



关爱人生每一天

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

Annual Report
2015





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 2015 Annual Report of the Company was considered and approved at the second meeting of the sixth session of the Board of the Company on 29 March 2016, which 11 directors were required to attend and 8 of them attended in person. Director DACEY John Robert authorized Chairman of the Board WAN Feng, independent non-executive director CAMPBELL Robert David and FONG Chung Mark authorized independent non-executive director LI Xianglu to attend the meeting and vote on behalf of them.
3. The Company plans to distribute an annual dividend of RMB0.28 (tax included) per share to all of H Shareholders and A Shareholders for 2015, being approximately RMB873 million in total, representing approximately 10.23% of the distributable profit of the Company achieved within the year as contained in the 2015 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 the shareholders at the general meeting.
4. Ernst & Young conducted the audit on the 2015 consolidated financial statements of the Company in accordance with the International Standards on Auditing and issued the standard unqualified audit report.
5. Mr. WAN Feng, the Chairman of the Company, 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 2015 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. Investors and other related parties shall have enough risk awareness and understand the difference among the plan, estimation and commitment.

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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 Company (Hong Kong)	New China Asset Management (Hong Kong) Limited, a subsidiary of the Asset Management 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
New China Health	New China Life Excellent Health Investment Management Co., Ltd., a subsidiary of the Company
Zijin Century	Beijing Zijin Century Real Estate Co., Ltd.
MJ Health	Beijing MJ Health Screening Co., Ltd.
Electronic Commerce	New China Electronic Commerce Co., Ltd., a subsidiary of the Company
Hefei Supporting Operation	Hefei New China Life Supporting Construction Operation Management Co., Ltd., a subsidiary of the Company
Haoran Power	Beijing Century Haoran Power Technology Development Co., Ltd., a subsidiary of the Company
Guangzhou Yuerong	Guangzhou Yuerong Project Construction Management Co., Ltd., a subsidiary of the Company
Hainan Seniors	Xinhua Village Seniors Investment Management (Hainan) Co., Ltd., a subsidiary of the Company
China Jinmao	China Jinmao Holdings Group Limited

Section 1

Definitions and Material Risk Alert

Huijin	Central Huijin Investment Ltd.
Baosteel Group	Baosteel Group Corporation
CIRC	China Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
Hong Kong Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited
RMB	Renminbi
PRC, China	People's Republic of China, for 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
IFRS	International Financial Reporting Standards as promulgated by the International Accounting Standards Board
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, etc.. The Company has taken various measures to efficiently manage and control various risks. Please refer to Section 11 "Risk Management" of this 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: WAN Feng

Board Secretary/Joint Company Secretary: ZHU Ying

Securities Representative: WANG Hongli

Tel: 86-10-85213233

Fax: 86-10-85213219

Email: ir@newchinalife.com

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

Joint Company Secretary: MOK Ming Wai

Tel: 852-35898678

Fax: 852-35898555

Email: mandy.mok@tmf-group.com

Address: 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, 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: 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

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

Email: 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: Ernst & Young Hua Ming LLP

Address: Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing, PRC

Signing Certified Public Accountants: GUO Hangxiang and YU Yinyin

International Auditor: Ernst & Young

Address: 22/F, CITIC Tower, 1 Tim Mei Avenue, 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

Business Overview

During the “Twelfth Five-Year Plan” period, the insurance industry of the PRC grew rapidly in terms of its value-add and service capability, capitalizing on the gradually improving business environment and the implementation of regulatory policies. As a result, the overall strength and global influence of the insurance industry of the PRC fully entered into a new stage. Leveraging on favorable policies such as Several Opinions on Accelerating the Development of the Modern Insurance Service Industry (《關於加快發展現代保險服務業的若干意見》) issued by the State Council, the interest rate cut by the People’s Bank, the marketisation reform on premium rates, the PRC insurance industry produced record-breaking profitability and development in 2015. Further, the capabilities of the insurance industry have continuously strengthened, and its ability to serve the society and the economy has also continuously increased.

As a major life insurance company in the PRC, the Company is primarily engaged in the provision of life insurance products and services to individuals and institutions through its nationwide distribution network. Meanwhile, the Company also manages and utilizes its insurance assets through its subsidiaries, Asset Management Company and Asset Management Company (Hong Kong). The Company focuses on life insurance business and recognizes the importance of effective business value enhancement. It optimizes the structure and quality of business with an emphasis on long term regular premium products. Meanwhile, the Company actively promotes team building and product innovation, and enhances the back office support system with a view to facilitate businesses. The Company has developed rapidly in recent years, with its value growing steadily, as it has made significant progress in its strategic transformation. During the “Twelfth Five-Year Plan” period, the Company maintained its No. 3 position in the market.

1. Life insurance business

In 2015, revolving the two major themes of “business development” and “strategic transformation”, the Company focused on business development, committed to its values and insisted on returning to the essence of insurance. The Company further thoroughly implemented various strategic transformation initiatives that were designed to capture the two goals of enhancement of growth and efficiency, and reform and innovation.

On the one hand, the Company's business thrived in every aspect. Firstly, all the business targets have been met. In 2015, the gross life insurance business income of the Company increased year on year by 1.8% to RMB111,859 million, of which the Company received RMB52,339 million as premiums from new policies, representing an increase of 18.7% from last year, and received RMB16,765 million as first year premiums from regular insurance, representing an increase of 40.4% from last year. Secondly, the business structure of the Company underwent continuous optimization. The contribution of regular premium products from individual insurance agent channel and service and business development channel with premium payment periods of ten years or more has increased steadily, while the health insurance and traditional insurance businesses achieved balanced development. Thirdly, team building improved in terms of both quantity and efficiency. Through enhancing organizational development, the team of the Company grew in both scale and productivity, laying a solid foundation for business development. The value of new businesses grew by 34.8% as compared to last year, and such increase was attributable to the increase in premium income from new policies and the optimization of the business structure.

On the other hand, the Company achieved significant progress in business transformation. In terms of products, the Company launched the "Jiakangwuyou (健康無憂)" product to cater for the needs of customers, the teams and the Company. This product achieved premiums from new policies of RMB1,452 million in September and October alone, and was the best-selling product in the short-term for protection-type products throughout the Company's history. In terms of service, the Company continued to upgrade the technology platform, and the underwriting coverage rate of E Bao Tong⁽¹⁾ reached 90%. At the same time, the establishment of the six major platforms of the Company began to show results, with the integration of application systems such as the big data platform, customer resources management platform and customer analysis system, as well as the establishment of the new core business system and the rapid development of the e-commerce platform.

2. Asset management business

The Company has always had asset-liability matching management as the basis of its asset management business, and has taken into account the security, liquidity and profitability of the funds under management. The asset management business of the Company seeks to maximize the returns of its investment portfolio on the basis of proper asset allocation and effective risk control.

In 2015, the Company developed its asset allocation strategy and optimized its investment portfolio based on the liability nature of the insurance business, the fluctuation cycle of capital markets, and the principle of absolute returns, in order to maintain stable and sustainable returns from the investment portfolio. The Company captured market opportunities and made timely structural adjustments. As a result, it achieved the net realised gains of RMB16,026 million.

1 E Bao Tong underwriting coverage rate refers to the ratio of the total policies underwritten through E Bao Tong and the total policies underwritten by the institution during the evaluation period

In terms of equity investment, the Company planned ahead of the drastic rise of the market and firmly reduced holdings when the market was at a high level to lock in returns. Hence, the Company minimized losses from the drastic market fall, and achieved relatively good net realized gains. In relation to fixed income, the general strategy of the Company is to invest selectively. While tightening the asset selection criteria and enhancing credit risks prevention, the Company seized various structural opportunities and increased band trade in various tradable products. Regarding investment in non-standard assets, the Company seized market opportunities and made relatively more investments in financial products with high yield and controllable risks in 2013-2014. This helped seize opportunities ahead of the market and maintained comparatively high investment returns in 2015.

As at the end of December 2015, the Company's investment in non-standard assets amounted to RMB143,972 million, accounting for 22.65% of the total investment assets and representing an increase of 3.24 percentage points from last year. Investment products of the Company included assembled funds trust plans, infrastructure and real estate investment plans, project and asset support plans, special asset management plans and insurance assets management products. The assembled funds trust plans accounted for the largest part of the total investment in non-standard assets at 34.66%, down 14.34 percentage points from the end of last year. The investment fields of underlying assets included financial institutions, infrastructures and real estate, etc., with investments in financial institutions and infrastructure accounting for 75.67% of the total investment (excluding equity financial products).

To strengthen the risk management measures regarding investments in non-standard assets, the Company has established a comprehensive investment risk management procedure covering pre-investment assessment, counterparty assessment, post-investment management and credit granting control. Through regular scenario analyses and stress tests, the Company fully assesses the risk exposure and the extreme expected loss. Since early 2015, the Company had drastically tightened its risk appetite for non-standard assets. The non-standard assets invested by the Company generally had relatively high overall credit rating, of which AAA ratings accounted for 99.27% (excluding equity financial products and commercial banking wealth management products), representing an increase of 3.69 percentage points as compared to the end of 2014.

In 2015, the Company actively promoted the overseas investment business and expanded the variety of assets invested overseas. As at the end of 2015, overseas investment assets entrusted to New China Asset Management (Hong Kong) Limited amounted to RMB14,864 million.

In 2016, given the falling interest rates and the more volatile stock market, the Company is set to pursue absolute return and risks prevention, while actively exploring investment opportunities within and outside the country. In relation to equity investments, the Company will adhere to the principle and strategy of value investing, and actively identify investment targets with controllable risks and definite returns. In relation to fixed income investments, the Company will adopt a prudent and conservative risk management policy, focusing on short term investments and keeping tab on credit and market risks. It will also enhance post-investment management and risk disposal planning.

3. Historical key accounting data and financial indicators of the company as of the end of or for the reporting period

Unit: RMB in millions

Key accounting data	2015	2014	Year-on-year increase/ decrease	2013	2012	2011
Gross written premiums and policy fees	111,994	110,067	1.8%	104,073	98,081	95,151
Net profit before income tax	11,782	7,782	51.4%	4,959	2,288	3,275
Net profit	8,602	6,407	34.3%	4,424	2,934	2,800
Net cash flows from operating activities	7,449	25,052	-70.3%	56,205	54,252	55,983

	As of 31 December 2015	As of 31 December 2014	Year-end to year-end increase/ decrease	As of 31 December 2013	As of 31 December 2012	As of 31 December 2011
Equity attributable to shareholders of the Company	57,835	48,359	19.6%	39,312	35,870	31,306

Key financial indicators	2015	2014	Year-on-year	2013	2012	2011
			increase/ decrease			
Basic weighted average earnings per share attributable to shareholders of the Company (RMB)	2.76	2.05	34.6%	1.42	0.94	1.24
Diluted weighted average earnings per share attributable to shareholders of the Company (RMB)	2.76	2.05	34.6%	1.42	0.94	1.24
Weighted average return on equity attributable to shareholders of the Company	16.20%	14.63%	increase by 1.57 percentage points	11.76%	8.69%	16.84%
Weighted average net cash flows from operating activities per share (RMB)	2.39	8.03	-70.2%	18.01	17.39	24.91
	As of 31 December 2015	As of 31 December 2014	Year-end to year-end increase/ decrease	As of 31 December 2013	As of 31 December 2012	As of 31 December 2011
Net assets per share attributable to shareholders of the Company (RMB/share)	18.54	15.50	19.6%	12.60	11.50	10.04

4. Other key financial and regulatory indicators

Indicators	2015/ As of 31 December 2015	2014/ As of 31 December 2014	Year-on-year increase/ decrease	2013/ As of 31 December 2013	2012/ As of 31 December 2012	2011/ As of 31 December 2011
	Unit: RMB in millions					
Investment assets	635,688	625,718	1.6% increase by 1.7 percentage	549,596	479,189	374,667
Total investment yield ⁽¹⁾	7.5%	5.8%	points	5.2%	3.3%	4.0%
Gross written premiums and policy fees	111,994	110,067	1.8% decrease by 4 percentage	104,073	98,081	95,151
Increase rate of gross written premiums and policy fees	1.8%	5.8%	points	6.1%	3.1%	3.5%
Benefits, claims and expenses	144,814	132,680	9.1%	121,652	107,666	104,531

Notes:

- Total investment yield = (Total investment income- interest expense of financial assets sold under agreements to repurchase)/(average monthly investment assets- average monthly financial assets sold under agreements to repurchase- average monthly interest receivables). The comparative figures have been recalculated on the base line of the reporting period.

5. 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 2015 and the consolidated equity of the Company as of 31 December 2015 as stated in the consolidated financial statements prepared in accordance with the PRC GAAP and the IFRS.

6. Analysis of core competitiveness

The operation of the Company focuses on the life insurance business and upholds the two major themes of “business development” and “strategic transformation.” The Company achieved unprecedented operating results and business development in 2015 and ranked 308th among the “Forbes Global 2000” of the Forbes Magazine in the US in the same year.

- The Company has developed the “customer-oriented” operating principle. Focusing on its strategic system of “Ten major systems, Six major platforms, Three core capacities and Two synergetic sectors”⁽¹⁾, the Company explored and developed an operating model that covered the whole life cycle of customers and designed a variety of products focusing on healthcare and elderly service to fit into the comprehensive series of products. In addition, it has also preliminarily established a “Big Market” product operating system, confirmed the implementation of the “customer-oriented” operating system, planned and developed a back office support system with advanced visions.
- The Company has a professional management team with abundant experience in management and operation. The team helped promote the business development and strategic transformation of the Company.
- The Company has a team of high quality and responsible administrative employees, and a team of professional and highly efficient sales. Through continuous enhancement of its staff training program, the Company facilitated the personal growth of the staff and the sales team, while achieving a healthy and sustainable development for the Company.
- The Company has a stable, highly efficient and professional investment team which outperformed the average standard of the industry, allowing the Company’s asset-liability management to improve continuously.
- The Company has a stable market position and an increasing brand influence from year to year. The Company was awarded various honorary titles including the “Annual Excellent China Enterprise Insurance Company” and “Annual Most Competitive Insurance Company”.
- The Company has a comprehensive corporate governance structure, and has fully utilised the respective functions of the general meeting, the Board of Directors, the Board of Supervisors and the management team.
- The Company has developed a vertical risk control and management system which effectively managed the overall risk control and compliance function.

1 The Ten major systems are the whole-life-cycle customer service system, the policy system, the institution system, the team system, the training system, the product system, the operation system, the IT system, the risk management system and the financial system.

The Six major platforms are the new core system platform, the big data platform, the mobile platform, the payment platform, the e-commerce platform and the information exchange platform.

The Three core capacities are the management capability, the investment capability and the innovation capability.

The Two synergetic sectors are the retirement sector and the health sector.

Chairman's Letter to Shareholders

Follow your heart and return to essence

In 2015, the international environment was complicated and severe, with a significantly slower pace in economic and trade growth. Further, the global financial market went through significant shocks. Therefore, the Chinese economy faced increasingly severe downward pressure, and the capital market entered into a period of in-depth adjustment. Facing the perplexing economic situation, the Company conformed to the industry's development trend and adhered to its strategic direction of "returning to the essence of insurance". According to the strategy on product channels as well as the business plan established at the beginning of the year, the Company followed its initial intention and gave its best efforts to firmly seize the two major themes of work, namely "Business Development" and "Strategic Transformation". It comprehensively and exceedingly fulfilled the annual target laid down by the board of directors (the "Board") and achieved a consistent and steady business growth.

As at the end of 2015, the total assets of the Company amounted to RMB660.56 billion, representing year-on-year growth of 2.6%. In 2015, the net profit attributable to the shareholders of the Company amounted to RMB8.601 billion, representing a year-on-year growth of 34.3%. Return on investment income for the year reached 7.5%, representing an increase of 1.7 percentage points as compared to last year. The solvency margin ratio of the Company reached 227.43%, which met the Category II regulatory standard. The Company achieved a new business value of RMB6.621 billion, representing a year-on-year growth of 34.8%. The overall business maintained steady growth and achieved a gross premium income of RMB111.859 billion, representing a year-on-year growth of 1.8%, and maintaining its No. 3 position in the market. As a whole, the development of the Company in 2015 mainly presented the following features:

- (1) **Fully implemented business plan.** In 2015, the achievement rate of the first year premiums for new policies and first year regular premiums were 102% and 116% respectively. In terms of channels, the achievement rate of individual insurance agent channel as well as service and business development channel with respect to the premiums for new policies were 122% and 147%, respectively.
- (2) **Continually optimized business structure.** In 2015, the health insurance premiums from new policies of the Company amounted to RMB7.7 billion with a year-on-year growth of 47%. The Company launched a product named "Jiankangwuyou (健康無憂)" in September, which catered for the interests of clients, teams and the Company as a whole. This product achieved premiums from new policies of RMB1,452 million in September and October alone, and was the best-selling product in the short term for protection-type products throughout the Company's history. This took the lead in product transformation. In relation to the structure of premium payment periods, products with premium payment periods of ten years or more, being sold through the individual insurance agent channel and service and business development channel, achieved a year-on-year growth of 44% and 67% respectively, accounting for 89% and 80% of the regular premiums from new policies of the respective channels, and representing increases of 4 and 6 percentage points as compared to last year, respectively.
- (3) **Effective team building.** At the end of 2015, the number of individual insurance agents reached 259,000 with a year-on-year increase of 47.6%, exceeding the manpower target for the year. The monthly average number of qualified individual insurance agents was 94,000, representing a year-on-year increase of 26.2%. The per capita productivity of the qualified individual insurance agents reached a new historical record of over RMB10,000.



- (4) **Breakthrough in technology application.** In 2015, the E Bao Tong underwriting coverage rate of the Company reached 90%, which means that business underwritten through PAD mobile terminals accounted for 90% of the individual insurance business. Meanwhile, the Company further promoted the on-line operation of supporting platforms such as the new core business system and mobile payment platform, in order to enhance operation efficiency and improve customer experience.
- (5) **Excellent performance on asset management.** In 2015, the Company managed its stock positions with foresight and made adjustments before the significant fluctuations in the stock market, such that the investment gains can be secured and realized. At the same time, the Company also imposed stringent controls on high-risk assets and adopted effective measures in time. Hence, the investment assets of the Company were secured while yielding favorable investment income.

Looking back at the past year, although we did quite well in our results, we dare not to be complacent or careless. Currently, the Chinese economy has been undergoing in-depth reform. Although there is no change in the fundamental situation and expectations of long-term favorable development, the economy still faces huge downward pressure in the short to medium term. The Chinese life insurance industry is also at the critical stage of transformation. Along with the in-depth adjustments on the capital market, the contribution of wealth management products to the industry growth is gradually decreasing, while risks increase. At the same time, the business philosophies of mainstream life insurance companies, focusing on the protection function and the regular premium business, are maturing and converging. Various new policies aimed at promoting the healthy development of the life insurance industry introduced by the central government and regulatory authorities will also be favorable to the transformation of the life insurance industry. Therefore, the business strategies of returning to the essence of insurance and strengthening protection-type products are in line with the trend and are promising.

As a result, over a certain period in future, we can only be faithful to our initial intention and develop NCI into an insurance company that “focuses on life insurance and features protection,” in order to capture new development opportunities, achieve new leaps forward, and reach new heights.

In 2016, we will face a far more complicated external environment. This year is also the 20th anniversary of the establishment of the Company and the 5th anniversary of the listing of the Company, which is quite meaningful to both the Company and its staff. The Company will continue to follow its customer-centred strategy, and insist on returning to the essence of insurance, reform and innovation. At the end of last year, we made plans for this year by confirming the overarching principle of “steady scale, value growth, optimized structure and controllable risks”. We further established the theme of “accelerating the Company’s transformation development and strengthening independent operations of institutions”, drove the Company to seize early opportunities during the transformation, and to develop into a professional life insurance company with unique NCI features.

- (1) **With respect to business development,** we will further enhance our business structure while maintaining a steady business growth. There will be three focuses in 2016: the first is the growth in regular premium business, especially the growth in business with payment periods of ten years or more, and thus the Company will incorporate quantitative targets into the assessment indicators in 2016 for regular premium business for the first time; second is the consistent increase in the proportion of protection-type insurance products; thirdly, we will strengthen cost management to achieve an increase in revenue and the cutting of costs.



Section 4

Chairman's Letter to Shareholders

- (2) **With respect to team establishment**, we will follow the inherent order of team development of life insurance sales teams, focusing on the increase in performance rate and productivity, and guided by the Fundamental Management Measures⁽¹⁾, to increase the sales capability of the team.
- (3) **With respect to the service system**, we will focus on enhancing service efficiency and make full use of digital technologies and platforms such as mobile internet and social media etc. to improve customer experience. We will strive to exceed the industry average standard in aspects such as various basic business efficiency indicators, value-added services, and service of sales personnel.
- (4) **With respect to the management system**, on the one hand, we will further improve the combination of business planning, financial budget and assessment incentive mechanism, and enhance the independent operation capability of branch institutions, so as to activate the development momentum and form an efficient and sound operation system. On the other hand, we will strengthen system establishment and process design, and enhance the integrated management platform. Through defining responsibilities and duties between the headquarters and the branches, we will establish a uniform, professional, standard and efficient management system, so as to achieve value adding from the management perspective.
- (5) **With respect to risk management**, we will adhere to the basic principle that there shall be no systematic risks. On the one hand, we will place great emphasis on cash flow risks, focus on preventing market risks and risks of capital utilization, and pay attention to abnormal surrender risks. On the other hand, we will strengthen internal control, operate according to the law, and implement the establishment of political party atmosphere and anti-corruption work.

Looking back to 2015 and tracing back up to six years before then, under the leadership of the fourth and fifth sessions of the Board as well as the joint efforts of all employees, the Company underwent huge changes and achieved remarkable results, transforming from a problematic company six years ago

to an excellent company. Chairman KANG Dian is especially worth mentioning. He spared no efforts in making great contributions to the strategic transformation and development of NCI during these six years, built a good beginning and laid a solid foundation for the sustainable and healthy development of NCI in the future. As the Chairman of the new session of the Board, I would like to pay the highest tribute to Chairman KANG Dian who made huge contributions to the development of NCI and extend my most heartfelt gratitude to the previous session of the Board and the board of supervisors!

A new journey has begun with new challenges. We will inherit and promote the fine traditions of NCI and strive with joined forces to create higher values for shareholders, to provide better insurance products and service for clients, to create an extensive platform for self-fulfillment of employees, and to be a better corporate citizen. With concrete actions, we will give our best efforts to create a brighter future for NCI!

Last but not least, we would like to express our sincere gratitude to our investors, clients, business partners and the community for their long-term care and support for NCI. We would also like to pay tribute to all our hard-working NCI colleagues who have quietly dedicated their efforts for such a long time. We will work closely and make continuous efforts to achieve our common goal!



Chairman: WAN Feng
29 March 2016

¹ The Fundamental Management Measures on Individual Insurance Agents (2014 Edition)





Section 4

Chairman's Letter to Shareholders

Glories and Awards

- February 2015 In the election held by China Association for Public Companies and China Securities Investor Protection Fund Corporation Limited, and supported by Securities Association of China and Asset Management Association of China, NCI was listed in the China's Most Respected 100 Listed Companies in 2014.
- May 2015 In the list of Forbes Global 2000 companies, NCI ranked 308 in 2015, representing a improvement of 166 places when compared with the ranking of previous year.
- June 2015 In the 17th Golden Bull Award (2014) held by the China Securities Journal, NCI was named as one of the "Golden Bull Top 100 listed companies", representing high recognition of NCI from the capital market and the society regarding corporate governance, information disclosure, investor relationship etc..
- June 2015 In the ranking list of 12th Top 500 Chinese Most Valuable Brands (2015) issued by World Brand Lab, the brand value of NCI was RMB26,816 million, representing a year-on-year increase of over RMB4,000 million, and NCI was ranked 88, representing a improvement of 3 places when compared with the ranking of previous year, maintaining its position on the top 100 list, and showing the stable operating ability and strong brand competitiveness of the Company. NCI has been in the list for 12 consecutive years.
- September 2015 In the list of 2015 Hurun Brand List, NCI ranked 68 with a brand value of RMB12,000 million, and for the first time appeared on the top 100 list, representing a improvement of 51 places when compared with the ranking of previous year. The rise of brand value reached 287%, being the largest percentage of improvement in the financial industry, and NCI was the only financial enterprise in the top 10 added-value brands, representing fast improvement of the strength of brand value of NCI, and significant increase of comprehensive strength of the Company.
- November 2015 In the list of the 21 Century Asia Financial Annual Meeting and 2015 Asia Insurance Competitiveness held by 21st Century Business Herald, NCI ranked 5 among Asian life insurance companies on competitiveness and received again the "Best Social Welfare Award".
- November 2015 In the Chinese Excellent Finance Award Election for the year 2014-2015 organized by the Economic Observer, NCI was awarded the "Annual Excellent China Enterprise Insurance Company".
- December 2015 In the "2015 Financial Times and Chinese Financial Institution Gold Award Ceremony", NCI was awarded the "Golden Dragon" annual most competitive insurance company.



Section 5

Management Discussion and Analysis

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, and is presented in RMB.

I. Key operational indicators

	Unit: RMB in millions		
For the 12 months ended 31 December	2015	2014	Change
Gross written premiums and policy fees	111,994	110,067	1.8%
Total investment income ⁽¹⁾	45,603	32,323	41.1%
Net profit for the year attributable to shareholders of the Company	8,601	6,406	34.3%
Value of one year's new business	6,621	4,912	34.8%
Market share ⁽²⁾	7.1%	8.7%	Decreased by 1.6 percentage points
Persistency ratio			Decreased by 1.44 percentage points
Individual life insurance business 13-month persistency ratio ⁽³⁾	84.99%	86.43%	Decreased by 4.69 percentage points
Individual life insurance business 25-month persistency ratio ⁽⁴⁾	79.52%	84.21%	points
As of 31 December	2015	2014	Change
Total assets	660,560	643,709	2.6%
Net assets	57,841	48,364	19.6%
Investment assets	635,688	625,718	1.6%
Equity attributable to shareholders of the Company	57,835	48,359	19.6%
Embedded value	103,280	85,260	21.1%
Number of customers (in thousands)			
of which: individual customers	27,106	26,147	3.7%
of which: institutional customers	71	64	10.9%

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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.
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.

II. Business analysis

(I) Life insurance business

1. Analysis by distribution channels

	Unit: RMB in millions		
For the 12 months ended 31 December	2015	2014	Change
Individual life insurance	110,558	108,424	2.0%
Of which:			
Individual insurance agent channel	51,354	47,292	8.6%
First year premiums	12,541	9,171	36.7%
Regular premiums	9,908	7,258	36.5%
Single premiums	2,633	1,913	37.6%
Renewal premiums	38,813	38,120	1.8%
Bancassurance channel	49,473	53,434	-7.4%
First year premiums	34,928	31,226	11.9%
Regular premiums	3,904	2,766	41.1%
Single premiums	31,024	28,460	9.0%
Renewal premiums	14,545	22,208	-34.5%
Service and business development channel	9,731	7,698	26.4%
First year premiums	3,619	2,302	57.2%
Regular premiums	2,948	1,911	54.3%
Single premiums	671	391	71.6%
Renewal premiums	6,112	5,397	13.2%
Group insurance	1,301	1,444	-9.9%
Total	111,859	109,868	1.8%

Note: Numbers may not be additive due to rounding.

(1) Individual life insurance business

① Individual insurance agent channel

In 2015, the individual insurance agent channel of the Company grew rapidly, with premiums received through this channel accounting for 45.9% of the premiums received. The gross written premiums (“GWP”) from the individual insurance agent channel for the year increased year on year by 8.6% to RMB51,354 million, of which the first year premiums amounted to RMB12,541 million, representing an increase of 36.7% as compared to the last year, and the renewal premiums amounted to RMB38,813 million, representing an increase of 1.8% as compared to the last year.

At the same time, the business structure of the individual insurance agent channel continued to optimize. In terms of the structural optimization of premium payment period, the first year regular premiums of the Company for the year increased year on year by 36.5% to RMB9,908 million, which accounted for 79.0% of the first year premiums from the individual insurance agent channel. In particular, the premiums from regular premium products with premium payment periods of ten years or more amounted to RMB8,838 million, representing an increase of 44.0% as compared to the last year, and accounting for 70.5% of the first year premiums from the individual insurance agent channel, representing an increase of 4 percentage points year on year. Secondly, in terms of product structure optimization, premiums from health insurance and traditional insurance products for the year accounted for 44.6% and 36.6% of first year premiums, up 6 and 23 percentage points from last year, respectively.

In 2015, the Company strengthened team building for the individual insurance agent channel and enhanced the transformation towards “A Robust Sales Force Development Strategy Focusing on Both Quality and Quantity”. Based on the Fundamental Management Measures on Individual Insurance Agents (2014 Edition) (《個人業務保險營銷員管理基本辦法(2014版)》), the Company continued to optimize the training program in the pursuit of better team development. While its team expanded rapidly, the Company optimized team structure and boosted productivity. As at the end of 2015, the total number of individual insurance agents reached 259,000, representing a year-on-year increase of 47.6%, while the activity rate reached 48.0%, up 4.6 percentage points from last year. The monthly average number of qualified individual insurance agents⁽¹⁾ was 94,000, representing an increase of 26.2% as compared to the last year. The monthly average number of high performing individual insurance agents⁽²⁾ was 46,000, representing an increase of 38.9% as compared to the last year. The monthly average productivity of qualified individual insurance agents exceeded RMB10,000, representing an increase of 11.4% as compared to the last year, and this is attributable to the optimization of product structure.

1 Qualified individual insurance agents refer to those who sold at least one insurance policy calculated on a monthly basis, of which the policy term is more than one year.

2 High performing individual insurance agents refer to those who sold at least one insurance policy on a monthly basis, of which the policy term is more than one year and the first year commission of not less than RMB2,000.

② Bancassurance channel

In 2015, the GWP from the bancassurance channel decreased by 7.4% compared to the last year to RMB49,473 million, of which the first year premiums increased by 11.9% compared to the last year to RMB34,928 million, the first year premiums from regular premium products increased by 41.1% compared to the last year to RMB3,904 million, and the renewal premiums decreased by 34.5% compared to the last year to RMB14,545 million.

The bancassurance channel of the Company focused on the development of regular premium business. Through enhancing the building of high performance teams and the operation of regular premium products in phases, the Company boosted the average productivity of branches of the bancassurance channel in relation to regular premium products with a year-on-year increase of 73.0%, achieving remarkable growth in the regular premium business. At the same time, we achieved outstanding progress in the development of the wealth sales team, which aims at exploring the potential in existing customers and serving the whole life cycles of customers. As at the end of 2015, the number of wealth sales agents was over 7,000. The accumulated first year regular premiums achieved by the wealth sales team reached RMB1,179 million, representing a year-on-year increase of 316.3%, and their contribution to regular premiums accounted for 30.2% of the regular premiums of the bancassurance channel.

③ Service and business development channel

In 2015, the GWP from the service and business development channel of the Company increased year on year by 26.4% to RMB9,731 million, of which the first year premiums increased by 57.2% compared to the last year to RMB3,619 million, and the first year premiums from regular premium products increased by 54.3% compared to the last year to RMB2,948 million. The first year premiums from regular premium products with premium payment periods of ten years or more amounted to RMB2,357 million, accounting for 65.1% of first year premiums, representing an increase of 4 percentage points as compared to the last year. The renewal premiums were RMB6,112 million, representing an increase of 13.2% as compared to the last year. Meanwhile, the Company realigned the product offering towards protection-type products. The proportions of health insurance and traditional insurance products to first year premiums recorded year-on-year increases of 2 and 29 percentage points, respectively, and the product structures underwent continuous optimization.

In 2015, the service and business development channel promoted team building in the pursuit of better performance. The continuous consolidation of core management and optimization of team structure facilitated the rapid transformation and development of businesses. As at the end of 2015, the number of agents of the service and business development channel was 42,000, representing an increase of 35.5% as compared to the last year. The monthly average actual turnover rate⁽¹⁾ was 79.0%, about the same as last year, and the monthly average high performing rate⁽²⁾ reached 30.0%, up 8 percentage points from the last year.

(2) Group insurance business

In 2015, the GWP from the group insurance business of the Company was RMB1,301 million, representing a decrease of 9.9% as compared to the last year.

1 Actual turnover rate = actual active individual insurance agents in statistical period/the average in service number*100%, actual active individual insurance agents refers to those who are in service in statistical period and sold at least one inforced insurance policy with first year commission of not less than RMB210.

2 High performing rate = high performing individual insurance agents in statistical period/the average in service number*100%, high performing individual insurance agents refers to those who are in service in statistical period and sold at least one inforced insurance policy with first year commission of not less than RMB2,000 (RMB1,400 for sales and services offices).

2. Analysis by types of insurance products

Unit: RMB in millions

For the 12 months ended 31 December	2015	2014	Change
GWP	111,859	109,868	1.8%
Traditional insurance	44,215	31,331	41.1%
First year premiums	40,914	30,669	33.4%
Renewal premiums	3,301	662	398.6%
Participating insurance ⁽¹⁾	49,988	66,128	-24.4%
First year premiums	2,670	7,049	-62.1%
Renewal premiums	47,318	59,079	-19.9%
Universal insurance	39	39	-
First year premiums	_(2)	_(2)	-
Renewal premiums	39	39	-
Unit-linked insurance	_(2)	_(2)	-
First year premiums	_(2)	_(2)	-
Renewal premiums	_(2)	_(2)	-
Health insurance	16,517	11,175	47.8%
First year premiums	7,722	5,238	47.4%
Renewal premiums	8,795	5,937	48.1%
Accident insurance	1,100	1,195	-7.9%
First year premiums	1,032	1,149	-10.2%
Renewal premiums	68	46	47.8%

Notes:

- Participating health insurance is included in the participating insurance.
- The amount for each period indicated was less than RMB500,000.
- Numbers may not be additive due to rounding.

In 2015, the Company realized a life insurance GWP of RMB111,859 million, representing an increase of 1.8% as compared to the last year. Against the backdrop of the market-oriented reform of insurance premium rates, the Company adjusted the product strategy and put in extra marketing efforts to promote the traditional annuity insurance products. The premiums from traditional insurance business was RMB44,215 million, representing an increase of 41.1% as compared to the last year, and its contribution also increased by 11 percentage points. In particular, premiums from the traditional annuity insurance products amounted to RMB26,004 million, accounting for 59.0% of those from traditional insurance products. Premiums from health insurance products were RMB16,517 million, representing an increase of 47.8% as compared to the last year. Premiums from participating insurance business was RMB49,988 million, down 24.4% as compared to the last year. The premiums from other insurance businesses were RMB1,139 million, accounting for 1.0% of the total GWP.

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3. Analysis by geographical regions

Unit: RMB in millions

For the 12 months ended 31 December	2015	2014	Change
GWP	111,859	109,868	1.8%
Eastern China	24,192	23,528	2.8%
Central China	22,461	22,316	0.6%
Northern China	21,849	20,893	4.6%
Southern China	16,628	16,273	2.2%
Other regions	26,729	26,858	-0.5%

Note: The Company established seven regional management centers 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 2015, approximately 76.1% of the GWP of the Company were derived from the four regions that are relatively developed or with larger population, namely, Eastern China, Central China, Northern China and Southern China.

4. Operation of the top 5 insurance products in terms of GWP

Unit: RMB in millions

Rank	Product name	Gross premium income	Standard premium for new policies
1	Huifubao Second Generation annuity insurance	15,563	560
2	Huifubao endowment insurance	15,283	363
3	Hongshuangxi New Type C endowment insurance (Participating)	4,920	0.4
4	Jiankangfuxing Increment (2014) critical illness insurance	4,445	4,387
5	Zunxiangrensheng annuity insurance (Participating)	4,272	36

(II) Asset management business

1. Investment portfolio

Unit: RMB in millions

As of 31 December	2015		2014		Change
	Amount	Proportion	Amount	Proportion	
Investment assets	635,688	100%	625,718	100%	1.6%
Classified by investment type					
Term deposits ⁽¹⁾	127,679	20.1%	167,297	26.7%	-23.7%
Debt financial assets	348,281	54.8%	345,518	55.2%	0.8%
– Bonds	229,235	36.1%	237,403	37.9%	-3.4%
– Trust Products	49,903	7.9%	59,475	9.5%	-16.1%
– Debt Plans ⁽²⁾	29,299	4.6%	24,823	4.0%	18.0%
– Asset funding Plan	20,000	3.1%	20,000	3.2%	0.0%
– Others ⁽³⁾	19,844	3.1%	3,817	0.6%	419.9%
Equity financial assets	114,322	18.0%	70,553	11.3%	62.0%
– Funds	52,271	8.2%	22,309	3.6%	134.3%
– Stocks ⁽⁴⁾	33,499	5.3%	34,141	5.5%	-1.9%
– Investments in associates	3,626	0.6%	10,150	1.6%	-64.3%
– Others ⁽⁵⁾	24,926	3.9%	3,953	0.6%	530.6%
Cash and cash equivalents ⁽¹⁾	13,904	2.2%	14,503	2.3%	-4.1%
Other investment assets ⁽⁶⁾	31,502	4.9%	27,847	4.5%	13.1%
Classified by investment purpose					
Financial assets at					
fair value through profit or loss	13,856	2.2%	8,677	1.4%	59.7%
Available-for-sale financial assets	216,897	34.1%	175,502	28.1%	23.6%
Held-to-maturity investments	177,502	27.9%	175,997	28.1%	0.9%
Loans and other receivables ⁽⁷⁾	223,807	35.2%	255,392	40.8%	-12.4%
Investments in associates	3,626	0.6%	10,150	1.6%	-64.3%

Notes:

1. Cash and cash equivalents include term deposits with maturity of three months or less, while term deposits exclude those with maturity of three months or less.
2. Debt plans mainly consist of infrastructure and real estate funding projects.
3. Others include debt asset management products and wealth management products.
4. Stocks include common stocks and preferred stocks.
5. Others include equity asset management products, private equity, equity plans, unlisted equity investments, trust products and wealth management products.
6. Other investment assets mainly include statutory deposits, policy loans, financial assets purchased under agreements to resell, dividends receivable and interests receivable, etc.
7. Loans and other receivables mainly include term deposits, cash and cash equivalents, statutory deposits, policy loans, financial assets purchased under agreements to resell, dividends receivable, interests receivable, loans and receivables, etc.

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As of the end of the reporting period, the Company had investment assets of RMB635,688 million, representing an increase of 1.6% as compared to the end of last year. This increase was mainly attributable to the cash inflows from the Company's insurance business.

As of the end of the reporting period, term deposits amounted to RMB127,679 million and accounted for 20.1% of the total investment assets, representing a decrease of 6.6 percentage points as compared to the end of last year, which was mainly due to the decrease in the allocation of term deposits upon the maturity of term deposits.

As of the end of the reporting period, debt financial assets amounted to RMB348,281 million and accounted for 54.8% of the total investment assets, which was basically the same as compared to the end of last year. As the Company increased the allocation of non-standard investment assets in the debt plans among debt securities, trust products and debt financial assets decreased slightly.

As of the end of the reporting period, equity financial assets accounted for 18.0% 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 funds, equity plans and asset management products among investments in equity financial assets. As of the end of the reporting period, other equity financial assets accounted for 3.9% of the total equity financial assets, representing an increase of 3.3 percentage points as compared to the end of last year, which was mainly due to the change from investment in associate to unlisted equity as a result of the share transfer in the Petro China Oil Pipeline Project Equity Investment Plan and the Company's increase in investment in asset management plans.

As of the end of the reporting period, cash and cash equivalents accounted for 2.2% of the total investment assets, representing a decrease of 0.1 percentage point as compared to the end of last year, which was mainly due to the allocation of investment assets and the requirements for liquidity management.

As of the end of the reporting period, other investment assets accounted for 4.9% of the total investment assets, representing an increase of 0.4 percentage point as compared to the end of last year, which was mainly due to the increase in policy loans.

In terms of investment purposes, as of the end of the reporting period, available-for-sale financial assets increased by 6.0 percentage points as compared to the end of last year, mainly due to the increase in the allocation of funds, wealth management products and unlisted equity financial assets.

2. Investment income

		Unit: RMB in millions		
For the 12 months ended 31 December	2015	2014	Change	
Interest income from cash and cash equivalents	105	220	-52.3%	
Interest income from term deposits	7,924	8,611	-8.0%	
Interest income from debt financial assets	18,292	17,789	2.8%	
Dividend income from equity financial assets ⁽¹⁾	2,830	1,635	73.1%	
Interest income from other investment assets ⁽²⁾	1,033	782	32.1%	
Net investment income ⁽³⁾	30,184	29,037	4.0%	
Realized gains on investment assets	16,026	3,714	331.5%	
Unrealized gains/(losses)	(9)	324	N/A	
Impairment losses on financial assets	(610)	(1,023)	-40.4%	
Share of results of associates ⁽¹⁾	12	271	-95.6%	
Total investment income ⁽⁴⁾	45,603	32,323	41.1%	
Net investment yield (%) ⁽⁵⁾	4.9%	5.2%	decreased by 0.3 percentage points	
Total investment yield (%) ⁽⁵⁾	7.5%	5.8%	increased by 1.7 percentage points	

Notes:

- Cash dividend received from associates is included in dividend income from equity financial assets.
- Interest income from other investment assets includes interest income from statutory deposits, policy loans and financial assets purchased under agreements to resell.
- Net investment income includes interest income from cash and cash equivalents, term deposits, debt financial assets and other investment assets and dividend income from equity financial assets.
- Total investment income = net investment income + realized gains/(losses) on investment assets + unrealized gains/(losses) + impairment losses on investment assets + share of results of associates under equity method.
- Investment yield = (Investment income – Interest expense of items sold under agreements to repurchase)/(monthly average investment assets – monthly financial assets sold under agreements to repurchase – monthly interest receivables).

The Company achieved a total investment income of RMB45,603 million during the reporting period, representing an increase of 41.1% as compared to the last year. The total investment yield was 7.5%, representing an increase of 1.7 percentage points as compared to the last year, which was mainly due to an increase in realized gains on investment assets and an increase in dividend income from equity securities.

The Company achieved a net investment income of RMB30,184 million, representing an increase of 4.0% as compared to the last year; the net investment yield was 4.9%, representing a decrease of 0.3 percentage point as compared to last year, which was mainly due to the decrease in interest income from term deposits.

The realized gains, unrealized gains and losses on investment assets and impairment losses on investment assets amounted to a gain of RMB15,407 million in aggregate, a substantial improvement compared to the gain of RMB3,015 million in aggregate from the last year. As a result of significant capital market volatility in 2015, the Company achieved an increase in the realized gains on investment assets through timely range trading.

3. External Equity Securities

(1) Securities investment

No.	Type of securities	Security code	Abbreviated security name	Initial investment amount (RMB in millions)	Number of Securities held (in millions)	Carrying amount at the end of the period (RMB in millions)	As percentage of total investments in securities at the end of the period (%)	Profits/ losses for the reporting period (RMB in millions)
1	Stock	002152	GRG BANKING	198.73	6.01	186.24	24.11	-13.11
2	Stock	03366X	OCT (ASIA) (LIMITED)	128.84	40.00	135.72	17.57	14.31
3	Stock	600686	KING LONG MOTOR	81.46	5.47	104.99	13.59	25.48
4	Stock	601318	PING AN	78.60	1.98	71.21	9.22	-3.52
5	Stock	002261	TALKWEB	31.93	0.80	31.12	4.03	-0.82
6	Stock	600261	ZHEJIANG YANKON	26.65	3.00	26.37	3.41	4.06
7	Stock	600728	PCI-STCL	26.96	0.70	26.10	3.38	-0.86
8	Stock	002188	BUS ONLINE	22.34	0.50	22.22	2.88	-9.69
9	Stock	600118	CHINA SPACESAT	21.54	0.50	21.27	2.75	1.98
10	Stock	000982	ZHONGYIN CASHMERE	13.61	2.70	19.76	2.56	1.05
Investments in other securities held at the end of the reporting period				109.93	/	127.40	16.50	27.75
Profits/losses of investments in securities sold during the reporting period				/	/	/	/	266.51
Total				740.59	/	772.40	100.00	313.14

Notes:

- Securities investments stated in this table represent investments such as stock, warrants and convertible bonds, etc, are presented in accordance with the carrying amount as at the end of the period, for stock and convertible bonds, only the parts of tradable financial assets are presented.
- Investments in other securities represent investments in other securities apart from the top ten securities.
- Profits/losses during the reporting period in this table are comprised of interest income, dividend income, realized gains/(losses) and unrealized gains/(losses).

(2) Shareholding in other listed companies

Security code	Abbreviated security name	Initial investment amount (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
002466	TIANQI LITHIUM	380.80	5.26	5.20	1,914.20	-	1,364.90	Available for sale	Purchase
600085	TRT	505.87	1.18	1.68	1,028.63	55.94	498.00	Available for sale	Purchase
002415	HIKVISION	393.13	0.86	0.51	708.48	172.09	200.93	Available for sale	Purchase
601166	INDUSTRIAL BANK	703.08	0.11	0.21	689.16	435.64	-74.29	Available for sale	Purchase
600153	C&D INC.	341.69	1.95	1.54	650.79	126.30	123.86	Available for sale	Purchase
601098	CNS	316.48	1.60	1.51	646.23	38.53	189.43	Available for sale	Purchase
002007	HUALAN BIO.	576.94	0.00	2.53	645.88	3.97	68.94	Available for sale	Purchase
002152	GRG BANKING	515.49	1.15	2.22	615.52	45.95	54.19	Available for sale	Purchase
600196	FOSUN PHARMA	490.40	1.11	1.12	608.45	8.41	59.12	Available for sale	Purchase
600061	SDIC ESSENCE	430.65	0.00	0.63	600.37	-	169.71	Available for sale	Purchase
Other securities held at the end of the reporting period		22,880.58	/	/	24,625.08	11,205.34	-3,667.15		
Total		27,535.11	/	/	32,732.79	12,092.17	-1,012.36		

Notes:

- The table presents the shareholding in other listed companies by the Company as classified under available-for-sale financial assets presented in accordance with the carrying amount as at the end of the reporting period.
- Shares in TIANQI LITHIUM were restricted shares at the beginning of the reporting period, but all of them became non-restricted shares by the end of the reporting period.
- Profits/losses during the reporting period in this table are comprised of dividend income, realized gains/(losses) and impairment losses on equity securities.

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(3) Shareholdings in unlisted financial enterprises

Security name	Initial investment amount (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
China Insurance Investment Company Ltd.	36.00	–	3	36.00	–	–	Available for sale	Promotion

Note: Other than the investment mentioned above and the subsidiaries and associates of the Company, the Company did not have any shareholding in other unlisted financial enterprises.

(4) Trading of shares in other listed companies

	Shares purchased/ sold during the reporting period (in millions)	Amount of capital utilized (RMB in millions)	Investment gains incurred (RMB in millions)
Purchase	6,036.92	64,932.19	N/A
Sale	6,419.53	N/A	12,346.35

III. Principal contents and analysis of consolidated financial statements

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

1. Principal assets

Component	Unit: RMB in millions		
	31 December 2015	31 December 2014	Change
Investments in associates	3,626	10,150	-64.3%
Debt financial assets	348,281	345,518	0.8%
– Held-to-maturity	177,502	175,997	0.9%
– Available-for-sale	116,668	117,490	-0.7%
– At fair value through profit or loss	3,389	6,286	-46.1%
– Loans and receivables	50,722	45,745	10.9%
Equity financial assets	110,696	60,403	83.3%
– Available-for-sale	100,229	58,012	72.8%
– At fair value through profit or loss	10,467	2,391	337.8%
Term deposits	127,679	167,297	-23.7%
Financial assets purchased under agreements to resell	91	1,584	-94.3%
Deferred tax assets	6	36	-83.3%
Other assets	9,284	4,251	118.4%
Other assets not included in the above assets	60,897	54,470	11.8%
Total	660,560	643,709	2.6%

Investments in associates

As of the end of the reporting period, investments in associates decreased by 64.3% as compared to the end of 2014, mainly due to the termination of the original Petro China Oil Pipeline Project Equity Investment Plan. The Company chose to participate in the restructuring by transferring its equity interest in the project company as the consideration. After the restructuring, the investment was accounted for as available-for-sale financial assets.

Debt financial assets

As of the end of the reporting period, debt financial assets increased by 0.8% as compared to the end of 2014, mainly due to the increase in wealth management products and debt investment plans.

Equity financial assets

As of the end of the reporting period, equity financial assets increased by 83.3% as compared to the end of 2014, mainly due to the increase in the allocation of funds and unlisted equity securities.

Term deposits

As of the end of the reporting period, term deposits decreased by 23.7% as compared to the end of 2014, mainly due to the decrease in the allocation of term deposits upon the maturity of term deposits.

Financial assets purchased under agreements to resell

As of the end of the reporting period, financial assets purchased under agreements to resell decreased by 94.3% as compared to the end of 2014, mainly due to the needs of investments assets allocation and liquidity management.

Deferred tax assets

As of the end of the reporting period, deferred tax assets decreased by 83.3% as compared to the end of 2014. The main reason is that, according to No. 34 Announcement of the State Administration of Taxation in 2015, withheld wages and salaries that were actually paid to the staff before the end of the final settlement of the year were deductible, hence no temporary difference occurred.

Other assets

As of the end of the reporting period, other assets increased by 118.4% as compared to the end of 2014, mainly due to the increase in investment clearing amount.

2. Principal liabilities

Unit: RMB in millions

Component	31 December 2015	31 December 2014	Change
Insurance contracts liabilities	524,441	480,100	9.2%
Long-term insurance contracts liabilities	522,799	478,406	9.3%
Short-term insurance contracts liabilities			
– Outstanding claims liabilities	559	562	-0.5%
– Unearned premiums liabilities	1,083	1,132	-4.3%
Financial assets sold under agreements to repurchase	19,816	59,234	-66.5%
Reinsurance liabilities	95	67	41.8%
Current income tax liabilities	1,007	48	1,997.9%
Deferred tax liabilities	853	17	4,917.6%
Other liabilities not included in the above liabilities	56,507	55,879	1.1%
Total	602,719	595,345	1.2%

Insurance contracts liabilities

As of the end of the reporting period, insurance contracts liabilities increased by 9.2% as compared to the end of 2014, primarily due to the growth of insurance business and the accumulation of insurance obligations. As at the balance sheet date, liabilities for all insurance contracts of the Company had passed adequacy tests.

Financial assets sold under agreements to repurchase

As of the end of the reporting period, financial assets sold under agreements to repurchase decreased by 66.5% as compared to the end of 2014, primarily due to the allocation of investment assets and the requirements for liquidity management.

Reinsurance liabilities

As of the end of the reporting period, reinsurance liabilities increased by 41.8% as compared to the end of 2014, primarily due to the growth of reinsurance business.

Current income tax liabilities

As of the end of the reporting period, the current income tax liabilities increased by 1,997.9% as compared to the end of 2014, mainly due to the increase in taxable income.

Deferred tax liabilities

As of the end of the reporting period, the deferred tax liabilities amounted to RMB853 million, increased by 4,917.6% as compared to the end of 2014, primarily due to the capital market volatility in 2015, during which the Company achieved an increase in the carrying amount of available-for-sale financial assets through timely range trading, thereby increasing deferred tax liabilities.

3. Shareholders' equity

As of the end of the reporting period, equity attributable to shareholders of the Company amounted to RMB57,835 million, representing an increase of 19.6% as compared to the end of 2014, mainly due to investment income and the cumulative growth of insurance business.

(II) Analysis of Principal Components of the statement of comprehensive income

1. Revenue

For the 12 months ended 31 December	2015	Unit: RMB in millions	
		2014	Change
Gross written premiums and policy fees	111,994	110,067	1.8%
Less: premiums ceded out	(690)	(404)	70.8%
Net written premiums and policy fees	111,304	109,663	1.5%
Net change in unearned premiums liabilities	51	(193)	N/A
Net premiums earned and policy fees	111,355	109,470	1.7%
Investment income	45,069	31,784	41.8%
Other income	1,494	840	77.9%
Total	157,918	142,094	11.1%

Gross written premiums and policy fees

During the reporting period, gross written premiums and policy fees amounted to RMB111,994 million, representing an increase of 1.8% as compared to the last year, mainly due to the increase in premium income from the individual insurance agent channel.

Premiums ceded out

During the reporting period, premiums ceded out amounted to RMB690 million, representing an increase of 70.8% as compared to the last year, mainly due to the growth of the reinsurance business.

Investment income

During the reporting period, investment income amounted to RMB45,069 million, representing an increase of 41.8% as compared to the last year, mainly due to the increase in realized gains on investment assets.

Other income

During the reporting period, other income amounted to RMB1,494 million, representing an increase of 77.9% as compared to the last year, mainly due to the increase in exchange earning, as a result of the appreciation of US dollars against the RMB, and the increase in income of subsidiaries.

2. Insurance business expenditures and other expenses

	Unit: RMB in millions		
For the 12 months ended 31 December	2015	2014	Change
Insurance benefits and claims	(118,719)	(112,017)	6.0%
Claims and net change in outstanding claims liabilities	(1,044)	(1,115)	-6.4%
Life insurance death and other benefits	(77,820)	(64,883)	19.9%
Increase in long-term insurance contracts liabilities	(39,855)	(46,019)	-13.4%
Investment contracts benefits	(1,331)	(1,144)	16.3%
Commission and brokerage expenses	(10,679)	(7,641)	39.8%
Administrative expenses	(12,655)	(11,335)	11.6%
Other expenses	(1,430)	(543)	163.4%
Total	(144,814)	(132,680)	9.1%

Claims and net change in outstanding claims liabilities

During the reporting period, claims and net change in outstanding claims liabilities amounted to RMB1,044 million, representing a decrease of 6.4% as compared to the last year, mainly due to the decrease in combined compensation rate as a result of the change in the structure of the short-term insurance business.

Life insurance death and other benefits

During the reporting period, life insurance death and other benefits amounted to RMB77,820 million, representing an increase of 19.9% as compared to the last year, mainly due to the increase in surrenders, maturities and annuities.

Increase in long-term insurance contracts liabilities

During the reporting period, increase in long-term insurance contracts liabilities amounted to RMB39,855 million, representing a decrease of 13.4% as compared to the last year, mainly due to the increase in surrenders and claims.

Investment contracts benefits

During the reporting period, investment contracts benefits amounted to RMB1,331 million, representing an increase of 16.3% as compared to the last year, 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 amounted to RMB10,679 million, representing an increase of 39.8% as compared to the last year, mainly due to the increase in first year premiums.

Administrative expenses

During the reporting period, administrative expenses amounted to RMB12,655 million, representing an increase of 11.6% as compared to the last year, mainly due to the expanding business scale and the increase in salary and welfare expenses.

3. *Income tax*

During the reporting period, income tax expenses were RMB3,180 million, representing an increase of 131.3% as compared to the last year, mainly due to the increase in taxable income.

4. *Net profit*

During the reporting period, the Company achieved RMB8,601 million of the net profit attributable to the shareholders of the Company, representing an increase of 34.3% as compared to the last year, mainly due to the growth of investment income and the cumulative increase in insurance business.

5. *Other comprehensive income*

During the reporting period, other comprehensive income was RMB1,530 million, representing a decrease of 50.8% as compared to the last year, mainly because the Company undersold in a timely manner during the capital market volatility in 2015. A portion of other comprehensive income from the previous periods was transferred to the current reporting period as realized gains, leading to a decrease in other comprehensive income for the reporting period.

(III) Analysis of consolidated statement of cash flows

		Unit: RMB in millions		
For the 12 months ended 31 December	2015	2014	Change	
Net cash flows from operating activities	7,449	25,052	-70.3%	
Net cash flows from investing activities	39,809	(38,544)	N/A	
Net cash flows from financing activities	(48,099)	9,414	N/A	

1. *Net cash flows from operating activities*

Net cash flows from operating activities of the Company for the year 2015 and 2014 amounted to RMB7,449 million and RMB25,052 million respectively. Cash inflows from operating activities of the Company were primarily comprised of cash premiums received. Cash premiums received from existing insurance contracts for the year of 2015 and 2014 amounted to RMB112,453 million and RMB111,720 million respectively. The increase in cash premiums was primarily due to the continuous growth in premiums income and the consistent development of the Company's insurance business.

Cash outflows from operating activities of the Company in 2015 and 2014 amounted to RMB107,572 million and RMB88,581 million respectively. Cash outflows from operating activities of the Company were primarily comprised of benefits and claims expenses paid in cash, the net decrease in investment and deposit of the insured, commission and brokerage expenses, cash paid to or for employees, tax paid and other cash payments related to operating activities. Benefits and claims expenses paid in cash from the existing insurance contracts for the years of 2015 and 2014 amounted to RMB78,849 million and RMB65,848 million respectively, and the above changes were primarily influenced by the Company's business development and the benefits and claims expenses paid.

2. Net cash flows from investing activities

Net cash flows from investing activities of the Company in 2015 and 2014 amounted to RMB39,809 million and negative RMB38,544 million respectively. Cash inflows from investing activities of the Company in 2015 and 2014 amounted to RMB477,610 million and RMB233,451 million respectively. Cash inflows from investing activities of the Company were primarily comprised of recovery of cash that was invested, investment returns in cash, and cash received from the sale of financial assets purchased under agreement to resell, etc.

Cash outflows from investing activities of the Company in 2015 and 2014 amounted to RMB437,801 million and RMB271,995 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 financial assets purchased under agreements to resell, and cash paid for the purchase and construction of property, plant and equipment, intangible assets and other long-term assets, etc.

3. Net cash flows from financing activities

Net cash flows from financing activities of the Company in 2015 and 2014 amounted to negative RMB48,099 million and RMB9,414 million respectively. Cash inflows from financing activities of the Company in 2015 and 2014 amounted to RMB3,067,746 million and RMB4,537,368 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.

Cash outflows from financing activities of the Company in 2015 and 2014 amounted to RMB3,115,845 million and RMB4,527,954 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, income from investment contracts business, 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, defaults by debtors, as well as the fluctuation of interest rate and other market volatilities. 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 RMB13,904 million. In addition, substantially all of the Company's term deposits were available for utilization, subject to penalty interest. As of the end of the reporting period, the term deposits of the Company amounted to RMB127,679 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 book value of debt securities amounted to RMB348,281 million, and the book value of equity securities amounted to RMB110,696 million.

The principal cash outflows of the Company were comprised of the liabilities associated with various life insurance, annuity insurance, accident insurance and health insurance products, the allocation of dividends and interest payments of insurance policies and annuity contracts, operating expenses, income taxes and dividends declared and payable to shareholders. Cash outflows arising from the insurance activities primarily relate to benefits payments of 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 requirements of the CIRC. As required by the CIRC, solvency margin ratio of a domestic insurance company in the PRC must reach a required level.

Unit: RMB in millions

	As of 31 December 2015	As of 31 December 2014	Reason(s) of Change
Actual capital	55,949	51,541	gains and losses for the current period, changes in fair value of investment assets and investment structure
Minimum capital	24,600	22,753	growth in insurance business
Surplus	31,349	28,788	
Solvency margin ratio	227.43%	226.53%	

The CIRC issued the China Risk Oriented Solvency System ("C-ROSS") in February 2015. The insurance industry entered the C-ROSS transition period. Based on the trial operations during the transition period and as approved by the State Council, the CIRC decided to enforce "the Solvency Regulatory Rules (No. 1-17) for Insurance Companies" from 1 January 2016.

The solvency margin ratios of the Company under C-ROSS are as follows:

Unit: RMB in millions

	31 December 2015
Core capital	145,680
Actual capital	164,680
Minimum capital	58,613
Core solvency margin ratio	248.54%
Comprehensive solvency margin ratio	280.96%

Note: Core solvency margin ratio = core capital/minimum capital; comprehensive solvency margin ratio = actual capital/minimum capital.

Section 5

Management Discussion and Analysis

(II) Gearing ratio

	31 December 2015	31 December 2014
Gearing ratio	91.2%	92.5%

Note: Gearing ratio = Total liabilities/Total assets

(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 mainly include Swiss Reinsurance Company Ltd., Beijing Branch, and China Life Reinsurance Company Ltd. etc.

	Unit: RMB in millions	
For the 12 months ended 31 December	2015	2014
Swiss Reinsurance Company Ltd., Beijing Branch	462	304
China Life Reinsurance Company Ltd.	213	88
Others ⁽¹⁾	15	12
Total	690	404

Notes:

- 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.

V. Analysis of major subsidiaries and associates

Profiles of major subsidiaries and associates of the Company as of 31 December 2015 are as follows:

Unit: RMB in millions

Company name	Major business scope	Registered capital	Shareholding percentage	Total assets	Net assets	Net profit
Asset Management Company	Management and utilisation of self-owned capital and insurance funds; entrusted capital management; consultation business relevant to the assets management business; other asset management business permitted by applicable PRC laws and regulations.	500	99.4%	1,170	919	158
Asset Management Company (Hong Kong)	Advise on security transactions and asset management	HKD50 million	99.64%	154	116	45
Health Technology	Technology 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), real estate development, food and beverage services, accommodation. (Items requiring approval under the law are approved by the relevant authorities and operated in accordance with such approval.)	632	100%	579	556	8
Yunnan Agency ⁽¹⁾	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%	3	3	— ⁽⁷⁾
Xinhua Seniors	Real estate development, corporate management, technology development, conference services, exhibitions, organisation of cultural exchange activities, social and economic consultation (Items requiring approval under the law are approved by the relevant authorities and operated in accordance with such approval.)	562	100%	534	468	(39)
Shanggu Real Estate	Real estate development.	15	100%	16	15	— ⁽⁷⁾
New China Health ⁽²⁾	Investment management, asset management, project investment, economic consultation, software development, exhibitions, conference services, technology promotion, technology services, advertising designing, production, agency and publication, sales of software, hardware and ancillary equipment of computers, sales of instruments and craftwork.	507	100%	1,168	284	(101)

Section 5

Management Discussion and Analysis

Company name	Major business scope	Registered	Shareholding	Total assets	Net assets	Net profit
		capital	percentage			
Electronic Commerce	Commercial brokerage business; sales of electronic products; economic information consultation; technology promotion; the computer system services; data processing; software design, software development.	100	100%	59	52	(34)
Hefei Supporting Operation ⁽³⁾	Project investment, real estate management, housing rental.	500	100%	215	7	(1)
Hainan Seniors ⁽⁴⁾	Investment, operation and management of Pension residential and infrastructure.	1,908	100%	841	837	(6)
Guangzhou Yuerong	Property management, operation of self-owned real estate, house lease, space lease (excluding storage)	10	100%	8	8	(1)
Haoran Power ⁽⁵⁾	Air power equipment, technical development of oil thermal recovery equipment, technology transfer, technical consultation, technical training; asset management.	500	100%	467	456	(7)
Zijin Century	Real estate development; sales of self-developed commercial property; hotel management and enterprise management; motor vehicle parking services; commercial consultation; undertaking of exhibitions, and conference services.	2,500	24%	4,051	2,773	(31)
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%	67	50	4
China Jinmao ⁽⁶⁾	Real estate development	N/A	9.5%	HKD158,900 million	HKD58,903 million	HKD5,103 million

Notes:

1. The fifteenth meeting of the Executive Committee of the Company in 2015 considered and approved the "Proposal on the Dissolution of Yunnan New China Insurance Agency Co., Ltd." As of 31 December 2015, Yunnan Agency has not completed the liquidation process.
2. On 30 October 2015, the 30th meeting of the fifth session of the Board of Directors considered and approved the "Proposal on the Introduction of Strategic Investors and Capital Injection of New China Life Excellent Health Investment Management Co., Ltd.". The capital injection agreement was signed in December 2015, filed for record with the CIRC in December 2015 and registered the change in January 2016. Upon the registration of change, the registered capital of New China Health increased to RMB1,126.6929 million and the shareholding proportion of the Company changed to 45%.
3. On 12 March 2015, Hefei Supporting Operation has registered the change and the new legal representative is Chi Yunqiang. The registered capital increased to RMB500 million. As of the publication date of the report, the Company has not actually paid the sum of capital increase to Hefei Supporting Operation.
4. On 13 May 2015, the Company agreed to increase the registered capital of Hainan Seniors from RMB760 million to RMB1,908 million. According to the new articles of Hainan Seniors, the Company shall complete the capital contribution using cash and cash equivalents in full before 29 April 2018. In 2015, the new legal representative of Hainan Seniors is Chen Jun. On 29 December 2015, the Company paid the sum of capital increase of RMB84 million to Hainan Seniors. As of 31 December 2015, the actual sum of capital increase paid by the Company was RMB844 million.
5. On 23 July 2015, the Company entered into capital injection agreement with Century Haoran Power and decided to inject RMB480 million to Century Haoran Power. As of 31 December 2015, the relevant capital injection was completed and Haoran Power registered the change.
6. China Jinmao is a material associate investment of the Group accounted for using the equity method.
7. The amount ranged from -RMB500,000 to RMB500,000 in the reporting period.
8. The eighth meeting of the executive committee of the Company in 2014 considered and approved the "Reporting on the Dissolution of Xinhua Village Tanzhou (Beijing) Real Estate Co., Ltd.". On 25 November 2015, Miyun district branch of the Administrative Bureau for Industry and Commerce of Beijing City approved and confirmed the dissolution of Xinhua Village Tanzhou (Beijing) Real Estate Co., Ltd.

VI. Future prospects

In 2016, the development of the industry faces more complex economic and social environment. At the same time, the benefits from policies brought about by the “Ten New National Policies” will continue to be released, such that opportunities and challenges co-exist in the development of the industry.

Firstly, the Chinese economy has entered into a new norm. In the short term, as affected by the slowdown of investments and the downturn in exports, the Chinese economy still faces a relatively large downward pressure. However, in the long term, with respect to consumption, labour, and technological innovation, the Chinese economy has favourable conditions for industry upgrade and structural adjustments. The fundamentals and expectations of long-term economic upturn have not changed.

Secondly, the “Ten New National Policies” continue to release policy benefits. The “Ten New National Policies” has confirmed the “protection” positioning for commercial insurance, while at the same time made clear the relevant measures and tax benefit policies. Following the implementation of various policies, China’s pension insurance, health insurance, medical insurance and so on will gain a strong foothold for long-term development and become the main force for the long term development of the insurance industry. In the recent future, with the introduction of tax-preferred commercial health insurance and the promotion of tax-deferred commercial pension insurance, the insurance industry will upgrade gradually and perfect the protection function of insurance, as well as better perform its social function.

Thirdly, the industry monitoring system has improved further. The C-ROSS was formally implemented. It has not only imposed more stringent requirements on business development, capital management, investment decision, risk control, and operation compliance of life insurance companies, but also promoted the overall increase in integrated management level in life insurance companies, thereby achieving a healthy development.

Fourthly, the development of the insurance industry is maturing. The operation philosophy of returning to the essence of insurance and focusing on sustainable development is now recognized by more life insurance companies. The concepts of focusing on insurance protection, following the basic regularities, and promoting transformative development will lead the major companies in the industry to increase their anti-risk capabilities and their core competitiveness.

Against the background of industry transformation and upgrade, the Company endeavors to pursue value and return to the essence of insurance. Taking into account the requirements of strategic transformation, the Company will center its efforts around “stabilizing scale, enhancing value, optimizing structure, controlling risks” in 2016. It is committed to business development, team building, customer service and risk prevention measures, etc.

Firstly, the Company will focus on structure optimization. With a stable overall scale as its base, the Company will further develop protection-type products, further focus on the development of regular insurance business and optimize the product structure. Meanwhile, the Company will be dedicated to the transformation of supply of pension, health, medical and accident insurance products.

Secondly, the Company will enhance team building. Through upgrading the training program, service and product offering, the Company will boost performance of the sales team while enhancing team building, thereby laying a solid foundation for the development of the team and the nurturing of talents for the insurance industry.

Thirdly, the Company will improve service quality. It will establish a scientific and comprehensive integrated management system for quantitative targets, in order to continuously enhance service efficiency and the quality of customer service. It will provide better basic service, upgrade agency service, and set up a service platform to increase customer satisfaction and loyalty.

Fourthly, the Company will strengthen its risk prevention mechanism. It will ensure compliance with the laws and establish a comprehensive risk management system to minimize exposure to cash flow risks, mass incidents and systemic risks.

Section 6

Embedded Value

WILLIS 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 2015 ("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.

Towers Watson Management (Shenzhen) Consulting Co. Ltd Beijing Branch ("WTW" or "we") has been engaged by NCL to review its EV Results as of 31 December 2015. This report is addressed solely to NCL in accordance with the terms of our engagement letter, and sets out the scope of our work and our conclusions. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than NCL for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

Scope of work

Our scope of work covered:

- A review of the methodology used to calculate the embedded value and the value of one year's new business as at 31 December 2015, 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 2015; 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 2015;
 - the sensitivity tests of the value of in-force business and value of one year's new business as at 31 December 2015; and
 - the analysis of change of the embedded value from 31 December 2014 to 31 December 2015.

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

Opinion

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

- The embedded value methodology used by NCI is consistent with the requirements of the “Life Insurance Embedded Value Reporting Guidelines” issued by the CIRC. **It is noted that the China Risk Oriented Solvency System (“C-ROSS”) requirements have not been considered in the EV Results as of 31 December 2015, as updated Chinese Embedded Value guidance under C-ROSS has not been released.** The methodology applied by NCI is a common methodology used to determine embedded values of life insurance companies in China at the current time;
- The economic assumptions used by NCI are internally consistent, have been set with regard to current economic conditions, and have made allowance for the company’s current and expected future asset mix and investment strategy;
- The operating assumptions used by NCI have been set with appropriate regard to past, current and expected future experience;
- No changes have been assumed to the treatment of tax, but some sensitivity results relating to tax have been shown by NCI;
- The EV Results have been prepared, in all material respects, in accordance with the methodology and assumptions set out in the Embedded Value section.

WTW confirms that the results shown in the Embedded Value section of NCI’s 2015 annual report are consistent with those reviewed by WTW.

For and on behalf of WTW

Michael Freeman, FIAA

Wesley Cui, FSA, FCAA

29 March 2016

1. 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 2015 and have disclosed the relevant information in this section.

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

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

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

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

2. Definitions of Embedded Value

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

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

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

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

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

The value of in-force business and the value of one year's 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.

The current Embedded Value report has been prepared making no allowance for the impact of the China Risk Oriented Solvency System ("C-ROSS") requirements as the Chinese EV guidance under C-ROSS has not been released as of 31 December 2015.

3. Key Assumptions

In determining the embedded value and the value of one year's new business as at 31 December 2015, we have assumed that the Company continues to operate as a going concern under the current economic and regulatory environment, and the current method for determining solvency reserves and statutory minimum solvency margin levels remains unchanged. The operational assumptions are mainly based on the results of experience analyses, together with reference to the overall experience of the Chinese life insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimates of the future based on information currently available at the valuation date.

(I) Risk Discount Rate

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

(II) Investment Returns

The investment return assumptions as at 31 December 2015 are shown below for the different funds respectively.

	Investment Return Assumptions for VIF and the Value of One Year's New Business as at 31 December 2015			
	2016	2017	2018	2019+
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 have been developed based on the Company's past mortality experience, expectations of current and future experience. Mortality assumptions are expressed as a percentage of the standard industry mortality tables: "China Life Tables (2000 to 2003)".

(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 to 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 2015 and expected future outlook. Future inflation of 2.0% p.a. has been assumed in respect of per policy expenses.

(VII) Commission and Handling Fees

The assumed level of commission and commission override, as well as handling fees, have been set based on the levels currently being paid.

(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 the Value of One Year's New Business 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.

4. Embedded Value Results

The table below shows our embedded value and value of one year's new business as at 31 December 2015 and their corresponding results as at prior valuation date.

Valuation Date	Unit: RMB in millions	
	31 December 2015	31 December 2014
Adjusted Net Worth	49,990	42,976
Value of In-Force Business Before Cost of Capital	66,875	54,292
Cost of Capital	(13,586)	(12,007)
Value of In-Force Business After Cost of Capital Embedded Value	53,289	42,284
	103,280	85,260
Value of One Year's New Business		
Value of One Year's New Business Before Cost of Capital	8,247	6,234
Cost of Capital	(1,626)	(1,322)
Value of One Year's New Business After Cost of Capital	6,621	4,912

Note 1: Numbers may not be additive due to rounding.

Note 2: The first year premiums used to calculate the Value of One Year's New Business as at 31 December 2015 and 31 December 2014 were RMB51,202 million and RMB42,843 million respectively.

Note 3: The impact of major reinsurance contracts has been reflected in the Embedded Value and Value of One Year's New Business.

Valuation Date	Unit: RMB in millions	
	31 December 2015	31 December 2014
Value of One Year's New Business by Distribution Channel		
Individual insurance agent channel	6,361	4,713
Bancassurance channel	321	282
Group insurance channel	(61)	(83)
Total	6,621	4,912

Note 1: Numbers may not be additive due to rounding.

Note 2: The first year premiums used to calculate the Value of One Year's New Business as at 31 December 2015 and 31 December 2014 were RMB51,202 million and RMB42,843 million respectively.

Note 3: The impact of major reinsurance contracts has been reflected in Value of One Year's New Business.

Note 4: Value of One Year's New Business of the service and business development channel is included in the individual insurance agent channel.

5. Analysis of Change

The analysis of change in Embedded Value from 31 December 2014 to 31 December 2015, calculated at a risk discount rate of 11.5%, is shown below.

Unit: RMB in millions

Analysis of Change in EV from 31 December 2014 to 31 December 2015 at a Risk Discount Rate of 11.5%

1.	EV at the beginning of period	85,260
2.	Impact of Value of New Business	6,621
3.	Expected Return	8,643
4.	Operating Experience Variances	(2,083)
5.	Economic Experience Variances	7,825
6.	Operating Assumption Changes	(1,110)
7.	Economic Assumption Changes	(584)
8.	Capital Injection/Shareholder Dividend Payment	(655)
9.	Others	(712)
10.	Value Change Other Than Life Insurance Business	74
11.	EV at the end of period	103,280

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.

6. 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 2015

Scenarios	VIF after CoC	the Value of One Year's New Business after CoC
Base Scenario	53,289	6,621
Risk Discount Rate at 12%	50,537	6,115
Risk Discount Rate at 11%	56,238	7,166
Investment Return 50bps higher	62,229	8,262
Investment Return 50bps lower	44,323	4,973
Expenses 10% higher (110% of Base)	51,822	5,681
Expenses 10% lower (90% of Base)	54,758	7,561
Discontinuance Rates 10% higher (110% of Base)	52,405	6,054
Discontinuance Rates 10% lower (90% of Base)	54,128	7,158
Mortality 10% higher (110% of Base)	53,019	6,580
Mortality 10% lower (90% of Base)	53,562	6,662
Morbidity and Loss Ratio 10% higher (110% of Base)	51,919	6,317
Morbidity and Loss Ratio 10% lower (90% of Base)	54,667	6,926
Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30%	48,366	6,516
Statutory Minimum Solvency Margin 50% higher (150% of Base)	51,365	5,807
Taxable Income Based on China Accounting Standards	52,038	6,089

Section 7

Significant Events

I. Significant litigation and arbitration events

During the reporting period, the particulars of the dispute arising from the Company's entrustment for New Industry Investment Co., Ltd. to hold equity interest in China Minzu Securities Co., Ltd. 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 together with interests to Orient Group Co., Ltd., and New Industry Investment Co., Ltd. should pay the principal amount of RMB170 million together with interests to the Company. The performance of the agreement was completed during the reporting period.

For details of other litigation matters regarding the recovery of capital relating to the misconduct of Mr. GUAN Guoliang, former chairman, during the reporting period, please refer to "X. Other significant events – (III) Recovery for the monetary loss relating to the misconduct of former chairman Mr. GUAN Guoliang" in this section.

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

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. Credit of the Company and its controlling shareholder

During the reporting period, the Company and its controlling shareholder are not subject to large amount enforceable judgments of the court or outstanding due and payable debts.

IV. Acquisition and disposal of assets, merger and division

(I) External investment in the Equity Interests of PetroChina Pipeline Company Ltd.

On 24 December 2015, the investors including the Company and PetroChina Pipeline Company Ltd. (the "Platform Company") entered into the *Equity Interest Acquisition Agreement among PetroChina Eastern Pipeline Company Ltd., PetroChina Pipeline United Company Ltd. and PetroChina Northwestern United Pipeline Company Ltd.* (the "Equity Interest Acquisition Agreement"), pursuant to which, the Company participated in the reorganization plan of its pipeline assets by PetroChina Company Limited with a consideration of 7.09% equity interest in PetroChina Pipeline United Company Ltd. (the "Project Company") held by the Company. After the completion of the reorganization plan, the Company held 3.46% equity interest in the Platform Company (the "Transaction"). The consideration of the Transaction was based on the valuation as at 30 June 2015 of the Company's 7.09% equity interest in the Project Company (the total equity interest of the Project Company was RMB123,922 million), after adjusting by certain subsequent event (such as increase and reduction in capital and dividend payment) happened after 30 June 2015. The Transaction was already completed. Please refer to the announcement titled *Discloseable Transaction – Investment in the Equity Interests of PetroChina Pipeline Company Ltd.* published by the Company on 24 December 2015 for details.

(II) Subscription of shares of Franshion Properties (China) Limited by the Company

On 12 June 2015, Asset Management Company (Hong Kong), an overseas subsidiary of the Company, subscribed for 1,013,762,000 shares of the 1,600,000,000 shares newly issued by Franshion Properties (China) Limited (now known as "China Jinmao") (a company listed on Hong Kong Stock Exchange, stock code: 00817) at the price of HKD2.73 per share (excluding transaction cost) with the fund entrusted by the Company (the "Subscription Transaction"). The placement by Franshion Properties (China) Limited was completed on 17 June 2015. As of the end of the reporting period, the Company has paid the total consideration of HKD2,781,621,214.21 (transaction cost included) for the Subscription Transaction and completed the Subscription Transaction. Upon the completion of the Subscription Transaction, the Company holds approximately 9.5% of the shares of China Jinmao through Asset Management Company (Hong Kong). Please refer to the announcement titled *Discloseable Transaction – Proposed Subscription Of Shares Of Franshion* published by the Company on 12 June 2015 for details.

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

V. Connected transactions during the reporting period

(I) Continuing connected transactions

During the reporting period, as 98% of the total issued shares of Hwabao Trust Co., Ltd. ("Hwabao Trust") are directly held by Baosteel Group, a substantial shareholder of the Company, Hwabao Trust constitutes a connected person of the Company, and therefore the transaction under the *Supplementary Agreement of Framework Agreement on the Purchase of Assembled Fund Trust Plan* 《購買集合資金信託計劃框架協議之補充協議》(the "Supplementary Agreement") entered into between the Company and Hwabao Trust on 26 August 2014 and valid until 31 December 2015 constitutes a continuing connected transaction of the Company, which is subject to the reporting, annual review and announcement requirements while exempt from the circular and shareholders' approval requirements under Rule 14A.76(2) 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. Pursuant to the Supplementary Agreement, the annual caps for each of the years 2014 and 2015 for the subscription of the assembled fund trust plan products issued by Hwabao Trust by the Company is RMB2 billion. For details, please refer to the announcement titled *Continuing Connected Transaction – Proposed Purchase of Assembled Fund Trust Plan Products* published by the Company on 26 August 2014.

During the reporting period, the Company has not subscribed for any assembled fund trust plan product issued by Hwabao Trust. Therefore, there have been no transactions under the Supplementary Agreement, which expired on 31 December 2015.

(II) Other connected transactions

During the reporting period, except for the aforesaid continuing connected transactions, the Company did not conduct any other connected transaction or continuing connected transaction which are subject to the reporting, announcement or shareholders' approval requirements under Chapter 14A Connected Transactions of the Hong Kong Listing Rules.

VI. Significant contracts and their performance

- (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 of the Company and its subsidiaries, and the Company and its subsidiaries did not provide any contract guarantee for its subsidiaries.
- (III) The utilization of capital of the Company are carried out mainly on entrusted management, and invested and operated by entrusting Asset Management Company and Asset Management Company (Hong Kong).

According to relevant provisions of the *Interim Administrative Measures for the Entrusted Investment of Insurance Funds* (No. 60 [2012] of the CIRC) issued by the CIRC, the Company, with the consideration and approval of the 24th meeting of the fifth session of the Board and by means of entering into the *Investment Entrustment Management Agreement* and *2015 Insurance Capital Utilization Investment Guidelines* with the Asset Management Company, entrusted Asset Management Company with most of its domestic investment assets (except those in equity investment, real estate investment and daily revolving funds) to make investments, and the term of entrustment was one year. As of 31 December 2015, the Company entrusted Asset Management Company with a total amount of RMB560,740 million to make domestic investments. In accordance with the relevant provisions in the *Investment Entrustment Management Agreement*, the Company paid base management fees to Asset Management Company based on the size of entrusted funds and the base management fee rate as agreed in the *Investment Entrustment Management Agreement* and paid performance bonus according to the investment performance completion.

Section 7

Significant Events

According to the *Interim Measures for the Administration of Overseas Investment with Insurance Funds* (Order No. 2 [2007] issued by the CIRC, People's Bank of China and State Administration of Foreign Exchange) and *Detailed Rules for the Implementation of the Interim Measures for the Administration of Overseas Investment with Insurance Funds* (No. 93 [2012] of the CIRC), the Company, with the consideration and approval of the 24th meeting of the fifth session of the Board and by means of entering into the *Overseas Investment Entrustment Management Agreement* and *2015 Overseas Insurance Capital Utilization Investment Guidelines* with the Asset Management Company (Hong Kong), entrusted overseas investment asset to Asset Management Company (Hong Kong) to make investments, and the term of entrustment was one year. As at 31 December 2015, the Company entrusted Asset Management Company (Hong Kong) to make an overseas investment of RMB14,864 million, and paid investment management fee and performance bonus to Asset Management Company (Hong Kong) in accordance with the *Overseas Investment Entrustment Management Agreement*.

In 2015, the Company made provisions for asset depreciation for such entrusted assets, and recognized asset impairment loss of RMB610 millions. In 2016, the Company will, subject to the regulatory requirements and the decision-making system of entrusted investment of the Company, continue to adopt the entrusted investment model, and entrust Asset Management Company and Asset Management Company (Hong Kong) to make investments.

- (IV) During the reporting period, the Company had no entrusted loans.
- (V) Unless otherwise disclosed in this annual report, during the reporting period, the Company had no other significant contracts.

VII. Commitments of the Company or shareholders with over 5% shares during the reporting period or until the reporting period

Controlling shareholder's 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.

VIII. Appointment of accounting firms

The first extraordinary general meeting of 2015 of the Company held on 30 October 2015 considered and approved the *Proposal regarding the Appointment of Auditors for the Year 2015*, and resolved to appoint Ernst & Young Hua Ming LLP as the domestic auditor and Ernst & Young as the International auditor of the Company for the year 2015, respectively. For details, please refer to the *Announcement on the Voting Results of the first extraordinary general meeting of 2015* published by the Company on 30 October 2015. The Company changed its auditors in 2014, please refer to the announcement titled PROPOSED APPOINTMENT OF AUDITORS published by the Company on 22 January 2014 for details. Ernst & Young Hua Ming LLP and Ernst & Young have been providing annual auditing service for the Company for two consecutive years. The Company paid a total amount of RMB11.995 million to the auditors as the 2015 annual service fee for auditing, reviewing and executing agreed-upon procedures of the financial reports and the service fee for the profit tax returns declaration of the year 2014.

Ernst & Young Hua Ming LLP is the accounting firm appointed for the Company's internal control and audit related to the financial statements for the year 2015. The Company paid RMB1.48 million as its 2015 annual internal control and audit service fees related to the financial statements.

IX. Penalty and rectification of the Company and the Company's directors, supervisors, members of senior management and controlling shareholder

During the reporting period, neither the Company, nor its directors, supervisors, members of senior management or controlling shareholder was subject to any investigations by the authorities, or any coercive measures by judicial authorities or disciplinary inspection departments, or sent to judicial authorities for criminal prosecution, or received investigation, administrative penalty or official censure by the CSRC, or public reprimand by stock exchanges, or major administrative penalty by the tax department or other administrative departments.

X. Other significant events

(I) Issuance of 2016 capital supplement bond

To ensure the Company's sufficient solvency ability and to broaden the financing channels, and according to the 36th meeting of the fifth session of the Board held on 4 February 2016 and resolution of the first extraordinary meeting of 2016 held on 4 March 2016, the Company shall issue a capital supplement bond in the amount not exceeding RMB5.0 billion or equivalent amount in U.S. dollar in 2016. The issue of 2016 capital supplement bond is still subject to approvals of regulatory authorities.

Please refer to the *Supplementary Announcement on the First Extraordinary General Meeting of 2016* published on 19 February 2016 and the *Announcement on the Voting Results of the First Extraordinary General Meeting of 2016 and Election of Employee Representative Supervisors for the Sixth Session of the Board of Supervisors* published on 4 March 2016 for details.

(II) Indirect investment in infrastructure projects

During the reporting period, the Company entrusted Asset Management Company with a total amount of RMB17.56 billion in the debt investment plan in infrastructure.

(III) Recovery for the monetary loss relating to the misconduct of former chairman Mr. GUAN Guoliang

1. To settle the capital flows and clear the debtor-creditor relationship between the Company and Beijing Tianhuan Real Estate Development Co., Ltd. during the term of office of the former chairman Mr. GUAN Guoliang, the Company filed a lawsuit with Chongqing Municipal Higher People's Court against Beijing Tianhuan Real Estate Development Co., Ltd. and New China Trust Co., Ltd. on 18 March 2013. On 25 December 2013, Chongqing Municipal Higher People's Court ruled that Beijing Tianhuan Real Estate Development Co., Ltd. should repay the principal of RMB575 million together with interests of its debts to the Company. Beijing Tianhuan Real Estate Development Co., Ltd. refused to accept the first-instance ruling and appealed to the Supreme People's Court. On 13 May 2014, the Supreme People's Court made the final ruling, which rejected the appeal instituted by Beijing Tianhuan Real Estate Development Co., Ltd. and sustained the the first instance ruling of Chongqing Municipal Higher People's Court. The Company has applied to Chongqing Municipal Higher People's Court for compulsory execution of of Beijing Tianhuan Real Estate Development Co., Ltd. The case is in the process of execution.
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 and arbitration events" in this section.

Section 8

Changes in Share Capital and Shareholders' Profile

I. Changes in share capital

The share capital of the Company as of 31 December 2015 remained unchanged:

	31 December 2014		Increase or decrease during the reporting year (+, -)					31 December 2015	
	Number	Percentage	New shares issued	Bonus shares	Transfer from reserve	Others	Sub-total	Number	Percentage
1. Shares with selling restrictions	-	-	-	-	-	-	-	-	-
2. Shares without selling restrictions									
(1) Ordinary Shares denominated in RMB	2,085,439,340	66.85%	-	-	-	-	-	2,085,439,340	66.85%
(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	-	-	-	-	-	-	-	-	-
Total	3,119,546,600	100.00%	-	-	-	-	-	3,119,546,600	100.00%
3. Total number of shares	3,119,546,600	100.00%	-	-	-	-	-	3,119,546,600	100.00%

II. Issue and listing of securities

During the reporting period, the Company has no issuance of securities.

As of the end of the reporting period, no share issued by the Company to its employees.

III. Shareholders

(I) Number of shareholders and their shareholdings

As at the end of the reporting period, there are 49,874 shareholders of the Company, including 49,277 A Shareholders and 597 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 ⁽²⁾	Overseas legal person shares	33.14	1,033,947,536	+16,276,959	-	-	H
Central Huijin Investment Ltd.	State-owned shares	31.34	977,530,534	-	-	-	A
Baosteel Group Corporation ⁽³⁾	State-owned legal person shares	15.11	471,212,186	-	-	165,000,000	A
China Securities Finance Corporation Limited	State-owned legal person shares	2.70	84,173,447	+84,173,447	-	-	A
Central Huijin Asset Management Ltd.	State-owned legal person shares	0.91	28,249,200	+28,249,200	-	-	A
Hong Kong Securities Clearing Company Limited ⁽⁴⁾	Overseas legal person shares	0.71	22,284,269	+18,478,404	-	-	A
Beijing Taiji Huaqing Information System Co., Ltd.	Domestic legal person shares	0.71	22,080,000	-320,000	-	-	A
Tibet Shannan Xinshang Investment Management Limited	Domestic legal person shares	0.36	11,361,558	-20,069,798	-	-	A
HFT Investment Management-ABC-Huaneng Guicheng Trust -No.3 Assembled Funds Trust Plan of HFT Securities Investment	Others	0.24	7,599,904	+7,599,904	-	-	A
ICBC-Harvest New Opportunity Flexible Allocation Mixed Launched Securities Investment Fund	Others	0.23	7,276,311	+7,276,311	-	-	A
Description of connected relations or concerted action among the aforesaid shareholders	Central Huijin Asset Management Ltd. is a wholly owned subsidiary of Central Huijin Investment Ltd. Save for the above, the Company is not aware of any related-party relationship among the shareholders or whether they are parties acting in concert.						

Notes:

- As at the end of the reporting period, none of the Company's A Shares and H Shares was subject to selling restrictions.
- 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.
- Baosteel group has completed the issuance of exchangeable bonds on 12 December 2014. A total number of 165,000,000 A Shares of the Company held by Baosteel Group that are exchangeable from the Bonds and the entitlements of such shares have been transferred into a special trust account as guaranteed and trusted assets. For details, please refer to the announcement titled *Announcement in Relation to the Completion of the Issuance of Exchangeable Bonds by A Substantial Shareholder of the Company and the Guarantee and Trust Registration for the Company's A Shares Held by The Shareholder* published by the Company on 16 December 2014.
- Hong Kong Securities Clearing Company Limited is the nominee for investors of Shanghai-Hong Kong Stock Connect programme.

As at 29 February 2016, there are 59,697 shareholders of the Company, including 59,101 A Share Shareholders and 596 H Share Shareholders.

Section 8

Changes in Share Capital and Shareholders' Profile

(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 on 16 December 2003 under the Company Law of the People's Republic of China with the approval of the State Council. The registered capital of Huijin is RMB828.209 billion. The legal representative of Huijin is DING Xuedong. 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.

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

No.	Company Name	Percentage of Huijin's equity participation
1	Industrial and Commercial Bank of China Limited**	34.71%
2	Agricultural Bank of China Limited**	40.03%
3	Bank of China Limited**	64.02%
4	China Construction Bank Corporation**	57.11%
5	China Everbright Bank Company Limited**	21.96%
6	New China Life Insurance Company Ltd.**	31.34%
7	China Reinsurance (Group) Corporation*	71.56%
8	Shenwan Hongyuan Group Co., Ltd.*	25.03%
9	China International Capital Corporation Limited.*	28.45%

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

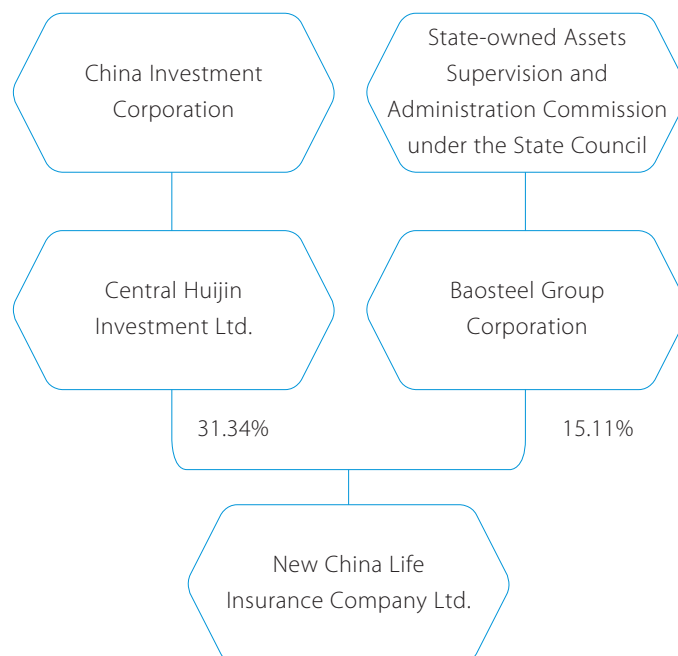
The Company does not have such entity who is not the shareholder of the company but can actually control the company through investment relations, agreements or other arrangements. Therefore, the Company does not have any actual controller.

(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 RMB52,791,101,000. The legal representative of Baosteel Group is XU Lejiang. 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, coal, 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 2015, there were no other corporate shareholders holding 10% or more of the shares in the Company (excluding HKSCC Nominees Limited).

The following chart sets forth the connections between the Company and the ultimate controllers of the corporate shareholders holding 10% or more of shares in the Company as of 31 December 2015:



Section 8

Changes in Share Capital and Shareholders' Profile

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

So far as the directors of the Company are reasonably aware of, as of 31 December 2015, 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 issued A Shares the Company.

In addition to the above, so far as the directors of the Company are reasonably aware of, as of 31 December 2015, 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	977,530,534	31.34	46.87	-	Long Position
			Interests of Controlled Corporation	28,249,200	0.91	1.35	-	Long Position
2	Swiss Re Ltd	H Share	Interests of Controlled Corporation	152,857,800 (Note 3)	4.90	-	14.78	Long Position
3	Fosun International Holdings Ltd.	H Share	Interests of Controlled Corporation	102,183,700 (Note 4)	3.28	-	9.88	Long Position
4	Fosun International Limited	H Share	Interests of Controlled Corporation	70,913,000	2.27	-	6.86	Long Position
			Beneficial owner	31,270,700 (Note 4)	1.00	-	3.02	Long Position
5	Guo Guangchang	H Share	Interests of Controlled Corporation	102,183,700 (Note 4)	3.28	-	9.88	Long Position
6	BlackRock, Inc.	H Share	Interests of Controlled Corporation	59,958,145 (Note 5)	1.92	-	5.80	Long Position

Notes:

- Data disclosed in the table above are based on the information provided on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).
- 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.
- Swiss Re Ltd holds equity interest in the shares of the Company through the companies controlled or indirectly controlled by it.
- Mr. Guo Guangchang holds equity interest in the shares of the Company through Fosun International Holdings Ltd., Fosun International Limited and other companies controlled or indirectly controlled by it.
- BlackRock, Inc. holds equity interest in the shares of the Company through the companies controlled or indirectly controlled by it.

Save as disclosed above, as of 31 December 2015, 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 9

Directors, Supervisors, Senior Management and Employees

I. Directors, supervisors and members of senior management

(I) Directors

As of the publication date of the report, details of the directors of the Company in office and resigned are set out below:

Unit: RMB10,000

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	Whether also remunerated from shareholders during the reporting period
WAN Feng	Executive Director Chairman	In Office	Male	April 1958	Since November 2014 Since March 2016	314.39	200.04	No
LI Zongjian	Non-Executive Director	In Office	Male	July 1960	Since March 2016	-	-	Yes
LIU Xiangdong	Non-Executive Director	In Office	Male	June 1969	Since October 2010	-	-	Yes
CHEN Yuanling	Non-Executive Director	In Office	Female	December 1963	Since March 2016	-	-	Yes
Wu Kunzong	Non-Executive Director	In Office	Male	February 1971	Since July 2014	-	-	Yes
DACEY John Robert	Non-Executive Director	In Office	Male	May 1960	Since August 2014	-	-	Yes
ZHANG Guozheng	Non-Executive Director	In Office	Male	April 1965	Since March 2016	-	-	Yes
LI Xianglu	Independent Non-Executive Director	In Office	Male	November 1949	Since March 2016	-	-	No
ZHENG Wei	Independent Non-Executive Director	In Office	Male	March 1974	Since March 2016	-	-	No
CAMPBELL Robert David	Independent Non-Executive Director	In Office	Male	August 1954	Since April 2010	25.20	4.80	No
FONG Chung Mark	Independent Non-Executive Director	In Office	Male	June 1951	Since September 2011	21.00	4.00	No

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Directors, Supervisors, Senior Management and Employees

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	Whether also remunerated from shareholders during the reporting period
KANG Dian	Executive Director and Chairman	Resigned	Male	July 1948	Since December 2009 until March 2016	402.65	288.94	No
ZHAO Haiying	Non-Executive Director	Resigned	Female	January 1965	Since December 2009 until March 2016	-	-	Yes
MENG Xingguo	Non-Executive Director	Resigned	Male	November 1955	Since December 2009 until March 2016	-	-	Yes
ZHAO John Huan	Non-Executive Director	Resigned	Male	January 1963	Since November 2012 until March 2015	-	-	No
LIU Lefei	Non-Executive Director	Resigned	Male	May 1973	Since July 2014 until July 2015	-	-	Yes
CHEN Xianping	Independent Non-Executive Director	Resigned	Female	November 1954	Since December 2009 until March 2016	21.00	4.00	No
WANG Yuzhong	Independent Non-Executive Director	Resigned	Male	May 1949	Since December 2009 until March 2016	21.00	4.00	No
ZHANG Hongxin	Independent Non-Executive Director	Resigned	Male	December 1965	Since December 2009 until March 2016	21.00	4.00	No
ZHAO Hua	Independent Non-Executive Director	Resigned	Male	June 1954	Since December 2009 until March 2016	25.20	4.80	No

Note:

- The first extraordinary general meeting of 2016 held on 4 March 2016 approved the *Proposal on the Election of Directors for the Sixth Session of the Board of the Company* and the *Supplemental Proposal on the Election of Directors for the Sixth Session of the Board of the Company*, and resolved to elect Mr. WAN Feng, Mr. LI Zongjian, Mr. LIU Xiangdong, Ms. CHEN Yuanling, Mr. WU Kunzong, Mr. HU Aimin, Mr. DACEY John Robert, Mr. ZHANG Guozheng, Mr. LI Xianglu, Mr. NEOH Anthony Francis, Mr. ZHENG Wei, Mr. CAMPBELL Robert David and Mr. FONG Chung Mark as the directors for the sixth session of the Board. For details, please refer to the *Announcement on the Voting Results of the First Extraordinary General Meeting of 2016 and Election of Employee Representative Supervisors for the Sixth Session of the Board of Supervisors* published on 4 March 2016. Mr. WAN Feng, Mr. LIU Xiangdong, Mr. WU Kunzong, Mr. DACEY John Robert, Mr. CAMPBELL Robert David and Mr. FONG Chung Mark are re-elected as directors. The director qualifications of Mr. LI Zongjian, Ms. CHEN Yuanling, Mr. ZHANG Guozheng, Mr. LI Xianglu and Mr. ZHENG Wei were approved by the CIRC on 18 March 2016. The director qualifications of Mr. HU Aimin and Mr. NEOH Anthony Francis are still subject to the approval of the CIRC. Mr. NEOH Anthony Francis currently serves as the independent non-executive director of China Life Insurance Company Limited, and the proposed appointment of Mr. NEOH Anthony Francis as an independent non-executive Director will be further subject to the expiry of his term of office as an independent non-executive director of China Life Insurance Company Limited.
- Mr. WAN Feng was elected as the Chairman of the Board at the first meeting of the sixth session of the Board on 24 March 2016. The qualification of Mr. WAN Feng as Chairman of the Board has been approved by the CIRC.

(II) Supervisors

As of the publication date of the report, details of the supervisors in office and resigned of the Company are set out below:

Unit: RMB10,000

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	Whether also remunerated from shareholders during the reporting period
WANG Chengran	Shareholder Representative Supervisor and Chairman of the Board of Supervisors	In Office	Male	April 1959	Since July 2014	-	-	Yes
LIU Zhiyong	Shareholder Representative Supervisor	In Office	Male	March 1972	Since March 2016	-	-	Yes
WANG Zhongzhu	Employee Representative Supervisor	In Office	Male	October 1967	Since March 2016	-	-	No
Bi Tao	Employee Representative Supervisor	In Office	Male	January 1975	Since March 2016	-	-	No
AI Bo	Shareholder Representative Supervisor	Resigned	Female	February 1971	Since January 2010 until March 2016	-	-	Yes
CHEN Xiaojun	Shareholder Representative Supervisor	Resigned	Male	March 1959	Since January 2010 until March 2016	-	-	No
LV Hongbo	Shareholder Representative Supervisor	Resigned	Male	February 1976	Since March 2013 until March 2016	-	-	Yes
LIU Yiyong	Employee Representative Supervisor	Resigned	Female	April 1960	Since January 2010 until March 2016	124.73	58.14	No
ZHU Tao	Employee Representative Supervisor	Resigned	Male	April 1958	Since January 2010 until March 2016	99.16	32.10	No
YANG Jing	Employee Representative Supervisor	Resigned	Female	June 1962	Since January 2010 until March 2016	68.21	17.30	No

Note:

1. The first extraordinary general meeting of 2016 held on 4 March 2016 approved the *Proposal on the Election of shareholder Representative Supervisors for the Sixth Session of the Board of Supervisors of the Company*, and resolved to elect Mr. WANG Chengran, Mr. LIU Zhiyong and Mr. LIN Chi Fai Desmond as the shareholder representative supervisors for the sixth session of the Board of Supervisors. The above supervisors together with Mr. WANG Zhongzhu and Mr. Bi Tao, who are elected as the employee representative supervisors through democratic means including online voting by employees, comprised the sixth session of the Board of Supervisors of the Company. Please refer to the *Announcement on the Voting Results of the First Extraordinary General Meeting of 2016* and *Election of Employee Representative Supervisors for the Sixth Session of the Board of Supervisors* published on 4 March 2016 for details. Mr. WANG Chengran was re-elected as a supervisor. The supervisor qualifications of Mr. LIU Zhiyong, Mr. WANG Zhongzhu and Mr. Bi Tao were approved by the CIRC on 18 March 2016, and the supervisor qualification of Mr. LIN Chi Fai Desmond is still subject to the approval of the CIRC.
2. Mr. WANG Chengran was elected as the chairman of the Board of Supervisors at the first meeting of the sixth session of the Board of Supervisors on 24 March 2016.

Section 9

Directors, Supervisors, Senior Management and Employees

(III) Members of senior management

As of the publication date of the report, details of the senior management in office and resigned of the Company are set out below:

Unit: RMB10,000

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	Whether also remunerated from shareholders during the reporting period
WAN Feng	Chief Executive Officer	In Office	Male	April 1958	Since March 2016	314.39	200.04	No
	Chief Operation Officer (President)	Resigned			Since October 2014 until March 2016			
HUANG Ping	Vice President	In Office	Male	March 1956	Since April 2001	293.79	182.59	No
LIU Yigong	Vice President	In Office	Male	September 1959	Since December 2004	283.93	176.38	No
YUE Ran	Assistant to President	In Office	Male	February 1963	Since February 2013	233.43	137.60	No
	Chief Human Resource Officer				Since April 2010			
GONG Xingfeng	Assistant to President	In Office	Male	October 1970	Since February 2013	191.33	102.05	No
	Chief Actuary				Since September 2010			
YUAN Chaojun	Assistant to President	In Office	Male	April 1972	Since July 2011	200.89	107.07	No
SUN Yuchun	Assistant to President	In Office	Male	April 1967	Since July 2011	194.32	103.32	No
ZHU Ying	Assistant to President	In Office	Male	February 1971	Since February 2013	196.93	104.42	No
	Board Secretary				Since July 2011			
	Chief Risk Officer (Compliance Principal)				Since October 2013			
	Audit Principal				Since February 2013			
LI Yuan	Assistant to President	In Office	Male	August 1962	Since February 2013	200.32	106.07	No
CHEN Zhengyang	Assistant to President	In Office	Male	April 1971	Since February 2013	198.78	108.14	No
YU Zhigang	Assistant to President	In Office	Male	December 1964	Since February 2013	198.43	105.09	No
KANG Dian	Chief Executive Officer	Resigned	Male	July 1948	Since February 2013	402.65	288.94	No
					until March 2016			
CHEN Guogang	Vice President	Resigned	Male	December 1959	Since July 2011	106.95	59.36	No
					until April 2015			
	Chief Financial Officer (Financial Principal)				Since April 2010 until April 2015			
TANG Gengrong	Assistant to President	Resigned	Male	January 1961	Since February 2013 until May 2015	90.64	45.64	No

Notes:

1. The statistical period of Mr. CHEN Guogang's remuneration is from January 2015 to April 2015.
2. The statistical period of Mr. TANG Gengrong's remuneration is from January 2015 to May 2015.

II. Biographies of directors, supervisors and senior management

(I) Directors

Mr. WAN Feng, aged 57, Chinese

Mr. WAN Feng has been the Chairman of the Board and the Chief Executive officer of the Company since March 2016, and the Executive Director of the Company since November 2014. Mr. Wan has also served as a non-executive director of Asset Management Company since February 2015. He served as the Chief Operation Officer (President) of the Company from October 2014 to March 2016. Prior to joining the Company, he successively served as a vice general manager, a member of party committee, a vice president, a vice secretary of party committee, the president, the secretary of party committee and the vice chairman of the board at China Life Insurance Company Ltd. (a company listed on New York Stock Exchange, stock code: LFC; listed on the SSE, stock code: 601628; listed on the HKSE, stock code: 02628) from August 2003 to August 2014; and during the period from September 2007 to August 2014, he also served as a vice president and a member of the party committee at China Life Insurance (Group) Company Ltd.. Mr. Wan served as a vice general manager, a member of party committee, and the general manager and secretary of party committee of Shenzhen Branch, at China Life Insurance Company from March 1999 to August 2003; and the general manager and secretary of party committee at Shenzhen Branch of PICC Life Insurance Company Ltd. from June 1997 to March 1999; and a senior vice general manager at Hong Kong Branch of Taiping Life Insurance Company from April 1994 to June 1997; and an assistant general manager at Hong Kong Branch of China Life Insurance Company Ltd. from January 1989 to April 1994; and a cadre and a vice director of the life insurance division, and a vice general manager at Jilin Branch of People's Insurance Company of China from August 1982 to January 1989. Mr. Wan holds a senior economist title, and was granted special allowance by the State Council. Mr. Wan received a bachelor degree in Economics from Jilin College of Finance and Trade in 1982, a master's degree in business administration from the Open University of Hong Kong in 2001, a doctorate degree in economics from Nankai University in 2003.

Mr. LI Zongjian, aged 55, Chinese

Mr. LI has been a non-executive director of the Company since March 2016. He serves as a managing director of the security institutions management department and a managing director and a vice director of the insurance institution management department of Huijin. Mr. Li served as a director of China Export & Credit Insurance Corporation from January 2012 to January 2013. Mr. Li served as a deputy general manager, an executive deputy general manager, a member of party committee and the secretary of commission for discipline inspection of Taiping Pension Co. Ltd. and a member of commission for discipline inspection of China Taiping Insurance Group Ltd. from September 2007 to December 2011. Mr. Li served as the secretary general and an executive director of Insurance Society of China and the chief editor of *Insurance Studies* journal from September 2004 to August 2007. Mr. Li served as a deputy director of general office, a deputy general manager of investment management center and a deputy general manager of development and reform department of China Reinsurance (Group) Corporation and also served the board secretary of China Insurance Media Company Ltd. from May 2000 to August 2007. Mr. Li served as a full-time deputy secretary general of Chinese Association of Young Scientists and Technologists under Central Committee of China Communist Youth League from August 1999 to May 2000, a general manager of investment bank department of China People's Insurance Trust and Investment Company and the chairman of China Insurance Trust Futures Brokerage Company from January 1996 to August 1999, a deputy director of the opening division of the comprehensive planning department of State Commission for Economic Restructuring from July 1994 to January 1996. Mr. Li obtained a bachelor's degree in philosophy from Guizhou University in 1982, a master's degree of psychology from Shaanxi Normal University in 1987 and a doctorate degree in law from the sociology department of the graduate school of Chinese Academy of Social Sciences in 1994.

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Directors, Supervisors, Senior Management and Employees

Mr. LIU Xiangdong, aged 46, 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.

Ms. CHEN Yuanling, aged 52, Chinese

Ms. CHEN has been a non-executive director of the Company since March 2016. She is currently employed by Huijin. Ms. Chen has served as a non-executive director of China Construction Bank Corporation (a company listed on the Shanghai Stock Exchange (stock code: 601939) and the Hong Kong Stock Exchange (stock code 00939)) since August 2010. From 1985 to 2010, Ms. Chen specialized as a lawyer in economy and finance, worked with Huaxia Securities Co., Ltd. and as a legal adviser of Jilin Provincial Government and a partner of Beijing Kangda Law Firm. Ms. Chen is the first class lawyer, a mediator of China Council for the Promotion of International Trade and Mediation Centre of China Chamber of International Commerce and a committee member of the Professional Committee of Finance, Security and Insurance of All China Lawyers Association. Ms. Chen obtained a bachelor's degree in law from Peking University in July 1985 and graduated from on-the-job graduate student class of Business School of Jilin University in 2000.

Mr. WU Kunzong, aged 45, Chinese

Mr. WU Kunzong has been a non-executive director of the Company since July 2014. Mr. Wu currently is the general manager of the operation and finance department and the director of asset management of Baosteel Group. He also serves as a supervisor of Baoshan Iron & Steel Co., Ltd. (hereinafter referred to as "Baosteel", a company listed on the SSE, stock code: 600019). Prior to this, Mr. Wu served as head of the audit department of Baosteel Group from March 2011 to August 2013; head of the audit department, the systematic innovation department and the finance department of Baosteel from May 2006 to March 2011; general head of the accounting team of financial and accounting division, deputy head of the audit team (deputy head level), deputy head of the audit division and deputy head of the audit department of Baosteel from March 2001 to May 2006; a financial manager of fixed assets management and procurement of finance and accounting office of the accounting and finance department of Shanghai Baosteel Group Company from October 1998 to March 2001; and an assistant accountant of the capital division of finance and accounting office of the accounting and finance department, a director of fixed assets management business of Baoshan Iron & Steel (Group) Company from July 1993 to October 1998. Mr. Wu has not held any directorship in listed public companies in the last three years. Mr. Wu is qualified as a certified public accountant (CPA), an international certified internal auditor (CIA) and a senior accountant. Mr. Wu obtained a bachelor's degree in accounting from East China Institute of Metallurgy in 1993, a master's degree in accounting from Shanghai University of Finance and Economics in 2004, and a master's degree in business administration from China Europe International Business School in 2008.

Mr. DACEY John Robert, aged 55, American

Mr. DACEY John Robert has been a non-executive director of the Company since August 2014. Mr. Dacey currently is the chief strategy officer and a member of executive committee of Swiss Re Group. Mr. Dacey has almost 30 years of working experience in the international financial industry. Prior to this, Mr. Dacey was the chairman of Admin Re® from November 2012 to May 2015 and was the vice chairman for Asia-Pacific, a member of executive committee and the chief executive officer for the headquarters of Japan and Asia-Pacific of AXA from 2007 to 2012; the chief strategy officer and a member of the executive committee of Winterthur Insurance from 2005 to 2007; the chief financial officer of Winterthur Insurance from 2000 to 2004; head of the strategic development department of Winterthur Insurance Group from 1998 to 2000. From 1990 to 1998, he was a consultant and then a partner at McKinsey & Company in New York and Rome, and a senior analyst of Federal Reserve Bank of New York from 1986 to 1990. Mr. Dacey was a director of AXA Asia Pacific Holdings Ltd. (a company listed on the Australian Securities Exchange, stock code: AXA) from 2007 to 2011. Mr. Dacey obtained a bachelor's degree in economics from Washington University in St. Louis in 1982 and a master's degree in public policy from Harvard University in 1986.

Mr. ZHANG Guozheng, aged 51, Chinese

Mr. ZHANG has been a non-executive director of the Company since March 2016. He currently serves as a senior assistant to the president of Shanghai Fosun Hightech (Group) Co., Ltd. (the "Fosun Group") and the vice president of the insurance group and a director of Yong An Property Insurance Company Ltd. Mr. Zhang joined Fosun Group in 2007 and successively served as an executive director, vice general manager and chief financial officer of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600196) and the Hong Kong Stock Exchange (stock code: 02196)), the vice president, president of finance group of Fosun, the chairman of Tebon Securities Company Ltd., the chairman of Zhongzhou Futures Co., Ltd., the chairman of Great China Finance Leasing (Shanghai) Co., Ltd. etc. Before joining Fosun Group, Mr. Zhang was employed by Shanghai University of Finance and Economics from 1987 to 1993. He worked successively in Charoen Pokphand Group ECI – Metro (Group) Co., Ltd. and Bright Dairy & Food Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600597)) from 1993 to 2006. Mr. Zhang obtained the certified public accountant (CPA) qualification in China in 2000. He obtained a bachelor's degree in economics from Xiamen University in 1987, a master's degree in accounting from Chinese University of Hong Kong in 2004 and an EMBA degree from Shanghai Advanced Institute of Finance of Shanghai Jiao Tong University in 2013.

Mr. LI Xianglu, aged 67, Chinese.

Mr. LI has been an independent non-executive director of the Company since March 2016. He currently serves as the senior counsel of Plateau Holding Co., Ltd. and Kheng Leong (Shanghai) Investment Management Co., Ltd. From 1990 to 2007, Mr. Li served as the vice president and senior counsel of Kidder, Peabody & Co., Inc., investment counsel of China Agribusiness Trust & Investment (Hong Kong) Corporation, senior counsel of Clear Stream Bank, investment counsel of Tianjin Taida Group Co., Ltd. and senior counsel of Kheng Leong (Shanghai) Investment Management Co., Ltd. From 1986 to 1989, Mr. Li served as the standing vice general manager of China International Economic Consultants Co., Ltd. of CITIC Group, and from 1984 to 1986 he served as standing vice general manager of China Petro Development Company. From 1980 to 1984, he served as the secretary to the General Office of the State Council and he worked in the economic group under the research department under the State Council from 1978 to 1980. Mr. Li holds a master's degree in politics from Columbia University.

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Directors, Supervisors, Senior Management and Employees

Mr. ZHENG Wei, aged 42, Chinese

Mr. ZHENG has been an independent non-executive director of the Company since March 2016. He is the dean of the department of risk management and insurance of the School of Economics of Peking University and the secretary general of China Center for Insurance and Social Security Research (the "CCISSR") and serves as a supervisor of China CITIC Bank Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 601998) and the Hong Kong Stock Exchange (stock code: 00998)), member of council and vice secretary-general of Insurance Society of China, member of council of China Association of Social Security and China Institute of Insurance Law. Since March 1999, Mr. Zheng has served successively as the assistant to the dean, vice dean and dean of the department of risk management and insurance of the School of Economics of Peking University and he has successively served as teaching assistant, lecturer, vice professor, professor and professor and doctoral supervisor of the School of Economics of Peking University since July 1998. From August 1998 to January 2000, he was a visiting scholar at University of Wisconsin in Madison. Mr. Zheng obtained a bachelor's, master's and doctorate degree in economics from Peking University in 1995, 1998 and 2003, respectively.

Mr. CAMPBELL Robert David, aged 61, British

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. Mr. Campbell served as an independent non-executive director of China Life Insurance (Overseas) Company Limited from January 2010 to December 2015. 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.

Mr. FONG Chung Mark, aged 65, 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 2013 till now), an independent non-executive director of Worldsec Limited (a company listed on the London Stock Exchange, stock code: WSL) (since February 1997 till now), and an independent non-executive director of China Oilfield Services Limited (a company listed on the Shanghai Stock Exchange (stock code: 601808) and Hong Kong Stock Exchange (stock code: 02883)) (since June 2015 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. WANG Chengran**, aged 56, Chinese

Mr. WANG has been a shareholder representative supervisor and the chairman of the Board of Supervisors since July 2014 and currently serves as the secretary of the party committee of the financial system of Baosteel Group, the secretary of commission for discipline inspection of Ouyeel Co., Ltd., a non-executive director of New China Asset Management Co., Ltd. and China Bohai Bank Co., Ltd. Mr. Wang served as a non-executive Director of the Company from December 2009 to January 2014. Mr. Wang has served as a director of Sailing Capital International (Shanghai) Co., Ltd. since December 2013. Mr. Wang served as a director of Shanghai Baosight Software Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600845; stock code of B shares: 900926)) from April 2013 to February 2015. From May 2009 to March 2015, Mr. Wang served as a non-executive director of China CSSC Holdings Limited (a company listed on the Shanghai Stock Exchange (stock code: 600150)). Since June 2010, he has served as a non-executive director of China Pacific Insurance (Group) Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 601601) and the Hong Kong Stock Exchange (stock code: 02601)) and was re-appointed in 2013. Mr. Wang served as the assistant general manager of Baosteel Group from May 2009 to June 2012 and the director of the audit department of Baosteel Group from January 2010 to March 2011. He also served as the chairman of Fortune Investment Co., Ltd. from June 2009 to January 2010 and was the business director and the director of the asset management department of Baosteel Group from April 2008 to May 2009. He successively held positions of the vice director and the director of the asset management department of Baosteel Group from June 2003 to April 2008, the vice director and the director of the asset management division of the finance department of Baosteel Group from October 1998 to June 2003. Mr. Wang is an economist granted by Baoshan Steel & Iron Factory. He received a bachelor's degree in economic information management from Renmin University of China in 1982.

Mr. LIU Zhiyong, aged 44, Chinese

Mr. LIU has been a shareholder representative supervisor since March 2016 and currently serves as a senior manager of the human resources department and the director of the research and planning team of China Investment Corporation. Mr. Liu served as a section chief of PICC Property and Casualty Company Limited from July 2003 to January 2011 and a section chief of People's Insurance Company (Group) of China Limited from July 2002 to July 2003. Mr. Liu worked for China Yanxing Harbin Company from July 1994 to August 1999. He received a bachelor's degree in chemical engineering from Nanjing University of Science & Technology in 1994 and a master's degree in business management from Capital University of Economics and Business in 2002.

Mr. WANG Zhongzhu, aged 48, Chinese

Mr. WANG has been an employee representative supervisor since March 2016 and has been the director of discipline inspection and supervision office of the Company since January 2011. He also serves as the supervisor of the following subsidiaries of the Company: New China Life Excellent Health Investment Management Co., Ltd., Xinhua Village Seniors Business Management (Beijing) Co., Ltd., New China Electronic Commerce Co., Ltd., Hefei New China Life Supporting Construction Operation Management Co., Ltd. Mr. Wang has been engaged in discipline inspection and supervision work for long time. Mr. Wang served as a presiding deputy director of the inspection office of the Company since April 2010 to January 2011. Mr. Wang has successively served as a staff, a deputy principle staff, principle staff, a deputy division head, a disciplinary inspector and a division head in Central Commission for Discipline Inspection of Communist Party of China and Ministry of Supervision of China from July 1988 to March 2010. Mr. Wang received a bachelor's degree of economics in Investment Economic Management from Zhongnan University of Economics and Law in 1988.

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Directors, Supervisors, Senior Management and Employees

Mr. BI Tao, aged 41, Chinese

Mr. BI has been an employee representative supervisor since March 2016 and has been the presiding deputy general manager of the audit department of the Company since January 2016. He also serves as the supervisor of the following subsidiaries of the Company: New China Village Health Technology (Beijing) Co., Ltd., Xinhua Village Seniors Business Management (Beijing) Co., Ltd., Xinhua Village Seniors Investment Management (Hainan) Co., Ltd., Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd., New China Electronic Commerce Co., Ltd., Hefei New China Life Supporting Construction Operation Management Co., Ltd.. From September 2010 to January 2016, Mr. BI has served as the deputy division head and division head of planning and management division of the audit department, an assistant to the general manager of the audit department of the Company. Mr. BI has served as the head of audit office, an assistant to the general manager and a deputy general manager of the risk management department of the Shandong branch of the Company from October 2003 to September 2010. Mr. BI received a bachelor's degree of economics in Accounting from Shandong Finance College.

(III) Members of senior management

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

Mr. HUANG Ping, aged 60, Chinese

Mr. HUANG Ping has been a vice president of our Company since April 2001, and he is currently in charge of the operation management department, customer service department, the operation planning and group operation department, the information technology department, the new system project management office, and the support base construction leading group office. 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, aged 56, Chinese

Mr. LIU Yigong has been a vice president of the Company since December 2004 and our regional general manager of Central China since November 2014. He is currently in charge of the Central China regional management center, subsidiaries leading group and the centralized purchasing leading team. 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 and the compliance officer of the Company from April 2010 to February 2013. 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 SSE, stock code: 601318; listed on the HKSE, stock code: 02318) 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.

Mr. YUE Ran, aged 53, 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. He is currently in charge of the human resources management department and the disciplinary inspection department. 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, aged 45, Chinese

Mr. GONG Xingfeng has been the chief actuary of our Company since September 2010 and an assistant to president since February 2013. He is in charge of the actuary department. 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 as 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 from Central University of Finance and Economics in 1996, and obtained his master's degree in business administration from China Europe International Business School.

Mr. YUAN Chaojun, aged 43, 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. He is currently in charge of the North China regional management center. 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. Prior to joining the Company, Mr. Yuan was the assistant general manager of the sub-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.

Section 9

Directors, Supervisors, Senior Management and Employees

Mr. SUN Yuchun, aged 48, Chinese

Mr. SUN Yuchun has been an assistant to president of our Company since July 2011 and chairman of the board of Electronic Commerce since January 2014. He is in charge of the marketing department. 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. Prior to 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, and received his doctorate degree in economics from Zhongnan University of Economics and Law in 2015.

Mr. ZHU Ying, aged 45, 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. He is in charge of the Legal compliance and risk management department, the audit department and the Board office. Prior to 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 in international finance from Banking & Finance Institute of China in 1993 and received his master's degree in economics from the Banking and Finance Research Institute of People's Bank of China in 1996 and his doctorate degree in economics from the Banking and Finance Research Institute of People's Bank of China in 2015.

Mr. LI Yuan, aged 53, 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. He is currently in charge of the South China regional management center. 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 bancassurance 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 manager of the business district and bancassurance department of People's Insurance Company of China Hunan Changde branch from April 1993 to November 1998 and was the officer of business division of People's 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 October 1983. Mr. Li is a senior economist. He graduated from China Insurance Management Cadre College majoring in insurance enterprise management in 1989 and obtained a master's degree of EMBA from Sun Yat-sen University in 2010.

Mr. CHEN Zhengyang, aged 44, Chinese

Mr. CHEN Zhengyang has been an assistant to president of the Company since February 2013 and currently assists the management of the operation management department, the customer service department and the operation planning and group operations department. He was the operations 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 has FLMI (Fellow of Life Management Institute) certificate by granted Life Office Management Association and ASA (Associate of Society Actuary) certificate granted by Society of Actuaries of North America. 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, aged 51, Chinese

Mr. YU Zhigang has been an assistant to president of the Company since February 2013 and our regional general manager of East China since November 2014. He is currently in charge of the East China regional management center. Since joining the Company in April 1997, Mr. Yu had been the regional director and senior general manager of Beijing branch, director of bancassurance channel, regional general manager of Central China from January 2011 to November 2014. 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's degree of EMBA from Guanghua School of Management of Peking University in 2010.

Section 9

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
LI Zongjian	Central Huijin Investment Ltd.	Managing director of the security institutions management department and the insurance institution management department	Since July 2014
		Vice director of the insurance institution management department	Since July 2012
LIU Xiangdong	Central Huijin Investment Ltd.	Employee	Since December 2009
CHEN Yuanling	Central Huijin Investment Ltd.	Employee	Since August 2010
WU Kunzong	Baosteel Group Corporation	General Manager of the Operation and Finance Department and Director of Asset Management	Since August 2013
DACEY John Robert	Swiss Re Group	Chief Strategy Officer	Since October 2012
		Member of Executive Committee	Since November 2012
ZHANG Guozheng	Shanghai Fosun Hightech (Group) Co., Ltd.	Senior assistant to the president	Since January 2011
		Vice president of the insurance group	Since March 2015
WANG Chengran	Baosteel Group Corporation	Secretary of the Party of the Financial System	Since June 2012

(II) Major positions in other entities

Name	Name of Other Entities	Position Held	Term
WAN Feng	New China Asset Management Co., Ltd.	Non-Executive Director	Since February 2015
CHEN Yuanling	China Construction Bank Corporation	Non-Executive Director	Since August 2010
WU Kunzong	Baoshan Iron & Steel Co., Ltd.	Supervisor	Since April 2012
LI Xianglu	Plateau Holding Co., Ltd.	Senior counsel	Since November 2013
	Kheng Leong (Shanghai) Investment Management Co., Ltd.	Senior counsel	Since April 2007
ZHENG Wei	Peking University	Dean of the department of risk management and insurance of the School of Economics	Since September 2010
FONG Chung Mark	China CITIC Bank Co., Ltd.	Supervisor	Since May 2015
	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
	China Oilfield Services Limited	Independent Non-Executive Director	Since June 2015

Name	Name of Other Entities	Position Held	Term
WANG Chengran	New China Asset Management Co., Ltd.	Non-Executive Director	Since January 2010
	China Pacific Insurance (Group) Co., Ltd.	Non-Executive Director	Since June 2010
LIU Zhiyong	China Investment Corporation	Senior manager of the human resources department	Since January 2011
		Director of the research and planning team	Since July 2014
Sun Yuchun	New China Electronic Commerce Co., Ltd.	Chairman of the board	Since January 2014
WANG Zhongzhu	New China Life Excellent Health Investment Management Co., Ltd.	Supervisor	Since April 2013
		Supervisor	Since May 2012
	Xinhua Village Seniors Business Management (Beijing) Co., Ltd.	Supervisor	Since January 2014
	New China Electronic Commerce Co., Ltd.	Supervisor	Since April 2014
	Hefei New China Life Supporting Construction Operation Management Co., Ltd.	Supervisor	Since January 2016
	New China Village Health Technology (Beijing) Co., Ltd.	Supervisor	Since January 2016
BI Tao	Xinhua Village Seniors Business Management (Beijing) Co., Ltd.	Supervisor	Since January 2016
		Supervisor	Since January 2016
	Xinhua Village Seniors Investment Management (Hainan) Co., Ltd.	Supervisor	Since January 2016
	Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd.	Supervisor	Since January 2016
	New China Electronic Commerce Co., Ltd.	Supervisor	Since January 2016
	Hefei New China Life Supporting Construction Operation Management Co., Ltd.	Supervisor	Since January 2016

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 and performance assessment with reference to the compensation level in the market. The remuneration of directors and supervisors is approved by the shareholders at 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 directors, supervisors and members of senior management received from the Company is RMB35.3328 million and the total amount of individual income tax paid is RMB19.5925 million. For detailed remuneration of each individual, please refer to "I. Directors, supervisors and members of senior management" of this annual report.

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

Section 9

Directors, Supervisors, Senior Management and Employees

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

(I) Changes in directors

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

Name	Position Held	Change
ZHAO John Huan	Non-Executive Director	Mr. ZHAO John Huan tendered his resignation to the Board on 23 March 2015. Mr. ZHAO resigned as a non-executive director and Board committee member of the Company due to work related reasons. The resignation took effect on 23 March 2015 when his resignation report was delivered to the Board.
LIU Lefei	Non-Executive Director	Mr. LIU Lefei tendered his resignation to the Board on 20 July 2015, and resigned as a non-executive director and Board committee member of the Company due to work related reasons. The resignation took effect on 20 July 2015 when his resignation report was delivered to the Board.

(II) Changes in supervisors

There is no change to the supervisors of the Company during the reporting period.

(III) Changes in members of senior management

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

Name	Former Position	Present Position	Changes
CHEN Guogang	Vice President Chief Financial Officer (Financial Principal)	–	Mr. CHEN tendered his resignation to the Board, and his resignation was approved by the 26th meeting of the fifth session of the Board. Mr. CHEN ceased to be the vice president, chief financial officer (financial principal) and all the other positions of the Company since 30 April 2015.
TANG Gengrong	Assistant to President	–	Mr. TANG tendered his resignation to the Board, and his resignation was approved by the 27th meeting of the fifth session of the Board. Mr. TANG ceased to be the assistant to the president and all the other positions of the Company since 29 May 2015.

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

During the reporting period, no directors, supervisors or members of senior management currently in office or resigned during the reporting period held any of the Company's A Shares directly or indirectly.

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

At of 31 December 2015, 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 62,600 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) which will be required to be entered into the register maintained by the Company pursuant to Section 352 of the SFO or which shall 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 2015, there are a total of 52,474 employees who entered into employment contracts with the Company and its major subsidiaries. Their expertise and education background are set out below:

(I) Expertise

Expertise	Number
Management	1,742
Professional	3,546
Marketing	39,949
Of which: Contractual field sales personnel	28,710
Other	7,237
Total	52,474

Section 9

Directors, Supervisors, Senior Management and Employees

(II) Education background

Education background	Number
Master's degree and above	1,396
Bachelor's degree	22,033
Lower than bachelor's degree	29,045
Total	52,474

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. The remuneration of the contractual field sales personnel of the Company comprises basic remuneration and performance-based bonus. Insisting on the remuneration philosophy of paying according to the position, ability and 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 PRC government, the Company provides employees with social security and housing fund.

The Company has established an improved and all-around staff training system. The headquarters and the branches made joint efforts, under the principle of "practical, useful, effective" and focusing on corporate strategy, business development and staff ability, to design development courses, and provide refined trainings with talent appraisal, case discussion, and online learning. Meanwhile, it has consolidated learning materials, thus gradually formed on-line and off-line learning resource database, and meeting the training demands and personalized learning needs.

Section 10

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

Section 10

Corporate Governance Report

Shareholder(s) shall have the right to propose convening an extraordinary general meeting. Pursuant to the Articles of Association, shareholder(s) individually or jointly holding more than 10% of the Company's total voting shares for over 90 consecutive days ("proposing shareholders") shall have the right to propose convening an extraordinary general meeting. Where proposing shareholders propose convening of an extraordinary general meeting, they shall submit the issues to be resolved and detailed proposals in writing to the Board and make sure that the aforesaid proposals do not violate provisions under laws, regulations, regulatory documents and the Articles of Association. The Board shall give a written reply on whether to convene the extraordinary general meeting within 10 days after receipt of the written proposals submitted by proposing shareholders. Where the Board agrees to convene the extraordinary general meeting, it shall give a notice of such meeting within five days after the resolution is made by the Board. Where the Board does not agree to hold the extraordinary general meeting, it shall give the reasons in writing. If the Board does not approve the proposing shareholders' proposal to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, or it does not give the notice of such meeting within 20 days after receipt of the proposal although it agrees with convening of such meeting, it shall be deemed as refusing to convene the extraordinary general meeting. In this case, proposing shareholders shall have the right to make a written proposal to the Board of Supervisors. The Board of Supervisors shall give a notice of convening such meeting within five days after receipt of the proposal. If the Board of Supervisors fails to give the notice of such meeting within the prescribed period, the proposing shareholders may convene and preside over the meeting by themselves.

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

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

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

General meetings of shareholders

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

Session	Date	Publication media for resolutions	Publication date
The Annual General Meeting of 2014	24 June 2015	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	24 June 2015
The First Extraordinary General Meeting of 2015	30 October 2015	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	30 October 2015

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

As of the end of the reporting period, the Board has 13 directors consisting of two executive director, five non-executive directors and six independent non-executive directors (INEDs) (see Section 9 “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 9 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; to approve the general goal of risk management, risk preference, risk management policies and solutions to major risks, and other risk management responsibilities such as the structuring and duties of risk management organizations; 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 arrange the implementation of the risk management relating to solvency, build the origination structure of risk management of solvency, implement the policies and process of risk management to solvency, evaluate the risk conditions to solvency at regular intervals, make solutions for solvency risks, arrange the development and application of the information system of risk management and other risk management responsibilities authorized by the Board; 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 9 Board meetings in total. The details are as follows:

Session	Date	Publication media for resolutions	Publication date
24th meeting of the fifth session of the Board	2015-1-21	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	2015-1-21
25th meeting of the fifth session of the Board	2015-3-25	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	2015-3-25
26th meeting of the fifth session of the Board	2015-4-29	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	2015-4-29
27th meeting of the fifth session of the Board (by circulation of written resolution)	2015-5-19		
28th meeting of the fifth session of the Board (circulation of written resolution)	2015-7-20		
29th meeting of the fifth session of the Board	2015-8-25	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	2015-8-25
30th meeting of the fifth session of the Board	2015-10-30	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	2015-10-30
31st meeting of the fifth session of the Board (by	2015-11-10		
32nd meeting of the fifth session of the Board (by circulation of written resolution)	2015-12-25		

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 scheduled attendance	Number of actual attendance	Attendance Rate	Remarks
Executive Directors				
KANG Dian	2	2	100%	
WAN Feng	2	2	100%	
Non-Executive Directors				
ZHAO Haiying	2	1	50%	ZHAO Haiying could not attend the First Extraordinary General Meeting of 2015 for business reasons
MENG Xingguo	2	2	100%	
LIU Xiangdong	2	2	100%	
WU Kunzong	2	2	100%	
DACEY John Robert	2	1	50%	DACEY John Robert could not attend the First Extraordinary General Meeting of 2015 for business reasons
ZHAO John Huan	0	0		ZHAO John Huan resigned as a non-executive director of the Company on 23 March 2015
LIU Lefei	1	1	100%	LIU Lefei could not attend the 2014 Annual General Meeting for business reasons and resigned as a non-executive director of the Company on 20 July 2015
INEDs				
CAMPBELL Robert David	2	1	50%	CAMPBELL Robert David could not attend the 2014 Annual General Meeting for business reasons
CHEN Xianping	2	2	100%	
WANG Yuzhong	2	1	50%	WANG Yuzhong could not attend the 2014 Annual General Meeting for business reasons
ZHANG Hongxin	2	2	100%	
ZHAO Hua	2	1	50%	ZHAO Hua could not attend the First Extraordinary General Meeting of 2015 for business reasons
FONG Chung Mark	2	2	100%	

Attendance of Board meetings

Name of director	Number of scheduled attendance	Number of attendance in person	Number of Attendance by proxy	Rate of attendance in person	Remarks
Executive Directors					
KANG Dian	9	9	0	100%	
WAN Feng	9	9	0	100%	
Non-Executive Directors					
ZHAO Haiying	9	5	4	56%	ZHAO Haiying could not attend the 24th, 26th, 30th, 31st 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	9	9	0	100%	
LIU Xiangdong	9	9	0	100%	
WU Kunzong	9	8	1	89%	WU Kunzong could not attend the 31st 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
DACEY John Robert	9	6	3	67%	DACEY John Robert could not attend the 25th, 30th, 31st meeting 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	1	0	1	0	ZHAO John Huan could not attend the 24th meeting 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
LIU Lefei	4	3	1	75%	LIU Lefei could not attend the 24th 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

Name of director	Number of scheduled attendance	Number of attendance in person	Number of Attendance by proxy	Rate of attendance in person	Remarks
INEDs					
CAMPBELL Robert David	9	8	1	89%	CAMPBELL Robert David could not attend the 31st meeting of the fifth session of the Board in person for business reasons but appointed independent non-executive director WANG Yuzhong to attend and exercise the voting right on behalf thereof
CHEN Xianping	9	8	1	89%	CHEN Xianping could not attend the 31st meeting of the fifth session of the Board in person for business reasons but appointed independent non-executive director WANG Yuzhong to attend and exercise the voting right on behalf thereof
WANG Yuzhong	9	9	0	100%	
ZHANG Hongxin	9	9	0	100%	
ZHAO Hua	9	8	1	89%	ZHAO Hua could not attend the 30th meeting of the fifth session of the Board in person for business reasons but appointed independent non-executive director WANG Yuzhong to attend and exercise the voting right on behalf thereof
FONG Chung Mark	9	8	1	89%	FONG Chung Mark could not attend the 30th 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 ZHANG Hongxin participated in the specific training on overseas financing, investment and merger for listed companies in Beijing. Director ZHANG Hongxin and CAMPBELL Robert David participated in the specific training on corporate bonds for companies in Beijing. Director WU Kunzong participated in the training for newly appointed directors, supervisors and senior management of insurance companies in 2015. All members of auditing committee of the Board participated in the training on internal audit standards arranged by the Company. All directors had been arranged to participate in compliance training.

(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 two executive directors (KANG Dian, WAN Feng), four non-executive directors (ZHAO Haiying, MENG Xingguo, WU Kunzong, DACEY John Robert) 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 four meetings in total. Attendance of each member is given as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
KANG Dian	4	2	2
WAN Feng	4	4	0
ZHAO Haiying	4	2	2
MENG Xingguo	4	4	0
WU Kunzong	4	3	1
DACEY John Robert	4	2	2
CAMPBELL Robert David	4	4	0

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

In 2015, 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 2016 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 2015 entrusted investment management agreement, the investment guidelines for the use of insurance funds, 2015 alternative investment plan, 2015 entrusted overseas investment management agreement and the investment guidelines for the overseas use of insurance funds, etc., and issued professional opinions consenting to the submission to the Board for its consideration.
- (3) To consider the proposal on the establishment of charity foundation. The Strategy and Investment Committee has reviewed the proposal on the establishment of New China Life Charity Foundation, and issued professional opinions consenting to the submission to the Board for its consideration.
- (4) To firmly perform other duties, and play its professional functions in respect of areas such as major investment and financing 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 WU Kunzong), and CAMPBELL Robert David serves as the chairman.

1. Duties of the Audit Committee

The main duties of the audit committee include: assess the effectiveness of risk management and internal control, including: assessing internal system design, and discuss with management on risk management and internal control system, ensure the Company establish and maintain appropriate and effective risk management and internal control system, regularly examine risk management and internal control self-assessment report and internal control audit report issued by external institution, and report to the Board on matters relating to risk management, internal control assessment and questions occurred during audit, and supervise the rectification of the defect of internal control; guide internal audit, including: review basic internal audit system of the Company and provide opinions to the Board, ensure the operation of sufficient resource internally by the audit department with appropriate position, guide the effective operation and review and supervise its effectiveness; review annual audit work plan, supervise the implementation of internal plan; review internal audit work report, assess the results of internal audit work, supervise the rectification of major problems; review core business and management regulations and rules and their implementation, examine and assess the compliance and effectiveness of major operations, conduct research on major investigate results relating to risk management and internal control and responds to the management of investigation results, and provide suggestions and make recommendations to the Board; internal reports of various types provided by audit department to the management, rectification plan of audit problems and rectification information shall report to the audit committee; examine financial information and their disclosure, include: review major finance policies and their implementations, supervise financial operations; review financial reports and made advises as to its truthfulness, completeness and accurateness, monitor the effectiveness of the management in implementing financial report procedures; focusing on major accounting and auditing problems of financial report, especially focusing on whether there are any default, fraud, and major error report; audit annual financial budget, budget scheme, annual audit report, and make advises to the Board; supervise the inappropriate acts in financial report and internal control, include: ensure company staff can report to audit committee non-publicly of inappropriate acts in other aspects. The audit committee shall ensure they have appropriate arrangement, and cause the company to make fair investigation and take appropriate actions; formulate report policy, cause the staff and other parties who have transactions with the Company to attach attention on inappropriate acts of the Company; report to the Board any fraud or non-compliance, failure of suspicious illegal behavior or violations they found to the Board according the importance, and audit internal investigation results of suspicious fraud, non-compliance, risk management and failure of internal control and illegal behavior and violations; report to the Board and shareholders of the work results, including: results of effective internal monitoring system and internal audit functional effective, review the effectiveness of internal supervisory system and internal audit function under the Corporate Report, and ensure other disclosures requirements has been reached as to how the Company to abide by the Corporate Governance Code and Corporate Governance Report under Hong Kong Listing Rules; supervise and assess the work of external audit institution, including: propose to the Board to engage or change audit firms, determine the selection procedures and standards for appointment of auditors, assess the independence and professional of auditors, especially impact on the independence and professionalism

of auditors, especially impact on the independence of non-audit services; if the Board don't agree with the opinions on selection, appointment, resignation or dismiss of auditors, the audit committee must propose a statement, and they should provide explanations on their opinions, the Company shall issue its opinions explained by the audit committee set out in the 14 of the Hong Kong Listing Rules; review audit fees and engagement clause of external institutions; matters occurred during discussion, communicate audit scope, audit plan, audit method, and major matters occurred during auditing; adopt appropriate measures to supervise the work of auditors, listen to and review various reports of auditor, ensure auditors' ultimate responsibility at the general meeting, board meeting and audit committee; the audit committee must open two meetings at least one year with external auditing institutions, problems and qualified opinions occurred during the account of interim and annual account with auditors, or all matters the auditor wish to discuss(if necessary, shall discuss without the present of the management); held a single communication without the present of the management; ensure the coordinated communication between the management, internal audit department and relevant auditors and external auditors; prepare related-party transaction system and regulate major related party standards, and make recommendations to the Board, and report to the Board and supervisory meeting; examine various related-party transactions, made special report to the Board in respect of the implementation of related-party transaction system and related-party transaction; put forward improvement opinions and suggestions to the Board on the sufficiency of solvency ability; other relevant duties and responsibilities provided by the China Insurance Regulatory Commission, Shanghai Stock Exchange and authorized by the Board; other duties on principles and provisions under the corporate governance code and corporate governance report under the Appendix 14 of Hong Kong Listed Rules.

2. *Meetings and attendance*

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

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
CAMPBELL Robert David	7	7	0
LIU Xiangdong	7	7	0
WU Kunzong	7	6	1
CHEN Xianping	7	7	0
WANG Yuzhong	7	7	0
ZHANG Hongxin	7	7	0
FONG Chung Mark	7	6	1

3. *Performance of duties of the Audit Committee*

In 2015, 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 annual report of 2014, final account report of 2014 and the changes in accounting estimates of 2014, first quarter report of 2015, interim report of 2015, third quarter report of 2015 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 2015 audit work plan from the auditor.
- (2) To examine the internal control and internal audit of the Company. The Audit Committee has reviewed the proposal on the 2014 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, 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 2014 and confirmed on the information of related parties.
- (4) The Audit Committee has heard and examined various reporting of work from the auditors of the Company for several times, and issued a conclusion report on the audit work of Ernst & Young Hua Ming of 2014 to the Board, reviewed the proposal on the appointment of accounting firms, and proposed to the Board to continually appoint Ernst & Young Hua Ming LLP as the domestic auditor of the Company for the year 2015 and Ernst & Young as the international auditor of the Company for the year 2015 to carry out quarterly agreed proceedings audit, interim audit and annual audit.
- (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.

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 two non-executive directors (ZHAO Haiying and DACEY John Robert) 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 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 two meetings in total. Attendance of each member is given as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
ZHAO Hua	2	2	0
ZHAO Haiying	2	1	1
DACEY John Robert	2	0	2
CAMPBELL Robert David	2	2	0
CHEN Xianping	2	2	0
WANG Yuzhong	2	2	0

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

In 2015, 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 nominate members for the Risk Management Committee of the Board, and issued professional opinions consenting to the submission to the Board for its consideration.
- (2) To organize evaluation of performance of executive directors and senior management. During the reporting period, the Nomination and Remuneration Committee has reviewed proposals on the results of performance evaluation of senior management for 2014, the distribution plan of the performance bonus of senior management for 2014 and the evaluation plan of senior management for 2015, and issued professional opinions consenting to the submission to the Board for its consideration.
- (3) 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 one executive director (WAN Feng), two non-executive directors (MENG Xingguo and DACEY John Robert) 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 and internal control, monitor and evaluate the related implementation and results and submit suggestions to the Board; to review the effectiveness of the risk management and internal control system as well as the function of internal auditing of the Company towards risk management; 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; to make sure of the sufficiency of the resources, the qualification, experience and training of employees and the budget of risk management and internal control; to hear the report on the risk level of solvency and risk management situation of the Company by the senior management at regular intervals, and perform other duties on solvency risk management; and to exercise other functions and powers authorized by the Board.

2. *Meetings and attendance*

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

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
MENG Xingguo	4	4	0
WAN Feng	1	1	0
DACEY John Robert	4	2	2
CHEN Xianping	4	4	0
ZHANG Hongxin	4	3	1

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

In 2015, 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 2014 Comprehensive Risk Management Report and 2014 Compliance Report of the Company, etc., and issued professional opinions consenting to the submission to the Board for its consideration.
- (2) To review the basic policies of risk management and compliance, and their effectiveness. During the reporting period, the Risk Management Committee has reviewed the Proposal on the Trial Management Measures on the Risk preference and Proposal on the Compliance Policy of the Company, and issued professional opinions consenting to the submission to the Board for its consideration.

(IV) Board of Supervisors

As of the end of the reporting period, the Board of Supervisors consists of seven supervisors, including four shareholder representative supervisors and three employee representative supervisors (See Section 9 “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 4 meetings of Board of Supervisors in total. The details are as follows:

Session	Date	Publication media for resolutions	Publication date
11st meeting of the fifth session of the Board of Supervisors	2015-3-25	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	2015-3-25
12nd meeting of the fifth session of the Board of Supervisors	2015-4-29	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	2015-4-29
13th meeting of the fifth session of the Board of Supervisors	2015-8-25		
14th meeting of the fifth session of the Board of Supervisors	2015-10-30		

Attendance of supervisors for the meetings of the Board of Supervisors

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

Name of supervisor	Number of scheduled attendance	Number of attendance in person	Number of attendance by proxy	Attendance Rate	Remarks
WANG Chengran	4	3	1	75%	WANG Chengran could not attend the tenth meeting of the 13th 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
AI Bo	4	4	0	100%	
LV Hongbo	4	4	0	100%	
CHEN Xiaojun	4	4	0	100%	
LIU Yiyang	4	4	0	100%	
ZHU Tao	4	4	0	100%	
YANG Jing	4	4	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. All supervisors had been arranged to participate in the training on internal standards of insurance companies and compliance.

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 Company establish the executive committee system and the role of CEO in February 2013. During the reporting period, 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, the supervisors of the Company conducted on-site investigations in Hubei branch to encourage front-line employees, look into the problems in operations faced by the branch, and timely reported such comments and suggestions to the management of the Company in the form of investigation reports, 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 21 January 2015, the 24th Meeting of the fifth session of the Board considered and approved the *Proposal on the Trial Management Measures on Risk Preference of the Company* and the *Proposal on the Compliance policies of the Company*.

On 29 April 2015, the 26th Meeting of the fifth session of the Board considered and approved the *Proposal on Amendment of New China Life Insurance Limited. Management Measures on the Related-party Transactions*.

On 25 August 2015, the 29th Meeting of the fifth session of the Board considered and approved the *Proposal on Temporary Methods on the Management of Holding Subsidiaries of New China Life Insurance Company Limited*.

On 30 October 2015, the 30th Meeting of the fifth session of the Board considered and approved the *Proposal on Amendment to the Work Rules for the Audit Committee*, the *Proposal on Amendment to the Work Rules for the Risk Management Committee*, and the *Proposal on Amendment to Articles of Association*.

(IX) 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, comprehensively straightened up the information disclosure work procedure; integrated with investors relation management to understand and analyse the focus of capital market and investors, continuously enriched the contents of periodic reports with improved disclosure quality; strengthened internal information communication and regularly organised 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 received over 70 on-site and telephone surveys from local and overseas investors/analysts, and attended nearly 16 local and overseas investment strategy conferences and received nearly 196 investment organizations. The Company held annual and interim results press conference, news conference, and more than 200 investors/analysts attended the conferences on-site or by telephone. Afterwards, the Company also conducted international road show presentations and proceeded profound communications with more than 80 investors. Besides, the Company communicated with the investors for hundreds of 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 2016, 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

As of the end of the reporting period, 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 2015.

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.

Section 10

Corporate Governance Report

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

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

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

IV. Appraisal and incentives for senior management

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

The Company has established a position-based and performance-oriented remuneration incentives system with reference to the market. The remuneration of the senior management comprises basic remuneration, performance bonus and extra bonus. The Company has implemented deferred payment system of the senior management performance bonus and extra bonus with the payment term of three years according to the regulatory requirements.

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 7 "Significant Events – VIII. 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 "2015 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 Legal & Compliance and 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), and the Basic Standards for Internal Control of Insurance Companies (Bao Jian Fa [2010] No.69), the Company has observed the basic principles of combining comprehensiveness and specificity, balancing and coordination, authoritativeness 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 defense lines of the Company. Through the labor division and coordination among these three defense lines, the Company has satisfied the requirements of internal control and risk management and continued to optimize the internal control system.

In 2015, the Company continuously thoroughly commenced the special inspection for the purpose of “strengthening of internal and external control as well as preventing illegal operation and unlawful conviction”. The Company also launched risk-based inspection and assessment on various aspects, including the overall risk-based inspection, solvency risk management ability assessment during the transition period of the China Risk Oriented Solvency System (“C-ROSS”), insurance broker market risk-based inspection and personal insurance company risk-based inspection to proactively guard against the risk of selling non-insurance financial products and illegal fundraising. The Company constantly improved its risk management information system and had established its off-site risk management system, thereby regularly monitoring its insurance risk, credit risk, market risk, operational risk and liquidity risk continuously. The Company comprehensively identified the risks associated with the businesses, finance and use of funds and determined the scope of risk taking which required attention through qualitative and quantitative methods, thereby fully rationalizing the defects and loopholes in internal control and constantly improving the deficiency rectification and follow-up regime. The organization and implementation of rectification review and acceptance for the purpose of enhancing the effectiveness of rectification with precautionary measures, process control and post-supervision in place guaranteed the efficiency and effectiveness of the operating activities, guarded against and avoided operational risk, prevented fraud and cheating and guaranteed the materialization of the objectives of its operational strategy.

In order to adapt to the corporate strategic transformation and promote the change of the function of the head office, the Company completed the top-down design of the system and process management by issuing the Administrative Measures on the Systems of New China Life Insurance Company Ltd. (Tentative) and the Administrative Measures on the Processes of New China Life Insurance Company Ltd. (Tentative), which further specified the functions of the head office and the branches, regulated the procedures for system formulation of the Company and processes planning and further optimized the internal control system and processes: In respect of sales control, the Company focused on building up its marketing team and institution establishment by improving the systems and procedures on the management of sales personnel, and the branches in central cities, strictly regulated promotion and business expansion activities and thereby established a long-term mechanism on handling misleading sales practices. The Company also reinforced the establishment of the training management system and continued to attach importance on enhancing business quality and strengthening the control of sales risks. In respect of operation control, the Company made effort to establish a lean and purpose-driven operating back office support system, thus initially forming the “customer-centric” product system and operating system. The Company also facilitated the development of a salesforce multi-tier customer service system to enhance customer experience and service quality. Reformative and innovative operational projects were implemented and online electronic services were launched to materialize underwriting in the human-computer interaction mode and accelerate the operation of professional services. The Company optimized the functions of its business system and strengthened the management and control of customer information verification. The Company continuously improved its procedures on the operational management and control and launched the integrated surrender management proposal to strengthen its integrated risk management. 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 continuously optimized the provincial level centralized finance management and developed the financial information quality control system, thus enhancing the efficiency of financial services and information quality and guaranteeing the truthfulness and completeness of its financial reports and the relevant information. In respect of the control in utilization of capital, the Company established a dynamic asset liability management mechanism and a liquidity management system compatible with C-ROSS 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 2015, 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, the Audit Committee and the 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 reporting 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.

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness. Meanwhile, the risk management and internal control system of the Company are designed to manage the risk of failure to achieve business objectives. The Company provides reasonable assurance against non-existence of material false statement or loss.

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 2015, the scope of which covers the sales management, financial management, operational management, compliance management and risk management functions of the headquarters, branches and subsidiaries. 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 11

Risk Management

I. Risk Management System – Overall Strategies

The Company had established a risk management organizational system spanning across all major business functions which the Board is ultimately responsible for, as directed by the Executive Committee directly, coordinated by the Legal Compliance and Risk Management Department, closely monitored by the relevant functional departments and entities, and independently audited by the audit department. In 2015, the Company continuously improved its risk management organization system. Vertical management of risk control was further enhanced through promulgating several systems, such as the Guidelines on Risk Control Compliance Sequence of Human Resources Allocation (《風控合規序列人力資源分配指導意見》), Vertical Management Measures for Risk Control Compliance Personnel (《風控合規人員垂直化管理辦法》) and Career Development Management Measures on Risk Control Compliance Sequence (《風控合規序列職業發展管理辦法》). These measures clearly define the career development path, appointment and dismissal, appraisal and reporting lines of risk control compliance personnel and the division of responsibilities in professional management and personnel management between the head office and branches.

The Company had formulated a series of risk management system measures, gradually establishing a risk management system with our own characteristics. While continuing to implement the *Comprehensive Risk Management Policies (Trial)* (《全面風險管理政策(試行)》), the *Administrative Measures for Risk Appetite (Trial)* (《風險偏好管理辦法(試行)》), the *Reputation Risk Management System (Trial)* (《聲譽風險管理制度(試行)》), the *Rules of Accountability for Misleading Sales* (《銷售誤導責任追究辦法》), the *Rules of Accountability for Non-compliance Conducts* (《違規行為責任追究辦法》) and the *Rules of Accountability of Cases* (《案件責任追究辦法》), the *Administrative Measures for Internal Auditing* (《內部審計管理辦法》), in 2015, the Company subsequently formulated the *Administrative Measures for Insurance Litigation* (《保險司法案件管理辦法》), the *Enhanced Integrated Surrender Management Proposal* (《加強退保綜合管理方案》) and the *Administrative Measures for Product Information Disclosure (2015 Trial)* (《產品信息披露管理辦法(2015年版試行)》), and revised the *Compliance Policy* (《合規政策》), the *Administrative Measures for Compliance* (《合規管理辦法》) and the *Administrative Measures for Related Party Transactions* (《關聯交易管理辦法》).

In 2015, the Company constantly optimized its risk monitoring and reporting mechanism for monthly risk assessment monitoring the key risk indicators for seven major risks under the comprehensive risk management system, namely, market risk, credit risk, insurance risk, operational risk, strategic risk, reputation risk and liquidity risk, and for risk warning and reporting through the early warning system.

The Company further accelerated the development of risk management information system. On the basis of the functions including data collection and processing, risk indicator monitoring and early warning and reporting in the phase I of the information system project, the phase II of the project officially had commenced operation by the end of 2015 with focus on functions such as doubtful operation monitoring and risk incident management. The Company accurately eliminated and efficiently handled the risks through modern information technology by monitoring indicators and data arising from the operation and administration of the Company, timely detecting, identifying and warning potential risks.

Incorporating the requirements for China Risk Oriented Solvency System (“C-ROSS”), the Company proactively improved its risk management capabilities. By conducting self-assessment and benchmarking analysis of its solvency risk management capabilities, problems in the existing risk management system were identified and corresponding follow-up improvement plans were formulated. By the end of 2015, the Company made phased progress in the process development of risk management system, setting up of risk management appraisal system and professional competence cultivation of its risk management team.

Underpinned by the general operational strategy, the Company had 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 its brand image so as to achieve sustainable and healthy development.

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, etc.

(I) Market Risk

Market risk refers to the risk that exposes the Company to unexpected losses due to adverse movements in (amongst others) interest rate, equity prices, real estate prices and exchange rate.

The Company continued to monitor the composition of highly risky assets, value at risk (VaR), asset modified duration, balance sheet duration gap ratio and other key market risk indicators. A benchmark early warning system was set up for risk warning. In addition, to cope with extreme circumstances, the Company made use of sensitivity analysis and stress test to measure the level of potential loss to the Company under stress with focus on the impacts of market volatility and interest rate movements on fair value of investment assets and solvency margin ratio of the Company. The foreign exchange risk of the Company remains low, and the Company has not hedged such risk. The proportion of each investment asset was in line with the provisions of CIRC and the internal control requirements of the Company. Based on the results of the risk indicator monitoring and stress test, the market risk of the Company was within a normal controllable range.

The Company strengthened its management of the market risks through the formulation of the *Interim Provisions for Asset Allocation and Management* (《資產配置管理暫行辦法》) which specified the requirements in relation to formulation, execution, monitoring and adjustment of the asset allocation plan and the restraints on the dimensions such as solvency, risk capital and financial objectives.

In addition, the Company primarily adopted the following risk control measures in 2015: 1. placing emphasis on macro-economic studies and estimating domestic and international market trends; 2. regular analysis of historical risk and returns of major assets; 3. proactively managing the positions of equity assets and conducting regular stress tests on its impact on overall return-on-assets level and solvency adequacy ratio to keep risk exposures under control; 4. making stable investment and insisting on asset liability matching as our focus of management; 5. sticking to value investment and selecting assets with potential value appreciation, pursuing for middle-to-long term investment gains; 6. adopting value management as our core value while monitoring the overall liquidity of our assets and gradually adjusting our investment 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; and 7. enhancing risk monitoring and early warning to strengthen risk emergency management.

(II) Credit Risk

Credit risk refers to the unexpected risk exposure of the Company arising from non-performance or delay in performing of contractual obligations by counterparties, or adverse changes in their credit standings. The credit risks that the Company is exposed to mainly relate to the investment deposits placed at commercial banks, bond investments, non-standard financial product investments and reinsurance arrangements, etc.

1. Credit Risk of Investment Business

The Company primarily monitors the credit rating and concentration of investment targets and counterparties to control the proportion of investments with lower credit rating and to ensure that the overall credit risk exposure is within control. More than 90% of the investment deposits and bond holdings of the Company have a credit rating of AAA and the credit rating of the major counterparties is AAA with low credit default risk. The majority of the non-standard financial product investments held by the Company are senior fixed income financial products with good credit enhancement arrangements, for which the overall risk is under control.

To address the credit risk of the investment business, the Company primarily adopted the following measures in 2015: (1) implementing a strict internal credit and credit rating system for counterparties and making stringent check on the categories of credit investment products; (2) implementing subject credit with respect to non-standard financial product investments to prevent credit risk; (3) reinforcing credit enhancement arrangements with respect to non-standard financial product investments; and (4) regularly tracking down and monitoring the credit risk of portfolios, analyzing and assessing 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 2015, there were a total of 15 reinsurance companies under contractual arrangement with the Company, and all of their credit ratings were above A as of the end of 2015. 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 ten companies had the A+ rating. The Company had good credit distribution within the reinsurance ceding business without material credit risk.

To prevent 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 unfavorable deviation of the actual situation from the projections by the assumptions, such as death occurrence rate, illness occurrence rate, compensation rate, surrender rate and insurance rate.

The Company assesses and monitors insurance risk 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, under writing strategies and reinsurance agreements via the following mechanisms and measures: 1. designing proper product terms 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. making underwriting to each underwriting individual based on appropriate conditions through the implementation of careful underwriting strategies and processes, to ensure that its individual risk is within the scope which the Company could assume; 3. selecting appropriate reinsurance agreements based on the risk characteristics of the insured, and ensuring that reinsurance contract had basically covered products with risk liabilities to effectively transfer insurance risk; 4. reviewing the Company's operating data on a regular basis to implement empirical analysis and trend research, which serve as the basis for adjusting pricing assumptions and assessing assumptions; and 5. reflecting problems found in empirical analysis and relevant information in a timely manner to processes such as product development, underwriting approval and claims settlement to enhance relevant procedures and to improve 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. The major operational risks faced by the Company include the risk on surrender and maturities, misleading sales, insurance litigations as well as non-compliance sales of non-insurance financial products.

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.

In 2015, the amount of surrenders of the Company increased over last year. Surrender through bancassurance channel remained the major driving force. In addition, as the policies accumulated at prior sales peak were gradually at maturity and were ready for payout, the maturity amount for 2015 grew significantly as compared with the same period of last year.

To effectively handle the risk on surrender and maturities, the Company had promulgated the *Enhanced Comprehensive Management Plan on Surrender* (《加強退保綜合管理方案》), thus establishing a new normal for surrender management in order to ensure against systematic risk. Specific measures included: (1) strictly controlling the size of the sales of high cash value products, with sales volume at agencies of all levels strictly controlled within the targets set by its higher ranking company; (2) formulating a development plan for product substitution so as to enhance the development and sales of pension, medical care and health products in the next 3-5 years and to focus on developing insurance businesses with long-term regular premiums; (3) strengthening the surrender organization management by adjusting the counter management function to the Operation Management Department from the Customer Service Department in the organization structure of the head office, and on such basis, clearly defining the division of responsibilities in surrender management in all levels of the organization including the head office, branches and sub-branches; (4) enhancing the quality of sales management, imposing strict penalties for violations on sales quality issues; (5) strengthening the surrender management, improving the surrender system and management processes as well as the training and appraisal of counter service officers and the preliminary assessment personnel in terms of policy assessment; and (6) setting up special funds for the risk on surrender, mainly for surrender-related processing and personnel subsidies.

In addition, the Company had established a monthly monitoring system on risk on surrender and maturities to effectively track the development of key entities and key products. It timely controlled its branches and the progress of surrenders and maturities of products from the perspective of the head office, thus mastering the risks of key products earlier and timely issuing risk reminders to key entities.

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 regulatory requirements and the Company's requirements of strategic transformation is a major task of the Company.

To effectively handle the risk on misleading sales, the Company mainly adopted the following measures in 2015: (1) further improving the annual performance appraisal program in agencies, incorporating the misleading sales governance results into the scope of appraisal so as to motivate the agencies to increase their investment and efforts in misleading sales governance; (2) establishing a risk monitoring and early warning mechanism, carrying out data extraction and analysis on suspicious businesses, timely identifying suspicious businesses including misleading sales conducts in different regions or staff teams through data monitoring, and conducting regular monthly briefing on monitoring analysis and alerts on misleading sales indicators, and urging agencies to take measures in preventing and defusing potential risks; (3) promoting the formulation of implementation measures of "paying commission after visit" for new insurance policies in relevant departments, achieving a seamless linking up of the new core system and the revisiting system, therefore having initially fulfilled quality control requirements within the system platform; (4) strengthening compliance management of promotional materials information, regulating information disclosure, the design and production of product promotional information, product training advocacy, product sales promotion and product information dissemination; and (5) strengthening compliance education, periodically summarizing all kinds of misleading sales risks within the system, and conducting risk warning, inspection and supervision, accountability and warning education through timely issuing risk alerts.

3. *Insurance litigation risk*

Risk on insurance litigation refers to risks arising out of infringement, misappropriation, fraud, commercial bribery, illegal fund-raising, pyramid selling and illegal operation of the insurer that result in economic loss, reputation damage or other adverse effects to the Company. In 2015, the number of insurance litigation cases increased as compared to the previous year. Most of them were cases of duty-related encroachment and insurance fraud.

To effectively handle the risk of insurance related judicial cases, the Company mainly adopted the following measures: (1) formulating and issuing the *Administrative Measures for Insurance litigation* (《保險司法案件管理辦法》) and the *Notice on Further Strengthening the Management of Judicial Cases and Case Clues* (《進一步加強司法案件及案件線索管理工作的通知》), thereby strengthening case reporting management by strictly complying with the reporting time limit and relevant provisions of the regulatory authorities on case reporting; (2) strengthening the risk monitoring and early warning on cases, screening high-risk businesses through the suspicious business monitoring module of the risk management system, at the same time strengthening the daily risk monitoring of counter, customer service and sales functions; (3) issuing timely system-wide notifications and warnings regarding typical, probable judicial cases occurred in the Company and major cases notified by the regulatory authorities or occurred in the industry; (4) establishing a routine, regular investigation mechanism on system-wide funding cases, and conducting special risk investigation on significant insurance related judicial cases; (5) properly handling judicial cases, strengthening the interaction and collaboration among the departments of the head office and branches after identifying a case so as to form a joint effort in the case handling, reason analysis and making recommendations to plug the loopholes; and (6) enhancing case accountability and warning education, strictly enforcing accountability in accordance with the regulatory authorities and corporate accountability system, and conducting warning education within the incident happening companies or corporate-wide system.

4. *The risk of non-compliance sales of non-insurance financial products*

In recent years, unfair competition from third-party wealth management institutions has increasingly eroded the insurance industry. Some unscrupulous third-party wealth management institutions, under the guise of insurance companies, are selling wealth management products through insurance salesman. Some are even involved in suspected illegal fund-raising, therefore disrupting the business of the insurance industry and impairing the interests of insurance companies and insurance consumers. Some personnel of the Company's branches and sub-branches are also involved in illegally activities as sales agents in financial products including third-party wealth management products. Faced with the grim situation, the Company has taken timely measures in respect of the workplace, team force and customers, enhancing its management and risk alerts to achieve early detection, early deployment and early tackling. These measures have effectively curbed such risk, therefore receiving high recognition by the regulatory authorities.

To prevent and resolve the risk of non-insurance financial products, the Company mainly adopted the following measures including: (1) strengthening monitoring and early warning by carrying out multi-dimensional risk monitoring using internal and external information and systematic data; (2) carrying out investigation on conducts and clues on non-compliance sales of non-insurance financial products, and remaining highly sensitive and alert on suspected illegal fundraising conducts; (3) improving internal management by strengthening organization leadership and carrying out comprehensive risk investigation to resolutely achieve “workplace and team management and customer alert”; and enhancing sales management by strengthening system-wide sales personnel supervision and sales process control so as to regulate sales conducts; (4) drawing support from the media in disseminating risk warning to the consumers, publishing notices in a number of the media to clarify that the Company had not cooperated with any third-party wealth management institutions and had not offered any non-insurance wealth management products, and to remind the investors and insurance customers to pay attention to risk prevention; and (5) protecting the Company’s legal rights according to the law, reporting to the market supervisory authorities and instigating criminal and civil liability claims against non-compliance agencies and individuals, and vigorously promoting the common rights of the insurance industry.

In addition to the measures adopted to address the above major operational risks, the Company also addressed the routine operational risks by optimizing management processes, strengthening internal control, carrying out risk-based inspection, strengthening compliance management and enhancing supervision of internal audit.

(V) Reputation risk

Reputation risk refers to the risk of suffering losses due to the negative comments to the Company from the stakeholders as a result of the operation and administration of the Company or external events.

Generally speaking, in 2015, our operations and development remained stable and healthy. Various operating indicators were good. There was no material reputation risk event throughout the year. Coverage of the Company by external media was primarily positive. However, reputation risk management becomes increasingly difficult as the all-media era approaches.

The Company’s reputation risk management is mainly based on the concept of risk prevention by establishing a routine, long-term management mechanism which focuses on advance assessment and daily precaution. Through timely identifying and addressing issues in operation management, risks that affect the Company’s reputation and image are eliminated.

The Company insists on comprehensive public opinion monitoring with a view to fully grasping the public opinion information relating to the Company. Subject to the information disclosure requirements, the Company enhances information transparency through active disclosure by means of press release and media interview to reduce the possibility of misinterpretation of the Company’s information by the media. In addition, the Company comes forward to shoulder corporate social responsibilities and proactively participating in social philanthropy and charity affairs, thereby stepping up efforts to facilitate the harmony and progress of the society and improve the living quality of the public.

(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 2015, the Company laid a solid foundation for its strategical transformation by focusing on growth of core businesses and higher performance of the sales teams. Throughout the year, the Company achieved consistent and stable growth of value appreciation of new businesses and other core operation objectives.

To address the strategic risk, the Company mainly adopted the following measures: 1. Analyzing the industry and studying the news and the development trends of the industry, thereby identifying the opportunities for the development of the life insurance business, and analyzing the growth path and studying the effects of strategic layout in view of the actual operation of the Company; 2. formulating the mid/long-term development strategies based on the operating principles of “focusing on value and the development of regular premium business,” and outlining the core operational indicators in view of the actual operation of the Company; 3. Promoting the guidance on and management of strategies on the basis of completion of the operational plans, thus ensuring that the strategic plans of the Company were thoroughly implemented across all levels of the Company; 4. establishing a tracking and assessment system on strategies and formulating monthly strategy assessment indicators, thus regularly tracking the implementation of the strategies; 5. Strengthening the communication between the strategic management department and the related functional departments to form a coordination and feedback system on strategic planning and timely adjusting the strategic objectives based on the change of internal and external circumstances.

(VII) Liquidity risk

Liquidity risk refers to the risk that the Company does not have access to sufficient funds in time or in time at reasonable costs to meet its liabilities or other payment obligations as they become due.

In 2015, the overall liquidity of the Company was satisfactory. However, as a result of significant surrender of individual products, it is likely that some accounts may experience relatively tight liquidity in the near term.

To address the liquidity risk, the Company primarily adopted the following measures: 1. adjusting the business structure proactively to control the size of the sales of high cash value products, thus fundamentally minimizing the pressure on the Company on surrenders in the future and mitigating the risk of insufficient cash flows; 2. in the product sales management stage, imposing strict control on irregular sales conducts to enhance the business quality and prevent the risk of abnormal collective surrender; 3. strengthening the daily monitoring and warning of the risk on surrender and maturities and handling unusual changes in a swift manner; 4. establishing settlement reserve system for contingency payments in case of short-notice request on large amount payments; 5. regularly conducting cash flows projections and stress tests based on the credit risk management requirements of the C-ROSS with attention paid to the indicators such as the consolidated current ratio and the liquidity coverage ratio, and enabling the formulation of solutions in advance by continuously putting daily risk monitoring in place and paying attention to unusual changes of indicators; 6. planning and managing long-term liquidity, and adjusting mid-to-long term assets allocation by considering the overall liquidity of assets and liabilities with reference to our investment guidelines; and 7. strengthening emergency management to formulate emergency plan on liquidity risk.

Section 12

Report of the Board

I. Main businesses

As approved by the regulatory authorities and the company registration authorities, the business scope of the company include: Providing 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.

II. Business review

(I) Annual business and business results

Business of the Company and analysis on the business results including the key financial performance index are set out in Section 3 “Business Overview” and Section 5 “Management Discussion and Analysis” of this report.

(II) Major acquisition and sale

During the reporting period, major acquisition and sale of the Company are set out in Section 7 “Significant Events-IV. Acquisition and disposal of assets, merger and division” of the report.

(III) Major risks and uncertain factors

Please refer to Section 11 “Risk Management” of this report for details of the major risks and uncertain factors, as well as the exchange rate risk of the Company.

(IV) Issue of debts

Please see Section 7 “Significant Events – X. Other significant events” and Note 16 to the Consolidated Financial Statements of this report for details of issue of debts of the Company during the reporting period.

(V) 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.

(VI) Pledge of assets

During the reporting period, the Company had no pledge of assets.

(VII) Prospects

Please refer to Section 5 “Management Discussion and Analysis-VI. Future prospects” of this report for details of the prospects on future business development of the Company.

(VIII) Details of the directors, supervisors and senior management

Details of the directors, supervisors and senior management are set out in Section 9 “Directors, Supervisors, Senior Management and Employees” of this report.

(IX) Environment policy

Please refer to Section 13 “Corporate Social Responsibility-VII. Proactively participating in the environmental protection” of this report for details of the policy and the performance of the Company in relation to the environment.

(X) Compliance of relevant laws and regulations

As an insurance company listed on both SSE and HKSE, the Company strictly complies with laws and regulations such as the *Company Law of the PRC*, the *Insurance Law of the PRC*, the *Anti-Money Laundering Law of the PRC*, the *Administrative Measures of Insurance Clauses and Insurance Premium Rates of Personal Insurance Companies* and the *Interim Measures for the Regulation of the Internet Insurance Business*, regulatory documents as well as the regulatory rules of the places where the Company is listed.

The Company upholds on operating insurance business according to the law in a prudent way, reviewing the terms of the insurance products with respect to their legality and compliance, strengthening the management on the insurance salesmen, perfecting the insurance business process and improving customer relationship. During the reporting period, the Supreme People’s Court promulgated the *Interpretation III on Several Issues concerning the Application of the Insurance Law of the PRC* (the “Interpretation III”). The Company actively participated in the training organised by the Supreme People’s Court and the Insurance Association on the Interpretation III. It also launched training campaigns on the contents of Interpretation III towards the relevant departments and branches of the Company. According to the *Interim Measures for the Regulation of the Internet Insurance Business* issued by the CIRC, the Company actively self-examined its compliance in the internet insurance business and the relevant process and commenced rationalisation and adjustment on above business and process. The Company established a unified and centralised platform in respect of the internet insurance business for centralised operation and unified management.

When working on anti-money laundering, the Company established an anti-money laundering system in connection with matters such as the reporting, management and filing on large cash transactions and all kinds of suspicious transactions, client identification as well as keeping records for client identity information and transaction records according to the laws, regulations and regulatory regulations of anti-money laundering and with reference to the actual condition of the Company. The Company also made full efforts in fulfilling its obligations such as client identification, submission of reports on large and suspicious transactions and client risk classification management. During the reporting period, the Company completed its classification on the level of risks of new clients in January 2015 and completed its classification on the level of risks of existing clients in October 2015. At the same time, adhering to its principles of optimising the resources allocation of anti-money laundering and focusing on high-risk clients, the Company commenced control and management on high-risk clients by adopting dynamic management measures including semi-annual review.

The Company strictly complies with the laws and regulations, regulatory regulations and relevant rules about corporate governance, establishes and enhances its organizational structure, convenes regular general meetings, Board meetings and Board of Supervisors meetings and fulfills its obligations in the approval, reporting and disclosure of connected transactions and material information.

III. Principal employees and customers

Details of the senior management and employees are set out in Section 9 "Directors, Supervisors, Senior Management and Employees" of this report.

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.

During the reporting period, the Company maintained a good relationship with the customers.

IV. Dividend distribution

(I) Dividend distribution policies

According to Article 265 of the Company's 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 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
2015	0.28	873	8,534	10.23%
2014	0.21	655	6,444	10.16%
2013	0.15	468	4,578	10.22%

1. **Annual dividend plan of 2015**

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, costs of social capital, external financing environment and current regulatory policies, the Company formulated a dividend distribution plan for 2015 after fully considering present and future business development, scale of profits, demand for investment capital and the Group's and the Company's solvency status, attaining an equilibrium between sustainable business development and shareholders' integrated returns.

The second meeting of the sixth session of the Board held on 29 March 2016 considered and approved the dividend distribution plan of the year 2015, resolving to distribute a cash dividend of RMB873 million to all the shareholders of the Company, which is RMB0.28 per share (including tax) as calculated based on the issued capital.

The remaining undistributed profits will be carried forward to 2016 and retained earnings will be preserved as internal capital in order to withstand situations of insufficient solvency caused by unfavorable and unexpected fluctuations in the capital markets, and further to prevent its negative impact on the Company's normal business operations.

The company has no plan of converting capital reserve into share capital for the year 2015.

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

2. **Annual dividend of 2014**

For the year of 2014, the Company distributed an annual cash dividend of RMB0.21 per share (including tax), amounting to RMB655 million. For details of the annual dividend distribution of 2014, please refer to *Announcement on The Voting Results of the Annual General Meeting of 2014 and Distribution of 2014 Annual Dividend* published by the Company on 24 June 2015.

3. **Special dividend of 2013**

For the year of 2013, the Company distributed a special dividend of RMB0.15 per share (including tax), which amounted to approximately RMB468 million. Please refer to the *Announcement on The Voting Results of the Annual General Meeting of 2013 and Distribution of 2013 Annual Dividend* published by the Company on 20 May 2014 for the details of the special dividend.

Section 12

Report of the Board

V. Changes in accounting policies and accounting estimates

Changes in accounting estimates of the Company for 2015 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 2015 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 an increase of RMB2,345 million in the life insurance liability reserve funds, an increase of RMB2,144 million in the long term health insurance liability reserve funds, and a decrease of RMB4,489 million in profit before income tax on 31 December 2015.

VI. 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.

VII. Reserves

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

VIII. Charitable donations and other donations

During the reporting period, the charitable donations and other donations of the Company approximated to RMB9,042,200. For details please refer to Section 13 "Corporate Social Responsibility" of the report.

IX. 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.

X. Share capital

Please see Section 8 "Changes in Share Capital and Shareholders' Profile" of this annual report for details of changes in share capital 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〈非居民享受稅收協議待遇管理辦法(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 dividend to be distributed to them, including individual income tax for individual foreign shareholders and enterprise income 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.

XII. Post-balance sheet events

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

XIII. Connected transactions

Please see Section 7 "Significant Events – V. Connected transactions" of this annual report for details of connected transactions of the Company.

XIV. Management contracts

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

XV. 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.

XVI. 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.

XVII. Interests of directors and supervisors in competitive businesses

During the reporting period, the Company's Chairman of the Board of Supervisors, Mr. WANG Chengran also serves as a non-executive director of China Pacific Insurance (Group) Co., Ltd., which is a comprehensive insurance group in China providing 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. Strictly complying with relevant PRC laws and regulations and the Articles of Association in performing his duties as a supervisor, Mr. Wang attends to his fiduciary duties and manages to avoid actual and potential conflicts in interest and post.

Section 12

Report of the Board

XVIII. 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 9 "Directors, Supervisors, Senior management and Employees" of this annual report.

XIX. Interests of directors and supervisors in the transactions, arrangements or contracts of significance

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

XX. 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.

XXI. Statement of the board on internal control responsibility

According to the self-assessment of the effectiveness of internal control performed as of 31 December 2015 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.

XXII. Permitted Indemnity Provision

As of 31 December 2015, there are not and has not been any permitted indemnity provision benefiting the director of the Company or the affiliates of the Company. Company has purchased proper director liabilities insurance for directors to indemnify the legal responsibility incurred by directors' fulfilling their duty. The governing law of such policy is PRC law.

XXIII. 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.

XXIV. Equity-Linked Agreements

Save as disclosed in the report, as of 31 December 2015, the Company has not entered into any equity-linked agreement.

By order of the Board

WAN Feng
Chairman

Section 13

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.

In 2015, 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 actively communicated with all stakeholders (including clients, shareholders, staff, government and communities, regulators and partners, environments etc.) to understand their needs and establish, after in-depth analysis, a set of complete corporate social responsibility structure which combines its own business and operation characteristics.

II. Providing the guarantee of happy life for customers

In 2015, 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 comprehensive product structure comprising four major product series, namely, pension, health, savings and wealth management with distinctive features, comprehensive functions and wide varieties, covering general insurance products and new life insurance products which fully satisfy the needs in different stages of life with respect to accident risk prevention, health, medicare, pension, child education and family wealth management. General insurance products specialize in providing healthcare, accident and medical protection for clients; and annuity insurance products are good for planning to satisfy the demand for life planning and insurance wealth management of clients. Meanwhile, the Company has launched a series of healthcare protection products which aim to closely meet the needs of clients, thus offering more new services and creating value for clients.

Section 13

Corporate Social Responsibility

In 2015, the Company published a series of documents including the Notice on the *Issue of Amendments to the Fundamental Management Measures on Individual Insurance Agents (2014 Edition)* and the *Appointment Contract for Individual Insurance Agent* (《關於下發〈個人業務保險營銷員管理基本法(2014版)〉修訂說明和〈個人業務保險營銷員委託合同〉的通知》) (Xin Bao Ge No. [2015] 2) and the *Notice on Relevant Arrangements for Issue Subsequent to the Cancellation of Agent Examination* (《關於取消代理人資格考試後續事宜相關安排的通知》) (Xin Bao Ge No. [2015] 3). Therefore, the compliance and quality management on individual insurance agents further strengthened, and the creditability, sense of responsibility and awareness on compliance operation of agents were enhanced.

As at 31 December 2015, the Company had paid RMB4,314 million of accumulated benefits for the year, and the number of settled claims reached 905,500, and achieved a score of 90.38 in the satisfaction of claim settlements. In 2015, the Company had launched responses to a total of 200 emergency claims, including 45 Grade I emergency claims, 30 Grade II emergency claims, 50 Grade III emergency claims and 75 Grade IV emergency claims, for which a total of 6,659 persons were inspected; 199 insurance customers were identified; a total of 36 persons were approved for claims; and benefits of various insurance products amounted to RMB2,807,000.

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 continuously enhances its business value and business quality, optimizes its management platform and business model, and focuses on the balanced development in value and scale. Since its establishment 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, realized the sustainable development of value as well as built a first-class public company.

IV. Creating opportunities for staff to realize their values

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 proactivity” and the recruitment principle of “only hiring those with both ability and integrity”, placing great importance on the interests and development of employees, striving to provide our staff with a good working environment, excellent compensation and benefits, a systematic plan for development, and to promote the continuous growth of our staff working both inside and outside the office.

In 2015, the Company implemented efficient operation of the new position system, career development system and remuneration system, while continued to adhere to the culture of human resources management and employment, featuring fairness and justice, scientific reasonableness, efficient regulation, innovative expansion and incentivising performance.

V. Contributing energy to a harmonious and peaceful society

In 2015, the Company made a donation of approximately RMB9,042,200 in aggregate during the year. During the year, having travelled approximately 60,000 km, Beijing NCI Orchestra (北京新華交響樂團) visited 11 provinces and 24 cities for 46 charity performances attended by an audience of 70,000 people. In addition, the Company conducted a charity program called China Fellowship and Dianxi Old Soldiers for World War II (中國遠徵軍及滇西抗戰老兵) with donations of RMB770,000.

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 fostering further prosperity of the insurance culture with new thoughts and new ways. 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 environmental protection

The Company has always taken environmental protection as a strategic issue concerning its development. "Building an environmentally friendly enterprise" has always been the principle and objective of corporate operations of the Company. In 2015, in addition to enhancing the environmental awareness of its staff, the Company also actively organised related activities to attract participation from customers and business partners to further reduce carbon emission.

The Company continued its works on the application of information technology on the enterprise, as well as the development of various internet-based tools in relation to customer services experience. With continuous optimization on electronic service platforms and enhancement in electronic service tools, the Company offered a comprehensive range of tailored and convenient services for customers and enhanced the quality of customer services. In the meantime, with modern and information-oriented means of office working, such printing consumables as papers and toner cartridges were gradually reduced; through the installation of energy saving equipment and the implementation of inspection system, energy consumption of the office 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 WeChat, SMS, multimedia messages and call center to further decrease the environmental protection cost of customer services.



Section 14

Appendix

Audited financial report for 2015

Independent Auditor's Report
To the members of New China Life Insurance Company Limited
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of New China Life Insurance Company Limited (the "Company") and its subsidiaries set out on pages 126 to 268, which comprise the consolidated statement of financial position as at 31 December 2015, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 auditors' 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 auditors consider 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.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
29 March 2016

Consolidated Statement of Financial Position

As at 31 December 2015 (All amounts in RMB millions unless otherwise stated)

	Notes	As at 31 December	
		2015	2014
ASSETS			
Property, plant and equipment	6	6,827	5,917
Investment properties	7	2,177	1,665
Intangible assets	8	1,693	1,559
Investments in associates	9	3,626	10,150
Debt financial assets		348,281	345,518
– Held-to-maturity	10(1)	177,502	175,997
– Available-for-sale	10(2)	116,668	117,490
– At fair value through profit or loss	10(3)	3,389	6,286
– Loans and receivables	10(4)	50,722	45,745
Equity financial assets		110,696	60,403
– Available-for-sale	10(2)	100,229	58,012
– At fair value through profit or loss	10(3)	10,467	2,391
Term deposits	10(5)	127,679	167,297
Statutory deposits	10(6)	716	716
Policy loans		20,879	14,903
Financial assets purchased under agreements to resell		91	1,584
Accrued investment income	10(7)	9,816	10,644
Premiums receivable	11	1,525	1,543
Deferred tax assets	20	6	36
Reinsurance assets	12	3,360	3,020
Other assets	13	9,284	4,251
Cash and cash equivalents		13,904	14,503
Total assets		660,560	643,709

The notes on pages 133 to 268 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position (Continued)

As at 31 December 2015 (All amounts in RMB millions unless otherwise stated)

	Notes	As at 31 December	
		2015	2014
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contract liabilities	14	522,799	478,406
Short-term insurance contract liabilities			
– Outstanding claims liabilities	14	559	562
– Unearned premiums liabilities	14	1,083	1,132
Investment contracts	15	27,166	28,213
Borrowings	16	19,000	19,000
Financial liabilities at fair value through profit or loss		22	–
Financial assets sold under agreements to repurchase	17	19,816	59,234
Benefits, claims and surrenders payable		1,624	1,301
Premiums received in advance		2,823	2,246
Reinsurance liabilities		95	67
Provisions	18	29	29
Other liabilities	19	5,843	5,090
Current income tax liabilities		1,007	48
Deferred tax liabilities	20	853	17
Total liabilities		602,719	595,345
Shareholders' equity			
Share capital	21	3,120	3,120
Reserves	22	33,536	30,300
Retained earnings		21,179	14,939
Equity attributable to owners of the parent		57,835	48,359
Non-controlling interests		6	5
Total equity		57,841	48,364
Total liabilities and equity		660,560	643,709

The notes on pages 133 to 268 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

		For the year ended 31 December	
	Notes	2015	2014
REVENUES			
Gross written premiums and policy fees	23	111,994	110,067
Less: premiums ceded out		(690)	(404)
Net written premiums and policy fees		111,304	109,663
Net change in unearned premiums liabilities		51	(193)
Net premiums earned and policy fees		111,355	109,470
Investment income	24	45,069	31,784
Other income	25	1,494	840
Total revenues		157,918	142,094
BENEFITS, CLAIMS AND EXPENSES			
Insurance benefits and claims			
Claims and net change in outstanding claims liabilities	26	(1,044)	(1,115)
Life insurance death and other benefits	26	(77,820)	(64,883)
Increase in long-term insurance contract liabilities	26	(39,855)	(46,019)
Investment contracts benefits		(1,331)	(1,144)
Commission and brokerage expenses		(10,679)	(7,641)
Administrative expenses	27	(12,655)	(11,335)
Other expenses	28	(1,430)	(543)
Total benefits, claims and expenses		(144,814)	(132,680)
Share of profits and losses of associates		535	539
Finance costs	29	(1,857)	(2,171)
Profit before income tax		11,782	7,782
Income tax expense	20	(3,180)	(1,375)
Net profit for the year		8,602	6,407
Net profit for the year attributable to:			
– Owners of the parent	30	8,601	6,406
– Non-controlling interests		1	1
Earnings per share (RMB)			
Basic and diluted	31	2.76	2.05

The notes on pages 133 to 268 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2015	2014
Net profit for the year	8,602	6,407
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Available-for-sale financial assets		
Gains arising from fair value changes	21,758	13,672
Gains transferred to profit or loss from other comprehensive income	(16,092)	(3,605)
Impairment transferred to profit or loss from other comprehensive income	610	1,023
Changes in liabilities for insurance and investment contracts arising from net unrealized gains	(4,244)	(6,955)
Currency translation differences	6	–
Share of other comprehensive income of associates under the equity method	–	5
Income tax relating to components of other comprehensive income	(508)	(1,033)
Total other comprehensive income for the year, net of tax	1,530	3,107
Total comprehensive income for the year	10,132	9,514
Total comprehensive income for the year attributable to:		
– Owners of the parent	10,131	9,513
– Non-controlling interests	1	1

The notes on pages 133 to 268 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

	Attributable to owners of the parent				Non-controlling interests	Total equity
	Share capital	Reserves (Note 22)	Retained earnings	Total		
For the year ended 31 December 2014						
As at 1 January 2014	3,120	25,903	10,289	39,312	6	39,318
Net profit for the year	–	–	6,406	6,406	1	6,407
Other comprehensive income	–	3,107	–	3,107	–	3,107
Total comprehensive income	–	3,107	6,406	9,513	1	9,514
Effect on capital injection to subsidiary	–	2	–	2	(2)	–
Dividends paid	–	–	(468)	(468)	–	(468)
Appropriation to reserves	–	1,288	(1,288)	–	–	–
Total transactions with owners	–	1,288	(1,756)	(468)	–	(468)
As at 31 December 2014	3,120	30,300	14,939	48,359	5	48,364
For the year ended 31 December 2015						
As at 1 January 2015	3,120	30,300	14,939	48,359	5	48,364
Net profit for the year	–	–	8,601	8,601	1	8,602
Other comprehensive income	–	1,530	–	1,530	–	1,530
Total comprehensive income	–	1,530	8,601	10,131	1	10,132
Dividends paid (Note 32)	–	–	(655)	(655)	–	(655)
Appropriation to reserves	–	1,706	(1,706)	–	–	–
Total transactions with owners	–	1,706	(2,361)	(655)	–	(655)
As at 31 December 2015	3,120	33,536	21,179	57,835	6	57,841

The notes on pages 133 to 268 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	11,782	7,782
Adjustments for:		
Investment income	(45,069)	(31,784)
Finance costs	1,857	2,171
Net change in outstanding claims liabilities	–	30
Net change in unearned premiums liabilities	(51)	193
Increase in long-term insurance contract liabilities	39,855	46,019
Investment contract benefits	1,331	1,144
Policy fees	(135)	(199)
Depreciation and amortization	507	455
Impairment losses on other receivables	3	1
Losses on disposal of property, plant and equipment	5	5
Changes in operational assets and liabilities:		
Receivables and payables	1,542	(639)
Investment contracts	(2,314)	1,256
Income tax paid	(1,864)	(1,382)
Net cash flows from operating activities	7,449	25,052
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of financial asset investments		
Proceeds from sales of debt financial assets	8,354	14,416
Proceeds from maturities of debt financial assets	50,236	37,242
Proceeds from sales of equity financial assets	171,667	51,807
Purchases of financial assets investments		
Purchase of debt financial assets	(58,459)	(87,750)
Purchase of equity financial assets	(196,611)	(68,673)
Proceeds from disposal of property, plant and equipment, intangible assets and other assets	4	19
Purchase of property, plant and equipment, intangible assets and other assets	(2,475)	(2,278)
Interests received	30,425	26,410
Dividends received	606	1,261
Term deposits, net	39,635	(4,142)
Financial assets purchased under agreements to resell, net	1,523	(293)
Others	(5,096)	(6,563)
Net cash flows from investing activities	39,809	(38,544)

The notes on pages 133 to 268 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Received from investors	783	–
Received from borrowings	–	4,000
Interests and dividends paid	(1,598)	(1,202)
Financial assets sold under agreements to repurchase, net	(47,284)	6,616
Net cash flows from financing activities	(48,099)	9,414
Effect of foreign exchange rate changes	242	11
Net decrease in cash and cash equivalents	(599)	(4,067)
Cash and cash equivalents		
Beginning of the year	14,503	18,570
End of the year	13,904	14,503
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	13,821	12,691
Short deposits	83	1,812
Total of cash and cash equivalents	13,904	14,503

The notes on pages 133 to 268 form an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

1 BACKGROUND AND PRINCIPAL ACTIVITIES

New China Life Insurance Company Ltd. (the “Company”) was established as a joint stock limited company in September 1996 in Beijing, the People’s Republic of China (the “PRC”) with the authorization of the State Council of the 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 further increased to RMB2,600 million in March 2011, with the approval of 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 on the Hong Kong Stock Exchange. In January 2012, the Company exercised the right of H share over allotment in overseas markets, and issued 2,586,600 shares of H shares of the 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 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 major change of business scope of the Company during the reporting period.

As at 31 December 2015, the Company has equity interests in subsidiaries and consolidated structured entities as set out in Note 36(3). The Company, its subsidiaries and its consolidated structured entities are hereinafter collectively referred to as the “Group”.

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 (“IFRSs”), amendments to IFRSs 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 (the “Listing Rules”) and the disclosure 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 contract liabilities measured based on actuarial methods.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise professional 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 Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

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

(a) Amendments to accounting standards adopted by the Group for the first time for the financial year beginning on 1 January 2015

Amendments	Content
IFRS 8 Amendments (i)	Operating Segments
IAS 24 Amendments (i)	Related Party Disclosures
IFRS 3 Amendments (ii)	Business Combinations
IFRS 13 Amendments (ii)	Fair Value Measurement

(i) These two amendments belong to Annual Improvements 2010-2012 Cycle.

(ii) These two amendments belong to Annual Improvements 2011-2013 Cycle.

IFRS 8 Amendments – Operating Segments

The amendments to IFRS 8 clarify that an entity must disclose the judgments made by the management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no material impact on the Group's consolidated financial statements.

IAS 24 Amendments – Related Party Disclosures

The amendments to IAS 24 clarify that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments are not relevant for the Group as it does not receive any management services from other entities.

IFRS 3 Amendments – Business Combinations

The amendments to IFRS 3 clarify that joint arrangements, not just joint ventures, are outside the scope of IFRS 3. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendments have had no impact on the Group as the Company is not a joint arrangement.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(a) Amendments to accounting standards adopted by the Group for the first time for the financial year beginning on 1 January 2015 (Continued)

IFRS 13 Amendments – Fair Value Measurement

The amendments to IFRS 13 clarify that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 *Financial Instruments* or IAS 39 *Financial Instruments: Recognition and Measurement*. The amendments have had no impact on the Group's consolidated financial statements.

In addition, the Group has adopted the amendments to the Listing Rules relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

(b) New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2015

Standards/Amendments	Content	Effective for annual periods beginning on or after
IFRS 11 Amendments	<i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
IFRS 10 and IAS 28 Amendments	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Note
IAS 16 and IAS 38 Amendments	<i>Clarification of Acceptable Methods of Depreciation and Amortization</i>	1 January 2016
IAS 1 Amendments	<i>Disclosure Initiative</i>	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Amendments	<i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
IFRS 14	<i>Regulatory Deferral Accounts</i>	1 January 2016
IFRS 15	<i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 9	<i>Financial Instruments</i>	1 January 2018
IFRS 16	<i>Leases</i>	1 January 2019
Annual Improvements 2012-2014 Cycle	<i>Amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34</i>	1 January 2016

Note: In December 2015, the IASB postponed the effective date of this amendment pending the outcome of its research on the equity method of accounting.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(b) *New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2015 (Continued)*

Further information about those IFRSs that may significantly affect the Group's consolidated financial statements is as follows:

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018 with early adoption permitted. IFRS 15 is not applied to insurance contracts and financial instruments, which are the main source of the Group's revenue. The Group is currently assessing the impact on the Group's consolidated financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group is currently assessing the impact on the Group's consolidated financial statements.

IFRS 16 – Leases

IFRS 16 supersedes IAS 17 Leases. It requires lessees to recognize leases as assets and liabilities on their statements of financial position, with certain exemptions. The lessor accounting is substantially unchanged. IFRS 16 will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided that IFRS 15 *Revenue from Contracts with Customers* is applied. The Group is currently assessing the impact on the Group's consolidated financial statements.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) the contractual arrangement with the other vote holders of the investee;
- (ii) rights arising from other contractual arrangements; and
- (iii) the Group's voting rights and potential voting rights.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over subsidiaries, it derecognizes (i) the assets (including goodwill) and liabilities of subsidiaries, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(a) Subsidiaries

Subsidiaries are entities (including structured entities), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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.

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.

The investments in subsidiaries are accounted for only in the Company's 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 dividends received and receivable.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(b) Transactions with non-controlling shareholders

The Group treats transactions with non-controlling shareholders as transactions with shareholders of the Group. For purchases from non-controlling shareholders, 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 shareholders 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 in both the Group's consolidated financial statements and the Company's separate financial statements. The Group's investments in associates include 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 is reclassified to profit or loss where appropriate.

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 interests 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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(c) Associates (Continued)

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

(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.

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, the Group's mainly protects the interests of stakeholders and does not control the structural entity; on the contrary, as a responsible organization, the Group mainly protects its interests of the Group and controls the structured entity.

The Group has determined that all of its trust products, debt investment plans, equity investment plans, asset management products 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 or equities in other companies. Debt investment plans are managed by asset managers and their major investment objectives are infrastructure and real estate 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 investment products.

The Group holds beneficiary certificates in each of its trust products, debt investment plans, equity investment plans and asset funding plans.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 the 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 decisions and to evaluate the business performance; iii) the Group can obtain relevant financial information of the segment, including financial condition, operation results, cash flows and other financial performance indicators. If more than two segments possess similar economic characters and meet certain conditions, they are combined into 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.

(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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Property, plant and equipment (Continued)

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

	Estimated useful lives	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 an 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 for 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)).

(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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(6) Investment properties (Continued)

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 lives	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 derecognized if they are disposed of or are put out of operation permanently, and 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 for 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 their estimated useful lives using the 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 Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(7) Intangible assets (Continued)

Useful lives of intangible assets are listed below:

	Useful lives
Land use rights	40 years
Computer software and others	3-5 years

(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 other than financial 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-generating 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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (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 investments, financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. Management determines the classification of the Group's financial assets at initial recognition based upon the purpose for which the financial assets are acquired.

(i) Held-to-maturity investments

Held-to-maturity investments are non-derivative 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 financial assets or financial assets at fair value through profit or loss.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets are classified as held for trading if they meet one of the requirements: they are acquired for the purpose of sale in the near term; they are part of recognizable financial instrument combination which is under centralized management, and there is objective proof to show that entities make profits by trading this combination or they are derivatives, except for derivatives designated as hedging instruments in an effective hedge, derivatives that belong to financial guarantee contracts and derivatives that are linked to and need to be settled by trading an investment in equity instruments that do not have a quoted price in an active market and whose fair value cannot be measured reliably. Other financial assets may be designated at fair value through profit or loss at inception by the Group.

(iii) Available-for-sale financial assets

Available-for-sale financial assets 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 financial assets as presented in the consolidated statement of financial position.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (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 the date, when the Group commits to purchase or sell assets. Financial assets are initially recognized at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition.

Financial assets are recognized and derecognized at the trade date and they are traded using the ordinary method. An ordinary method means that financial assets are received or delivered within the statutory term or terms that are accepted practices, according to the terms in the contracts.

Available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value. Investment gains and losses on sales of financial assets are determined principally by specific identification. Realized and unrealized gains and losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category, and changes of available-for-sale debt financial assets’ 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 financial assets are recognized in other comprehensive income. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the net profit as realized gains and losses on financial assets.

Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in investment income in the consolidated statement of comprehensive income. The loss arising from impairment is recognized in the consolidated statement of comprehensive income in finance costs for loans and in other expenses for receivables and held-to-maturity investments.

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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial assets (Continued)

(c) Derecognition of financial assets

Financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- (i) the rights to receive cash flows from the asset have expired; or
- (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(d) Term deposits

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

(e) Policy loans

Policy loans are carried at amortized cost less impairment.

(f) 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, and loans, under agreements to resell at predetermined prices. These agreements, with terms of no more than six months, are carried at amortized cost using the effective interest method.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial assets (Continued)

(g) 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.

(h) Impairment of financial assets other than financial assets at fair value through profit or loss

Financial assets other than those accounted for as at fair value through profit or loss 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 financial assets classified as available-for-sale, the Group also considers the extent or the duration of the decline, financial position of the issuer, and recent prospects.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The Group reviews whether a decline in value is impairment for available-for-sale equity financial assets separately at the end of the reporting period. If the market price of the equity financial assets was more than 50% below its cost (50% included) at the end of the reporting period, or the market price of the equity financial assets was below its cost for a period of more than one year (one year included), this indicates that the equity investment is impaired. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of comprehensive income. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income. In the case of equity investments classified as available-for-sale carried at cost, if there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed. In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial assets (Continued)

(h) *Impairment of financial assets other than financial assets at fair value through profit or loss (Continued)*

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

When the decline in value is considered impairment, held-to-maturity investments or loans and receivables are written down to their present value of estimated future cash flows discounted at the effective interest rates. 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 carrying amount after reversal should not be more than the amortized cost of the financial asset at the reverse date if it has not been written down.

(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 (90 days included) or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(11) Insurance contracts and investment contracts

(a) *Classification*

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts

(i) Recognition and measurement

Short-term insurance contracts

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

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

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

Long-term insurance contracts

Long-term insurance contracts include whole life insurance, term life insurance, endowment insurance, annuity 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 contract 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:

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts (Continued)

(i) Recognition and measurement (Continued)

Long-term insurance contracts (Continued)

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

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

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

Margin comprises 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 the consolidated statement of comprehensive income, but included in the insurance contract 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 estimates of future discounted cash flows and risk margin. The assumption changes have no effect on the subsequent measurement of the residual margin.

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (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)

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 investment contract liabilities.

(ii) Liability adequacy test

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

(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 in 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 at 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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) Insurance contracts and investment contracts (Continued)

(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 at the end of each reporting period.

(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 as a 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 financial assets 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 contract 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 are classified into financial liabilities at fair value through profit or loss and other financial liabilities when they are initially recognized. The Group's financial liabilities include financial assets sold under agreements to repurchase, liabilities of investment contracts and borrowings. The relevant transaction costs of financial liabilities at fair value through profit or loss are recorded in profit or loss. The relevant transaction costs of other financial liabilities are recorded at their initial recognized value.

(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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Financial liabilities (Continued)

(b) *Liabilities of investment contracts*

The 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.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

(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 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).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 salaries, 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 a 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 set up an annuity fund in January 2014, whereby the Group is required to contribute to the annuity fund according to certain contribution bases and percentages monthly. Contribution amounts calculated in accordance with the annuity fund are recognized as liabilities and are recorded as expenses during the period of which service is provided by the employees participating in the scheme.

Other long-term employee benefits are all the other benefits besides short-term employee benefits, post-employment benefits and termination benefits, including long-term paid absences, other long-term service benefits, long-term disability benefits, long-term profit sharing plan and long-term bonus, etc. Other long-term employee benefits provided by the Group are long-term bonus plans. For the long-term bonus plans, which are recognized in liabilities and are recorded as expenses when incurred.

(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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 financial assets, financial assets purchased under agreements to resell, dividend income from equity financial assets, net fair value gains or losses on financial assets at fair value through profit or loss, and realized gains or losses on financial assets at fair value through profit or loss and available-for-sale financial assets 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.

(c) Other income

Other income is comprised of revenue generated from other operation activities except for the revenue above, including service management fees received under investment contracts.

(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 goodwill generated from business combination and 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 end of the reporting period 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 at the end of the reporting period. Substantively enacted tax rates are used in the determination of deferred income tax.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (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 deductible temporary differences can be recognized.

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries, joint ventures 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(19) Government grants

The Company records monetary grants from the government in profit or loss in the year and the grants are received when there is no condition attached or there are no other bases existing for allocating the grants.

(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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 at the end of the reporting period 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.

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 are 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 dilutive potential ordinary shares. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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, and the disclosure of contingent 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. Uncertainty about these assumption and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Significant judgments

(1) *Unbundling and classification of hybrid contracts*

The Group makes significant judgments on whether a written policy contains both an insurance component and a deposit component and whether the insurance component and deposit component are distinct and separately measurable. The result of such judgment affects the unbundling of insurance contracts.

In addition, the Group makes significant judgments on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing significant insurance risk tests. The result of such judgment affects the classification of insurance contracts. Whether to unbundle a contract and different contract classifications would affect the accounting treatment and the Group's financial position and operating results.

(2) *Testing the significance of insurance risk*

When determining whether the contracts (or policies) transfer significant insurance risk, the Group considers: (i) annuity contracts that transfer longevity risk are treated as insurance contracts; (ii) for non-annuity contracts, if the insurance risk ratio is greater than or equal to 5% at certain points of time during the duration of the contracts, they are treated as insurance contracts; the insurance risk ratio is derived by comparing the benefits paid with the benefits payable if the insured event did not occur.

When determining whether reinsurance policies transfer significant insurance risk, the Group considers thoroughly the commercial substance and other relevant contracts and agreements, and if the insurance risk ratio of reinsurance policies is greater than 1%, they are treated as reinsurance contracts. The insurance risk ratio of reinsurance policies is obtained by comparing the present value of probability-weighted expected loss with the present value of expected reinsurance premiums. If the reinsurance policies obviously transfer significant insurance risk, the Group directly recognizes them as reinsurance contracts.

For the purpose of testing the significance of insurance risk, contracts of a similar nature are grouped together. Through considering the risk distribution and characteristics, the Group selects sufficient representative samples to test the significance of insurance risk. If most samples transfer significant insurance risk, all contracts in the group are treated as insurance contracts.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Significant judgments (Continued)

(3) *Operating lease – As the lessor*

The Group, as the lessor, signs agreements with lessees when the investment properties are leased. According to the term of the lease agreement, the Group retains the substantially all the rewards and risks of the ownership of investment properties. So the Group accounts for the lease as an operating lease.

Estimation uncertainty

(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 risk margins. Assumptions about mortality rates, morbidity rates, lapse rates, discount rates, policy dividend and expenses 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 rates, policy dividend and expenses assumptions) 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 contract liabilities (including contracts with DPF) affect the amounts recognized in the consolidated financial statements as insurance contracts benefits and insurance contract liabilities.

The impacts of the various assumptions are described in Note 3(8).

(2) *Fair value of financial assets*

The Group's principal investments are debt financial assets, equity financial assets and term deposits. The significant judgments and estimates are those associated with the recognition of impairment and the determination of fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(2) Fair value of financial assets (Continued)

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 financial assets: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using either prices observed in latest transactions or from current bid prices of comparable investments, or through valuation techniques when there is no active market. The fair value of the Group's debt financial assets is based on the closing price of the last trading day of the year released by the Securities Exchange and national inter-bank bond market or the price released by China Central Depository & Clearing Co., Ltd.
- Equity financial assets: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using an appropriate price earnings ratio, or a modified price or cash flow ratio reflecting the specific circumstances of the issuer. The fair value of the Group's equity financial assets is based on the closing price of the last trading day of the year released by the Securities Exchange and funding companies or the net asset value of the last trading day of the year.
- Term deposits, statutory deposits, financial assets purchased under agreements to resell, financial assets sold under agreements to repurchase, policy loans, etc.: Fair value approximate their carrying amounts.
- Other financial assets: The fair values of other financial assets, including investment clearing account and litigation deposit, approximate their carrying amounts.

(3) Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognizes movements of their fair values in equity. When the fair value declines, management makes judgements about the decline in value to determine whether there is an impairment that should be recognized in profit or loss.

(4) Deferred income tax assets

Deferred income tax assets are recognized for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Significant judgment is required to estimate the amount and timing of future taxable profit so as to determine, together with the tax planning strategies, the amount of deferred income tax assets to be recognized.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(5) 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 as described in Note 3(6) below; 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 legal advice. No provision has been made for events whose outcome cannot be reasonably estimated or contingencies that are unlikely to happen. Because contingency events develop over time, provisions recognized currently may be significantly different from final settlement amounts actually paid.

(6) 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 the Court for these irregularities. The Company is proactively engaged in the recovery actions in connection with these irregularities. This financial information is prepared based on 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 authorization, 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 (the "Off-balance Sheet Accounts") and used for unauthorized lending. 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 partially 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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(6) Former Chairman Irregularities (Continued)

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. ("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 interest. On 9 November 2012, the Shenzhen Municipal Court accepted the conclusion of the arbitration and adjudicated that the Company has to repay Orient Group the principal of RMB170 million plus interest. Accordingly, the Company signed a tripartite agreement with New Industry and Orient Group at the end of 2012. According to the agreement, New Industry paid interest of RMB112 million to the Company in 2013, and agreed to repay the principal of RMB170 million plus further accrued interest due to the Company by January 2015. New Industry has pledged its shares in Minzu Securities as collateral. The Company paid Orient Group the principal of RMB170 million plus interest of RMB112 million 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 the receivables of the Former Chairman Irregularities.

On 11 August 2014, Founder Securities Co., Ltd. ("Founder Securities") acquired a 100% equity interest in Minzu Securities. This restructure transaction was approved by the China Securities Regulatory Commission (the "CSRC"). As a result, the shares of Minzu Securities held as collateral were substituted with the shares of Founder Securities.

According to the agreement, New Industry should pay the principal of RMB170 million plus additional interest accrued during settlement period to the Company. On 31 March 2015, New Industry signed a commitment letter to the Company to promise to pay part of the principal of at least RMB30 million before 31 March 2015, to pay the remaining principal and interest before 31 August 2015, and to place one building (ShenFangDiZi No.3000061007) as collateral. The Company received the payment of principal amounting to RMB30 million from New Industry on 31 March 2015. On 19 May 2015, the Company and New Industry signed an agreement to effect the placement of the property as collateral. On 30 September 2015, the Company has received the payment of principal amounting to RMB140 million and interests during the settlement period.

To settle fund transactions and clarify the debtor-creditor relationship between the Company and Beijing Tianhuan Real Estate Development Co., Ltd. ("Tianhuan Real Estate") during the term of office of the Former Chairman, the Company filed a lawsuit with Chongqing Municipal Higher People's Court against Tianhuan Real Estate and New China Trust Co., Ltd. ("New China Trust") on 18 March 2013. On 25 December 2013, Chongqing Municipal Higher People's Court ruled that Tianhuan Real Estate should repay the principal of RMB575 million and related interest to the Company while New China Trust was not held responsible. Tianhuan Real Estate refused to accept the first-instance ruling and has appealed to the Supreme People's Court.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(6) Former Chairman Irregularities (Continued)

On 13 May 2014, the Supreme People's Court rejected Tianhuan Real Estate's appeal and upheld the verdict. On 8 July 2014, Chongqing Municipal Higher People's Court issued final order to Tianhuan Real Estate for payment, ruling that RMB815 million of Tianhuan Real Estate should be frozen or appropriated. On 24 November 2015, Beijing No.2 Intermediate People's Court deducted RMB16 million attributable to Tianhua Real Estate from the bankruptcy of Shenzhen Huirun Limited Company and issued a plan. According to the plan, the Company will receive RMB16 million. Up to the date when these consolidated financial statements were approved for issue by Board of Directors, the Company has not covered any amount from Tianhuan Real Estate.

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 funds received and paid described above as a net amount of RMB931 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 has been significant uncertainty in recovering the balance and a provision of RMB931 million was made as at 31 December 2015 (as at 31 December 2014: RMB931 million).

(7) Taxation

The Group pays business tax, corporate income tax and related surcharges in various localities. Due to the uncertainty of final tax treatment for various transactions during the normal course of business, the Group needs to exercise significant judgment when determining tax expenses. The Group recognizes tax liabilities based on estimates of whether there will be additional tax payments resulting from tax inspection. If there is any difference between the final result and previously recorded amounts, the difference will impact current tax and deferred tax.

(8) Change of significant accounting estimates

Insurance contract liabilities are calculated using various actuarial assumptions, including assumptions on the discount rates, mortality rates, morbidity rates, lapse rates, policy dividend and expenses assumption. These assumptions are determined by the Group on the basis of information obtained at the end of the reporting period. The Group resets these assumptions, when necessary, based on current information available at the end of the reporting period. For the year ended 31 December 2015, variations of related insurance contract reserves due to changes in these assumptions are recognized in the consolidated statement of comprehensive income. Long-term insurance contract liabilities increased by RMB4,489 million, and profit before income tax decreased by RMB4,489 million due to the change in accounting estimates.

The above change in accounting estimates has been approved by the Board of Directors of the Company on 29 March 2016.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT

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, and 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 economic development, widespread changes in lifestyle, epidemics and medical technology development could have significant influence on 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 most of the products with risk responsibilities. 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 Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk

Currently the Group's businesses are all in the PRC and insurance risk at each area has insignificant differences. Information relating to major long-term insurance products is listed below:

As at/for the year ended 31 December 2015						
Product Name	Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
	Amount	% of total	Amount	% of total	Amount	% of total
Hongshuangxi New Type C endowment insurance (Participating) (i)	102,207	19.55%	4,920	4.51%	13,521	17.34%
Zunxiang Rensheng annuity insurance (Participating) (ii)	31,429	6.01%	4,272	3.92%	1,595	2.05%
Hongshuangxi Type A endowment insurance (Participating) (iii)	26,915	5.15%	62	0.06%	10,584	13.57%
Huifubao Second Generation annuity insurance (iv)	23,636	4.52%	15,563	14.27%	337	0.43%
Jixinggaozhao Type A endowment insurance (Participating) (v)	23,140	4.43%	4,027	3.69%	475	0.61%
Others	315,472	60.34%	80,184	73.55%	51,455	66.00%
Total	522,799	100.00%	109,028	100.00%	77,967	100.00%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

As at/for the year ended 31 December 2014							
Product Name	Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments		
	Amount	% of total	Amount	% of total	Amount	% of total	
Hongshuangxi New Type C endowment insurance (Participating)	(i)	103,764	21.69%	12,145	11.34%	14,293	22.01%
Zunxiang Rensheng annuity insurance (Participating)	(ii)	26,854	5.61%	8,056	7.52%	1,756	2.70%
Hongshuangxi Type A endowment insurance (Participating)	(iii)	35,526	7.43%	457	0.43%	12,345	19.01%
Huifubao Second Generation annuity insurance	(iv)	7,517	1.57%	7,443	6.95%	2	–
Jixinggaozhao Type A endowment insurance (Participating)	(v)	18,180	3.80%	4,115	3.84%	458	0.71%
Others		286,565	59.90%	74,912	69.92%	36,089	55.57%
Total		478,406	100.00%	107,128	100.00%	64,943	100.00%

(i) Hongshuangxi New Type C endowment insurance (Participating)

Hongshuangxi New Type C endowment insurance (Participating) is participating endowment insurance with regular premium payment. There are 4 types of durations: 10, 15, 20 and 30 years. Payments on maturity are the total of basic sum insured and dividend accumulation. For death due to illness within the first year, premium (interest excluded) is refunded; for death due to illness after the first year, benefit is calculated based on the following formula: benefit = effective sum insured x effective policy years/premium payment period of insurance; for death due to illness after the payment period and before maturity, benefit is the total of basic sum insured and dividend accumulation; for death due to accident before the payment period, benefit is calculated based on the following formula: death benefit = 2 x effective sum insured x effective policy years/duration of insurance; for death due to accident after the payment period, benefit is twice of the total of basic sum insured and dividend accumulation.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

(ii) Zunxiang Rensheng annuity insurance (Participating)

Zunxiang Rensheng annuity insurance (Participating) is participating annuity insurance with single premium payment and annual premium payment. The insurance expires when the insured is at the age of 80. If the insured lives on the next day at the end of the 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 the policy date from the effective date of the insurance contract to the 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 the 60-year-old policy anniversary date to the 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 and complete disability if the policy holder is between 18 and 60 due to accident, the insured is exempt from the renewal of insurance premium from the date of the death.

(iii) 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 the total of basic sum insured and dividend accumulation. For death due to illness within the first year, benefit equals to premium (interest excluded); for death due to illness after the first year or death due to accident, benefit is the total of basic sum insured and dividend accumulation.

(iv) Huifubao Second Generation annuity insurance

Huifubao Second Generation annuity insurance is traditional annuity insurance with single premium payment with a duration of 10 years. Payment on maturity is the basic sum insured. If the insured lives on every anniversary of the policy date from the third year after effective date of the insurance contract to maturity, the survival benefits are 1% of the base insured amount at the effective date of the policy. For death, the maximum of premium insured or cash value is refunded and the contract terminates.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

(v) Jixinggaozhao Type A endowment insurance (Participating)

Jixinggaozhao Type A endowment insurance (Participating) is participating endowment insurance with regular premium payment. There are 2 types of periods: 15, 20 and 30 years for duration and age 50, 55, 60, 65 and 70 for age. For death due to illness and completely disability within the 1st year, benefit is calculated based on the following formula: benefit = effective sum insured x10%+premiums; for death due to illness and completely disability after the 1st year, benefits is calculated based on the following formula: benefit = 2 x effective sum insured and accumulated dividend + maturity dividend; for death and completely disability due to accident, benefits is calculated based on the following formula: benefit = 2 x effective sum insured and accumulated dividend + maturity dividend; for maturity, benefit is the total of basic sum insured, dividend accumulation and maturity dividend. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of complete disability of insured or other condition which leads to the termination of contract.

(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 the discount rates, mortality rates, morbidity rates, lapse rates and expenses. The analysis below is performed to demonstrate the reasonably possible movements in key assumptions with all other assumptions held constant, showing increase/(decrease) on profit before income tax.

	For the year ended 31 December	
	2015	2014
Change in discount rates		
+50 basis points ("bps")	11,625	9,194
-50bps	(12,865)	(10,030)
	For the year ended 31 December	
	2015	2014
Change in mortality and morbidity rates		
+10%	(3,216)	(2,178)
-10%	3,367	2,249

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(c) Sensitivity analysis (Continued)

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

	For the year ended 31 December	
	2015	2014
Change in lapse rates		
+10%	(3,092)	(2,463)
-10%	3,245	2,662

	For the year ended 31 December	
	2015	2014
Change in expenses		
+10%	(1,805)	(1,380)
-10%	1,852	1,379

Key assumptions are disclosed in Note 14.

(ii) Sensitivity analysis of short-term insurance contracts

The change of claims amount for short-term insurance contracts may cause the change of loss ratio assumptions and in turn affect insurance contract liabilities.

All other variables being constant, if the loss ratio increases or decreases by 100bps, estimated profit before income tax would decrease or increase by RMB23 million for the year ended 31 December 2015 (for the year ended 31 December 2014: RMB19 million). Short-term insurance contract 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 Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(d) Claims development analysis of short-term insurance contracts

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

Cumulative claims	Accident year					Total
	2011	2012	2013	2014	2015	
End of current year	919	1,122	1,276	1,272	1,251	5,840
1 year later	933	1,128	1,265	1,239	–	4,565
2 years later	921	1,112	1,249	–	–	3,282
3 years later	921	1,112	–	–	–	2,033
4 years later	921	–	–	–	–	921
Estimated claims expenses	921	1,112	1,249	1,239	1,251	5,772
Less: cumulative claims paid	(921)	(1,112)	(1,249)	(1,201)	(756)	(5,239)
Subtotal	–	–	–	38	495	533
Add: claims handling expenses	–	–	–	2	24	26
Unpaid claims expenses	–	–	–	40	519	559

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

Cumulative claims	Accident year					Total
	2011	2012	2013	2014	2015	
End of current year	861	1,058	1,186	1,166	1,137	5,408
1 year later	885	1,067	1,157	1,124	–	4,233
2 years later	871	1,047	1,137	–	–	3,055
3 years later	871	1,047	–	–	–	1,918
4 years later	871	–	–	–	–	871
Estimated claims expenses	871	1,047	1,137	1,124	1,137	5,316
Less: cumulative claims paid	(871)	(1,047)	(1,137)	(1,086)	(674)	(4,815)
Subtotal	–	–	–	38	463	501
Add: claims handling expenses	–	–	–	2	24	26
Unpaid claims expenses	–	–	–	40	487	527

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk

The Group's key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund obligations arising from the Group's insurance and investment contracts. The most important components of financial risk are market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Risk management department, investment management department, accounting department and actuarial department are in close cooperation to identify, evaluate and avoid financial risk.

The Group manages financial 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 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 fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's financial assets impacted greatly by interest rate risk are principally comprised of term deposits and debt financial assets. Changes in the level of interest rates can have a significant impact on the Group's overall investment return. Many of the Group's insurance policies offer guaranteed returns to policyholders. These guarantees expose the Group to interest rate risk. The Group manages and tests interest rate risk through adjustments to portfolio asset allocation, and, to the extent possible, by monitoring the mean duration of its assets and liabilities.

The sensitivity analysis for interest rate risk illustrates how changes in interest income and the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The analysis below is performed to show the reasonably possible movements in market interest rates by 50bps with all other variables held constant, net of portion attributable to policyholders of participating and unit-linked products.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(i) Interest rate risk (Continued)

	Impact on profit before income tax	
	For the year ended 31 December	
	2015	2014
Change in market interest rates		
+50bps	(4)	(6)
-50bps	4	6
	Impact on reserves (before income tax)	
	For the year ended 31 December	
	2015	2014
Change in market interest rates		
+50bps	(443)	(531)
-50bps	459	552

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(ii) Price risk

Price risk arises mainly from the price volatility of equity financial assets held by the Group. Prices of equity financial assets are determined by market forces. Most of the equity financial assets of the Group are in Chinese capital markets. The Group is subject to increased price 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 prices of the Group's equity financial assets which have quoted prices in active markets by 10% with all other variables held constant, net of portion attributable to policyholders of participating and unit-linked products.

	Impact on profit before income tax	
	For the year ended 31 December	
Change in equity financial assets' prices	2015	2014
+10%	648	80
-10%	(648)	(80)

	Impact on reserves (before income tax)	
	For the year ended 31 December	
Change in equity financial assets' prices	2015	2014
+10%	3,733	2,136
-10%	(3,733)	(2,136)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(iii) Currency risk

Currency risk arises from the volatility of fair values or future cash flows of financial instruments resulting from changes in foreign currency exchange rates. The Group's currency risk exposure mainly arises from cash and cash equivalents, term deposits, debt investments and equity investments denominated in currencies other than the functional ones, such as the United States dollar or the Hong Kong dollar.

The following table summarizes financial assets denominated in currencies other than RMB, expressed in RMB equivalent:

31 December 2015	USD	HKD	Total
Cash and cash equivalents	3,594	2,585	6,179
Accrued investment income	25	1	26
Financial assets at fair value through profit or loss	–	142	142
Held-to-maturity investments	1,485	–	1,485
Available-for-sale financial assets	768	3,975	4,743
Total	5,872	6,703	12,575

31 December 2014	USD	HKD	Total
Cash and cash equivalents	3,665	226	3,891
Term deposits	5,207	–	5,207
Accrued investment income	59	–	59
Financial assets at fair value through profit or loss	–	128	128
Available-for-sale financial assets	353	1,829	2,182
Total	9,284	2,183	11,467

Monetary assets are exposed to currency risk whereas non-monetary assets, such as equity financial assets, mainly expose themselves to price risk. Considering the HK dollar is pegged to USD, the Group combined the USD assets with the HK dollar assets when conducting the currency risk analysis.

For the year ended 31 December 2015, 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, profit before tax would have been decreased or increased by RMB568 million (for the year ended 31 December 2014: RMB924 million), other comprehensive income would have been decreased or increased by RMB481 million (for the year ended 31 December 2014: RMB223 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 financial assets.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (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 terms of investment vehicles, a significant portion of the portfolio of the Group is government bonds, government agency bonds, corporate bonds guaranteed by state-owned commercial banks and large industrial groups and bank deposits with state-owned or other national commercial banks, trust products, asset funding plans, asset management products and debt investment plans. In term of credit risk, the Group mainly uses credit concentration as a monitoring measure in order to ensure that the whole credit risk exposure is manageable.

In response to counterparties' credit risk, the Group mainly took the following measures in 2015: (1) Internal rating system was strictly implemented, and credit investment varieties were strictly controlled. (2) Accounting classification of investment varieties was clearly defined in the investment guidelines and assets with high credit risk were prevented from being classified 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 terms 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 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 financial assets 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 the terms and conditions of policy loan contracts and policy contracts signed between the Group and policyholders. The majority of debt investment plans and trust products and asset management products are guaranteed by third parties, or use the budgeted financial income of the 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 financial statements of the Group for they have collateral and the maturity is within one year.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(b) Credit risk (Continued)

Credit quality

The Group's debt financial assets include government bonds, central bank bills, financial bonds issued by state policy-related banks, financial institution bonds, corporate bonds, subordinated bonds, trust products, asset funding plans, asset management products, financial products and debt investment plans. The credit rating of bond/debt is assessed by qualified rating agencies in the PRC at the time of their 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. The trustees of trust products or the asset managers of asset funding plans, asset management products and debt investment plans are well-known trust companies and asset management companies in the PRC.

Proportion	As at 31 December	
	2015	2014
Financial institution bonds issued by domestic non-policy bank having a credit rating of AA/A-2 or above	100%	100%
Corporate bonds having a credit rating of AA/A-2 or above held by the Group	100%	100%
Subordinated bonds/debts having a credit rating of AA/A-2 or above, or issued by national banks or insurance companies	100%	100%
Bank deposits with the four largest state-owned commercial banks and other national commercial banks in the PRC	90.75%	91.48%

(c) Liquidity risk

Liquidity risk is the risk that the Group will not have access to sufficient funds to meet its liabilities as they become due. In the normal course of business, the Group attempts to match investment assets to insurance liabilities through asset-liability management to reduce liquidity risk (Note 4(2)(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 Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(c) Liquidity risk (Continued)

As at 31 December 2015	Contractual or expected cash flows (undiscounted)					
	Carrying amount	No stated maturity	Within 1 year (including 1 year)	1-3 years (including 3 year)	3-5 years (including 5 year)	Over 5 years
Financial and insurance assets						
Debt financial assets	348,281	–	40,212	79,266	118,444	254,052
Equity financial assets	110,696	110,696	–	–	–	–
Term deposits	127,679	–	72,705	51,109	11,969	–
Statutory deposits	716	–	722	1	–	–
Policy loans	20,879	–	20,879	–	–	–
Financial assets purchased under agreements to resell	91	–	91	–	–	–
Accrued investment income	9,816	–	9,540	276	–	–
Premiums receivable	1,525	–	1,525	–	–	–
Reinsurance assets	3,360	–	1,807	30	(183)	2,138
Cash and cash equivalents	13,904	–	13,904	–	–	–
Total financial and insurance assets	636,947	110,696	161,385	130,682	130,230	256,190
Financial and insurance liabilities						
Long-term insurance contracts	(522,799)	–	(29,109)	(39,377)	(29,645)	(1,099,085)
Short-term insurance contracts	(1,642)	–	(1,129)	–	–	–
Investment contracts	(27,166)	–	(2,415)	(5,864)	(5,743)	(37,362)
Borrowings	(19,000)	–	(5,969)	(10,908)	(4,224)	–
Financial liabilities at fair value through profit or loss	(22)	(22)	–	–	–	–
Financial assets sold under agreements to repurchase	(19,816)	–	(19,817)	–	–	–
Benefits, claims and surrenders payable	(1,624)	–	(1,624)	–	–	–
Reinsurance liabilities	(95)	–	(95)	–	–	–
Total financial and insurance liabilities	(592,164)	(22)	(60,158)	(56,149)	(39,612)	(1,136,447)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(c) Liquidity risk (Continued)

As at 31 December 2014	Contractual or expected cash flows (undiscounted)					
	Carrying amount	No stated maturity	Within 1 year (including 1 year)	1-3 years (including 3 year)	3-5 years (including 5 year)	Over 5 years
Financial and insurance assets						
Debt financial assets	346,115	–	51,797	63,065	107,319	278,594
Equity financial assets	69,171	69,171	–	–	–	–
Term deposits	167,297	–	47,736	124,408	10,165	–
Statutory deposits	716	–	481	256	–	–
Policy loans	14,903	–	14,903	–	–	–
Financial assets purchased under agreements to resell	1,584	–	1,585	–	–	–
Accrued investment income	10,644	–	10,276	368	–	–
Premiums receivable	1,543	–	1,543	–	–	–
Reinsurance assets	3,020	–	313	1,538	(147)	574
Cash and cash equivalents	14,503	–	14,503	–	–	–
Total financial and insurance assets	629,496	69,171	143,137	189,635	117,337	279,168
Financial and insurance liabilities						
Long-term insurance contracts	(478,406)	–	(18,425)	(26,304)	(50,704)	(1,012,072)
Short-term insurance contracts	(1,694)	–	(1,168)	–	–	–
Investment contracts	(28,213)	–	(2,784)	(5,865)	(4,319)	(41,483)
Borrowings	(19,000)	–	(969)	(16,653)	(4,448)	–
Financial assets sold under agreements to repurchase	(59,234)	–	(59,718)	–	–	–
Benefits, claims and surrenders payable	(1,301)	–	(1,301)	–	–	–
Reinsurance liabilities	(67)	–	(67)	–	–	–
Total financial and insurance liabilities	(587,915)	–	(84,432)	(48,822)	(59,471)	(1,053,555)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (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 results of above estimates are affected by a number of assumptions. 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 rates, loss ratio, expenses and other assumptions. Actual experience may differ from estimates.

Although the contractual terms can be exercised immediately by all policyholders, the Group's expected cash flows as shown in the above tables are based on past experience and future expectations. The Group has prepared another maturity analysis assuming that all investment contracts were surrendered immediately. This would cause a cash outflow of RMB27,092 million as at 31 December 2015, payable within one year (as at 31 December 2014: RMB28,099 million).

(d) ***Risks relating to investments in trust products, debt investment plans, equity investment plans, asset funding plans, asset management products and other unlisted equity***

The Group's investments in trust products, debt investment plans, equity investment plans, asset funding plans, asset management products and other unlisted equity investments are subject to the terms and conditions of the respective offering documents. The Group makes investment decisions after extensive due diligence of those underlying trust products, debt investment plans, equity investment plans, asset funding plans, asset management products and other unlisted equity investments, their strategies and the overall quality of the underlying assets' managers. The Group continuously monitors the overall quality of those investments mentioned above after initial investment, and periodically reviews their extension, early redemption, liquidity, default risk and changes in market, economic or company specific conditions.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(d) Risks relating to investments in trust products, debt investment plans, equity investment plans, asset funding plans, asset management products and other unlisted equity (Continued)

The carrying amount of investments in those trust products, debt investment plans, equity investment plans, asset funding plans, asset management products and other unlisted equity investments is the best representation of the Group's maximum exposure to loss from those investments.

Category of investment	Classification of investment	Carrying amount	Types of income	Amount of income
Debt financial assets				
Trust products	Available-for-sale financial assets	49,903	Interest income	3,771
Debt investment plans	Loans and receivables	29,299	Interest income	1,700
Asset funding plans	Loans and receivables	20,000	Interest income	1,373
Asset management plans	Available-for-sale financial assets	80	Interest income	5
Asset management plans	Financial assets at fair value through profit or loss	2,588	Interest income	199
Equity financial assets				
Equity investment plans	Available-for-sale financial assets	3,200	Dividend income	–
Asset management plans	Available-for-sale financial assets	10,552	Dividend income	–
Other unlisted equity investments	Available-for-sale financial assets	10,178	Dividend income	–

(e) Matching risk of assets and liabilities

The Group uses asset-liability management techniques to manage assets and liabilities. The techniques used include: scenario analysis method, cash flow matching method and immunity method. The Group uses the above techniques, 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 bonds, arranging reinsurance, improving the performance of branches, optimizing business structure, and establishing a competitive cost structure.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(f) Capital management

The Company's objectives for 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 of 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 manages 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 at 31 December	
	2015	2014
Actual capital	55,949	51,541
Minimum capital	24,600	22,753
Solvency margin ratio	227.43%	226.53%

According to "Solvency Regulations of Insurance Companies" (CIRC [2008] NO.1), the solvency margin ratio is computed by dividing the actual capital by the minimum capital. The CIRC closely monitors those insurance companies with a solvency margin ratio less than 100% and may, depending on individual circumstances, undertake certain regulatory measures, including but not limited to restricting the payment of dividends. Insurance companies with a solvency margin ratio between 100% and 150% would be required to submit and implement plans to prevent capital inadequacy. Insurance companies with a solvency margin ratio above 100% but with significant solvency risk noticed would be required to take the necessary rectification action.

In addition, pursuant to "Notification of Related Matters on Official Implementation of China Risk Oriented Solvency System" released by the CIRC, insurance companies should implement *Insurance Institution Solvency Regulations (NO.1 to NO.17) (Solvency II)* from 1 January 2016. The Company will compute solvency ratio in accordance with Solvency II, recognizing, assessing and managing variant risks starting from 1 January 2016.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash and cash equivalents, financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, loans and receivables, term deposits, statutory deposits, policy loans and financial assets purchased under agreements to resell.

The Group's financial liabilities mainly include financial assets sold under agreements to repurchase, borrowings and investment contracts.

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 techniques using significant inputs, other than Level 1 quoted prices, 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 financial assets 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 financial assets for which quotations are available from pricing service providers. Fair values 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, 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 receive any price from independent third party pricing service providers. 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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

Level 3 fair value is based on the Group's valuation models, such as discounted cash flows. The Group also considers the original transaction price, recent transactions of 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 at 31 December 2015. The disclosure below excludes financial instruments for which the fair value approximates the carrying amount. This is the case because of the short term nature of certain trust products and wealth management products, and the fact that the development of interest rates or similar financial variables has not led to any significant change in fair value since inception in 2015.

	Fair value	Valuation technique	Significant unobservable inputs	Range	Relationship between unobservable inputs and fair value
Available-for-sale financial assets					
Trust products	49,903	Discounted cash flow	Discount rate	4.3%~11%	The higher the discount rate, the lower the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value as at 31 December 2015 and 2014:

	Inputs to fair value measurement			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
As at 31 December 2015				
Assets				
Available-for-sale financial assets				
– Equity financial assets	83,213	2,142	500	85,855
– Debt financial assets	2,110	47,399	67,159	116,668
Financial assets at fair value through profit or loss				
Held for trading				
– Equity financial assets	10,305	26	–	10,331
– Debt financial assets	199	602	–	801
Designated as at fair value through profit or loss				
– Equity financial assets	–	136	–	136
– Debt financial assets	–	–	2,588	2,588
Total	95,827	50,305	70,247	216,379
Liabilities				
Financial liabilities at fair value through profit or loss				
Unit-linked contracts	–	22	–	22
	–	285	–	285
Total	–	307	–	307

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

	Inputs to fair value measurement			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
As at 31 December 2014				
Assets				
Available-for-sale financial assets				
– Equity financial assets	52,604	4,868	174	57,646
– Debt financial assets	1,709	55,077	60,704	117,490
Financial assets at fair value through profit or loss				
Held for trading				
– Equity financial assets	2,244	19	–	2,263
– Debt financial assets	140	3,558	–	3,698
Designated as at fair value through profit or loss				
– Equity financial assets	–	128	–	128
– Debt financial assets	–	–	2,588	2,588
Total	56,697	63,650	63,466	183,813
Liabilities				
Unit-linked contracts	–	248	–	248
Total	–	248	–	248

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

The Group recognized the transfers between each level at the time when transfers occurred.

The following table presents the transfers between Level 1 and Level 2 for the years ended 31 December 2014 and 2015.

For the year ended 31 December 2015	Level 1	Level 2
Available-for-sale financial assets		
Equity financial assets		
– Transfer in	809	1,548
– Transfer out	(1,548)	(809)
Debt financial assets		
– Transfer in	1,721	882
– Transfer out	(882)	(1,721)
Financial assets at fair value through profit or loss		
Held for trading		
Debt financial assets		
– Transfer in	92	–
– Transfer out	–	(92)
For the year ended 31 December 2014	Level 1	Level 2
Available-for-sale financial assets		
Equity financial assets		
– Transfer in	26	539
– Transfer out	(539)	(26)
Debt financial assets		
– Transfer in	924	2,466
– Transfer out	(2,466)	(924)
Financial assets at fair value through profit or loss		
Held for trading		
Equity financial assets		
– Transfer in	–	19
– Transfer out	(19)	–

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

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

Financial assets for which the Group could obtain quoted prices (unadjusted) in active markets as at 31 December 2015 but could not obtain quoted prices (unadjusted) in active markets as at 31 December 2014 were transferred to Level 1 from Level 2. Financial assets for which the Group could not obtain quoted prices (unadjusted) in active markets as at 31 December 2015 but could obtain quoted prices (unadjusted) in active markets as at 31 December 2014 were transferred to Level 2 from Level 1.

There were no transfers into or out of Level 3 for the years ended 31 December 2015 and 2014.

The changes in Level 3 financial assets are analyzed below:

	Available-for-sale			At fair value through profit or loss	Total
	Equity financial assets	Debt financial assets	Subtotal	Designated as at fair value through profit or loss	
1 January 2014	–	35,740	35,740	–	35,740
Purchase	174	49,315	49,489	2,588	52,077
Maturity	–	(24,351)	(24,351)	–	(24,351)
31 December 2014	174	60,704	60,878	2,588	63,466
1 January 2015	174	60,704	60,878	2,588	63,466
Purchase	500	42,323	42,823	–	42,823
Maturity	(174)	(35,868)	(36,042)	–	(36,042)
31 December 2015	500	67,159	67,659	2,588	70,247

There are no material gains or losses recognized in other comprehensive income or profit or loss for the year ended 31 December 2015 that are attributable to Level 3 financial assets held by the Group as at 31 December 2015 (as at 31 December 2014: Nil).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(b) Assets and liabilities for which fair values are disclosed

The Group's financial assets and liabilities disclosed but not measured at fair value include term deposits, statutory deposits, policy loans, cash and cash equivalents, financial assets purchased under agreements to resell, held-to-maturity investments, loans and receivables, financial assets sold under agreements to repurchase and borrowings.

The carrying amounts of financial assets and liabilities not measured at fair value approximate their fair values, except for held-to-maturity investments, loans and receivables and borrowings, which all categorized in Level 3.

The following tables provide the Group's assets and liabilities not measured at fair value as at 31 December 2015 and 31 December 2014:

As at 31 December 2015	Level 1	Level 2	Level 3	Total
Assets				
Held-to-maturity	8,138	185,398	–	193,536
Loans and receivables	–	13	50,709	50,722
Investment properties	–	–	3,208	3,208
Total	8,138	185,411	53,917	247,466
Liabilities				
Borrowings	–	(19,492)	–	(19,492)
Total	–	(19,492)	–	(19,492)

As at 31 December 2014	Level 1	Level 2	Level 3	Total
Assets				
Held-to-maturity	7,502	170,314	–	177,816
Loans and receivables	–	12	45,733	45,745
Investment properties	–	–	2,843	2,843
Total	7,502	170,326	48,576	226,404
Liabilities				
Borrowings	–	(19,038)	–	(19,038)
Total	–	(19,038)	–	(19,038)

The Group has not disclosed fair values for certain investment contract liabilities with DPF because the fair values or fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (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 the sale of insurance contracts and investment contracts to individuals.

(ii) Group insurance business

Group insurance business relates primarily to the 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 expenses.

(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 contract liabilities and investment contract 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 segments directly.

(3) Allocation basis of assets and liabilities

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 contract liabilities and investment contract 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 segments directly.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

- (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 revenues are derived from its operations in the PRC. All of the Group's assets are located in the PRC.

For the year ended 31 December 2015, 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.

- (5) **The transfer prices among operating segments are determined at fair value with reference to transactions with third parties**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2015				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	110,633	1,361	–	–	111,994
Less: premiums ceded out	(528)	(162)	–	–	(690)
Net written premiums and policy fees	110,105	1,199	–	–	111,304
Net change in unearned premiums liabilities	(60)	111	–	–	51
Net premiums earned and policy fees	110,045	1,310	–	–	111,355
Investment income	44,374	551	113	31	45,069
Including: inter-segment revenue	(31)	–	–	31	–
Other income	559	26	1,385	(476)	1,494
Including: inter-segment revenue	18	1	457	(476)	–
Total revenues	154,978	1,887	1,498	(445)	157,918
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(491)	(553)	–	–	(1,044)
Life insurance death and other benefits	(77,637)	(183)	–	–	(77,820)
Increase in long-term insurance contract liabilities	(39,756)	(99)	–	–	(39,855)
Investment contract benefits	(1,252)	(79)	–	–	(1,331)
Commission and brokerage expenses	(10,467)	(212)	–	–	(10,679)
Administrative expenses	(11,681)	(833)	(617)	476	(12,655)
Including: inter-segment expenses	(406)	(51)	(19)	476	–
Other expenses	(1,049)	(62)	(319)	–	(1,430)
Total benefits, claims and expenses	(142,333)	(2,021)	(936)	476	(144,814)
Share of results of associates	516	6	13	–	535
Finance costs	(1,747)	(110)	–	–	(1,857)
Net profit before income tax	11,414	(238)	575	31	11,782
Income tax	–	–	(3,180)	–	(3,180)
Net profit for the year	11,414	(238)	(2,605)	31	8,602
Segment assets	630,545	6,185	23,939	(109)	660,560
Segment liabilities	573,111	5,945	23,772	(109)	602,719

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

Other segment information for the year ended 31 December 2015:

Other segment information	Insurance		Others	Elimination	Total
	Individual	Group			
Capital expenditure	–	–	2,475	–	2,475
Depreciation and amortization	(451)	(32)	(24)	–	(507)
Interest income	26,944	335	75	–	27,354
Impairment	(604)	(9)	–	–	(613)
Share of profits of associates under equity method	516	6	13	–	535

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2014				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	108,581	1,486	–	–	110,067
Less: premiums ceded out	(274)	(130)	–	–	(404)
Net written premiums and policy fees	108,307	1,356	–	–	109,663
Net change in unearned premiums liabilities	(146)	(47)	–	–	(193)
Net premiums earned and policy fees	108,161	1,309	–	–	109,470
Investment income	31,209	488	82	5	31,784
Including: inter-segment revenue	(5)	–	–	5	–
Other income	227	16	1,050	(453)	840
Including: inter-segment revenue	7	1	445	(453)	–
Total revenues	139,597	1,813	1,132	(448)	142,094
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(495)	(620)	–	–	(1,115)
Life insurance death and other benefits	(64,745)	(138)	–	–	(64,883)
Increase in long-term insurance contract liabilities	(45,901)	(118)	–	–	(46,019)
Investment contract benefits	(1,101)	(43)	–	–	(1,144)
Commission and brokerage expenses	(7,396)	(245)	–	–	(7,641)
Administrative expenses	(10,348)	(923)	(470)	406	(11,335)
Including: inter-segment expenses	(366)	(32)	(8)	406	–
Other expenses	(271)	(60)	(219)	7	(543)
Including: inter-segment expenses	–	–	(7)	7	–
Total benefits, claims and expenses	(130,257)	(2,147)	(689)	413	(132,680)
Share of results of associates	532	8	(1)	–	539
Finance costs	(2,089)	(82)	–	–	(2,171)
Net profit before income tax	7,783	(408)	442	(35)	7,782
Income tax	–	–	(1,375)	–	(1,375)
Net profit for the year	7,783	(408)	(933)	(35)	6,407
Segment assets	622,607	6,634	14,582	(114)	643,709
Segment liabilities	568,095	6,300	21,064	(114)	595,345

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

Other segment information for the year ended 31 December 2014:

Other segment information	Insurance		Others	Elimination	Total
	Individual	Group			
Capital expenditure	–	–	1,675	–	1,675
Depreciation and amortization	(401)	(36)	(18)	–	(455)
Interest income	26,919	417	66	–	27,402
Impairment	(1,013)	(11)	–	–	(1,024)
Share of profits of associates under equity method	532	8	(1)	–	539

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2015	4,001	1,076	188	1,713	6,978
Additions	8	171	8	1,807	1,994
Transfers upon completion	598	7	–	(605)	–
Transfer from investment properties	30	–	–	–	30
Transfer to investment properties	(212)	–	–	(387)	(599)
Disposals	(1)	(70)	(11)	–	(82)
Others	–	–	–	(267)	(267)
As at 31 December 2015	4,424	1,184	185	2,261	8,054
Accumulated depreciation					
As at 1 January 2015	(387)	(610)	(64)	–	(1,061)
Charges for the year	(95)	(138)	(14)	–	(247)
Transfer from investment properties	(5)	–	–	–	(5)
Transfer to investment properties	14	–	–	–	14
Disposal	–	66	6	–	72
As at 31 December 2015	(473)	(682)	(72)	–	(1,227)
Net book value					
As at 1 January 2015	3,614	466	124	1,713	5,917
As at 31 December 2015	3,951	502	113	2,261	6,827

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2014	3,829	931	177	629	5,566
Additions	4	182	25	1,330	1,541
Transfers upon completion	486	18	–	(504)	–
Acquisition of subsidiaries	299	–	–	–	299
Transfer to investment properties	(78)	–	–	(51)	(129)
Transfer to construction in progress	(492)	–	–	309	(183)
Disposals	(14)	(55)	(14)	–	(83)
Others	(33)	–	–	–	(33)
As at 31 December 2014	4,001	1,076	188	1,713	6,978
Accumulated depreciation					
As at 1 January 2014	(509)	(529)	(57)	–	(1,095)
Charges for the year	(91)	(127)	(15)	–	(233)
Transfer to investment properties	16	–	–	–	16
Transfer to construction in progress	183	–	–	–	183
Disposals	11	46	8	–	65
Others	3	–	–	–	3
As at 31 December 2014	(387)	(610)	(64)	–	(1,061)
Net book value					
As at 1 January 2014	3,320	402	120	629	4,471
As at 31 December 2014	3,614	466	124	1,713	5,917

The Group was in the process of obtaining the legal title in respect of the ownership of buildings with an aggregate net book value of approximately RMB459 million as at 31 December 2015 (as at 31 December 2014: RMB57 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENT PROPERTIES

	For the year ended 31 December	
	2015	2014
Cost		
Beginning of the year	1,840	1,711
Transfers from property, plant and equipment (Note 6)	599	129
Transfer to property, plant and equipment (Note 6)	(30)	–
End of the year	2,409	1,840
Accumulated depreciation		
Beginning of the year	(175)	(117)
Transfers from property, plant and equipment (Note 6)	(14)	(16)
Transfer to property, plant and equipment (Note 6)	5	–
Charges for the year	(48)	(42)
End of the year	(232)	(175)
Net book value		
Beginning of the year	1,665	1,594
End of the year	2,177	1,665

Rental income from investment properties is 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 at 31 December 2015 was RMB3,208 million (as at 31 December 2014: RMB2,843 million). The techniques used for the valuation of investment properties include the income approach and sales comparison approach. The fair value of investment properties is categorized within level 3.

As at 31 December 2015, the Group has obtained the legal title in respect of the ownership of building.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (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 2015	Significant unobservable inputs		Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units – Shanghai	1,365	Rental value	Office	RMB53,700-76,500 per square meter	The higher the rental value, the higher the fair value.
			Commercial	RMB89,000-104,200 per square meter	
			Garage	RMB1,000-1,600 per unit per month	
		Market yield	3.5%-4.5%	The higher the market yield, the lower the fair value.	
Rental units – Beijing	967	Rental value		RMB10-11.6per day per square meter	The higher the rental value, the higher the fair value.
		Market yield		6.3%-6.7%	The higher the market yield, the lower the fair value.
Rental units – Shenzhen	396	Rental value		RMB44,000-51,000 per square meter	The higher the rental value, the higher the fair value.
Rental units – Zhengzhou	146	Rental value	Office	RMB1.8-2.5 per day per square meter	The higher the rental value, the higher the fair value.
			Commercial	RMB4.5-5.3 per day per square meter	
		Market yield	Office Commercial	5.1%-6.8% 4.9%-5.5%	The higher the market yield, the lower the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENT PROPERTIES (Continued)

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

	Fair value at 31 December 2015	Significant unobservable inputs	Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units – Wuhan	109	Rental value	RMB7.14-8.5 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	5.21%-5.53%	The higher the market yield, the lower the fair value.
Rental units – Nanjing	107	Rental value	RMB7.6-10.4 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	4.5%-6.5%	The higher the market yield, the lower the fair value.
Rental units – Hohhot	48	Rental value	RMB1.8-2.3 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6.3%-6.8%	The higher the market yield, the lower the fair value.
Rental units – Shenyang- Zhongrun International Building	25	Rental value	RMB1.3-1.4 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	4.2%-5.5%	The higher the market yield, the lower the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENT PROPERTIES (Continued)

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

	Fair value at 31 December 2015	Significant unobservable inputs	Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units – Fuzhou	25	Rental value	RMB2.0-2.5 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	5.0%-6.7%	The higher the market yield, the lower the fair value.
Rental units – Shenyang- Zhonghui Plaza	9	Rental value	RMB2.2-3.3 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6.5%-7.5%	The higher the market yield, the lower the fair value.
Rental units – Weifang	8	Rental value	RMB1.5-2.0 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6.0%-8.9%	The higher the market yield, the lower the fair value.
Rental units – Yantai	3	Rental value	RMB1.2-1.5 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	4.9%-6.4%	The higher the market yield, the lower the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

8 INTANGIBLE ASSETS

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

	Computer software	Land use rights	Total
Cost			
As at 1 January 2015	433	1,426	1,859
Additions	243	–	243
As at 31 December 2015	676	1,426	2,102
Accumulated amortization			
As at 1 January 2015	(251)	(49)	(300)
Amortization	(74)	(35)	(109)
As at 31 December 2015	(325)	(84)	(409)
Net book value			
As at 1 January 2015	182	1,377	1,559
As at 31 December 2015	351	1,342	1,693

	Computer software	Land use rights	Total
Cost			
As at 1 January 2014	373	1,352	1,725
Additions	60	41	101
Others	–	33	33
As at 31 December 2014	433	1,426	1,859
Accumulated amortization			
As at 1 January 2014	(202)	(11)	(213)
Amortization	(49)	(35)	(84)
Others	–	(3)	(3)
As at 31 December 2014	(251)	(49)	(300)
Net book value			
As at 1 January 2014	171	1,341	1,512
As at 31 December 2014	182	1,377	1,559

The Group was in the process of obtaining the legal title in respect of the ownership of land use rights with an aggregate net book value of approximately RMB1,312 million as at 31 December 2015 (as at 31 December 2014: RMB1,347 million). Since the Group was not permitted to construct on the land mentioned above, the Group has not obtained the legal title in respect of the ownership of land use rights.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

9 INVESTMENTS IN ASSOCIATES

	For the year ended 31 December	
	2015	2014
Beginning of the year	10,150	9,404
Additions	2,829	470
Disposal ⁽¹⁾	(9,070)	–
Share of profit	535	539
Cash dividend from investments in associates	(818)	(268)
Share of other comprehensive income	–	5
End of the year	3,626	10,150

(1) On 24 December 2015, the Petro China Oil Pipeline Project Equity Investment Plan ("Petro China Oil Pipeline") was terminated. The Group signed a share acquisition agreement with Petro China Oil Pipeline Co., Ltd. According to the agreement, the Group participated in a restructuring plan by share transformation with 7.09% shares held of the project. After the restructuring plan, the Group held 3.46% shares of Petro China Oil Pipeline Co., Ltd, therefore it was categorized as an available-for-sale financial asset.

Details of investments in associates:

Name of entity	Country of incorporation	Particulars of issued shares held	Interest held	Principal activities	Measurement method
China Jinmao Holdings Group Limited ("China Jinmao")	Hong Kong, the PRC	N/A	9.50%	Real estate development	Equity
Beijing Zijin Century Real Estate Co., Ltd. ("Zijin Century") ⁽¹⁾	Beijing, the PRC	RMB2,500 million	24%	Real estate development, etc.	Equity
Beijing MJ Health Screening Center Co., Ltd. ("MJ Health")	Beijing, the PRC	USD4 million	30%	Medical services, etc.	Equity
New China Capital International Management Limited ("New China Capital International") ⁽²⁾	Cayman Islands	HKD39 million	39.86%	Asset management	Equity

(1) As approved by shareholders at the fifth shareholders' extraordinary general meeting on 23 August 2011, the Group plans to sell its shareholdings of 24% of Zijin Century. As at the approval date of the consolidated financial statements, the Company has not signed any sales agreement.

(2) In June 2015, New China Asset management Company (Hong Kong) Co., Ltd. ("Asset Management Company (Hong Kong)") contributed HKD8 million, holding 40% shares of New China Capital International. Charoen Pokphand Financial Holding Limited and Profound Brilliant Star Limited held 30% shares respectively. As Asset Management Company (Hong Kong) has a significant influence over New China Capital International, New China Capital is accounted as investment in associates.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

9 INVESTMENTS IN ASSOCIATES (Continued)

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

Except China Jinmao, the above investments in associates are non-public entities, and there is no quoted market price available. As at 31 December 2015, the stock price of China Jinmao was HKD2.65 per share.

Except China Jinmao and New China Capital International, the English names of the associates represent the best effort by management of the Group in translating their Chinese names as they do not have official English names.

Participation in the placing shares of China Jinmao

On 12 June 2015 ("Original Purchase Day"), the Group purchased 1,014 million shares of Franshion Properties (China) Limited (then named "China Jinmao") at the price of HKD2.73 (exclusive of transaction cost). After the transaction the Company became the second largest shareholder with 9.50% shares held. The investment is classified as available-for-sale asset from the original purchase day.

On 11 November 2015 ("Conversion Day"), a director nominated by the Group was appointed by the Board of China Jinmao as a director and a member of the Strategy and Investment Committee. Therefore the Group reclassified China Jinmao as investments in associates from the conversion day.

On the conversion day, the fair value of net identifiable assets of China Jinmao is listed below:

	Fair value of net identifiable assets on conversion day (in RMB millions)
Total assets	133,123
Total liabilities	83,776
Less: net identifiable assets attributable to non-common shareholder	(19,644)
Net identifiable assets attributable to the Group	29,703
Share proportion of the Group	9.50%
Net identifiable assets attributable to the Group	2,822
Carrying amount of investment in China Jinmao on conversion day	2,251
Other income	571

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

9 INVESTMENTS IN ASSOCIATES (Continued)

Material associate investment

The following tables illustrate the summarized financial information in respect of the material associate investment adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	As at/For the year ended 31 December 2015 China Jinmao
Current assets	61,797
Non-current assets	71,326
Total assets	133,123
Current liabilities	45,413
Non-current liabilities	38,363
Total liabilities	83,776
Equity attributable to shareholders of the Group	33,547
Less: perpetual convertible securities	(3,844)
Equity attributable to shareholders of the company after adjustment	29,703
Group's share of net assets of the associates	2,822
Carrying amount of the investment in China Jinmao	2,822
Revenues	17,753
Profit for the year	4,097
Total comprehensive income for the year	(51)

China Jinmao is a material associate investment of the Group accounted for using the equity method. The investment is not strategic to the Group's activities.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

9 INVESTMENTS IN ASSOCIATES (Continued)

Material associate investment (Continued)

	As at/For the year ended 31 December 2014 Petro China Oil Pipeline
Current assets	5
Non-current assets	37,206
Total assets	37,211
Current liabilities	24
Total liabilities	24
Equity attributable to shareholders of the company	37,187
Group's share of net assets of the associates	8,776
Adjustment	(8)
Carrying amount of the investment	8,768
Revenues	2,322
Profit for the year	2,245
Total comprehensive income for the year	2,245
Dividend received	262

Petro China Oil Pipeline is material associate investment of the Group accounting for using equity method. The investment is not strategic to the Group's activities.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	As at/For the year ended 31 December	
	2015	2014
Aggregate carrying amount of the Group's investments in the associates	804	1,382
Total of Group's share of the following items of the associates	13	37
Profit for the year	21	64
Other comprehensive income	–	20
Total comprehensive income for the year	21	84

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

10 FINANCIAL ASSETS

(1) Held-to-maturity investments

	As at 31 December 2015	As at 31 December 2014
Debt financial assets		
Government bonds	45,834	45,891
Financial bonds	29,724	26,659
Corporate bonds	42,792	44,301
Subordinated bonds	59,152	59,146
Total	177,502	175,997
Debt financial assets		
Listed	26,538	25,131
Unlisted	150,964	150,866
Total	177,502	175,997

The fair value of the held-to-maturity investments as at 31 December 2015 was RMB193,536 million (as at 31 December 2014: RMB177,816 million).

The fair value of listed held-to-maturity investments was RMB28,542 million as at 31 December 2015 (as at 31 December 2014: RMB25,298 million).

The unlisted debt financial assets refer to debt financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and debt financial assets not publicly traded.

The due dates of debt financial assets which are classified as held-to-maturity investments are as follows:

Maturity	As at 31 December 2015	As at 31 December 2014
Within 1 year (including 1 year)	1,411	2,488
After 1 year but within 3 years (including 3 years)	19,815	8,134
After 3 years but within 5 years (including 5 years)	21,783	27,729
After 5 years	134,493	137,646
Total	177,502	175,997

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

10 FINANCIAL ASSETS (Continued)

(2) Available-for-sale financial assets

	As at 31 December 2015	As at 31 December 2014
Debt financial assets		
Government bonds	40	41
Financial bonds	3,387	2,581
Corporate bonds	31,841	35,480
Subordinated bonds	14,241	18,684
Trust products	49,903	59,475
Wealth investment products	17,176	1,149
Asset management products	80	80
Subtotal	116,668	117,490
Equity financial assets		
Funds	42,570	20,572
Stock	31,820	33,288
Preferred stock	913	199
Asset management products	10,552	3,413
Private equity	996	366
Trust products	–	30
Wealth investment products	–	144
Equity investment plans	3,200	–
Other unlisted equity investments	10,178	–
Subtotal	100,229	58,012
Total	216,897	175,502
Debt financial assets		
Listed	7,356	9,333
Unlisted	109,312	108,157
Subtotal	116,668	117,490
Equity financial assets		
Listed	37,614	37,095
Unlisted	62,615	20,917
Subtotal	100,229	58,012
Total	216,897	175,502

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

10 FINANCIAL ASSETS (Continued)

(2) Available-for-sale financial assets (Continued)

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

Maturity	As at 31 December 2015	As at 31 December 2014
Within 1 year (including 1 year)	23,621	32,201
After 1 year but within 3 years (including 3 years)	22,534	18,384
After 3 years but within 5 years (including 5 years)	35,796	32,023
After 5 years	34,717	34,882
Total	116,668	117,490

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

10 FINANCIAL ASSETS (Continued)

(3) Financial assets at fair value through profit or loss

	As at 31 December 2015	As at 31 December 2014
Held for trading		
Debt financial assets		
Corporate bonds	367	3,289
Subordinated bonds	434	409
Debt financial assets subtotal	801	3,698
Equity financial assets		
Funds	9,701	1,737
Stocks	630	526
Equity financial assets subtotal	10,331	2,263
Subtotal	11,132	5,961
Designated as at fair value through profit or loss		
Equity financial assets		
Preferred stock	136	128
Equity financial assets subtotal	136	128
Debt financial assets		
Asset management products	2,588	2,588
Debt financial assets subtotal	2,588	2,588
Subtotal	2,724	2,716
Total	13,856	8,677
Debt financial assets		
Listed	206	286
Unlisted	3,183	6,000
Subtotal	3,389	6,286
Equity financial assets		
Listed	1,048	706
Unlisted	9,419	1,685
Subtotal	10,467	2,391
Total	13,856	8,677

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

10 FINANCIAL ASSETS (Continued)

(4) Loans and receivables

	As at 31 December 2015	As at 31 December 2014
Government bonds	13	12
Asset funding plan (i)	20,000	20,000
Debt investment plan (ii)	29,299	24,823
Subordinated debt	1,410	910
Total	50,722	45,745

- (i) Asset funding plans represent 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 was set up by the Group in April 2013. The aggregate 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 principal 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 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 this funding plan.

Huarong No.1 Funding Plan was set up by the Group in December 2013. The aggregate 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 principal 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 which were verified by the plan manager of the Funding Plan are co-managed by Huarong Asset, the Trustee and the plan manager. This co-management serves as a credit enhancement for this funding plan.

- (ii) Debt investment plan mainly consists of infrastructure and property, plant and equipment funding projects. All projects are with fixed terms, and most of them are with a period usually of 3 years to 10 years.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (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:

Maturity	As at 31 December 2015	As at 31 December 2014
Within 1 year (including 1 year)	69,534	44,066
After 1 year but within 3 years (including 3 years)	47,045	114,031
After 3 years but within 5 years (including 5 years)	11,100	9,200
Total	127,679	167,297

(6) Statutory deposits

The due dates of the statutory deposits are as follows:

Maturity	As at 31 December 2015	As at 31 December 2014
Within 1 year (including 1 year)	715	475
After 1 year but within 3 years (including 3 years)	1	241
Total	716	716

According to the relevant regulations issued by the CIRC, statutory deposits can only be used by insurance companies and insurance agencies to discharge debt upon liquidation.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

10 FINANCIAL ASSETS (Continued)

(7) Accrued investment income

	As at 31 December 2015	As at 31 December 2014
Bank deposits	4,688	5,594
Debt financial assets	4,626	4,718
Other	502	332
Total	9,816	10,644
Current	9,541	10,276
Non-current	275	368
Total	9,816	10,644

11 PREMIUMS RECEIVABLE

Premiums receivable is due within 3 months.

12 REINSURANCE ASSETS

	As at 31 December 2015	As at 31 December 2014
Claims and claims adjustment expenses ceded (Note 14)	32	35
Unearned premiums liabilities ceded (Note 14)	53	51
Long-term insurance contracts ceded (Note 14)	3,180	2,854
Due from reinsurance companies	95	80
Total	3,360	3,020
Current	333	240
Non-current	3,027	2,780
Total	3,360	3,020

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

13 OTHER ASSETS

As at 31 December 2015			
	Book value balance	Provision for impairment	Net book value
Investment clearing account (1)	5,964	–	5,964
Prepaid and deferred expenses	1,523	–	1,523
Receivable from Off-balance Sheet Repurchase Transactions (Note 3(6))	931	(931)	–
Prepaid taxes (2)	637	–	637
Prepayment for Heilongjiang branch's office building (3)	37	(37)	–
Entrusted fund receivable from liquidation group of Minfa Securities (4)	16	(16)	–
Prepayment for Taizhou and Yongzhou cases (5)	14	(14)	–
Receivable from Huaxinrong Company (6)	12	(12)	–
Litigation deposit (7)	5	–	5
Others	1,160	(5)	1,155
Total	10,299	(1,015)	9,284

As at 31 December 2014			
	Book value balance	Provision for impairment	Net book value
Investment clearing account (1)	41	–	41
Prepaid and deferred expenses	1,044	–	1,044
Receivable from Off-balance Sheet Repurchase Transactions (Note 3(6))	1,101	(931)	170
Prepaid taxes (2)	2,240	–	2,240
Prepayment for Heilongjiang branch's office building (3)	37	(37)	–
Entrusted fund receivable from liquidation group of Minfa Securities (4)	16	(16)	–
Prepayment for Taizhou and Yongzhou cases (5)	17	(17)	–
Receivable from Huaxinrong Company (6)	12	(12)	–
Litigation deposit (7)	4	–	4
Others	761	(9)	752
Total	5,273	(1,022)	4,251

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

13 OTHER ASSETS (Continued)

	As at 31 December 2015	As at 31 December 2014
Current	8,910	3,801
Non-current	374	450
Total	9,284	4,251

(1) Investment clearing account

Investment clearing account balance represents unsettled security in transit as at the end of the reporting period.

(2) 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 upon the tax bureau's approval.

(3) Prepayment for Heilongjiang branch's 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 recipient of the payment is not a party of the contract, as at the date approved for issue by Board of Directors, the Company was not able to obtain the office building ownership certificate, and recovery of the payment made to Guantong Investment is significantly uncertain. Based on the best estimation of the future cash flows, the Company recognized a full provision for this prepayment.

(4) Entrusted fund receivable from liquidation group of Minfa Securities

Minfa Securities Co., Ltd. (hereinafter referred to as "Minfa Securities") was closed down by the CSRC and started administrative liquidation in 2005. The Company had investments entrusted to Minfa Securities with a carrying amount of RMB477 million which were deemed to be uncollectible at the time of the liquidation. Accordingly, the Company reclassified these investments into other receivable at their carrying amount and recognized a full provision against such balance. From 2009 to 2012, the Company managed to recover funds amounting to RMB373 million in accordance with the distribution arrangement as approved by the Court. In 2012, the Court adjudicated to terminate bankruptcy proceedings of Minfa Securities and related companies. The Company assessed that it might still be able to recover RMB16 million but made a full provision against the amount due to significant uncertainty. The remaining balance of RMB88 million was assessed to be non-recoverable and was written off.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (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. The Company had to settle claims from defrauded policyholders amounting to RMB295 million, of which approximately RMB277 million was for the Taizhou case and RMB18 million was for the Yongzhou case. The Company anticipated significant uncertainty in the recovery of such amounts and made full loss provision for them. Although provided in full, some amounts were recovered subsequently. In 2012, amounts deemed not recoverable of RMB162 million were written off.

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

In 2015, the Company recovered RMB3 million from the Taizhou and Yongzhou cases and reduced other assets and their corresponding provision.

(6) Receivable from Huaxinrong Company

In 2004, the Company signed an office building purchase contract with Shenzhen Lianjiuzhou Logistics Network Co., Ltd. ("Lianjiuzhou Company") amounting 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 a separate payment of RMB16 million directly to Lianjiuzhou Company. In 2007, the Company reached 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.

(7) Litigation deposit

Litigation deposit represents deposits required by the court for routine litigations in progress, and will be returned to the Group upon the conclusion of the cases.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

14 INSURANCE CONTRACT 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 the computation of liabilities.

In developing discount rate assumptions, the Group considers investment experience, current and future investment portfolios and the 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 of the Group as at 31 December 2015 and 31 December 2014 are as follows:

	Discount rate assumption
31 December 2015	4.75%~5.23%
31 December 2014	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 the 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 of liquidity spreads, taxation impacts and other relevant factors. The expected discount rates of the Group as at 31 December 2015 and 31 December 2014 are as follows:

	Discount rate assumption
31 December 2015	3.57%~5.93%
31 December 2014	3.67%~6.11%

The discount rate assumption is affected by certain factors, such as future macro-economy, currency and foreign exchange policies, capital market and availability of investment channel of insurance funds. It still has significant uncertainty. The Group determines the discount rate assumption based on the information obtained at the end of each reporting period including consideration of risk margins.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

14 INSURANCE CONTRACT LIABILITIES (Continued)

(1) Process used to determine assumptions (Continued)

(b) Mortality and morbidity assumptions

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 epidemics, such as bird flu, AIDS and SARS, and wide-ranging lifestyle changes could result in deterioration in the 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 the assumption 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 on analysis of historical experience and expectations of future developments. There are two main sources of uncertainty. First, wide-ranging lifestyle changes could result in future deterioration in the morbidity rate. Second, future development of medical technologies and improved availability of medical facilities to policyholders may lead to early diagnosis of critical illnesses, 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, expressed on both per-policy/insured and a percent-of-premium basis. The Group's expenses assumption is affected by certain factors, such as inflation and market competition. The Group determines expenses assumption based on the information obtained at the end of each reporting period with the consideration of risk margin.

	Individual life insurance		Group life insurance	
	RMB per policy	% of premium	RMB per insured	% of premium
31 December 2015	85-95	1.20%-1.55%	55	0.45%
31 December 2014	80-95	1.15%-1.26%	60	0.88%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

14 INSURANCE CONTRACT LIABILITIES (Continued)

(1) Process used to determine assumptions (Continued)

(d) Policy dividend assumption

Policy dividend assumption is determined based upon contract terms, the investment yields of the participating account, 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 rate and other assumptions are affected by certain factors, such as future macro-economy, availability of financial substitutions, and market competition. The lapse rate 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 Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

14 INSURANCE CONTRACT LIABILITIES (Continued)

(2) Net liabilities of insurance contracts

	As at 31 December 2015	As at 31 December 2014
Gross		
Long-term insurance contract liabilities	522,799	478,406
Short-term insurance contract liabilities		
– Outstanding claims liabilities	559	562
– Unearned premiums liabilities	1,083	1,132
Total, gross	524,441	480,100
Recoverable from reinsurers		
Long-term insurance contracts (Note12)	(3,180)	(2,854)
Short-term insurance contracts		
– Outstanding claims liabilities (Note12)	(32)	(35)
– Unearned premiums liabilities (Note12)	(53)	(51)
Total, ceded	(3,265)	(2,940)
Net		
Long-term insurance contract liabilities	519,619	475,552
Short-term insurance contract liabilities		
– Outstanding claims liabilities	527	527
– Unearned premiums liabilities	1,030	1,081
Total, net	521,176	477,160

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

14 INSURANCE CONTRACT LIABILITIES (Continued)

(3) Movements in liabilities of short-term insurance contracts

The table below presents movements in outstanding claims liabilities:

	For the year ended 31 December	
	2015	2014
Beginning of the year – Gross	562	520
Cash paid for claims settled in the year		
– Cash paid for current year claims	(756)	(774)
– Cash paid for prior year claims	(448)	(430)
Claims incurred in the year		
– Claims arising in the current year	1,278	1,298
– Claims adjusted for prior years	(77)	(52)
End of the year – Gross	559	562

The table below presents the movements in unearned premiums liabilities:

	Gross	Ceded	Net
As at 1 January 2014	967	(79)	888
Increase	2,740	(147)	2,593
Release	(2,575)	175	(2,400)
As at 31 December 2014	1,132	(51)	1,081
Increase	2,831	(177)	2,654
Release	(2,880)	175	(2,705)
As at 31 December 2015	1,083	(53)	1,030

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

14 INSURANCE CONTRACT 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:

	For the year ended 31 December	
	2015	2014
Beginning of the year	478,406	425,394
Premiums	109,028	107,128
Release of liabilities (i)	(107,740)	(88,390)
Accretion of interest	22,948	21,504
Changes in assumption (ii)	4,489	1,165
Other movements (iii)	15,668	11,605
End of the year	522,799	478,406

- (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 assumptions are impact of changes in the discount rate assumption, mortality and morbidity assumptions, 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 Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

15 LIABILITIES OF INVESTMENT CONTRACTS

The table below presents the movements in liabilities of investment contracts:

	For the year ended 31 December	
	2015	2014
Investment contracts excluding unit-linked contracts		
Beginning of the year	27,965	25,701
Deposits received	8,865	6,508
Deposits paid and liabilities transferred out	(11,140)	(5,229)
Policy fees deducted from account balances	(135)	(199)
Interest and benefits accrued	1,294	1,128
Changes in investment contracts recorded in other comprehensive income	32	56
End of the year	26,881	27,965
Unit-linked contracts		
Beginning of the year	248	232
Deposits received	5	1
Deposits paid and liabilities transferred out	(44)	(24)
Fair value changes	76	39
End of the year	285	248
Total liabilities of investment contracts as at end of the year	27,166	28,213

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

16 BORROWINGS

Upon the approval of the CIRC in September 2011, the Company completed an offering of 10-year subordinated debt in an aggregate principal amount of RMB5,000 million, and with an interest rate 5.7% per annum. The Company has the right to redeem the debt 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 in 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 aggregate principal amount of RMB10,000 million, and with an interest rate 4.6% per annum. The Company has the right to redeem the debt 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 in the sixth year until the maturity date.

Upon the approval of the CIRC in November 2014, the Company completed an offering of 10-year subordinated debt in an aggregate principal amount of RMB4,000 million, and with an interest rate 5.6% per annum. The Company has the right to redeem the debt 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 7.6% per annum beginning in 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 at 31 December 2015 was RMB19,492 million, which are within Level 2 of the fair value hierarchy.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

17 FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

	As at 31 December 2015	As at 31 December 2014
By market		
Inter-bank market	4,890	40,040
Stock exchange	14,926	19,194
Total	19,816	59,234
By collateral		
Bonds	19,816	59,234
Total	19,816	59,234

Maturity:

	As at 31 December 2015	As at 31 December 2014
Within 3 months (including 3 months)	19,816	54,234
After 3 months but within 6 months (including 6 months)	–	5,000
Total	19,816	59,234

As at 31 December 2015, bonds with par value of RMB4,932 million (as at 31 December 2014: RMB43,731 million) were pledged as collateral for financial assets sold under agreements to repurchase resulting 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 the stock exchange, the Group is required to deposit certain exchange-traded bonds into a collateral pool and the fair values converted at a standard rate pursuant to stock exchange's regulation which should be no less than the balances of the related repurchase transactions.

As at 31 December 2015, the amount of financial assets deposited in the collateral pool amounted to RMB31,874 million (as at 31 December 2014: RMB33,257 million). The collateral is restricted from trading during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from the collateral pool in a short period of time under the condition that the value of certain bonds is no less than the balance of the related repurchase transactions.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

18 PROVISIONS

	Lawsuits and disputes
As at 1 January 2015	29
Increase	–
Decrease	–
As at 31 December 2015	29
As at 1 January 2014	458
Increase	–
Decrease	(429)
As at 31 December 2014	29

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 into consideration 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 depend on the final investigation, judgment and settlement amounts, thus they may differ from the current provision.

19 OTHER LIABILITIES

	As at 31 December 2015	As at 31 December 2014
Salary and welfare payable	1,748	1,512
Commission and brokerage payable	1,547	1,047
Investment fund received from New China Health in advance (i)	783	–
Security deposits by agent for holding the Company's documents	243	193
Taxes payable other than income tax	164	204
Repayment payable for non-insurance contracts	67	94
Insurance security fund payable	50	44
Unallocated receipts	43	44
Purchase payment for Heilongjiang branch's building (Note13(3))	37	37
Investment clearing account (Note 13(1))	–	819
Others	1,161	1,096
Total	5,843	5,090
Current	5,563	4,860
Non-current	280	230
Total	5,843	5,090

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

19 OTHER LIABILITIES (Continued)

- (i) On 12 December 2015, the Company and New China Life Excellent Health Investment Management Co., Ltd. ("New China Health"), the subsidiary of the Company, signed an investment agreement with iKang Guobin Healthcare Group, Inc. ("iKang Guobin") and Shenzhen Top Spring Puchang Investment Management Co., Ltd. ("Top Spring Puchang"). iKang Guobin and Top Spring Puchang subscribed RMB507 million and RMB113 million of the additional registered capital respectively with RMB765 million and RMB170 million paid in cash. On 22 January 2016, New China Health changed the registered capital to RMB1,127 million. After the change, the Company, iKang Guobin and Top Spring Puchang hold 45%, 45% and 10% of the shares respectively.

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 relates to the same tax authority. Most of income taxes shown below are taxes incurred in the PRC.

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

	For the year ended 31 December	
	2015	2014
Current tax	2,822	1,387
Deferred tax	358	(12)
Total income tax	3,180	1,375

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

20 TAXATION (Continued)

- (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	
	2015	2014
Profit before income tax	11,782	7,782
Tax computed at the statutory tax rate in China	2,945	1,946
Non-taxable income (i)	(893)	(933)
Expenses not deductible for tax purpose (i)	1,204	322
Effect of unrecognized deferred tax assets arising from deductible temporary differences	(70)	44
Adjustment to the current tax of prior years	(2)	(2)
Effect of different tax rate of a subsidiary	(4)	(2)
Income tax computed at effective tax rate	3,180	1,375

- (i) Non-taxable income mainly includes government bond interest income and stock dividend income. Expenses not deductible for tax purposes mainly include those expenses such as commission and brokerage expense, penalties, donations and entertainment expenses that do not meet the criteria for deduction under relevant tax regulations issued by the tax authority.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (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:

	Financial assets	Insurance liabilities and others	Total
Net deferred tax assets			
As at 1 January 2014	–	16	16
Credited to net profit	–	22	22
Charged to other comprehensive income	(2)	–	(2)
As at 31 December 2014	(2)	38	36
As at 1 January 2015	(2)	38	36
Charged to net profit	(1)	(29)	(30)
Charged to other comprehensive income	–	–	–
As at 31 December 2015	(3)	9	6
Net deferred tax liabilities			
As at 1 January 2014	546	478	1,024
(Charged)/Credited to net profit	(81)	71	(10)
Charged to other comprehensive income	(2,770)	1,739	(1,031)
As at 31 December 2014	(2,305)	2,288	(17)
As at 1 January 2015	(2,305)	2,288	(17)
Charged to net profit	(1)	(327)	(328)
Charged to other comprehensive income	(1,569)	1,061	(508)
As at 31 December 2015	(3,875)	3,022	(853)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (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 at 31 December 2015	As at 31 December 2014
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	2,897	1,997
– deferred tax assets to be recovered after 12 months	165	134
Subtotal	3,062	2,131
Deferred tax liabilities		
– deferred tax liabilities to be settled within 12 months	(3,591)	(2,023)
– deferred tax liabilities to be settled after 12 months	(318)	(89)
Subtotal	(3,909)	(2,112)
Total net deferred income tax assets	6	36
Total net deferred income tax liabilities	(853)	(17)

(4) Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable income is probable. The amount of deductible temporary differences and unused tax losses for which no deferred tax asset is recognized is as follows:

	As at 31 December 2015	As at 31 December 2014
Deductible losses	495	305
Deductible temporary differences	–	475
Total	495	780

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

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 at 31 December 2015	As at 31 December 2014
Number of shares registered, issued and fully paid at RMB1 per share (million)	3,120	3,120

22 RESERVES

	Share premium (a)	Unrealized income/ (losses)	Surplus reserve (b)	Reserve for general risk (c)	Total
As at 1 January 2014	23,962	(975)	1,458	1,458	25,903
Other comprehensive income	–	3,107	–	–	3,107
Appropriation to reserves	–	–	644	644	1,288
Others	2	–	–	–	2
As at 31 December 2014	23,964	2,132	2,102	2,102	30,300
Other comprehensive income	–	1,530	–	–	1,530
Appropriation to reserve	–	–	853	853	1,706
As at 31 December 2015	23,964	3,662	2,955	2,955	33,536

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

22 RESERVES (Continued)

(a) Share premium

Share premium represents the excess of the paid-in capital over the par value of shares issued.

(b) Surplus reserve

Surplus reserve consists 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 the statutory surplus reserve reaches 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 upon approval.

The Company appropriated RMB853 million for the year ended 31 December 2015 to the statutory surplus reserve (for the year ended 31 December 2014: RMB644 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 2015 (for the year ended 31 December 2014: Nil).

(c) Reserve for general risk

Pursuant to "Financial Standards of Financial Enterprises-Implementation Guide" issued by the Ministry of Finance of the PRC on 20 March 2007, for the year ended 31 December 2015, the Company appropriated 10% of the net profit to the general reserve for future uncertain disasters, which cannot be used for dividend distribution or share capital increment (for the year ended 31 December 2014: 10%).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

23 GROSS WRITTEN PREMIUMS AND POLICY FEES

	For the year ended 31 December	
	2015	2014
Gross written premiums		
– Long-term insurance contracts	109,028	107,128
– Short-term insurance contracts	2,831	2,740
Subtotal	111,859	109,868
Policy fees		
– Investment contracts	135	199
Gross written premiums and policy fees	111,994	110,067

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

24 INVESTMENT INCOME

	For the year ended 31 December	
	2015	2014
Held-to-maturity investments		
– Interest income	8,302	8,387
Available-for-sale financial assets		
– Interest income	6,558	6,637
– Dividend income	1,537	1,337
– Net realized gains	16,072	3,583
– Impairment losses on equity financial assets	(610)	(1,023)
Financial assets at fair value through profit or loss		
– Interest income	271	365
– Dividend income	770	30
– Fair value gains/(losses)	(9)	324
– Net realized gains/(losses)	(46)	131
Interest income from loans and receivables		
– Interest income	3,161	2,400
Interest income from bank deposits	8,054	8,858
Interest income from policy loans	979	718
Interest income from financial assets purchased under agreements to resell	29	37
Others	1	–
Total	45,069	31,784
Including:		
Investment income based on the effective interest method	27,354	27,402
Investment income from listed investments	15,061	4,439
Investment income from unlisted investments	30,008	27,345
Total	45,069	31,784

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

25 OTHER INCOME

	For the year ended 31 December	
	2015	2014
Rental income from investment properties	135	106
Government grants	26	20
Reversal of provision	–	429
Exchange gain	305	30
Difference of cost of purchasing associates and the portion of fair value of net identifiable asset	571	–
Other	457	255
Total	1,494	840

26 INSURANCE BENEFITS AND CLAIMS

	For the year ended 31 December	
	2015	2014
Gross		
Claims and change in outstanding claims liabilities	1,202	1,246
Life insurance death and other benefits	77,967	64,943
Increase in long-term insurance liabilities	40,181	46,113
Total	119,350	112,302
Recovered from reinsurers		
Claims and change in outstanding claims liabilities	(158)	(131)
Life insurance death and other benefits	(147)	(60)
Increase in long-term insurance liabilities	(326)	(94)
Total	(631)	(285)
Net		
Claims and change in outstanding claims liabilities	1,044	1,115
Life insurance death and other benefits	77,820	64,883
Increase in long-term insurance liabilities	39,855	46,019
Total	118,719	112,017

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

27 ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2015	2014
Employee benefit expenses (including directors' emoluments) (1)	8,520	7,457
Operating lease expense	837	740
Travel and conference fees	711	644
Entertainment fees	564	522
Depreciation and amortization	436	401
Official fees	302	302
Promotional printing cost	227	212
Insurance guarantee fund	189	185
Postal fees	143	136
Advertising fees	98	116
Electronic equipment operating costs	75	94
Vehicle use fees	63	76
Supervision fees	48	47
Auditors' remuneration	26	16
Others	416	387
Total	12,655	11,335

(1) Employee benefit expenses are presented below:

	For the year ended 31 December	
	2015	2014
Salary and welfare expenses	6,954	6,106
Social security costs – pension	624	540
Social security costs – other	449	388
Including:		
Supplementary defined contribution pension expense	100	44
Supplementary medical expense	16	13
Housing fund	333	286
Employee education and labor union fees	160	137
Total	8,520	7,457

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

28 OTHER EXPENSES

	For the year ended 31 December	
	2015	2014
Business tax and surcharges	985	235
Depreciation and amortization	71	54
Reversal of provision for prepayment for Taizhou and Yongzhou cases (Note13(5))	(3)	–
Others	377	254
Total	1,430	543

29 FINANCE COSTS

	For the year ended 31 December	
	2015	2014
Interest expenses for financial assets sold under agreements to repurchase	888	1,400
Interest expenses for the subordinated debts	969	771
Total	1,857	2,171

30 NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The net profit attributable to shareholders of the Company for the year ended 31 December 2015 was RMB8,601 million (for the year ended 31 December 2014: RMB6,406 million) which is included in the consolidated financial statements of the Group.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (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	
	2015	2014
Net profit attributable to shareholders of the Company (RMB in millions)	8,601	6,406
Weighted average number of ordinary shares issued (in millions)	3,120	3,120
Basic earnings per share (RMB)	2.76	2.05

(2) Diluted

The Company has no dilutive potential ordinary shares. Diluted earnings per share are the same as basic earnings per share for the year ended 31 December 2015 (for the year ended 31 December 2014: same).

32 DIVIDENDS

Pursuant to a resolution passed at the shareholders' general meeting on 24 June 2015, a final dividend of RMB0.21 per ordinary share (inclusive of tax) totalling RMB655 million was declared.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) Related parties

The table below summarizes the significant related parties of the Company in 2015:

Significant related parties	Relationships
New China Asset Management Co., Ltd. ("New China Asset Management")	Subsidiary of the Company
Yunnan New China Insurance Agency Co., Ltd. ("Yunnan New China")	Subsidiary of the Company
Xinhua Village Health Technology (Beijing) Co., Ltd. ("Health Technology")	Subsidiary of the Company
Xinhua Village Seniors Business Management (Beijing) Co., Ltd. ("Xinhua Seniors")	Subsidiary of the Company
Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd. ("Shanggu Real Estate")	Subsidiary of the Company
New China Health	Subsidiary of the Company
New China Electronic Commerce Co., Ltd. ("Electronic Commerce")	Subsidiary of the Company
Hefei New China Life Supporting Construction Operation Management Co., Ltd. ("Hefei Supporting Operation")	Subsidiary of the Company
Asset Management Company (Hong Kong)	Subsidiary of the Company
New China Life Insurance (Xi'an) Clinic Co., Ltd. ("Xi'an Clinic")	Subsidiary of the Company

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(1) Related parties (Continued)

Significant related parties	Relationships
New China Life Excellent Health (Wuhan) Clinic Co., Ltd. ("Wuhan 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
Hefei Shushan New China Life Excellent Clinic Co., Ltd. ("Hefei Clinic")	Subsidiary of the Company
Hohhot New China Life Excellent Clinic Co., Ltd. ("Hohhot Clinic")	Subsidiary of the Company
Jinan New China Life Excellent Clinic Co., Ltd. ("Jinan Clinic")	Subsidiary of the Company
Nanjing New China Life Excellent Clinic Co., Ltd. ("Nanjing Clinic")	Subsidiary of the Company
Changde New China Life Excellent Health Management Co., Ltd. (Changde Clinic")	Subsidiary of the Company
Tangshan New China Life Excellent Clinic Co., Ltd. (Tangshan Clinic")	Subsidiary of the Company
Hangzhou New China Life Excellent Clinic Co., Ltd (Hangzhou Clinic")	Subsidiary of the Company
New China Health Management Human Resources (Jiangsu) Co., Ltd ("Health Human Resources")	Subsidiary of the Company
Xinhua Village Seniors Investment Management (Hainan) Co., Ltd. ("Hainan Seniors")	Subsidiary of the Company
Beijing Century Haoran Power Science and Technology Development Co., Ltd. ("Haoran Power")	Subsidiary of the Company
New China Life Excellent Health Technology (Beijing) Co., Ltd. ("Excellent Health Technology")	Subsidiary of the Company
Guangzhou Yuerong Project Construction Management Co., Ltd. ("Guangzhou Yuerong")	Subsidiary of the Company
Orient No.1 Funding Plan	Subsidiary of the Company
Huarong No.1 Funding Plan	Subsidiary of the Company
New China-Mingdao Appreciation Asset Management Product ("Mingdao Fund")	Subsidiary of the Company
MJ Health	Associate of the Company
Zijin Century	Associate of the Company
New China Capital International	Associate of the Company
China Jinmao	Associate of the Company
Central Huijin Investment Ltd. ("Huijin")	Shareholder that has significant influence over the Company

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (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 party transactions:

	For the year ended 31 December	
	2015	2014
Transactions between the Group and other related parties		
– Interests from bonds issued by Huijin (i)	17	12
Transactions between the Company and its subsidiaries		
– Additional capital contribution to New China Asset Management	–	465
– Investment management fee to New China Asset Management (ii)	399	349
– Investment management fee to Asset Management Company (Hong Kong) (ii)	26	41
– Rent earned from New China Asset Management (iii)	5	5
– Rent earned from New China Health (iii)	7	2
– Rent earned from Xinhua Seniors(iii)	7	–
– Chongqing New China Insurance Agency Co., Ltd. (“Chongqing New China”) liquidation	–	7
– Additional capital contribution to Xinhua Seniors	–	547
– Additional capital contribution to Hainan Seniors (Note 36(3)(vi))	309	–
– Additional capital contribution to Haoran Power (Note 36(3)(vii))	480	–
– Health check and service fee charged to New China Health (iv)	12	8
– Xi’an Clinic and Wuhan Clinic as additional capital contribution to New China Health (Note36(3)(ii))	7	–
– IT service fee charged to Electronic Commerce (v)	6	–
– Conference and training fees charged to Health Technology (vi)	12	–

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties (Continued)

(i) *Bond interest from Huijin*

Huijin became a shareholder of the Company in 2009 and directly holds 31.34% of the Company's shares as at 31 December 2015. Huijin is a state-owned investment company approved by the State Council. The function of Huijin is to hold specific equity investments to the extent of capital contributions on behalf of the State Council in order to maintain and increase the value of state-owned assets. Huijin should not undertake any commercial activities or intervene routine operation of the investee. The Group and Company conduct transactions with other entities that are controlled by, under common control or significant influence of Huijin, including deposit, investment custody, agency sales of insurance products and re-insurance transactions.

In 2010 and 2015, the Company purchased bonds issued by Huijin at a par value of RMB300 million and 500 million from the inter-bank market respectively. As at 31 December 2015, the carrying value of these bonds was RMB799 million (as at 31 December 2014: RMB300 million). The recognized bond interests for the year ended 31 December 2015 was RMB17 million (for the year ended 31 December 2014: RMB12 million).

(ii) *Investment management service agreement*

The Company and New China Asset Management entered into an annual investment management service agreement for entrusted investments in 2015. 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 the basic service fee, floating management fee and performance management fee to New China Asset Management. The Company has the right to deduct fees based on the performance of New China Asset Management or other reasons such as the violation of the agreement.

The Company and Asset Management Company (Hong Kong) entered into an annual investment management service agreement for entrusted investments in 2015. According to this agreement, Asset Management Company (Hong Kong) 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 the basic service fee, floating management fee and performance management fee to Asset Management Company (Hong Kong). The Company has the right to deduct fees based on the performance of Asset Management Company (Hong Kong) or other reasons such as the violation of the agreement.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties (Continued)

(iii) Office rental contracts

The Company leases part of New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to New China Asset Management as its office. The annual rental was approximately RMB5 million (for the year ended 31 December 2014: RMB5 million).

The Company leases part of the office building located at 5F, Blue Ocean Unit A, Green Central Plaza at Hohhot and part of New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to New China Health. The annual rentals were about RMB2 million and 5 million respectively (for the year ended 31 December 2014: RMB2 million).

The Company leases part of New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to Xinhua Seniors as its office. The annual rental was approximately RMB7 million.

(iv) Health service fee paid to New China Health

The Company signed a contract with New China Health in 2015. According to the contract, the Company purchased health service from New China Health for underwriting review, employee welfare, marketing and agent incentive plan, etc. Approximately RMB12 million of expenses were incurred in 2015 (for the year ended 31 December 2014: RMB8 million).

(v) IT service fee paid to Electronic Commerce

On 1 January 2015, the Company signed an agreement on channel cooperation with Electronic Commerce. According to the agreement, Electronic Commerce would provide support on website operation and online service, expansion and marketing on channel of cooperation. Approximately RMB6 million of expenses were incurred in 2015.

(vi) Conference and training fees charged to Health Technology

The Company paid for conference and training service fees to Health Technology. Approximately RMB12 million of expenses were incurred in 2015.

The office rental of New China Asset Management, New China Health and Xinhua Seniors is based on the price agreed by both of the deal. The investment management fee to New China Asset Management and Asset Management Company (Hong Kong) is calculated based on the negotiated service charge rate and the scale of investments. The health fee to New China Health is calculated based on market value. IT service fee charged to Electronic Commerce and the conference and training fees to Health Technology are calculated based on the negotiated price between transaction parties.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(3) Related party balances

	As at 31 December 2015	As at 31 December 2014
Interest receivable		
Receivable from an investor with significant influence on the Company		
Huijin	9	4
	As at 31 December 2015	As at 31 December 2014
Receivables from subsidiaries		
Hefei Supporting Operation	207	167
Xinhua Seniors	43	51
Xi'an Clinic	–	22
Wuhan Clinic	–	21
Health Technology	17	17
New China Health	5	7
Yunnan New China	–	3
Haoran Power	–	374
Total	272	662
Payables to subsidiaries		
New China Asset Management (Note 33 (2)(ii))	108	94
Asset Management Company (Hong Kong)	–	20
New China Health	1	–
Total	109	114

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 Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (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	
	2015	2014
Payroll and welfare	53	65

(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 related 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 has applied IAS 24 (amendment) exemption and disclosed only qualitative information.

As at 31 December 2015, most of bank deposits were with state-owned banks; the issuers of debt financial assets held by the Group were mainly state-owned enterprises; most investments were entrusted to state-owned enterprises. For the year ended 31 December 2015, a large portion of its group insurance business of the Group was 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 the bank deposit interest income was from state-owned banks.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (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 of 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

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

	As at 31 December 2015	As at 31 December 2014
Contracted, but not provided for	2,250	2,183
Authorized, but not contracted for	522	96
Total	2,772	2,279

(2) Operating lease commitments

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

	As at 31 December 2015	As at 31 December 2014
Within 1 year (including 1 year)	489	396
Between 1 and 5 years (including 5 years)	958	705
More than 5 years	68	–
Total	1,515	1,101

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

35 COMMITMENTS (Continued)

(3) Operating lease rental receivables

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

	As at 31 December 2015	As at 31 December 2014
Within 1 year (including 1 year)	95	94
Between 1 and 5 years (including 5 years)	101	84
Total	196	178

(4) Investment commitments

The Group has signed contracts to purchase equity investments. As at 31 December 2015, a total amount of RMB2,240 million was disclosed as an investment commitment contracted but not provided for (as at 31 December 2014: RMB716 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS

Statement of Financial Position

	Notes	31 December 2015	31 December 2014
ASSETS			
Property, plant and equipment	36(1)	5,531	4,790
Investment properties	7	2,177	1,665
Intangible assets	36(2)	1,647	1,513
Investments in subsidiaries	36(3)	23,931	23,045
Investments in associates	36(4)	3,600	10,150
Debt financial assets		328,034	325,270
– Held-to-maturity	10(1)	177,502	175,997
– Available-for-sale	36(5a)	116,460	117,292
– At fair value through profit or loss	36(5b)	3,363	6,248
– Loans and receivables	36(5c)	30,709	25,733
Equity financial assets		110,108	60,061
– Available-for-sale	36(5a)	99,847	57,687
– At fair value through profit or loss	36(5b)	10,261	2,374
Term deposits	36(5d)	127,208	166,797
Statutory deposits	36(5e)	715	715
Policy loans		20,879	14,903
Financial assets purchased under agreements to resell		91	1,545
Accrued investment income	36(5f)	9,798	10,625
Premiums receivable	11	1,525	1,543
Reinsurance assets	12	3,360	3,020
Other assets	36(6)	8,324	4,082
Cash and cash equivalents		12,432	13,885
Total assets		659,360	643,609

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

Statement of Financial Position (Continued)

	Notes	31 December 2015	31 December 2014
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contract liabilities	14	522,799	478,406
Short-term insurance contract liabilities			
– Outstanding claims liabilities	14	559	562
– Unearned premiums liabilities	14	1,083	1,132
Investment contracts	15	27,166	28,213
Borrowings	16	19,000	19,000
Financial assets sold under agreements to repurchase	17	19,816	59,234
Benefits, claims and surrenders payable		1,624	1,301
Premiums received in advance		2,823	2,246
Reinsurance liabilities		95	67
Provisions	18	29	29
Other liabilities	36(7)	4,638	4,911
Current tax liabilities		982	–
Deferred tax liabilities	36(8)	853	17
Total liabilities		601,467	595,118
Shareholders' equity			
Share capital		3,120	3,120
Reserves	36(9)	33,523	30,294
Retained earnings		21,250	15,077
Total equity		57,893	48,491
Total liabilities and equity		659,360	643,609

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(1) Property, plant and equipment

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2015	3,534	948	178	1,134	5,794
Additions	8	141	8	1,633	1,790
Transfers upon completion	598	6	–	(604)	–
Transfer from investment properties	30	–	–	–	30
Transfer to investment properties	(212)	–	–	(387)	(599)
Disposals	(1)	(70)	(11)	–	(82)
Other	–	–	–	(265)	(265)
As at 31 December 2015	3,957	1,025	175	1,511	6,668
Accumulated depreciation					
As at 1 January 2015	(372)	(571)	(61)	–	(1,004)
Charges for the year	(85)	(115)	(14)	–	(214)
Transfer from investment properties	(5)	–	–	–	(5)
Transfer to investment properties	14	–	–	–	14
Disposals	–	66	6	–	72
As at 31 December 2015	(448)	(620)	(69)	–	(1,137)
Net book value					
As at 1 January 2015	3,162	377	117	1,134	4,790
As at 31 December 2015	3,509	405	106	1,511	5,531

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(1) Property, plant and equipment (Continued)

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2014	3,644	830	174	441	5,089
Additions	–	155	18	1,223	1,396
Transfers upon completion	461	18	–	(479)	–
Transfer to investment properties	(78)	–	–	(51)	(129)
Disposals	(493)	(55)	(14)	–	(562)
As at 31 December 2014	3,534	948	178	1,134	5,794
Accumulated depreciation					
As at 1 January 2014	(483)	(507)	(57)	–	(1,047)
Charges for the year	(88)	(108)	(12)	–	(208)
Transfer to investment properties	16	–	–	–	16
Disposals	183	44	8	–	235
As at 31 December 2014	(372)	(571)	(61)	–	(1,004)
Net book value					
As at 1 January 2014	3,161	323	117	441	4,042
As at 31 December 2014	3,162	377	117	1,134	4,790

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(2) Intangible assets

	Computer software	Land use rights	Total
Cost			
As at 1 January 2015	411	1,393	1,804
Additions	240	–	240
As at 31 December 2015	651	1,393	2,044
Accumulated amortization			
As at 1 January 2015	(245)	(46)	(291)
Amortization	(71)	(35)	(106)
As at 31 December 2015	(316)	(81)	(397)
Net book value			
As at 1 January 2015	166	1,347	1,513
As at 31 December 2015	335	1,312	1,647

	Computer software	Land use rights	Total
Cost			
As at 1 January 2014	355	1,352	1,707
Additions	56	41	97
As at 31 December 2014	411	1,393	1,804
Accumulated amortization			
As at 1 January 2014	(199)	(11)	(210)
Amortization	(46)	(35)	(81)
As at 31 December 2014	(245)	(46)	(291)
Net book value			
As at 1 January 2014	156	1,341	1,497
As at 31 December 2014	166	1,347	1,513

(3) Investments in subsidiaries

	As at 31 December 2015	As at 31 December 2014
Unlisted investments at cost	23,931	23,045

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(3) Investments in subsidiaries (Continued)

Details of the Company's subsidiaries as at 31 December 2015 are as follows:

	Place of incorporation and operation	Principal activities	Registered capital	Group's interest %
New China Asset Management	Beijing, China	Asset management	RMB500 million	99.4%
Yunnan New China (i)	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	RMB562 million	100%
Shanggu Real Estate	Beijing, China	Real estate property development	RMB15 million	100%
New China Health (iii)	Beijing, China	Investment management, Management consulting	RMB507 million	100%
Electronic Commerce	Beijing, China	Electronic commerce	RMB100 million	100%
Hefei Supporting Operation (iv)	Hefei, China	Real estate property investment and management	RMB500 million	100%
Asset Management Company (Hong Kong)	Hong Kong, China	Asset management	HKD50 million	99.6%
Xi'an Clinic (iii)	Xi'an, China	Health management	RMB20 million	100%
Wuhan Clinic (iii)	Wuhan, China	Health management	RMB20 million	100%
Yantai Clinic	Yantai, China	Health management	RMB20 million	100%
Qingdao Clinic	Qingdao, China	Health management	RMB20 million	100%
Baoji Clinic	Baoji, China	Health management	RMB16 million	100%
Chongqing Clinic	Chongqing, China	Health management	RMB22 million	100%
Changsha Clinic	Changsha, China	Health management	RMB22 million	100%
Chengdu Clinic	Chengdu, China	Health management	RMB20 million	100%
Zhengzhou Clinic	Zhengzhou, China	Health management	RMB20 million	100%
Hefei Clinic	Hefei, China	Health management	RMB20 million	100%
Hohhot Clinic	Hohhot, China	Health management	RMB20 million	100%
Jinan Clinic	Jinan, China	Health management	RMB20 million	100%
Nanjing Clinic (v)	Nanjing, China	Health management	RMB20 million	100%
Changde Clinic (v)	Changde, China	Health management	RMB15 million	100%
Tangshan Clinic (v)	Tangshan, China	Health management	RMB15 million	100%
Hangzhou Clinic (v)	Hangzhou, China	Health management	RMB20 million	100%
Health Human Resources (vi)	Nanjing, China	Health management	RMB20 million	100%
Hainan Seniors (vii)	Hainan, China	Real estate	RMB1,908 million	100%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(3) Investments in subsidiaries (Continued)

Details of the Company's subsidiaries at 31 December 2015 are as follows (continued):

	Place of incorporation and operation	Principal activities	Registered capital	Group's interest %
Haoran Power (viii)	Beijing, China	Technological development	RMB500 million	100%
Excellent Health Technology	Beijing, China	Health management	RMB3 million	100%
Guangzhou Yuerong	Guangzhou, China	Real estate	RMB10 million	100%
Orient No.1 Funding Plan	N/A	Project investment	RMB10 billion	100%
Huarong No.1 Funding Plan	N/A	Project investment	RMB10 billion	100%
Mingdao Fund	N/A	Project Investment	RMB180 million	88.8%

- (i) The fifteenth meeting of the Executive Committee of the Company in 2015 considered and approved the "Reporting on the Dissolution of Yunnan New China Insurance Agency Co." As of the date approved for issue by the Board of Directors, Yunnan New China has not yet completed liquidation.
- (ii) The 8th meeting of the Executive Committee of the Company in 2014 considered and approved the "Reporting on the Dissolution of Xinhua Village Tanzhou (Beijing) Real Estate Co., Ltd." The dissolution of Tanzhou Real Estate was completed on 25 November 2015.
- (iii) On 21 January 2015, the 24th meeting of the fifth session of the Board of Directors approved to inject additional capital to New China Health using the Company's 100% equity interests in Xi'an Clinic and Wuhan Clinic. On 4 June 2015, the Company and New China Health entered into an agreement regarding the "increase of Registered Capital of New China Health". As at 31 December 2015, the capital addition has completed.
- (iv) On 12 March 2015, Hefei Supporting Operation has registered the change and the new legal representative is Chi Yunqiang. The registered capital is increased to RMB500 million. As of the date approved for issue by the Board of Directors, the Company has not actually paid the sum of capital increased yet, and the capital increased procedures were still in progress.
- (v) Nanjing Clinic, Changde Clinic, Tangshan Clinic and Hangzhou Clinic were set up in 2015 and were included in the scope for consolidation.
- (vi) The 7th meeting of the Executive Committee of the Company approved New China Health to establish Health Human Resource with Nanjing Weiyuanzhou Real Estate Co., Ltd. Health Human Resource was set up on 11 February 2015. The registered capital is RMB20 million. New China Health holds 51% of its shares. As of the date approved for issue by the Board of Directors, New China Health has not actually paid the capital and Health Human Resources has not opened yet.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(3) Investments in subsidiaries (Continued)

- (vii) On 13 May 2015, the Company increased the registered capital of Hainan Seniors from RMB760 million to RMB1,908 million. According to the new articles of association of Hainan Seniors, the registered capital of Hainan Seniors is RMB1,908 million and the Company shall complete the capital contribution using cash and cash equivalents in full before 29 April 2018. In 2015, the legal representative of Hainan Seniors changed to Chen Jun. On 29 December 2015, the Company paid RMB84 million as additional capital. As of the date approved for issue by the Board of Directors, the Company has contributed RMB844 million of the capital.
- (viii) On 23 July 2015, the Company entered into a contract with Haoran Power and decided to inject additional capital to Haoran Power amounted to RMB480 million. As of the date approved for issue by the Board of Directors, the Company has paid the additional capital and Haoran Power has changed its registration.

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 represent the best effort by management of the Company in translating their Chinese names as they do not have official English names.

(4) Investments in associates

	For the year ended 31 December	
	2015	2014
Beginning of the year	10,150	9,404
Additions	2,822	470
Disposals (Note 9)	(9,070)	–
Share of profit	516	539
Cash dividend from investments in associates	(818)	(268)
Share of other comprehensive income	–	5
End of the year	3,600	10,150

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(5) Financial assets

(a) Available-for-sale financial assets

	As at 31 December 2015	As at 31 December 2014
Debt financial assets		
Government bonds	40	41
Financial bonds	3,387	2,581
Corporate bonds	31,841	35,480
Subordinated bonds	14,241	18,684
Trust products	49,871	59,426
Wealth investment products	17,000	1,000
Asset management products	80	80
Subtotal	116,460	117,292
Equity financial assets		
Funds	42,224	20,421
Stocks	31,820	33,288
Preferred stock	913	199
Asset management products	10,552	3,413
Private equity	996	366
Equity investment plans	3,200	-
Other unlisted equity investments	10,142	-
Subtotal	99,847	57,687
Total	216,307	174,979
Debt financial assets		
Listed	7,356	9,333
Unlisted	109,104	107,959
Subtotal	116,460	117,292
Equity financial assets		
Listed	37,613	37,089
Unlisted	62,234	20,598
Subtotal	99,847	57,687
Total	216,307	174,979

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(5) Financial assets (Continued)

(a) Available-for-sale financial assets (Continued)

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

Maturity	As at 31 December 2015	As at 31 December 2014
Within 1 year (including 1 year)	23,471	32,003
After 1 year but within 3 years (including 3 years)	22,509	18,384
After 3 years but within 5 years (including 5 years)	35,796	32,023
After 5 years	34,684	34,882
Total	116,460	117,292

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(5) Financial assets (Continued)

(b) Financial assets at fair value through profit or loss

	As at 31 December 2015	As at 31 December 2014
Held for trading		
Debt financial assets		
Corporate bonds	341	3,251
Subordinated bonds	434	409
Debt financial assets subtotal	775	3,660
Equity financial assets		
Funds	9,629	1,720
Stocks	496	526
Equity financial assets subtotal	10,125	2,246
Subtotal	10,900	5,906
Designated as at fair value through profit or loss		
Equity financial assets		
Preferred stock	136	128
Equity financial assets subtotal	136	128
Debt financial assets		
Asset management products	2,588	2,588
Debt financial assets subtotal	2,588	2,588
Subtotal	2,724	2,716
Total	13,624	8,622
Debt financial assets		
Listed	180	248
Unlisted	3,183	6,000
Subtotal	3,363	6,248
Equity financial assets		
Listed	894	689
Unlisted	9,367	1,685
Subtotal	10,261	2,374
Total	13,624	8,622

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(5) Financial assets (Continued)

(c) Loans and receivables

	As at 31 December 2015	As at 31 December 2014
Debt investment plan	29,299	24,823
Subordinated debt	1,410	910
Total	30,709	25,733

Debt investment plan mainly consists of infrastructure and property, plant and equipment funding projects. All projects are with fixed terms, and most of them are with a period usually of 3 years to 10 years.

(d) Term deposits

	As at 31 December 2015	As at 31 December 2014
Maturity		
Within 1 year (including 1 year)	66,463	43,907
After 1 year but within 3 years (including 3 years)	50,045	113,990
After 3 years but within 5 years (including 5 years)	10,700	8,900
Total	127,208	166,797

(e) Statutory deposits

	As at 31 December 2015	As at 31 December 2014
Maturity		
Within 1 year (including 1 year)	715	475
After 1 year but within 3 years (including 3 years)	–	240
Total	715	715

According to the relevant regulations issued by the CIRC, statutory deposits can only be used by insurance companies and insurance agencies to discharge debt upon liquidation.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(5) Financial assets (Continued)

(f) Accrued investment income

	As at 31 December 2015	As at 31 December 2014
Bank deposits	4,672	5,576
Debt financial assets	4,295	4,387
Other	831	662
Total	9,798	10,625
Current	9,523	10,257
Non-current	275	368
Total	9,798	10,625

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(6) Other assets

	As at 31 December 2015		
	Book value balance	Provision for impairment	Net book value
Investment clearing account (Note 13(1))	5,964	–	5,964
Receivable from Off-balance Sheet Repurchase Transactions (Note 3(6))	931	(931)	–
Prepaid taxes (Note 13(2))	637	–	637
Prepaid and deferred expenses	573	–	573
Receivables from subsidiaries (Note 33(3))	272	–	272
Prepayment for Heilongjiang branch's office building (Note 13(3))	37	(37)	–
Entrusted fund receivable from liquidation group of Minfa Securities (Note 13(4))	16	(16)	–
Prepayment for Taizhou and Yongzhou cases (Note 13(5))	14	(14)	–
Receivable from Huaxinrong Company (Note 13(6))	12	(12)	–
Litigation deposit (Note 13(7))	5	–	5
Others	878	(5)	873
Total	9,339	(1,015)	8,324

	As at 31 December 2014		
	Book value balance	Provision for impairment	Net book value
Investment clearing account (Note 13(1))	41	–	41
Receivable from Off-balance Sheet Repurchase Transactions (Note 3(6))	1,101	(931)	170
Prepaid taxes (Note 13(2))	2,218	–	2,218
Prepaid and deferred expenses	438	–	438
Receivables from subsidiaries (Note 33(3))	662	–	662
Prepayment for Heilongjiang branch's office building (Note 13(3))	37	(37)	–
Entrusted fund receivable from liquidation group of Minfa Securities (Note 13(4))	16	(16)	–
Prepayment for Taizhou and Yongzhou cases (Note 13(5))	17	(17)	–
Receivable from Huaxinrong Company (Note 13(6))	12	(12)	–
Litigation deposit (Note 13(7))	4	–	4
Others	558	(9)	549
Total	5,104	(1,022)	4,082

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(6) Other assets (Continued)

	As at 31 December 2015	As at 31 December 2014
Current	8,060	3,723
Non-current	264	359
Total	8,324	4,082

(7) Other liabilities

	As at 31 December 2015	As at 31 December 2014
Commission and brokerage payable	1,547	1,047
Salary and welfare payable	1,457	1,302
Security deposits by agent for holding the Company's documents	243	193
Taxes payable other than income tax	151	194
Repayment payable for non-insurance contracts	67	94
Insurance security fund payable	50	44
Unallocated receipts	43	44
Purchase payment for Heilongjiang branch's building (Note 13(3))	37	37
Investment clearing account (Note 13(1))	–	819
Others	1,043	1,137
Total	4,638	4,911
Current	4,358	4,681
Non-current	280	230
Total	4,638	4,911

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(8) Taxation

The movements in deferred tax assets and deferred tax liabilities during the year are as follows:

	Financial assets	Insurance liability and others	Total
As at 1 January 2014	546	478	1,024
(Charged)/Credited to net profit	(81)	71	(10)
Charged to other comprehensive income	(2,770)	1,739	(1,031)
As at 31 December 2014	(2,305)	2,288	(17)
As at 1 January 2015	(2,305)	2,288	(17)
Charged to net profit	(1)	(327)	(328)
Charged to other comprehensive income	(1,569)	1,061	(508)
As at 31 December 2015	(3,875)	3,022	(853)

	As at 31 December 2015	As at 31 December 2014
Deferred tax assets		
– deferred tax assets to be recovered within 12 month	2,896	1,959
– deferred tax assets to be recovered after 12 month	157	134
Subtotal	3,053	2,093
Deferred tax liabilities		
– deferred tax liabilities to be settled within 12 month	(3,588)	(2,021)
– deferred tax liabilities to be settled after 12 month	(318)	(89)
Subtotal	(3,906)	(2,110)
Total net deferred tax assets	–	–
Total net deferred tax liabilities	(853)	(17)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(9) Reserves

	Share premium	Unrealized income/ (losses)	Surplus reserve	Reserve for general risk	Total
As at 1 January 2014	23,962	(974)	1,458	1,458	25,904
Other comprehensive income	–	3,102	–	–	3,102
Appropriation to reserves	–	–	644	644	1,288
As at 31 December 2014	23,962	2,128	2,102	2,102	30,294
Other comprehensive income	–	1,523	–	–	1,523
Appropriation to reserves	–	–	853	853	1,706
As at 31 December 2015	23,962	3,651	2,955	2,955	33,523

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (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 which 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 31 December 2015 are as follows: (in RMB thousands)

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
Dian Kang	-	4,942	1,980	-	-	-	6,922
Feng Wan	-	4,591	656	-	-	-	5,247
Haiying Zhao	-	-	-	-	-	-	-
Xingguo Meng	-	-	-	-	-	-	-
Xiangdong Liu	-	-	-	-	-	-	-
John Huan Zhao(i)	-	-	-	-	-	-	-
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
Zongkun Wu	-	-	-	-	-	-	-
Lefei Liu (ii)	-	-	-	-	-	-	-
John Robert DACEY	-	-	-	-	-	-	-

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (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 2014 are as follows:
(in RMB thousands)

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
Dian Kang	-	4,936	275	-	-	-	5,211
Feng Wan	-	1,537	313	-	-	-	1,850
Haiying Zhao	-	-	-	-	-	-	-
Xingguo Meng	-	-	-	-	-	-	-
Xiangdong Liu	-	-	-	-	-	-	-
Chengran Wang (iii)	-	-	-	-	-	-	-
Johnny Chen (iii)	-	-	-	-	-	-	-
John Huan Zhao (i)	-	-	-	-	-	-	-
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
Zongkun Wu	-	-	-	-	-	-	-
Lefei Liu (ii)	-	-	-	-	-	-	-
John Robert DACEY	-	-	-	-	-	-	-

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

(i) Resigned on 23 March 2015.

(ii) Resigned on 20 July 2015.

(iii) Resigned on 15 January 2014.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (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 year ended 31 December 2015 are as follows: (in RMB thousands)

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
Chengran Wang	–	–	–	–	–	–
Bo Ai	–	–	–	–	–	–
Xiaojun Chen	–	–	–	–	–	–
Hongbo Lv	–	–	–	–	–	–
Yiying Liu	1,475	432	–	–	–	1,907
Tao Zhu	706	706	–	–	–	1,412
Jing Yang	640	343	–	–	–	983

The aggregate amounts of emoluments of supervisors of the Company for the year ended 31 December 2014 are as follows: (in RMB thousands)

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
Chengran Wang	–	–	–	–	–	–
Jun Chen(i)	1,346	–	–	–	–	1,346
Bo Ai	–	–	–	–	–	–
Xiaojun Chen	–	–	–	–	–	–
Hongbo Lv	–	–	–	–	–	–
Yiying Liu	1,584	528	–	–	–	2,112
Tao Zhu	749	402	–	–	–	1,151
Jing Yang	485	243	–	–	–	728

(i) Resigned on 28 April 2014.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (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 2015, the five individuals whose emoluments were the highest in the Group include 1 (for the year ended 31 December 2014: 1) director whose emoluments are reflected in the analysis presented above.

Details of remuneration of the remaining 4 (for the year ended 31 December 2014: 4) highest paid individuals are as follows:

	For the year ended 31 December
	2015
Salaries, allowances and benefits in kind	16,307
Bonuses	16,917
Pension scheme contributions	–
Total (in RMB thousands)	33,224

The emoluments of the five members of senior management fell within the following bands:

	As at 31 December	
	2015	2014
HK\$6,500,001 – HK\$7,000,000	–	1
HK\$7,000,001 – HK\$7,500,000	1	–
HK\$7,500,001 – HK\$8,000,000	–	–
HK\$8,000,001 – HK\$9,000,000	1	–
HK\$9,000,001 – HK\$10,000,000	2	1
HK\$11,000,001 – HK\$12,000,000	–	1
HK\$12,000,001 – HK\$13,000,000	–	1
HK\$14,000,001 – HK\$15,000,000	1	–
HK\$18,000,001 – HK\$19,000,000	–	1

No emoluments have been paid by the Group to the directors, supervisors or highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2015 (All amounts in RMB millions unless otherwise stated)

38 EVENTS AFTER THE REPORTING PERIOD

1 Dividend

Pursuant to a resolution passed at the meeting of the Board of Directors on 29 March 2016, a final dividend of RMB0.28 per ordinary share (including tax) totaling approximately RMB873 million for the year ended 31 December 2015 was proposed for shareholders' approval at the annual general meeting.

2 Preparation of Setting up Xinhua Excellent Senior Insurance Company

On 23 April 2015, the CIRC approved the preparation of Xinhua Excellent Senior Insurance Company by the Company and Asset Management Company, the subsidiary of the Company. The registered capital is RMB500 million and the place of registration is Beijing. As at the approval date of the consolidated financial statements, the preparation is still in progress.

3 Issue of Capital Supplement Bonds

The Company's first extraordinary general meeting of 2016 held on 4 March 2016 considered and approved the Proposal on the Plan of Issuing Capital Supplement Bonds for the Year 2016, agreeing to issue the capital supplement bonds with a total amount of no more than RMB5 billion or the equivalent amount in US dollars. The issue matters of capital supplement bonds are pending approval by the regulatory authorities.

39 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on 29 March 2016.

The logo consists of the number '95567' in a bold, green, sans-serif font. The '9' is stylized with a small green leaf-like shape at its top left.

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