directors', supervisors' and senior management's remuneration (Continued)

(3) Five highest paid individuals

For the year ended 31 December 2012, the five individuals whose emoluments were the highest in the Group include 2 (2011: 1) directors whose emoluments are reflected in the analysis presented above.

Details of remuneration of the remaining 3 (2011: 4) highest paid individuals are as follows:

	For the year ended 31 December	
	2012	2011
	in RMB thousands	
Total	23,696	27,561

The emoluments fell within the following bands:

	For the year ended 31 December	
	2012	2011
HK\$6,500,001 – HK\$7,000,000	2	2
HK\$7,000,001 – HK\$7,500,000	1	2
HK\$8,000,001 – HK\$9,000,000	1	–
HK\$12,500,001 – HK\$13,000,000	–	1
HK\$14,000,001 – HK\$15,000,000	1	–

No emoluments have been paid by the Company to the directors as an inducement to join or upon joining the Company or as compensation for loss of office. No emoluments have been paid by the Company to any of the five highest paid individual as compensation for loss of office.

38 Subsequent event

The following events took place subsequent to 31 December 2012:

(1) Issue of Debt of Financing Instruments

Pursuant to the approval by the first meeting of the Company's second Extraordinary General Meeting of 2013 on 26 March 2013, the Company plan to issue debt financing instruments not exceeding RMB5 billion in total, subject to its compliance with regulatory requirements in 2013. The debt financing instruments will have a maturity of more than 5 years and their coupon rate will be determined by reference to the prevailing market rate.

39 Comparative figures

Certain comparative figures have been reclassified and restated to conform to the current period's presentation.

The logo for the New China Life Insurance Co., Ltd. customer service line, featuring the number '95567' in a stylized, bold, green font. The '9' is particularly large and has a small green leaf-like shape above its top curve.

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