



关爱人生每一天



Annual Report  
**2013**

New China Life Insurance Company Ltd.  
**新华人壽保險股份有限公司**

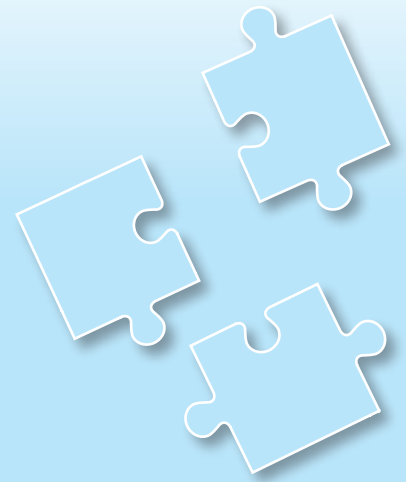
(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 1336





# Important Information



1. The board of directors (the “Board”), the board of supervisors (the “Board of Supervisors”) and the directors, supervisors, and members of senior management of the Company guarantee the correctness, accuracy and completeness of the contents of this report, and that there is no false representation, misleading statement or material omission in this report, and are legally liable for this report jointly and severally.
2. The 2013 Annual Report of the Company was considered and approved at the 17th meeting of the fifth session of the Board of the Company on 26 March 2014, which 11 directors were required to attend and 9 of them attended in person. Director ZHAO Haiying authorized director MENG Xingguo, director ZHAO John Huan authorized Chairman of the Board KANG Dian to attend the meeting and vote on behalf of them, respectively.
3. The Company plans to distribute an annual dividend of RMB0.15 (including tax) per share to all of H Shareholders and A Shareholders for 2013, totalling approximately RMB468 million, representing approximately 10.22% of the distributable profit of the Company achieved within the year as contained in the 2013 financial statements of the Company, which meets the minimum percentage requirement of cash distribution as stipulated in the Articles of Association. The above dividend distribution plan is subject to the approval of general meeting.
4. PricewaterhouseCoopers conducted the audit on the 2013 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 guarantee the correctness, accuracy and completeness of the financial report in the 2013 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 representation or warranty upon its future performance. You are advised to exercise caution.

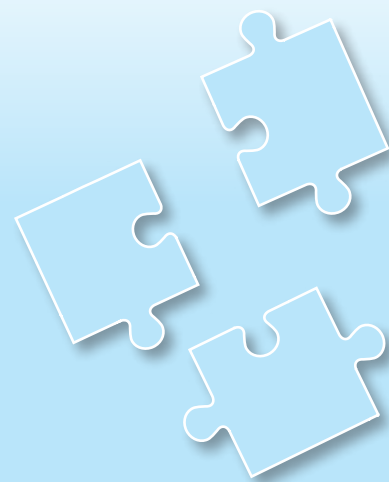
# Contents



3	Section 1	Definitions and Material Risk Alert
5	Section 2	Corporate Information
8	Section 3	Summary of Accounting Data and Operating Data
10	Section 4	Chairman's Letter to Shareholders
19	Section 5	Management Discussion and Analysis
44	Section 6	Significant Events
49	Section 7	Changes in Share Capital and Shareholders' Profile
58	Section 8	Directors, Supervisors, Senior Management and Employees
78	Section 9	Corporate Governance Report
103	Section 10	Risk Management
108	Section 11	Report of the Board
114	Section 12	Corporate Social Responsibility
117	Section 13	Embedded Value
126	Section 14	Appendix

## Section 1

# Definitions and Material Risk Alert



### Definitions

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

the Company, NCI	New China Life Insurance Company Ltd.
Asset Management Company	New China Asset Management Co., Ltd., a subsidiary of the Company
Asset Management (Hong Kong)	New China Asset Management (Hong Kong) Limited, a subsidiary of the Company
Chongqing Agency	Chongqing New China Insurance Agency Co., Ltd., a subsidiary of the Company
Yunnan Agency	Yunnan New China Insurance Agency Co., Ltd., a subsidiary of the Company
Health Technology	New China Village Health Technology (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

## Section 1

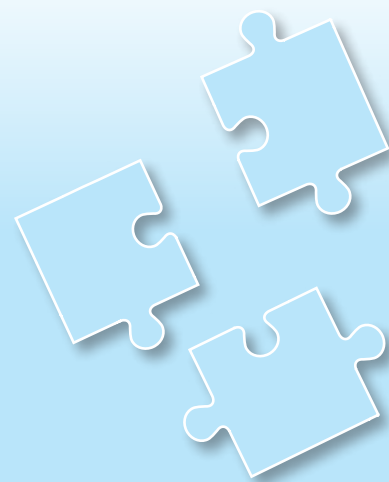
### Definitions and Material Risk Alert

PRC, China	People's Republic of China, for the purpose of this report only, excluding Hong Kong, Macau and Taiwan
PRC GAAP	China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, and its application guide, interpretation and other related regulations issued thereafter
Interpretation No.2	Interpretation No. 2 on Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC 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 Stock Exchange of Hong Kong Limited
Model Code for Securities Transactions	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the 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)

**Material Risk Alert:** The risks of the Company primarily include market risk, credit risk, insurance risk, operational risk, reputation risk, strategic risk and liquidity risk, and so on. The Company has taken various measures to efficiently manage and control various risks. Please refer to Section 10 "Risk Management" of the report for details.

## 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/Joint Company Secretary: ZHU Ying

Securities Representative: WANG Hongli

Tel: 86-10-85213233

Fax: 86-10-85213219

Email: [ir@newchinalife.com](mailto: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](mailto:mandy.mok@kcs.com)

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

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

Email: [ir@newchinalife.com](mailto:ir@newchinalife.com)

Registered Capital: RMB3,119,546,600

## Section 2

### Corporate Information

Customer Service and Complaint Tel: 95567

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

Website for publishing annual reports (A Share): <http://www.sse.com.cn>

Website for publishing annual reports (H Share): <http://www.hkexnews.hk>

Place where copies of annual reports 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: 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 LLP

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

Signing Certified Public Accountants: ZHOU Xing and LI Shan

International Auditor: PricewaterhouseCoopers

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

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 Representatives: SHI Fang, QIAO Fei

UBS Securities Company Limited

Address: 15/F, Yinglan International Finance Centre, No. 7, Finance Avenue, Xicheng District, Beijing, PRC

Sponsor Representatives: LIU Wencheng, WANG Xi

Continuous Supervision Period:

The remaining period in the year after the A Share initial public offering and the next two complete financial years.



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

UBS AG Hong Kong Branch  
Address: 52/F, Two International Finance Centre, 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

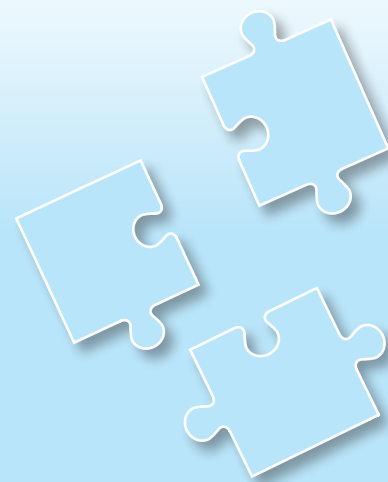
Hong Kong Legal Advisor: Davis Polk & Wardwell, Hong Kong Solicitors  
Address: 18th Floor, The Hong Kong Club Building, 3A Chater Road, Hong Kong

Change in the main business of the Company after listing: No change.

Change in the controlling shareholder of the Company after listing: No change.

## Section 3

# Summary of Accounting Data and Operating Data



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

Unit: RMB in millions

Key accounting data	2013	2012	Year-on-year increase/ decrease (%)	2011	2010	2009
Total revenues	<b>128,217</b>	111,699	14.8%	108,610	102,709	73,906
Gross written premiums and policy fees	<b>104,073</b>	98,081	6.1%	95,151	91,956	65,422
Net profit before income tax	<b>4,959</b>	2,288	116.7%	3,275	2,255	2,651
Net profit	<b>4,424</b>	2,934	50.8%	2,800	2,250	2,661
Net cash flows from operating activities	<b>56,205</b>	54,252	3.6%	55,983	61,594	40,800

	As of 31 December 2013	As of 31 December 2012	Year-end to year-end increase/ decrease (%)	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
Total assets	<b>565,849</b>	493,693	14.6%	386,771	304,566	206,618
Equity attributable to shareholders of the Company	<b>39,312</b>	35,870	9.6%	31,306	6,567	4,238

Key financial indicators	2013	2012	Year-on-year increase/ decrease (%)	2011	2010	2009
Basic weighted average earnings per share attributable to shareholders of the Company (RMB)	<b>1.42</b>	0.94	51.1%	1.24	1.87	2.22
Diluted weighted average earnings per share attributable to shareholders of the Company (RMB)	<b>1.42</b>	0.94	51.1%	1.24	1.87	2.22
Weighted average return on equity attributable to shareholders of the Company	<b>11.76%</b>	8.69%	N/A	16.84%	41.63%	94.70%
Weighted average net cash flows from operating activities per share (RMB)	<b>18.01</b>	17.39	3.6%	24.91	51.33	34.00

	As of 31 December 2013	As of 31 December 2012	Year-end to year-end increase/ decrease (%)	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
Net assets per share attributable to shareholders of the Company (RMB/share)	<b>12.60</b>	11.50	9.6%	10.04	5.47	3.53

## II. OTHER KEY FINANCIAL AND REGULATORY INDICATORS

Indicators	Unit: RMB in millions					
	2013/ As of 31 December 2013	2012/ As of 31 December 2012	Year-on-year increase/ decrease (%)	2011/ As of 31 December 2011	2010/ As of 31 December 2010	2009/ As of 31 December 2009
Investment assets <sup>(1)</sup>	<b>549,596</b>	479,189	14.7%	374,667	293,573	196,757
Total investment yield <sup>(2)</sup>	<b>4.8%</b>	3.2%	N/A	3.8%	4.3%	4.6%
Gross written premiums and policy fees	<b>104,073</b>	98,081	6.1%	95,151	91,956	65,422
Increase rate of gross written premiums and policy fees	<b>6.1%</b>	3.1%	N/A	3.5%	40.6%	38.4%
Benefits, claims and expenses	<b>121,652</b>	107,666	13.0%	104,531	100,192	71,062

Notes:

- The comparative figures have been recalculated on the base line of the reporting period.
- Total investment yield = Total investment income / [(investment assets at the beginning of the period + investment assets at the end of the period) / 2].

## III. THE DISCREPANCY BETWEEN THE PRC GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

There is no difference between the consolidated net profit of the Company for the year ended 31 December 2013 and the consolidated equity of the Company as of 31 December 2013 as stated in the consolidated financial statements prepared in accordance with the PRC GAAP and the IFRS.

## Section 4

# Chairman's Letter to Shareholders



## Respecting Traditions and Embracing Changes

*“ The Way is like an empty vessel  
That yet may be drawn from without ever needing to be filled  
It is bottomless; the very progenitor of all things in the world.  
– Laozi ”*



More than two years ago New China Life Insurance ("NCL") was dual-listed in Shanghai and Hong Kong, which in retrospect seems to have happened just in a snap of fingers before.

From the many sleepless nights prior to the listing and roadshows across five continents to the implementation of strategies and painstaking reforms over the past two years, we understand so vividly that only by going through a sea of clouds can we enjoy the light breeze after the rain. During this process, management has endured great hardships and scored some hard-won achievements, the sweets and bitters of which are worth remembering. The listing of NCL was a two-step process: first, a private placement scheme, namely Project Triumph (the Chinese name is Caiyun, which means colorful clouds) cleared the road for listing, and we achieved an A+H dual listing via Project Voyage (the Chinese name is Qingzhou, which means skiff). When Project Triumph was launched in 2010, few people understood why I chose a name with such a strong 'local taste', and when Project Voyage was being rolled out, they came to a sudden realization: the poetic verses of Li Bai were used to depict NCL's listing journey, from "leaving Baidi at dawn in the midst of colourful clouds" to "slipping on a skiff along the Yangtze River by ten thousand folds of mountains".

However, the natural barriers along the Yangtze River, such as the torrential water of the Qutang Gorge or the precipitous cliffs at Kuimen, could barely be used to describe the challenging transition that NCL has gone through. Those who were interested in NCL's performance this time last year might still remember the various performance indices of the Company. In fact, the gradual recovery of China's life insurance industry kicked off its momentum in the first quarter of 2013 with a brilliant jumpstart, and industrial players were making active preparations and accumulating strength for the take-off; whereas NCL suffered significant year-on-year decrease in terms of first year premiums and gross written premiums ("GWP").

In the face of this disappointing situation, we have shouldered unprecedented pressure. I can still remember quite well the scenes of management holding intensive meetings to formulate strategies after the Spring Festival. As I requested, the comprehensive department has been sending the key business indices at the end of every day. All the business data

from February till the end of last year is still stored on my mobile phone. The Head Office, Regional Offices, Branches as well as various teams below have been making concerted efforts, which pushed up various indices significantly since the second quarter to make what is shown here possible – just as an answer sheet presented to the Board and shareholders.

Now reflecting upon the various pains and gains along the way, I feel no relaxation at all; instead the words quoted at the title reflects what I feel: respecting traditions and embracing changes.

#### I. THE JOURNEY OF 2013

I have played the role of a firefighter quite a few times throughout my career and would hardly become too concerned with the ups and downs in business operation. However, the sliding performance of NCL during the first quarter of 2013, despite that I had been prepared to a certain extent, was still the most daunting scenario I had ever dealt with in terms of severity. By last February, first year premiums had dropped by 48% year-on-year and the GWP had dropped by 12.2% year-on-year, which was the most challenging "jumpstart" since NCL was incorporated 17 years ago. This was unprecedented for NCL, who has been accustomed to advancing triumphantly for a long time.

One of the reasons for such sluggish performance was that the Company needed to repeatedly promote the new value assessment system since its inception and that the staff also needed time to understand and digest it; hence a certain degree of difficulties in adaptation became barriers. Many branch companies have made high value health insurance as their main product within a short period of time, which cannot deliver the scale required by the Company. This has also resulted in inadequate commissions paid to agents and thus the reduction of sales teams. Besides, as the Company had just elected a new board of directors ("Board") and quite dramatic restructuring was being implemented as planned, the Company naturally could not earmark adequate resources to



## Section 4

### Chairman's Letter to Shareholders

planning, preparation and promotion of the sales campaign. In the life insurance market where competition has always been fierce, this means that if a company loses its advantage at one step, it may suffer from it for the following steps.

I was appointed the CEO by the Board on February 22, 2013 with the implication that from that day onwards, I should be responsible for not only the business outcome but also the process involved. Starting from organizational structure, NCI has established a new operational framework of "executive committee plus seven regions", and this decision-making process, compared with the former framework of "Chairman plus President", has given more priority to efficiency. In accordance with the principle of specialization, six functional committees were established under the executive committee and the chair of each of these committees shall be responsible for the respective fields by authorization of the executive committee. Such a system represents an optimised combination of specialization and efficiency.

With the seven business regions, 35 tier-two branches were incorporated into a regional management regime, management activities have been pushed down to lower level and thus the resources are put on the front line. Given the strong local characteristics of the life insurance market, this reform has shortened the management radius of the headquarters and increased management efficiency. The managers of the seven regions are all veterans of the Company through many tough battles. Since they took office, all of these regions have assumed strong momentum of fierce competition by taking advantage of their own strengths. After this regional

management regime was introduced, I have attended all the jumpstart campaigns by these regions and personally witnessed the vigour and efficiency improved by this reform.

To turn around the declining bancassurance business, the Company launched an asset-oriented product during the second quarter, stabilized the sales team and distribution network through large scale recovery efforts, and acquired some high-quality customers. The blossoming bancassurance business also inspired and motivated colleagues from other channels to catch up. After readjustment and preparation during the third quarter, the Company made a full stride in the fourth quarter by launching a product with market-oriented insurance premium rate, one of the first in the market that became widely popular among customers. These series of reform measures have demonstrated effects vividly on the performance curve: despite the sluggish start at the beginning of 2013, a strong momentum of growth sustained all the way throughout the year.

When our business performance was evading during the first quarter of 2013, many colleagues suggested I adjust the annual business plan so that the year-end performance review would not be too much out of expectations in case the annual target was not reached. I refused. I was confident that the strategic transition of NCI was in line with the development pattern of the life insurance industry, and despite the unavoidable pain in the short run, we were bound to reach the strategic goals ultimately.





Some financial analysts also raised their concerns and challenged: if you adhere to value and the very baseline of life insurance, why did you launch two scale-oriented products embedding less value? Are you just hesitant in the course of action? Or do you lack the resolution to take the transition? My consideration was that scale and value are not at absolute odds with each other and that the value we pursued must be built upon certain scale, and the extreme practice of only choosing one is apparently contrary to the principle of business operation. Additionally, NCI's strategy is customer-centric and our products serve not only to meet the financial needs of our targeted customers, but also enable us to take advantage of sustainable and consolidated channels to offer more comprehensive and differentiated products to our customers to meet their other demands. Over the past year, we have actively pressed ahead with building nine systems with a focus on serving our key customers<sup>1</sup>, including a full life cycle service system and a number of complementary systems therewith, i.e. policy system, institutional system, team system, training system, product system, operational system, information system and risk control system. At the same time, great efforts were made to enhance our capabilities of management, investment and innovation. After a year of practice, we have made remarkable achievements, particularly with respect to continuous improvement of both the customers and the staff.

It is true that the improvements described above marked only a small step of our progress during the long march of our strategic transition. In my view, such a transition significantly outweighs the IPO process in terms of its scale, operational difficulties, complexity and challenges. We therefore need not only determination and passion for the transition, but also persistence and perseverance to address sophisticated issues on the way.

We have seen time and again that in business activities if rationality is extinguished by superficial exuberance similar to an earthquake or eruption of volcanoes when the earth releases its energy, what happens in turn is a disaster and loss without exception. Passion is never rejected in business activities, yet all operations with such passion must be based on planning with precision and implementation with prudence and should be carried out in a company with well defined functions, close cooperation and a high level of coordination, particularly in a complex business environment. Hence, this transition should happen in an orderly and controlled way, just like one must not accelerate to race a car out of its course or a roller coaster out of its rail. No one would deny that figure skating brings enjoyment to its audience. While they enjoy it, only the athletes themselves know how much effort and sacrifice they have made over a long time for just a few minutes of performance. For us in the business world, only by escaping the impetuous passion, mirage and emotion, and facing the difficulties, boredom and everyday upfront tasks can we start achieving success.

<sup>1</sup> NCI internal definition

## Section 4

### Chairman's Letter to Shareholders

#### II. TRADITION AND CHANGE

Currently, we face a world that is overloaded with information and supercharged with volume. Various hot topics, headlines and inspirational thoughts of all types gather together and thunder through. Big data, cloud computing, SoLoMo<sup>1</sup>, various payment tools or "red envelopes", the list goes on. These make the future seemingly more exciting while at the same time the sense of excitement appears to come from nowhere. Many people envisage a revolutionary future for life insurance, which for instance could rely on social networks, big data algorithms, non-near-field payment and some other miraculous technologies, where a customer only needs to press a few buttons and the back office of a life insurance company can come up with the most matching product through computation, and where customers will come in large numbers, total premiums will flood in and our competitors will perish as we talk and laugh. Will this kind of life insurance come true any time soon? Will this type of computable future really be capable of perfectly suiting complex human nature? Although I was born in an earlier era, when it comes to state of the art technology, I still have ambitions and curiosity. Nevertheless, I am afraid that I may not echo such thoughts immediately.

Coming back to reality, the economic trend we see remains obscure. Among the three pillars of GDP growth, investment remains the main driving force. Structural imbalance between the imports and exports lingers on for a long time and domestic demand and consumption remains sluggish. However, the dark shadow of systematic risk looms alongside hot air – such as the heated discussion about shadow banks, ballooning trust assets and rampant sales of various financial products – while upcoming credit risks are rising conspicuously. For example, with regards to Internet finance, all finance companies are moving on-line while all Internet companies are entering off-line territories. Although the kaleidoscope looks appealing, many regulatory policies are being introduced; when it comes to reasonably defining the rules for the game, mature practice is still lacking. For traditional life insurance players, the pressure remains high on both their debt levels and investment performance. On the one hand, many types of

financial products are competing with us for high short-term returns and undoubtedly impact the attractiveness and the profitability of insurance products; on the other hand, however, the nature of insurance funds requires that we must maintain the bottom lines of liquidity and our promise to customers.

In retrospect of commercial activities over the last few thousand years in human history – from simple cloth and silk bartering by ancient people to the currency wars in contemporary societies – we can see that some behaviours, rules and values from old times, akin to snake trails or veins, although indistinct, run consistently to the present without change and string together our business traditions over the past few thousand years. These core values and rules have permeated every level and every perspective of the business world. In a highly efficient manner, these rules restrain and influence the business world and establish by default the behavioral standard and professional conduct of all participants. To hold commercial tradition in awe and veneration and abide by the laws of business, we need to rely on science – scientific thinking and ideas, scientific practice and organization; we need to rely on diligence – diligently making progress, diligently researching and diligently working; and we also need honesty and integrity – all staff including senior executives, each performing their own duties, scrupulously abiding by professional ethics and keeping their promises to customers, shareholders and the general public.

These requirements, due to fierce and brutal competition in modern times, have become more stringent and even harsh. All elements of management need to be harmoniously coordinated and properly allocated, and no single is dispensable or can take a dominant role in its own right. A lone hero like Zorro who can single-handedly beat all enemies would be rejected in the modern business world; instead, management should be a machine designed with precision that can not accommodate a gear that is omnipotent and runs its own way. Only in this way can a business establish its core capability and competitive advantages, thereafter enabling its survival and development in the competitive market. Once I asked a senior consultant from a leading global consulting firm:

<sup>1</sup> Social Local Mobile

"What is the commonality of all successful insurance companies in the world?" His answer was simple: discipline. In a way, this has an uncanny resemblance to our philosophy of respecting tradition in awe and showing our utmost respect to rules.

In addition, an equally important rule that should be followed is to adapt with time. In history, after each industrial revolution, after each round of changes in technology and after each business evolution where the new replaced the old, we see plenty of glorious successful stories. What we also see often are the falls of many bright stars and conglomerates as shocking lessons for us all. I have been working in the finance industry for approximately 30 years and my past experience constantly keeps me alert: one should always retain a sense of hunger and crisis throughout the ups and downs of the market. I personally experienced China's reform and opening-up to the world in the 1980s, which changed China forever. Thinking about the soul-stirring upheavals of those years still makes one feel a surge of emotions and excitement. Over the years, I have also been involved in reforming some state-owned enterprises, where I saw plenty of people who were content to just be in control of the situation in their specific field with all the advantages and resources offered by government support and endorsement. Gradually, they lost sight of the changes around them and lost sensitivity to the prospect of new technologies. They ultimately fell into a state where they were simply happy with the status quo in their own corner, holding onto some outmoded way of business but ignorantly thinking they were doing well. In the end, they simply lost their competitive advantage and business vitality and came to a sudden collapse. Lessons as such are simply numerous.

I remember that prior to 1997, the Hong Kong economy was on an almost unstoppable upward surge with a future that seemed so bright the sun would never set. At the time, tremendous business opportunities were to be found everywhere and successes were achieved with no efforts at all. The stock market was going upward every day and so were housing prices. Nearly everybody managed to become an investment banker and an expert in "capital operation". As the poetic verse goes, even if you have been sitting still for a day, you would have travelled 80 thousand miles. An easy sum of investment would turn into a big fortune overnight. Under these circumstances and being influenced by this kind of atmosphere, people

sought self-gratification by losing themselves in counting cash. The ancient maxim "no pain, no gain" was treated with contempt. Naturally, no one would be willing to make the effort for anything new and no one would be willing to reform themselves. Surely, they would be reluctant to put in the hard yards to lonely and plainly build up the foundation of their businesses.

Greed often defeats fear, and the market would quite often become forgetful; tradition is often ditched by those who speculate, whereas change is often ignored by those who seclude themselves. We have unwittingly slipped into a vicious circle within which so-called "successes" are relentlessly pursued and so-called "miracles" are constantly discovered. The previously ratified and embraced philosophies – such as a journey of a thousand miles starts from one step, such as the state of immortality can only be reached through persistent hammering and polishing, such as one minute of glory comes from many years of meticulous and progressive preparation – are no longer considered applicable. People are no longer willing to pay attention to the famous ancient inspirational stories: perseverance through ten years of hardship of burning midnight oil and studying by the light of bagged fireflies and the reflected light of the snow. They used to be examples people were encouraged to follow. Nowadays, however, much more modern philosophies are admired – such as leverages, such as departing and arriving as well as seeding and picking flowers in a day, such as having plenty of glory after minimal preparation or no preparation at all, or acquiring one's kudos through the hard work of others. The world we are in cannot follow the values which modern business practice should have projected. Through layers of leverage superimposing over each other, traditional values and integrity are being ripped apart and diluted thin as a feather.

We are living in restless times, much like watching a drama where scenes are shown in front of people's eyes one after another. However, the curtain is drawn in a hurry before the story is told properly. The audience seems to be shrouded in a thick cloud, witnessing the tower raising and collapsing right in front. And before the audience can even realize, a new episode has already started elsewhere. People are stimulated and driven by novel stories as well as flippant ideas. Like clouds, they are drifting around randomly in all directions. The windows

## Section 4

### Chairman's Letter to Shareholders

of success frequently present themselves and everything seems to be within easy reach, yet so often everything seems so far away. Tirelessly, people are pursuing all manners of new thoughts and short-cuts. They attempt to show off new words and theories which they do not yet understand while weaving plans and new dreams for themselves. As the saying goes, morning fungus cannot realize what a day is like and a cicada does not know what a year is like. Unnoticed, short-lived business models have already occupied the centre stage.

This trend is very worrying: one cannot help but to think about it even while sleeping, yet one feels so saddened and angered by this situation. This type of twist in values and ideology will sooner or later result in us being punished in economic activities. What is even more worrying, apart from the concerns about the depth and width of market punishment, is the demise of traditional values. "What has always made the state a hell on earth has been precisely that man has tried to make it his heaven." The lessons learned from 1997 and 2008 are still fresh in people's minds – when reckless behaviours and inflated human ego finally led the market to ruins. These words from Friedrich Holderlin could perhaps help us eliminate the leverage for greed and rapaciousness and awaken those who are still lost in the maze.

Then – the future vs. the present, tradition vs. change – how should NCI address all these issues?

As a life insurance company, we provide protections for our customers. On one hand, we are bound to possess traditional conservative characteristics; on the other hand, in this era of whirlwind advances the lifestyle of our target customers has changed fundamentally. Essentially, the operation model of life insurance is to make use of our present professional operation and management capabilities to help our customers to hedge against future risks.

We must be capable of both: building on the present and looking forward into the future; embracing change and respecting tradition. We simply have no other choice.

### III. THE OUTLOOK FOR 2014

Over the last year, we observed and researched the profound changes brought about by the wide-spread application of new technologies. We also streamlined some of the significant processes in relation to the transition and normal business operations of NCI. Disparities and deficiencies at many fronts have made me feel quite perturbed as if I am on the brink of a deep abyss. How can we realize our strategic vision set upon our listing to become the best financial service group in China focusing on full-service life insurance business? How do we achieve that strategic vision now? How do we determine detailed strategic goals? How do we select a reasonable execution path? In the era of economy promoting experiences, how do we deal with the rapid changes caused by digital technologies, while at the same time find a path to leverage new technologies and revive the vigour of our existing business model through in-depth transformation?

Based on research on international and domestic social and economic development patterns and trends, it is estimated that along with further development of the economy and continued urbanization in China, people's disposable income will continue to rise. Meanwhile, issues with respect to ageing of the population, food security, environment and ecology, health and longevity, as well as emergency events and unexpected incidents, which are all protection related, are constantly impacting upon modern humans' fragile nerves. Life insurance in China is set to experience a period of golden development never witnessed before.

However, this does not mean that NCI can stand still and wait for the pie to drop from the sky.

A new era calls for new models, new concepts, new processes, new tools and new teams. Not long ago there was extensive discussion about speculation that the Internet will turn the insurance industry upside down and doom the future of three million insurance agents. Even without the Internet, the life insurance players in China, including NCI, had long been critically examining their own shortcomings and making every effort to increase efficiency and productivity.



In 2014, based on its "customer-centric" strategy, NCI will continue to implement all the key measures with balance for its strategic transition.

In terms of middle and back office management, we introduced the "holistic enhancement of customer experience" concept throughout the Company with a view to further improving customer whole-life-cycle management. At the same time, we will continue to fortify cost optimization and financial management as well as improve risk control and regulatory compliance management.

As with the channels, while keeping an eye on the current market situation, we will continue to emphasize on both "quality" and "quantity". With respect to the individual insurance agent channel, we will increase efforts in training, activate and continually optimize the new basic rules, strengthen team management and help all the teams enhance core evaluation indicators while building teams of high performing agents; on the other hand, to achieve sustainable development, we will continue to invest in team recruitment, consolidate organizational structure on an expanding team basis and gradually build a team of insurance agents with high stability, high retention rate, high productivity and sustainability. With respect to the bancassurance channel, while the bancassurance channel will continue to be an important channel for us to lift scale, we will continue to strengthen and expand our win-win collaboration with the channel and enhance sales of regular premium products and high value products. Meanwhile, we will streamline process management and continue to increase efforts to prevent and mitigate risks on misleading sales.

Although the China Insurance Regulatory Commission (the "CIRC") has widened insurance fund investment channels time and again, when it comes to utilizing funds and investment planning, we shall not blindly follow suit. NCI will continue to exercise stringent management over assets and liabilities as well as investment management, strictly control fund utilization and solvency management, and treat any investment with caution, prudence and professionalism. For our newly developed senior care and health care businesses, NCI is also taking an equally cautious position, leveraging external expertise to enhance our professional management capabilities. This is to ensure this business extension will not only have intrinsic profitability but will also be able to generate great synergy with our core life insurance business.

In order to proactively embrace the mobile Internet and big data era, NCI gained approval from the CIRC to establish a wholly owned e-commerce subsidiary at the end of last year. Currently, we are making an all-out effort to recruit from the Internet industry, endeavouring to leverage Internet thinking and modern digital technologies to boost the efficiency of our traditional processes. At the same time, we are committed to providing our customers with ever better experience, acquiring new clientele and opening up new space for growth.

Reflecting on 2013, we faced unprecedented uncertainty, pressure and difficulties. Despite such unprecedented adversities, we made a resolute decision to commence this journey of transition – a journey which has left invaluable memories for all our staff at NCI. In 2014, there is no reason for us to hesitate or procrastinate. What matters is that the ice has been broken, the route opened, and confidence established.

The Tao that can be spoken of is not the constant Tao. To hold tradition in awe and to embrace changes. To constantly stimulate the urge for innovation through rigorous lean management and to adhere to rigorous management while rapidly responding to newly emerged issues. To reach our strategic vision, this would be the only way that NCI should take.

Finally, let me share a quote from Tao Te Ching:

"From goodness comes braveness, from thriftiness comes broadness; as we were cautious not to be the first one to move, we remain present for long."

Wish you a fine spring.



Kang Dian

## Glories and Awards

April 2013	The Company won the “Best Wealth Managing Insurance Company of the Year” in the “Golden Finger” Award for Wealth Management hosted by <a href="http://www.china.com.cn">www.china.com.cn</a> .
June 2013	The Company was listed among the “Top 10 Women-Caring Enterprises” in the Second China Women’s Charity and Philanthropy Model Award jointly organised by China Women’s Development Foundation, China Charity Information Centre, China Philanthropy Research Institute and other associations.
June 2013	The Company ranked 93rd in the 2013 (tenth) list on “China’s 500 Most Valuable Brands” selected by World Brand Lab.
October 2013	The Company won the “People’s Most Trusted Insurer” in the 2013 Financial Billboard of the Fourth Brand and Lifestyle Ranking held by <i>Ban Yue Tan</i> and <i>China Brand</i> .
November 2013	The Company and its “Xianghe Wanjia Insurance (Participating)” were listed among the “2013 China’s Top 10 Insurance Companies” and the “2013 China’s Top 10 Insurance Products” respectively at the 2013 billboard of Preferred Insurance Brands by China’s Millions of Middle-class Families organised by <i>Moneyweek</i> .
November 2013	In the Eighth China’s Insurance Innovation Grand Award held by <i>Insurance Culture</i> , the Company was named “2013 Most Customer-Attention Receiving Insurance Brand” and its “Growth Series Young Children’s Insurance”, “Kangjian Huarui Lifetime Critical Illness Insurance”, “Zungui Yisheng Whole Life Annuity Insurance (Participating)”, “i-Her Women’s Specific Illness Insurance”, “New China Product Expert” and “Rongyi Rensheng Whole Life Annuity Insurance (Participating)” won the “Best Young Children’s Insurance Product”, “Best Health Insurance Product”, “Best Financial Insurance Product”, “Best Women’s Insurance Product”, “Marketing Planning and Development Award (Product Marketing Category)” and “Best Pension Insurance Product” respectively.
November 2013	The Company was named “2013 Excellently Competitive Local Insurance Company” in the 2013 Award for Excellently Competitive Financial Institutions held by <i>China Business</i> .
December 2013	The Company was awarded with the “2013 Charity Contribution Award” in the Eighth Asian Finance annual conference hosted by <i>21st Century Business Herald</i> .
December 2013	The Company was named the “Insurance Company Most Trusted by the Insured in 2013” in the Seventh “Golden Cicada” Award held by <i>China Times</i> .
December 2013	The Company received the “Public Satisfaction Award” in the “2014 Vision: Reforms Driving the Future” cum “Vision of a Big Nation” annual award ceremony organised by <a href="http://www.china.com">www.china.com</a> .
December 2013	The Company was awarded with the “2013 China’s Distinguished Corporate Citizen” by the Corporate Citizenship Committee of China Association of Social Workers.
December 2013	The Company won the “2013 Best Life Insurance Brand Award” in the 2013 East Money Billboard hosted by <a href="http://www.eastmoney.com">www.eastmoney.com</a> .
January 2014	The Company received the “Best Customer Service Award” in the Piloting China – 2013 Financial Industry Annual Award organised by the financial sector.
January 2014	The Company was named “2013 Most Trusted Life Insurance Company” in the 11th Financial Billboard held by <a href="http://www.hexun.com">www.hexun.com</a> .

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

### I. Key operational indicators

	Unit: RMB in millions	
	2013	2012
<b>For the 12 months ended 31 December</b>		
Gross written premiums and policy fees	<b>104,073</b>	98,081
Total investment income <sup>(1)</sup>	<b>24,734</b>	13,540
Net profit for the year attributable to shareholders of the Company	<b>4,422</b>	2,933
Value of one year's new business	<b>4,236</b>	4,172
Market share <sup>(2)</sup>	<b>9.6%</b>	9.8%
Persistency ratio		
Individual life insurance business 13-month persistency ratio <sup>(3)</sup>	<b>89.19%</b>	89.84%
Individual life insurance business 25-month persistency ratio <sup>(4)</sup>	<b>85.59%</b>	88.50%
<b>As of 31 December</b>	<b>2013</b>	<b>2012</b>
Total assets	<b>565,849</b>	493,693
Net assets	<b>39,318</b>	35,878
Investment assets <sup>(5)</sup>	<b>549,596</b>	479,189
Equity attributable to shareholders of the Company	<b>39,312</b>	35,870
Embedded value	<b>64,407</b>	56,870
Amount of customers (in thousands)	<b>29,831</b>	27,766
of which: individual customers	<b>29,769</b>	27,707
of which: institutional customers	<b>62</b>	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 + share of results of associates. The comparative figures have been recalculated on the base line of the reporting period.
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 recalculated on the base line of the reporting period.

## II. Business analysis

### (I) Life insurance business

The year 2013 was the connecting year under the “Twelfth Five-Year Plan” of China during which the overall domestic economy was running steadily along with continuous adjustment to the economic structure. Due to the new impulse from regulatory policies, such as widening of insurance fund investment channels and insurance premium rate marketization, the life insurance industry in China saw better premium growth as compared to last year, manifesting signs of recovery of industry development.

In 2013, driven by the “customer-centric” strategy, the Company adhered to the essence of value-added operation and largely deepened and accelerated the process of value transformation through increased efforts in strategic transformation, and a series of revolutionary and innovative administrative initiatives. Firstly, we reformed the organization of the sales management system by establishing seven regional management centres, through which we delegated certain management functions and directed resources to the local level. As a result, the institutions were enabled to function with their own strengths, thus to achieve diversified operation. Secondly, the “customer-centric” product system was optimized through the successful development of a number of innovative products phase by phase, which resulted in sound sales performance and marketing effects and effectively laid a solid foundation of sales channels and workforce. Thirdly, a value assessment system was established and enhanced to reinforce the concept of value transformation, and to incentivize institutions and workforce to increase the sales of protection-type products. Fourthly, a whole life-cycle customer service system was established to secure the customer base as well as to continuously expand our customer base. By way of the foregoing, the Company achieved steady growth in its annual premium income and continuous improvement in business structure from the individual insurance agent channel and workforce performance.

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 year-on-year increase of 6.1% in gross premium income to RMB103,640 million in 2013 with a market share of 9.6%, ranking the third in the PRC life insurance market. As of 31 December 2013, the Company served approximately 29.769 million individual customers and approximately 62,000 institutional customers, representing an increase of approximately 2.06 million customers as compared to the last year.

1. *Analysis by distribution channels*

Unit: RMB in millions

<b>For the 12 months ended 31 December</b>	<b>2013</b>	2012
<b>Individual life insurance</b>	<b>102,189</b>	96,253
Of which:		
Individual insurance agent channel	<b>47,489</b>	42,993
First year premiums	<b>8,488</b>	10,131
Regular premiums	<b>7,088</b>	8,948
Single premiums	<b>1,400</b>	1,183
Renewal premiums	<b>39,001</b>	32,862
Bancassurance channel	<b>53,395</b>	52,163
First year premiums	<b>22,669</b>	21,569
Regular premiums	<b>2,896</b>	5,074
Single premiums	<b>19,773</b>	16,495
Renewal premiums	<b>30,726</b>	30,594
Wealth management channel	<b>1,305</b>	1,097
First year premiums	<b>596</b>	635
Regular premiums	<b>281</b>	375
Single premiums	<b>315</b>	260
Renewal premiums	<b>709</b>	462
<b>Group insurance</b>	<b>1,451</b>	1,466
Total	<b>103,640</b>	97,719



## Section 5

### Management Discussion and Analysis

#### (1) Individual life insurance business

##### ① Individual insurance agent channel

In 2013, the Company continued to foster the transformative development of its individual insurance agent channel. On one hand, the Company vigorously optimized the product structure. Through the promotion of health insurance, whole life insurance and long-term products, the skills of its agent force in selling protection-type products were further improved and the product mix in the individual insurance agent channel was significantly enhanced. The first year premiums from regular premium products with premium payment periods of ten years or more as a percentage of the total increased from 61% in 2012 to 70% in 2013. The first year premiums from traditional insurance and health insurance products as a percentage of the total increased from 17% in 2012 to 31% in 2013. On the other hand, centering on the agent force development, the Company started amending and streamlining the Fundamental Management Measures on Individual Insurance Agents (2014 Edition) (《個人業務保險行銷員管理基本辦法(2014版)》) to reinforce the fundamental management of its agent force, promote the continuous operation of its agent force, refine the structure of workforce and maintain high performing and key agents. As of the end of 2013, the number of the Company's insurance agents amounted to approximately 201,000<sup>(1)</sup>, including approximately 24,000 high performing agents.<sup>(2)</sup>

The GWP from the individual insurance agent channel was RMB47,489 million in 2013, representing an increase of 10.5% as compared to the last year. The revenue from first year premiums was RMB8,488 million, representing a decrease of 16.2% as compared to the last year; and the revenue from renewal premiums was RMB39,001 million, representing an increase of 18.7% as compared to the last year.

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<sup>1</sup> The number of insurance agents includes 177,000 agents of the individual business channel, and 24,000 agents of the renewal business of the service and operation channel.

<sup>2</sup> 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. The standard of high performing agents of 2013 has been improved compared to that of 2012. The monthly high performing agents of 2013 refers to those 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 accumulative first year commission of no less than RMB2,000 or RMB3,000 (depending on branch location).

② Bancassurance channel

In 2013, with respect to the bancassurance channel, the Company timely introduced asset-oriented products and products with market-oriented insurance premium rate amid the continuous intensified market competition, which reversed the downward trend of its business, boosted the morale of its agent force, stabilised its business channels and networks and brought the Company a group of high-quality customers. The GWP from the bancassurance channel was RMB53,395 million in 2013, representing an increase of 2.4% as compared to the last year, among which, the first year premiums was RMB22,669 million, representing an increase of 5.1% as compared to the last year; and renewal premiums was RMB30,726 million, representing an increase of 0.4% as compared to the last year.

③ Wealth management channel

In 2013, with respect to the wealth management channel of the Company, its team management indicators effectively improved by leveraging high performing agents. In the meantime, we combined the foregoing with paced promotion of products and flexibly adjusted sales strategies to achieve a balanced and positive development of all cooperation channels. The GWP from the wealth management channel was RMB1,305 million in 2013, representing an increase of 19% as compared to the last year, among which, the first year premiums was RMB596 million, representing a decrease of 6.1% as compared to the last year, and the renewal premiums was RMB709 million, representing an increase of 53.5% as compared to the last year.

(2) *Group insurance business*

In 2013, the GWP from the group insurance business was RMB1,451 million, representing a decrease of 1% 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	2013	2012
<b>GWP</b>	<b>103,640</b>	97,719
Traditional insurance	<b>14,351</b>	848
First year premiums	<b>13,798</b>	295
Renewal premiums	<b>553</b>	553
Participating insurance <sup>(1)</sup>	<b>80,377</b>	90,029
First year premiums	<b>14,984</b>	30,128
Renewal premiums	<b>65,393</b>	59,901
Universal insurance	<b>39</b>	37
First year premiums	– <sup>(2)</sup>	– <sup>(2)</sup>
Renewal premiums	<b>39</b>	37
Unit-linked insurance	– <sup>(2)</sup>	– <sup>(2)</sup>
First year premiums	– <sup>(2)</sup>	– <sup>(2)</sup>
Renewal premiums	– <sup>(2)</sup>	– <sup>(2)</sup>
Health insurance <sup>(1)</sup>	<b>7,633</b>	5,780
First year premiums	<b>3,147</b>	2,281
Renewal premiums	<b>4,486</b>	3,499
Accident insurance	<b>1,240</b>	1,025
First year premiums	<b>1,200</b>	989
Renewal premiums	<b>40</b>	36

Notes:

- Participating health insurance is included in the participating insurance. The comparative figures have been recalculated on the base line of the reporting period.
- The amount for each period indicated was less than RMB500,000.

In 2013, the Company achieved life insurance GWP of RMB103,640 million, representing an increase of 6.1% as compared to the last year, among which, the premiums from traditional insurance business was RMB14,351 million, representing an increase of 1,592.3% as compared to the last year, which was mainly due to the substantial increase of the sales of products with market-oriented insurance premium rate launched through the bancassurance channel; and the premiums from health insurance business was RMB7,633 million, representing an increase of 32.1% as compared to last year. The premiums from participating insurance business was RMB80,377 million, representing 77.6% of the total GWP; the premiums from other insurance businesses was RMB1,279 million, representing 1.2% of the total GWP.

The first year premiums from traditional insurance business and health insurance business was RMB16,945 million, in aggregate, representing an increase of 557.8% as compared to the last year. Such growth rate outperformed the growth rate of the total GWP, which was attributable to the Company's strategy of product transformation to boost strategy transformation.

### 3. Analysis by geographic regions

	Unit: RMB in millions	
<b>For the 12 months ended 31 December</b>	<b>2013</b>	2012
<b>GWP</b>	<b>103,640</b>	97,719
Central China	<b>21,827</b>	19,344
Eastern China	<b>21,628</b>	21,764
Northern China	<b>19,571</b>	20,383
Southern China	<b>13,998</b>	11,294
<b>Other regions</b>	<b>26,616</b>	24,934
<b>Total</b>	<b>103,640</b>	97,719

Note: The Company established seven regional management centres in 2013, and the details are as follows: Northern China covers branches of Beijing, Tianjin, Hebei, Inner Mongolia, Shanxi; Eastern China covers branches of Shanghai, Jiangsu, Zhejiang, Shandong, Ningbo, Qingdao; Southern China covers branches of Guangdong, Shenzhen, Fujian, Xiamen, Hainan, Guangxi; Central China covers branches of Henan, Hunan, Hubei, Anhui, Jiangxi; Northwestern China covers branches of Xinjiang, Shaanxi, Gansu, Ningxia, Qinghai; Southwestern China covers branches of Yunnan, Guizhou, Sichuan, Chongqing; Northeastern China covers branches of Heilongjiang, Jilin, Liaoning, Dalian.

In 2013, approximately 74% of the GWP of the Company were derived from the four regions that are relatively developed or with larger population, namely, Central China, Eastern China, Northern China and Southern China.

#### (II) Asset management business

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

In 2013, based on the liability nature of insurance business and fluctuation cycles of capital market, the Company proactively broadened its investment channels, optimized its investment portfolio, properly increased the proportion of fixed-income assets in order to enhance investment returns and maintain sustainable returns from the investment portfolio. The Company stepped up its efforts in the allocation of high yield financial products and effectively enhanced the overall returns of its fixed-income assets. As New China Asset Management (Hong Kong) Limited commenced operation on 12 December 2013, the Company actively and steadily expanded its overseas investment business.

As to the equity investment, in spite of the downturn of domestic capital market in 2013, the Company realized gains on investment assets of RMB2,414 million due to timely structural adjustment.

## Section 5

### Management Discussion and Analysis

#### 1. Investment portfolio

Unit: RMB in millions

As of 31 December	2013	2012
<b>Investment assets<sup>(1)</sup></b>	<b>549,596</b>	479,189
<b>Classified by investment type</b>		
Term deposits <sup>(2)</sup>	<b>163,137</b>	171,853
Debt securities	<b>305,558</b>	234,130
Equity securities	<b>41,589</b>	32,793
– Funds	<b>13,067</b>	15,869
– Stocks	<b>19,118</b>	16,216
– Investments in associates	<b>9,404</b>	708
Cash and cash equivalents <sup>(2)</sup>	<b>18,570</b>	25,066
Other investment assets <sup>(3)</sup>	<b>20,742</b>	15,347
<b>Classified by investment purpose</b>		
Financial assets at fair value through income	<b>2,439</b>	4,755
Available-for-sale financial assets	<b>127,895</b>	84,335
Held-to-maturity securities	<b>183,008</b>	176,817
Loans and other receivables <sup>(4)</sup>	<b>226,850</b>	212,574
Investments in associates	<b>9,404</b>	708

Notes:

1. The comparative figures have been recalculated on the base line of the reporting 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. Other investment assets include statutory deposits, policy loans, financial assets purchased under agreements to resell and accrued investment income, etc.
4. Loans and other 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.

As of the end of the reporting period, the Company had investment assets of RMB549,596 million, representing an increase of 14.7% as compared to the end of last year. Such increase was mainly attributable to the cash inflows from the Company's insurance business.

As of the end of the reporting period, term deposits accounted for 29.7% of the total investment assets, representing a decrease of 6.2 percentage points as compared to the end of last year, which was mainly due to the fact that part of the Company's term deposits matured.

As of the end of the reporting period, debt securities accounted for 55.6% of the total investment assets, representing an increase of 6.7 percentage points as compared to the end of last year, which was mainly due to the increase of asset funding plans, trust products, wealth investment products and debt investment plans.

As of the end of the reporting period, equity securities accounted for 7.6% of the total investment assets, representing an increase of 0.8 percentage point as compared to the end of last year, which was mainly due to the increase of the equity investment plan of equity securities.

As of the end of the reporting period, cash and cash equivalents accounted for 3.4% of the total investment assets, representing a decrease of 1.8 percentage points 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 3.8% of the total investment assets, representing an increase of 0.6 percentage point as compared to the end of last year. Such increase was mainly due to the increase in policy loans and financial assets purchased under agreements to resell.

In terms of investment purposes, as of the end of the reporting period, investment assets of the Company is mainly allocated in loans and other receivables and held-to-maturity securities. Investments in loans and other receivables increased by 6.7% as compared to the end of last year, mainly due to the increase of asset funding plans.



## Section 5

### Management Discussion and Analysis

#### 2. Investment income

	Unit: RMB in millions	
<b>For the 12 months ended 31 December</b>	<b>2013</b>	2012
Interest income from cash and cash equivalents	<b>81</b>	101
Interest income from term deposits	<b>8,835</b>	8,455
Interest income from debt securities	<b>12,616</b>	9,930
Dividend income from equity securities <sup>(1)</sup>	<b>1,630</b>	1,111
Interest income from other investment assets <sup>(2)</sup>	<b>411</b>	277
Net investment income <sup>(3)</sup>	<b>23,573</b>	19,874
Realized gains/(losses) on investment assets	<b>2,414</b>	(1,559)
Unrealized gains/(losses)	<b>(31)</b>	505
Impairment losses on financial assets	<b>(1,318)</b>	(5,281)
Share of results of associates <sup>(1)</sup>	<b>96</b>	1
Total investment income <sup>(4)</sup>	<b>24,734</b>	13,540
Net investment yield (%) <sup>(5)</sup>	<b>4.6%</b>	4.7%
Total investment yield (%) <sup>(5)</sup>	<b>4.8%</b>	3.2%

Notes:

1. Cash dividend received from associates is included in dividend income from equity securities.
2. Interest income from other investment assets includes interest income from statutory deposits, policy loans and financial assets purchased under agreements to resell.
3. 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.
4. Total investment income = net investment income + realized gains/(losses) + unrealized gains/(losses) + impairment losses on financial assets + share of results of associates. The comparative figures have been recalculated on the base line of the reporting period.
5. Investment yield = investment income/[(investment assets at the beginning of the period + investment assets at the end of the period)/2].

The Company achieved total investment income of RMB24,734 million during the reporting period, representing an increase of 82.7% as compared to the last year; the total investment yield was 4.8%, representing an increase of 1.6 percentage points as compared to the last year, which was primarily attributable to an increase in realized gains on investment assets, and a decrease in impairment losses on available-for-sale financial assets.

The Company achieved net investment income of RMB23,573 million, representing an increase of 18.6% as compared to the last year; the net investment yield was 4.6%, representing a decrease of 0.1 percentage point as compared to the last year.

Total realized gains/(losses) and unrealized gains/(losses) and impairment losses on financial assets amounted to a gain of RMB1,065 million, which turned better as compared to the loss of RMB6,335 million in aggregate of last year, mainly due to the fact that the Company had reasonable position control and made better use of band operation, which enabled the Company to turn losses into profits for realized gains/(losses) on investment assets and to reduce the impairment losses on financial assets.

### 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 bond	110020	Nanshan CB	441.79	442.99	403.04	30.85%	-23.75
2	Convertible bond	110015	Sinopec CB	316.58	295.61	281.38	21.53%	-42.36
3	Convertible bond	113001	BOC CB	273.29	272.60	262.14	20.06%	-10.38
4	Stock	03366X	OCT (Asia) (limited)	128.84	40.00	127.37	9.75%	-1.47
5	Stock	600153	C & D	72.10	9.60	68.65	5.25%	-0.82
6	Stock	601628	China Life	60.41	3.11	47.10	3.60%	-92.98
7	Stock	600079	HWHG	37.25	1.30	36.85	2.82%	14.17
8	Stock	002375	YASHA	28.63	1.00	25.80	1.97%	-2.83
9	Stock	600276	Hengrui Medicine	18.14	0.57	21.82	1.67%	3.69
10	Stock	000982	ZHONGYIN	13.61	1.50	12.89	0.99%	-0.73
Investments in other securities held at the end of the period				20.13	N/A	19.60	1.51%	184.47
Profits/(losses) of investments in securities sold during the reporting period				N/A	N/A	N/A	N/A	-402.70
<b>Total</b>				<b>1,410.77</b>	<b>N/A</b>	<b>1,306.64</b>	<b>100.00%</b>	<b>-375.69</b>

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, stock investment and convertible bond investment only refer to tradable financial assets that are attributable to the Company.
- Investments in other securities refer to investments in other securities apart from the top ten securities.
- Profits/(losses) during 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 cost (RMB in millions)	As a percentage of equity interests in that company at the beginning of the period (%)	As a percentage of equity interests in that company at the end of the period (%)	Carrying amount at the end of the period (RMB in millions)	Profits/ (losses) during the reporting period (RMB in millions)	Changes of Equity Ownership during the reporting period (RMB in millions)	Accounting classification	Source of securities
600887X	Yili Industrial (Limited)	708.03	0.00%	1.72%	1,371.66	9.07	663.63	Available for sale	Purchase
000002	Vanke A	845.59	0.00%	0.71%	624.16	11.87	-221.43	Available for sale	Purchase
601318	Ping An	581.32	0.11%	0.17%	573.52	-51.09	64.95	Available for sale	Purchase
03328	Bank of Communications	580.20	0.27%	0.17%	543.04	59.65	-65.49	Available for sale	Purchase
000651	Gree Electric Appliances	475.51	0.00%	0.54%	529.92	15.11	54.41	Available for sale	Purchase
600276	Hengrui Medicine	352.08	0.21%	0.86%	442.46	31.86	89.32	Available for sale	Purchase
601006	Daqin Railway	423.35	0.32%	0.37%	406.45	28.25	24.35	Available for sale	Purchase
000333	Midea Group	341.25	0.00%	0.45%	381.65	9.21	40.40	Available for sale	Purchase
601377X	Industrial Securities (Limited)	395.20	0.00%	1.54%	378.40	0.00	-16.80	Available for sale	Purchase
600406	Nari-Technology	366.20	0.00%	0.98%	355.48	0.26	-10.72	Available for sale	Purchase
Other securities held at the end of the period		14,779.87	N/A	N/A	13,151.62	1,303.90	-662.12	N/A	N/A
<b>Total</b>		<b>19,848.60</b>	N/A	N/A	<b>18,758.36</b>	<b>1,418.09</b>	<b>-39.50</b>	<b>N/A</b>	<b>N/A</b>

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.
- The Yili Industrial (Limited) stock includes a carrying amount of RMB105.47 million in the Yili stock without selling restrictions.

#### (3) Shareholdings in unlisted financial institutions

During the reporting period, other than the subsidiaries of the Company, the Company did not have any shareholdings in unlisted financial institutions.

#### (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	3,137.16	33,226.72	N/A
Sale	2,911.93	N/A	1,577.71

### III. Principal contents and analysis of consolidated financial statements

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

##### 1. Principal assets

Component	Unit: RMB in millions	
	31 December 2013	31 December 2012
Debt securities	<b>305,558</b>	234,130
– Held-to-maturity	<b>183,008</b>	176,817
– Available-for-sale	<b>96,449</b>	55,624
– At fair value through income	<b>1,700</b>	1,381
– Loans and receivables	<b>24,401</b>	308
Equity securities	<b>32,185</b>	32,085
– Available-for-sale	<b>31,446</b>	28,711
– At fair value through income	<b>739</b>	3,374
Term deposits	<b>163,137</b>	171,853
Statutory deposits	<b>8,841</b>	3,866
Financial assets purchased under agreements to resell	<b>1,336</b>	–
Intangible assets	<b>1,512</b>	102
Investments in associates	<b>9,404</b>	708
Other assets not included in the above assets	<b>43,876</b>	50,949
<b>Total</b>	<b>565,849</b>	493,693

## Section 5

### Management Discussion and Analysis

#### *Debt securities*

As of the end of the reporting period, debt securities increased by 30.5% as compared to the end of 2012, primarily due to the increase in asset funding plans, debt investment plans, trust products and wealth investment products.

#### *Equity securities*

As of the end of the reporting period, equity securities increased by 0.3% as compared to the end of 2012, primarily due to the continued downturn of the capital market and the Company's control of the scale of equity securities.

#### *Term deposits*

As of the end of the reporting period, term deposits decreased by 5.1% as compared to the end of 2012, primarily due to the fact that the Company's term deposits matured in 2013 were more than its new term deposits in 2013.

#### *Policy loans*

As of the end of the reporting period, policy loans increased by 128.7% as compared to the end of 2012, 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 RMB1,336 million, primarily due to the requirements for daily liquidity management.

*Intangible assets*

As of the end of the reporting period, intangible assets increased by 1,382.4% as compared to the end of 2012, primarily due to the purchase of the land use rights of Guangzhou Finance City.

*Investments in associates*

As of the end of the reporting period, the investments in associates increased by 1,228.2% as compared to the end of 2012, primarily due to the investments in projects such as equity investment plans.

**2. Principal liabilities**

<b>Component</b>	Unit: RMB in millions	
	<b>31 December 2013</b>	31 December 2012
Insurance liabilities	<b>426,881</b>	362,272
Long-term insurance contracts	<b>425,394</b>	361,070
Short-term insurance contracts		
– Outstanding claims	<b>520</b>	452
– Unearned premiums	<b>967</b>	750
Investment contracts	<b>25,933</b>	18,988
Financial assets sold under agreements to repurchase	<b>52,211</b>	55,437
Reinsurance liabilities	<b>54</b>	33
Current income tax liabilities	<b>19</b>	62
Other liabilities not included in the above liabilities	<b>21,433</b>	21,023
<b>Total</b>	<b>526,531</b>	457,815



## Section 5

### Management Discussion and Analysis

#### *Insurance liabilities*

As of the end of the reporting period, insurance liabilities increased by 17.8% as compared to the end of 2012, 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.

#### *Investment contracts*

As of the end of the reporting period, investment contracts increased by 36.6% as compared to the end of 2012, primarily due to the increase of universal insurance business.

#### *Financial assets sold under agreements to repurchase*

As of the end of the reporting period, financial assets sold under agreements to repurchase decreased by 5.8% as compared to the end of 2012, primarily due to the requirements for investment assets allocation and daily liquidity management.

#### *Reinsurance liabilities*

As of the end of the reporting period, the reinsurance liabilities increased by 63.6% as compared to the end of 2012, primarily due to the impact of the reinsurance payables settlement cycle of reinsurance companies.

#### *Current income tax liabilities*

As of the end of the reporting period, the current income tax liabilities decreased by 69.4% as compared to the end of 2012, primarily due to the fact that the pre-paid income tax of the Company exceeded the payable tax.

### **3. Shareholders' equity**

As of the end of the reporting period, equity attributable to shareholders of the Company amounted to RMB39,312 million, representing an increase of 9.6% as compared to the end of 2012, primarily due to the growth of investment income and accumulated business.

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

1. Revenues

Component	Unit: RMB in millions	
	2013	2012
Gross written premiums and policy fees	104,073	98,081
Less: premiums ceded out	(293)	5
Net written premiums and policy fees	103,780	98,086
Net change in unearned premiums liabilities	(165)	(135)
Net premiums earned and policy fees	103,615	97,951
Investment income	24,374	13,559
Other income	228	189
<b>Total</b>	<b>128,217</b>	<b>111,699</b>

*Gross written premiums and policy fees*

During the reporting period, gross written premiums and policy fees increased by 6.1% as compared to last year, the growth in 2013 was faster than that in 2012. The growth was primarily due to the increase in renewal premiums and the first year premiums from the bancassurance channel.

*Premiums ceded out*

During the reporting period, premiums ceded out amounted to RMB293 million as compared to negative RMB5 million of last year, primarily due to the growth of the reinsurance business and the decrease in policy surrenders recovered from reinsurers.

*Investment income*

During the reporting period, investment income increased by 79.8% as compared to last year, primarily due to the increase in the interest income from debt securities, the increase in realized gains on investment assets and the decrease in impairment losses on available-for-sale financial assets.

## Section 5

### Management Discussion and Analysis

#### 2. Insurance business expenditures and other expenses

Component	Unit: RMB in millions	
	2013	2012
Insurance benefits and claims	(103,741)	(89,898)
Claims and net change in outstanding claims liabilities	(1,186)	(1,084)
Life insurance death and other benefits	(36,601)	(23,983)
Increase in long-term insurance contracts liabilities	(65,954)	(64,831)
Investment contracts benefits	(869)	(660)
Commission and brokerage expenses	(6,422)	(7,047)
Administrative expenses	(9,977)	(9,785)
Other expenses	(643)	(276)
<b>Total</b>	<b>(121,652)</b>	<b>(107,666)</b>

##### *Claims and net change in outstanding claims liabilities*

During the reporting period, claims and net change in outstanding claims liabilities increased by 9.4% 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 52.6% as compared to last year, primarily due to an increase in surrenders and maturities.

##### *Increase in long-term insurance contracts liabilities*

During the reporting period, the increase in long-term insurance contracts liabilities increased by 1.7% as compared to last year, primarily due to the growth of insurance business.

##### *Investment contracts benefits*

During the reporting period, investment contracts benefits increased by 31.7%, mainly due to the increase in interest expenses as a result of the growth of the Company's universal insurance business.

##### *Commission and brokerage expenses*

During the reporting period, commission and brokerage expenses decreased by 8.9% as compared to last year, primarily due to the decrease of the commission of the bancassurance channel.

*Administrative expenses*

During the reporting period, administrative expenses increased by 2.0% as compared to last year, primarily due to the expanding business scale and the increase in rental expenses and property management expenses.

*Other expenses*

During the reporting period, other expenses increased by 133.0% as compared to last year, primarily due to the increase in foreign exchange losses as a result of the depreciation of US dollars and the increase in interest expenses for subordinated debts.

**3. Income tax**

During the reporting period, income tax expenses was RMB535 million as compared to income tax gains of RMB646 million for last year, mainly due to the impact of the amount of payable income tax and deferred income tax.

**4. Net profit**

During the reporting period, the Company achieved RMB4,422 million of the net profit attributable to the shareholders of the Company, representing an increase of 50.8% as compared to last year, primarily due to the growth of investment income and the decrease in impairment losses on available-for-sale financial assets.

**5. Other comprehensive income**

During the reporting period, other comprehensive income was a loss of RMB980 million as compared to an income of RMB2,853 million of last year, primarily due to the increase of other comprehensive income associated with the recognition of impairment losses on available-for-sale financial assets for 2012 and the decrease of other comprehensive income associated with unrealized losses on fair value of available-for-sale financial assets in the reporting period.

## Section 5

### Management Discussion and Analysis

#### (III) Analysis of consolidated statement of cash flows

Component	Unit: RMB in millions	
	2013	2012
Net cash flows from operating activities	<b>56,205</b>	54,252
Net cash flows from investing activities	<b>(57,118)</b>	(81,382)
Net cash flows from financing activities	<b>(5,525)</b>	31,100

##### 1. Net cash flows from operating activities

Net cash flows from operating activities of the Company for the year 2013 and 2012 amounted to RMB56,205 million and RMB54,252 million respectively. Cash inflows from operating activities of the Company were primarily comprised of cash premiums received and the net increase of investment contracts. Cash premiums received from existing insurance contracts for the year of 2013 and 2012 amounted to RMB103,528 million and RMB97,450 million, respectively. Increase in cash premiums was primarily due to the continuous growth in premiums income as a result of consistent development of the Company's insurance business.

Cash outflows from operating activities of the Company in 2013 and 2012 amounted to RMB55,490 million and RMB44,439 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 2013 and 2012 amounted to RMB37,880 million and RMB25,643 million respectively. The above changes were primarily due to the Company's business growth and the increase of benefits and claims paid.

##### 2. Net cash flows from investing activities

Net cash flows from investing activities of the Company in 2013 and 2012 amounted to negative RMB57,118 million and negative RMB81,382 million respectively. Cash inflows from investing activities of the Company in 2013 and 2012 amounted to RMB214,768 million and RMB137,878 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 2013 and 2012 amounted to RMB271,886 million and RMB219,260 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 2013 and 2012 amounted to negative RMB5,525 million and RMB31,100 million respectively. Cash inflows from financing activities of the Company in 2013 and 2012 amounted to RMB4,815,740 million and RMB4,703,198 million respectively. Cash inflows from financing activities of the Company were primarily comprised of cash received from the sale of financial assets under agreements to repurchase, etc.

Cash outflows from financing activities of the Company in 2013 and 2012 amounted to RMB4,821,265 million and RMB4,672,098 million respectively. Cash outflows from financing activities of the Company were primarily comprised of cash paid for financial assets sold under agreements to repurchase.

#### 4. Source and use of liquidity

The principal cash inflows of the Company were comprised of insurance premiums, investment contracts, proceeds from sales and maturity of investment assets and investment income. The liquidity risks with respect to these cash inflows primarily arose from surrenders of contract holders and policyholders, and also included the risks of default by debtors, as well as risks arising from fluctuation of interest rate and other market risks. The Company closely monitors and manages these risks.

The cash and bank deposits of the Company provide us with liquidity resources to satisfy the requirements of cash outflows. As of the end of the reporting period, cash and cash equivalents amounted to RMB18,570 million. In addition, substantially all of the Company's term deposits were available for utilisation, subject to penalty interest. As of the end of the reporting period, the term deposits of the Company amounted to RMB163,137 million. The investment portfolio of the Company also provides us with liquidity resources to satisfy the requirements of unexpected cash outflows. As of the end of the reporting period, the fair value of debt securities amounted to RMB289,279 million, and the fair value of equity securities amounted to RMB32,185 million.

The principal cash outflows of the Company were comprised of the liabilities associated with various life insurance, annuity, accident and health insurance products, the dividends and interest payments of insurance policies and annuity contracts, operating expenses, income taxes and the dividends declared and payable to shareholders. Cash outflows arising from the insurance activities primarily relate to benefit payments of these insurance products, as well as payments for policy surrenders, withdrawals and loans.

The Company believes that its sources of liquidity are sufficient to meet its current cash requirements.

#### IV. Analysis by component

##### (I) Solvency

The Company calculated and disclosed actual capital, minimum capital and solvency margin ratio according to relevant regulations 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 2013	31 December 2012	Reason(s) of Change
Actual capital	34,782	35,764	Gains for the current period, changes in fair value of financial assets and changes in investment structure
Minimum capital	20,502	18,574	Growth in insurance business and change in regulatory policies
Surplus	14,280	17,190	
Solvency margin ratio	169.66%	192.56%	

##### (II) Gearing ratio

	31 December 2013	31 December 2012
Gearing ratio	93.1%	92.7%

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 current 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 the year 2013, premiums ceded out of the Company were set out as follows:

For the 12 months ended 31 December	Unit: RMB in millions	
	2013	2012
China Life Reinsurance Company Ltd.	86	(108) <sup>(1)</sup>
Swiss Reinsurance Company Ltd., Beijing Branch	198	93
Others <sup>(2)</sup>	9	10
Total	293	(5)

Notes:

1. Premiums ceded out were negative primarily due to the fact that policy surrenders recovered from the reinsurer exceeded the premiums ceded out during the period.
2. Others primarily included Hannover Rueckversicherung 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

Rank	Product name	Unit: RMB in millions	
		Gross premium income	Standard premium for new policies
1	Hongshuangxi New Type C endowment insurance (Participating)	20,379	116
2	Huifubao endowment insurance	13,317	320
3	Zunxiangrensheng Annuity insurance (Participating)	7,938	626
4	Hongshuangxi Jinqiangui Annuity insurance (Participating)	6,241	186
5	Hongshuangxi Yingbaorui endowment insurance (Participating)	4,416	178

## V. Analysis of major subsidiaries and associates

Profiles of major subsidiaries and associates of the Company as of 31 December 2013 are as follows:

Unit: RMB in millions

Company name	Major business scope	Registered Shareholding		Total assets	Net assets	Net profit
		capital	percentage			
Asset Management Company <sup>(1)</sup>	Management and utilisation 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%	890	182	65
Health Technology	Real estate development, job skill training (excluding motor vehicle driver training), human resources training, conference services, exhibitions, organisation of culture exchange activities, sports training, and information consultancy (excluding agency services).	632	100%	563	545	(19)
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	(1)
Chongqing Agency <sup>(2)</sup>	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)	(0) <sup>(5)</sup>
Xinhua Seniors	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%	8	(15)	(18)
Shanggu Real Estate	Real estate projects development and Construction.	15	100%	15	15	0 <sup>(6)</sup>

## Section 5

### Management Discussion and Analysis

Company name	Major business scope	Registered	Shareholding	Total assets	Net assets	Net profit
		capital	percentage			
Tanzhou Real Estate	Real estate projects development and Construction.	10	95%	10	10	0 <sup>(6)</sup>
New China Health	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%	563	477	(23)
Wuhan Clinic	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%	32	7	(10)
Xi'an Clinic	Prevention and healthcare, internal medicine, surgery, gynecology, ophthalmology, Chinese medicine, Chinese and Western medicine, stomatology, otolaryngology, clinicallaboratory, medical imaging and health examination.	20	100%	32	5	(11)
Asset Management (Hong Kong) <sup>(3)</sup>	Asset management	HKD50 million	98.2%	47	42	2
Zijin Century <sup>(4)</sup>	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%	4,419	2,792	312
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%	57	46	7

Notes:

1. The 11th Meeting of the Fifth Board of Directors of the Company considered and approved the "Proposal on the Capital Increase of New China Asset Management Co., Ltd.", agreeing on the increase of capital by RMB465 million in Asset Management Company (a subsidiary of the Company). The above capital increase issue was approved by the CIRC in February 2014.
2. The 7th Extraordinary General Meeting of the Company in 2011 considered and approved the "Proposal on the Application for the Dissolution of Chongqing New China Insurance Agency Co., Ltd." Chongqing Agency started liquidation at the beginning of 2013, and as of the publication date of the report, Chongqing Agency has not yet completed liquidation.
3. Asset Management (Hong Kong) is a subsidiary newly incorporated and included for consolidation in 2013.
4. The 5th Extraordinary General Meeting of the Company in 2011 considered and approved the "Proposal on the Transfer of All Equities Held in Beijing Zijin Century Real Estate Co., Ltd." As of the publication date of the report, the equities held by the Company in Zijin Century have not yet been transferred.
5. The amount ranged from negative RMB500,000 to RMB0 in the reporting period.
6. The amount ranged from RMB0 to RMB500,000 in the reporting period.

## **VI. Future prospects**

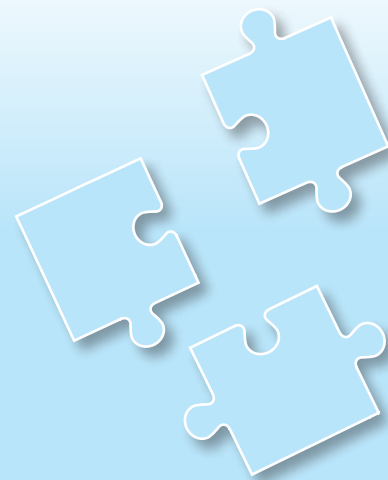
In 2014, China's life insurance industry will usher in a series of new opportunities for development. Firstly, both the domestic and overseas economy is seen to be improved, which will provide economic basis for the sustainable growth of the life insurance industry. Meanwhile, as the aging population increases and the process of urbanisation advances, it is expected that China's insurance market will be boosted by a stronger demand. Secondly, the progressive introduction of regulatory policies to deregulate the front-end and concentrate on regulating the back-end will result in fierce market competition among major life insurance companies. Thirdly, the emergence of Internet finance will benefit the life insurance industry by diversifying the channels and methods for sales and strengthening the innovation of products, services and management in the life insurance industry, and hence will create new growth points for the industry. At the same time, the competition models of the life insurance industry will become more diversified and that the competition among major players will become more severe, which requires higher performance of life insurance companies in various aspects such as market responsiveness, product innovation, channel development, service upgrading, risk management as well as asset and liability management.

In face of the opportunities and challenges ahead, in 2014, the Company will further promote strategic transformation, continue to uphold its "customer-centric" development strategies, sustain steady growth of its existing businesses, and fully promote the construction of nine major systems to increase fundamental management capability and investment and innovation capacity, and hence to consolidate our core strengths in life insurance and steadily extend our business.

According to our plan, we aim to achieve a balanced and healthy development through proper growth and continuous optimisation of our businesses. For the individual insurance agent channel, we will focus on the growth as a result of the improvement of agent performance. For the bancassurance channel, we will place emphasis on the healthy development of business scale with a focus on regular premium products and high value businesses.

## 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 the dispute arising from the Company's entrustment for New Industry Investment Co., Ltd. to hold equity interest in China Minzu Securities Co., Ltd., the particulars of which are as follows:

In order to enforce the Beijing Arbitration Commission's Award and the judgment of Shenzhen Intermediate Court of Guangdong Province, New Industry Investment Co., Ltd., Orient Group Co., Ltd. and the Company reached an agreement, pursuant to which the Company should pay the principal amount of RMB170 million and its interests to Orient Group Co., Ltd., and New Industry Investment Co., Ltd. should then pay the principal amount of RMB170 million and its interests to the Company. The agreement was still being honored during the reporting period.

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 – (IV) 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

During the reporting period, the Company had no acquisition or disposal of material assets, merger or division.

#### IV. Connected transactions

##### (I) Continuing connected transactions

During the reporting period, since 98% of the total issued shares of Hwabao Trust Co., Ltd. ("Hwabao Trust") were directly held by Baosteel Group, which is the Company's substantial shareholder, Hwabao Trust constitutes a connected person of the Company. Accordingly, the Framework Agreement on the Purchase of Assembled Fund Trust Plan (《認購集合資金信託計劃框架協議》) entered into between the Company and Hwabao Trust constitutes a continuing connected transaction of the Company, which is subject to the reporting and announcement requirements while exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Hong Kong Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules in respect of the continuing connected transactions.

The Company entrusts its holding subsidiary Asset Management Company for utilization of its insurance funds. In order to optimize fund allocation and in the ordinary and usual course of business of the Company, the Company passed the Proposal on the Contemplated Continuing Related Party Transactions in respect of Entrusted Funds Utilization of the Company (《關於公司委託資金運用相關事項預計日常關聯交易的議案》) at the tenth meeting of the fifth session of the Board convened on 27 August 2013 and entered into the Framework Agreement on the Purchase of Assembled Fund Trust Plan (《認購集合資金信託計劃框架協議》) with Hwabao Trust. Pursuant to the agreement, the Company intends to subscribe for the assembled fund trust plan products to be issued by Hwabao Trust within a total transaction cap of RMB2.5 billion by utilizing the entrusted funds from 27 August 2013 to 27 August 2014. The pricing of the assembled fund trust plan products (including but not limited to the price of the products and management fee, if any) shall be jointly determined by the Company and Hwabao Trust through negotiation and with reference to prevailing market price at the time of signing specific purchase contracts and shall be stipulated in such contracts. Hwabao Trust shall ensure that the pricing standards it offers to any third party shall not prevail over its offer to the Company under the same category of the same product at that time.

As of 31 December 2013, the Company has not subscribed for any assembled fund trust plan product issued by Hwabao Trust. For details, please refer to the announcement titled *Continuing Connected Transaction – Proposed Purchase of Assembled Fund Trust Plan Products* published by the Company on 27 August 2013.



## Section 6

### Significant Events

#### (II) Other connected transactions

During the reporting period, except for the above connected transactions, the Company did not conduct any other 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.

#### 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) of the Company's total profit during the reporting period;
- (II) During the reporting period, there was no external contract 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 until 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 was still being fulfilled continuously and normally.

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

For details of pre-IPO shareholders' commitment to not 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, was still fulfilling its commitment to not transfer the Company's shares within a lock-up period continuously and normally.

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

For details of the commitment of special dividend distribution and the establishment of a public investor protection mechanism, please refer to the *Announcement on the Declaration of Special Dividend* issued by the Company on 26 July 2012. As of 31 December 2013, the balance (including principal and interests) of the special dividend distribution fund account inside China is RMB647,350,866.69, and the balance (including principal and interests) of the special dividend distribution fund account overseas is HK\$228,768,039.26. The special dividend distribution 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.

During the reporting period, the commitment relating to the special dividend distribution was fully fulfilled. The commitment relating to the special dividend distribution fund which 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 is still being fulfilled continuously and normally.

**VII. Appointment of accounting firms**

PricewaterhouseCoopers Zhong Tian LLP is the domestic auditor of the Company for the year 2013, and it has provided annual auditing service to the Company for eight consecutive years. PricewaterhouseCoopers is the international auditor of the Company for the year 2013, and it has provided annual auditing service to the Company for three consecutive years. The Company paid RMB13.24 million to the auditors as the 2013 annual service fee for auditing, reviewing and executing agreed-upon procedures of the financial reports.

PricewaterhouseCoopers Zhong Tian LLP is the accounting firm appointed for the Company's internal control audit related to the financial statements for the year 2013. The Company paid RMB1.245 million as its 2013 annual internal control auditing related to the financial statements service fee.

PricewaterhouseCoopers Limited is the accounting firm for the profit tax returns declaration of the Company for 2011 and 2012. The Company paid a total amount of HK\$38,500 for its profit tax returns declaration service for 2011 and 2012.

Pursuant to the relevant requirements of the *Measures for Administration of Accounting Firm Selection by Financial Enterprises through Bidding (Trial)* (Cai Jin [2010] No.169) issued by the Ministry of Finance of PRC in relation to the service term of auditors continuously engaged by a financial institution and the *Financial and Accounting Work Standards for Insurance Companies* (Bao Jian Fa [2012] No. 8) issued by CIRC in relation to the service term of auditors continuously engaged by an insurance company, the service term of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers will expire soon. The 16th meeting of the fifth session of the Board held on 22 January 2014 passed the *Proposal regarding the Appointment of Auditors for the Year 2014*, and it is proposed that Ernst & Young Hua Ming LLP be appointed as the domestic auditor and Ernst & Young be appointed as the International auditor of the Company for the year 2014. For details, please refer to the announcement titled *Proposed Appointment of Auditors* published by the Company on 22 January 2014. This proposed appointment is subject to the approval by the shareholders at the general meeting.

**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, or public reprimand by stock exchanges.

## Section 6

### Significant Events

#### IX. Other significant events

##### (I) Issuance of debt financing instruments

To further enhance the Company's solvency adequacy ratio, pursuant to the resolution of the Second Extraordinary General Meeting of 2013 of the Company, the Company had 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. As of the expiration date of the resolution, the Company did not issue the above debt financing instruments. The 16th meeting of the fifth session of the Board of the Company held on 22 January 2014 resolved to issue debt financing instruments of the year 2014 according to the above issuance plan of the 2013 debt financing instruments. The issuance of 2014 debt financing instruments of the Company is subject to the approval of the general meeting and the regulatory authorities.

##### (II) Issuance of 2014 subordinated term debts

To enhance the Company's solvency adequacy ratio, the 17th meeting of the fifth session of the Board of the Company held on 26 March 2014 resolved to issue subordinated term debts with a period of more than 5 years and a total amount of not more than RMB5 billion in 2014. The issuance of 2014 subordinated term debts of the Company is pending on the approval of the general meeting and the regulatory authorities.

##### (III) Indirect investment in infrastructure projects

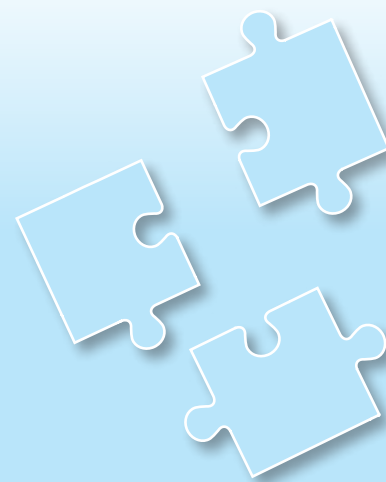
During the reporting period, the Company entrusted Asset Management Company with a total amount of 11.4 billion in the debt investment plan and equity investment plan in infrastructure.

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

1. 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 interests to the Company. In December 2012, Beijing Second Intermediate People's Court ruled to reject the lawsuit filed by the Company. 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. On 25 December 2013, Chongqing Municipal Higher People's Court ruled that Beijing Tianhuan Real Estate Development Co., Ltd. should return RMB575 million and its interests to the Company. Beijing Tianhuan Real Estate Development Co., Ltd. refused to accept the first-instance ruling and has appealed to the Supreme People's Court.
2. 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 events and general media doubts" in this section.

## Section 7

# Changes in Share Capital and Shareholders' Profile



### I. Changes in share capital

#### (I) Table of share capital

The share capital of the Company as of 31 December 2013 is as follows:

Unit: share

	31 December 2012		Increase or decrease during the reporting year (+ or -)					31 December 2013	
	Number	Percentage	New shares issued	Bonus shares	Transfer from reserve	Others	Sub-total	Number	Percentage
1. Shares with selling restrictions									
(1) State-owned shares	984,858,568	31.57%	-	-	-	-	-	984,858,568	31.57%
(2) State-owned legal person shares	-	-	-	-	-	-	-	-	-
(3) Other domestic shares held by:									
legal entities	-	-	-	-	-	-	-	-	-
natural persons	-	-	-	-	-	-	-	-	-
(4) Foreign shares held by:									
legal persons	-	-	-	-	-	-	-	-	-
natural persons	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>984,858,568</b>	<b>31.57%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>984,858,568</b>	<b>31.57%</b>
2. Shares without selling restrictions									
(1) Ordinary Shares denominated in RMB	1,100,580,772	35.28%	-	-	-	-	-	1,100,580,772	35.28%
(2) Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
(3) Overseas listed foreign shares (H Share)	1,034,107,260	33.15%	-	-	-	-	-	1,034,107,260	33.15%
(4) Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,134,688,032</b>	<b>68.43%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,134,688,032</b>	<b>68.43%</b>
<b>3. Total number of shares</b>	<b>3,119,546,600</b>	<b>100.00%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,119,546,600</b>	<b>100.00%</b>

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 of the Company held by Huijin (not including the shares increased by Huijin on and after 13 June 2013) and A Shares transferred from Huijin to SSF at the time of the Company's initial public offering.

## 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.	974,173,154	0	974,173,154	Restriction upon issuance	2014-12-16
2	The National Council for Social Security Fund of the PRC	10,685,414	0	10,685,414	Restriction upon issuance	2014-12-16
<b>Total</b>		<b>984,858,568</b>	<b>0</b>	<b>984,858,568</b>		

#### (III) Issue and listing of securities

##### 1. Issue of securities in the prior three years

###### (1) 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 2013, 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 24,526 shareholders of the Company, including 24,162 A Shareholders and 364 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
HKSCC Nominees Limited <sup>(1)</sup>	Overseas legal person shares	31.99	998,079,314	+536,153,054	-	-	H
Central Huijin Investment Ltd.	State-owned shares	31.34	977,530,534	+3,357,380	974,173,154	-	A
Baosteel Group Corporation	State-owned legal person shares	15.11	471,212,186	-	-	-	A
Beijing Hony 2010 Equity Investment Center (Limited Partnership)	Others	2.59	80,853,658	+80,853,658	-	-	A
Tibet Shannan Century Golden Resources Investment Management Limited	Domestic legal person shares	1.25	39,143,368	+39,143,368	-	34,143,368	A
Special Securities Account for Fixed-term Securities Repurchases of Shenyin & Wanguo Securities Co., Ltd	Others	1.17	36,392,400	+36,023,100	-	-	A
Shanghai Shangyan Investment Center (Limited Partnership)	Others	1.16	36,166,156	+36,166,156	-	-	A
Vats Group Company Limited	Domestic legal person shares	1.02	31,745,000	-	-	-	A
Beijing Taiji Huaqing Information System Co., Ltd.	Domestic legal person shares	0.83	26,000,000	-	-	-	A
Special Securities Account for Fixed-term Securities Repurchases of CITIC Securities Co., Ltd.	Others	0.81	25,370,000	+25,370,000	-	-	A
Description of connected relations or concerted action among the aforesaid shareholders	The Company is not aware of any connections among the shareholders or whether they are parties acting in concert.						

Note:

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.

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

Unit: share

<b>Name of shareholders</b>	<b>Number of shares held without selling restrictions</b>	<b>Types of shares</b>
HKSCC Nominees Limited	998,079,314	H
Baosteel Group Corporation	471,212,186	A
Beijing Hony 2010 Equity Investment Center (Limited Partnership)	80,853,658	A
Tibet Shannan Century Golden Resources Investment Management Limited	39,143,368	A
Special Securities Account for Fixed-term Securities Repurchases of Shenyin & Wanguo Securities Co., Ltd	36,392,400	A
Shanghai Shangyan Investment Center (Limited Partnership)	36,166,156	A
Vats Group Company Limited	31,745,000	A
Beijing Taiji Huaqing Information System Co., Ltd.	26,000,000	A
Special Securities Account for Fixed-term Securities Repurchases of CITIC Securities Co., Ltd.	25,370,000	A
HONG Zhihua	18,094,631	A
Description of connected relations or concerted action among the aforesaid shareholders	The Company is not aware of any connections among the shareholders or whether they are parties acting in concert.	

As of 20 March 2014, there are 28,164 shareholders of the Company, including 27,806 A Shareholders and 358 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 RMB828.21 billion and the registered address is New Poly Plaza, 1 Chaoyangmen Beidajie, Dongcheng District, Beijing, PRC. The legal representative of Huijin is DING Xuedong. The organization code is 71093296-1. As of December 31 2012, the asset of Huijin amounted to 2,363,604.89 million, the liabilities summed up to RMB149,769.24 million, owners' equity amounted to RMB2,213,835.65 million; net profit for the year 2012 was RMB398,395.81 million; and the net cash flow produced from operating activities, investing activities and financing activities was RMB39,391.12 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 <sup>(1)</sup>	Percentage of Huijin's equity participation
1	Industrial and Commercial Bank of China Limited	35.33%
2	Agricultural Bank of China Limited	40.28%
3	Bank of China Limited	67.72%
4	China Construction Bank Corporation	57.26%
5	China Everbright Bank Company Limited	41.66% <sup>(2)</sup>
6	New China Life Insurance Company Ltd.	31.34%

Note:

1. All the six institutions in the above table are listed on both SSE and HKSE.
2. The shareholding proportion of Huijin in China Everbright Bank Company Limited changed into 41.24%, due to the exercise of over-allotment by China Everbright Bank Company Limited during its H Shares issuance in January 2014, and the performance of the obligation on reduction of state-owned shares by Huijin.

The Company does not have any actual controller.

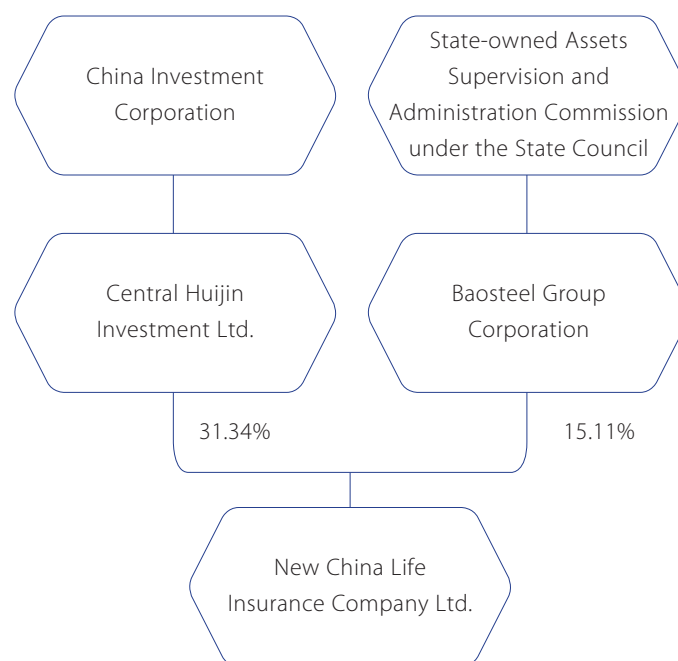
### (III) Other corporate shareholders holding 10% or more of the shares in the Company

#### ***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.

Saved as disclosed above, as of 31 December 2013, there were no other corporate shareholders holding 10% or more of the shares in the Company (excluding HKSCC Nominees Limited). Zurich Insurance, the former shareholder of the Company, sold out all the shares of the Company during the reporting period. For details, please refer to the *Announcement on the Sale of Shares of the Company by Zurich Insurance Company Ltd.* published by the Company on 22 November 2013.

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 2013:



#### (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 2013, Baosteel Group holds 471,212,186 A Shares of the Company, representing 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 reasonably aware of, as of 31 December 2013, 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	Capacity	Number of shares	Percentage of the total shares issued	Percentage of the A Shares issued	Percentage of the H Shares issued	Long Position/ Short Position/ Interest in a lending pool
1	Central Huijin Investment Ltd.	A Share	Beneficial owner	974,347,488	31.23	46.72	-	Long Position
2	Norges Bank	H Share	Beneficial owner	62,349,000	2.00	-	6.03	Long Position
3	JPMorgan Chase & Co.	H Share	Beneficial owner	2,471,293	0.08	-	0.24	Long Position
			Beneficial owner	27,200	0.00	-	0.00	Short Position
			Investment manager	18,537,300	0.59	-	1.79	Long Position
	Custodian Corporation/ Approved lending agent		73,901,175	2.37	-	7.15	Long Position	
			(Note 3)					

## Section 7

### Changes in Share Capital and Shareholders' Profile

	Name of substantial shareholders	Types of shares	Capacity	Number of shares	Percentage of the total shares issued	Percentage of the A Shares issued	Percentage of the H Shares issued	Long Position/ Short Position/ Interest in a lending pool
4	Swiss Re Ltd	H Share	Interests of Controlled Corporation	152,857,800 (Note 4)	4.90	–	14.78	Long Position
5	Overseas-Chinese Banking Corporation Limited	H Share	Interests of Controlled Corporation	103,538,600 (Note 5)	3.32	–	10.01	Long Position
6	Great Eastern Holdings Limited	H Share	Interests of Controlled Corporation	103,538,600 (Note 5)	3.32	–	10.01	Long Position
7	The Great Eastern Life Assurance Company Limited	H Share	Beneficial owner	63,158,500 (Note 5)	2.02	–	6.11	Long Position
8	Temasek Holdings (Private) Limited	H Share	Interests of Controlled Corporation	78,000,000	2.50	–	7.54	Long Position
9	China International Capital Corporation Limited	H Share	Interests of Controlled Corporation	65,000,000 (Note 6)	2.08	–	6.29	Long Position
10	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 6)	1.72	–	5.20	Short Position
11	CICC Investment Group Company Limited	H Share	Interests of Controlled Corporation	65,000,000 (Note 6)	2.08	–	6.29	Long Position
12	CICC Growth Capital Fund GP, Ltd.	H Share	Interests of Controlled Corporation	65,000,000 (Note 6)	2.08	–	6.29	Long Position
13	CICC Principal Fund GP, Ltd.	H Share	Interests of Controlled Corporation	65,000,000 (Note 6)	2.08	–	6.29	Long Position
14	CICC Principal Fund I, L.P.	H Share	Interests of Controlled Corporation	65,000,000 (Note 6)	2.08	–	6.29	Long Position
15	CICC Securities (HK) Limited	H Share	Beneficial owner	65,000,000 (Note 6)	2.08	–	6.29	Long Position
16	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 6)	1.72	–	5.20	Short Position

#### Notes:

1. Data disclosed in the table above are based on the information provided on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).
2. Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Hong Kong Stock Exchange unless several criteria have been fulfilled, therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Hong Kong Stock Exchange.
3. JPMorgan Chase & Co. holds equity interest in the shares of the Company through the companies controlled or indirectly controlled by it.

4. Swiss Re Ltd holds equity interest in the shares of the Company through the companies controlled or indirectly controlled by it.
5. 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.
6. 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. controls 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 2013, 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	359.58	238.51	-
ZHAO Haiying	Non-Executive Director	In Office	Female	January 1965	Since February 2013	-	-	5 <sup>(B)</sup>
MENG Xingguo	Non-Executive Director	In Office	Male	November 1955	Since February 2013	-	-	78 <sup>(B)</sup>
LIU Xiangdong	Non-Executive Director	In Office	Male	June 1969	Since February 2013	-	-	75 <sup>(B)</sup>
ZHAO John Huan	Non-Executive Director	In Office	Male	January 1963	Since February 2013	-	-	Not being disclosed by shareholder for confidential reasons
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	-
CHEONG Chee Meng	Non-Executive Director	Resigned	Male	November 1952	Since February 2013 until September 2013	-	-	Not being disclosed by shareholder for confidential reasons
HE Zhiguang	Executive Director	Resigned	Male	August 1959	Since February 2013 until December 2013	321.74	210.74	-
WANG Chengran	Non-Executive Director	Resigned	Male	April 1959	Since February 2013 until January 2014	-	-	Not being disclosed by shareholder for confidential reasons
CHEN Johnny	Non-Executive Director	Resigned	Male	October 1959	Since February 2013 until January 2014	-	-	Not being disclosed by shareholder for confidential reasons

## Notes:

1. The above table listed the directors as of the publication date of this annual report.
2. 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.
3. 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.
4. The 16th meeting of the fifth session of the board of directors of the Company held on 22 January 2014 approved the *Proposal on the Nomination of the Candidates for Directors*, and resolved to nominate each of Mr. WU Kunzong, Mr. John Robert DACEY and Mr. LIU Lefei as a candidate for non-executive director of the fifth session of the Board of the Company. Please refer to the announcement on *Proposed Appointment of Directors* published on 22 January 2014 by the Company for details. The proposal is subject to the approval of the general meeting.
5. It's the remuneration received from Huijin for fulfilling the director's duties of the Company during the reporting period.

**(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 share holders during the reporting period
CHEN Jun	Supervisor and Chairman of the Board of Supervisors	In Office	Male	February 1960	Since February 2013	298.13	189.05	-
AI Bo	Shareholder Representative Supervisor	In Office	Female	February 1971	Since February 2013	-	-	5 <sup>(4)</sup>
CHEN Xiaojun	Shareholder Representative Supervisor	In Office	Male	March 1959	Since February 2013	-	-	-
LV Hongbo	Shareholder Representative Supervisor	In Office	Male	February 1976	Since March 2013	-	-	Not being disclosed by shareholder for confidential reasons
LIU Yiyi	Employee Representative Supervisor	In Office	Female	April 1960	Since February 2013	127.18	55.92	-
ZHU Tao	Employee Representative Supervisor	In Office	Male	April 1958	Since February 2013	77.09	23.64	-
YANG Jing	Employee Representative Supervisor	In Office	Female	June 1962	Since February 2013	54.44	13.65	-
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	359.58	238.51	-
HUANG Ping	Vice President	In Office	Male	March 1956	Since April 2001	279.80	176.69	-
LIU Yigong	Vice President	In Office	Male	September 1959	Since December 2004	273.22	173.16	-
	Compliance Principal	Resigned			Since April 2010 until February 2013			
CHEN Guogang	Vice President	In Office	Male	December 1959	Since July 2011	250.80	155.34	-
	Chief Financial Officer (Financial Principal)				Since April 2010			
YUE Ran	Assistant to President	In Office	Male	February 1963	Since February 2013	224.83	131.42	-
	Chief Human Resource Officer				Since April 2010			
GONG Xingfeng	Assistant to President	In Office	Male	October 1970	Since February 2013	183.82	101.07	-
	Chief Actuary				Since September 2010			
YUAN Chaojun	Assistant to President	In Office	Male	April 1972	Since July 2011	193.21	107.89	-
SUN Yuchun	Assistant to President	In Office	Male	April 1967	Since July 2011	186.06	102.03	-
ZHU Ying	Assistant to President	In Office	Male	February 1971	Since February 2013	192.16	105.42	-
	Board Secretary				Since July 2011			
	Chief Risk Officer (Compliance Principal)				Since February 2013			
	Audit Principal				Since October 2013			
CHEUNG Wing Kuen Samuel	Assistant to President	In Office	Male	September 1964	Since February 2013	174.93	96.67	-
	Chief Information Officer				Since November 2011			
TANG Gengrong	Assistant to President	In Office	Male	January 1961	Since February 2013	163.88	88.19	-
LI Yuan	Assistant to President	In Office	Male	August 1962	Since February 2013	164.28	89.77	-
CHEN Zhengyang	Assistant to President	In Office	Male	April 1971	Since February 2013	170.59	91.35	-
YU Zhigang	Assistant to President	In Office	Male	December 1964	Since February 2013	165.24	88.88	-
LI Dan	Vice President	Resigned	Female	July 1957	Since July 2011	34.22	21.97	-
					until February 2013			
HE Zhiguang	President	Resigned	Male	August 1959	Since February 2010	321.74	210.74	-
					until December 2013			
	Chief Operation Officer (President)				Since February 2013			
					until December 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 directors, supervisors and members of senior management – (III) Changes in members of senior management" in this section for details.
- Mr. TANG Gengrong, Mr. LI Yuan, Mr. CHEN Zhengyang and Mr. YU Zhigang were appointed as Assistant to President by the Third Meeting of the Fifth Session of the Board in February 2013. The statistical period of their remuneration is from February 2013 to December 2013.
- Ms. LI Dan retired in February 2013. The statistical period of her remuneration is from January 2013 to February 2013.

## II. Biographies of directors, supervisors and senior management

### (I) Directors

**Mr. KANG Dian**, Age 65, Chinese (Hong Kong Permanent Resident)

Mr. KANG Dian has been the Chairman of the 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 also served as an independent non-executive director of Silver Grant International Industries Limited (a company listed on the HKSE, stock code: 00171) from May 1998 to February 2014. 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.

**Ms. ZHAO Haiying**, Age 49, 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 served 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.



## Section 8

### Directors, Supervisors, Senior Management and Employees

#### **Mr. MENG Xingguo**, Age 58, 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 and an independent non-executive director of APT Satellite Holdings Limited (a company listed on the HKSE, stock code: 01045). Prior to that, Mr. MENG 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 44, 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.

#### **Mr. ZHAO John Huan**, Age 51, 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, a director and the CEO of Beijing Hony Future Investment Advisor Ltd., and a delegate of executive partner of Beijing Hony 2010 Equity Investment Center (Limited Partnership). Mr. ZHAO currently also serves as a non-executive director of China Glass Holdings Limited (a company listed on the HKSE, stock code: 03300), an executive director of CSPC Pharmaceutical Group Limited (a company listed on the HKSE, stock code: 01093), a non-executive director of Chinasoftware 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 of eGarden Ventures, Ltd. From February 2011 to October 2012, Mr. ZHAO 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 59, 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 the 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 59, 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 the deputy secretary general of the China Advisory Panel under the Financial Planning Standards Board 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 Netch 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.

**Mr. WANG Yuzhong**, Age 64, Chinese

Mr. WANG Yuzhong has been an Independent Non-Executive Director of the Company since December 2009. Mr. WANG retired from Sinochem Group in May 2009 after working at large state-owned enterprises and various domestic and overseas financing institutions 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 Insurance Broker 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.

## Section 8

### Directors, Supervisors, Senior Management and Employees

#### **Mr. ZHANG Hongxin**, Age 48, 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 59, 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 a director of the consulting department of China Investment Association from January 2001 to May 2004, the chairman of Beijing Zhongzi North Investment Advisory Consultants Ltd. of China International Engineering Consulting Corporation from August 1995 to December 2000, the assistant general manager of China International Engineering Consulting Corporation from August 1993 to August 1995, the 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.

#### **Mr. FONG Chung Mark**, Age 62, Chinese (Hong Kong Permanent Resident)

Mr. FONG Chung Mark has served as an Independent Non-Executive Director of the Company since July 2011. He currently also serves as an independent non-executive director of Sinopec Kantons Holdings Limited (a company listed on the HKSE, stock code: 00934) (since September 2004 till now), an independent non-executive director of Macau Legend Development Limited (a company listed on the HKSE, stock code: 01680) (since June 2012 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 also served as an executive director for China development of Grant Thornton International Ltd. from June 2009 to December 2013, and retired in January 2014. 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 54, Chinese

Mr. CHEN Jun has been a Supervisor and the 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 the chief representative of AEGON Life Insurance Company's Beijing office from 1998 to 2006, the secretary of the board of directors and the vice president of AEGON-CNOOC Life Insurance Company from 2003 to 2006, the chief representative of Clemente Capital (Asia) Co., Ltd. from 1994 to 1997 and the 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 43, 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 a senior deputy manager of the Department of Institutional Integrity of China Investment Corporation from 2008 to 2010, the 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 a 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.

**Mr. CHEN Xiaojun**, Age 55, Chinese

Mr. CHEN Xiaojun has been a Shareholder Representative Supervisor of the Company since January 2010. He currently serves as the chairman of Zhenjiang KF Mobile System Company, and serves as a supervisor of Asset Management Company. Mr. CHEN served as a China representative of the World Wheelchair Foundation from 2004 to 2007, the chairman and general manager of Beijing Keland Technology Co., Ltd. from 2002 to 2004, the 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.

## Section 8

### Directors, Supervisors, Senior Management and Employees

#### **Mr. LV Hongbo**, Age 38, 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 HKSE, stock code: 06030; and on the SSE, stock code: 600030) 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. He obtained an EMBA degree from Cheung Kong Graduate School of Business in 2013.

#### **Ms. LIU Yiyi**ng, Age 53, Chinese

Ms. LIU Yiyi ng 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 Health Technology. 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 held various positions in People's Insurance Company of China from 1983 to 1997, including a vice director of the planning department, finance department and inspection department. 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.

#### **Mr. ZHU Tao**, Age 55, 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 the 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 the 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 51, Chinese

Ms. YANG Jing has been an Employee Representative Supervisor of the Company since January 2010 and currently serves as the 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 the deputy director of the general office of the Training Department, the assistant to the manager of the Administration and Human Resources Department of our Tianjin Branch, and a 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 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. HUANG Ping**, Age 58, 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 the chief supervisor and vice president of life insurance business of Ping An Insurance Co., Ltd. of China from January 1996 to December 1999, the general manager of the Shenzhen branch of Ping An Insurance Company of China from January 1995 to December 1995, the general manager of the life insurance department of Ping An Insurance Company of China from March 1991 to December 1994, the 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, a 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.

**Mr. LIU Yigong**, Age 54, Chinese

Mr. LIU Yigong has been a Vice President of the Company since December 2004 and served as the 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 the 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, the general manager of Qingdao branch of Ping An Insurance Co., Ltd of China from June 1998 to July 2004, a senior director of financial investment department, the deputy general manager of industrial investment department, the deputy general manager of its securities investment department, the 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.

## Section 8

### Directors, Supervisors, Senior Management and Employees

#### **Mr. CHEN Guogang**, Age 54, 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, the 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, the 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 51, 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 a 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.

#### **Mr. GONG Xingfeng**, Age 43, Chinese

Mr. GONG Xingfeng has been the Chief Actuary of our Company since September 2010 and an Assistant to President since 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, the Chief Actuary from September 2003 to January 2007, the general manager of the Customer Service Department from June 2002 to September 2003, the deputy general manager of the Underwriting Approval and Claims Settlement Department from January 2002 to May 2002, and the 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 41, 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 46, 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.

**Mr. ZHU Ying**, Age 43, Chinese

Mr. ZHU Ying has been the Board Secretary of the Company since July 2011, an Assistant to President and the Chief Risk Officer (Compliance Officer) since February 2013, the Audit Principal since October 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.



## Section 8

### Directors, Supervisors, Senior Management and Employees

#### **Mr. Cheung Wing Kuen Samuel**, Age 49, 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 53, Chinese

Mr. TANG Gengrong has been an Assistant to President of the Company since 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 2001, Mr. TANG had served as the director of operation management centre, director of risk management centre, the 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 the officer of preliminary team for Hunan branch from December 2001 to February 2002. Prior to joining the Company, he was the vice general manager of China Pacific Life Insurance Co., Ltd Hunan Branch from June 2001 to November 2001 and the headmaster of Hunan Senior College of Finance and Economics from April 1999 to May 2001. He was the deputy director of Hunan Finance Department office, an officer of tax administration office and laws and regulations office and a director of toll bureau and an 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.

**Mr. LI Yuan**, Age 51, Chinese

Mr. LI Yuan has been an Assistant to President of the Company since 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 centre and the senior general manager of Guangdong branch, an officer of individual business channel, an officer of bankassurance channel and the general manager of wealth management department, the regional director and the manager of our Beijing branch from January 2010 to February 2013. He was the 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 a manager of agency department and sales region of China Ping An Insurance Co., Ltd. Guangzhou branch from December 1998 to September 2001. He was the department manager of Peoples Insurance Company of China Hunan Changde branch from April 1993 to November 1998 and was the 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 42, Chinese

Mr. CHEN Zhengyang has been an Assistant to President of the Company since February 2013. He was the operation director of the Company from May 2010 to February 2013. Prior to joining the Company, Mr. CHEN was the deputy general manager and compliance principal of Taiping Pension Co., Ltd. from February 2005 to April 2010 and was the 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 a manager and then the 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 an 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.

**Mr. YU Zhigang**, Age 49, Chinese

Mr. YU Zhigang has been an Assistant to President of the Company since 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 an assistant general manager of enterprise planning and research department, the deputy director of general manager's office, the general manager of office and the general manager of enterprise planning department and etc., from April 1997 to February 2007. Prior to joining the Company, Mr. YU was staff and the 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, completed 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.

## Section 8

### Directors, Supervisors, Senior Management and Employees

#### 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
ZHAO John Huan	Beijing Hony 2010 Equity Investment Center (Limited Partnership)	Delegate of Executive Parter	Since October 2010
LV Hongbo	Tibet Shannan Xinshang Investment Management Limited	Supervisor	Since December 2012

##### (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
ZHAO Haiying	China Investment Corporation	Member of Executive Committee	Since February 2012
	China International Capital Corporation Limited	Director	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
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
	China Glass Holdings Limited	Non-Executive Director	Since January 2005
	CSPC 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
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
	Macau Legend Development Limited	Independent Non-Executive Director	Since June 2012
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

Name	Name of Other Entities	Position Held	Term
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 Yiyi	Xinhua Village Seniors Business Management (Beijing) Co., Ltd.	Supervisor	Since May 2012
	New China Village Health Technology (Beijing) Co., Ltd.	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 RMB40.2959 million and the total amount of individual income tax paid is RMB22.8696 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 Fifth Session of the Board was elected at the First Extraordinary General Meeting of 2013 held on 1 February 2013. The Fifth Session of the Board was composed of 15 directors, all of which were members of the Fourth Session of the Board and were all re-elected. 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.

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

Name	Position Held	Change
CHEONG Chee Meng	Non-Executive Director	Mr. CHEONG Chee Meng passed away on 17 September 2013.
HE Zhiguang	Executive Director	Mr. HE Zhiguang tendered his resignation to the Board as an executive director of the Company on 31 December 2013.

## Section 8

### Directors, Supervisors, Senior Management and Employees

Except for the above, there were no other changes of the directors of the Company during the reporting period.

Mr. WANG Chengran and Mr. CHEN Johnny tendered their resignations to the Board on 15 January 2014, and resigned as non-executive directors and Board committee members of the Company. Please refer to the *Announcement on Resignation of Director and Board committee members* published on 15 January 2014 by the Company for details.

#### (II) Changes in supervisors

The Fifth Session of the Board of Supervisors was elected at the First Extraordinary General Meeting of 2013 of the Company, held on 1 February 2013. The Fifth Session of the Board of Supervisors is composed of seven supervisors, six of which were the members of the Fourth Session of the Board and were re-elected. 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.

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

<u>Name</u>	<u>Position Held</u>	<u>Change</u>
ZHU Nansong	Shareholder representative supervisor	Mr. ZHU Nansong no longer served as a Shareholder Representative Supervisor of the Fifth Session of the Board of Supervisors since the election of the Board of Supervisors at the First Extraordinary General Meeting of 2013 on 1 February 2013.
LV Hongbo	Shareholder representative supervisor	Mr. LV Hongbo was elected to serve as a Shareholder Representative Supervisor of the Fifth Session of the Board of Supervisors at the First Extraordinary General Meeting of 2013 on 1 February 2013. His qualification as supervisor was approved by the CIRC in March 2013.

Except for the above, there were no other changes of supervisors of the Company during the reporting period.

#### (III) Changes in members of senior management

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 "Section 8 Directors, Supervisors, Senior Management and Employees – V. Changes in directors, supervisors and members of senior management – (III) Changes in members of senior management" of the 2012 annual report published on 19 April 2013 by the Company for details.

During the reporting period, the changes of the members of senior management are set out below:

Name	Former Position	Present Position	Changes
KANG Dian	Chairman of the Board	Chairman of the Board, Chief Executive Officer	Mr. KANG Dian has been the Chief Executive Officer (CEO) of the Company since February 2013.
HE Zhiguang	President	-	Mr. HE Zhiguang has been the Chief Operation Officer (COO) of the Company since February 2013. Mr. HE Zhiguang tendered his resignation as the Chief Operating Officer (President), a member of the executive committee and all the other posts he held with the Company and all the subsidiaries of the Company, by submitting his resignation report to the Board on 31 December 2013.
LIU Yigong	Vice President, Compliance Principal	Vice President	Mr. LIU Yigong no longer served as Compliance Principal since February 2013.
LI Dan	Vice President	-	Ms. LI Dan no longer served as Vice President since February 2013 because she reached the retirement age.
GONG Xingfeng	Chief Actuary	Assistant to President, Chief Actuary	Mr. GONG Xingfeng was appointed as Assistant to President by the Board in February 2013. His qualification was approved by the CIRC in March 2013.
ZHU Ying	Board Secretary	Assistant to President, Chief Risk Officer (Compliance Principal), Board Secretary Audit Principal	Mr. ZHU Ying was appointed as Assistant to President and Chief Risk Officer (Compliance Principal) by the Board in February 2013, and his qualification was approved by the CIRC in March 2013. He was appointed as the Audit Principal by the Board in October 2013, and his qualification was approved by the CIRC in December 2013.
TANG Gengrong	-	Assistant to President	Mr. TANG Gengrong was appointed as Assistant to President by the Board in February 2013. His qualification was approved by the CIRC in March 2013.
LI Yuan	-	Assistant to President	Mr. LI Yuan was appointed as Assistant to President by the Board in February 2013. His qualification was approved by the CIRC in March 2013.
CHEN Zhengyang	-	Assistant to President	Mr. CHEN Zhengyang was appointed as Assistant to President by the Board in February 2013. His qualification was approved by the CIRC in March 2013.
YU Zhigang	-	Assistant to President	Mr. YU Zhigang was appointed as Assistant to President by the Board in February 2013. His qualification was approved by the CIRC in March 2013.

Except for the above, there were no other changes of the members of senior management of the Company during the reporting period.

## Section 8

Directors, Supervisors, Senior Management and Employees

### 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 (resigned)	A	4,350,000	-212,029	4,137,971	Dealings at the secondary market

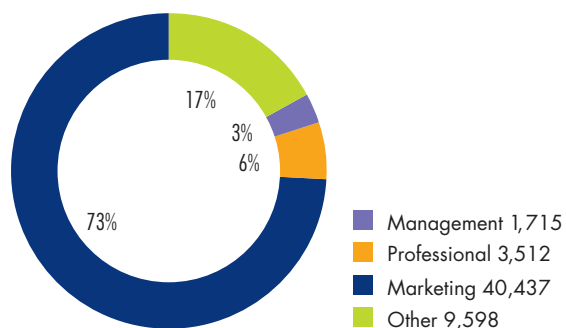
#### (II) Interests and short positions of directors, supervisors and chief executives under Hong Kong laws, regulations and rules

At of 31 December 2013, according to the information available to the Company and the information our directors are aware of, Mr. KANG Dian, Chairman of the Board, was deemed to be interested in 73,000 H Shares of the Company held by Excel Class Investments Limited, of which Mr. KANG Dian directly held 100% equity interest (equity interests in his controlled corporation). Except for the aforesaid, there are no interests or short positions (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) 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) that will be required to be recorded in the register of the Company required to be kept pursuant to Section 352 of the SFO or which shall have to be notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions.

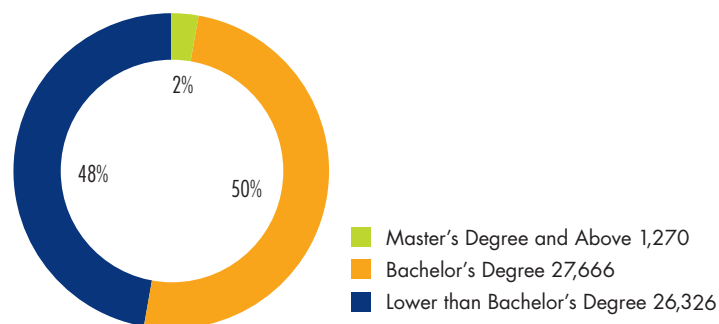
## VII. The Company's employees

As of 31 December 2013, there are a total of 55,262 employees who entered into employment contracts with the Company. Their expertise and education background are set out below:

### Expertise



### Education background



In accordance with characteristics of the business and demand of talent competition in the market, the Company provides employees with competitive remuneration with reference to the level of its counterparts in the industry. Insisting on the remuneration philosophy of paying for the position, paying for the ability and paying for the performance, the Company encourages employees to steadily achieve and exceed the ability and caliber requirements of the positions through self-improving to gain corresponding remuneration treatment. As required by the state, the Company provides employees with social security and housing fund.

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 and so on, 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.

#### (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.

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 four general meetings in total. The details are as follows:

## Section 9

### Corporate Governance Report

Session	Date	Venue	Proposal	Publication media for resolutions	Publication date
The First Extraordinary General Meeting of 2013	1 February 2013	Beijing	<ol style="list-style-type: none"> <li>To consider and approve each item of the Proposal in relation to the Election of the Directors of the Fifth Session of the Board</li> <li>To consider and approve each item of the Proposal in relation to the Election of the Shareholder Representative Supervisors of the Fifth Session of the Board of Supervisors of the Company</li> <li>To consider and approve the Proposal in relation to the Amendments to the Articles of Association</li> </ol>	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	1 February 2013
The Second Extraordinary General Meeting of 2013	26 March 2013	Beijing	To consider and approve the Proposal on the Debt Financing Instruments Issue Programme of the Company for the Year 2013	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	26 March 2013
The Annual General Meeting of 2012	25 June 2013	Beijing	<ol style="list-style-type: none"> <li>To consider and approve the proposal on the annual report and its summary for the year 2012</li> <li>To consider and approve the proposal on the final accounting for the year 2012</li> <li>To consider and approve the proposal on the profit distribution plan for the year 2012</li> <li>To consider and approve the proposal on the appointment of accounting firms for the year 2013</li> <li>To consider and approve the proposal on the Report of the Board for the Year 2012</li> <li>To consider and approve the proposal on the Report of the Board of Supervisors for the Year 2012</li> <li>To consider and approve the proposal on the Report of Performance of the Directors for the Year 2012</li> <li>To consider and approve the proposal on the Report of Performance of the Independent Non-executive Directors for the Year 2012</li> <li>To consider and approve the proposal on the Remuneration of Directors</li> <li>To consider and approve the proposal on the Remuneration of Supervisors</li> <li>To consider and approve the proposal on the general mandate to the Board to issue new shares</li> <li>To hear the Report On the Status of Related Party Transactions and the Implementation of Management System for Related Party Transactions for the year 2012</li> </ol>	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	25 June 2013

Session	Date	Venue	Proposal	Publication media for resolutions	Publication date
The Third Extraordinary General Meeting of 2013	23 December 2013	Beijing	<ol style="list-style-type: none"> <li>1. To consider and approve the Proposal on Amendment to the Plan on Asset Management Authorisation of the General Meeting to the Board of Directors</li> <li>2. To consider and approve the Proposal on Amendment to the Administrative Measures on Related Party transactions</li> <li>3. To consider and approve the Proposal on the Contemplated Continuing Related Party Transactions in Respect of Entrusted Funds Utilisation of the Company</li> <li>4. To consider and approve the Proposal on Amendment to the Rules of Procedure for the Board of Directors</li> </ol>	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	23 December 2013

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.

## (II) Directors and the Board

The Board has 11 directors consisting of one executive director, four 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.

### **Board Diversity**

Pursuant to the new code provision A.5.6 of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules, the Resolution regarding the Formulation of the Board Diversity Policy was passed at the 10th meeting of the fifth session of the Board held on 27 August 2013 by the Board of the Company.

The Company holds the belief that having a diversified Board will be immensely beneficial for the enhancing the Company’s performance. To achieve the objective of sustainable and balanced development, the Company sees increasing diversity of the Board as an essential element in supporting the attainment of the Company’s strategic objectives, sustainable development and increasing performance. In determining the composition of the Board, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

The Company will also take into consideration its own business model and specific needs to ensure an appropriate balance in diversity of skills, experience and opinions of the Board members, to increase the efficiency of Board operation and lead the Company to better serve the customers and shareholders.

For details of the composition of the Board, please refer to “Directors, Supervisors, Senior Management and Employees – I. Directors, supervisors and members of senior management” under Section 8 of this report.

***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 14 Board meetings in total. The details are as follows:

<b>Session</b>	<b>Date</b>	<b>Publication media for resolutions</b>	<b>Publication date</b>
First meeting of the fifth session of the Board	1 February 2013	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	1 February 2013
Second meeting of the fifth session of the Board	6 February 2013		
Third meeting of the fifth session of the Board	22 February 2013	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	22 February 2013
Fourth meeting of the fifth session of the Board	26 March 2013	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	26 March 2013
Fifth meeting of the fifth session of the Board	9 April 2013	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> KSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	9 April 2013
Sixth meeting of the fifth session of the Board	26 April 2013	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	26 April 2013
Seventh meeting of the fifth session of the Board	31 May 2013	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	31 May 2013
Eighth meeting of the fifth session of the Board (by circulation of written resolution)	18 June 2013	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	18 June 2013
Ninth meeting of the fifth session of the Board (by circulation of written resolution)	12 August 2013		
Tenth meeting of the fifth session of the Board	27 August 2013	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	27 August 2013

## Section 9

### Corporate Governance Report

Session	Date	Publication media for resolutions	Publication date
11th meeting of the fifth session of the Board (by circulation of written resolution)	26 September 2013	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	26 September 2013
12th meeting of the fifth session of the Board	30 October 2013	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	30 October 2013
13th meeting of the fifth session of the Board	14 November 2013		
14th meeting of the fifth session of the Board (by circulation of written resolution)	9 December 2013		

#### **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:

#### **Attendance of general meetings**

Name of director	Number of general meeting convened	Number of attendance of general meeting	Attendance Rate	Remarks
<b>Executive Directors</b>				
KANG Dian	4	4	100%	
HE Zhiguang	4	3	75%	HE Zhiguang could not attend the Second Extraordinary General Meeting of 2013 for business reasons
<b>Non-Executive Directors</b>				
ZHAO Haiying	4	0	0	ZHAO Haiying could not attend the First, Second, Third Extraordinary General Meetings of 2013 and the 2012 Annual General Meeting for business reasons
MENG Xingguo	4	2	50%	MENG Xingguo could not attend the 2012 Annual General Meeting and the Third Extraordinary General Meeting of 2013 for business reasons
LIU Xiangdong	4	2	50%	LIU Xiangdong could not attend the Second and the Third Extraordinary General Meeting of 2013 for business reasons
WANG Chengran	4	0	0	WANG Chengran could not attend the First, Second, Third Extraordinary General Meetings of 2013 and the 2012 Annual General Meeting for business reasons

Name of director	Number of general meeting convened	Number of attendance of general meeting	Attendance Rate	Remarks
CHEN Johnny	4	0	0	CHEN Johnny could not attend the First, Second, Third Extraordinary General Meetings of 2013 and the 2012 Annual General Meeting for business reasons
CHEONG Chee Meng	3	0	0	CHEONG Chee Meng could not attend the First and the Second Extraordinary General Meeting of 2013 and the 2012 Annual General Meeting for business reasons
ZHAO John Huan	4	0	0	ZHAO John Huan could not attend the First, Second, Third Extraordinary General Meetings of 2013 and the 2012 Annual General Meeting for business reasons
<b>INEDs</b>				
CAMPBELL Robert David	4	2	50%	CAMPBELL Robert David could not attend the 2012 Annual General Meeting and the Third Extraordinary General Meeting of 2013 for business reasons
CHEN Xianping	4	4	100%	
WANG Yuzhong	4	2	50%	WANG Yuzhong could not attend the 2012 Annual General Meeting and the Third Extraordinary General Meeting of 2013 for business reasons
ZHANG Hongxin	4	2	50%	ZHANG Hongxin could not attend the First and the Third Extraordinary General Meetings of 2013 for business reasons
ZHAO Hua	4	1	25%	ZHAO Hua could not attend the First and the Third Extraordinary General Meetings of 2013 and the 2012 Annual General Meeting for business reasons
FONG Chung Mark	4	0	0	FONG Chung Mark could not attend the First, Second, Third Extraordinary General Meetings of 2013 and the 2012 Annual General Meeting for business reasons



## Section 9

### Corporate Governance Report

#### *Attendance of Board meetings*

<b>Name of director</b>	<b>Number of scheduled attendance</b>	<b>Number of attendance in person</b>	<b>Number of Attendance by proxy</b>	<b>Rate of attendance in person</b>	<b>Remarks</b>
<b>Executive Directors</b>					
KANG Dian	14	14	0	100%	
HE Zhiguang	14	12	2	86%	HE Zhiguang could not attend the second, fifth meetings of the fifth session of the Board in person for business reasons but respectively appointed director KANG Dian, MENG Xingguo to attend and exercise the voting right on behalf thereof
<b>Non-Executive Directors</b>					
ZHAO Haiying	14	11	3	79%	ZHAO Haiying could not attend the fifth, 12th, 13th meetings of the fifth session of the Board in person for business reasons but appointed director MENG Xingguo to attend and exercise the voting right on behalf thereof
MENG Xingguo	14	14	0	100%	
LIU Xiangdong	14	14	0	100%	
WANG Chengran	14	10	4	71%	WANG Chengran could not attend the second and fourth meetings of the fifth session of the Board in person for business reasons but appointed director MENG Xingguo to attend and exercise the voting right on behalf thereof; WANG Chengran could not attend the 10th, 12th meeting in person for business reasons but appointed respectively director ZHAO Haiying, KANG Dian to attend and exercise the voting right on behalf thereof
CHEN Johnny	14	11	3	79%	CHEN Johnny could not attend the fourth, fifth and seventh meetings of the fifth session of the Board in person for business reasons but appointed director KANG Dian to attend and exercise the voting right on behalf thereof

Name of director	Number of scheduled attendance	Number of attendance in person	Number of Attendance by proxy	Rate of attendance in person	Remarks
CHEONG Chee Meng	10	2	8	20%	CHEONG Chee Meng could not attend the first, second, third, sixth, tenth meetings of the fifth session of the Board in person for business reasons but appointed director CHEN Johnny to attend and exercise the voting right on behalf thereof; CHEONG Chee Meng could not attend the fourth, fifth, seventh meetings of the fifth session of the Board in person for business reasons but appointed director KANG Dian to attend and exercise the voting right on behalf thereof
ZHAO John Huan	14	11	3	79%	ZHAO John Huan could not attend the second and 13th meetings of the fifth session of the Board in person for business reasons but appointed director KANG Dian to attend and exercise the voting right on behalf thereof; ZHAO John Huan could not attend the fourth meeting of the fifth session of the Board in person for business reasons but appointed director MENG Xingguo to attend and exercise the voting right on behalf thereof
<b>INEDs</b>					
CAMPBELL Robert David	14	14	0	100%	
CHEN Xianping	14	14	0	100%	
WANG Yuzhong	14	14	0	100%	
ZHANG Hongxin	14	14	0	100%	
ZHAO Hua	14	13	1	93%	ZHAO Hua could not attend the fifth meeting of the fifth session of the Board in person for business reasons but appointed independent non-executive director CHEN Xianping to attend and exercise the voting right on behalf thereof
FONG Chung Mark	14	13	1	93%	FONG Chung Mark could not attend the seventh meeting of the fifth session of the Board in person for business reasons but appointed independent non-executive director CHEN Xianping to attend and exercise the voting right on behalf thereof

***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, director MENG Xingguo participated in the specific training on corporate bonds held by the Beijing Regulatory Bureau of the CSRC and director HE Zhiguang participated in the seminar for chairmen and general managers of newly listed companies on the Main Board and Small and Medium Enterprise Board held by the Beijing Regulatory Bureau of the CSRC. All directors had also been arranged to learn about the laws and regulations on anti-money laundering of the People's Bank of China.

**(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***

As of the end of the reporting period, the Strategy and Investment Committee consists of one executive director (KANG Dian), four non-executive directors (ZHAO Haiying, MENG Xingguo, WANG Chengran, 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 five meetings in total. Attendance of each member is given as follows:

<b>Name of member</b>	<b>Number of scheduled attendance</b>	<b>Number of attendance</b>	<b>Number of absence</b>
KANG Dian	5	5	0
HE Zhiguang	5	5	0
ZHAO Haiying	5	2	3
MENG Xingguo	5	4	1
WANG Chengran	5	3	2
CHEONG Chee Meng	3	0	3
CAMPBELL Robert David	5	3	2
ZHAO John Huan	5	2	3

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

In 2013, 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 2013 work plan of the Company and issued professional opinions consenting to the submission to the Board for its consideration.
- (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 proposals on the 2013 entrusted investment management agreement, the investment guidelines for the use of insurance funds, the three-year asset allocation plan of the Company, the new investment guidelines for the use of funds of the traditional accounts, etc., and issued professional opinions consenting to the submission to the Board for its consideration.
- (3) To formulate the incorporation and alteration plans on subsidiaries. The Strategy and Investment Committee has reviewed the proposal on the incorporation of New China E-commerce Limited (temporarily named), and issued professional opinions consenting to the submission to the Board for its consideration.
- (4) To consider external donation issues of the Company. During the reporting period, the Strategy and Investment Committee has reviewed the proposal on launching the Ya'an earthquake public welfare projects with China Women Development Foundation, and issued professional opinions consenting to the submission to the Board for its consideration.
- (5) 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.

### **Audit Committee**

As of the end of the reporting period, 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, advise on and make recommendations 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 financial report procedures which the management implements to consider the Company's annual final 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 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 as provided by the CIRC and authorized by the Board and recommended in the relevant principles and code provisions under the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Hong Kong Listing Rules..

#### *2. Meetings and attendance*

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

<b>Name of member</b>	<b>Number of scheduled attendance</b>	<b>Number of attendance</b>	<b>Number of absence</b>
CAMPBELL Robert David	9	9	0
LIU Xiangdong	9	9	0
CHEN Johnny	9	4	5
CHEN Xianping	9	9	0
WANG Yuzhong	9	9	0
ZHANG Hongxin	9	8	1
FONG Chung Mark	9	9	0

3. *Performance of duties of the Audit Committee*

In 2013, 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 on the financial report of 2012, first quarter report of 2013, interim report of 2013, third quarter report of 2013, final account report of 2012 and the changes in accounting estimates of 2012 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 2013 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 the proposal on the 2012 Internal Control Assessment Report, 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 related party transactions of the Company. The Audit Committee has reviewed proposals such as the major related party transaction with Asset Management Company, increase in capital of Asset Management Company, the contemplated continuing related party transactions in respect of entrusted funds utilisation of the Company, and issued professional opinions consenting to the submission to the Board for its consideration. The Audit Committee also heard the reports on the status of related party transactions and the implementation of management system for related party transactions for the year 2012 and the specific explanation on the occupation of non-operating fund by controlling shareholders and other related parties and other fund transfers with related parties in 2012, 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 LLP and PricewaterhouseCoopers), and issued a conclusion report on the audit work of PricewaterhouseCoopers of 2012 to the Board. In addition, the Audit Committee reviewed the proposal on the appointment of accounting firm for 2013, and proposed to the Board to re-appoint PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor of the Company and PricewaterhouseCoopers as the international auditor of the Company.
- (5) To firmly perform other duties, and fully play its functions in respect of areas such as dividend distribution, reserves, solvency and audit on resignation of senior management.

## Section 9

### Corporate Governance Report

#### ***Nomination and Remuneration Committee***

As of the end of the reporting period, 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 by the CEO of the performance and remuneration 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 relevant duties delegated by the Board, and other functions and powers as recommended in the relevant principles and code provisions under the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Hong Kong Listing Rules.

##### *2. Meetings and attendance*

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

<b>Name of member</b>	<b>Number of scheduled attendance</b>	<b>Number of attendance</b>	<b>Number of absence</b>
ZHAO Hua	6	6	0
ZHAO Haiying	6	3	3
WANG Chengran	6	0	6
CHEN Johnny	6	1	5
CAMPBELL Robert David	6	4	2
CHEN Xianping	6	6	0
WANG Yuzhong	6	6	0

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

In 2013, 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 examination of the candidates of the senior management. During the reporting period, the Nomination and Remuneration Committee has reviewed proposals on the appointment of Chief Executive Officer and Chairman of the executive committee, appointment of senior management and appointment of Audit Principal of the Company, and issued professional opinions consenting to the submission to the Board for its consideration.
- (2) To organize evaluation of performance of senior management. During the reporting period, the Nomination and Remuneration Committee has heard or reviewed the work report of senior management for 2012, and reviewed proposals on the results of performance evaluation of senior management for 2012, the system of performance evaluation of senior management as well as the evaluation plan of senior management for 2013, 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. During the reporting period, the Nomination and Remuneration Committee has heard the reportings on the personnel appointment and removal of Xinhua Seniors, the proposed members of the directors and supervisors of New China Health, etc.
- (4) To consider the setup scheme of the organizational structure of the Company. During the reporting period, the Nomination and Remuneration Committee has reviewed proposals on the establishment of the executive committee and the working rules of the executive committee.
- (5) To firmly perform other duties, and conduct studies and discussion on matters such as the strategy and basic system of the overall human resources and remuneration of the Company.



### **Risk Management Committee**

As of the end of the reporting period, the Risk Management Committee consists of two non-executive directors (MENG Xingguo and CHEN Johnny) 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.

#### 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:

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

#### 3. *Performance of duties of the Risk Management Committee*

In 2013, 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. During the reporting period, the Risk Management Committee has reviewed proposals on 2012 Comprehensive Risk Management Report and 2012 Compliance Report of the Company, etc., and issued professional opinions consenting to the submission to the Board for its consideration.
- (2) To consider major policies of risk management, supervise and evaluate the the conditions and results of its implementation. During the reporting period, the Risk Management Committee has reviewed proposals on the policies of the comprehensive risk management, and the report of the risk management operation of the Company, and issued professional opinions consenting to the submission to the Board for its consideration.

**(IV) Board of Supervisors**

The Board of Supervisors consists of seven supervisors, including four shareholder representative supervisors and three employee representative supervisors (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:

<b>Session</b>	<b>Date</b>	<b>Publication media for resolutions</b>	<b>Publication date</b>
First meeting of the fifth session of the Board of Supervisors	1 February 2013	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	1 February 2013
Second meeting of the fifth session of the Board of Supervisors	26 March 2013	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	26 March 2013
Third meeting of the fifth session of the Board of Supervisors	26 April 2013	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	26 April 2013
Fourth meeting of the fifth session of the Board of Supervisors	27 August 2013	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	27 August 2013
Fifth meeting of the fifth session of the Board of Supervisors	30 October 2013		

## 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:

<b>Name of supervisor</b>	<b>Number of scheduled attendance</b>	<b>Number of attendance in person</b>	<b>Number of attendance by proxy</b>	<b>Attendance Rate</b>	<b>Remarks</b>
CHEN Jun	5	5	0	100%	
AI Bo	5	5	0	100%	
LV Hongbo	4	4	0	100%	LV Hongbo did not attend the first meeting of the fifth session of the Board of Supervisors, as his qualification as a supervisor had not been approved by the CIRC when the meeting was held.
CHEN Xiaojun	5	4	1	80%	CHEN Xiaojun could not attend the third meeting of the fifth session of the Board of Supervisors in person for business reasons but designated supervisor AI Bo to attend and exercise voting right on behalf thereof
LIU Yiyang	5	5	0	100%	
ZHU Tao	5	5	0	100%	
YANG Jing	5	5	0	100%	

#### **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 arranged the supervisors to participate in relevant training courses at the Company's expenses. During the reporting period, CHEN Jun participated in the supervisors training held by the Beijing Regulatory Bureau of the CSRC, which covers areas including the Third Plenary Session of the 18th Communist Party of China Central Committee and the interpretation of the prevailing macroeconomic conditions. LV Hongbo participated in the workshop for newly appointed directors, supervisors and senior management of insurance companies during 2013 held by the CIRC. All supervisors have also been arranged to learn about the anti-money laundering information of the People's Bank of China.

#### **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, related party 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 CEO**

The Third Meeting of the Fifth Session of the Board held by the Company on 22 February 2013 resolved to establish the executive committee system and the role of CEO. Mr. KANG Dian, Chairman of the Board, was appointed as CEO. The Board of the Company is of the view that the roles of Chairman and Chief Executive Officer being performed by the same individual could further streamline the Company's management system, improve the Company's operation efficiency, and is conducive to the business development and strategy implementation of the Company.

Meanwhile, the Company has established various roles and committees such as the Chief Operation Officer (President), executive committee and six functional committees, the duties of which have been clearly defined in the Articles of Association. Major events of the Company shall be subject to complete deliberation and decision-making procedures. All the above shall guarantee that Chairman and CEO performs his duties efficiently and diligently.

Except for the above, during the reporting period, the Company observed all the other code provisions in the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules, and adopted most of the best practices set out therein.

**(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 no 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 14 branches located in Yunnan, Jiangsu, Shanghai, Sichuan, Henan, Hainan, Jilin, Shaanxi, Hunan, Guangdong, Shanxi, Hebei, Beijing and Zhejiang, and Xi'an 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 effect on promoting the strategic transformation and improving the risk control and management level of the Company.

**(VIII) Amendments to the Articles of Association and corporate governance policies**

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 website of the Company on 26 February 2013.

The Third Extraordinary General Meeting of 2013 of the Company held on 23 December 2013 considered and approved the *Proposal on Amendment to the Rules of Procedure for the Board of Directors*, the *Proposal on Amendment to the Plan on Asset Management Authorisation of the General Meeting to the Board of Directors*, the *Proposal on Amendment to the Administrative Measures on Related Party transactions*. For details, please refer to the circular of the Third Extraordinary General Meeting of 2013 published on 7 November 2013 by the Company.

**(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 strictly observed various regulatory rules of the listing places, and 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 further improved the information disclosure mechanism, and comprehensively straightened up the information disclosure work procedure. The Company has 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.

During the reporting period, the Company further refined the duties and procedures of investor relations and enhanced the communication with domestic and foreign investors to comprehend their various needs in a timely manner. The Company also proactively and efficiently provided sufficient information feedback to investors, which has reinforced the mutual understanding between investors and the Company. During the reporting period, the Company organized two results press conferences, participated in over 80 talks with investors in local and overseas road show presentations and about 90 researcher reception sessions, and attended 24 local and overseas investment strategy conferences. The Company communicated with the investors for nearly 1,000 times via its investor relations hotlines and replying to the messages on its investor relations website and the E-interactive platform of the SSE. The presentation materials relating to the results press conferences have been published on the Company's website for investors' perusal.

In 2014, 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 is in compliance with 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 2013.

**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, and 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.

## Section 9

### Corporate Governance Report

#### 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 “2013 Audited Financial Report” of this annual report. To the knowledge of the directors, there were no issues or conditions that may significantly affect the Company's sustained operation. After making appropriate enquiries, the directors consider that the Company has enough resources for sustained operation, therefore the financial statements shall be prepared on a sustainable basis.

#### VIII. Internal control

The Company has committed to establishing and improving internal control to promote sustainable development. The internal control of the Company is aimed at providing 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 results are improved; and the development strategies are promoted and implemented, to guarantee that the Company operates legally, soundly and effectively.

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 Risk Management Committee of the Executive Committee of the Company 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, authoritative and accommodation, and effective control and reasonable cost, and established and implemented a whole set of top-down internal control system which includes the internal control of financial reports.

The Company has established an internal control system composing of five elements, namely, internal environment, risk assessment, control activities, information and communication, and internal supervision. The functional departments and business units, the internal control management functional department and the audit and supervision department act as the three lines of defense of the Company. Through the division of labour and coordination among these three lines of defense, the Company has satisfied the requirements of internal control and risk management and continued to optimize the internal control system.

In 2013, the Company commenced overall risk-based inspection as well as specific risk-based inspections on various aspects, including the risks of the professional intermediary business, so as to adequately identify the operational risk and take response measures to minimize potential risks. The Company improved the risk classification and risk indicator system and regularly monitored and reported the risk profile for the purpose of risk early warning. Information system platforms on risk management and off-site audit were established and innovative management practices and methods were adopted to enhance the centralized management and control capability. The Company launched several rounds of on-site inspection to monitor the effectiveness of the internal control system. Through precautionary measures, process control and post-supervision, the Company guaranteed the materialization of its strategic objectives.

The Company has set up a sound internal control system and procedures on sales, operations, accounting and finance as well as utilisation of capital. In respect of sales control, the Company focused on risk prevention at the source of sales by improving the systems and procedures on the management of sales personnel, training and quality, strictly regulated promotion and business expansion activities and thereby established a long-term mechanism on handling misleading sales practices. The Company also continued to place importance on enhancing business quality and strengthening the control of sales risks. In respect of operation control, the Company paid effort to establish a lean and purpose-driven operating back office support system and launched a centralized operation model to enhance customer experience and service quality. Reformative and innovative operational projects fully supported the strategic transition and reform of the Company and drove its business development. The Company optimized the functions of its business system and regulated authority management to strengthen system management and control. By improving its business procedures and contingency plans, the Company actively response to and prevent the risks on maturity payment and concentrated surrenders and reinforced the management of operational risks. In respect of accounting and financial control, the Company focused on the resource input for functions related to internal control in financial reporting and provided training to its accounting and finance personnel to enhance their knowledge and professional skills in order to ensure that the accounting and financial functions were fully carried out. The Company also improved the financial and accounting system and optimized the standard workflow of accounting and finance based on the latest regulatory requirements, and strengthened financial management system control to guarantee the truthfulness and completeness of its financial reports and the relevant information. In respect of the control in utilization of capital, the Company



## Section 9

### Corporate Governance Report

established a dynamic asset liability management mechanism to strictly regulate the investment operational procedures and manage the risk of the investment business, regularly assessed the capital market and its businesses in debt to timely adjust its investment strategies and improved its investment portfolio with a view to better matching assets to liabilities and effectively controlling the risk of capital utilization.

The Company has established a clearly defined and effective internal and external information and 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 insider information and its registration and filing. The Company has also formulated the system of accountability for significant errors of information disclosure in the annual report, which clearly defines the significant errors in information disclosure and its responsibility. The criteria for identifying a significant error and the accountability mechanism have been established and strictly complied with. During 2013, the Company did not discover any significant error in its annual report.

The Company has established a relatively independent internal audit system with centralized management and regional operations. The audit department is responsible for the arrangement and implementation, in a uniform manner, of internal audit and has been exercising the internal control function. The Company has continuously improved the standardized guidelines for auditing to enhance the auditing standard and promote the standardization of auditing. The Company has also strengthened off-site audits and special audits, diversified its audit methods and enhanced its professionalism. By expanding the scope and coverage of auditing, comprehensive audit supervision throughout the entity has been achieved. The audit results were directly reported to the Board, Audit Committee and senior management.

The Company has established and improved a series of administrative measures for accountability, including accountability for non-compliances, accountability for liabilities of cases and accountability for misleading sales practices, specifying the scope, ways, standards and procedures of accountability as well as the information transfer mechanism. Non-compliance to laws and regulations and the administrative provisions of the Company will be handled by relevant departments of the Company according to the applicable measures for accountability, and impose stricter punishment to prevent any other cases and non-compliances.

Based on the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) (Cai Kuai [2008] No.7), the Circular on Printing and Distributing the Complementary Guidelines for Enterprises Internal Control (《關於印發企業內部控制配套指引的通知》)(Cai Kuai [2010] No. 11) and the Hong Kong Listing Rules, the Board has conducted a self-assessment on the internal control efforts as of 31 December 2013, the scope of which covers the sales management, financial management, operational management, compliance management and risk management functions of the headquarters, branches and subsidiaries. In this internal control assessment, the Company stepped up its effort in independent review, perfected the criteria and methods for defect identification and further enhanced the overall quality of internal control assessment. By the assessment, the Board is of the view that the establishment and operation of the Company's internal control system are effective and adequate as a whole and the auditors have issued a standard unqualified internal control audit report.

## Section 10

# Risk Management



### I. Risk Management System-Overall Strategies

The Company has put into place a risk management organizational system in reliance on the risk management entities by close co-operation across relevant functions with participation of all staff members that spanning across all business functions. As our governance structure refined, the risk management governance structure has further improved during 2013. In addition to the Risk Management Committee and Audit Committee under the Board, the Company has set up an Executive Committee at the operational management level and a Risk Management Committee thereunder. We have defined the composition, duties and meeting procedures by drawing up the Rules of Procedures for Risk Management Committee Meeting (《風險管理委員會議事規則》), safeguarding, in a system respect, a smooth operation of the Risk Management Committee. In 2013, the Risk Management Committee of the Board convened 3 meetings in total, the Audit Committee of the Board convened 9 meetings in total, and the Risk Management Committee under the Executive Committee convened 4 meetings in total.

The Company has formulated a range of risk management system measures, gradually establishing a risk management regime with our own characteristics. In 2013, new or revised measures of the risk management system launched by the Company mainly covered: Comprehensive Risk Management Policies of the Company (《公司全面風險管理政策》), Interim Provisions for the Management of Holding Subsidiaries (《控股子公司管理暫行辦法》), Standardized Guidelines for Internal Auditing Operations (2013 Edition) (《內部審計作業標準化指引(2013版)》), Rules of Accountability for Misleading Sales (《銷售誤導責任追究辦法》), Rules of Accountability for Non-compliance Conducts (《違規行為責任追究辦法》) and Rules of Accountability of Cases (《案件責任追究辦法》).

The Company has preliminarily established a risk management assessment overseeing system that covers seven major risks, namely, market risk, credit risk, insurance risk, operational risk, strategic risk, reputation risk and liquidity risk in 2013. Specific focuses have been placed on risk areas such as compliance, misleading sales assessment, regulatory penalties, contingency risk issues, internal control self-assessment, equity and real estate investments.

In the meantime, the Company has achieved some progress in economic capital modeling and risk appetite system building, and also accelerated the establishment of information systems related to risk management.

Underpinned by our Company's general operational strategy, the Company has established risk strategy aiming at maintaining a balance among capital, value, profits and liquidity, observing the laws and regulations and regulatory requirements, controlling operational risks effectively, safeguarding the Company's good reputation and established brand image so as to achieve sustainable and healthy development.

## Section 10

### Risk Management

#### II. Risk Identification and Control

The major risks of the Company in the course of operation and management include market risk, credit risk, insurance risk, operational risk, reputation risk, strategic risk and liquidity risk.

##### (I) Market Risk

Market risk refers to the risk that subjected the Company to unexpected losses due to adverse movements in (amongst others) interest rate, exchange rate and asset price.

In respect of asset price risk, the Company specifically oversees positions, value at risk (VaR) and return of its equity assets, and focuses on such assets as available-for-sale and tradable bonds at the same time. The Company's investment and asset structure was relatively reasonable overall and the proportion of each item of investment was in line with regulatory provisions. Amidst the poor performance of the stock market, the proportion of equity investments to the Company's total investments was maintained at a relatively low level, as a result of which the impact of stock market slump on the overall value of the investment portfolio was reduced. Meanwhile, the Company increased investments in fixed-income financial products with high credit ratings whose yields are in line with the allocation requirements to improve the overall level of investment portfolio returns on the premises of keeping risk in control.

To address the asset price risk, the Company primarily adopted the following measures in 2013: 1. Placed emphasis on macro-economic studies and actively seek to anticipate for movement in market trends; 2. Proactively managed the positions of equity assets and conducted regular stress tests on its impact on overall return-on-assets level and solvency adequacy ratio, thus keeping risk exposures under control; 3. Made stable and healthy investment while asset allocation was primarily targeted at matching gains with costs of liabilities; 4. Stressed on value investment and selected assets with potential value appreciation, pursuing for middle-to-long term investment gains; 5. Adopt value management as our core value while monitoring the overall liquidity of our assets. Gradually adjusts our bonds portfolio by adding new assets, so as to match the risk and gain characteristics of the overall investment portfolio with the value and risk management requirements of the Company; 6. Enhanced risk forecast and assessment for contingency preparation.

Furthermore, in respect of interest rate risk, the Company mainly monitored the modified duration. Test results demonstrated that the interest rate risk of the Company's investment falls within a normal and controllable range. To address the interest rate risk, the Company has enhanced our daily monitoring and supervision of and assessment, and measured the degree of losses suffered under stressed market conditions by applying sensitivity tests and stress tests. To deal with extreme circumstances, the Company also conducted integrated tests and analysis by combining the scenarios of stock market fluctuation with the scenarios of interest rate changes.

##### (II) Credit Risk

Credit risk refers to the risk arising from non-performance or delay in performing of contractual obligations by debtors or counterparties, or adverse changes in credit standings.

###### 1. Counterparties Credit Risk

A substantial majority of investment assets of the Company are fixed income assets, such as bonds, deposits and financial products. In respect of credit risk, the Company mainly adopts credit rating concentration as a monitoring indicator, and controls the proportion of low credit rating bonds to ensure that the overall credit risk exposure is under control. The credit risk of the Company's fixed income investment is under control, and the potential for credit default is relatively remote.

To address the credit risk of the counterparties, the Company primarily adopted the following measures in 2013: (1) Implemented a strict internal rating system and made stringent check on the credit-type of investment products; (2) Clearly stipulated in the investment guidelines the accounting classification of investment types, so as to prevent assets with high risk profile from being classified into the held-to-maturity category; (3) Monitored the market value of bonds, analyzed and assessed the potential credit default events to enhance predictability.

## 2. *Reinsurance Credit Risk*

In respect of reinsurance credit risk, the Company mainly assesses the proportion of different credit ratings within reinsurance business and the concentration ratio of reinsurance business. In 2013, there were a total of 12 reinsurance companies in cooperation with the Company, and all of their credit ratings were above A as of the end of 2013. 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 Company has good credit distribution within the reinsurance ceding business without material credit risk.

To address the credit risk on reinsurance, the Company formulated The Provisions for Administration of Reinsurance (《再保險管理辦法》), which articulates clearly the requirements on the selection criteria of reinsurer, and also requires regular monitoring on the changes in credit rating of all reinsurance companies so that reasonable measures can be adopted in a timely manner.

### (III) **Insurance Risk**

Insurance risk refers to the risk of suffering losses arising from the deviation of the actual situation from the projections by relevant assumptions, such as death occurrence rate, illness occurrence rate, compensation rate and surrender rate.

The Company assesses and monitors insurance risk incurred in the insurance business through periodic review of historical and empirical data, sensitivity analysis of main assumptions and other techniques, with focus on the impact of the surrender rate, death occurrence rate, serious illness occurrence rate on the Company's operating results.

The Company mainly manages insurance risk in areas such as product development, underwriting strategies and reinsurance agreements via the following mechanisms and measures: 1. Proper product terms are designed by way of an effective product development management system on the basis of in-depth market research and pricing profitability analysis to control product pricing risk. 2. Through the implementation of careful underwriting strategies and processes, 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. 3. Appropriate reinsurance agreements are selected based on the risk characteristics of the insured, and it is ensured that reinsurance contract has basically covered products with risk liabilities, which has effectively transferred insurance risk. 4. The Company's operating data is reviewed on a regular basis to implement empirical analysis and trend research, which serve as the basis for adjusting pricing assumptions and assessing assumptions. 5. Problems found in empirical analysis and relevant information are fed back in a timely manner to processes such as product development, underwriting approval and claims settlement to enhance relevant procedures and risk management measures.

### (IV) **Operational risk**

Operational risk refers to the risks arising out of direct or indirect losses resulting from inadequate or failed internal operational processes, personnel, systems or external events, including legal and regulatory compliance risks. According to the assessment results, the major operational risk faced by the Company is the risk on surrender and maturities as well as misleading sales.

#### 1. *Risk on surrender and maturities*

Risk on surrender and maturities refers to the more-than-expected or deviated-from-expected occurrence of surrender and maturities, which incurs the risk of insufficient cash flow and customer loss, etc.

To effectively handle the risk on surrender and maturities, the Company mainly adopts the following measures: (1) to update emergency plan for contingencies and organise all second-tier agencies to conduct training and drills for handling emergencies according to requirements; (2) to conduct risk investigation, reinforce the monitoring of surrender and complaint indicators and implement an alerting and reporting scheme on risky agencies; (3) to streamline product structure, pay close attention to peers' product trends and market response for timely adjustment of strategies and take heed to differentiation in new product designs; (4) to broaden investment channels step by step, thus to increase investment income and the attractiveness of savings-type products; (5) to arrange special positions for undertaking cash flow forecasts and monitoring work, thus to capture cash flow position in a timely manner and improve the accuracy of financial plans; (6) to establish an advance reporting mechanism for material funding demands, an imprest system and a linkage mechanism for timely callback, thus to ensure timely and adequate appropriation of emergency funds.

## 2. *Risk on misleading sales*

Risk on misleading sales represents various misleading acts such as deceit and fraudulent inducement on the part of employees and insurance agencies 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. Integrating governance of misleading sales based on external regulation and the Company's requirements of strategic transformation is a major task of the Company. After the recent few years of governance, normative control of sales behaviours at all levels has been considerably improved.

To effectively handle the risk on misleading sales, the Company mainly adopts the following measures: (1) to implement value management structure and adjust product structure, therefore to control the incentives on the occurrence of misleading risk from the beginning; (2) to improve sales structure, raise sales personnel selecting standards, strengthen the building of professional sales force and further rationalize relationship with intermediary agencies; (3) to formulate administrative methods and implementation rules on quality, clarify the rights and obligations of sales personnel and conduct regular assessment on business quality, therefore to enhance management and control of quality; (4) to establish risk supervision and alerting mechanisms and incorporate misleading sales assessing indicators into the structure of routine compliance monitoring indicators; (5) to improve the Company's policies on the assessment of risk control compliance, therefore to increase accountability and penalties as well as the costs of non-compliance; (6) to strengthen education on integrity and compliance, continue to broaden educational platforms and enrich the contents and format of training, therefore to enhance the awareness of all staff toward compliance and integrity.

Besides relevant measures to address the above major operational risks, the Company also addresses the routine operational risk by measures such as enhancing our management processes, strengthening internal control, commencing risk-based inspection, strengthening compliance management. The Company (1) rationalized the key business processes, and prepared proposals and reports in this regard; (2) organized overall risks annual inspection and conducted thorough analysis on the issues identified in the risk-based inspection. Material deficiencies were identified in the four major areas, namely, capital cases, accounts, business and internal control; (3) stepped up internal control efforts in deficiencies rectification and prepared rectification proposal to implement rectification in the headquarters and branch companies on a continuous basis; (4) strengthened supervision on operations such as internal audit.

## (V) **Reputation risk**

Reputation risk refers to the risk of suffering losses due to negative issues on the Company's brand and reputation. In 2013, our corporate governance structure gradually improved and our operations and development remained stable and healthy. External publicity was favorable and we did not experience any serious negative report throughout the year. However, the traditional print media has been hard hit amidst rapid development in the web media and the emergence of the we media, which resulted in alterations and changes in the structure of the media market, which imposing direct challenges to the Company's reputation risk management capability during this era of media transformation.

To address the reputation risk, the Company primarily adopted the following measures in 2013: 1. Extended the coverage of and efforts in information monitoring, so as to fully understand the public opinion information related to the Company; 2. Subject to the information disclosure requirements, enhanced information transparency to reduce misinterpretation of the Company's information by the media; 3. Explored more information disclosure channels by setting up official accounts in the key we-media platforms, such as weibo and weixin, so as to gain access to more official ways of dissemination when necessary; 4. Stepped up to shoulder corporate social responsibilities and proactively participated in social philanthropy and charity affairs, and continuously held up our image as a proactive and positive insurance corporation.

## (VI) Strategic risk

Strategic risk refers to the risk of mismatching strategies, market conditions with capabilities of the Company arising from ineffective strategies formulation and implementation processes or changes in operational environment. In 2013, the Company continued to rank among the top in the life insurance market in terms of annualised premium while the concept of the growth of value has become consensus. The Company has initially explored a long path ahead and the possibility of improper strategies is rather unlikely.

To address the strategic risk, the Company adopted the following measures in 2013: 1. Established a sound internal and external information communication mechanism, secured stable information and data sources, and updated the internal and external information database on a regularly basis; 2. Established an internal operational assessment system and external macro environment analysis system, and enhanced the understanding to and study on internal and external environment; 3. Enhanced the communication, in respect of strategic objectives, among strategic managerial departments and respective functional departments as well as among headquarters and branch companies, so as to build up a coordination, feedback and adjustment mechanism; 4. Commence the establishment a strategy early warning system to track down strategies implementation status and adjust our strategic targets on a timely basis in response to changes in internal and external environment as well as in line with the realization in organizational strategies.

Facing potential strategic risks and opportunities in the future, the Company will focus on the following aspects: 1. To fully implement the concept of operation at all channels in terms of aspects such as product, workforce and customer management, enrich and enhance product structure and solidify fundamental management, thus to promote the development of business platforms with improvement of performance. 2. To continue the improvement of systems and policies, enhance the efficiency of resource allocation, reinforce tracking, management and control of budget execution and timely reflect budget results, thus to ensure the effects of budget execution. 3. In respect of the new regulatory policies, pay close attention to policy trends such as premium rate marketization, new bancassurance policy and agent regulation, and make ready for transformation in terms of agent force, product, sales model and other aspects. 4. To strengthen advance management and control, make plans ahead of schedule and establish management mechanisms for handling risk and emergency treatment of major issues.

## (VII) Liquidity risk

Liquidity risk refers to the risk arising from insufficient funds or highly necessary finance costs out of maturity of debts or occurrence of the obligation to serve debts. As reflected by the indicators, such as the short-term realizable assets and cash assets to total investment assets ratio and year-end repurchase quotas, the Company has sufficient short-term liquidity. Moreover, the Company is experiencing rapid growth, and our premium income significantly exceeds compensation expenses and surrender expenses, and therefore our liquidity pressure is minimal.

To address the liquidity risk, the Company primarily adopted the following measures in 2013: 1. In the product design stage, we minimized the adverse impact of surrenders yet without compromising the legal interests of the insured and our market competitiveness; 2. In the product sales management stage, we imposed strict control on irregular sales conducts to enhance the business quality; 3. Oversaw daily the surrender rate related matrix, and unusual changes were handled in a swift manner; 4. A settlement reserve system has been specifically established for contingency payments in case of short-notice request on large amount payments; 5. Conducted regular stress tests to enhance cash flows projections. We monitored and evaluated the current assets and current ratio, enabling the formulation of solutions in advance; 6. We undertook planning and management in long-term liquidity. And mid-to-long term assets allocation has been adjusted by considering the overall liquidity of assets and liabilities with reference to our investment guidelines.

## 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, and 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) Dividend distribution policies

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.

According to Article 265 of the amended Articles of Association, the major dividend distribution policies are set out below:

1. The Company may distribute dividends in the form of cash, shares or a combination of cash and shares. The Company may distribute interim profits.
2. If the profit for the year and the accumulated undistributed profits of the Company are positive, the annual profit distribution plans will be formulated by the board of directors based on the Company's solvency margin ratio, business development and results of operations, subject to the laws and regulations and requirements promulgated by relevant regulatory agencies on solvency margin ratio in effect at that time; provided that the distributed profits in the form of cash each year shall be no less than 10% of the profits available for distribution of the parent company for the year.
3. The Company shall give priority to dividend distribution in cash. Where the Company's operation is in a sound condition, and the board of directors considers that the share price of the Company fails to reflect its share capital scale and that the distribution of dividend in shares will be favorable to all shareholders of the Company as a whole, the Company may propose dividend distribution in shares, provided that the above conditions of cash dividend are fully met.
4. The board of directors shall thoroughly discuss the rationality of the profit distribution plan and produce a special resolution for submission to the general meeting for consideration. The INEDs of the Company shall also express their independent opinions on the profit distribution plan. In considering the resolution of profit distribution plan at the general meeting, the Company shall maintain active communications and exchanges with shareholders, particularly medium and minority shareholders through various channels, carefully listen to the feedbacks and requests by the medium and minority shareholders, and give timely response to the medium and minority shareholders on the relevant matters. Following a resolution approving such profit distribution plan passed at a shareholders' general meeting, the board of directors shall implement the distribution of the dividends within two months from the convention of such general meeting.

The dividend distribution policies of the Company clarify the standards and percentage of dividend distribution, emphasize the roles of INEDs and pay more attention to the communication with minority shareholders. The dividend distribution policies also stipulate in detail the conditions and procedures on the adjustments or changes of dividend distribution policies and thus protect the legitimate rights of minority shareholders.



(II) 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 achieved within the year as contained in the financial statements (RMB million)	Percentage of the total amount of cash dividend in net profit achieved within the year as contained in the financial statements
2013	0.15	468	4,578	10.22%
2012	0.32056	1,000	2,933	34.09%
2011	0.09	281	2,799	10.04%

1. Annual dividend plan of 2013

On the basis of a comprehensive analysis of factors including but not limited to the operating environment of the financial industry, characteristics of the Company's capital requirements, requirements of domestic and international shareholders, cost of social capital, external financing environment and current regulatory policies, the Company formulated a dividend distribution plan for 2013 after fully considering present and future business development, scale of profits, demand for investment capital and the Group's and Company's solvency status and attaining equilibrium between sustainable business development and shareholders' comprehensive returns.

The 17th meeting of the fifth session of the Board held on 26 March 2014 approved the dividend distribution plan of the year 2013, resolved to distribute a cash dividend of RMB468 million to all the shareholders of the Company, which is RMB0.15 per share (including tax) as divided by the issued capital.

The remaining undistributed profits will be carried forward to 2014 and retained earnings will be considered internally preserved capital in order to withstand unfavorable fluctuations in the capital markets that may exceed expectations as well as lead to insufficient solvency, which together may have a negative impact on the Company's normal business operations.

The company has no plan of increasing shares with the use of capital reserve for the year 2013.

The above dividend distribution plan is subject to the approval of the general meeting of the Company.

2. Special dividend of 2012

In 2012, the Company distributed a special dividend of RMB0.32056 per share (including 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.

3. Annual dividend of 2011

In 2011, the Company distributed an annual cash dividend of RMB0.09 per share (including tax), amounting to RMB280,759,194. For details of the annual dividend distribution of 2011, please refer to the *Further Announcement In Relation To The Distribution Of 2011 Final Dividend* published by the Company on 27 June 2012.

IV. Changes in accounting policies and accounting estimates

Changes in accounting estimates of the Company for 2013 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, surrender 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 2013 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. The aforementioned change in assumptions resulted in a decrease of RMB354 million in the life insurance liability reserve funds, an increase of RMB792 million in the long term health insurance liability reserve funds, and a decrease of RMB438 million in profit before income tax on 31 December 2013.

#### **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 RMB6,700,000. For details please refer to Section 12 "Corporate Social Responsibility" of the 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 during the reporting period.

#### **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 during the reporting period.

#### **XI. Withholding and payment of dividend 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 announcements to be published by the Company in due course.

## **Section 11**

### Report of the Board

#### **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.

#### **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 and supervisors in competitive businesses**

During the reporting period, the Company’s non-executive director Mr. WANG Chengran (resigned on 15 January 2014) 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. The 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. Mr. Wang resigned as non-executive director of the Company on 15 January 2014, therefore, the above conflicts do not exist any longer.

During the reporting period, the Company's non-executive director CHEN Johnny (resigned on 15 January 2014) also serves 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 (deceased) also served 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 during their tenures at the Company.

#### **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 2013 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.

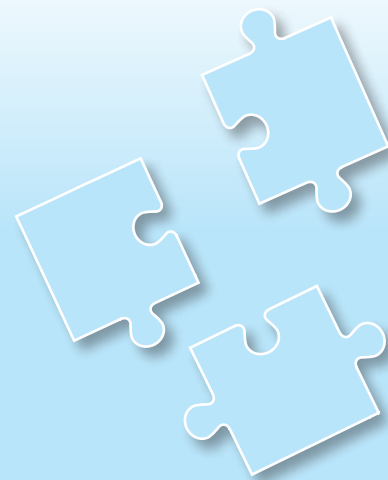
#### **XXIV. Sufficient public float**

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 requirement of the public float in accordance with the Hong Kong Listing Rules.

By order of the Board  
**KANG Dian**  
Chairman

## Section 12

# Corporate Social Responsibility



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

2013 witnesses the second 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. 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 2013, the Company continued to thoroughly promote the “customer-centric” transformation. The core objective of the Company’s strategic transformation is to create the ultimate customer experience and establish a brand-new customer relationship grounded on mutual friendship, understanding, trust and dependence. Creating well-defined, consistent and comprehensive services covering the whole life cycle of customers is the only way in embarking on a brand-new customer relationship. To this end, we continued to refine and foster our “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 deeply understands customers’ varying insurance demands in different stages of life. Through adjusting the product structure, the Company has developed a product structure with distinctive features, comprehensive functions and wide varieties.

In 2013, the Company released and implemented a series of documents regulating operations and sales and further strengthened the systematic trainings for sales personnel to strive to improve their sincerity, sense of responsibility and compliance consciousness.

The Company has been continuously improving the construction of service platforms and the integrated service platform covering service counters, network platforms and new techniques to provide customers with multi-dimensional service channels in multiple forms, thus enabling customer service means to become increasingly diversified, personalized and convenient.

- More than 1,300 standardized customer service centers spreading all over China and covering all institutional networks of the Company, provide customers with convenient, caring and professional one-stop services.
- The 95567 uniform nationwide customer contact center provides customers in China with 24-hour, year-round services of insurance consulting and financial advisory appointment reservation, reports of claims, insurance policy enquiries, reissuance of documentation, alterations of contact information and feedback.
- The official website of the Company ([www.newchinalife.com](http://www.newchinalife.com)) and "New China Palm" (掌上新華) mobile service platform provide global customers with online self-help insurance policy services; SMS and e-mail notifications provide message reminder, greeting and billing letter services covering the entire process of the insurance business.
- The introduction of value-added services like roadside emergency assistance, 12-hour family doctor, traditional Chinese medical health care and customer service festival makes our customers feel the intimate care of the Company.

As of 31 December 2013, the Company had paid RMB3.205 billion of accumulated benefits for the year, and the number of completed claim settlement is 848,800, representing a continuously remarkable increase in the satisfaction of claim settlement.

The Company promises:

- 1.95 days – the average time limit for claim settlement is 1.95 days;
- 60 minutes – claims of less than RMB3,000 shall be resolved within one hour;
- 30 days – complicated and significant claims shall be settled properly within 30 days.

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

### **III. Offering stable and sustainable returns 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.

## Section 12

### Corporate Social Responsibility

#### IV. Creating opportunities for staff to realize their value

A quality workforce serves as the base for the future development and prosperity of the Company. The Company has always adhered to the values of "honesty, responsibility, fairness, innovation and activeness" and the recruitment principle of "only hiring those with both ability and integrity", placing great importance to the interests and development of employees, striving to provide our staff with a good working environment, excellent compensation and benefits as well as a systematic plan for development and to promote the continuous growth of our staff working both inside and outside the office.

In 2013, the Company realized the high efficiency operation of the new position structure, occupational development structure and remuneration structure and continued to uphold the impartial and fair, scientific and reasonable, highly efficient and standardized, innovative and results incentive human resources management and employment culture.

#### V. Making contribution to a harmonious and peaceful society

In 2013, the Company was committed to making active participation in numerous welfare and charity programs involving areas such as families, education and disaster relief. The Company has donated approximately RMB6.70 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 set up the "New China Life Women and Children Caring Fund" and, immediately after the earthquake in Lushan, Ya'an, Sichuan on 20 April, kick-started contingency plans, donated RMB5 million to the quake-hit regions and implemented the safe drinking water charity project in Ya'an campuses through the above fund.

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

The Company has 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 own advantages, 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.

#### VII. Proactively participating in the environmental protection

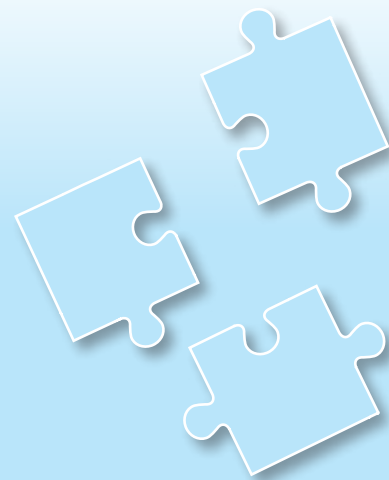
In 2013, the Company invested a large amount of funds into the corporate information construction, developed customer experience tools such as "New China Palm" (掌上新華) and made continuous optimization on electronic service measures, so as to provide caring, convenient and comprehensive services for customers 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; through the introduction of energy saving and environmental protection equipment, energy consumption was reduced; smoking was prohibited in all workplaces to create a healthy working environment; on the other hand, the Company further intensified the functions of micro message, SMS, multimedia messages and call center to further decrease the environmental protection cost of customer services.

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 2013, 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. Meanwhile, the Company also actively involved in the greening work of the government to perform its duties.

In addition, the Company actively supported and coordinated with the municipal restructuring to provide convenience to citizens and to create a friendly community environment.

## Section 13

# Embedded Value



### TOWERS WATSON'S REVIEW OPINION REPORT ON EMBEDDED VALUE

#### To The Directors of 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 2013 ("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 laws, 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 new business as at 31 December 2013, 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 and the value of one year's new business as at 31 December 2013; and
- a review of the results of NCL's calculation of the "EV Results", comprising:
  - the embedded value and the value of one year's new business as at 31 December 2013;
  - the sensitivity tests of the value of in-force business and value of one year's new business as at 31 December 2013; and
  - the analysis of change of the embedded value from 31 December 2012 to 31 December 2013.

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



## Section 13

### Embedded Value

#### 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 the Company’s 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 2013 annual report are consistent with those reviewed by Towers Watson.

For and on behalf of Towers Watson

**Adrian Liu, FIAA, FCAA**

26 March 2014

## **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 2013 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 inconsistencies 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.

## Section 13

### Embedded Value

#### 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 value 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 2013, 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 remain 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 2013 are shown below for the different funds respectively.

	Investment Return Assumptions for VIF and VNB as at 31 December 2013			
	2014	2015	2016	2017+
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 – 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.

## Section 13

### Embedded Value

#### (IV) Morbidity

Morbidity assumptions have been developed based on the Company's past morbidity experience, expectations of current and future experience. Morbidity assumptions are expressed as a percentage of "China Life Insurance Experienced Critical Illness Table (2006 – 2010)".

#### (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 2013 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 levels of commission and commission override as well as handling fees, have been set based on the levels currently being paid by the Company.

#### (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.

**(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 2013 and their corresponding results as at prior valuation date:

	Unit: RMB in millions	
<b>Valuation Date</b>	<b>31 December 2013</b>	31 December 2012
<b>Adjusted Net Worth</b>	<b>29,077</b>	25,458
Value of In-Force Business Before Cost of Capital	<b>46,320</b>	42,321
Cost of Capital	<b>(10,990)</b>	(10,909)
<b>Value of In-Force Business After Cost of Capital</b>	<b>35,330</b>	31,412
<b>Embedded Value</b>	<b>64,407</b>	56,870
<b>Value of One Year's New Business</b>		
Value of One Year's New Business Before Cost of Capital	<b>5,334</b>	5,624
Cost of Capital	<b>(1,099)</b>	(1,452)
<b>Value of One Year's New Business After Cost of Capital</b>	<b>4,236</b>	4,172

Notes:

1. Numbers may not be additive due to rounding.
2. The first year premium used to calculate the Value of One Year's New Business as at 31 December 2013 and 31 December 2012 were RMB40,068 million and RMB33,057 million respectively.
3. The impact of major reinsurance contracts has been reflected in the Embedded Value and Value of One Year's New Business.

**V. Analysis of Change**

The analysis of change in Embedded Value from 31 December 2012 to 31 December 2013, calculated at a risk discount rate of 11.5%, is shown below.

Unit: RMB in millions

**Analysis of Change in EV from 31 December 2012 to 31 December 2013 at a Risk Discount Rate of 11.5%**

1.	EV at the beginning of period	<b>56,870</b>
2.	Impact of Value of New Business	4,236
3.	Expected Return	5,740
4.	Operating Experience Variances	(501)
5.	Economic Experience Variances	(217)
6.	Operating Assumption Changes	(616)
7.	Economic Assumption Changes	(558)
8.	Capital Injection/Shareholder Dividend Payment	0
9.	Others	(387)
10.	Value Change Other Than Life Insurance Business	(159)
11.	EV at the end of period	<b>64,407</b>

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 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.

## 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*

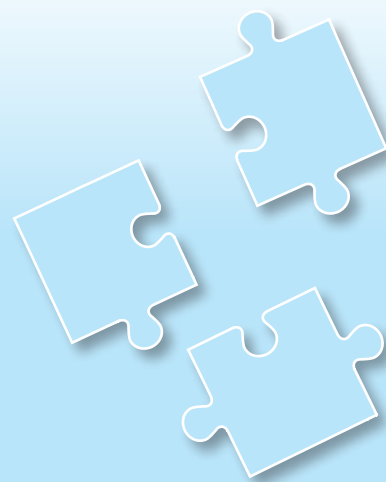
### VIF and Value of One Year's New Business Sensitivity Results as at 31 December 2013

Scenarios	VIF after CoC	VNB after CoC
Base Scenario	35,330	4,236
Risk Discount Rate at 12%	33,472	3,979
Risk Discount Rate at 11%	37,314	4,512
Investment Return 0.5% higher	41,495	4,934
Investment Return 0.5% lower	29,152	3,536
Expenses 10% higher (110% of Base)	34,203	3,775
Expenses 10% lower (90% of Base)	36,458	4,696
Discontinuance Rates 10% higher (110% of Base)	34,905	4,045
Discontinuance Rates 10% lower (90% of Base)	35,763	4,429
Mortality 10% higher (110% of Base)	35,160	4,216
Mortality 10% lower (90% of Base)	35,502	4,255
Morbidity and Loss Ratio 10% higher (110% of Base)	34,408	4,055
Morbidity and Loss Ratio 10% lower (90% of Base)	36,256	4,416
Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30%	30,623	3,895
Statutory Minimum Solvency Margin 50% higher (150% of Base)	34,544	3,686
Taxable Income Based on China Accounting Standards	33,312	3,973



Section **14**

# Appendix



**Audited financial report for 2013**



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 129 to 244, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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 2013, 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 2014

# Consolidated Statement of Financial Position

As of 31 December 2013 (All amounts in RMB millions unless otherwise stated)

	Notes	As of 31 December	
		2013	2012
<b>ASSETS</b>			
Property, plant and equipment	6	4,471	4,126
Investment properties	7	1,594	1,635
Intangible assets	8	1,512	102
Investments in associates	9	9,404	708
Financial assets			
Debt securities		305,558	234,130
– Held-to-maturity	10(1)	183,008	176,817
– Available-for-sale	10(2)	96,449	55,624
– At fair value through income	10(3)	1,700	1,381
– Loans and receivables	10(4)	24,401	308
Equity securities		32,185	32,085
– Available-for-sale	10(2)	31,446	28,711
– At fair value through income	10(3)	739	3,374
Term deposits	10(5)	163,137	171,853
Statutory deposits	10(6)	716	717
Policy loans		8,841	3,866
Financial assets purchased under agreements to resell		1,336	–
Accrued investment income	10(7)	9,849	10,764
Premiums receivable	11	1,581	1,556
Deferred tax assets	20	1,040	863
Reinsurance assets	12	2,954	3,282
Other assets	13	3,101	2,940
Cash and cash equivalents		18,570	25,066
<b>Total assets</b>		<b>565,849</b>	<b>493,693</b>

The notes on pages 138 to 244 form an integral part of these consolidated financial statements.

## Consolidated Statement of Financial Position (Continued)

As of 31 December 2013 (All amounts in RMB millions unless otherwise stated)

	Notes	As of 31 December	
		2013	2012
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Insurance liabilities			
Long-term insurance contracts	14	425,394	361,070
Short-term insurance contracts			
– Outstanding claims	14	520	452
– Unearned premiums	14	967	750
Financial liabilities			
Investment contracts	15	25,933	18,988
Borrowings	16	15,000	15,000
Financial assets sold under agreements to repurchase	17	52,211	55,437
Benefits, claims and surrenders payable		959	789
Premiums received in advance		432	518
Reinsurance liabilities		54	33
Provisions	18	458	458
Other liabilities	19	4,584	4,258
Current income tax liabilities		19	62
<b>Total liabilities</b>		<b>526,531</b>	<b>457,815</b>
<b>Shareholders' equity</b>			
Share capital	21	3,120	3,120
Reserves	22	25,903	25,967
Retained earnings		10,289	6,783
<b>Total shareholders' equity</b>		<b>39,312</b>	<b>35,870</b>
<b>Non-controlling interests</b>		<b>6</b>	<b>8</b>
<b>Total equity</b>		<b>39,318</b>	<b>35,878</b>
<b>Total liabilities and equity</b>		<b>565,849</b>	<b>493,693</b>

The notes on pages 138 to 244 form an integral part of these consolidated financial statements.

# Statement of Financial Position

As of 31 December 2013 (All amounts in RMB millions unless otherwise stated)

	Notes	As of 31 December	
		2013	2012
<b>ASSETS</b>			
Property, plant and equipment	6	4,042	3,747
Investment properties	7	1,594	1,635
Intangible assets	8	1,497	93
Investments in subsidiaries	36	21,335	1,320
Investments in associates	9	9,210	610
Financial assets			
Debt securities		285,489	234,119
– Held-to-maturity	10(1)	183,008	176,817
– Available-for-sale	10(2)	96,430	55,624
– At fair value through income	10(3)	1,661	1,381
– Loans and receivables	10(4)	4,390	297
Equity securities		32,175	32,039
– Available-for-sale	10(2)	31,446	28,711
– At fair value through income	10(3)	729	3,328
Term deposits	10(5)	162,937	171,652
Statutory deposits	10(6)	715	715
Policy loans		8,841	3,866
Financial assets purchased under agreements to resell		1,282	–
Accrued investment income	10(7)	9,985	10,760
Premiums receivable	11	1,581	1,556
Deferred tax assets	20	1,024	846
Reinsurance assets	12	2,954	3,282
Other assets	13	3,525	2,962
Cash and cash equivalents		17,407	24,262
<b>Total assets</b>		<b>565,593</b>	<b>493,464</b>

The notes on pages 138 to 244 form an integral part of these consolidated financial statements.

## Statement of Financial Position (Continued)

As of 31 December 2013 (All amounts in RMB millions unless otherwise stated)

	Notes	As of 31 December	
		2013	2012
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Insurance liabilities			
Long-term insurance contracts	14	425,394	361,070
Short-term insurance contracts			
– Outstanding claims	14	520	452
– Unearned premiums	14	967	750
Financial liabilities			
Investment contracts	15	25,933	18,988
Borrowings	16	15,000	15,000
Financial assets sold under agreements to repurchase	17	52,211	55,437
Benefits, claims and surrenders payable		959	789
Premiums received in advance		432	518
Reinsurance liabilities		54	33
Provisions	18	458	458
Other liabilities	19	4,446	4,208
Current tax liabilities		–	47
<b>Total liabilities</b>		<b>526,374</b>	<b>457,750</b>
<b>Shareholders' equity</b>			
Share capital	21	3,120	3,120
Reserves	22	25,856	25,919
Retained earnings		10,243	6,675
<b>Total equity</b>		<b>39,219</b>	<b>35,714</b>
<b>Total liabilities and equity</b>		<b>565,593</b>	<b>493,464</b>

The notes on pages 138 to 244 form an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

		For the year ended 31 December	
	Notes	2013	2012
<b>REVENUES</b>			
Gross written premiums and policy fees	23	104,073	98,081
Less: premiums ceded out		(293)	5
<b>Net written premiums and policy fees</b>		103,780	98,086
Net change in unearned premiums liabilities		(165)	(135)
<b>Net premiums earned and policy fees</b>		103,615	97,951
Investment income	24	24,374	13,559
Other income	25	228	189
<b>Total revenues</b>		<b>128,217</b>	<b>111,699</b>
<b>BENEFITS, CLAIMS AND EXPENSES</b>			
Insurance benefits and claims			
Claims and net change in outstanding claims liabilities	26	(1,186)	(1,084)
Life insurance death and other benefits	26	(36,601)	(23,983)
Increase in long-term insurance contracts liabilities	26	(65,954)	(64,831)
Investment contracts benefits		(869)	(660)
Commission and brokerage expenses		(6,422)	(7,047)
Administrative expenses	27	(9,977)	(9,785)
Other expenses	28	(643)	(276)
<b>Total benefits, claims and expenses</b>		<b>(121,652)</b>	<b>(107,666)</b>
Share of results of associates		364	1
Finance cost	29	(1,970)	(1,746)
<b>Net profit before income tax</b>		<b>4,959</b>	<b>2,288</b>
Income tax	20	(535)	646
<b>Net profit for the year</b>		<b>4,424</b>	<b>2,934</b>
<b>Net profit for the year attributable to:</b>			
– Shareholders of the Company	30	4,422	2,933
– Non-controlling interests		2	1
<b>Earnings per share (RMB)</b>			
Basic and diluted	31	1.42	0.94

The notes on pages 138 to 244 form an integral part of these consolidated financial statements.



## Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

	Notes	For the year ended 31 December	
		2013	2012
<b>Other comprehensive income</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Available-for-sale financial assets			
Fair value changes		(2,841)	7,327
Changes in liabilities for insurance and investment contracts arising from net unrealized (losses)/gains		1,537	(4,489)
Currency translation differences		(1)	–
Income tax relating to components of other comprehensive income	20(3)	325	15
<b>Total other comprehensive losses/(income)</b>		<b>(980)</b>	<b>2,853</b>
<b>Total comprehensive income</b>		<b>3,444</b>	<b>5,787</b>
<b>Total comprehensive income for the year attributable to:</b>			
– Shareholders of the Company		3,442	5,786
– Non-controlling interests		2	1

The notes on pages 138 to 244 form an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

	Attributable to shareholders of the Company			Total	Non-controlling Interests	Total Equity
	Share capital	Reserves (Note 22)	Retained earnings			
<b>For the year ended 31 December 2012</b>						
<b>As of 1 January 2012</b>	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
<b>Total comprehensive income</b>	<b>–</b>	<b>2,853</b>	<b>2,933</b>	<b>5,786</b>	<b>1</b>	<b>5,787</b>
New shares issued	3	56	–	59	–	59
Dividends paid(Note 32)	–	–	(1,281)	(1,281)	–	(1,281)
Appropriation to reserves	–	590	(590)	–	–	–
<b>Total transactions with owners</b>	<b>3</b>	<b>646</b>	<b>(1,871)</b>	<b>(1,222)</b>	<b>–</b>	<b>(1,222)</b>
<b>As of 31 December 2012</b>	<b>3,120</b>	<b>25,967</b>	<b>6,783</b>	<b>35,870</b>	<b>8</b>	<b>35,878</b>
<b>For the year ended 31 December 2013</b>						
<b>As of 1 January 2013</b>	3,120	25,967	6,783	35,870	8	35,878
Net profit for the year	–	–	4,422	4,422	2	4,424
Other comprehensive income	–	(980)	–	(980)	–	(980)
<b>Total comprehensive income</b>	<b>–</b>	<b>(980)</b>	<b>4,422</b>	<b>3,442</b>	<b>2</b>	<b>3,444</b>
Dividends paid	–	–	–	–	(4)	(4)
Appropriation to reserves	–	916	(916)	–	–	–
<b>Total transactions with owners</b>	<b>–</b>	<b>916</b>	<b>(916)</b>	<b>–</b>	<b>(4)</b>	<b>(4)</b>
<b>As of 31 December 2013</b>	<b>3,120</b>	<b>25,903</b>	<b>10,289</b>	<b>39,312</b>	<b>6</b>	<b>39,318</b>

The notes on pages 138 to 244 form an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

		For the year ended 31 December	
	Note	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income tax		4,959	2,288
Adjustments for:			
Investment income		(24,374)	(13,559)
Finance cost		1,970	1,746
Net change in outstanding claims liabilities		67	66
Net change in unearned premiums liabilities		165	135
Increase in long-term insurance contracts liabilities		65,954	64,831
Investment contracts benefits		869	660
Policy fees		(433)	(362)
Depreciation and amortization		392	386
Impairment losses on other receivables	28	(8)	(268)
Losses on disposal of property, plant and equipment		9	27
Changes in operational assets and liabilities:			
Receivables and payables		1,098	(1,652)
Investment contracts		4,780	(364)
Income tax paid		757	318
<b>Net cash flows from operating activities</b>		<b>56,205</b>	<b>54,252</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sales and maturities of securities investment			
Proceeds from sales of debt securities		1,229	12,229
Proceeds from maturities of debt securities		37,387	3,071
Proceeds from sales of equity securities		67,013	36,721
Purchases of securities investment			
Purchase of debt securities		(112,534)	(58,087)
Purchase of equity securities		(74,648)	(39,916)
Proceeds from disposal of property, plant and equipment, intangible assets and other assets		6	7
Purchase of property, plant and equipment, intangible assets and other assets		(1,995)	(1,339)
Interests received		22,920	15,525
Dividends received		1,326	1,113
Term deposits, net		8,474	(48,954)
Financial assets purchased under agreements to resell, net		(1,321)	59
Others		(4,975)	(1,811)
<b>Net cash flows from investing activities</b>		<b>(57,118)</b>	<b>(81,382)</b>

The notes on pages 138 to 244 form an integral part of these consolidated financial statements.

## Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

	Note	For the year ended 31 December	
		2013	2012
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from share issuance		–	59
Received from borrowings		–	10,000
Interests paid		(745)	(953)
Financial assets sold under agreements to repurchase, net		(4,780)	21,994
<b>Net cash flows from financing activities</b>		<b>(5,525)</b>	<b>31,100</b>
Effect of foreign exchange rate changes		(58)	1
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(6,496)</b>	<b>3,971</b>
<b>Cash and cash equivalents</b>			
Beginning of the year		25,066	21,095
End of the year		18,570	25,066
<b>Analysis of balance of cash and cash equivalents</b>			
Cash at bank and in hand		16,476	24,836
Short-term bank deposits		2,094	230
<b>Total of cash and cash equivalents</b>		<b>18,570</b>	<b>25,066</b>

The notes on pages 138 to 244 form an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2013 (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 2013, the Company has equity interests in subsidiaries and consolidated structured entities as set out in Note 36. The Company, its subsidiaries and its consolidated structured entities are hereinafter collectively referred to as the “Group”.

These Consolidated Financial Statements have been approved for issue by the Board of Directors on 26 March 2014.

## 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 Companies 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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (1) Basis of preparation (Continued)

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) *New relevant standards and amendments adopted by the Group*

The following new standards and amendments have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013.

- 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.
- 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 controls 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.
- 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".
- 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.
- IFRS 12, "Disclosure of interests in other entities". The standard requires entities to disclose significant judgements and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some other interests in other entities. Entities are also required to provide more disclosures around certain 'structured entities'. Adoption of the standard has impacted the Consolidated and Company's level of disclosures in certain of the above-noted areas, but has not impacted the Group's financial position or results of operations.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (1) Basis of preparation (Continued)

#### (a) *New relevant standards and amendments adopted by the Group (Continued)*

- 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.
- IFRS 7 (Amendment), "Financial instruments: Disclosures', on asset and liability offsetting". This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.
- 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.
- 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".

#### (b) *New relevant standards, amendments and interpretations have been issued but are not effective for the financial year beginning on 1 January 2013*

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 2013.

- IAS 36 (Amendment), "Impairment of assets" on recoverable amount disclosures. The amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment will be effective for annual periods beginning on or after 1 January 2014.
- 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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (1) Basis of preparation (Continued)

#### (b) *New standards, amendments and interpretations have been issued but are not effective for the financial year beginning on 1 January 2013 (Continued)*

- IAS 39 (Amendment): "Financial Instruments: Recognition and Measurement Amendment to 'Novation of derivatives'". This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counter party meets specified criteria. The amendment will be effective for annual periods beginning on or after 1 January 2014.
- IFRIC 21, "Levies". This is an interpretation of IAS 37, "Provisions, contingent liabilities and contingent assets". IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The amendment will be effective for annual periods beginning on or after 1 January 2014.
- Annual improvements in 2012, the annual improvements address seven issues in the 2010-2012 Cycle. It includes changes to: IFRS 2, "Share-based Payment". IFRS 3, "Business Combinations". IFRS 8, "Operating Segments". IFRS 13, "Fair Value Measurement". IAS 16, "Property, Plant and Equipment". IAS 24, "Related Party Disclosures". IAS 38, "Intangible Assets". The amendments largely apply to annual periods beginning on or after 1 July 2014.
- Annual improvements in 2013, the annual improvements address four issues in the 2011-2013 Cycle. It includes changes to: IFRS 1, "First-time Adoption of International Financial Reporting Standards". IFRS 3, "Business Combinations". IFRS 13, "Fair Value Measurement". IAS 40 "Investment Property". The amendments largely apply to annual periods beginning on or after 1 July 2014.
- 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. IFRS 9 (Amendment), 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. The most significant change from hedge accounting under IAS 39 is that entities can defer the time value of options, the forward element in forward contracts and currency basis spreads in other comprehensive income. The effective date is no earlier than 1 January 2018.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (1) Basis of preparation (Continued)

#### **(b) *New standards, amendments and interpretations have been issued but are not effective for the financial year beginning on 1 January 2013 (Continued)***

So far, taking into consideration of known information, 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 except IFRS 9. The directors are in the process of making an assessment of the impact of IFRS 9.

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.

### (2) Consolidation

#### **(a) *Subsidiary***

Subsidiaries are all entities (including structured entities) over which the Group has effective control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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 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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (2) Consolidation (Continued)

#### (a) Subsidiary (Continued)

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.

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.

#### (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.

#### (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.

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.

# Notes to the Consolidated Financial Statements (Continued)

*For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)*

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (2) Consolidation (Continued)

#### (c) Associates (Continued)

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)).

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.

#### (d) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: (a) restricted activities; (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors; (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

It depends on management judgment whether the Group, as the asset manager, is an agent or a responsible organization for a structured entity. As an agent, it's mainly protects the interests of stakeholders and does not control the structural entity; on the contrary, as a responsible organization, it mainly protects the interests of the Group and controls the structural entity.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (2) Consolidation (Continued)

#### (d) Structured entities (Continued)

The Group has determined that all of its Trust products, Debt investment plans, Equity investment plans and Asset funding plans, except for those that are controlled, are investments in unconsolidated structured entities. Trust products, Equity investment plans and Asset funding plans are managed by trust companies or asset managers who invest the funds in loans to or equities in other companies. Debt investment plans are managed by unrelated asset managers and its major investment objectives are infrastructure funding projects. Trust products, Debt investment plans, Equity investment plans and Asset funding plans finance their operations by issuing beneficiary certificates which entitle the holder to a proportional stake in income of the respective Trust products, Debt investment plans, Equity investment plans and Asset funding plans.

The Group holds beneficiary certificates in each of its Trust products, Debt investment plans, Equity investment plans and Asset funding plans.

### (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 2013 (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 2013 (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.

### (7) Intangible assets

Intangible assets are purchased computer software and land use rights, and are initially measured at actual costs. Computer software and land use rights are 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)).

# Notes to the Consolidated Financial Statements (Continued)

*For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)*

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (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 2013 (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.

##### (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.

##### (iv) Loans and receivables

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, accrued investment income and loans and receivables in debt securities as presented in the Consolidated Statements of Financial Position.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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.

#### (d) Policy loans

Policy loans are carried at amortized cost less impairment.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (9) Financial assets (Continued)

#### (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 using the effective interest method.

#### (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.

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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (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.

#### (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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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

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:

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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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)

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.

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 2013 (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 2013 (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 using the effective interest method.

#### (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 2013 (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 all forms of returns or reimbursement that the Group pays employees for their services or for termination of labor relationship. The compensation includes salary, bonuses, allowances and subsidies, staff welfare expenses, social insurance and housing accumulation funds, labor union fees and employee education fees, etc.

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.

The Group establishes an employee annuity fund pursuant to the relevant laws and regulations in the PRC in January 2014, whereby the Group are required to contribute to the schemes at fixed rates of the certain contribution base. Contributions to these plans are recorded as cost or expense. The employee annuity fund is a defined contribution plan and is effective on a retroactive basis beginning on 1 January 2013.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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.

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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (18) Income tax (Continued)

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.

### (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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (22) Contingencies (Continued)

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.

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.

# Notes to the Consolidated Financial Statements (Continued)

*For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)*

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

### (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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal (or most advantageous) market at the measurement date under current market conditions. 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 closing prices. If quoted market closing prices are not available, fair values are estimated using either price observed in latest transactions or from current closing prices of comparable investments, or through valuation techniques when there is no active market.
- Equity securities: Fair values are generally based on quoted market closing prices. If quoted market closing 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.
- Term deposits, financial assets purchased under agreements to resell, investment contracts, financial assets sold under agreements to repurchase, policy loans and loans and receivables etc: carrying amounts approximate fair values.
- 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).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

### (2) Financial assets and financial liabilities (Continued)

The table below presents the carrying value and estimated fair value of main financial assets and liabilities.

Carrying amount	As of 31 December	
	2013	2012
<b>Financial assets</b>		
Debt securities	305,558	234,130
Equity securities	32,185	32,085
Term deposits	163,137	171,853
Statutory deposits	716	717
Policy loans	8,841	3,866
Financial assets purchased under agreements to resell	1,336	–
Accrued investment income	9,849	10,764
Cash and cash equivalents	18,570	25,066
<b>Total financial assets</b>	<b>540,192</b>	<b>478,481</b>
<b>Financial liabilities</b>		
Unit-linked contracts	232	254
Investment contracts excluding unit-linked contracts	25,701	18,734
Borrowings	15,000	15,000
Financial assets sold under agreements to purchase	52,211	55,437
<b>Total financial liabilities</b>	<b>93,144</b>	<b>89,425</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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	
	2013	2012
<b>Financial assets</b>		
Debt securities	289,279	231,074
Equity securities	32,185	32,085
Term deposits	163,137	171,853
Statutory deposits	716	717
Policy loans	8,841	3,866
Financial assets purchased under agreements to resell	1,336	–
Accrued investment income	9,849	10,764
Cash and cash equivalents	18,570	25,066
<b>Total financial assets</b>	<b>523,913</b>	<b>475,425</b>
<b>Financial liabilities</b>		
Unit-linked contracts	232	254
Investment contracts excluding unit-linked contracts	25,701	18,734
Borrowings	14,386	15,000
Financial assets sold under agreements to purchase	52,211	55,437
<b>Total financial liabilities</b>	<b>92,530</b>	<b>89,425</b>

### (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 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 2013 (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 (the "Former Chairman"), was allegedly involved in the misuse of insurance funds and other violations of regulations (the "Former Chairman Irregularities") and was sentenced by Court for these irregularities. The Company is proactively engaged in the recovery actions in connection with these irregularities. This financial information is prepared with the information available to and the best estimates made by the Company as well as the following important assumptions, developments and judgments.

The Former Chairman, without proper authorisation, pledged the Company's bonds and conducted repurchase transactions ("Off-balance sheet repurchase transactions"). Funds were misappropriated through bank accounts not reflected in the Company's financial records ("Off-balance sheet accounts") and used for unauthorized lendings. The Company was informed of these Off-balance sheet repurchase transactions after the regulator's investigation. In addition, the Company paid in aggregate RMB2,910 million to settle these transactions as they became due.

In 2007, the Company received funds of RMB1,455 million from the Insurance Security Fund. According to the Insurance Security Fund, certain former shareholders of the Company transferred their equity interests in the Company to the Insurance Security Fund. The relevant amounts relating to these share transfers were paid to the Company to part settle the amounts owed to the Company. In addition, in March 2011, the Company received approximately RMB354 million from New Industry Investment Co., Ltd., ("New Industry"). The Company considered the receipt was received as part of the settlement of Off-balance sheet repurchase transactions.

In 2001 and 2002, the Company 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. On 30 December 2010, the Beijing Arbitration Commission concluded that New Industry should repay the Company the costs of the entrusted Minzu Securities shares of RMB170 million plus interests. On 9 November 2012, the Shenzhen Municipal Court accepted the conclusion of the arbitration and adjudicated that the Company has to repay Orient Group of RMB170 million plus interests. Accordingly, the Company signed a tripartite agreement with New Industry and Orient Group at the end of 2012. Under the agreement, New Industry paid interest of RMB112 million to the Company in 2013, and agreed to repay the RMB170 million plus further accrued interest due to the Company by January 2015. New Industry has pledged its shares in Minzu Securities as collateral. Under the same agreement, the Company paid Orient Group RMB170 million plus interests in 2013. According to the information available to the Company, the Company believed the RMB170 million to be repaid by New Industry should form part of receivables of Former Chairman Irregularities.

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 recorded credit and debit described above as a net amount of RMB1,101 million as receivable from off-balance sheet repurchase transactions under "Other Assets". The Company has been in the process of recovering the abovementioned amounts through legal actions. The Company's management anticipated there will be significant uncertainty in recovering the balance and a provision of RMB931 million was made as at 31 December 2013.

# Notes to the Consolidated Financial Statements (Continued)

*For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)*

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

### (5) Impairment of financial and non-financial assets

The Group considers that financial and non-financial assets are impaired when there has been a significant or prolonged decline in value below their cost. The factors which the Group considers when making such judgment are described in Note 2(8) and Note 2(9)(g).

### (6) 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.

### (7) 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).



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 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.

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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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

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:

		As of/for the year ended 31 December 2013					
		Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
Product Name		Amount	% of total	Amount	% of total	Amount	% of total
i	Hongshuangxi New Type C endowment insurance (Participating)	99,620	23.42%	20,379	20.18%	6,882	18.68%
ii	Hongshuangxi Type A endowment insurance (Participating)	45,242	10.64%	1,169	1.16%	7,601	20.63%
iii	Hongshuangxi Jinqiangui annuity insurance (Participating)	22,036	5.18%	6,241	6.18%	798	2.17%
iv	Hongshuangxi New Type A endowment insurance (Participating)	20,468	4.81%	30	0.03%	7,242	19.66%
v	Zunxiang Rensheng annuity insurance (Participating)	19,655	4.62%	7,938	7.86%	978	2.65%
	Others	218,373	51.33%	65,243	64.59%	13,344	36.21%
	<b>Total</b>	<b>425,394</b>	<b>100.00%</b>	<b>101,000</b>	<b>100.00%</b>	<b>36,845</b>	<b>100.00%</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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)

		As of/for the year ended 31 December 2012					
		Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
Product Name		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 Jinqiangui annuity insurance (Participating)	16,158	4.48%	6,193	6.48%	567	2.28%
iv	Hongshuangxi New Type A endowment insurance (Participating)	26,837	7.43%	112	0.12%	4,130	16.62%
v	Zunxiang Rensheng annuity insurance (Participating)	13,094	3.63%	7,214	7.55%	1,530	6.16%
	Others	171,503	47.49%	54,736	57.31%	9,091	36.57%
<b>Total</b>		<b>361,070</b>	<b>100.00%</b>	<b>95,521</b>	<b>100.00%</b>	<b>24,855</b>	<b>100.00%</b>

##### (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 2013 (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 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.

##### (iv) 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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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) Zunxiang Rensheng Annuity insurance (Participating)

Zunxiang Rensheng annuity insurance (Participating) is participating annuity insurance with single premium payment and annual premium payment. The termination of insurance is to the insured at the age of 80. If the insured lives on the next day at the end of period of hesitation or 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 every second anniversary of policy date from the effective date of the insurance contract to 60-year-old policy anniversary date, the survival benefits are 9% of the base insured amount at the effective date of the policy. If the insured lives on every effective date of the insurance policy from 60-year-old policy anniversary date to 80-year-old policy anniversary date, the survival benefits are 9% of the insured amount at the effective date of the policy. For death and complete disability, benefit is the sum of 105% of the total of basic sum insured and dividend accumulation. For death due to accident, the insured is exempt from the annual renewal of insurance premium from the date of the death.

#### (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.

	For the year ended 31 December	
	2013	2012
<b>Change in discount rates</b>		
+50 basis points ("bps")	8,125	7,455
-50bps	(8,752)	(8,034)

	For the year ended 31 December	
	2013	2012
<b>Change in mortality and morbidity rates</b>		
+10%	(1,803)	(1,520)
-10%	1,947	1,424

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

### (1) Insurance risk (Continued)

#### (c) Sensitivity analysis (Continued)

##### (i) Sensitivity analysis of long-term insurance contracts (Continued)

	For the year ended 31 December	
	2013	2012
<b>Change in lapse rates</b>		
+10%	(1,982)	(1,808)
-10%	2,123	1,807

	For the year ended 31 December	
	2013	2012
<b>Change in expense assumption</b>		
+10%	(1,104)	(1,043)
-10%	1,167	856

Key assumptions are disclosed in Note 14.

##### (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 RMB16 million for the year ended 31 December 2013 (for the year ended 2012: RMB12 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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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

Claims development of the Group's short term insurance contracts gross of reinsurance is as follows:

Cumulative claims	Accident year					Total
	2009	2010	2011	2012	2013	
End of current year	472	766	919	1,122	1,276	
1 year later	483	781	933	1,128		
2 years later	484	781	921			
3 years later	484	781				
4 years later	484					
Estimated claims expenses	484	781	921	1,128	1,276	4,590
Less: cumulative claims paid	(484)	(781)	(921)	(1,092)	(816)	(4,094)
Subtotal	-	-	-	36	460	496
Add: claims handling expenses	-	-	-	2	22	24
Unpaid claims expenses	-	-	-	38	482	520

Claims development of the Group's short term insurance business net of reinsurance is as follows:

Cumulative claims	Accident year					Total
	2009	2010	2011	2012	2013	
End of current year	434	711	861	1,058	1,186	
1 year later	436	721	885	1,067		
2 years later	428	720	871			
3 years later	428	720				
4 years later	428					
Estimated claims expenses	428	720	871	1,067	1,186	4,272
Less: cumulative claims paid	(428)	(720)	(871)	(1,031)	(749)	(3,799)
Subtotal	-	-	-	36	437	473
Add: claims handling expenses	-	-	-	2	22	24
Unpaid claims expenses	-	-	-	38	459	497

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

### (1) Insurance risk (Continued)

#### (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.

### (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.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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)

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.

	Impact on pre-tax profit	
	For the year ended 31 December	
	2013	2012
<b>Change in market interest rates</b>		
+50bps	(11)	(8)
-50bps	11	9

	Impact on pre-tax available for sale reserve in equity	
	For the year ended 31 December	
	2013	2012
<b>Change in market interest rates</b>		
+50bps	(565)	(596)
-50bps	575	620

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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

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.

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.

	Impact on pre-tax profit	
	For the year ended 31 December	
Change in equity securities' prices	2013	2012
+10%	32	133
-10%	(32)	(133)

	Impact on pre-tax available for sale reserve in equity	
	For the year ended 31 December	
Change in equity securities' prices	2013	2012
+10%	1,199	1,152
-10%	(1,199)	(1,152)

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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 2013	USD	HKD	Total
Cash and cash equivalents	2,110	286	2,396
Term deposits	6,854	180	7,034
Accrued investment income	71	1	72
Securities at fair value through income	–	127	127
Available for sale securities	115	982	1,097
<b>Total</b>	<b>9,150</b>	<b>1,576</b>	<b>10,726</b>

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
<b>Total</b>	<b>8,975</b>	<b>1,826</b>	<b>10,801</b>

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 2013, 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 RMB1,073 million (2012: RMB1,080 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 2013 (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, bank deposits with state-owned or other national commercial banks and loans and receivables. In term of credit risk, the Group mainly uses credit concentration as monitoring index in order to ensure the whole credit risk exposure manageable.

In response to counterparties' credit risk, the Company mainly took the following measures in 2013: (1) Internal rating system was strictly implemented, and credit investment varieties were strictly controlled. (2) Accounting classification of investment varieties were clearly defined in the investment guidelines and risky assets were avoided into the classification of held-to-maturity. (3) The bond market value was monitored, and the possible credit defaults were analyzed and evaluated in order to enhance the predictability. In term of counterparties, the majority of Group's counterparties are state policy-related banks, state-owned, other national commercial banks or state-owned asset management companies. 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 counterparts' 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 2013.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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 majority of the Group's 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 2013.

Proportion	As of 31 December	
	2013	2012
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%	100%
Bank deposits with the four largest state-owned commercial banks and other national commercial banks in the PRC	92.87%	92.32%

#### (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 2013 (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 2013	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
<b>Financial and insurance assets</b>						
Debt securities	305,658	–	22,678	39,074	66,127	286,874
Equity securities	40,708	40,708	–	–	–	–
Term deposits	163,137	–	11,351	123,206	50,189	–
Statutory deposits	716	–	482	266	–	–
Policy loans	8,841	–	8,841	–	–	–
Financial assets purchased under agreements to resell	1,336	–	1,337	–	–	–
Accrued investment income	9,849	–	9,606	125	118	–
Premiums receivables	1,581	–	1,581	–	–	–
Reinsurance assets	2,954	–	332	1,503	109	306
Cash and cash equivalents	18,570	–	18,570	–	–	–
<b>Total Financial and insurance assets</b>	<b>553,350</b>	<b>40,708</b>	<b>74,778</b>	<b>164,174</b>	<b>116,543</b>	<b>287,180</b>
<b>Financial and insurance liabilities</b>						
Long-term insurance contracts	(425,394)	–	21,700	(18,659)	(49,735)	(971,282)
Short-term insurance contracts	(1,487)	–	(1,001)	–	–	–
Investment contracts	(25,933)	–	(1,134)	(6,190)	(5,045)	(41,298)
Borrowings	(15,000)	–	(745)	(6,490)	(10,460)	–
Financial assets sold under agreements to repurchase	(52,211)	–	(52,275)	–	–	–
Benefits, claims and surrenders payable	(959)	–	(959)	–	–	–
Reinsurance liabilities	(54)	–	(54)	–	–	–
<b>Total financial and insurance liabilities</b>	<b>(521,038)</b>	<b>–</b>	<b>(34,468)</b>	<b>(31,339)</b>	<b>(65,240)</b>	<b>(1,012,580)</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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
<b>Financial and insurance assets</b>						
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	–	–	–
<b>Total Financial and insurance assets</b>	<b>483,319</b>	<b>32,085</b>	<b>80,324</b>	<b>99,730</b>	<b>158,133</b>	<b>266,912</b>
<b>Financial and Insurance liabilities</b>						
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)	–	–	–
<b>Total financial and insurance liabilities</b>	<b>(452,519)</b>	<b>–</b>	<b>(20,483)</b>	<b>12,665</b>	<b>(64,655)</b>	<b>(955,965)</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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 outflow of RMB25,825 million as of 31 December 2013, payable within one year (as of 31 December 2012: RMB18,794 million).

#### (d) Unconsolidated structured entities risk

The Group's investments in Trust products, Debt investment plans, Equity investment plans and Asset funding plans, outside of the scope of consolidation, are subject to the terms and conditions of the respective offering documentation. The investment manager makes investment decisions after extensive due diligence of the underlying Trust products, Debt investment plans, Equity investment plans and Asset funding plans, their strategies and the overall quality of the underlying assets' managers. The Group continuously monitors the overall quality of Trust products, Debt investment plans, Equity investment plans and Asset funding plans after initial investment, and periodically reviews their extension, early redemption, liquidity, default risk and changes in market, economic or company specific conditions.

The carrying amount of unconsolidated structured entities is the best representation of the Group's maximum exposure to loss from its interests in unconsolidated structured entities, is disclosed in the following table.

Category of investment	Classification of investment	Carrying Amount	Types of Income
Trust Products	Available for sale	25,641	Interest income
Debt investment plans	Loans and receivables	4,380	Interest income
Equity investment plans	Investment in associates	8,523	Dividend income
Asset funding plans	Investment in associates	100	Dividend income



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

### 4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

#### (2) Financial risk (Continued)

##### (e) 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.

The table below summarizes the solvency ratio of the Company, the actual capital held against the minimum required capital:

	As of 31 December	
	2013	2012
Actual capital	34,782	35,764
Minimum capital	20,502	18,574
Solvency margin ratio	169.66%	192.56%

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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

### (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.

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.

Level 3 fair value is based on the Group's valuation models, such as discounted cash flows. The Group also considers original transaction price, recent transactions in the same or similar instruments and completed third-party transactions in comparable instruments. It adjusts the model as deemed necessary for factors such as extension, early redemption, liquidity, default risk and changes in market, economic or company specific conditions.

The following table summarizes the quantitative inputs and assumptions used for financial instruments categorized in Level 3 of the fair value hierarchy as of December 31, 2013. The disclosure below excludes financial instruments for which the fair value approximates the carrying amounts. This is the case because of the short term nature of certain trust products, and the fact that the development of interest rates or similar financial variables did not lead to any significant change in fair value since inception in 2013.

	Fair Value	Valuation Technique	Significant unobservable inputs	Range	Relationship of unobservable inputs to fair value
<b>Available for sale securities</b>					
Trust products	25,641	Discounted cash flow	Discount Rate	7.5%~13.1%	The higher the discount rate, the lower the fair value.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

### 4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

#### (3) Fair value hierarchy (Continued)

As of 31 December 2013	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Available for sale securities				
– Equity securities	29,183	2,263	–	31,446
– Debt securities	3,574	57,135	35,740	96,449
Securities at fair value through income				
– Equity securities	605	134	–	739
– Debt securities	946	754	–	1,700
<b>Total Assets</b>	<b>34,308</b>	<b>60,286</b>	<b>35,740</b>	<b>130,334</b>
<b>Liabilities</b>				
Unit-linked contracts	–	232	–	232
<b>Total Liabilities</b>	<b>–</b>	<b>232</b>	<b>–</b>	<b>232</b>
As of 31 December 2012	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
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
<b>Total Assets</b>	<b>33,229</b>	<b>55,278</b>	<b>583</b>	<b>89,090</b>
<b>Liabilities</b>				
Unit-linked contracts	–	254	–	254
<b>Total Liabilities</b>	<b>–</b>	<b>254</b>	<b>–</b>	<b>254</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

### (3) Fair value hierarchy (Continued)

As of 31 December 2013	Level 1	Level 2
<b>Available-for-sale securities</b>		
Equity securities		
– Transfer in	64	77
– Transfer out	(77)	(64)
Debt securities		
– Transfer in	1,853	465
– Transfer out	(465)	(1,853)
<b>Securities at fair value through income</b>		
Equity securities		
– Transfer in	–	6
– Transfer out	(6)	–

The above transfers are mainly caused by changes of market conditions that whether the Group could obtain quoted prices (unadjusted) in active markets.

For those securities which the Group could obtain quoted prices (unadjusted) in active markets as at 31 December 2013 but couldn't obtain quoted prices (unadjusted) in active markets as at 31 December 2012, they were transferred to Level 1 from Level 2. For those securities which the Group couldn't obtain quoted prices (unadjusted) in active markets as at 31 December 2013 but could obtain quoted prices (unadjusted) in active markets as at 31 December 2012, they were transferred to Level 2 from Level 1.

There were no transfers into or out of Level 3 for 2013 and 2012.

The changes in level 3 financial assets are analyzed below:

	<b>Available for sale debt securities</b>
<b>1 January 2013</b>	583
Purchase	66,184
Maturity	(31,027)
<b>31 December 2013</b>	<b>35,740</b>
<b>1 January 2012</b>	–
Purchase	583
<b>31 December 2012</b>	<b>583</b>

There is no material gains or losses recognized in comprehensive income for the year ended 31 December 2013 that are attributable to level 3 financial assets held by the Group as at 31 December 2013 (31 December 2012: Same).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 5 SEGMENT INFORMATION

### (1) Operating segments

The Group mainly has the following three segments:

#### (i) Individual insurance business

Individual 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.

### (2) Allocation basis of income and expense

Insurance business income and expense directly attributable to segments will be allocated to each segment; income and expense, such as investment income, which are 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. Non-operating income and expenses and 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, borrowings, provision, 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 2013, 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 2013 (All amounts in RMB millions unless otherwise stated)

## 5 SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2013				
	Insurance		Others	Elimination	Total
	Individual	Group			
<b>Revenues</b>					
Gross written premiums and policy fees	102,610	1,463	–	–	104,073
Less: premiums ceded out	(145)	(148)	–	–	(293)
<b>Net written premiums and policy fees</b>	102,465	1,315	–	–	103,780
Net change in unearned premiums liabilities	(118)	(47)	–	–	(165)
<b>Net premiums earned and policy fees</b>	102,347	1,268	–	–	103,615
Investment income	23,841	482	51	–	24,374
Other income	161	9	304	(246)	228
Including: inter-segment revenue	5	–	241	(246)	–
<b>Total revenues</b>	126,349	1,759	355	(246)	128,217
<b>Benefits, claims and expenses</b>					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(494)	(692)	–	–	(1,186)
Life insurance death and other benefits	(35,988)	(613)	–	–	(36,601)
Increase in long-term insurance contracts liabilities	(66,659)	705	–	–	(65,954)
Investment contracts benefits	(833)	(36)	–	–	(869)
Commission and brokerage expenses	(6,168)	(255)	–	1	(6,422)
Including: inter-segment expenses	(1)	–	–	1	–
Administrative expenses	(9,060)	(874)	(288)	245	(9,977)
Including: inter-segment expenses	(219)	(21)	(5)	245	–
Other expenses	(402)	(80)	(161)	–	(643)
<b>Total benefits, claims and expenses</b>	(119,604)	(1,845)	(449)	246	(121,652)
Share of results of associates	284	6	74	–	364
Finance cost	(1,889)	(81)	–	–	(1,970)
<b>Net profit before income tax</b>	5,140	(161)	(20)	–	4,959
Income tax	–	–	(535)	–	(535)
<b>Net profit for the year</b>	5,140	(161)	(555)	–	4,424
<b>Segment assets</b>	544,376	6,434	15,060	(21)	565,849
<b>Segment liabilities</b>	502,451	6,047	18,054	(21)	526,531

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

### 5 SEGMENT INFORMATION (Continued)

Other segment information for the year ended 31 December 2013:

	Insurance		Others	Elimination	Total
	Individual	Group			
Depreciation and amortization	311	30	10	–	351
Interest income	21,414	424	105	–	21,943
Impairment	(1,298)	(12)	–	–	(1,310)
Share of profit of associates under equity method	284	6	74	–	364

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 5 SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2012				
	Insurance		Others	Elimination	Total
	Individual	Group			
<b>Revenues</b>					
Gross written premiums and policy fees	96,601	1,480	–	–	98,081
Less: premiums ceded out	93	(88)	–	–	5
<b>Net written premiums and policy fees</b>	96,694	1,392	–	–	98,086
Net change in unearned premiums liabilities	(82)	(53)	–	–	(135)
<b>Net premiums earned and policy fees</b>	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)	–
<b>Total revenues</b>	109,916	1,750	260	(227)	111,699
<b>Benefits, claims and expenses</b>					
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)
<b>Total benefits, claims and expenses</b>	(105,266)	(2,109)	(518)	227	(107,666)
Share of results of associates	–	–	1	–	1
Finance cost	(1,708)	(38)	–	–	(1,746)
<b>Net profit before income tax</b>	2,942	(397)	(257)	–	2,288
Income tax	–	–	646	–	646
<b>Net profit for the year</b>	2,942	(397)	389	–	2,934
<b>Segment assets</b>	473,386	7,720	12,610	(23)	493,693
<b>Segment liabilities</b>	432,516	7,141	18,181	(23)	457,815



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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

## 6 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
<b>Cost</b>					
As of 1 January 2013	3,745	815	170	337	5,067
Additions	–	169	19	383	571
Transfers upon completion	87	4	–	(91)	–
Disposals	(3)	(57)	(12)	–	(72)
As of 31 December 2013	3,829	931	177	629	5,566
<b>Accumulated depreciation</b>					
As of 1 January 2013	(419)	(472)	(50)	–	(941)
Charges for the year	(90)	(110)	(14)	–	(214)
Disposals	–	53	7	–	60
As of 31 December 2013	(509)	(529)	(57)	–	(1,095)
<b>Net book value</b>					
As of 1 January 2013	3,326	343	120	337	4,126
As of 31 December 2013	3,320	402	120	629	4,471

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

### 6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
<b>Cost</b>					
As of 1 January 2012	2,655	740	163	1,533	5,091
Additions	4	117	15	1,144	1,280
Transfer 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
<b>Accumulated depreciation</b>					
As of 1 January 2012	(357)	(410)	(40)	–	(807)
Charges for the year	(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)
<b>Net book value</b>					
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 2013 (All amounts in RMB millions unless otherwise stated)

### 6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
<b>Cost</b>					
As of 1 January 2013	3,560	761	168	163	4,652
Additions	–	120	18	369	507
Transfers upon completion	87	4	–	(91)	–
Disposals	(3)	(55)	(12)	–	(70)
As of 31 December 2013	3,644	830	174	441	5,089
<b>Accumulated depreciation</b>					
As of 1 January 2013	(397)	(458)	(50)	–	(905)
Charges for the year	(86)	(100)	(14)	–	(200)
Disposals	–	51	7	–	58
As of 31 December 2013	(483)	(507)	(57)	–	(1,047)
<b>Net book value</b>					
As of 1 January 2013	3,163	303	118	163	3,747
As of 31 December 2013	3,161	323	117	441	4,042

Company	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
<b>Cost</b>					
As of 1 January 2012	2,422	728	160	1,371	4,681
Additions	4	72	15	1,132	1,223
Transfer 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
<b>Accumulated depreciation</b>					
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)
<b>Net book value</b>					
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 2013 (All amounts in RMB millions unless otherwise stated)

### 6 PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group was in the process of obtaining legal title in respect of the ownership of buildings with aggregate net book value of approximately RMB158 million as of 31 December 2013 (31 December 2012: RMB79 million).

### 7 INVESTMENT PROPERTIES

Group and Company	For the year ended 31 December	
	2013	2012
<b>Cost</b>		
Beginning of the year	1,711	507
Transfers from property, plant and equipment (Note 6)	–	1,244
Transfers to property, plant and equipment (Note 6)	–	(40)
End of the year	1,711	1,711
<b>Accumulated depreciation</b>		
Beginning of the year	(76)	(56)
Charges for the year	(41)	(17)
Transfers from property, plant and equipment (Note 6)	–	(9)
Transfers to property, plant and equipment (Note 6)	–	6
End of the year	(117)	(76)
<b>Net book value</b>		
Beginning of the year	1,635	451
End of the year	1,594	1,635

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 2013 were RMB2,599 million (31 December 2012: RMB2,533 million).

The valuation techniques of investment properties contain income approach and sales comparison approach. The fair value of investment properties is in level 3. Investment properties' fair value in level 3 is RMB2,599 million.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 7 INVESTMENT PROPERTIES (Continued)

### Information about fair value measurements using significant unobservable inputs (Level 3)

	Fair value at 31 December 2013	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Rental units-Beijing & Fuzhou	1,304	Income approach	Market yield	5.4%-7.7%	The higher the market yield, the lower the fair value.
			Rental value	RMB2.2-10.89 per day per square meter	The higher the rental value, the higher the fair value.
Rental units-Shanghai & Guangzhou	1,295	Sales comparison	Price per square meter	RMB40,000- 118,232	The higher the price per meter square, the higher the fair value.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 8 INTANGIBLE ASSETS

The intangible assets held by the Group and the Company are computer software and land use rights.

Group	Computer software	Land use rights	Total
<b>Cost</b>			
As of 1 January 2013	273	–	273
Additions	100	1,352	1,452
As of 31 December 2013	373	1,352	1,725
<b>Accumulated amortization</b>			
As of 1 January 2013	(171)	–	(171)
Amortization	(31)	(11)	(42)
As of 31 December 2013	(202)	(11)	(213)
<b>Net book value</b>			
As of 1 January 2013	102	–	102
As of 31 December 2013	171	1,341	1,512

Group	Computer software	Land use rights	Total
<b>Cost</b>			
As of 1 January 2012	212	–	212
Additions	61	–	61
As of 31 December 2012	273	–	273
<b>Accumulated amortization</b>			
As of 1 January 2012	(147)	–	(147)
Amortization	(24)	–	(24)
As of 31 December 2012	(171)	–	(171)
<b>Net book value</b>			
As of 1 January 2012	65	–	65
As of 31 December 2012	102	–	102

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

### 8 INTANGIBLE ASSETS (Continued)

Company	Computer software	Land use rights	Total
<b>Cost</b>			
As of 1 January 2013	262	–	262
Additions	93	1,352	1,445
As of 31 December 2013	355	1,352	1,707
<b>Accumulated amortization</b>			
As of 1 January 2013	(169)	–	(169)
Amortization	(30)	(11)	(41)
As of 31 December 2013	(199)	(11)	(210)
<b>Net book value</b>			
As of 1 January 2013	93	–	93
As of 31 December 2013	156	1,341	1,497

Company	Computer software	Land use rights	Total
<b>Cost</b>			
As of 1 January 2012	205	–	205
Additions	57	–	57
As of 31 December 2012	262	–	262
<b>Accumulated amortization</b>			
As of 1 January 2012	(145)	–	(145)
Amortization	(24)	–	(24)
As of 31 December 2012	(169)	–	(169)
<b>Net book value</b>			
As of 1 January 2012	60	–	60
As of 31 December 2012	93	–	93

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 9 INVESTMENTS IN ASSOCIATES

### Group

	For the year ended 31 December	
	2013	2012
Beginning of the year	708	709
Additions (1)	8,600	–
Share of results	364	1
Cash dividend from investment in associates	(268)	(2)
End of the year	9,404	708

The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business.

Details of investment in associates:

Name of entity	Country of incorporation	Interest held	Measurement method
Petro China Oil Pipeline Project Equity Investment Plan (1)	NA	23.6%	Equity
Minshengtonghui-Alibaba No.1 Asset Funding Plan	NA	46.3%	Equity
Beijing Zijin Century Real Estate Co., Ltd. ("Zijin Century") (2)	Beijing, the PRC	24%	Equity
Beijing MJ Health Screening Center Co., Ltd. ("MJ Health")	Beijing, the PRC	30%	Equity

(1) The additions in 2013 mainly include Petro China Oil Pipeline Project Equity Investment Plan which is unconsolidated structured entity. The related information is described in Note4(2)(d).

(2) 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.

There are no contingent liabilities relating to the Group's interest in the associates.

The above investments in associates are non-public entities or structured entities, and there is no quoted market price available.

All investments in associates are directly held by the Group or 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 2013 (All amounts in RMB millions unless otherwise stated)

## 9 INVESTMENTS IN ASSOCIATES (Continued)

### Summarized financial information for associates

The tables below provide summarized financial information for those associates that are material to the Group.

As of/for the year ended 31 December 2013	Total Assets	Total Liabilities	Revenue	Profit/ (losses) from continuing operations	Post-tax Profit/ (losses) from continuing operations	Other comprehensive income	Total comprehensive income	Dividends received from associate
Petro China Oil Pipeline Project Equity Investment Plan	36,059	2	1,224	1,178	1,178	–	1,178	264

### Individually immaterial associates

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

As of/for the year ended 31 December 2013	Profit/(losses) from continuing operations	Post-tax profit/ (losses) from discontinued operations	Other comprehensive income	Total comprehensive income
Individually immaterial associates	359	341	–	341

As of/for the year ended 31 December 2012	Profit/(losses) from continuing operations	Post-tax profit/ (losses) from discontinued operations	Other comprehensive income	Total comprehensive income
Individually immaterial associates	6	3	–	3

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 9 INVESTMENTS IN ASSOCIATES (Continued)

### Company

The amounts recognized in the balance sheet are as follows:

	For the year ended 31 December	
	2013	2012
Beginning of the year	610	610
Additions	8,600	–
End of the year	9,210	610

## 10 FINANCIAL ASSETS

### (1) Held-to-maturity securities

#### Group and Company

	As of 31 December	
	2013	2012
Debt securities		
Government bonds	46,063	38,557
Financial bonds	26,779	28,468
Corporate bonds	51,025	49,107
Subordinated bonds/debts	59,141	60,685
Total	183,008	176,817
Debt securities		
Listed in the PRC	33,395	29,382
Unlisted	149,613	147,435
Total	183,008	176,817

The fair value of the held-to-maturity securities as of 31 December 2013 is RMB166,729 million (as of 31 December 2012: RMB173,761 million).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

### 10 FINANCIAL ASSETS(Continued)

#### (1) Held-to-maturity securities(Continued)

##### Group and Company (Continued)

Held-to-maturity's fair value hierarchy is presented by the following table.

	Level 1	Level 2	Total
As of 31 December 2013	15,119	151,610	166,729

The estimated fair value of listed held-to-maturity securities is RMB31,323 million as of 31 December 2013 (as of 31 December 2012: RMB29,306 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.

The due dates of debt securities which are classified as held-to-maturity securities are as follows:

Maturity	As of 31 December	
	2013	2012
Within 1 year (including 1 year)	8,868	7,852
After 1 year but within 3 years(including 3 years)	3,909	11,019
After 3 years but within 5 years (including 5 years)	19,077	7,567
After 5 years	151,154	150,379
Total	183,008	176,817

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 10 FINANCIAL ASSETS (Continued)

### (2) Available-for-sale securities

Group	As of 31 December	
	2013	2012
Debt securities		
Government bonds	1,111	–
Financial bonds	8,191	2,234
Corporate bonds	31,732	32,314
Subordinated bonds/debts	19,675	20,493
Trust products	25,641	503
Wealth investment products	10,019	–
Others	80	80
Subtotal	96,449	55,624
Equity securities		
Funds	12,688	15,195
Stocks	18,758	13,516
Subtotal	31,446	28,711
Total	127,895	84,335
Debt securities		
Listed in the PRC	8,482	5,764
Unlisted	87,967	49,860
Subtotal	96,449	55,624
Equity securities		
Listed in the PRC	20,747	17,555
Unlisted	10,699	11,156
Subtotal	31,446	28,711
Total	127,895	84,335

The due dates of debt securities which are classified as available-for-sale securities are as follows:

Maturity	As of 31 December	
	2013	2012
Within 1 year (including 1 year)	18,271	524
After 1 year but within 3 years (including 3 years)	25,214	11,543
After 3 years but within 5 years (including 5 years)	13,791	5,342
After 5 years	39,173	38,215
Total	96,449	55,624

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 10 FINANCIAL ASSETS (Continued)

### (2) Available-for-sale securities (continued)

Company	As of 31 December	
	2013	2012
Debt securities		
Government bonds	1,111	–
Financial bonds	8,191	2,234
Corporate bonds	31,732	32,314
Subordinated bonds/debts	19,675	20,493
Trust products	25,641	503
Wealth investment products	10,000	–
Others	80	80
Subtotal	96,430	55,624
Equity securities		
Funds	12,688	15,195
Stocks	18,758	13,516
Subtotal	31,446	28,711
Total	127,876	84,335
Debt securities		
Listed in the PRC	8,482	5,764
Unlisted	87,948	49,860
Subtotal	96,430	55,624
Equity securities		
Listed in the PRC	20,747	17,555
Unlisted	10,699	11,156
Subtotal	31,446	28,711
Total	127,876	84,335

The due dates of debt securities which are classified as available-for-sale securities are as follows:

Maturity	As of 31 December	
	2013	2012
Within 1 year (including 1 year)	18,252	524
After 1 year but within 3 years (including 3 years)	25,214	11,543
After 3 years but within 5 years (including 5 years)	13,791	5,342
After 5 years	39,173	38,215
Total	96,430	55,624

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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 10 FINANCIAL ASSETS (Continued)

### (3) Securities at fair value through income

Group	As of 31 December	
	2013	2012
Debt securities		
Financial bonds	301	–
Corporate bonds	1,015	991
Subordinated bonds/debts	384	390
Subtotal	1,700	1,381
Equity securities		
Funds	379	674
Stocks	360	2,700
Subtotal	739	3,374
Total	2,439	4,755
Debt securities		
Listed in the PRC	946	178
Unlisted	754	1,203
Subtotal	1,700	1,381
Equity securities		
Listed in the PRC	391	2,848
Unlisted	348	526
Subtotal	739	3,374
Total	2,439	4,755

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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	
	2013	2012
Debt securities		
Financial bonds	262	–
Corporate bonds	1,015	991
Subordinated bonds/debts	384	390
Subtotal	1,661	1,381
Equity securities		
Funds	369	628
Stocks	360	2,700
Subtotal	729	3,328
Total	2,390	4,709
Debt securities		
Listed in the PRC	946	178
Unlisted	715	1,203
Subtotal	1,661	1,381
Equity securities		
Listed in the PRC	391	2,848
Unlisted	338	480
Subtotal	729	3,328
Total	2,390	4,709

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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 10 FINANCIAL ASSETS (Continued)

### (4) Loans and receivables

Group	As of 31 December	
	2013	2012
Asset funding plan (i)	20,000	–
Debt investment plan (ii)	4,380	287
Others	21	21
Total	24,401	308

Company	As of 31 December	
	2013	2012
Debt investment plan (ii)	4,380	287
Others	10	10
Total	4,390	297

- (i) Asset funding plan represents New China Life – Orient No.1 Asset Funding Plan (“Orient No.1 Funding Plan”) and New China Life – Huarong No.1 Asset Funding Plan (“Huarong No.1 Funding Plan”).

Orient No.1 Funding Plan has been set up by the Group in April 2013. The aggregated principal amount is RMB10,000 million. With the funding plan the Group disburses loans to the party mentioned below. The Group’s exposure is limited to the outstanding principle and interest. Under this 10-year Funding Plan, China Orient Asset Management Co. (“Orient Asset”) should repay the principal and interest when due. Orient Asset has the right to redeem the debts at the end of the 7th year. The title documents of certain assets owned by Orient Asset and which were verified by the plan manager of the Funding Plan, are co-managed by Orient Asset and the plan manager. This co-management serves as a credit enhancement for the Funding Plan.

Huarong No.1 Funding Plan has been set up by the Group in December 2013. The aggregated principal amount is RMB10,000 million. With the funding plan the Group disburses loans to the party mentioned below. The Group’s exposure is limited to the outstanding principle and interest. Under this 7-year Funding Plan, China Huarong Asset Management Co. (“Huarong Asset”) should repay the principal and interest when due. Huarong Asset has the right to redeem the debts at the end of the 5th year. The title documents of certain assets owned by Huarong Asset and which were verified by the plan manager of the Funding Plan, are co-managed by Huarong Asset, Huarong International Trust Co. and the plan manager. This co-management serves as a credit enhancement for the Funding Plan.

- (ii) Debt investment plan mainly consists of infrastructure funding projects. Except for some individual projects with unfixed terms, most of debt investment plans are fixed-term projects with a period usually between 3 years to 10 years.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 10 FINANCIAL ASSETS (Continued)

### (5) Term deposits

The due dates of the term deposits are as follows:

Group	As of 31 December	
	2013	2012
Maturity		
Within 1 year (including 1 year)	8,046	18,349
After 1 year but within 3 years (including 3 years)	108,063	39,473
After 3 years but within 5 years (including 5 years)	47,028	114,031
Total	163,137	171,853

Company	As of 31 December	
	2013	2012
Maturity		
Within 1 year (including 1 year)	8,046	18,348
After 1 year but within 3 years (including 3 years)	107,863	39,313
After 3 years but within 5 years (including 5 years)	47,028	113,991
Total	162,937	171,652

As of 31 December 2013, RMB833 million of the Company's term deposits are restricted deposit for special dividends (Note 19(1)) (as of December 2012: RMB796 million).

### (6) Statutory deposits

The due dates of the statutory deposits are as follows:

Group	As of 31 December	
	2013	2012
Maturity		
Within 1 year (including 1 year)	475	476
After 1 year but within 3 years (including 3 years)	241	1
After 3 years but within 5 years (including 5 years)	–	240
Total	716	717

Company	As of 31 December	
	2013	2012
Maturity		
Within 1 year (including 1 year)	475	475
After 1 year but within 3 years (including 3 years)	240	–
After 3 years but within 5 years (including 5 years)	–	240
Total	715	715

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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 10 FINANCIAL ASSETS (Continued)

### (7) Accrued investment income

Group	As of 31 December	
	2013	2012
Bank deposits	5,350	7,159
Debt securities	4,301	3,514
Other	198	91
Total	9,849	10,764
Current	9,606	10,637
Non-current	243	127
Total	9,849	10,764

Company	As of 31 December	
	2013	2012
Bank deposits	5,345	7,155
Debt securities	3,965	3,514
Other	675	91
Total	9,985	10,760
Current	9,742	10,633
Non-current	243	127
Total	9,985	10,760

## 11 PREMIUMS RECEIVABLE

Premiums receivable is due within 3 month.

## 12 REINSURANCE ASSETS

Group and Company	As of 31 December	
	2013	2012
Claims and claim adjustment expenses ceded (Note 14)	23	22
Unearned premiums liabilities ceded (Note 14)	79	27
Long-term insurance contracts ceded (Note 14)	2,760	2,869
Due from reinsurance companies	92	364
Total	2,954	3,282
Current	216	538
Non-current	2,738	2,744
Total	2,954	3,282

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 13 OTHER ASSETS

### Group

	As of 31 December 2013		
	Book value balance	Provision for impairment	Net book value
Prepaid taxes (1)	1,495	–	1,495
Receivable from Off-balance sheet repurchase transactions (Note 3 (4))	1,101	(931)	170
Investment clearing account (2)	524	–	524
Prepaid and deferred expenses	509	–	509
Prepayment for Heilongjiang branch's office building (4)	37	(37)	–
Prepayment for Taizhou and Yongzhou cases (5)	17	(17)	–
Entrusted fund receivable from liquidation group of Minfa Securities (6)	16	(16)	–
Receivable from Huaxinrong Company (7)	12	(12)	–
Litigation deposit (3)	3	–	3
Others	409	(9)	400
<b>Total</b>	<b>4,123</b>	<b>(1,022)</b>	<b>3,101</b>

	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	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
<b>Total</b>	<b>3,970</b>	<b>(1,030)</b>	<b>2,940</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 13 OTHER ASSETS (Continued)

### Company

	As of 31 December 2013		
	Book value balance	Provision for impairment	Net book value
Prepaid taxes (1)	1,495	–	1,495
Receivable from Off-balance sheet repurchase transactions (Note 3 (4))	1,101	(931)	170
Receivables from subsidiaries (Note 33 (3))	554	–	554
Investment clearing account (2)	509	–	509
Prepaid and deferred expenses	438	–	438
Prepayment for Heilongjiang branch's office building (4)	37	(37)	–
Prepayment for Taizhou and Yongzhou cases (5)	17	(17)	–
Entrusted fund receivable from liquidation group of Minfa Securities (6)	16	(16)	–
Receivable from Huaxinrong Company (7)	12	(12)	–
Litigation deposit (3)	3	–	3
Others	365	(9)	356
<b>Total</b>	<b>4,547</b>	<b>(1,022)</b>	<b>3,525</b>

	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
<b>Total</b>	<b>3,992</b>	<b>(1,030)</b>	<b>2,962</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 13 OTHER ASSETS (Continued)

Group	As of 31 December	
	2013	2012
Current	2,663	2,395
Non-current	438	545
Total	3,101	2,940

Company	As of 31 December	
	2013	2012
Current	3,158	2,452
Non-current	367	510
Total	3,525	2,962

### (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

Litigation deposit represents the deposit required by the court in routine litigation 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 the recovery of the payment made to Guantong Investment was significantly uncertain. Based on the best estimation of the future cash flows, the Company recognized a full provision for this prepayment.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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 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, 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.

In 2013, the Company recovered RMB9 million from Taizhou and Yongzhou case and reduced other assets and its corresponding provision.

### (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 2013 (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:

	<b>Discount rate assumption</b>
31 December 2013	4.75%~5.23%
31 December 2012	4.75%~5.23%

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:

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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)

	Discount rate assumption
31 December 2013	3.67%~5.94%
31 December 2012	3.12%~5.61%

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 on the China Life Insurance Major Diseases Experience Morbidity Rate Table (2006-2010) for critical illness products by 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.

#### (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.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

### 14 INSURANCE CONTRACTS LIABILITIES (Continued)

#### (1) Process used to determine assumptions (Continued)

##### (c) Expenses assumption (Continued)

	Individual life insurance		Group life insurance	
	RMB per Policy	% of Premium	RMB per Insured	% of Premium
31 December 2013	70-95	0.83%-1.03%	30	0.38%
31 December 2012	70-95	0.83%-1.03%	30	0.38%

##### (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 2013 (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	
	2013	2012
<b>Gross</b>		
Long-term insurance contracts liabilities	425,394	361,070
Short-term insurance contracts liabilities		
– Outstanding claims liabilities	520	452
– Unearned premiums liabilities	967	750
Total, gross	426,881	362,272
<b>Recoverable from reinsurers</b>		
Long-term insurance contracts (Note12)	(2,760)	(2,869)
Short-term insurance contracts		
– Outstanding claims liabilities (Note12)	(23)	(22)
– Unearned premiums liabilities (Note12)	(79)	(27)
Total, ceded	(2,862)	(2,918)
<b>Net</b>		
Long-term insurance contracts liabilities	422,634	358,201
Short-term insurance contracts liabilities		
– Outstanding claims liabilities	497	430
– Unearned premiums liabilities	888	723
Total, net	424,019	359,354

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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	
	2013	2012
<b>Beginning of the year – Gross</b>	452	392
Cash paid for claims settled in year		
– Cash paid for current year claims	(816)	(719)
– Cash paid for prior year claims	(389)	(359)
Claims incurred in the year		
– Claims arising in the current year	1,298	1,142
– Claims accrued/(adjusted) for prior years	(25)	(4)
<b>End of the year – Gross</b>	<b>520</b>	<b>452</b>

The table below presents the movement in unearned premiums liabilities:

##### Group and Company

	Gross	Ceded	Net
<b>As of 1 January 2012</b>	604	(16)	588
Increase	2,198	(103)	2,095
Release	(2,052)	92	(1,960)
<b>As of 31 December 2012</b>	<b>750</b>	<b>(27)</b>	<b>723</b>
Increase	2,640	(192)	2,448
Release	(2,423)	140	(2,283)
<b>As of 31 December 2013</b>	<b>967</b>	<b>(79)</b>	<b>888</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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	
	2013	2012
Beginning of the year	361,070	292,818
Premiums	101,000	95,521
Release of liabilities (i)	(56,966)	(45,077)
Accretion of interest	19,054	17,383
Changes in assumption (ii)	438	1,098
Other movements (iii)	798	(673)
End of the year	425,394	361,070

(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 2013 (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	
	2013	2012
<b>Investment contracts excluding unit-linked contracts</b>		
Beginning of the year	18,734	18,730
Deposits received	10,479	2,670
Deposits paid and liabilities transferred out	(5,679)	(4,709)
Policy fees deducted from account balances	(433)	(362)
Interest and benefits accredited	2,614	2,352
Changes in investment contracts recorded in other comprehensive income	(14)	53
End of the year	25,701	18,734
<b>Unit-linked contracts</b>		
Beginning of the year	254	271
Deposits received	1	1
Deposits paid and liabilities transferred out	(21)	(12)
Fair value changes	(2)	(6)
End of the year	232	254
Total liabilities of investment contracts as at end of the year	25,933	18,988

## 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.

The fair value of borrowings as of 31 December 2013 was RMB14,386 million, which are within level 2 of the fair value hierarchy.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 17 FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

Group and Company	As of 31 December	
	2013	2012
By market		
Inter-bank market	37,597	39,002
Stock exchange	14,614	16,435
Total	52,211	55,437
By collateral		
Bond	52,211	55,437
Total	52,211	55,437

Maturity:

	As of 31 December	
	2013	2012
Within 3 months (including 3 months)	52,211	44,937
After 3 months but within 6 months (including 6 months)	–	10,500
Total	52,211	55,437

As of 31 December 2013, bonds with par value of RMB42,950 million (31 December 2012: RMB42,792 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 2013, the amount of securities deposited in the collateral pool was RMB39,467 million (31 December 2012: RMB33,816 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 provided 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 2013 (All amounts in RMB millions unless otherwise stated)

## 18 PROVISIONS

### Group and Company

	For the year ended 31 December	
	2013	2012
<b>Lawsuits and disputes</b>		
Beginning of the year	458	458
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	
	2013	2012
Salary and welfare payable	1,217	1,031
Commission and brokerage payable	876	630
Special dividends for shareholders (1)	833	796
Taxes payable other than income tax	344	208
Security deposits by agent for holding the Company's documents	177	168
Repayment payable for non-insurance contracts	139	287
Unallocated receipts	87	88
Insurance security fund payable	65	47
Purchase payment for Heilongjiang branch's building (Note 13(4))	37	37
Amount payable for Orient Group (Note 3(4))	–	282
Others	809	684
<b>Total</b>	<b>4,584</b>	<b>4,258</b>
Current	3,537	3,257
Non-current	1,047	1,001
<b>Total</b>	<b>4,584</b>	<b>4,258</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 19 OTHER LIABILITIES (Continued)

### Company

	As of 31 December	
	2013	2012
Salary and welfare payable	1,128	965
Commission and brokerage payable	876	630
Special dividends for shareholders (1)	833	796
Taxes payable other than income tax	335	206
Security deposits by agent for holding the Company's documents	177	168
Repayment payable for non-insurance contracts	139	287
Unallocated receipts	87	88
Insurance security fund payable	65	47
Purchase payment for Heilongjiang branch's building (Note13(4))	37	37
Amount payable for Orient Group (Note 3(4))	–	282
Others	769	702
<b>Total</b>	<b>4,446</b>	<b>4,208</b>
Current	3,399	3,207
Non-current	1,047	1,001
<b>Total</b>	<b>4,446</b>	<b>4,208</b>

### (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." (Special Dividend) 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. In 2012, the above special dividend distributed had been completed.

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 2013, the amount in Special Appropriation bank account is RMB833 million which is maintained in a term deposits account (as of 31 December 2013: RMB796 million).



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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. Mainly of income taxes shown below are taxes in the PRC.

**(1) The amount of income tax charged to the net profit represents:**

	For the year ended 31 December	
	2013	2012
Current tax	387	188
Deferred tax	148	(834)
Total income tax	535	(646)

**(2) The reconciliation between the Group's effective tax rate and the mainly applicable tax rate of 25% in the PRC is as follows:**

	For the year ended 31 December	
	2013	2012
Profit before income tax	4,959	2,288
Tax computed at the mainly applicable tax rate	1,240	572
Non-taxable income (i)	(814)	(700)
Expenses not deductible for tax purpose (i)	89	29
Effect on unrecognized deferred tax assets arising from deductible temporary differences	20	(560)
Past due income tax paid	–	13
Income tax at effective tax rate	535	(646)

- (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 2013 (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 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 1 January 2013	(171)	1,034	863
(Charged)/Credited to net profit	7	(155)	(148)
Charged to other comprehensive income	710	(385)	325
As of 31 December 2013	546	494	1,040

	As of 31 December	
	2013	2012
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	1,375	563
– deferred tax assets to be recovered after 12 months	457	1,090
Subtotal	1,832	1,653
Deferred tax liabilities		
– deferred tax liabilities to be settled within 12 months	(477)	(100)
– deferred tax liabilities to be settled after 12 months	(315)	(690)
Subtotal	(792)	(790)
Total net deferred income tax assets	1,040	863

#### Company

	Financial assets	Insurance and others	Total
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 1 January 2013	(172)	1,018	846
(Charged)/Credited to net profit	7	(156)	(149)
Charged to other comprehensive income	710	(383)	327
As of 31 December 2013	545	479	1,024

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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):

	As of 31 December	
	2013	2012
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	1,358	547
– deferred tax assets to be recovered after more than 12 months	457	1,090
Subtotal	1,815	1,637
Deferred tax liabilities		
– deferred tax liabilities to be settled within 12 months	(476)	(101)
– deferred tax liabilities to be settled after more than 12 months	(315)	(690)
Subtotal	(791)	(791)
Total net deferred income tax assets	1,024	846

(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	
	2013	2012
Deductible temporary differences	614	532

## 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	
	2013	2012
Number of shares registered, issued and fully paid at RMB1 per share (million)	3,120	3,120

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. The Company is not allowed to buy back the shares held by Huijin.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 22 RESERVES

### Group

	Share premium (a)	Unrealized income/ (losses)	Surplus reserve (b)	Reserve for general risk (c)	Total
As of 1 January 2012	23,906	(2,848)	705	705	22,468
Other comprehensive losses	–	2,853	–	–	2,853
Appropriation to reserves	–	–	295	295	590
Capital increase	56	–	–	–	56
As of 31 December 2012	23,962	5	1,000	1,000	25,967
Other comprehensive income	–	(980)	–	–	(980)
Appropriation to reserves	–	–	458	458	916
As of 31 December 2013	23,962	(975)	1,458	1,458	25,903

### Company

	Share premium (a)	Unrealized income/ (losses)	Surplus reserve (b)	Reserve for general risk (c)	Total
As of 1 January 2012	23,906	(2,896)	705	705	22,420
Other comprehensive losses	–	2,853	–	–	2,853
Appropriation to reserves	–	–	295	295	590
Capital increase	56	–	–	–	56
As of 31 December 2012	23,962	(43)	1,000	1,000	25,919
Other comprehensive income	–	(979)	–	–	(979)
Appropriation to reserves	–	–	458	458	916
As of 31 December 2013	23,962	(1,022)	1,458	1,458	25,856

#### (a) Share premium

Share premium represents the excess of the paid-in capital over and above the per value of shares issued.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 22 RESERVES (Continued)

### (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 Articles 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 RMB458 million for the year ended 31 December 2013 to the statutory surplus reserve (for the year ended 31 December 2012: RMB295 million).

#### (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 did not transfer any amount to the DSR in 2013 (2012: Nil)

### (c) Reserve for general risk

Pursuant to "Financial Standards of Financial Enterprises-Implementation Guide" issued by Ministry of Finance of the PRC on 20 March 2007, for the year ended 31 December 2013, 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 2012: same).

## 23 GROSS WRITTEN PREMIUMS AND POLICY FEES

	For the year ended 31 December	
	2013	2012
Gross written premiums		
Long-term insurance contracts	101,000	95,521
Short-term insurance contracts	2,640	2,198
Subtotal	103,640	97,719
Policy fees		
Investment contracts	433	362
Gross written premiums and policy fees	104,073	98,081

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

### 24 INVESTMENT INCOME

	For the year ended 31 December	
	2013	2012
Held-to-maturity financial assets		
– Interest income	8,323	7,170
Available-for-sale financial assets		
– Interest income	3,525	2,695
– Dividend income	1,264	1,022
– Net realized gains/(losses)	2,884	(1,229)
– Impairment losses on equity securities	(1,318)	(5,281)
Financial assets at fair value through income		
– Interest income	68	64
– Dividend income	98	89
– Fair value (losses)/gains	(31)	505
– Net realized losses	(470)	(330)
Interest income from loans and receivables		
– Interest income	700	1
Interest income from bank deposit	8,943	8,584
Interest income from policy loans	364	231
Interest income from financial assets purchased under agreements to resell	20	18
Others	4	20
<b>Total</b>	<b>24,374</b>	<b>13,559</b>
Including:		
Investment income using the effective interest method	21,943	18,763
Investment income from listed investment	3,716	(3,495)
Investment income from unlisted investment	20,658	17,054
<b>Total</b>	<b>24,374</b>	<b>13,559</b>

### 25 OTHER INCOME

	For the year ended 31 December	
	2013	2012
Rental income from investment property	70	69
Government grants	1	12
Other	157	108
<b>Total</b>	<b>228</b>	<b>189</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

### 26 INSURANCE BENEFITS AND CLAIMS

	For the year ended 31 December	
	2013	2012
<b>Gross</b>		
Claims and change in outstanding claims liabilities	1,273	1,138
Life insurance death and other benefits	36,845	24,855
Increase in long-term insurance liabilities	65,845	63,816
<b>Total</b>	<b>103,963</b>	<b>89,809</b>
<b>Recovered from reinsurers</b>		
Claims and change in outstanding claims liabilities	(87)	(54)
Life insurance death and other benefits	(244)	(872)
Increase in long-term insurance liabilities	109	1,015
<b>Total</b>	<b>(222)</b>	<b>89</b>
<b>Net</b>		
Claims and change in outstanding claims liabilities	1,186	1,084
Life insurance death and other benefits	36,601	23,983
Increase in long-term insurance liabilities	65,954	64,831
<b>Total</b>	<b>103,741</b>	<b>89,898</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

### 27 ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2013	2012
Employee benefit expenses (including directors' emoluments) (1)	6,344	6,302
Operating lease expense	695	627
Travel and conference fees	582	701
Entertainment fees	481	430
Depreciation and amortization	351	297
Official fees	317	340
Promotional printing cost	227	236
Insurance guarantee fund	188	165
Postal fees	128	138
Advertising fees	115	118
Vehicle use fees	74	75
Supervision fees	70	68
Electronic equipment operating costs	60	49
Auditors' remuneration	16	16
Others	329	223
<b>Total</b>	<b>9,977</b>	<b>9,785</b>

(1) Employee benefit expenses are presented below:

	For the year ended 31 December	
	2013	2012
Salary and welfare expenses	5,129	5,133
Social security costs- pension	465	410
Social security costs – other	363	407
Including:		
Supplementary defined contribution pension expense	89	152
Supplementary medical expense	2	18
Housing fund	251	219
Employee education and labor union fees	136	133
<b>Total</b>	<b>6,344</b>	<b>6,302</b>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

### 28 OTHER EXPENSES

	For the year ended 31 December	
	2013	2012
Business tax and surcharges	113	134
Exchange losses	299	37
Reversal of provision for prepayment for Taizhou and Youngzhou case (Note 13(5))	(9)	(100)
Reversal of provision for receivable from Off-balance sheet repurchase transactions (Note 3(4))	–	(170)
Amount payable for Orient Group (Note 3(4))	–	170
Others	240	205
<b>Total</b>	<b>643</b>	<b>276</b>

### 29 FINANCE COST

	For the year ended 31 December	
	2013	2012
Interest expenses for financial assets sold under agreements to repurchase	1,225	1,250
Interest expenses for the subordinated debts	745	496
<b>Total</b>	<b>1,970</b>	<b>1,746</b>

### 30 NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The net profit attributable to shareholders of the Company for the year ended 31 December 2013 is RMB4,420 million (for the year ended 31 December 2012: RMB2,933 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 2013 (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	
	2013	2012
Net profit attributable to shareholders of the Company (RMB in millions)	4,422	2,933
Weighted average number of ordinary shares issued (in millions)	3,120	3,120
Basic earnings per share (RMB)	1.42	0.94

### (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 2013 (2012: 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 2013 (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 2013:

Significant related parties	Relationships
New China Asset Management Co., Ltd. ("New China Asset Management")	Subsidiary of the Company
Xinhua Village Health Technology (Beijing) Co., Ltd. ("Health Technology") (i)	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 Xian Clinic Co., Ltd ("Xi'an Clinic")	Subsidiary of the Company
New China Life Excellent Health (Yantai) Clinic Co., Ltd ("Yantai Clinic")	Subsidiary of the Company
New China Life Excellent Qingdao Clinic Co., Ltd ("Qingdao Clinic")	Subsidiary of the Company
New China Life Excellent Baoji Clinic Co., Ltd ("Baoji Clinic")	Subsidiary of the Company
New China Life Excellent Chongqing Clinic Co., Ltd ("Chongqing Clinic")	Subsidiary of the Company
New China Life Excellent (Changsha) Health Management Co., Ltd ("Changsha Clinic")	Subsidiary of the Company
Chengdu Jinjiang New China Life Excellent Clinic Co., Ltd ("Chengdu Clinic")	Subsidiary of the Company
Zhengzhou New China Life Excellent Health Management Co., Ltd ("Zhengzhou Clinic")	Subsidiary of the Company
New China Asset Management(Hong Kong) Limited ("Asset Management (Hong Kong)")	Subsidiary of the Company
Orient No.1 Funding Plan	Subsidiary of the Company
Huarong No.1 Funding Plan	Subsidiary of the Company
MJ Health	Associate of the Company
Zijin Century	Associate of the Company
Minshengtonghui-Alibaba No.1 Asset Funding Plan	Associate of the Company
Petro China Oil Pipeline Project Equity Investment Plan	Associate of the Company
Huijin	Shareholders that has significant influence over the Company

(i) Health Technology, formerly known as New China Xiadu Technology Training (Beijing) Co., Ltd., changed its name to Xinhua Village Health Technology (Beijing) Co., Ltd. in November 2013.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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	
	2013	2012
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)	240	221
– Dividends from New China Asset Management (iii)	141	–
– Rent earned from New China Asset Management (iv)	5	5
– Interest income from planned Capital injection to New China Asset Management	–	2
– Commission charged to the Company from agencies (v)	1	1

#### (i) Bond interest from Huijin

Huijin became a shareholder of the Company in 2009 and holds 31.34% of the Company's shares directly as of 31 December 2013. Huijin is a state-owned investment company approved by State Council. The function of Huijin is to hold specific equity investment on behalf of the State Council. Huijin exercises the obligation and rights 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, including deposit, investment custody, agency sales of insurance products and re-insurance transactions. In 2010, the Company purchased bonds issued by Huijin at a par value of RMB300 million from inter-bank market. As of 31 December 2013, the carrying value of these bonds is RMB300 million (31 December 2012: RMB299 million). The recognized bond interests for the year ended 31 December 2013 is RMB12 million (for the year ended 31 December 2012: RMB12 million).

#### (ii) Investment management service agreement

The Company and New China Asset Management entered into an annual investment management service agreement for entrusted investment in 2013. According to this agreement, New China Asset Management provides investment management services to the Company and independently makes investment decisions in accordance with investment guidance stipulated by the Company. The Company is entitled to all investment returns and bears all losses (subject to negotiation on a case by case basis) from the entrusted investment funds. The Company pays basic service fee, floating management fee and performance management fee to New China Asset Management.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

### 33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

#### (2) Transactions with significant related parties (Continued)

##### (iii) Dividends from New China Asset Management

New China Asset Management declared a dividend distribution on 27 September 2013 and planned to dispatch cash dividend, RMB1.4497 per share, to all shareholders. The Company confirmed RMB141 million dividend income (2012: Nil). As of 31 December 2013, the Company had not received the dividend distribution.

##### (iv) Office rental contracts

The Company leases a part of New China Life Building to New China Asset Management as its office space.

##### (v) 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%(2012: 1%) of standard premiums they generated.

#### (3) Balance of related party transactions

Balance of related party transactions	As of 31 December	
	2013	2012
<b>Group</b>		
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)	330	312

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (3) Balance of related party transactions (Continued)

Company	As of 31 December	
	2013	2012
Receivables from subsidiaries		
New China Asset Management (ii)	465	–
Xi'an Clinic	22	21
Wuhan Clinic	20	20
Xinhua Seniors	16	6
Health Technology	14	5
Chongqing New China	9	9
New China Health	5	–
Yunnan New China	3	8
Dividends receivable		
New China Asset Management (Note 33(2)(iii))	141	–
Payables to subsidiaries		
New China Asset Management	21	21
Chongqing New China	2	1
Yunnan New China	–	1

#### (i) Payable to Huijin

Payable to Huijin are due to special dividends for shareholders (Note 19(1)).

#### (ii) Capital injection to New China Asset Management

Pursuant to the resolution passed at the 11th meeting of the fifth session of the Board of Directors in 2013, the Board of Directors of the Company reviewed and approved a planned capital injection agreement, which allows the Company to inject RMB465 million into New China Asset Management. As of 31 December 2013, the capital injection has not been approved by the CIRC.

No provisions are held against receivables from related parties.

The balances between the Company and its subsidiaries have been eliminated in the Consolidated Statement of Financial Position.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (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	
	2013	2012
Payroll and welfare	63	56
<b>Total</b>	<b>63</b>	<b>56</b>

### (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 2013, 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 2013, 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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

## 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.

## 35 COMMITMENTS

### (1) Capital commitments

Capital commitments are for purchase of property plant and equipment and software, etc. Management confirms that the Group has sufficient future income or funding to fulfill these capital commitments.

	As of 31 December	
	2013	2012
Contracted but not provided for	336	125

### (2) Operating lease commitments

The future aggregate minimum lease payments due under non-cancellable operating leases are as follows:

	As of 31 December	
	2013	2012
Within 1 year (including 1 year)	322	335
Between 1 and 5 years (including 5 years)	360	363
More than 5 years	6	2
<b>Total</b>	<b>688</b>	<b>700</b>

### (3) Investment commitments

As of 31 December 2013, the investment commitment which has been engaged by the Group and has not been recognized in the financial statements, is RMB920 million (31 December 2012: 913).



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)

### 36 INVESTMENT IN SUBSIDIARIES

Company	As of 31 December	
	2013	2012
Unlisted investments at cost	21,335	1,320

The basic information of the Company's subsidiaries at 31 December 2013 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%
Health Technology	Beijing, China	Real estate property development and Training	RMB632 million	100%
Xinhua Seniors	Beijing, China	Service	RMB15 million	100%
Tanzhou Real Estate	Beijing, China	Real estate property development	RMB10 million	95%
Shanggu Real Estate	Beijing, China	Real estate property development	RMB15 million	100%
New China Health	Beijing, China	Investment Management, Management Consulting	RMB500 million	100%
Wuhan Clinic	Wuhan, China	Health Management	RMB20 million	100%
Xi'an Clinic	Xian, China	Health Management	RMB20 million	100%
Qingdao Clinic (ii)	Qingdao, China	Health Management	RMB20 million	100%
Yantai Clinic (ii)	Yantai, China	Health Management	RMB20 million	100%
Baoji Clinic (ii)	Baoji, China	Health Management	RMB16 million	100%
Chongqing Clinic (ii)	Chongqing, China	Health Management	RMB22 million	100%
Changsha Clinic (ii)	Changsha, China	Health Management	RMB22 million	100%
Chengdu Clinic (ii)	Chengdu, China	Health Management	RMB20 million	100%
Zhengzhou Clinic (ii)	Zhengzhou, China	Health Management	RMB20 million	100%
Asset Management (Hong Kong) (ii)	Hong Kong, China	Asset management	HKD50 million	98.2%
Orient No.1 Funding Plan (ii)	N/A	Project investment	RMB10,000 million	100%
Huarong No.1 Funding Plan (ii)	N/A	Project investment	RMB10,000 million	100%

# Notes to the Consolidated Financial Statements (Continued)

*For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)*

## 36 INVESTMENT IN SUBSIDIARIES (Continued)

- (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 commenced liquidation proceeding. As of the issuance date of the Consolidated Financial Statements, the liquidation of Chongqing New China has not been completed.
- (ii) Qingdao Clinic, Yantai Clinic, Baoji Clinic, Chongqing Clinic, Changsha Clinic, Hong Kong Asset Management, Orient No.1 Funding Plan and Huarong No.1 Funding Plan are set up in 2013 and are incorporated into the scope for consolidation.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held by the parent company does not differ from the proportion of ordinary shares held. There are no significant restrictions on all subsidiaries. The non-controlling interests of subsidiaries are immaterial to the Group.

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 2013 (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 2013 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	–	4,936	1,045	–	–	–	5,981
Zhiguang He (i)	–	4,488	855	–	–	–	5,343
Haiying Zhao	–	–	–	–	–	–	–
Xingguo Meng	–	–	–	–	–	–	–
Xiangdong Liu	–	–	–	–	–	–	–
Chengran Wang	–	–	–	–	–	–	–
Johnny Chen	–	–	–	–	–	–	–
Chee Meng Cheong (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	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 2013 (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 2012 are as follows:

Name	Directors' fees	Salaries, allowances and benefits	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
		in kind		in RMB thousands			
Dian Kang	-	4,859	1,045	-	-	-	5,904
Zhiguang He	-	4,487	855	-	-	-	5,342
Haiying Zhao	-	-	-	-	-	-	-
Xingguo Meng	-	-	-	-	-	-	-
Xiangdong Liu	-	-	-	-	-	-	-
Chengran Wang	-	-	-	-	-	-	-
Johnny Chen	-	-	-	-	-	-	-
Chee Meng Cheong	-	-	-	-	-	-	-
Guocang Huan (iv)	-	-	-	-	-	-	-
John Huan Zhao	-	-	-	-	-	-	-
Robert David Campbell	300	-	-	-	-	-	300
Xianping Chen	250	-	-	-	-	-	250
Yuzhong Wang	250	-	-	-	-	-	250
Hongxin Zhang	250	-	-	-	-	-	250
Hua Zhao	300	-	-	-	-	-	300
Chung Fong	250	-	-	-	-	-	250

During the year, no director waived or has agreed to waive any emoluments.

- (i) Zhiguang He is also the president of the Company, resigned on 31 December 2013.
- (ii) Passed away on 17 September 2013.
- (iii) Appointed on 20 June 2012.
- (iv) Resigned on 12 March 2012.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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 2013 are as follows:

Name	Salaries, allowances and benefits in kind	Bonuses	Pension	Inducement fees	Compensation for loss of office as supervisor	Total
			scheme contributions			
in RMB thousands						
Jun Chen	4,040	851	–	–	–	4,891
Bo Ai	–	–	–	–	–	–
Nansong Zhu (i)	–	–	–	–	–	–
Xiaojun Chen	–	–	–	–	–	–
Hongbo Lv (ii)	–	–	–	–	–	–
Yiyong Liu	1,527	322	–	–	–	1,849
Tao Zhu	817	206	–	–	–	1,023
Jing Yang	477	223	–	–	–	700

The aggregate amounts of emoluments of supervisors of the Company for the year ended 31 December 2012 are as follows:

Name	Salaries, allowances and benefits in kind	Bonuses	Pension	Inducement fees	Compensation for loss of office as supervisor	Total
			scheme contributions			
in RMB thousands						
Jun Chen	4,039	770	–	–	–	4,809
Bo Ai	–	–	–	–	–	–
Nansong Zhu	–	–	–	–	–	–
Xiaojun Chen	–	–	–	–	–	–
Yiyong Liu	1,284	767	–	–	–	2,051
Tao Zhu	792	335	–	–	–	1,127
Jing Yang	476	281	–	–	–	757

(i) Resigned on 1 February 2013.

(ii) Appointed on March 2013.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013 (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 2013, the five individuals whose emoluments were the highest in the Group include 2 (2012: 2) directors whose emoluments are reflected in the analysis presented above.

Details of remuneration of the remaining 3 (2012: 3) highest paid individuals are as follows:

	For the year ended 31 December	
	2013	2012
	in RMB thousands	
<b>Total</b>	<b>23,560</b>	<b>23,696</b>

The emoluments fell within the following bands:

	For the year ended 31 December	
	2013	2012
HK\$6,500,001 – HK\$7,000,000	1	2
HK\$7,000,001 – HK\$7,500,000	1	1
HK\$7,500,001 – HK\$8,000,000	1	–
HK\$8,000,001 – HK\$9,000,000	1	1
HK\$14,000,001 – HK\$15,000,000	1	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.

# Notes to the Consolidated Financial Statements (Continued)

*For the year ended 31 December 2013 (All amounts in RMB millions unless otherwise stated)*

## 38 Subsequent Event

The following events took place subsequent to 31 December 2013:

### (1) Issue of Debt of Financing Instruments

Pursuant to a resolution passed at the 16th meeting of the fifth session of the Board of Directors on 22 January 2014, the Company plans to issue debt financing instruments not exceeding RMB5 billion in total, subject to its compliance with regulatory requirements in 2014. 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. The proposed issuance of debt financing instruments is pending the approval of the general meeting of the Company and the regulatory authorities.

### (2) Issue of Subordinated term debts

Pursuant to a resolution passed at the 17th meeting of the fifth session of the Board of Directors on 26 March 2014, the Company plans to issue subordinated term debts not exceeding RMB5 billion in total, subject to its compliance with regulatory requirements in 2014. The subordinated term debts will have a maturity of more than 5 years and their coupon rate will be determined by reference to the prevailing market rate. The proposed issuance of subordinated term debts is pending the approval of the general meeting of the Company and the regulatory authorities.

### (3) Dividend

Pursuant to a resolution passed at the meeting of the Board of Directors on 26 March 2014, a final dividend of RMB0.15 per ordinary share (including tax) totaling approximately RMB468 million for the year ended 31 December 2013 was proposed for shareholders' approval at the annual general meeting.

The logo for the New China Life Insurance Co., Ltd. customer service line, featuring the number 95567 in a stylized, rounded green font. The number 9 is the largest and most prominent, with a small green leaf-like shape above its top curve. The numbers 5, 5, 6, and 7 are smaller and follow in a similar rounded style.

全国统一客服电话

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