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

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

Stock Code: 01336

Annual Report 2017

NCI 新华保险

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IMPORTANT INFORMATION

1. The board of directors, 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 Annual Report 2017 of the Company was considered and approved at the 21st meeting of the sixth session of the board of directors of the Company on 20 March 2018, which 13 directors were required to attend and 12 of them attended in person. Director DACEY John Robert authorized director WAN Feng to attend the meeting and vote on behalf of him.

3. Ernst & Young conducted the audit on the consolidated financial statements 2017 of the Company in accordance with the International Financial Reporting Standards and issued the standard unqualified audit report.

4. The Company plans to distribute an annual cash dividend of RMB0.52 (tax included) per share to all of H shareholders and A shareholders for 2017, being approximately RMB1,622 million in total, representing approximately 30.1% of the net profit attributable to the shareholders of the Company as contained in the financial statements 2017 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.

5. Mr. WAN Feng, the Chairman of the Company, Mr. YANG Zheng, the Chief Financial Officer and the person in charge of finance of the Company, Mr. GONG Xingfeng, the Chief Actuary of the Company and Mr. ZHANG Tao, the officer in charge of the Accounting Department of the Company guarantee the correctness, accuracy and completeness of the financial report in the Annual Report 2017.

6. In addition to the facts stated herein, this report includes forward-looking statements and analysis, which may differ from the actual results of the Company in the future. The Company does not make any warrant or undertaking upon its future performance. You are advised to exercise caution.

7. There is no non-operating usage of funds by the controlling shareholder or its related parties for the Company.

8. There is no external guarantee which violated the decision-making procedure of the Company.

9. 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, liquidity risk, etc. The company has taken various measures to effectively manage and control all sorts of risks, please refer to the "Risk Management" of this annual report for details.

Contents

DEFINITIONS

DEFINITIONS

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

the Company, New China Life, NCI	The general term of New China Life Insurance Company Ltd., its subsidiaries and its consolidated structured entities
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
Health Technology	New China Village Health Technology (Beijing) Co., Ltd., a subsidiary of the Company
Xinhua Seniors Service	Xinhua Village Seniors Service (Beijing) Co., Ltd., a subsidiary of the Company
New China Pension	New China Pension 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.
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
Weiyuanzhou	Nanjing Weiyuanzhou Industrial Co., Ltd.
China Jinmao	China Jinmao Holdings Group Limited
New China Capital International	New China Capital International Management Limited
Huijin	Central Huijin Investment Ltd.
China Baowu	China Baowu Steel Group Corporation Limited
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
Pt	Percentage points
P.R.C., China	People's Republic of China, for the purpose of this report only, excluding Hong Kong, Macau and Taiwan
Company Law	Company Law of the People's Republic of China
Insurance Law	Insurance Law of the People's Republic of China
Securities Law	The Securities Law of the People's Republic of China
P.R.C. GAAP	China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the P.R.C., and its application guide, interpretation and other related regulations issued thereafter

SECTION 1
DEFINITIONS

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 P.R.C. on 7 August 2008
Articles of Association	The articles of association of New China Life Insurance Company Ltd., approved by the annual general meeting of 2015 of the Company on 27 June 2016, and became effective as approved by the CIRC on 24 August 2016
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)

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: GONG Xingfeng
Securities Representative: XU Xiu
Tel: 86-10-85213233
Fax: 86-10-85213219
Email: ir@newchinalife.com
Address: 13th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, P.R.C.

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 District, Beijing, P.R.C.
Postal Code: 102100
Place of Business: NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, P.R.C.
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
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, P.R.C.

Stock Exchange for H Share Listing: The Stock Exchange of Hong Kong Limited
Stock Name for H Share: NCI
Stock Code for H Share: 01336
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

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, P.R.C.
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, P.R.C.

Hong Kong Legal Advisor: Freshfields Bruckhaus Deringer LLP
Address: 55th Floor, One Island East Taikoo Place, Quawy Bay, Hong Kong

SECTION 3

BUSINESS OVERVIEW

Founded in September 1996, New China Life is a large and nationwide life insurance company with its headquarters in Beijing. New China Life offers a series of life insurance products and services for more than **29,644** thousand individual customers and over **43** thousand institutional customers through nationwide distributional networks, manages and deploys the insured funds through its subsidiaries, including Asset Management Company and Asset Management Company (Hong Kong). New China Life was simultaneously listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in 2011.

Unit: RMB million

710,275
Total assets

63,715
Equity attributable to shareholders of the Company

0.52 RMB[1]
Dividend per share

144,132
Operating revenue

5,383
Net profit attributable to shareholders of the Company

5.2 %
Total investment yield

153,474
Embedded value

12,063
Value of one year's new business

281.67 %
Comprehensive solvency margin ratio

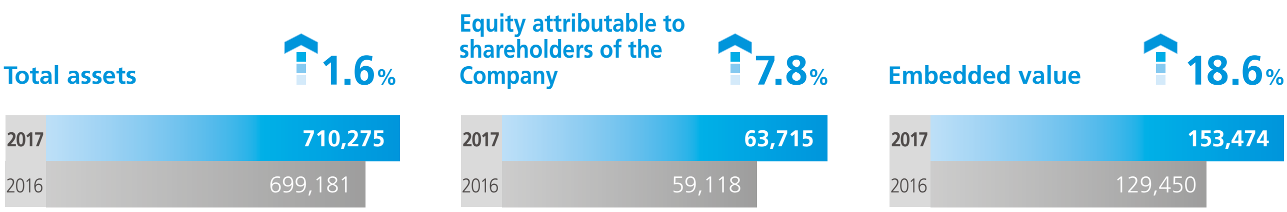
Note

1. Subject to approval of the general meeting of shareholders.

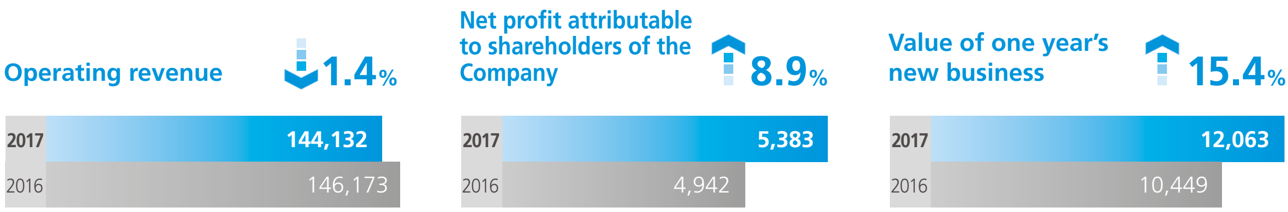
MAJOR INDICATORS

Unit: RMB million

As at 31 December



For the year ended 31 December



Unit: RMB million

Key Operational Indicators	2017/As of 31 December 2017	2016/As of 31 December 2016	Changes
Gross Written Premiums	**109,294**	112,560	-2.9%
First year regular premiums	**27,809**	23,685	17.4%
Regular premiums with payment periods of ten years or more	**18,311**	14,134	29.6%
Renewal premiums	**77,467**	64,881	19.4%
Number of total individual agents (in thousands)	**348**	328	6.1%
Investment Assets	**688,315**	679,794	1.3%
Total investment yield (%)	**5.2**	5.1	0.1pt
Net investment yield (%)	**5.1**	5.1	–
Value of one year's new business	**12,063**	10,449	15.4%
New Business Margin (%)	**39.7**	22.4	17.3 pt
Embedded value	**153,474**	129,450	18.6%
Core solvency margin ratio (%)	**275.93**	259.74	16.19 pt
Comprehensive solvency margin ratio (%)	**281.67**	281.30	0.37 pt

HONORS AND AWARDS

Assessment Institution	Honors & Awards
Fortune	Ranking 497 in Fortune 500 (Global Edition)
Forbes	Ranking 369 in The World's 2000 Largest Public Companies
Moody's	A2 Ratings in Insurance Company Financial Strength
Fitch Ratings	A Ratings in Insurance Company Financial Strength
CIRC	AA Ratings in 2017 Insurance Company Service Assessment
Tencent, Finet	Ranking 38 in The Hong Kong's 100 Strongest Stocks
Millward Brown	Ranking 42 at "BrandZ™ The Most Valuable Chinese 100 Brands"
CFV, China Financial Value Ranking	Annual Insurance Company (Life Insurance)
Securities Times, Insurance Asset Management Association of China 2017 China Insurance Ark Award	2017 The Most Reliable Insurance Company Ark Award (Life Insurance)
China Business Journal 2017 Financial Summit of Excellence & Competition	2017 Excellent and Competitive Life Insurance Company "Chinese Public Welfare Award"
JRJ.com, Gold Award	2017 Chinese Listed Company Charitable Action Award
The Economic Observer "China Outstanding Financial Award for 2016-2017"	Outstanding Social Responsibility Insurance Company

ANALYSIS OF CORE COMPETITIVENESS

- In 2017, the Company sticked to return to the essence of insurance and focus on protection-type products and long-term regular premium business. The growth model in which gross written premiums are driven by renewal premiums has been formed. At the same time, the Company further improved operation and management system to make its operation more standardized and efficient and to enhance its sustainability, market competitiveness and risk prevention capabilities.

- The Company had a comprehensive governance structure. The general meeting of shareholders, the board of directors meeting, the board of supervisors meeting and the management team have clear rights and obligations to operate efficiently. The management team's professionalism and rich expertise in the operation and management of life insurance business guaranteed the transformation and development of the Company progressed smoothly.

- The Company enhanced sustainable development capability. The Company was determined in transformation and removed single premium business within two years while focusing on regular premium business, in particular long-term regular premium business. The growth model in which gross written premiums are driven by renewal premiums has been formed and the Company's sustainable development capability greatly enhanced.

- The Company had prominent product advantages. The Company has established a relatively comprehensive product pipeline which focused on protection and covered various types of products to meet customers' diversified needs. The product operating mechanism improved and the product advantages with its core in health insurance have been formed. "Jiankangwuyou" series products have become brand products.

- The Company had strong foundation for its sales team. The Company adhered to develop sales team's quality. The sales team witnessed number growth and had ability and awareness to sell protection-type and long-term regular premium products. With the implementation of the vesting rights, succession rights and cross-region development rights, the performing rate, retention rate and productivity of sales team will further improve.

- The Company improved self-operation capabilities of branches. As the self-operation system deepened, branches' self-operation awareness and management capability enhanced. The ability of "fee creation" and cost control improved. All of these promoted the Company's overall performance.

- The Company optimized its customer service system. The Company took full usage of technology to improve the efficiency of underwriting, information updating and claim settlement and to ensure basic service perfect. More customer festivals and the value-added service system, Love Credit Accumulation brought friendly experience to customers.

- The Company had sound management system and mechanism. In 2017, the Company clarified and optimized all organizational structure and management system, established management system with clear rights, interests and obligations and in line with the requirement of the Company's transformation and development, as well as standardized institutional system. This laid a solid foundation for the Company to standardize management and realize sustainable development.

- The Company strengthened risk prevention system. The Company established a comprehensive risk management system covered all business lines. The risk management mechanism becomes more professional via modern information technology method and internal inspection to detect, identify and give early warning, to precisely prevent and mitigate risks. The Company has shifted the focus of risk management from after case investigation into before control.

SECTION 4

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

At the beginning of 2018, Mr. Xi Jinping, General Secretary of the CPC Central Committee, pointed out that "The new age calls upon us to work hard and upon people to review our performance". This is quite refreshing and meaningful. As a life insurance company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the new age calls upon us to work hard and upon shareholders to review our performance. Every newly-released annual report is the reflection of efforts and hard work made by the Company in the past whole year, and is ready for shareholders' review.

How was the performance of the Company in 2017? It is quite gratifying. In 2017, the global economy was recovering, and the financial market booming. China's economy was not only growing in stability but also better than expected. In this context, adhering to the fundamental principles of "making steady progress and deepening transformation and development", the Company has forged ahead and outperformed the annual targets set at the beginning of 2017.

In 2017, the Company further downsized single premiums by around RMB20 billion and basically removed single premium business while promoting regular premium business. The first year regular premiums amounted to RMB27.8 billion, up by 17% year on year. The core business grew rapidly with first year premiums (FYP) from regular premium products with payment periods of ten years or more amounting to RMB18.3 billion, increasing by 30% year on year and 6 percentage points compared with the growth rate of last year. The renewal premiums amounted to RMB77.5 billion, up by 19% year on year and 10 percentage points compared with the growth rate of last year. The gross written premiums remain stable while single premiums downsized significantly. The growth model in which gross written premiums are driven by renewal premiums has been formed.

Following the "13th Five-Year" plan, the Company's transformation and development strategy has been progressing smoothly, with all goals in the transformation period being achieved as scheduled:

Business structure has been significantly optimized. In terms of premium structure, compared with year 2016, the proportion of renewal premiums in gross written premiums increased from 58% to 71%, while the proportion of first year regular premiums in new business rose from 50% to 87%. As for term structure, proportion of first year premiums from regular premium products with payment periods of ten years or more in first year regular premiums increased from 60% to 66%. In terms of product structure, first year premiums from health insurance accounted for 35% of the first year premiums, representing a year-on-year increase of 14 percentage points.

Building of sales team has further strengthened. The number and the quality of individual agents grew steadily. With the implementation of the vesting rights, succession rights and cross-region development rights, the marketing system of the Company led the market. As of the end of 2017, the number of agents from individual insurance channel reached 348,000, up by 6% year on year. The monthly average performing rate and monthly average productivity per capita were 47% and RMB5,801 respectively.

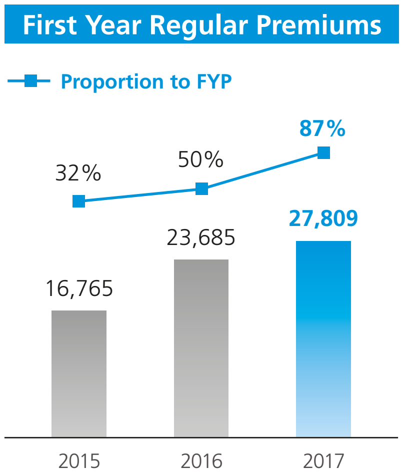
Business quality has evidently improved. The annual surrender rate was 5.2%, decreasing by 1.7 percentage points year on year, and surrender value decreased by 23% year on year. The 13-month and 25-month persistency ratios of life insurance business increased by 1.1 and 4.2 percentage points respectively compared with last year.

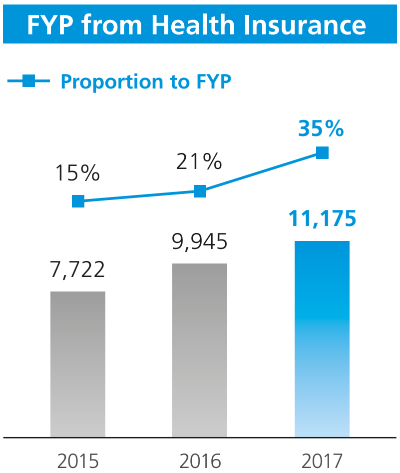
Management efficiency continues to enhance. Time for underwriting, information updating and claim settlement has been further shortened. The new third generation customer-service center has been officially introduced, and the value-added service system, Love Credit Accumulation, has been put in place.

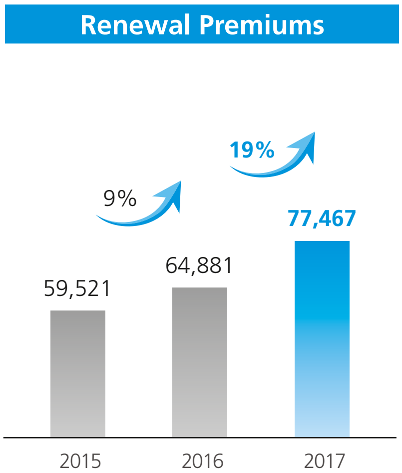
Charity activities have opened a new chapter. The charity event "NCI Accompanies You in Building Beautiful Cities" has benefited 212,000 sanitation workers in 17 cities with accumulative sum assured reaching RMB21,200 million. Till now, the payment of claims settled has totaled over RMB900,000 with the coverage of 10 sanitation workers, which won wide praise and recognition of the society.

The year 2018 marks the beginning of implementing the vision of the 19th National Congress of the Communist Party of China and the 40th anniversary of the Reform and Opening-up. It is also a critical year to secure a decisive victory in building a moderately prosperous society in all respects and implement the 13th Five-Year Plan. What would the new age present? We believe opportunities and challenges coexist. On the one hand, operating environment of the financial industry is undergoing profound changes. Internationally, the quantitative easing policy is about to end. Domestically, forestalling financial risks is the priority in fighting the Three Critical Battles in next three years. The keynote of strict regulation, risk prevention and transformation promotion has been established. On the other hand, China's life insurance industry is still in a promising and strategic period. The gap between people's needs for a better life and unbalanced and inadequate development of the life insurance industry breeds business opportunities. The reform direction of the social security system and healthcare system will benefit the development of commercial insurance.

Unit: RMB million







SECTION 4

SECTION 4
CHAIRMAN'S LETTER TO SHAREHOLDERS

For the test of the new age, the clear response of the Company is to promote high quality development. We continue to adhere to the principle of making steady progress, follow the operation guideline of "growing, strengthening, improving and enhancing" and strive to achieve the goals of "four growth, three increase and two reduction". "Growing" means to shift the operation philosophy to development, shift the focus to the growth of regular premiums and gross written premiums, to health insurance business and to sales team building. "Strengthening" means the Company will strengthen the transformation results, specifically, to strengthen business structure advantages and product leading advantages and cost control. "Improving" means that operation policies of branches concerning expenses and KPI assessment shall be improved. "Enhancing" means to enhance the market competitiveness, sales support capacity, operation and management capability and self-operation capability of branches. The major targets can be summarized as "four growth", "three increase", "two reduction", namely premium, value, sales team and profit growth; performing rate, retention rate and renewal rate increase; surrender rate and loss of expense margin reduction. Great efforts shall be made to achieve those targets:

Develop the core business. We will continue to promote the growth driven by renewal business, and develop the regular premium business, especially the long-term regular premium business. Respond to people's needs for protection, develop the protection business such as the pension insurance, health insurance, medical insurance, life insurance and accident insurance and make the rider a new driver for business.

Build a high-quality sales team. We position agents as risk managers providing risk management plans covering life, old age, illness, death and disability for customers. In terms of team building, while focusing on improving the capability of agents and building "three high" sales team, the Company embarks on the path of cultivating seniors before recruiting juniors and implements the strategy of maintaining the stability of managers and allowing moderate mobility of new agents. Guided by the system, we strive to build a strong sales team with the Company's characteristics of high efficiency and controllable costs.

Strengthen the sales support capacity. We will enhance the technology support to make the online sales and claims settlement more convenient. Efforts will be made to strengthen the operation-backing capacity, optimize and popularize the underwriting and claims settlement processes and knowledge, and improve the efficiency. We will strengthen training, start the plan of training "risk managers", speed up the development of lecturers, training materials and training centers. Enhance service support to promote sales to both existing and new customers with value-added service system of Love Credit Accumulation.

Prevent operation risks. We will strictly carry out the regulatory requirements, help authorities to crack down on misleading sales and illegal operation, to further regulate the sales and prevent surrender risks, cash flow risks and mass disturbance. We will continue to improve the system, conduct special auditing and enhance internal management capabilities.

In 2017, the Company has secured decisive victory in its transformation and development, and presented satisfactory performance to shareholders. On behalf of the management team, I shall extend my highest respects to all staff of the Company and sincere appreciation to the investors, customers, partners and all walks of social communities. The year 2018 is destined to be an extraordinary year. The Company will combine our efforts, rise up to challenges and respond to the call of the new age.

Chairman
Wan Feng
March 20, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL ANALYSIS

1. The Company's major accounting data and financial indicators

Unit: RMB million

Key accounting data	**2017**	2016	Change	2015	2014	2013
Total revenues	**143,082**	144,796	-1.2%	157,918	142,094	128,217
Gross written premiums and policy fees	**109,356**	112,648	-2.9%	111,994	110,067	104,073
Profit before income tax	**7,330**	6,482	13.1%	11,782	7,782	4,959
Net profit	**5,384**	4,943	8.9%	8,602	6,407	4,424
Net cash flows from operating activities	**7,865**	7,330	7.3%	7,449	25,052	56,205

	As at 31 December 2017	As at 31 December 2016	Change	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Total assets	**710,275**	699,181	1.6%	660,560	643,709	565,849
Total liabilities	**646,552**	640,056	1.0%	602,719	595,345	526,531
Equity attributable to shareholders of the Company	**63,715**	59,118	7.8%	57,835	48,359	39,312

Key financial indicators	**2017**	2016	Change	2015	2014	2013
Basic weighted average earnings per share attributable to shareholders of the Company (RMB)	**1.73**	1.58	9.5%	2.76	2.05	1.42
Diluted weighted average earnings per share attributable to shareholders of the Company (RMB)	**1.73**	1.58	9.5%	2.76	2.05	1.42
Weighted average return on equity attributable to shareholders of the Company	**8.76%**	8.45%	0.31pt	16.20%	14.63%	11.76%
Weighted average net cash flows from operating activities per share (RMB)	**2.52**	2.35	7.2%	2.39	8.03	18.01

	As at 31 December 2017	As at 31 December 2016	Change	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Net assets per share attributable to shareholders of the Company (RMB/share)	**20.42**	18.95	7.8%	18.54	15.50	12.60

2. Other key financial and regulatory indicators

Unit: RMB million

Indicators	**2017/As at 31 December 2017**	2016/As at 31 December 2016	Change	2015/As at 31 December 2015	2014/As at 31 December 2014	2013/As at 31 December 2013
Investment assets	**688,315**	679,794	1.3%	635,688	625,718	549,596
Total investment yield	**5.2%**	5.1%	0.1pt	7.5%	5.8%	5.2%
Gross written premiums and policy fees	**109,356**	112,648	-2.9%	111,994	110,067	104,073
Increase rate of gross written premiums and policy fees	**-2.9%**	0.6%	-3.5pt	1.8%	5.8%	6.1%
Benefits, claims and expenses	**134,334**	137,008	-2.0%	144,814	132,680	121,652

3. The discrepancy between the PRC GAAP and IFRS

There is no difference between the consolidated net profit of the Company for the year ended 31 December 2017 and the consolidated equity of the Company as at 31 December 2017 as stated in the consolidated financial statements prepared in accordance with the PRC GAAP and the IFRS.

4. The items and reasons of the change beyond 30% in the consolidated financial statements

Unit: RMB million

Balance sheet	**As at 31 December 2017**	As at 31 December 2016	Change	Reason(s) of change
Investment properties	**4,741**	3,395	39.6%	The purchase of new investment properties
Financial assets at fair value through profit or loss	**6,532**	11,834	-44.8%	The decrease of the allocation of open-ended fund and the maturity of asset funding plans
Term deposits	**41,809**	79,845	-47.6%	The maturity of some term deposits
Other assets	**2,302**	1,504	53.1%	Increase of prepaid housing payment
Cash and cash equivalents	**8,812**	14,230	-38.1%	The requirement of liquidity management
Borrowings	**4,000**	14,000	-71.4%	Redemption of subordinate debts
Financial assets sold under agreement to repurchase	**19,925**	39,246	-49.2%	The allocation of investment assets and the requirement of liquidity management
Premiums received in advance	**1,941**	3,042	-36.2%	The influence of different business development pace

Income statement	**2017**	2016	Change	Reason(s) of change
Premiums ceded out	**(1,264)**	(936)	35.0%	Increase of business ceded out
Other revenues	**712**	1,027	-30.7%	The fluctuation of exchange rate of assets in foreign currency resulted in exchange gain of last year
Claims and net change in outstanding claims liabilities	**(1,763)**	(1,221)	44.4%	Increase of short-term business
Other expenses	**(891)**	(428)	108.2%	The fluctuation of exchange rate of assets in foreign currency resulted in the exchange loss of this year

II. BUSINESS ANALYSIS

i. Insurance business

In 2017, the Company kept focusing on regular premium business, optimizing business structure and improving business quality with long-term protection business as its core business. The growth model in which gross written premiums are driven by renewal premiums has been formed.

First, core business grew steadily. In 2017, the Company realized first year regular premiums of RMB27,809 million, increasing by 17.4% year on year. The first year premiums from regular premium products with payment periods of ten years or more amounted to RMB18,311 million, growing by 29.6% year on year. The rapid accumulation of long-term regular business has laid a solid foundation for the Company to develop in a healthy and sustainable way. In 2017, the value of one year's new business was RMB12,063 million, growing by 15.4% year on year. The embedded value was RMB153,474 million, increasing by 18.6% year on year. And the residual margin(1) was RMB170,435 million, increasing by 20.9% compared with RMB140,946 million at the end of last year.

Second, business structure improved evidently. In terms of premium structure, compared with the year 2016, the proportion of first year regular premiums to new policies has increased from 49.7% to 87.4% and renewal premiums increased by 19.4% to RMB77,467 million. The premium structure improved. As for term structure, the first year premiums from regular premium products with payment periods of ten years or more amounted for 65.8% of first year regular premiums, increasing by 6.1 percentage points year on year. The term structure enhanced. With respect to product structure, the first year premiums from health insurance accounted for 35.1% of first year premiums, increasing by 14.2 percentage points year on year.

Third, business quality improved constantly. The persistency ratio increased. The 13-month and 25-month persistency ratios of individual life insurance business were 89.4% and 83.0%, increasing by 1.1 and 4.2 percentage points respectively compared with the year 2016. The surrender rate was 5.2%, decreasing by 1.7 percentage points with surrender value down by 22.5% year on year.

Note:

1. The residual margin is the liabilities appropriated by the Company for not being recognized as "Day-one" gain at the inception of the contracts, and will be amortized over the life of the contracts.

1. *Analysis by distribution channels*

Unit: RMB million

For the year ended 31 December	2017	2016	Change
Individual insurance channel	**87,396**	73,466	19.0%
First year premiums	**23,404**	20,679	13.2%
First year regular premiums	**21,355**	17,948	19.0%
Regular premiums with payment periods of ten years or more	**18,044**	13,920	29.6%
Single premiums	**2,050**	2,731	-24.9%
Renewal premiums	**63,992**	52,787	21.2%
Bancassurance channel	**19,926**	37,727	-47.2%
First year premiums	**6,492**	25,675	-74.7%
First year regular premiums	**6,450**	5,710	13.0%
Regular premiums with payment periods of ten years or more	**266**	214	24.3%
Single premiums	**41**	19,965	-99.8%
Renewal premiums	**13,435**	12,052	11.5%
Group insurance	**1,971**	1,368	44.1%
Total	**109,294**	112,560	-2.9%

Note:

Numbers may not be additive due to rounding.

(1) Individual life insurance business

① Individual insurance channel

In 2017, the individual insurance channel leveraged on both health insurance and annuity insurance with the focus on regular premium business. Gross written premiums from individual insurance channel realized RMB87,396 million, increasing by 19.0% year on year. The first year regular premiums amounted to RMB21,355 million, increasing by 19.0% year on year; the first year premiums from regular premium products with payment periods of ten years or more amounted to RMB18,044 million, growing by 29.6% year on year; and renewal premiums amounted to RMB63,992 million, growing by 21.2% year on year.

In 2017, the individual insurance channel centred on building "three high" sales team, adhered to the path of cultivating seniors before recruiting juniors, and implemented the strategy of maintaining the stability of managers and allowing moderate mobility of new agents. The implementation of vesting rights, succession rights and cross-region development rights has pushed forward the development of sales team. As of the end of 2017, the number of total agents in individual insurance channel reached 348,000, increasing by 6.1% year on year. The monthly average number of performing agents(1) reached 151,000, down by 1.4% year on year. The monthly average performing rate(2) was 46.8%, down by 7.1 percentage points year on year, and the monthly average comprehensive productivity per capita(3) was RMB5,801, remaining the same as to that of last year.

Notes:

1. Monthly average number of performing agents = (∑number of performing agents in a month)/the number of months in the reporting period, where monthly number of performing agents refers to the number of agents who have issued one insurance policy or more (including card-type short-term accident insurance policy) which are not cancelled by policy holders in a month and whose first year commission in the month exceeds zero.

2. Monthly performance rate = monthly average number of performing agents/monthly average number of agents. Monthly average number of agents={∑ [(number of agents at start of the month + number of agents at end of the month)/2]}/the number of months in the reporting period.

3. Monthly average comprehensive productivity per capita = monthly average first year premiums/monthly average number of agents.

② Bancassurance channel

In 2017, the bancassurance channel focused on the growth of regular premium business and removed the KPI assessment on single premium business. The premiums from bancassurance channel amounted to RMB19,926 million, decreasing by 47.2% year on year. The first year premiums amounted to RMB6,492 million, decreasing by 74.7% year on year with first year regular premiums of RMB6,450 million, increasing by 13.0% year on year. Renewal premiums in bancassurance channel were RMB13,435 million, increasing by 11.5% year on year, reversing three consecutive years negative growth. The first year regular premiums from wealth management channel amounted to RMB2,313 million, growing by 11.2% year on year and the single premiums realized RMB16 million, decreasing by 94.6% year on year.

(2) Group insurance

In 2017, premiums from group insurance amounted RMB1,971million, increasing by 44.1% year on year. The Company developed policy-oriented health insurance in 2017 with premiums from related health insurance amounting to RMB277 million, increasing by RMB253 million. The business covered 5.21 million customers, increasing by 4.7 million.

2. *Analysis by types of insurance products*

Unit: RMB million

For the year ended 31 December	2017	2016	Change
Gross written premiums	**109,294**	112,560	-2.9%
Participating insurance[1]	**51,860**	49,033	5.8%
First year premiums	**11,755**	8,573	37.1%
Renewal premiums	**40,105**	40,460	-0.9%
Health insurance	**31,262**	23,509	33.0%
First year premiums	**11,175**	9,945	12.4%
Renewal premiums	**20,087**	13,564	48.1%
Traditional insurance	**24,712**	38,677	-36.1%
First year premiums	**7,608**	27,958	-72.8%
Renewal premiums	**17,104**	10,719	59.6%
Accident insurance	**1,420**	1,302	9.1%
First year premiums	**1,287**	1,203	7.0%
Renewal premiums	**133**	99	34.3%
Universal insurance[1]	**40**	39	2.6%
First year premiums	**1**	1	0.0%
Renewal premiums	**39**	38	2.6%
Unit-linked insurance[2]	**–**	–	–
First year premiums	**–**	–	–
Renewal premiums	**–**	–	–

Notes:

1. Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.

2. The amount for each period indicated was less than RMB500,000.

In 2017, the Company continued to increase the sales of protection-type products with first year premiums from health insurance reaching RMB11,175 million, increasing by 12.4% year on year. First year premiums from participating insurance reached RMB11,755 million, increasing by 37.1% year on year. The Company proactively removed the KPI assessment on single premium business in bancassurance channel. As a result, first year premiums from traditional insurance reached RMB7,608 million, decreasing by 72.8% year on year. First year premiums from accident insurance reached RMB1,287 million, increasing by 7.0% year on year.

3. *Analysis by branches*

Unit: RMB million

For the year ended 31 December	2017	2016	Change
Gross written premiums	**109,294**	112,560	-2.9%
Shandong Branch	**9,976**	9,300	7.3%
Beijing Branch	**9,322**	10,067	-7.4%
Henan Branch	**8,678**	8,366	3.7%
Guangdong Branch	**7,437**	8,590	-13.4%
Hubei Branch	**5,707**	6,053	-5.7%
Zhejiang Branch	**5,035**	4,574	10.1%
Shaanxi Branch	**4,896**	4,725	3.6%
Inner Mengolia Branch	**4,857**	4,232	14.8%
Jiangsu Branch	**4,668**	4,970	-6.1%
Hunan Branch	**4,232**	4,380	-3.4%
Other Branches	**44,486**	47,303	-6.0%

As of the end of 2017, the Company has established 35 provincial branches across the country. In 2017, around 59.3% premiums came from 10 branches in economy-developed or populated regions, such as Shandong, Beijing and Henan.

4. *The top 5 insurance products in terms of premiums*

Unit: RMB million

Rank	Product name	Gross written premiums
1	Fuxiangyisheng Whole Life annuity insurance (Participating)	11,004
2	Jiankangwuyou Type C critical illness insurance	8,393
3	Huixinbao Second Generation annuity insurance	6,764
4	Fuxiangjinsheng Whole Life annuity insurance (Participating)	4,396
5	Xianghe Wanjia endowment insurance (Participating)	4,372

Rank	Product name	First year premiums
1	Fuxiangjinsheng Whole Life annuity insurance (Participating)	4,396
2	Fuxiangyisheng Whole Life annuity insurance (Participating)	3,552
3	Jiankangwuyou Type C critical illness insurance	3,421
4	Huitianbao annuity insurance	2,385
5	Huixinbao Second Generation annuity insurance	2,260

5. *Business quality and market share*

For the year ended 31 December	2017	2016	Change
Market share[1]	**4.2%**	5.2%	-1.0 pt
Persistency ratio			
Individual life insurance business 13-month persistency ratio[2]	**89.4%**	88.3%	1.1 pt
Individual life insurance business 25-month persistency ratio[3]	**83.0%**	78.8%	4.2 pt

Notes:

1. Market share is from the data published by the CIRC.

2. 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.

3. 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.

6. *Analysis on claim and the interests of policyholders*

Unit: RMB million

For the year ended 31 December	2017	2016	Change
Surrender value	**33,906**	43,777	-22.5%
Insurance benefits and claims	**38,379**	39,709	-3.3%
Claims	**1,736**	1,291	34.5%
Annuity benefits	**8,031**	9,483	-15.3%
Maturity and survival benefits	**24,498**	25,664	-4.5%
Casualty and medical benefits	**4,114**	3,271	25.8%
Claims recoverable	**(670)**	(1,965)	-65.9%
Policy dividend	**4**	–	100.0%
Net change in insurance contract liabilities	**30,866**	27,373	12.8%
Total	**102,485**	108,894	-5.9%

The surrender value decreased by 22.5% year on year due to the decrease of the surrender of high cash value products and participating products in bancassurance channel.

The claim payment increased by 34.5% year on year due to the steady rise of the accident insurance and short-term health insurance business.

The casualty and medical benefits increased by 25.8% year on year due to the steady rise of the long-term health insurance business.

The claims recoverable decreased by 65.9% year on year due to the significant decrease of the maturity payment of ceding business.

7. *Analysis on commission and brokerage expense*

Unit: RMB million

For the year ended 31 December	2017	2016	Change
Commission and brokerage expense[1]	**15,905**	13,530	17.6%
Participating insurance[2]	**4,457**	3,108	43.4%
Health insurance	**9,373**	7,825	19.8%
Traditional insurance	**1,653**	2,215	-25.4%
Accident insurance	**416**	369	12.7%
Universal insurance[2]	**6**	13	-53.8%

Notes:

1. This item does not include the commission and brokerage expense under non-insurance contracts.

2. Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.

In 2017, the commission and brokerage expense increased by 17.6% year on year, due to the adjustment of product structure and the first year premiums increase in individual insurance channel of the Company.

8. *Analysis on insurance contract liabilities*

Unit: RMB million

Component	**As at 31 December 2017**	As at 31 December 2016	Change
Unearned premiums liabilities	**1,280**	1,164	10.0%
Outstanding claims liabilities	**827**	640	29.2%
Life insurance liabilities	**523,016**	502,493	4.1%
Long-term health insurance liabilities	**50,154**	38,931	28.8%
Insurance contract liabilities in total	**575,277**	543,228	5.9%
Participating insurance[1]	**459,875**	442,690	3.9%
Health insurance	**38,254**	28,019	36.5%
Traditional insurance	**76,462**	71,918	6.3%
Accident insurance	**651**	587	10.9%
Universal insurance[1]	**35**	14	150.0%
Insurance contract liabilities in total	**575,277**	543,228	5.9%

Note:

1. Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.

The contract liabilities at the end of 2017 increased by 5.9% compared with the end of 2016 due to the accumulation of insurance business and liabilities. As at the date of the balance sheet, all types of contract liabilities of the Company have passed the adequacy test.

ii. Asset management business

The Company continued to stick to prudent and stable principle in accordance with the liability nature of insurance business and the volatile circle of capital market in asset management business. While stressing on investment research and risk management, the Company kept optimizing investment portfolios and sought steady and sustainable returns under projecting the economic situation and investment climate.

The total investment yield of 2017 was 5.2% and the net investment yield was 5.1%. The increase of total investment yield was due to the fact that interest income from fixed income assets and dividends from equity assets rose in alliance with the capital market upturn and the improvement in net realized gains of investment assets, and the fair value change was turned into positive from negative.

The debt financial assets amounted to RMB463,468 million, accounting for 67.3% of total investment assets, increasing by 3.0 percentage points compared with the end of last year. The Company optimized investment portfolio, focusing on interest rate bonds with eligible return and increasing the allocation of senior credit bonds with medium and long duration. The Company closely monitored and minimized the risks of credit bonds and strictly control the qualification of newly-added credit bonds. The upheaval in credit market brought by credit risk events was successively avoided. All of these laid a solid foundation for achieving long-term and stable return.

The equity financial assets amounted to RMB131,370 million, accounting for 19.1% of the total investment assets and increasing by 3.3 percentage points compared with the end of last year. The Company continued to stick to the philosophy of value and fundamental investment. The stock investment adapted to market situation, seized structural opportunities and enhanced retracement mechanism. The fund investment seized market style and sector opportunities, optimized portfolio, invested more in value-oriented funds and periodically allocated in industry funds. At the same time, the Company actively invested in Hong Kong equity to diversify asset allocation through Hong Kong Stock Connect and its related funds.

Furthermore, the Company studied extensively on equity investment both domestically and abroad, and on domestic real estate. We committed to diversifying asset allocation through the extensive understanding of foreign market, asset category and investment strategy.

1. *Investment portfolio*

Unit: RMB million

	2017		2016		
As at 31 December	Amount	Proportion	Amount	Proportion	Change
Investment assets	**688,315**	**100.0%**	679,794	100.0%	1.3%
Classified by investment type					
Term deposits[1]	**41,809**	**6.1%**	79,845	11.7%	-47.6%
Debt financial assets	**463,468**	**67.3%**	436,810	64.3%	6.1%
– Bonds	**263,782**	**38.3%**	242,647	35.7%	8.7%
– Trust products	**63,756**	**9.3%**	62,534	9.2%	2.0%
– Debt plans[2]	**40,200**	**5.8%**	32,835	4.8%	22.4%
– Asset funding plans	**20,000**	**2.9%**	20,000	3.0%	0.0%
– Others[3]	**75,730**	**11.0%**	78,794	11.6%	-3.9%
Equity financial assets	**131,370**	**19.1%**	107,693	15.8%	22.0%
– Funds	**49,818**	**7.3%**	47,029	6.9%	5.9%
– Stocks[4]	**40,112**	**5.8%**	29,404	4.3%	36.4%
– Others[5]	**41,440**	**6.0%**	31,260	4.6%	32.6%
Investments in associates and joint ventures	**4,896**	**0.7%**	4,575	0.7%	7.0%
Cash and cash equivalents[1]	**8,812**	**1.3%**	14,230	2.1%	-38.1%
Other investment assets[6]	**37,960**	**5.5%**	36,641	5.4%	3.6%
Classified by investment purpose					
Financial assets at fair value through profit or loss	**6,532**	**0.9%**	11,834	1.7%	-44.8%
Available-for-sale financial assets	**320,385**	**46.6%**	283,308	41.7%	13.1%
Held-to-maturity investments	**206,321**	**30.0%**	195,126	28.7%	5.7%
Loans and other receivables[7]	**150,181**	**21.8%**	184,951	27.2%	-18.8%
Investment in associates and joint ventures	**4,896**	**0.7%**	4,575	0.7%	7.0%

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, perpetual bonds, and wealth management products.

4. Stocks include common stocks and preferred stocks.

5. Others include equity asset management products, private equity, equity plans and unlisted equity investments.

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.

2. *Investment income*

Unit: RMB million

For the year ended 31 December	2017	2016	Change
Interest income from cash and cash equivalents	**113**	83	36.1%
Interest income from term deposits	**2,564**	5,501	-53.4%
Interest income from debt financial assets	**23,338**	19,989	16.8%
Dividend income from equity financial assets	**6,262**	5,482	14.2%
Interest income from other investment assets(1)	**1,310**	1,081	21.2%
Net investment income(2)	**33,587**	32,136	4.5%
Realized gains/(losses) on investment assets	**1,766**	1,243	42.1%
Unrealized gains/(losses)	**124**	(373)	N/A
Impairment losses on financial assets	**(1,097)**	(1,356)	-19.1%
Effect of the introduction of strategic investors to New China Health	**–**	481	-100.0%
Share of results of associates and joint ventures	**296**	148	100.0%
Total investment income(3)	**34,676**	32,279	7.4%
Net investment yield (%)(4)	**5.1%**	5.1%	–
Total investment yield (%)(4)	**5.2%**	5.1%	0.1 pt

Notes:

1. Interest income from other investment assets includes interest income from statutory deposits, policy loans and financial assets purchased under agreements to resell, etc.

2. 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.

3. 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 and joint ventures under equity method + effect of the introduction of strategic investors to New China Life Excellent Health Investment Management Co., Ltd ("New China Health").

4. Investment yield = (investment income – interest expense of financial assets sold under agreements to repurchase)/(monthly average investment assets – monthly financial assets sold under agreements to repurchase – monthly interest receivables).

3. *Investment in non-standard assets*

The credit risk of the non-standard assets that the Company currently holds were within control with fundamental assets in institutional financing of non-banking sector, real estate financing and infrastructure financing. By the end of 2017, the investment in non-standard assets amounted to RMB240,963 million, accounting for 35.0% of the total investment assets, increasing by 1.8 percentage points compared with the end of last year. The Company allocated heavily in long-term wealth management products issued by commercial banks with eligible return and controllable risk, real estate investment plan and collective fund trust plans. All of these increased the overall investment return of the assets held. The non-standard assets that the Company held had good credit enhancement measures. In addition to financing entities which were exempted credit enhancement requirements by regulatory authorities, most of non-standard assets are taken following credit enhancement measures, such as mortgage and pledge, joint guarantee, general guarantee, repurchase agreement, imbalance payment commitment and co-managing assets, so the overall credit risk of the non-standard assets were within control.

(1) Ratings

Excluding commercial banking wealth management products and equity financial products not requiring external ratings, the existing non-standard assets of the Company with AAA ratings accounted for 95.4%. The overall credit risk was limited.

Ratings of Financial Products

Credit rating	Proportion
AAA	95.4%
AA+	3.0%
AA	1.6%
Total	**100.0%**

(2) Investment portfolio

Unit: RMB million

As at 31 December 2017	Amount	Proportion	Proportion change compared with the end of last year	Amount change compared with the end of last year
Non-standard debt investments	199,686	82.9%	-3.3pt	5,523
Trust product	63,756	26.5%	-1.2pt	1,222
Debt plan	40,200	16.7%	2.1pt	7,365
Project asset support plan	20,000	8.3%	-0.6pt	–
Wealth management product	70,730	29.3%	-2.3pt	(396)
Perpetual Bond	5,000	2.1%	-0.1pt	–
Asset management plan	–	0.0%	-1.2pt	(2,668)
Non-standard equity investments	41,277	17.1%	3.3pt	10,017
Asset management plan	17,864	7.4%	1.3pt	4,095
Private equity	4,128	1.7%	0.5pt	1,400
Unlisted equity	14,585	6.1%	1.2pt	3,522
Equity investment plan	4,700	1.9%	0.3pt	1,000
Total	240,963	100%		15,540

(3) Major management institutions

Unit: RMB million

Top 10 management institutions of financial products	Paid Amount	Proportion
Shanghai Pudong Development Bank Co., Ltd.	35,100	14.6%
New China Asset Management Co., Ltd.	27,923	11.6%
Huarong International Trust Co., Ltd.	18,453	7.7%
Industrial Bank Co., Ltd.	16,538	6.9%
Zhongrong International Trust Co., Ltd.	16,101	6.7%
Huaneng Guicheng Trust Co., Ltd.	8,228	3.4%
China Everbright Bank Company Limited	8,000	3.3%
PICC Capital Investment Management Company Limited	7,630	3.2%
Beijing International Trust Co., Ltd.	6,599	2.7%
Generali China Asset Management Co., Ltd.	6,259	2.6%
Total	150,831	62.6%

III. ANALYSIS BY COMPONENT

i. Solvency

The Company calculated and disclosed core capital, actual capital, minimum capital, core solvency margin ratio and comprehensive solvency margin ratio according to the Solvency Regulatory Rules (No. 1-17) for Insurance Companies. Solvency margin ratios of a domestic insurance company in PRC must meet the prescribed thresholds as required by CIRC.

Unit: RMB million

	31 December 2017	31 December 2016	**Reason(s) of Change**
Core capital	**192,528**	168,616	Profit earned for the current period, changes in fair value of available-for-sale financial assets and growth in insurance business
Actual capital	**196,528**	182,616	Reasons mentioned above and the redemption of subordinate debts
Minimum capital	**69,773**	64,917	Growth and structural change of insurance and investment business
Core solvency margin ratio[1]	**275.93%**	259.74%	
Comprehensive solvency margin ratio[1]	**281.67%**	281.30%	

Note:

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

ii. Liquidity

1) Gearing Ratio

	31 December 2017	31 December 2016
Gearing ratio	**91.0%**	91.5%

2) *Cash flow statement*

Unit: RMB million

For the year ended 31 December	2017	2016	Change
Net cash flows from operating activities	**7,865**	7,330	7.3%
Net cash flows from investing activities	**19,285**	(26,314)	N/A
Net cash flows from financing activities	**(32,362)**	18,935	N/A

The net cash flows from operating activities increased by 7.3% to RMB7,865 million, due to the decrease of claim payment of existing insurance contracts.

The net cash flows from investing activities have turned from net outflow last year to net inflow this year, due to the increase of cash inflow from disinvestment.

The net cash flows from financing activities have turned from net inflow last year to net outflow this year, due to the cash outflow of sales of business under agreement to repurchase and the increase of the redemption of subordinate debts.

3) *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 RMB8,812 million. The term deposits of the Company amounted to RMB41,809 million. In addition, substantially all of the Company's term deposits were available for utilization subject to interest losses. In addition, 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 financial assets amounted to RMB463,468 million, and the book value of equity financial assets amounted to RMB131,370 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 distribution 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.

iii. Reinsurance

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 million

Premiums ceded out	2017	2016
Swiss Reinsurance Company Ltd. Beijing Branch	**831**	638
China Life Reinsurance Company Ltd.	**377**	284
Others[1]	**56**	14
Total	**1,264**	936

Note:

1. Others primarily included Hannover Rückversicherung AG Shanghai Branch, SCOR SE Beijing Branch, Munich Reinsurance Company Beijing Branch, and General Reinsurance AG Shanghai Branch and etc.

IV. PROSPECTS OF FUTURE DEVELOPMENT

1. Economic prospect

In 2018, in line with the high quality development requirement, China will deepen the supply-side reform with the focus on "Three Critical Battles", the prevention and mitigation of major risks, precise poverty alleviation and pollution prevention. The consumption will continue to play a basic role in economic growth. The government will open up more to the outside world and keep putting in place proactive fiscal policy and prudent monetary policy. It is estimated that the economy will maintain steady and rapid growth this year.

2. Industry's prospect

In 2018, the top priority to mitigate major risks is to prevent financial risk. There will be more stringent financial regulation compared with 2017, such as returning to the essence of insurance and making insurance play the role in managing long-term risks and providing protection. Protection-type products will see greater demands as the middle income group rises, people's living standards and their protection awareness increase. Thus protection-type products will become new drivers for business growth.

In 2018, under risk prevention, strict supervision and tight liquidity, wealth management products and protection-type products of the insurance industry will differ in market. Protection-type products will further develop. In the face of new market situation and development, insurance industry calls for a new round of supply-side reform.

3. The Company's prospect

In this context, the Company will put in place high quality development vision, upholding the keynote of making steady progress and seeking new business drivers in the complicated market. The Company will keep optimizing its products, sales team and services. The specific measures are as follows:

First, focusing on the sales of protection-type products. The Company will continue to focus on health insurance products and take riders as new drivers for business growth. The Company aims to offer comprehensive protection through the combination of primary insurance and riders. The sales support and coordination of subsidiaries will also be promoted to push forward business growth.

Second, developing high quality sales team. Focusing on building "three high" sales team, the Company embarks on the path of cultivating seniors before recruiting juniors, and implements the strategy of maintaining the stability of managers and moderate mobility of new agents. The Company will rely on system-based operation to develop sales team, implement the development of vesting rights, succession rights and cross-region development rights to build a strong sales team with the Company's feature.

Third, improving customer service quality. The Company will improve customer service and experience from the following aspects, including operation efficiency improvement, service standardization at counter as well as value-added system of "Love Credit Accumulation", to increase customers' happiness and recognition.

Fourth, persisting prudent investment strategy. The Company will be patient to seek investment opportunities in terms of equity investment while actively investing in long-duration interest rate bonds and senior credit bonds in terms of fixed income investment. With respect to alternative investment, the Company will focus more on direct equity investment and private equity funds. The Company will continue to take prudent risk management strategy to control risks and reduce uncertainties.

Fifth, establishing effective risk prevention system. The Company will meet regulatory requirements and carry out special supervision. Special auditing will be unfolding to correct mistakes and system building will be perfected to strengthen auditing and improving internal control.

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 ("NCI") has prepared embedded value results for the financial year ended 31 December 2017 ("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 NCI to review its EV Results as of 31 December 2017. This report is addressed solely to NCI 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 NCI 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 2017, in the light of the requirements of the " CAA Standards of Actuarial Practice: Appraisal of Embedded Value " issued by the China Association of Actuaries ("CAA") in November 2016;
- A review of the economic and operating assumptions used to calculate the aforementioned embedded value and the value of one year's new business; and
- A review of the results of NCI's calculation of the EV Results, comprising:
  - the embedded value and the value of one year's new business as at 31 December 2017;
  - the sensitivity tests of the value of in-force business and value of one year's new business as at 31 December 2017; and
  - the analysis of change of the embedded value from 31 December 2016 to 31 December 2017.

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

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 "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" issued by the CAA. 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;
- 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 2017 annual report are consistent with those reviewed by WTW.

For and on behalf of WTW

Michael Freeman, FIAA **Benjamin Chen, FSA**

20 March 2018

SECTION 6
EMBEDDED VALUE

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 2017 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 shareholder 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.

In November 2016, China Association of Actuaries (CAA) issued CAA [2016] No.36 "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" (hereafter referred to as "Appraisal of Embedded Value" standard). The embedded value and value of new business in this section are prepared by us in accordance with the "Appraisal of Embedded Value" standard. 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

Embedded value is the sum of the adjusted net worth and the value of in-force business allowing for the cost of required capital held by the company. "Adjusted Net Worth" (ANW) is equal to the sum of:

- Net assets, defined as assets less policy liabilities valued under the "Appraisal of Embedded Value" standard; 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 for differences between China Accounting Value Standards reserves and reserves under the "Appraisal of Embedded Value" standard.

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 shareholder distributable profits for existing in-force business at the valuation date. The "value of one year's new business" is the discounted value of the projected stream of future after-tax shareholder distributable profits for sales in the 12 months immediately preceding the valuation date. Shareholder distributable profits are determined based on policy liabilities, required capital in excess of policy liabilities, and minimum capital requirement quantification standards prescribed by the CIRC.

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 the "Appraisal of Embedded Value" standard 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.

3. KEY ASSUMPTIONS

In determining the embedded value and the value of one year's new business as at 31 December 2017, we have assumed that the Company continues to operate as a going concern under the current economic and regulatory environment, and the relevant regulations for determining policy liabilities and required capital remain unchanged. The operational assumptions are mainly based on the results of experience analyses of the Company, 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.

(1) 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%.

(2) Investment Returns

The investment return assumptions as at 31 December 2017 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 2017

	2018	2019	2020	2021+
Non-participating	4.50%	4.60%	4.80%	5.00%
Participating	4.50%	4.60%	4.80%	5.00%
Universal life	4.50%	4.70%	5.00%	5.10%
Unit-linked	7.60%	7.60%	7.80%	7.90%

Note: Investment return assumptions are applied to calendar year.

(3) 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 (2010 to 2013)".

(4) 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)".

(5) Discontinuance Rates

Assumptions have been developed based on the Company's 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.

(6) Expenses

Unit cost assumptions have been developed based on the Company's past actual expense experience, expectations of current and future experience. Future inflation of 2.0% p.a. has been assumed in respect of per policy expenses.

(7) 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.

(8) 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.

(9) Tax

Tax has been assumed to be payable at 25% p.a. of profits with allowance for the exemption of certain investment income, including Chinese government bonds, and dividend income from equities and equity investment funds. In addition, taxes and surcharges for short-term health and accident business are based on related tax regulation.

(10) Cost of Required Capital

It is assumed that 100% of the minimum capital requirement prescribed by the CIRC is to be held by the Company in the calculation of the value of in-force business and the value of one year's new business.

The current solvency regulations have been assumed unaltered throughout the course of projection.

(11) Other Assumptions

The current methods for calculating 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 2017 and their corresponding results as at prior valuation date.

Unit: RMB million

Valuation Date	31 December 2017	31 December 2016
Adjusted Net Worth	**93,210**	81,313
Value of In-Force Business Before Cost of Required Capital Held	**79,347**	65,084
Cost of Required Capital Held	**(19,083)**	(16,947)
Value of In-Force Business After Cost of Required Capital Held	**60,264**	48,137
Embedded Value	**153,474**	129,450
Value of One Year's New Business		
Value of One Year's New Business Before Cost of Required Capital Held	**14,924**	13,295
Cost of Required Capital Held	**(2,861)**	(2,846)
Value of One Year's New Business After Cost of Required Capital Held	**12,063**	10,449

Notes:

1. Numbers may not be additive due to rounding.

2. The first year premiums used to calculate the value of one year's new business as at 31 December 2017 and 31 December 2016 were RMB30,419 million and RMB46,689 million respectively.

3. The impact of major reinsurance contracts has been reflected in the embedded value and value of one year's new business.

Unit: RMB million

Valuation Date	**31 December 2017**	31 December 2016
Value of One Year's New Business by Distribution Channel		
Individual insurance channel	**11,440**	10,271
Bancassurance channel	**683**	235
Group insurance channel	**(61)**	(57)
Total	**12,063**	10,449

Notes:

1. Numbers may not be additive due to rounding.

2. The first year premiums used to calculate the value of one year's new business as at 31 December 2017 and 31 December 2016 were RMB30,419 million and RMB46,689 million respectively.

3. The impact of major reinsurance contracts has been reflected in value of one year's new business.

5. ANALYSIS OF CHANGE

The analysis of change in Embedded Value from 31 December 2016 to 31 December 2017, calculated at a risk discount rate of 11.5%, is shown below.

Unit: RMB million

Analysis of Change in EV from 31 December 2016 to 31 December 2017 at a Risk Discount Rate of 11.5%		
1.	**EV at the beginning of period**	**129,450**
2.	Impact of Value of New Business	12,063
3.	Expected Return	12,545
4.	Operating Experience Variances	3,075
5.	Economic Experience Variances	307
6.	Operating Assumption Changes	(1,379)
7.	Economic Assumption Changes	(860)
8.	Capital Injection/Shareholder Dividend Payment	(1,497)
9.	Others	(412)
10.	Value Change Other Than Life Insurance Business	182
11.	**EV at the end of period**	**153,474**

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 adjusted net worth 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, expenses and taxes) and the assumed at the beginning of the period.

5. Reflects the difference between actual and expected investment returns and market value adjustment 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 million

VIF and Value of One Year's New Business Sensitivity Results as at 31 December 2017	VIF after Cost of Required Capital Held	the Value of One Year's New Business after Cost of Required Capital Held
Scenarios		
Base Scenario	60,264	12,063
Risk Discount Rate at 12%	57,242	11,491
Risk Discount Rate at 11%	63,485	12,674
Investment Return 50bps higher	71,744	13,684
Investment Return 50bps lower	48,742	10,433
Expenses 10% higher (110% of Base)	58,368	10,880
Expenses 10% lower (90% of Base)	62,160	13,247
Discontinuance Rates 10% higher (110% of Base)	58,882	11,417
Discontinuance Rates 10% lower (90% of Base)	61,596	12,727
Mortality 10% higher (110% of Base)	59,679	11,948
Mortality 10% lower (90% of Base)	60,850	12,179
Morbidity and Loss Ratio 10% higher (110% of Base)	57,996	11,551
Morbidity and Loss Ratio 10% lower (90% of Base)	62,541	12,575
Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30%	55,386	11,776

SIGNIFICANT EVENTS

I. SIGNIFICANT LITIGATION AND ARBITRATION EVENTS

For details of litigation matters regarding the recovery of capital relating to the misconduct of Mr. GUAN Guoliang, former chairman, during the reporting period, please refer to "XI. Other significant events – (II) 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. MAJOR EQUITY INVESTMENT

During the reporting period, the Company has no major equity investment event.

III. MAJOR NON-EQUITY INVESTMENT

During the reporting period, the Company has no major non-equity investment event.

IV. MAJOR ASSET AND EQUITY SALES

During the reporting period, the Company has no major asset and equity sales.

V. 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 judgements of the court or outstanding due and payable debts.

VI. MAJOR CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

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

VII. 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.

(II) During the reporting period, there was no major external guarantee of the Company and its subsidiaries, and the Company and its subsidiaries did not provide any major guarantee for its subsidiaries.

(III) The utilization of capital of the Company is carried out mainly through entrusted management and the capital was invested and operated by 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), the Company, with the consideration and approval of the 7th meeting of the sixth session of the Board and by entering into the 2017 Investment Entrustment Management Agreement and Insurance Capital Utilization Investment Guidelines with the Asset Management Company, entrusted Asset Management Company with most of its domestic investment assets to make investments, and the term of entrustment was one year. As of 31 December 2017, the Company entrusted Asset Management Company with a total amount of RMB609,175 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 results.

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 7th meeting of the sixth session of the Board and by entering into the 2017 Overseas Investment Entrustment Management Agreement and 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 2017, the Company entrusted Asset Management Company (Hong Kong) to make overseas investments with a total amount of RMB13,875 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 2017, the Company made provisions for asset depreciation for such entrusted assets, and recognized asset impairment loss of RMB1,097 million. The 19th meeting of the sixth session of the Board considered and approved the Proposal on 2018 Entrusted Investment Management Agreement and Investment Guidelines of the Company and Related Party Transactions Thereof and the Proposal on 2018 Entrusted Overseas Investment Management Agreement and Overseas Investment Guidelines of the Company and Related Party Transactions Thereof, which authorized the Company to assign Entrusted Investment Management Agreement and Overseas Entrusted Investment Management Agreement for 2018 with Asset Management Company and Asset Management Company (Hong Kong) respectively. 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 report, during the reporting period, the Company had no other significant contracts.

VIII. COMMITMENTS OF THE COMPANY OR SHAREHOLDERS WITH OVER 5% SHARES DURING THE REPORTING PERIOD OR UNTIL THE REPORTING PERIOD

For details of the commitment made by Huijin, the controlling shareholder of the Company, to avoid horizontal competition, please refer to the Announcement on the Conditions of None Fulfilled Commitments of the Company's Shareholders, Related Parties and the Company published on 13 February 2014 by the Company.

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

IX. APPOINTMENT OF ACCOUNTING FIRMS

The annual general meeting of 2016 of the Company held on 27 June 2017 considered and approved the Proposal regarding the Appointment of Auditors for the Year 2017, 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 2017, respectively. For details, please refer to the Announcement on the Voting Results of the Annual General Meeting of 2016 published by the Company on 27 June 2017. The Company has not changed its auditors for the past three years. The Company paid a total amount of RMB14.95 million to the auditors as the 2017 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 2016.

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 2017. The Company paid RMB1.56 million as its 2017 annual internal control and audit service fees related to the financial statements.

X. 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.

During the reporting period, the Company was not subject to any administrative supervision and rectification by the CSRC and its dispatched institutions.

XI. OTHER SIGNIFICANT EVENTS

(I) Issuance of domestic and abroad debt financing instruments

To ensure the Company's sufficient solvency ability and to broaden the financing channels, and according to the 9th meeting of the sixth session of the Board held on 24 February 2017 and resolution of the first extraordinary meeting of 2017 held on 28 April 2017, the Company may issue domestic debt financing instruments in the amount not exceeding RMB15,000 million or equivalent amount not exceeding US2,000 million dollars in 2017. Please refer to the Announcement on the Voting Results of the Ninth Meeting of the Sixth Session of the Board published on 24 February 2017 and the Announcement of the First Extraordinary General Meeting of 2017 published on 28 April 2017.

As of the end of the reporting period, the Company did not issue debt financing instruments domestically or abroad.

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

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 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 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 Beijing Tianhuan Real Estate Development Co., Ltd. In May 2016, the Company had recovered funds with an amount of RMB15,807,978.56. The case is in the process of execution.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

I. I. CHANGES IN SHARE CAPITAL

The share capital of the Company as of 31 December 2017 remained unchanged.

Unit: share

	31 December 2016		Increase or decrease during the reporting year (+, -)					31 December 2017	
	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, there is no share issued by the Company to its employees.

SECTION 8

III. SHAREHOLDERS

(I) Number of shareholders and their shareholdings

As of the end of the reporting period, there are 31,427 shareholders of the Company, including 31,140 A shareholders and 287 H shareholders.

As at 28 February 2018, there were 61,919 shareholders of the Company, including 61,636 A share shareholders and 283 H share shareholders.

As of the end of the reporting period, shares held by top ten shareholders:

Unit: share

Name of the shareholders	Character of the shareholders	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	1,033,884,456	+4,620	–	–	H
Central Huijin Investment Ltd.	State-owned shares	31.34	977,530,534	–	–	–	A
China Baowu Steel Group Corporation Limited [3]	State-owned legal person shares	12.09	377,162,581	-94,022,884	–	70,950,395	A
China Securities Finance Corporation Limited	State-owned legal person shares	2.86	89,157,977	-2,286,945	–	–	A
Central Huijin Asset Management Ltd.	State-owned legal person shares	0.91	28,249,200	–	–	–	A
Beijing Taiji Huaqing Information System Co., Ltd.	Domestic legal person shares	0.58	18,200,000	-3,880,000	–	–	A
National Social Security Fund 113 Combination	State-owned legal person shares	0.50	15,649,758	+15,649,758	–	–	A
National Social Security Fund 108 Combination	State-owned legal person shares	0.34	10,705,567	+10,705,567	–	–	A
Bank of Communications Limited-Huaan Strategy Preferred Hybrid Securities Investment Fund	Others	0.30	9,383,353	+9,383,353	–	–	A
China Universal Asset Management Co., Ltd – ICBC – China Universal Tianfu Bull No. 53 Asset Management Plan	Others	0.24	7,538,697	–	–	–	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:

1. As of the end of the reporting period, none of the Company's A shares and H shares was subject to selling restrictions.

2. HKSCC Nominees Limited is a company that holds shares on behalf of the clients of 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.

3. China Baowu completed the issuance of exchangeable bonds ("14 Baosteel EB") on 12 December 2014. A total number of 165,000,000 A shares of the Company held by China Baowu 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. The shares are held by China International Capital Corporation Limited nominally and registered on the list of shareholders with "Baosteel Group-CICC- 14 Baosteel EB Guaranteed and Trusted Assets Special Account" as the shareholder. 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 the website of the Hong Kong Stock Exchange on 16 December 2014. 14 Baosteel EB has completed the redemption on maturity on 11 December 2017. Among the A shares as guaranteed and trusted assets for 14 Baosteel EB, 94,049,605 shares have been exchanged to A shares of the Company by the bond holders. As of the end of the reporting period, the procedure to remove the pledge of remaining 70,950,395 shares has been completed.

(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 with the approval of the State Council. The registered capital of Huijin is RMB828,209 million. 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 ★☆	19.53%
6	China Reinsurance (Group) Corporation ☆	71.56%
7	New China Life Insurance Company Ltd. ★☆	31.34%
8	Shenwan Hongyuan Group Co., Ltd. ★	25.03%
9	China International Capital Corporation Limited ☆	58.58%
10	China Securities Co., Ltd. ☆	32.93%

Note:

1. ★: 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.

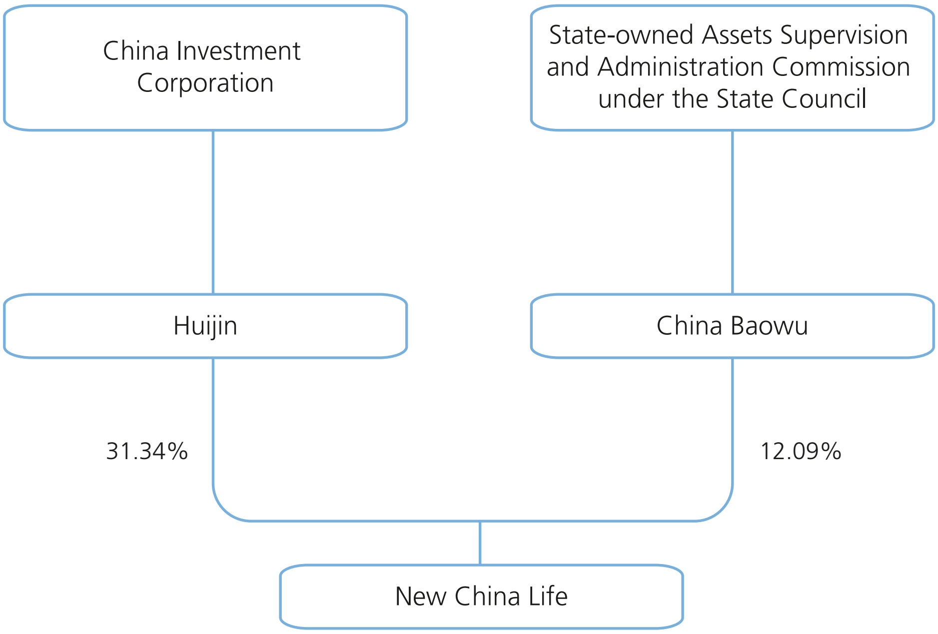
(III) Other corporate shareholders holding 10% or more of the shares in the Company

China Baowu

China Baowu was jointly reorganized by the former Baosteel Group Corporation and Wuhan Iron and Steel (Group) Corporation. China Baowu, established on 1 December 2016 in accordance with law, is a wholly state-owned corporation for which the State-owned Assets Supervision and Administration Commission of the State Council performs the duties of investor on behalf of the State Council. The registered capital of China Baowu is RMB52,790 million. The legal representative of China Baowu is Ma Guoqiang. The business scope of China Baowu 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 business approved by Ministry of Foreign Trade and Economic Cooperation, domestic and overseas trade (non-special) and services.

Saved as the disclosed above, as at 31 December 2017, 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 at 31 December 2017:



(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 at 31 December 2017, China Baowu held 377,162,581 A shares of the Company, representing 12.09% of the total issued shares of the Company and 18.09% of the total issued A shares of the Company.

In addition to the above, so far as the directors of the Company are reasonably aware of, as at 31 December 2017, the following persons (other than the directors, supervisors or chief executives 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:

Unit: share

	Name	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	77,857,800 (Note 3)	2.50	–	7.53	Long Position
3	Fosun International Holdings Ltd.	H Share	Interests of Controlled Corporation	155,120,200 (Note 4)	4.97	–	15.00	Long Position
4	Fosun International Limited	H Share	Interests of Controlled Corporation	124,018,300	3.98	–	11.99	Long Position
			Beneficial owner	31,101,900 (Note 4)	1.00	–	3.01	Long Position
5	Guo Guangchang	H Share	Interests of Controlled Corporation	155,120,200 (Note 4)	4.97	–	15.00	Long Position
6	Goldman Sachs (UK) L.L.C.	H Share	Interests of Controlled Corporation	85,326,194	2.74	–	8.25	Long Position
				9,691,237 (Note 5)	0.31	–	0.94	Short Position
7	Goldman Sachs Group UK Limited	H Share	Interests of Controlled Corporation	85,326,194	2.74	–	8.25	Long Position
				9,691,237 (Note 5)	0.31	–	0.94	Short Position
8	Goldman Sachs International	H Share	Beneficial owner	85,326,194	2.74	–	8.25	Long Position
				9,691,237 (Note 5)	0.31	–	0.94	Short Position
9	The Goldman Sachs Group, Inc.	H Share	Interests of Controlled Corporation	51,641,217	1.66	–	4.99	Long Position
				42,183,416 (Notes 5 and 6)	1.35	–	4.08	Short Position
10	BlackRock, Inc	H Share	Interests of Controlled Corporation	71,392,041	2.29	–	6.90	Long Position
				1,207,300 (Note 7)	0.04	–	0.12	Short Position

Notes:

1. Data disclosed in the table above are based on the information provided on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

2. Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Hong Kong Stock Exchange unless several criteria have been fulfilled. Therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Hong Kong Stock Exchange.

3. Swiss Re Ltd holds equity interest in the shares of the Company through the companies controlled or indirectly controlled by it.

4. Mr. Guo Guangchang holds equity interest in the shares of the Company through Fosun International Holdings Ltd., Fosun Holdings Limited Fosun International Limited and other companies controlled or indirectly controlled by it.

5. As The Goldman Sachs Group, Inc. holds 100% of Goldman Sachs (UK) L.L.C.'s shares, Goldman Sachs (UK) L.L.C. holds 100% of Goldman Sachs Group UK Limited's shares, and Goldman Sachs Group UK Limited holds 100% of Goldman Sachs International's shares, so these companies are regarded as owning benefits in the Company's shared held by Goldman Sachs International.

6. The Goldman Sachs Group, Inc. also holds equity interest in the shares of the Company through the companies controlled or indirectly controlled by it.

7. BlackRock, Inc holds equity interests in the shares of the Company through the companies controlled or indirectly controlled by it.

Save as disclosed above, as of 31 December 2017, the Company was not aware that there was any other person (other than the directors, supervisors and chief executives 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 date of this report, details of the current and former directors of the Company are set out below:

Unit: RMB10,000

Name	Position	Status	Gender	Date of birth	Term of office	Total after tax remuneration during the reporting period	Total individual income tax paid during the reporting period	Whether also remunerated from shareholders during the reporting period
WAN Feng	Chairman and Executive Director	In Office	Male	April 1958	Since March 2016 Since November 2014	275.30	186.33	No
LI Zongjian	Executive Director	In Office	Male	July 1960	Since January 2017	175.58	105.40	No
LIU Xiangdong	Non-Executive Director	In Office	Male	June 1969	Since October 2010	–	–	Yes
XIONG Lianhua	Non-Executive Director	In Office	Female	August 1967	Since July 2017	–	–	Yes
WU Kunzong	Non-Executive Director	In Office	Male	February 1971	Since July 2014	–	–	Yes
HU Aimin	Non-Executive Director	In Office	Male	December 1973	Since June 2016	–	–	Yes
DACEY John Robert	Non-Executive Director	In Office	Male	May 1960	Since August 2014	–	–	Yes
PENG Yulong	Non-Executive Director	In Office	Male	October 1978	Since July 2017	–	–	Yes
LI Xianglu	Independent Non-Executive Director	In Office	Male	November 1949	Since March 2016	26.72	5.28	No
ZHENG Wei	Independent Non-Executive Director	In Office	Male	March 1974	Since March 2016	26.72	5.28	No
CHENG Lie	Independent Non-Executive Director	In Office	Male	September 1955	Since August 2016	22.68	4.32	No
NEOH Anthony Francis	Independent Non-Executive Director	In Office	Male	November 1946	Since September 2016	22.68	4.32	No
GENG Jianxin	Independent Non-Executive Director	In Office	Male	March 1954	Since September 2017	4.60	0.88	No
CHEN Yuanling	Non-Executive Director	Resigned	Female	December 1963	Since March 2016 until June 2017	–	–	Yes
ZHANG Guozheng	Non-Executive Director	Resigned	Male	April 1965	Since March 2016 until March 2017	–	–	Yes
FONG Chung Mark	Independent Non-Executive Director	Expired	Male	June 1951	Since September 2011 until September 2017	17.83	3.40	No

Note:

1. Mr. LI Zongjian was appointed as a vice president of the Company at the 6th meeting of the sixth session of the Board on 28 October 2016. His qualifications for a member of the senior management were approved by the CIRC on 25 January 2017, and he started serving as an executive director and a vice president of the Company since the same date.

2. Ms. XIONG Lianhua and Mr. PENG Yulong were elected as the non-executive directors of the sixth session of the Board at the first extraordinary general meeting of 2017 held on 28 April 2017. Ms. XIONG Lianhua and Mr. PENG Yulong's qualifications were approved by the CIRC on 3 July 2017.

3. Mr. GENG Jianxin was elected as the independent non-executive director of the sixth session of the Board at the annual general meeting of 2016 held on 27 June 2017. Mr. GENG Jianxin's qualification as the independent non-executive director was approved by the CIRC on 18 September 2017.

4. The Board received Ms. CHEN Yuanling's resignation letter as non-executive director on 12 June 2017. Ms. CHEN Yuanling resigned as non-executive director due to work reasons. The resignation took effect on 12 June 2017.

5. The Board received Mr. ZHANG Guozheng's resignation letter as a non-executive director on 15 March 2017. Mr. ZHANG Guozheng resigned as a non-executive director due to work reasons. The resignation took effect on 15 March 2017.

6. Mr. FONG Chung Mark's term expired on 2 September 2017 as the independent non-executive director. Mr. FONG Chung Mark was no longer the independent non-executive director of the Company.

7. The remuneration of the directors of the Company was calculated for their relevant term of office during the reporting period.

(II) Supervisors

As of the date of this report, details of the current and former supervisors of the Company are set out below:

Unit: RMB10,000

Name	Position	Status	Gender	Date of birth	Term of office	Total after tax remuneration 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	199.35	130.35	No
YU Jianan	Shareholder Representative Supervisor	In Office	Male	March 1973	Since February 2018	–	–	Yes
Anke D'Angelo	Shareholder Representative Supervisor	In Office	Female	February 1967	Since January 2018	–	–	Yes
WANG Zhongzhu	Employee Representative Supervisor	In Office	Male	October 1967	Since March 2016	130.67	50.11	No
BI Tao	Employee Representative Supervisor	In Office	Male	January 1975	Since March 2016	89.34	28.36	No
LIU Zhiyong	Shareholder Representative Supervisor	Resigned	Male	March 1972	Since March 2016 until January 2018	–	–	Yes

Note:

1. Mr. YU Jiannan was elected as the supervisor of the Company at the second extraordinary general meeting of 2017 held on 19 December 2017. Mr. YU Jiannan's qualification was approved by the CIRC on 11 February 2018.

2. Ms. Anke D'Angelo was elected as the supervisor of the Company at the 2016 annual general meeting of the Company held on 27 June 2017. Ms. Anke D'Angelo's qualification was approved by the CIRC on 25 January 2018.

3. The board of supervisors of the Company received Mr. LIU Zhiyong's resignation letter as a supervisor on 10 April 2017. Mr. LIU Zhiyong resigned from the position as a supervisor of the Company due to work related reasons. Considering that the resignation of Mr. LIU Zhiyong would reduce the number of supervisors to be less than two-thirds of the total number of Supervisors specified in the Articles of Association and according to relevant provisions of the Articles of Association, before the appointment of a new supervisor, Mr. LIU Zhiyong will continue to perform the duties as a supervisor in accordance with laws, regulations, regulatory documents and provisions of the Articles of Association. Mr. LIU Zhiyong was no longer the supervisor of the Company since 25 January 2018.

4. The remuneration of the supervisors of the Company was calculated for their relevant term of office during the reporting period.

(III) Members of senior management

As of the date of this report, details of the current and former senior management 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	275.30	186.33	No
	Chief Risk Officer				Since July 2017			
LI Zongjian	Vice President	In Office	Male	July 1960	Since January 2017	175.58	105.40	No
YANG Zheng	Vice President	In Office	Male	May 1970	Since December 2016	213.58	136.49	No
	Chief Financial Officer (Financial Principal)				Since February 2017			
LIU Yigong	Vice President	In Office	Male	September 1959	Since March 2005	214.00	136.18	No
LI Yuan	Vice President	In Office	Male	August 1962	Since November 2016	176.92	105.84	No
GONG Xingfeng	Vice President	In Office	Male	October 1970	Since November 2016	174.52	103.88	No
	Chief Actuary	In Office			Since September 2010			
	Board Secretary	In Office			Since March 2017			
YU Zhigang	Vice President	In Office	Male	December 1964	Since November 2016	174.51	103.87	No
YUE Ran	Assistant to President	In Office	Male	February 1963	Since February 2013	174.95	104.23	No
	Chief Human Resource Officer	Resigned			Since April 2010 until March 2017			
YUAN Chaojun	Assistant to President	In Office	Male	April 1972	Since August 2011	144.74	79.51	No
LIU Qiyan	Assistant to President	In Office	Male	May 1963	Since May 2017	144.32	79.83	No
	Chief Human Resource Officer	In Office			Since March 2017			
WANG Lianwen	Assistant to President	In Office	Male	April 1968	Since February 2017	140.71	76.22	No
ZHU Ying	Assistant to President	Resigned	Male	February 1971	Since February 2013 until January 2017	11.37	6.49	No
	Chief Risk Officer (Compliance Principal)				Since February 2013 until January 2017			
	Audit Principal				Since October 2013 until January 2017			

Notes:

1. The 14th meeting of the sixth session of the Board held on 25 July 2017 resolved to appoint Mr. WAN Feng as the chief risk officer of the Company.

2. The 6th meeting of the sixth session of the Board held on 28 October 2016 resolved to appoint Mr. LI Zongjian, Mr.YANG Zheng, Mr. LIU Yigong, Mr. LI Yuan, Mr. GONG Xingfeng and Mr. YU Zhigang as vice presidents of the Company, of which Mr.YANG Zheng has also served the chief financial officer (financial principal), and Mr. GONG Xingfeng has also served as the chief actuary and the Board secretary of the Company. The meeting resolved to appoint Mr. YUE Ran, Mr. YUAN Chaojun, Mr. ZHU Ying, Mr. LIU Qiyan and Mr. WANG Lianwen as assistants to president of the Company, of which Mr. YUE Ran has also served as the chief human resource officer of the Company, and Mr. ZHU Ying has also served as the chief risk officer (compliance principal) and the audit principal. Mr. HUANG Ping and Mr. CHEN Zhengyang ceased to be the senior management of the Company on the same date. The vice president qualifications of Mr. LI Zongjian were approved by the CIRC on 25 January 2017. The vice president qualifications of Mr.YANG Zheng were approved by the CIRC on 27 December 2016. His qualifications for chief financial officer (financial principal) were approved by the CIRC on 28 February 2017. The board secretary qualifications of Mr. GONG Xingfeng were approved by the CIRC on 6 March 2017. The assistant to president qualifications of Mr. Wang Lianwen were approved by the CIRC on 7 February 2017. The assistant to president qualifications of Mr. LIU Qiyan were approved by the CIRC on 8 May 2017. The appointment of Mr. LI Yuan, Mr. Gong Xingfeng and Mr. YU Zhigang as vice presidents has been submitted to the CIRC for filing purpose.

3. The 10th meeting of the sixth session of the Board held on 29 March 2017 resolved to appoint Mr. LIU Qiyan as the chief human resource officer of the Company; and Mr. YUE Ran did not serve as the chief human resource officer any longer.

4. Mr. ZHU Ying resigned as the assistant to president of the Company. Since 1 February 2017, Mr. ZHU Ying ceased to take any posts at the Company.

5. The date that senior management team takes office is identical to the approval date by the CIRC or to the appointment date by the Board.

6 The remuneration of members of the senior management was calculated for their relevant term of office during the reporting period.

7. The performance remuneration for the senior management in 2017 are not finalized yet. Relevant details will be separately disclosed later.

II. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Directors

As of the date of this report, biographies of directors of the Company are as follows:

Mr. WAN Feng, Chinese

Mr. WAN Feng has been the chairman of the board of directors and the chief executive officer of the Company since March 2016, the chief risk officer of the Company since July 2017, and the executive director of the Company since November 2014. Mr. Wan has also been the chairman of the Asset Management Company since May 2016. He also worked as chief operating officer (president) of the Company from October 2014 to March 2016. Prior to joining the Company, he successively assumed the post of vice general manager, member of the party committee, vice president, vice secretary of the party committee, president, secretary of the party committee and vice chairman of the board of China Life Insurance Company Ltd. (a company listed on the New York Stock Exchange, stock code: LFC, the SSE, stock code: 601628 and the HKSE, stock code: 02628) from August 2003 to August 2014. Between September 2007 and August 2014, he also served as the vice president and member of the party committee at China life Insurance (Group) Company Ltd. Mr. Wan holds a senior economist title, and is granted special allowance by the State Council. Mr. Wan received a bachelor's 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, Chinese

Mr. LI Zongjian has been the executive director and the vice president of the Company since January 2017. Mr. Li also served as the non-executive director of the Company from March 2016 to January 2017. He also held the post of director of the comprehensive management department and the second banking institutions department, managing director of the insurance institutions department of Huijin from January 2012 to June 2016. Mr. Li once worked as a deputy general manager, a member of the party committee and the secretary of the discipline inspection commission of Taiping Pension Co. Ltd. from September 2007 to December 2011. Mr. Li was also 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. From May 2000 to August 2007, he worked as a deputy manager 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. Mr. Li obtained a bachelor's degree in philosophy from Guizhou University in 1982, a master's degree in 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.

Mr. LIU Xiangdong, Chinese

Mr. LIU Xiangdong has been the non-executive director of the Company since October 2010. He is currently employed by Huijin. He 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 held the post of vice directorate secretary, directorate secretary and assistant inspector in the general office of the State Council Development Research Center. Mr. Liu 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. XIONG Lianhua, Chinese

Ms. XIONG Lianhua has been the non-executive director of the Company since July 2017. She is currently employed by Huijin. Ms. Xiong has also been the non-executive director of Asset Management Company and China Export & Credit Insurance Corporation. Ms. Xiong worked as a proposed director and a division manager of the comprehensive management department of Huijin from January 2012 to December 2012; and a staff member, a division head and an inspector of deputy director level of People's Bank of China from July 1995 to December 2011. She worked at Huangshi sub-branch of Bank of Communications in Hubei province from October 1990 to September 1993. Ms. Xiong obtained a bachelor's degree in international finance from Wuhan University in July 1990 and a master's degree in monetary and banking from Renmin University of China in June 1995.

Mr. WU Kunzong, Chinese

Mr. WU Kunzong has been the non-executive director of the Company since July 2014. Mr. Wu currently is the chief financial officer of Baoshan Iron & Steel Co., Ltd. ("Baosteel", a company listed on the SSE, stock code: 600019) and the director of Baosteel Zhanjiang Iron & Steel Co., Ltd and Baosight Co., Ltd (a company listed on the SSE, stock code:600845). Before that, Mr. Wu served as the chief financial officer and the board secretary of Baosteel from June 2016 to February 2017; the general manager of the operation and finance department and the director of asset management department of Baosteel Group Corporation ("Baosteel Group") from August 2013 to June 2016. He successively assumed the post of head of the audit department, the systematic innovation department and the finance department of Baosteel and head of the audit department of Baosteel Group from May 2006 to August 2013. Mr. Wu is also a certified public accountant (CPA), an international certified internal auditor (CIA) and a professor-level senior accountant. Mr. Wu obtained a bachelor's degree in engineering from East China Institute of Metallurgy in 1993, a master's degree in management 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. HU Aimin, Chinese

Mr. HU Aimin has been the non-executive director of the Company since June 2016. Mr. Hu is currently the general manager of the industrial financial development center (investment management department) of China Baowu, and the director of Shanghai-Hangzhou Railway Passenger Special Line Co., Ltd, Ouyeel Co., Ltd, Chinese Capital Ride Equity Investment and Management Co., Limited, Baosteel Investment Company Limited (Hong Kong), Shanghai Baosteel Property Co., Limited and Baosteel New Construction Material Co., Limited. Mr. Hu served as the general manager of the investment management department of China Baowu from December 2016 to April 2017 and the general manager of the investment management department of Baosteel Group from May 2016 to November 2016. He was once the deputy general manager and general manager of the capital operation department of Baosteel Group from March 2014 to May 2016; deputy general manager of the capital operation department of Fortune Investment Co., Ltd. (the capital operation department of Baosteel Group from June 2012 to March 2014. He successively served as a senior manager, head of investment and merger, deputy general manager and chief manager of financial consultancy of asset management department in Baosteel Group from June 2003 to June 2012. Mr. Hu obtained a bachelor's degree in economics from Jiangxi University of Finance and Economics in 1995.

Mr. DACEY John Robert, American

Mr. Dacey John Robert has been the 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. Before that, Mr. Dacey was the chairman of Admin Re® from November 2012 to May 2015 and the vice chairman for Asia-Pacific region, a member of executive committee and the chief executive officer for Japan and Asia-Pacific region of AXA from 2007 to 2012. He also worked as the chief strategy officer and a member of executive committee of Winterthur Insurance from 2005 to 2007. Mr. Dacey obtained a bachelor of arts in economics from Washington University in St. Louis in 1982 and a master's degree in public policy from Harvard University in 1986.

Mr. PENG Yulong, Chinese

Mr. PENG Yulong has been the non-executive director of the Company since July 2017. Mr. Peng is now the assistant to president in Shanghai Fosun Hi-tech (Group) Co., Ltd, the vice president for the insurance division, the non-executive director of Yong An Property Insurance Company Limited and the chairman of the board of supervisors of Pramerica Fosun Life Insurance Company Limited. Mr. Peng joined the Fosun Group in 2013, and has successively worked as executive general manager, managing director for the financial group, and managing director and vice president for the insurance division of the Shanghai Fosun Hi-tech (Group) Co., Ltd. Before that, Mr. Peng was an analyst in the Guotai Junan Securities Co. Ltd. from April 2007 to October 2013, and a teacher in Meijiang School District, Lianyuan, Hunan province from September 1997 to June 2001. Mr. Peng is a certified public accountant. Mr. Peng obtained a bachelor's degree in accounting from Hunan University in 2000, a master's degree in management from Hunan University in 2004, and a doctorate degree in management from Shanghai University of Finance and Economics in 2007.

Mr. LI Xianglu, Chinese

Mr. LI Xianglu has been the independent non-executive director of the Company since March 2016. He is currently the senior consultant of Plateau Holding Co., Ltd.. From 1990 to 2007, Mr. Li successively worked as the vice president and senior consultant of Kidder, Peabody & Co., Inc., investment consultant of China Agribusiness Trust & Investment (Hong Kong) Corporation, senior consultant of Clear Stream Bank, investment consultant of Tianjin Taida Group Co., Ltd. and senior consultant of Kheng Leong (Shanghai) Investment Management Co., Ltd.. Mr. Li obtained a master's degree in politics from Columbia University.

Mr. ZHENG Wei, Chinese

Mr. ZHENG Wei has been the 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 and the independent non-executive director of Donghai Marine Insurance Co., Ltd., the independent non-executive director of PICC Reinsurance Company Limited, the external supervisor of China CITIC Bank Co., Ltd. (a company listed on the SSE, stock code: 601998 and the HKSE, stock code: 00998). Mr. Zheng is also a member of council and vice secretary general of Insurance Society of China, a member of council of China Association of Social Security and China Institute of Insurance Law. Since July 1998, Mr. Zheng has successively worked as teaching assistant, lecturer, vice professor, professor and doctorial supervisor. Since March 1999 till now, he has been 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. From August 1999 to January 2000, Mr. Zheng was a visiting scholar at the Business school of University of Wisconsin – Madison. Mr. Zheng obtained a bachelor's, a master's and a doctorate degree in economics from Peking University in 1995, 1998 and 2003, respectively.

Mr. CHENG Lie, Chinese

Mr. CHENG Lie has been the independent non-executive director of the Company since August 2016. Mr. Cheng served as the general manager of the resources integration department of China Life Insurance (Group) Co., Ltd. from May 2013 to January 2016, the general manager of the bancassurance department of China Life Insurance Company Ltd. from January 2008 to April 2013. He successively worked as a member of the party committee and the deputy general manager of Hong Kong branch of China Life Insurance (Overseas) Co., Ltd.. Mr. Cheng graduated from Jiangxi Industry Polytechnic College (currently "Nanchang University") and holds a senior economist title.

Mr. NEOH Anthony Francis, Chinese (Hong Kong Permanent Resident)

Mr. NEOH Anthony Francis has been the independent non-executive director of the Company since September 2016. Mr. Neoh is currently the Senior Counsel in the Chambers of Mr. Anthony Neoh, SC, and the independent non-executive director of Industrial and Commercial Bank of China Limited (a company listed on the SSE,stock code: 601398 and the HKSE, stock code: 01398) and CITIC Ltd. (a company listed on the HKSE, stock code: 00267). Mr. Neoh held various posts including the member of the International Advisory Council of CSRC, the chief advisor to the CSRC, a member of the Hong Kong Special Administrative Region Basic Law Committee under the Standing Committee of the National People's Congress, and the chairman of the Securities & Futures Commission of Hong Kong. He was also an independent non-executive director of China Life Insurance Company Ltd. (a company listed on the New York Stock Exchange, stock code: LFC, the SSE, stock code: 601628 and the HKSE, stock code: 02628) from June 2010 to July 2016 and an independent non-executive director of Bank of China Limited (a company listed on the SSE, stock code: 601988 and the HKSE, stock code: 03988) from August 2004 to September 2013. Mr. Neoh was conferred as Queen's Counsel (now retitled as Senior Counsel) in Hong Kong in 1990. Mr. Neoh graduated from the University of London with a degree in law in 1976. He is a barrister of England and Wales and admitted to the State Bar of California. In 2003, he was conferred the Degree of Doctor of Laws, honoris causa, by the Chinese University of Hong Kong. He was elected as honorary fellow of the Hong Kong Securities Institute and academician of the International Euro-Asian Academy of Sciences in 2009. He was awarded the Degree of Doctor of Social Science, honoris causa, respectively by the Open University of Hong Kong in 2013 and by Lingnan University in 2016.

Mr. GENG Jianxin, Chinese

Mr. GENG Jianxin has been the independent non-executive director of the Company since September 2017. Mr. Geng currently is a level-2 responsible professor at the accounting department of school of business in Renmin University of China and is granted the special allowance by the State Council. He also works as a vice president of the China Audit Society and a deputy director of the Academic Committee of China Audit Society. He is also a distinguished professor of both Beijing Technology and Business University and North China University of Technology. Before that, Mr. Geng worked as an independent non-executive director and the director of audit committee of BOE Technology Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000725), DHC Software Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code:002065), Shenzhen Tatfook Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300134), Beijing Shouhang IHW Resources Saving Technology Co., Ltd (a company listed on the Shenzhen Stock Exchange, stock code: 002665), Huaneng Power International, INC. (a company listed on the SSE, stock code: 600011), Triangle Tire Co., Ltd. (a company listed on the SSE, stock code: 601163), and Shenzhen Qixin Construction Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002781). Mr. Geng was also a member of the China Accounting Standards Committee of the Ministry of Finance and a deputy director of the Academic Committee of the Accounting Society of China from October 2002 to September 2009. Since July 1993, Mr. Geng has successively worked as associate professor, professor, doctoral supervisor, director of teaching and research section, deputy director of the standing department, secretary of the party committee and chairman of the academic committee of the school of business in Renmin University of China. Mr. Geng graduated from the accounting department of Zhejiang College of Metallurgical Economics in 1981 and obtained a master's degree in economics from Zhongnan University of Finance and Economics (currently "Zhongnan University of Economics and Law") in 1988 and a doctorate degree in management from Renmin University of China in 1993.

(II) Supervisors

As of the date of this report, biographies of current supervisors of the Company are as follows:

Mr. WANG Chengran, Chinese

Mr. WANG Chengran has been the shareholder representative supervisor and the chairman of the board of supervisors of the Company and the director of Asset Management Company since July 2014. Before that, Mr Wang was the director of Baosteel Group Finance Co., Ltd., China Pacific Insurance (Group) Co., Ltd. (a company listed on the SSE, stock code: 601601 and the HKSE, stock code: 02601), China Trust Protection Fund Co., Ltd. and Sailing Capital International (Shanghai) Co., Ltd, Shanghai Baosight Software Co., Ltd. (a company listed on the SSE, stock code: 600845; stock code of B shares: 900926), China CSSC Holdings Limited (a company listed on the SSE, stock code: 600150), Huatai Insurance Group Co., Ltd. and the Company, etc. Mr. Wang also served the chairman of the board of supervisors of Sailing Capital Management Co., Ltd. He was the chairman of Hwabao Trust Co., Ltd. from January 2015 to March 2017, the secretary of the party committee of the financial system of Baosteel Group from June 2012 to November 2016, and the secretary of commission for discipline inspection of Ouyeel Co., Ltd. from June 2015 to April 2016. From June 2003 to June 2012, Mr. Wang successively served as the vice director and the director of the asset management department, the business director and the director of the asset management department, and the assistant to general manager of Baosteel Group. He also held the position of the chairman of Hwabao Investment Co., Ltd. from June 2009 to January 2010. Mr. Wang holds an economist title. He received a bachelor's degree in economic information management from Renmin University of China in 1982.

Mr. YU Jiannan, Chinese

Mr. Yu Jiannan has been the shareholder representative supervisor of the Company since February 2018. Mr Yu. is currently the deputy director of the organization department of the party committee, deputy director of human resources department and managing director of China Investment Corporation. Mr. Yu joined China Investment Corporation in September 2007. From January 2011 to March 2017, Mr. Yu also worked as the director of China Investment Securities Company Limited. From May 2001 to September 2007, he was a senior deputy manager and a senior manager of the human resources department in China Cinda Asset Management Corporation Co., Ltd. and was on secondment as vice head of Ledu County, Qinghai Province from November 2005 to January 2007. From July 1996 to May 2001, he worked at China Construction Bank Guangdong branch and Guangzhou branch. Mr. Yu obtained a bachelor's degree in economics from Guangdong College of Commerce in July 1996.

Ms. Anke D'Angelo, German

Ms. Anke D'Angelo has been the shareholder representative supervisor of the Company since January 2018 and is now the head of general manager office of Beijing branch of Asia Reinsurance of the Swiss Reinsurance Company, Ltd. (a company listed on the SWX Swiss Exchange, stock code: SREN). From September 1994 to February 2017, Ms. D'Angelo successively served as team leader of group accounting and reporting, manager of accounting department of Bayerische Rückversicherung AG, Munich (now the German Branch of Swiss Re Europe S.A.). She once was the finance planning manager, senior finance manager, head of group SOX (Sarbanes-Oxley Act Section 404, managing effectiveness of Internal Control over Financial Reporting) of risk management department, head of group CEO office, deputy head of operations office of group internal audit, deputy chief compliance officer, head of risk & control of compliance division, group chief compliance officer, and managing president of special projects of legal & compliance of Swiss Re Group. Ms. D'Angelo graduated from Ludwig-Maximilians-University, Munich, Germany, in February 1995 with a master's degree in business administration. Ms. D'Angelo also graduated as associate risk manager from the American Institute for Chartered Property Casualty Underwriters, Insurance Institute of America in June 2005.

Mr. WANG Zhongzhu, Chinese

Mr. WANG Zhongzhu has been the employee representative supervisor since March 2016 and has been the general manager of discipline inspection and supervision office of the Company since February 2011. He is also the supervisor of Hefei Supporting Operation, the subsidiary of the Company. Mr. Wang once worked as the supervisor in the following subsidiaries of the Company: New China Pension, Xinhua Seniors Service, Electronic Commerce. Mr. Wang served as a deputy general manager of the inspection office of the Company from April 2010 to January 2011. He has successively served as a staff member, a deputy principle staff, principle staff, a deputy division director, a disciplinary inspector and a division director in Central Disciplinary 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 in investment economic management from Zhongnan University of Economics and Law in 1988.

Mr. BI Tao, Chinese

Mr. BI Tao has been the employee representative supervisor since March 2016 and has been the deputy general manager of the eastern audit center, a part of the audit department of the Company since June 2017. He has also been the supervisor of the following subsidiaries of the Company since January 2016: Health Technology, Xinhua Seniors Service, Hainan Seniors, Shanggu Real Estate, Electronic Commerce, Hefei Supporting Operation. Mr. Bi joined the Company in October 2003. He successively held various posts including an assistant to the general manager, a deputy general manager of the risk management department of the Shandong branch of the Company, the deputy division head and division head of the audit department, and an assistant to the general manager, the deputy general manager in the headquarter. Mr. Bi received a bachelor's degree in accounting from Shandong Finance College in 1999.

(III) Members of senior management

As of the date of this report, biographies of senior management of the Company are as follows:

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

Mr. LI Zongjian, See "II Biographies of directors, supervisors, senior managers – (I) Directors" in this section.

Mr. YANG Zheng, Chinese

Mr. YANG Zheng has been the vice president of the Company since December 2016 and the chief financial officer (financial principal) of the Company since February 2017 and the non-executive director of Asset Management Company since December 2016. Prior to joining the Company, Mr. Yang served as the assistant to general manager, the deputy general manager and the general manager of the finance department, the general manager of the investment management department, the chief financial officer and the vice-president of the China Life Insurance Company Limited from July 2005 to July 2016. Mr. Yang possesses the qualifications of American Institute of Certified Public Accountants and British Association of Chartered Certified Accountants. He serves as a member of the eighth council of the Accounting Society of China, a member of the National Technical Committee on Accounting Information of Standardization Administration of China, a member of the third session of the China Insurance Solvency Regulatory Standard Committee and a member of the International Financial Reporting Standards (IFRS) Interpretations Committee. Mr. Yang obtained a bachelor's degree in engineering from Beijing University of Technology in 1993 and a master's degree in business administration from Northeastern University in the United States in 2000.

Mr. LIU Yigong, Chinese

Mr. LIU Yigong has been the vice president of the Company since March 2005. He has been the chairman of New China Pension since February 2017. Mr. Liu was the regional general manager of central China from November 2014 to December 2016, the compliance officer of the Company from June 2010 to February 2013, and the general manager of Beijing Branch from November 2004 to March 2007. Mr. Liu holds a senior economist title, and a certified senior enterprise risk manager (CSERM). He received a master's degree in economics from Zhongnan University of Finance and Economics (currently "Zhongnan University of Economics and Law") in 1996.

Mr. LI Yuan, Chinese

Mr. LI Yuan has been the vice president of the Company since November 2016. Since joining the Company in October 2001, Mr. Li successively worked as the assistant to general manager, deputy general manager, general manager and senior general manager of Guangdong branch. Then he was the director of sales management center, director of individual business channel, director of bancassurance channel at headquarters, the regional director and the general manager of Beijing branch, the assistant to president and the regional general manager of south China, and the general manager of Guangdong branch. Mr. Li holds a senior economist title. He obtained a master's degree of EMBA from Sun Yat-sen University in 2010.

Mr. GONG Xingfeng, Chinese

Mr. GONG Xingfeng has been the vice president of the Company since November 2016, the chief actuary since September 2010, and the board secretary since March 2017. He has also been the director and the chief actuary of New China Pension since January 2017 and the supervisor of Asset Management Company since January 2018. Since joining the Company in January 1999, Mr. Gong has successively worked as the assistant to general manager of the actuarial department, the deputy general manager of the underwriting approval and claims settlement department, the general manager of the customer service department, the chief actuary, and the assistant to president. Mr. Gong was the head of investment business of Asset Management Company. Mr. Gong holds a senior economist and an actuary title. He received a master's degree in economics from Central University of Finance and Economics in 1996, and another master's degree in business administration from China Europe International Business School in 2011.

Mr. YU Zhigang, Chinese

Mr. YU Zhigang has been the vice president of the Company since November 2016 and the chairman of Electronic Commerce since August 2016. Mr. Yu joined the Company in April 1997. Since March 2007, Mr. Yu has successively been the general manager and then senior general manager of Shanghai branch, senior general manager of Beijing branch, the regional director and senior general manager of Beijing branch, director of bancassurance channel, regional general manager of central China, assistant to president and regional general manager of east China. Mr. Yu holds an intermediate editor title. He received a bachelor's degree in Chinese Language and literature from Peking University in 1986, completed monetary banking courses at 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.

Mr. YUE Ran, Chinese

Mr. YUE Ran has been the assistant to president since February 2013 and the chief human resources officer of the Company from April 2010 to March 2017. Between January 2010 and March 2010, Mr. Yue had been the director of the party office and the director of investigation office of the Company. Prior to joining the Company, from October 2008 to January 2010, Mr. Yue was the deputy general manager of the human resources department of China United Network Communications Group Company Limited. From January 2004 to October 2008, Mr. Yue was the deputy general manager of the human resources department at China Netcom Group. Mr. Yue obtained a bachelor's degree in philosophy from Capital Normal University in 1984. He completed graduate studies in enterprise management at the University of International Business and Economics in 2003.

Mr. YUAN Chaojun, Chinese

Mr. YUAN Chaojun has been the assistant to president of the Company since August 2011 and the general manager of Beijing branch since March 2013. Since joining the Company in November 2002, Mr. Yuan has successively been the general manager of the central branch in Weifang, the assistant to general manager, the deputy general manager, the general manager and the senior general manager of Shandong branch. Then he was the director of the individual business channel at headquarters, the regional general manager of north China and northeast China, the secretary of the party committee and the general manager of Beijing branch. Mr. Yuan holds the mid-level professional insurance qualification. Mr.Yuan obtained a master's degree in business administration from Zhongnan University of Economics and Law in 2011.

Mr. LIU Qiyan, Chinese

Mr. LIU Qiyan has been the assistant to president of the Company since May 2017 and now he is the chief human resources officer of the Company. Prior to joining the Company, between May 1997 and June 2016, Mr.Liu had successively worked as the staff member of the Inner Mongol branch of China Life Insurance Company Limited, the secretary of the party committee and the general manager of Manchuria branch, the secretary of the party committee and the general manager of Hulunbeier branch, the secretary of the party committee and the general manager of Hohhot branch, the general manager of human resources department and head of the organization department of the party at headquarters, the secretary of the party committee and the general manager of Hebei branch. Mr. Liu holds a senior economist title. Mr. Liu obtained a bachelor's degree in agriculture from Inner Mongolia Forestry College in 1986 and master's degree in EMBA from Tsinghua University in January 2013.

Mr. WANG Lianwen, Chinese

Mr. WANG Lianwen has been the assistant to president of the Company since February 2017. Since joining the Company in May 2010, Mr. Wang had successively worked as the group business director of the Company, the director and the regional general manager of northwest China and the general manager of Shaanxi branch of the Company. He is an intermediate accountant and an economist. Mr. Wang received a master's degree in economics from Shanghai University of Finance and Economics in 1995 and a doctorate degree in economics from Fudan University in 2004.

III. POSITIONS OF CURRENT DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT IN CORPORATE SHAREHOLDERS AND OTHER ENTITIES

As of the date of the report, positions of current directors, supervisors and members of senior management in corporate shareholders and other entities are as follows:

(I) Positions in corporate shareholders

Name	Name of shareholders	Position held	Term
LIU Xiangdong	Central Huijin Investment Ltd.	Employee	Since December 2009
XIONG Lianhua	Central Huijin Investment Ltd.	Employee	Since January 2012
HU Aimin	China Baowu Steel Group Corporation Limited	General Manager of the industry and finance development center	Since May 2017
DACEY John Robert	Swiss Re Group	Chief Strategy Officer	Since October 2012
		Member of Executive Committee	Since November 2012
PENG Yulong	Shanghai Fosun Hi-tech (Group) Co., Ltd	Assistant to president	Since October 2013
		Vice president of the insurance division	
Anke D'Angelo	Swiss Reinsurance Company Ltd. Beijing Branch	Head of general manager office	Since February 2017

(II) Major positions in other entities

Name	Name of Other Entities	Position held	Term
WAN Feng	New China Asset Management Co., Ltd.	Chairman of the board	Since May 2016
XIONG Lianhua	China Export & Credit Insurance Corporation	Director	Since December 2012
	New China Asset Management Co., Ltd	Director	Since January 2018
WU Kunzong	Baoshan Iron & Steel Co., Ltd.	Chief Financial Officer	Since June 2016
	Baosteel Zhanjiang Iron & Steel Co., Ltd	Director	Since June 2016
	Shanghai Baosight Software Co., Ltd.	Director	Since July 2017
HU Aimin	Shanghai-Hangzhou Railway Passenger Special Line Co., Ltd,	Director	Since January 2015
	Chinese Capital Ride Equity Investment and Management Co., Limited,	Director	Since January 2016
	Baosteel Investment Company Limited (Hong Kong),	Director	Since June 2015
	Ouyeel Co., Ltd	Director	Since December 2017
	Shanghai Baosteel Property Co., Limited	Director	Since June 2015
	Baosteel New Construction Material Co., Limited	Director	Since March 2014
PENG Yulong	Yong An Property Insurance Company Limited	Director	Since March 2017
	Pramerica Fosun Life Insurance Company Limited	Chairman of Board of Supervisors	Since October 2017
LI Xianglu	Plateau Holding Co., Ltd.	Senior consultant	Since November 2013

SECTION 9
DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Name of Other Entities	Position held	Term
ZHENG Wei	Peking University	Dean of the Department of Risk Management and Insurance	Since September 2010
	Donghai Marine Insurance Co., Ltd.	Independent Non-Executive Director	Since June 2016
	PICC Reinsurance Company Limited	Independent Non-Executive Director	Since May 2017
	China CITIC Bank Co., Ltd.	External Supervisor	Since May 2015
NEOH Anthony Francis	The Chambers of Mr. Anthony Neoh, SC	Senior Counsel	Since April 1990
	Industrial and Commercial Bank of China Limited	Independent Non-Executive Director	Since April 2015
	CITIC Limited	Independent Non-Executive Director	Since December 2014
GENG Jianxin	Renmin University of China	Responsible professor for level-2 jobs at the accounting department of school of business	Since September 2008
WANG Chengran	New China Asset Management Co., Ltd.	Director	Since January 2010
YU Jiannan	China Investment Corporation Limited	Deputy director of the organization department of the party committee	Since January 2013
		Deputy director of human resources department	Since April 2011
		Managing director	Since July 2014
WANG Zhongzhu	Hefei New China Life Supporting Construction Operation Management Co., Ltd.	Supervisor	Since April 2014
BI Tao	New China Village Health Technology (Beijing) Co., Ltd.	Supervisor	Since January 2016
	Xinhua Village Seniors Services (Beijing) Co., Ltd.	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
YANG Zheng	New China Asset Management Co., Ltd.	Director	Since December 2016
LIU Yigong	New China Pension Insurance Company Ltd.	Chairman	Since February 2017
GONG Xingfeng	New China Pension Insurance Company Ltd.	Director	Since January 2017
		Chief Actuary	Since January 2017
	New China Asset Management Co., Ltd.	Supervisor	Since January 2018
YU Zhigang	New China Electronic Commerce Co., Ltd.	Chairman	Since August 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 RMB25.6109 million and the total amount of individual income tax paid is RMB14.5657 million. For detailed remuneration of each individual, please refer to "I. Directors, supervisors and members of senior management".

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

V. 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

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 2017, according to the information available to the Company and the information our directors are aware of, 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.

VI. THE COMPANY'S EMPLOYEES

As of 31 December 2017, there are a total of 41,044 employees who entered into employment contracts with the Company (life insurance headquarter and 35 branches). Their expertise and education background are set out below:

(I) Expertise

Expertise	Number	Percentage
Management	1,734	4.22%
Professional	3,133	7.63%
Marketing	29,178	71.09%
Of which: Contractual field sales personnel	17,558	42.78%
Other	6,999	17.05%
Total	41,044	100.00%

(II) Education background

Education background	Number	Percentage
Master's degree	1,215	2.96%
Bachelor's degree	21,312	51.92%
Lower than bachelor's degree	18,517	45.11%
Total	41,044	100.00%

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 P.R.C. government, the Company provides employees with social security and housing fund. At the same time, the Company established a variety of benefit plans for its employees, including corporate annuities to meet the diverse need of different employee groups.

The Company carried out the education and training principle of "vision before training and education strengthening the Company", put in place working principle of covering all employees with classified, scientific and efficient training system. The education and training system in line with the Company's strategy was built through the establishment of education and training institution, the standardization of teaching materials and professional lecturers with the combination of full-time and part-time and comprehensive training system. In 2017, the Company continued to strengthen the basic insurance knowledge, basic skill training for all employees. The training that we offered was adapted to the features of distribution channels and was differentiated for different employees. The Company continued to invest more resources into education and training and build a diversified learning platforms to cultivate more excellent talents. The number of workshops held in 2017 were 49 with 5,715 attendants, the number of online workshop were 50 with over 1 million attendants. This greatly enhanced the education and training capabilities of the Company.

CORPORATE GOVERNANCE REPORT

I. OVERVIEW OF CORPORATE GOVERNANCE

Pursuant to the Company Law, Insurance Law, Securities Law, Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules 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, the Board of Supervisors and the senior management, and formed an operation mechanism under which the corporate 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 supervisors who are representatives of shareholders and to decide the remuneration of directors and 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 decide on the engagement, dismissal and non-reappointment of the Company's accounting firm; to examine and amend the Articles of Association, etc.

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 of 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 to the general meeting. Pursuant to the Articles of Association, shareholder(s) individually or jointly holding more 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 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 of laws, regulations and the Articles of Association.

Shareholder(s) shall have the right to make enquiries to the Company. According to 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 the 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 three general meetings in total, the first and the second extraordinary general meetings of 2017 were held on 28 April 2017 and 19 December 2017 respectively, and the annual general meeting of 2016 held on 27 June 2017, considered and approved 11 Proposals, including the Proposal on the Profit Distribution Plan for the Year 2016, the Proposal on the Appointment of Accounting Firms for the Year 2017, the Supplemental Proposal on the Election of Shareholder Representative Supervisor of the Sixth Session of the Board of Supervisors and the Proposal on the Election of Independent Director of the Sixth Session of the Board.

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.

Attendance of general meetings of directors

During the reporting period, all directors fulfilled their duties diligently, actively attended general 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 is given as follows:

Name of director	Number of scheduled attendance	Number of actual attendance	Attendance Rate	Remarks
Executive Directors				
WAN Feng	3	3	100%	
LI Zongjian	3	3	100%	
Non-Executive Directors				
LIU Xiangdong	3	3	100%	
XIONG Lianhua	1	1	100%	
WU Kunzong	3	2	66.7%	Failing to attend the first extraordinary general meeting of 2017 for business reasons
HU Aimin	3	3	100%	
DACEY John Robert	3	0	0	Failing to attend for business reasons
PENG Yulong	1	1	100%	
CHEN Yuanling	1	1	100%	
ZHANG Guozheng	0	0	–	
Independent Non-executive Directors				
LI Xianglu	3	3	100%	
ZHENG Wei	3	2	66.7%	Failing to attend the annual general meeting of 2016 for business reasons
CHENG Lie	3	3	100%	
NEOH Anthony Francis	3	3	100%	
GENG Jianxin	1	1	100%	
FONG Chung Mark	2	2	100%	

Note:

During the reporting period, for the details of the Company's newly appointments, resignation and expiration of his/her term, please refer to section 9 "Directors, Supervisors, Senior Management and Employees" of this annual report.

(II) Directors and the Board

As of the end of the reporting period, the Board had 13 directors consisting of 2 executive directors, 6 non-executive directors and 5 independent non-executive directors. Directors serve a term of three years and are eligible for re-election, but the consecutive terms of independent non-executive directors shall not exceed six years. For the details of the Company's Board, please refer to section 9 "Directors, Supervisors, Senior Management and Employees" of this annual report.

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

Corporate governance functions

The Board is responsible for carrying out the corporate governance functions and has fulfilled their duties and responsibilities, as set out in Code Provision D.3.1 of the Corporate Governance Code. During the reporting period, the Board reviewed the Company's compliance with laws, regulatory provisions and the Corporate Governance Code and disclosures in the Corporate Governance Report, reviewed and monitored the training and continuous professional development of directors and senior management, and further enhanced the Company's corporate governance policy and practices.

Duties of the Board and 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 for listing; to formulate plans for material acquisitions, share repurchase, merger, division, dissolution or change of form of the Company; to appoint or remove Company's senior management, and to decide on and implement the plans concerning their annual performance evaluation, annual remuneration, rewards and punishments, etc.

According to Articles of Association, the Company established the Executive Committee. The Executive Committee is comprised of senior executives, 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 estate investments and financings, and assets disposal plans, subject to the authorization by the Board or in accordance with resolutions of the Board, to study on the material decisions of the Company on its operations and provide advice to the Board; to monitor the Company's regular material operations and activities, and to hear the work of regular material operations of the Company by the senior management.

Attendance of Board meetings of directors

During the reporting period, the sixth session of the Board held four regular Board meetings and seven ad-hoc Board meetings. The attendance details are as follows:

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					
WAN Feng	11	11	0	100%	
LI Zongjian	11	11	0	100%	
Non-Executive Directors					
LIU Xiangdong	11	11	0	100%	
XIONG Lianhua	5	5	0	100%	
WU Kunzong	11	9	2	81.8%	Failing to attend the 11th, 13rd meetings of the sixth session of the Board in person for business reasons but appointed director HU Aimin to attend and exercise the voting right on behalf thereof
HU Aimin	11	10	1	90.9%	Failing to attend the 10th meeting of the sixth session of the Board in person for business reasons but appointed director WU Kunzong to attend and exercise the voting right on behalf thereof
DACEY John Robert	11	6	5	54.5%	Failing to attend the 9th, 11th, 13rd,15th,17th meetings of the sixth session of the Board in person for business reasons but appointed chairman WAN Feng to attend and exercise the voting right on behalf thereof
PENG Yulong	5	5	0	100%	
CHEN Yuanling	6	6	0	100%	
ZHANG Guozheng	2	2	0	100%	

Name of director	Number of scheduled attendance	Number of attendance in person	Number of attendance by proxy	Rate of attendance in person	Remarks
Independent Non-executive Directors					
LI Xianglu	11	10	1	90.9%	Failing to attend the 9th meeting of the sixth session of the Board in person for business reasons but appointed independent non-executive director ZHENG Wei to attend and exercise the voting right on behalf t hereof
ZHENG Wei	11	10	1	90.9%	Failing to attend the 14th meeting of the sixth session of the Board in person for business reasons but appointed independent non-executive director LI Xianglu to attend and exercise the voting right on behalf thereof
CHENG Lie	11	11	0	100%	
NEOH Anthony Francis	11	10	1	90.9%	Failing to attend the 10th meeting of the sixth session of the Board in person for business reasons but appointed independent non-executive director CHENG Lie to attend and exercise the voting right on behalf thereof
GENG Jianxin	3	3	0	100%	
FONG Chung Mark	8	7	1	87.5%	Failing to attend the 9th meeting of the sixth session of the Board in person for business reasons but appointed independent non-executive director ZHENG Wei to attend and exercise the voting right on behalf thereof

Note:

During the reporting period, for the details of the Company's newly appointments, resignation and expiration of his/her term, please refer to section 9 "Directors, Supervisors, Senior Management and Employees" of this annual report.

(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 of the Board consisted of two executive directors (WAN Feng, LI Zongjian), four non-executive directors (XIONG Lianhua, HU Aimin, DACEY John Robert, PENG Yulong) and one independent non-executive director (NEOH Anthony Francis), and WAN Feng served 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 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, etc.

2. Meetings and attendance

   During the reporting period, the Strategy and Investment Committee held eight meetings in total. The attendance details are as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
WAN Feng	8	8	0
LI Zongjian	8	8	0
XIONG Lianhua	3	3	0
HU Aimin	8	7	1
DACEY John Robert	8	3	5
PENG Yulong	3	3	0
NEOH Anthony Francis	8	6	2
CHEN Yuanling	5	5	0
ZHANG Guozheng	1	1	0

3. Performance of duties of the Strategy and Investment Committee

   During the reporting period, the Strategy and Investment Committee, in accordance with the Articles of Association and the Work Rules for the Strategy and Investment Committee, reviewed proposals on the work plan of the Company for the year 2017, the comprehensive assessment report of 2016 annual development plan, 2017-2019 capital plan report, 2016 profit distribution plan and amendments to the Articles of Association, etc., and then issued professional opinions consenting to the submission to the Board for its consideration.

Audit Committee

As of the end of the reporting period, the Audit Committee of the Board consisted three non-executive directors (LIU Xiangdong, WU Kunzong, PENG Yulong) and four independent non-executive directors (ZHENG Wei, LI Xianglu, CHENG Lie, GENG Jianxin), and ZHENG Wei served as the chairman.

1. Duties of the Audit Committee

   The main duties of the Audit Committee include: to assess the effectiveness of risk management and internal control; to guide internal audit; to examine financial information and its disclosure; to monitor misconducts in financial reporting and internal control; to supervise and assess the work of external audit institution; to prepare related-party transaction system and formulate major related party standards; to put forward better opinions and suggestions to the Board on the Company's solvency, etc.

2. Meetings and attendance

   During the reporting period, the Audit Committee held seven meetings in total. The attendance details are as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
ZHENG Wei	7	7	0
LIU Xiangdong	7	7	0
WU Kunzong	7	4	3
PENG Yulong	1	1	0
LI Xianglu	7	7	0
CHENG Lie	7	7	0
GENG Jianxin	0	0	0
ZHANG Guozheng	2	2	0
FONG Chung Mark	7	4	3

3. Performance of duties of the Audit Committee

   During the reporting period, the Audit Committee, in accordance with the Articles of Association and the Work Rules for the Audit Committee, reviewed proposals on the annual report of 2016, interim report of 2017, the first quarter report of 2017, the third quarter report of 2017, the internal control assessment report of 2016, the internal audit work report of 2016, the proposal on the Repurchase of New China Life Excellent Rehabilitation Hospital Co., Ltd. (北京新華卓越康復醫院有限公司) by the Company by way of equity transfer and related party transaction, the proposal on the appointment of accounting firms for the year 2017 of the Company and then issued professional opinions consenting to the submission to the Board for its consideration.

   The Audit Committee, in accordance with the requirements for the preparation of the annual report of the Company and relevant rules of procedure, convened meeting to listen to external auditors' audit schedule for this year's financial report, and discussed key areas of focus with auditors. The

Audit Committee reviewed the financial statements prepared by the Company and offered written comments; kept sufficient and timely communication with external auditors in house; convened meeting to review the Company's financial report once again after external auditors' preliminary audit opinion and offered written comments. The Audit Committee offered professional opinions on its 3rd meeting of 2017 in respect of annual report 2016 and agreed to the submission to the Board for its consideration.

The Audit Committee paid special attention to the internal control of the Company and the relevant department of the Company shall make work report to the Audit Committee regularly or irregularly, in order to make the Audit Committee informed in a timely manner of any significant issues encountered in the internal control management of the Company.

Nomination and Remuneration Committee

As of the end of the reporting period, the Nomination and Remuneration Committee of the Board consisted of three non-executive directors (XIONG Lianhua,WU Kunzong, DACEY John Robert) and four independent non-executive directors (LI Xianglu, ZHENG Wei, CHENG Lie, NEOH Anthony Francis), and LI Xianglu served 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, evaluation measures and remuneration plans of appointing directors and senior management, to evaluate the performance and conducts of directors 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, to nominate candidates for members of each Board committee (excluding the Nomination and Remuneration Committee) except for the chairman of such Board committee; to consider the Company's overall (including senior management of the Company) human resources and remuneration strategies and basic systems thereof.

2. Election of Directors

   Shareholders that individually or jointly hold 5% or more of the total voting shares of the Company, or the Board, shall have the right to nominate candidates for directors. The number of candidates for directors that a nominating party proposes to nominate shall not exceed the number of directors proposed to be appointed. The shareholders who individually or jointly hold 3% or more of the shares of the Company may propose the nomination candidates for independent non-executive directors to the shareholders' general meeting directly, but one shareholder can nominate one independent non-executive director only. The Nomination and Remuneration Committee and the Board of Supervisors may also nominate candidates for independent non-executive directors. The Nomination and Remuneration Committee shall review the candidates for directors pursuant to laws, regulations, regulatory documents, regulatory requirements and the Articles of Association, and report its opinions to the Board. After the review by the Board, the nomination proposal shall be submitted to the general meeting for review. Directors are elected by the general meeting. Each director shall serve a term of 3 years and may be reelected at the expiration.

3. Board diversity policy

Pursuant to the 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.

In nominating the directors candidates, the Nomination and Remuneration Committee 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 the term of service. In the meanwhile, it will also take into consideration business model and specific needs of the Company to ensure an appropriate balance in diversity of skills, experience and opinions of the Board members, to increase the efficiency of Board operation and make the Company to better serve the customers and shareholders.

4. Meetings and attendance

During the reporting period, the Nomination and Remuneration Committee held nine meetings in total. The attendance details are as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
LI Xianglu	9	9	0
XIONG Lianhua	3	2	1
WU Kunzong	9	4	5
DACEY John Robert	9	3	6
ZHENG Wei	9	8	1
CHENG Lie	9	9	0
NEOH Anthony Francis	9	6	3
CHEN Yuanling	6	6	0
FONG Chung Mark	8	4	4

5. Performance of duties of the Nomination and Remuneration Committee

During the reporting period, the Nomination and Remuneration Committee, in accordance with the Articles of Association and the Work Rules for the Nomination and Remuneration Committee, reviewed the proposals on the candidates of the directors of the sixth session of the Board, the adjustments to the composition of the Board committees, the distribution plan of the performance bonus of senior management for 2016, Measures for Remunerations of Senior Management of the Company, the scheme of performance evaluation of senior management for 2017, and issued professional opinions consenting to the submission to the Board for its consideration.

Risk Management Committee

As of the end of the reporting period, the Risk Management Committee of the Board consisted of one executive directors (LI Zongjian), four non-executive directors (LIU Xiangdong, XIONG Lianhua, HU Aimin, DACEY John Robert) and two independent non-executive directors (ZHENG Wei, GENG Jianxin), and LIU Xiangdong served 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; 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, to consider the risk assessment of major resolutions and solutions to major risks, to regularly evaluate the risks of the Company, to review comprehensive risk management reports submitted by risk management departments, etc..

2. Meetings and attendance

During the reporting period, the Risk Management Committee held three meetings in total. The attendance details are as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
LIU Xiangdong	3	3	0
LI Zongjian	3	3	0
XIONG Lianhua	1	1	0
HU Aimin	3	2	1
DACEY John Robert	3	3	0
ZHENG Wei	3	3	0
GENG Jianxin	0	0	0
CHEN Yuanling	2	2	0

3. Performance of duties of the Risk Management Committee

During the reporting period, Risk Management Committee, in accordance with the Articles of Association and the Work Rules for the Risk Management Committee, reviewed proposals on 2016 comprehensive risk management report, 2016 compliance report of the Company, the amendments to the compliance policy of the Company, and issued professional opinions consenting to the submission to the Board for its consideration.

(IV) Supervisors and Board of Supervisors

As of the end of the reporting period, the Board of Supervisors of the Company consisted of four supervisors, including two shareholder representative supervisors and two employee representative supervisors.

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. The attendance details of the sixth session of the Board of Supervisors during the reporting period are 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%	Failing to attend the 6th meeting of the sixth session of the Board of Supervisors in person for business reasons but appointed supervisor LIU Zhiyong to attend and exercise the voting right on behalf thereof
LIU Zhiyong	4	4	0	100%	
WANG Zhongzhu	4	4	0	100%	
BI Tao	4	4	0	100%	

Note:

During the reporting period, for the details of the Company's newly appointments, resignation and expiration of his/her term, please refer to section 9 "Directors, Supervisors, Senior Management and Employees" of this annual report.

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 the formulation of the development plan of the Company and assessment of its implementation as well as the performance of the directors and senior management of the Company through the convening of meetings of the Board of Supervisors, attending general meetings and Board meetings. The Board of Supervisors had no objection on matters under supervision during the reporting period.

(V) Chairman and chief executive officer

The Company established the executive committee system and the position of chief executive officer in February 2013. Mr. WAN Feng, chairman of the Board, was also the chief executive officer. The Board is of the view that the positions 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 executive committee and eight functional committees, the duties of which have been clearly defined in the Articles of Association and related rules. Major events of the Company shall be subject to complete consideration and decision-making procedures. All the above shall guarantee that chairman and chief executive officer performs his duties efficiently and diligently.

Except for the mentioned above, during the reporting period, the Company observed all the other code provisions in the Corporate Governance Code as set out 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. GONG Xingfeng, the Board secretary and joint company secretary of the Company. The contact information of Mr. GONG Xingfeng is set out in Section 2 "Corporate Information" of this annual report.

During the reporting period, each of Mr. GONG Xingfeng and Ms. MOK Ming Wai attended relevant professional training for no less than 15 hours.

(VII) Training and research of directors and supervisors

During the reporting period, each director and 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 in relation to work performance as well as to perform their duties with thorough understanding of information.

In addition, the Company has arranged the directors and supervisors to participate in the training on relevant insurance policy, regulations and professional knowledge at the Company's expenses. During the reporting period, director XIONG Lianhua and PENG Yulong participated in the training for newly appointed directors, supervisors and senior management of insurance companies held by CIRC. Directors LIU Xiangdong, XIONG Lianhua, HU Aimin, WU Kunzong, CHENG Lie and GENG Jianxin participated in the special training for directors and supervisors of listed companies in Beijing. All directors and supervisors had been arranged to participate in compliance training on guidelines of insurance companies' articles of association and the enforcement of the regulation on insurance fund equity investment, etc.

During the reporting period, director CHEN Yuanling and supervisor WANG Zhongzhu surveyed Guizhou branch, directors XIONG Lianhua, PENG Yulong, CHENG Lie and GENG Jianxin surveyed Hunan branch; directors LIU Xiangdong, XIONG Lianhua, PENG Yulong and CHENG Lie surveyed Hubei branch, directors ZHENG Wei, CHENG Lie and GENG Jianxin surveyed Anhui branch, directors LI Zongjian, LIU Xiangdong, HU Aimin and CHENG Lie surveyed Jiangxi branch. Directors and supervisors of the Company got to know problems encountered by branches in daily operation through on-site survey and reported to the management team to arouse their attention. This played a critical role in the Company's transformation and development, enhancing risk control capability and improving branches' management.

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

On 19 December 2017, the Company's second extraordinary general meeting of 2017 considered and approved the Proposal on the Amendments to the Articles of Association and Proposal for Revising Rules of Procedure of the General Meeting, Proposals for Revising 'Rule of procedures of the Board of Directors, Proposals for Revising 'Rules of Procedures of the Board of Supervisors. The revised Articles of Association and relevant policies are still subject to the approval of the CIRC. For details of the amendments, please refer to the circular of the Company dated 3 November 2017 published on the Stock Exchange's website (www.hkexnews.hk).

(IX) Information disclosure and investor relations

During the reporting period, the Company strictly observed various regulatory rules of the listing places, and effectively implemented the information disclosure system established, and ensured that domestic and overseas investors can obtain true, accurate and complete information. The Company further improved the information disclosure mechanism, comprehensively sorted 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 has completed information disclosure of annual reports, semi-annual reports, quarterly reports and other 48 interim announcements.

During the reporting period, the Company further refined the duties and procedures of investor relations and enhanced the communication with domestic and overseas investors. The Company also timely provided sufficient information feedback, which reinforced the mutual understanding between investors and the Company. During the reporting period, the Company held annual and interim results announcements, and communicated with more than 400 investors and analysts attended the announcement conferences on-site or by telephone. Afterwards, the Company also conducted non-trading international road show presentations and proceeded profound communications with more than 70 large investment institutions. The Company held investors open days, sharing the Company's transformation results and future operation thoughts with more than 230 domestic and foreign analysts, investors and the media; The Company arranged 104 on-site and telephone surveys from domestic and overseas investors and analysts and received 687 people; attended 29 external meeting and communicated with 750 institutions. Besides, the Company had continuous communication with the investors 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 announcements and investors open days have been published on the Company's website for investors' perusal.

II. DUTY PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

As of the end of the reporting period, the Board included five independent non-executive directors who are professionals in areas including laws, insurance, financial affairs, finance and management, etc. The number of independent non-executive directors 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 independent non-executive directors 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. Independent non-executive directors 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) Independent non-executive directors' attendance of meetings

The details of independent non-executive directors' 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 independent non-executive directors to relevant issues of the Company

The independent non-executive directors raised no objections to relevant issues of the Company during the reporting period.

(III) Confirmation of independence of independent directors

The Company has obtained written confirmation of each independent non-executive director on his/her independence from the Company. The Company confirms that all independent non-executive directors were independent from the Company during the year ended 31 December 2017.

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 full ability to operate independently.

In terms of assets: the Company has independent and intact assets, as well as business system 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, nor are they 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.

With respect to 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 had no shared 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.

As for 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 related party 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 accountable 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 to 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 salary of senior management.

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

V. SECURITIES TRADING OF DIRECTORS AND 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 – IX. Appointment of accounting firms" of this annual report for remuneration of auditors.

VII. RESPONSIBILITIES OF DIRECTORS TOWARDS FINANCIAL STATEMENTS

Directors confirmed that they were 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 "2017 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 sustainable 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 (《企業內部控制基本規範》) (Cai Kuai [2008] No.7) and the Circular on Printing and Distributing the Implementary 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), the Basic Standards for Internal Control of Insurance Companies (《保險公司內部控制基本準則》) (Bao Jian Fa [2010] No.69), the Internal Control Guidelines for Insurance Fund Application (《保險資金運用內部控制指引》) (Bao Jian Fa [2015] No.114) and the Guidance for the Internal Control of Companies Listed on Shanghai Stock Exchange (Shang Zheng Shang Zi [2006] No.460), the Company has observed the basic principles of combining comprehensiveness, significance, balancing, adaptation, cost-effectiveness and established a top-down internal control system which includes finance, operation and sales management.

The Company has established and continued to enhance 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 defence lines of the Company. Through the work division and coordination among these three defence lines, the Company has implemented the requirements of internal control and risk management and established the internal system of "overall coverage, highlights, effective control ".

The Company comprehensively identified the risks associated with the businesses, finance and use of funds and determined the scope of risk area which required attention through qualitative and quantitative methods, thereby fully identifying 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. In 2017, the Company thoroughly carried out internal control and risk-based inspections including the sales management compliance special rectification, risk-based inspection on illegal fundraising and fund cases, "Sword Campaign" to crack down on damage to the legitimate rights and interests of insurance consumers, overall risk-based inspection to strengthen the monitoring and on-site inspection, gradually implement internal control and risk-based inspections, including the construction of the China Risk Oriented Solvency System ("C-ROSS") risk management system, the construction and assessment of the solvency risk management ability.

The Company, aiming for transformation and development, continuously strengthened the internal control management foundation; and steadily pushed forward the internal control construction work in various business areas. In respect of sales control, the Company continuously improved the sales management structure, further standardized the sale management and business incentives as well as other control mechanisms; continuously strengthened the systems and procedures on the management of sales personnel, training and quality, and strictly regulated promotion and business expansion activities, continuously focused on improving the quality of business, and strengthened sales risk monitoring. In respect of operation control, the Company continually optimized the operation management system, and operation management processes of new contract, underwriting review, updating information, claim settlement, customer service, quality control and others. The Company introduced a series of rules and regulations including customer service commissioner management approaches, two licensing grading management optimization program, customer complaints management approaches and new contract underwriting business management approaches to implement sales practice with regulatory requirements and continually improve the integrated risk management of operation. In respect of accounting and financial control, the Company established a comprehensive and standardized financial management structure and system, continuously enhanced various accounting and financial management system, including budget management, accounting classifications, tax management, Statistical Information Management, funding management, etc.. Besides, the Company also optimized information system control measures, identified and managed financial risk effectively, improved efficiency of finance service and information quality to insure the truthfulness, completeness, accurateness and timeliness of financial reports and relevant information. In respect of the control in utilization of capital, the Company prepared guidelines on the use of insurance funds annually, formulated the Administrative Measures on the Risk Classification of Assets, real estate investment management Measures and other relevant systems, strictly comply with the regulatory requirements of the CIRC and the relevant regulatory authorities on the use of fund, implementation of risk control and standards of operation of insurance capital to effectively prevent the risk of insurance 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 registration and filing of inside information. 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 significant errors and the accountability mechanism have been established and strictly complied with.

The Company has established a relatively independent internal audit system with centralized management. 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, strengthened off-site audits and intensity of supervision of specific audits, diversified its audit methods and enhanced its professionalism as well as the auditing standard. In 2017, the Company further improved auditing organization structure and upgraded the level of the audit center. By expanding the scope and coverage of auditing, the Company also strengthened the audit and supervision, and enhanced the management value of internal audit.

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 stricter punishment will be imposed.

The Board is responsible for the risk management and internal control and reviewing their effectiveness. Meanwhile, the risk management and internal control specialized institution of the Company are designed to manage the risk of failure to achieve objectives. The Company provides reasonable assurance against non-existence of material false statements or loss. The Company actively carried out self assessment of solvency risk management in 2017 in accordance with the regulatory requirements of C-ROSS. Through a comprehensive benchmarking analysis, the Company clarified its own problems, carried out targeted rectification, and effectively improved the ability of risk management.

On the basis of 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 Implementary 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 comprehensive self-assessment on the internal control annually, the scope of which covers the sales management, financial management, operational management, capital utilization, compliance management and risk management functions of the headquarter, branches and subsidiaries. The time interval of the 2017 assessment is from 1 January 2017 to 31 December 2017. 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 auditor has issued a standard unqualified internal control audit report.

For details of the Company's internal control assessment, please refer to the 2017 Internal Control Assessment Report separately issued by the Company and the internal control audit report issued by the account.

SECTION 11

RISK MANAGEMENT

I. RISK MANAGEMENT SYSTEM – OVERALL STRATEGIES

The Company has 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 2017, the Company further strengthened the organizational structure of risk management in both headquarters and branches, formulated and issued the Organizational Structure Scheme in Branches to standardize the organizational structure of risk management of branches. The goal is to make the organizational structure of risk management of branches in line with that of headquarters and to make rights and duties clear and operate smoothly.

With the aim of pursuing value and on the basis of internal control, the Company facilitated a comprehensive risk management system establishment using both quantitative and qualitative methods to realize the professional operation of risk management, thus making risk management the important basis for the decisions made by the Board and the Executive Committee. Underpinned by the general operational strategy, the Company established risk strategy aiming at striking a balance among capital, value, profit and liquidity, observing the laws and regulations and regulatory requirements, controlling operational risks effectively, and safeguarding the Company's good reputation and brand image so as to achieve sustainable healthy development.

The Company steadily carried forward the risk management system and its process development, continuously improved the risk management system and optimized the management process. In 2017, the Company continued to improve the special risk management system and process, formulated the Development and Planning Management Measures（《發展規劃管理辦法》, revised various specialized risk management systems, such as the Credit Risk Management System (《信用風險管理制度》), the Liquidity Risk Management System (《流動性風險管理制度》) the Insurance Risk Management System (《保險風險管理制度》) the Market Risk Management System (《市場風險管理制度》). The Company improved the internal control management process, anti-money laundering management, legal compliance management system through formulating the Internal Control Management Policies(《內部控制管理政策》) the Internal Control Fault Rectification Management Measures（《內部缺陷整改管理辦法》）, revising the Legal Compliance Policies（《合規政策》）, the Anti-Money Laundering Management Measures（《反洗錢管理辦法》）as well as the Provisions for Administration of Emergencies (《突發事件應急管理辦法》) to improve its emergency management system, improved the solvency internal control management process, use the C-ROSS online reporting system of risk assessment data, include informatization of statistical process into data reporting to improve the comprehensive risk assessment data and reporting efficiency.

The Company actively promote the ability of self-risk management in consideration of the requirements of C-ROSS, by means of conducting the self-assessment of the risk control ability of solverey and comprehensive benckmarking analysis to clarify the problem and make specific rectification.

In 2017, 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 providing the headquarter and branches with risk warning and reminder through the early warning system.

The Company constantly optimized its risk management information system, and realized various functions such as data collection and processing, key risk indicator monitoring and early warning, risk reporting and reporting management, doubtful operation monitoring and risk incident management. The Company accurately eliminated and efficiently addressed the risks through modern information technology by monitoring indicators and data arising from the operation and management of the Company, thus timely detecting, identifying and warning potential risks.

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, 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), balance sheet duration gap ratio and other key market risk indicators. A benchmark threshold value 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 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.

In order to handle the market risks, the Company primarily adopted the following risk control measures in 2017: 1. placing emphasis on macro-economic studies and prospectively 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 level of return on investment 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 return 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, bond investments, non-standard financial product investments and reinsurance arrangements, etc.

1. *Credit Risk of Investment Business*

The Company primarily monitored the credit rating and concentration of investment targets and counterparties to ensure that the overall credit risk exposure is within control through the control of the proportion of investments with lower credit rating. More than 95% 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 2017: (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 investment portfolios, analyzing and assessing the probability and impacts of credit default events.

2. *Reinsurance Credit Risk*

In respect of reinsurance credit risk, the Company conducted assessment mainly based on the credit ratings of reinsurance counterparties. In 2017, there were a total of 12 reinsurance companies under contractual arrangements with the Company, and all of their credit ratings were above A. Eleven of them obtained Standard & Poor's rating: one company had AA+ rating, three companies had AA- rating, five companies had A+ rating, one company had A, and one company had A- rating. And one company had A.M. Best's rating with 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 revised 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 mortality rate, morbidity rate, compensation rate, surrender rate and expense rate.

The Company assessed and monitored 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, mortality rate, and morbidity rate on the Company's operating results.

The Company mainly managed insurance risk in areas such as product development, underwriting strategies and reinsurance arrangements 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 arrangements 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 maturities and surrender, misleading sales, insurance litigations as well as non-compliance sales of non-insurance financial products.

1 *Risk on surrender and maturities*

Risk on maturities and surrender refers to the more-than-expected or deviated-from-expected occurrence of maturities and surrender, which results in the risk of insufficient cash flow, complaints and disputes, or group events.

In respect of maturities, as the policies accumulated at prior sales peak were gradually at maturity and were ready for payout, and the maturity amount for 2017 faced some pressure. Individual products may incur the risk of complaints and disputes as the yield to maturity maybe lower than customer's expectations. In respect of surrender, as the peak season of 3-years and 5-years participating contracts of the bancassurance channel in the prior period has passed, and the Company actively reduced the size of the sales of middle and short term products in the perspective of strategies, the stress of surrender faced by the Company has gradually been relieved since 2017.

To effectively address the risk on maturities and surrender, the Company primarily adopted the following measures:(1) ceasing the sales of middle and short term products, sticking back to the origin of insurance, increasing the development and sales of protection-type products, and focusing on developing long-term regular business; (2)improving the quality of business in sales channels, further enhancing the quality of sales management, imposing strict penalties for violations on sales quality issues; (3)strengthening the surrender management, collectively revised the surrender management system, while monitoring the surrender and benefits and claims execution in branches on a regular basis; (4) ensuring the availability of the complaint channels, making rapid response, strengthening the closed-loop settlement of the complaints, offering better consulting services to practically protect consumers' legal rights and interests and prevent complaint risks; and (5) establishing a monthly risk monitoring system on surrender and maturities to effectively track the development of key branches and key products, timely controlling the branches and the progress of surrenders and maturities of products from the perspective of the headquarters, thus mastering the risks of key products earlier, and holding monthly risk control and compliance video meetings, thus timely issuing risk reminders to key branches.

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 induce 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 address the risk on misleading sales, the Company mainly adopted the following measures in 2017: (1) further improving the compliance appraisal indicators system, focusing on the misleading sales governance results, and supervising the agencies' constant enhancement of misleading sales governance results through regularly tracking the periodic achievement of appraisal indicators; (2) strengthening daily risk monitoring and early warning, providing risk reminders to agencies with high risk on misleading sales according to the daily monitoring results, urging agencies to take measures in preventing and defusing potential risks; (3) strengthening compliance management of promotional materials information, regulating information disclosure, the design and production of product promotional materials, product training advocacy, product sales promotion and product information disclosure; and (4) strengthening compliance promotions and warning education, constantly summarizing all kinds of misleading sales problems, and initiating system-wide risk prevention promotion and warning education.

3. *Insurance related litigation risk*

Risk on insurance related litigation refers to risks arising from 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 2017, the number of insurance litigation cases involved decreased as compared to the previous year. The insurance litigation cases mainly include insurance fraud, illegal fund-raising and seal forging.

To effectively address the risk of insurance related litigation, the Company mainly adopted the following measures in 2017: (1) formulating and issuing the Prevention and Punishment of Illegal Fund-raising and Capital Cases (《防範和處置非法集資方案》), and establishing a complete case control system including organization leadership, responsibility allocation, risk investigation, risk monitoring and early warning, warning education, and accountability; (2)strengthening the risk monitoring and early warning on cases, monitoring the potential risk from customers' complaints via complaint hotline, strengthening the daily risk monitoring of counter, customer service and sales functions, while setting up a system-wide rewarding whistleblowing mechanism to effectively expand the monitoring scale; (3) initiating risk investigation against cases, initiating system-wide risk investigation regarding illegal fund-raising and capital cases, and conducting special risk investigation on significant insurance related litigation; (4) constantly initiating warning education, issuing training materials to the entire system, indicating the consequence of unlawful conviction through analyzing real cases to learn from the past and avoid future mistakes.

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 salesmen. 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 illegal 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 risks.

To prevent and resolve the risk of non-insurance financial products, the Company mainly adopted the following measures in 2017 including: (1)strengthening risk prevention management in branches through the formulation of the Notices on Further Prevention of The Third Party Wealth Management and Illegal-fund Raising （《關於進一步防控協力廠商理財及非法集資的通知》）the Prevention and Punishment of Illegal Fund-raising and Capital Cases (《防範和處置非法集資方案》), (2) strengthening monitoring and early warning, carrying out multi-dimensional risk monitoring by using internal and external information such as complaints and reporting; (3) 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; (4) improving internal management by strengthening organization leadership and enhancing sales management by strengthening system-wide sales personnel supervision and marketing process control so as to regulate sales conducts; and (5) conducting on-site supervision over branches' prevention of illegal fund-raising and the avoidance of the third-party wealth management risks so as to push branches meet all sorts of requirements.

In addition to the measures adopted to address the above major operational risks, the Company also addressed daily 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 2017, 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.

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. The Company has established the comprehensive reputation risk management system in terms of organizational structure, system and daily monitoring. Through timely identifying and addressing issues in operation management, the Company aims to eliminate potential risks that affect the Company's reputation and image.

(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 2017, the Company further implemented strategic transformation and strived to optimize business structure by focusing on regular premiums business and protection-type products while keep optimizing business structure, and achieved consistent and stable growth of first year regular premiums 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 to long-term development strategies based on the overall vision of "making steady progress and deepening transformation and development", 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 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 and at reasonable costs to meet its liabilities or other payment obligations as they become due.

In 2017, the overall liquidity of the Company was satisfactory, and there was a significant increase in cash flow of traditional protection-type business. However, as a result of significant surrender of individual products, some accounts experienced relatively tight liquidity in the short term.

To address the liquidity risk, the Company primarily adopted the following measures: 1. adjusting the business structure proactively to stop the sales of middle and short term 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 large scale payment obligation induced by abnormal collective surrender; 3. establishing settlement reserve system for contingency payments in case of short-notice request on large amount payments; 4. 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 formulating solutions in advance by continuously putting daily risk monitoring in place and paying attention to unusual changes of indicators; 5. 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 6. strengthening emergency management to formulate emergency plan on liquidity risk.

REPORT OF THE BOARD OF DIRECTORS

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 was not any material change of major business scope of the Company during the reporting period.

II. BUSINESS REVIEW

(I) Annual business and business results analysis

Analysis on the business results of the Company during the reporting period is set out in Section 3 "Business Overview" and Section 5 "Management Discussion and Analysis" of this report.

(II) Major risks and uncertain factors

Please refer to Section 11 "Risk Management" of this report for details of the major risks and uncertain factors of the Company.

(III) Environment policy

The Company abides by various national laws and regulations, including Environmental Protection Law of People's Republic of China, Law of the People's Republic of China on Conserving Energy, to actively uphold green office work, green procurement and green finance to reduce its environmental impacts. The Company carries out energy conservation and full usage of resources in daily office work through various measures, for instance, garbage sorting, regular check of office building, changing LED lighting, adjusting air conditioner no lower than 26 degree Celsius in summer; duplex printing to save paper; closing computer and lamps in time; saving water; eating up food to avoid any waste; promoting paperless office work to protect environment.

(IV) Principal employees and customers

Details of the senior management and employees of the Company 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 and customers have maintained good relationships.

(V) 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 P.R.C., the Insurance Law of the P.R.C., the Anti-Money Laundering Law of the P.R.C., 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 upheld on operating insurance business according to the law in a prudent way, reviewing the terms of 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 Company also actively sent its employees to attend the special legal training organized by Insurance Association.

Adhering to risk-prevention principle, the Company had fully complied with the regulations on anti-money laundering and incorporated the risk management of money laundering into its overall risk management system, established and improved the risk management system for money laundering. It fully fulfilled the anti-money laundering obligations, including customer identity recognition, the retention of customer ID information and transaction, the reporting of major transaction and doubtful transaction and customer risk assessment, to prevent the risk of money laundering.

The Company strictly complied with the laws and regulations, regulatory provisions and relevant rules about corporate governance, continued to enhance its organizational structure, convened regular general meetings, board of directors meetings and board of supervisors meetings and fulfilled its obligations in the approval, reporting and disclosure of related party transactions and material information.

(VI) Company's relations with employees and customers

The Company has always upheld the values of " integrity, responsibility, fairness, innovation and progress" and attached great importance to the employees' rights and interests as well as development. The Company abides by various laws and regulations, including Labor Law of the People's Republic of China, Regulation on Work-Related Injury Insurances, Occupational Safety and Health Regulation, to create a safe and healthy workplace for its employees. Besides, the Company makes no efforts to offer a sound workplace and atmosphere for its employees, improves its remuneration and welfare system, enhanced systematic career training and development planning to guide employees' behaviour in line with the Company's behaviour through the guidance of corporate culture. The goal is to reflect the Company's value, build the Company's team spirit and strengthen the Company's affinity and cohesive force.

The Company has always centred on customers to meet customers' needs, and firmly established the service principle of "focusing on efficiency and customers' satisfaction" to improve its service capabilities, to forge better, rapid and more reliable operation and service system with NCI characteristics, and to enhance customers' experience. The Company sticks to the operation principle of "value creation, stability and sustainability" to improve its service platform, including customer service centre, customer contact centre, New China Life official website, New China Life mobile App, Wechat service, text message service, email service to offer various service channels to its customers and make its customer service more efficient.

During the reporting period, the Company conducted the customer satisfaction assessment through its hotline 95567. The result showed that 98.45% of its customers satisfied with its services, up by 0.52 percentage points year on year.

(VII) Prospects

Please refer to Section 5 "Management Discussion and Analysis-IV. Prospects of future development" of this report for details of the prospects on future business development of the Company.

(VIII) Post-balance sheet events

Please refer to Note 38 to the Consolidated Financial Statements for events after the reporting period.

III. DIVIDEND DISTRIBUTION

(I) Dividend distribution policies

According to Article 268 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 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 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 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 minority shareholders through various channels, carefully listen to the feedbacks and requests by minority shareholders, and give timely response to minority shareholders on the relevant matters. Following a resolution approving such profit distribution plan passed at a general meeting, the Board 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 attributable to Shareholders of the Company achieved within the year as contained in the financial statements (RMB million)	Percentage of the total amount of cash dividend in net profit attributable to Shareholders of the Company achieved within the year as contained in the financial statements
2017	0.52	1,622	5,383	30.1%
2016	0.48	1,497	4,942	30.3%
2015	0.28	873	8,601	10.1%

1. *Annual dividend plan of 2017*

According to the annual dividend plan of 2017 deliberated by the 21st session of the sixth board of directors on 20 March 2018, the Company plans to distribute an annual cash dividend of RMB0.52(including tax) per share to all of the A shareholders and H shareholders for 2017, totaling RMB1,622million, representing approximately 30.1% of the net profit attributable to equity holders of the Company as contained in the 2017 financial statements of the Company. The remaining retained profits shall be distributed in future.

The aforementioned proposal will be proposed to the shareholders for consideration and approval on the annual general meeting. If approved, the Company expects that the H share register of members of the Company will be closed from Friday, 13 July 2018 to Wednesday, 18 July 2018 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to the 2017 annual dividend, H shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 12 July 2018. The Company expects that the 2017 annual dividend will be distributed on Friday, 10 August 2018 to all the H Shareholders whose names appear on the register of members of the Company on Wednesday, 18 July 2018.

2. *Withholding and payment of dividend income tax for individual foreign shareholders and non-resident enterprise shareholders*

Pursuant to the P.R.C. Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the P.R.C. 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. 045 (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.

IV. MAJOR ACQUISITION AND DISPOSAL

During the reporting period, the Company had no major acquisitions and disposals.

V. ISSUE OF BONDS

During the reporting period, the Company did not issue any bonds.

VI. 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.

VII. PLEDGE OF ASSETS

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

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. CHANGES IN ACCOUNTING ESTIMATES

Changes in accounting estimates of the Company for 2017 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 2017 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 RMB4,953 million in the life insurance liability reserve funds, an increase of RMB3,329 million in the long term health insurance liability reserve funds, and a decrease of RMB8,282 million in profit before income tax on 31 December 2017.

X. 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.

XI. RESERVES

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

XII. CHARITABLE DONATIONS AND OTHER DONATIONS

In 2017, the Company's public welfare foundation carried out lots of programs in poverty alleviation, such as poverty alleviation in industrial development, education, health and social activities to offer strong insurance support for eradicating poverty and building a moderately prosperous society in all aspects by 2020. During the reporting period, the charitable donations and other donations of the Company approximated to RMB10.7086 million.

XIII. 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.

XIV. SHARE CAPITAL

Please see Section 8 "Changes in Share Capital and Shareholders' Profile" of this report for details of changes in share capital of the Company during the reporting period.

XV. CONNECTED TRANSACTIONS

Please see Section 7 "Significant Events – VI. Major connected transactions" of this report for details of connected transactions of the Company.

The details of the related party transactions are set out in Note 33 to the Consolidated Financial Statements. No such related party transactions fall under the definition of "connected transactions" or "continuing connected transactions" in Chapter 14A of the Hong Kong Listing Rules.

XVI. MANAGEMENT CONTRACTS

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

XVII. 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.

XVIII. PRE-EMPTIVE RIGHT

Pursuant to P.R.C. 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.

XIX. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETITIVE BUSINESSES

The Company's chairman of the Board of Supervisors, Mr. WANG Chengran was no longer a non-executive director of China Pacific Insurance (Group) Co., Ltd. since July 2017, 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 P.R.C. laws and regulations and the Articles of Association in performing his duties as a supervisor, Mr. Wang attended to his fiduciary duties and managed to avoid actual and potential conflicts in interest and post.

XX. SERVICE CONTRACTS AND REMUNERATIONS OF DIRECTORS AND SUPERVISORS

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

For details of remunerations of the directors and supervisors, please refer to Section 9 "Directors, Supervisors, Senior management and Employees" of this report.

XXI. 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.

XXII. RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES

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

XXIII. STATEMENT OF THE BOARD ON INTERNAL CONTROL RESPONSIBILITY

According to the self-assessment of the effectiveness of internal control performed as of 31 December 2017 by the Board 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 Board is of the view that the establishment and operation of internal control system were effective as a whole.

XXIV. PERMITTED INDEMNITY PROVISION

For the year ended 31 December 2017, there was not and had not been any permitted indemnity provision benefiting the director of the Company or the affiliates of the Company. The 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 P.R.C. law.

XXV. 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 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.

XXVI. EQUITY-LINKED AGREEMENTS

Save as disclosed in the report, for the year ended 31 December 2017, the Company had not entered into any equity-linked agreement.

By order of the Board
WAN Feng
Chairman

Financial Statements

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)

OPINION

We have audited the consolidated financial statements of New China Life Insurance Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 112 to 268, which comprise the consolidated statement of financial position as at 31 December 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities	
The Group has significant insurance contract liabilities amounting to RMB575.28 billion as at 31 December 2017, representing 89% of the Group's total liabilities. The valuation of insurance contract liabilities involves significant judgment over uncertain future outcomes, including primarily the timing and ultimate full settlement of policyholder liabilities. Actuarial models are used to support the calculation of insurance contract liabilities. Assumptions used in the valuation of insurance contract liabilities, such as investment return, discount rate, mortality, morbidity, expense, lapse also require the use of significant judgments and estimates. The Group's disclosures about valuation of insurance contract liabilities are included in note 2(11), note 3 Estimation Uncertainty (1), note 3 Estimation Uncertainty (8) and note 14(1), which specifically explains the uncertainties surrounding key assumptions applied in the valuation. Please refer to Note 4(1)(c) to understand the sensitivities of changes in these assumptions on the Group's operating results.	In our audit, we tested the underlying data used in the valuation of these liabilities to source documentation. Based on our industry knowledge and experience, we compared the methodology, models and assumptions used against recognized actuarial practices. With the assistance of our internal actuarial specialists, we performed the following procedures in this area, which included among others: – Assessed the design and tested the operating effectiveness of internal controls over the actuarial process including management's determination and approval process for assumptions used, actuarial analyses including estimated versus actual results and experience studies; – Assessed the assumptions with reference to historical experience, business expectations of the Group, and market practices; – Independently established models to test the valuation of liabilities for selected insurance products; – Assessed the impact of changes in assumptions adopted by the Group.

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Key audit matter	**How our audit addressed the key audit matter**
Impairment of available-for-sale financial assets	
As at 31 December 2017, the Group held RMB320.39 billion of available-for-sale financial assets. The Group carries out impairment tests on available-for-sale financial assets at the end of each reporting period, and impairment provisions are made accordingly. The Group determines whether there is impairment on debt financial assets after evaluating objective impairment indicators such as significant adverse financial condition of the issuer or debtor, default in repayment or a breach of debt covenants, etc. For equity financial assets, objective evidence of impairment includes a significant or prolonged decline in the fair value of an investment below its cost. What is considered significant or prolonged involves significant judgment. In addition to other objective evidences, if the market price of the available-for-sale equity financial assets is equal or more than 50% below its cost at the end of the reporting dates, or the market price of the available-for-sale equity financial assets was below its cost for a period of more than one year (one year included), the Group management determines that the available-for-sale equity financial assets are impaired. Where there is evidence of impairment, the cumulative loss is reclassified from other comprehensive income to profit or loss. It involves significant judgment when the Group management is evaluating whether impairment evidence exists on available-for-sale financial assets. Note 2(9)(h) and note 3 Estimation Uncertainty (3) discloses the impairment test policy, and note 24 discloses the impairment loss recognized in the current period.	We assessed and tested the design and operating effectiveness of the controls over impairment tests process. We assessed the significant judgment and rationale used by the Group management in evaluating the impairment evidence for impaired available-for-sale financial assets and determining the amount of impairment loss, and independent tests were performed to evaluate objective evidence for available-for-sale financial assets that were potentially impaired.

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Fair value of financial assets with no quoted prices in an active market	
As at 31 December 2017 the Group holds RMB320.39 billion available-for-sale financial assets and RMB6.53 billion financial assets at fair value through profit or loss. About RMB134.99 billion of these financial assets are trust products, wealth investment products, etc., which do not have a quoted price in an active market. These investments are classified as level 3 in the fair value hierarchy, as their fairs values are measured using valuation techniques applying unobservable significant inputs. Fair value measurement is a subjective area and more so for financial assets reliant on model based valuation or with weak liquidity and price discovery. Valuation techniques for these financial assets can be subjective in nature and involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different valuation results of fair value. Note 4 (3) and note 10 discloses the balance of these investments, which do not have a quoted price in an active market, the valuation techniques and significant unobservable inputs used in measurement of the fair values for these investments and the related fair value hierarchy information.	We assessed and tested the design and operating effectiveness of the controls over valuation, independent price verification and model approval. With the assistance of our internal valuation specialists, we performed the following procedures, including assessing the valuation technique against industry practice and acceptable valuation methods, comparing assumptions used against appropriate benchmarks, analyzing the reason of significant differences and performing our own independent valuations where applicable.

INDEPENDENT AUDITOR'S REPORT (Continued)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

INDEPENDENT AUDITOR'S REPORT (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Choi Kam Cheong, Geoffrey.

Ernst & Young
Certified Public Accountants
Hong Kong
20 March 2018

Consolidated Statement of Financial Position

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

	Notes	As at 31 December 2017	2016
ASSETS			
Property, plant and equipment	6	**8,517**	7,849
Investment properties	7	**4,741**	3,395
Intangible assets	8	**1,831**	1,792
Investments in associates and joint ventures	9	**4,896**	4,575
Debt financial assets		**463,468**	436,810
– Held-to-maturity	10(1)	**206,321**	195,126
– Available-for-sale	10(2)	**194,379**	184,045
– At fair value through profit or loss	10(3)	**1,168**	3,404
– Loans and receivables	10(4)	**61,600**	54,235
Equity financial assets		**131,370**	107,693
– Available-for-sale	10(2)	**126,006**	99,263
– At fair value through profit or loss	10(3)	**5,364**	8,430
Term deposits	10(5)	**41,809**	79,845
Statutory deposits	10(6)	**915**	816
Policy loans		**27,000**	23,831
Financial assets purchased under agreements to resell		**2,872**	2,325
Accrued investment income	10(7)	**7,173**	9,669
Premiums receivable	11	**2,338**	1,846
Deferred tax assets	20	**36**	308
Reinsurance assets	12	**2,195**	2,693
Other assets	13	**2,302**	1,504
Cash and cash equivalents		**8,812**	14,230
Total assets		**710,275**	699,181

The notes on pages 119 to 268 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

	Notes	As at 31 December 2017	2016
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contract liabilities	*14*	**573,170**	541,424
Short-term insurance contract liabilities			
– Outstanding claims liabilities	*14*	**827**	640
– Unearned premiums liabilities	*14*	**1,280**	1,164
Investment contracts	*15*	**33,928**	30,071
Borrowings	*16*	**4,000**	14,000
Financial liabilities at fair value through profit or loss		**9**	9
Financial assets sold under agreements to repurchase	*17*	**19,925**	39,246
Benefits, claims and surrenders payable		**3,176**	2,950
Premiums received in advance		**1,941**	3,042
Reinsurance liabilities		**237**	215
Provisions	*18*	**29**	29
Other liabilities	*19*	**6,624**	5,899
Current income tax liabilities		**1,352**	1,313
Deferred tax liabilities	*20*	**54**	54
Total liabilities		**646,552**	640,056
Shareholders' equity			
Share capital	*21*	**3,120**	3,120
Reserves	*22*	**33,395**	31,646
Retained earnings		**27,200**	24,352
Equity attributable to owners of the parent		**63,715**	59,118
Non-controlling interests		**8**	7
Total equity		**63,723**	59,125
Total liabilities and equity		**710,275**	699,181

The notes on pages 119 to 268 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

	Notes	For the year ended 31 December 2017	2016
REVENUES			
Gross written premiums and policy fees	23	**109,356**	112,648
Less: premiums ceded out		**(1,264)**	(936)
Net written premiums and policy fees		**108,092**	111,712
Net change in unearned premiums liabilities		**(102)**	(77)
Net premiums earned and policy fees		**107,990**	111,635
Investment income	24	**34,380**	32,134
Other income	25	**712**	1,027
Total revenues		**143,082**	144,796
BENEFITS, CLAIMS AND EXPENSES			
Insurance benefits and claims			
Claims and net change in outstanding claims liabilities	26	**(1,763)**	(1,221)
Life insurance death and other benefits	26	**(70,055)**	(80,375)
Increase in long-term insurance contract liabilities	26	**(30,663)**	(27,298)
Policyholder dividends resulting from participating in profits		**(4)**	–
Investment contracts benefits		**(1,273)**	(1,067)
Commission and brokerage expenses		**(15,908)**	(13,538)
Administrative expenses	27	**(13,777)**	(13,081)
Other expenses	28	**(891)**	(428)
Total benefits, claims and expenses		**(134,334)**	(137,008)
Share of profits and losses of associates and joint ventures		**296**	148
Finance costs	29	**(1,714)**	(1,454)
Profit before income tax		**7,330**	6,482
Income tax expense	20	**(1,946)**	(1,539)
Net profit for the year		**5,384**	4,943
Net profit for the year attributable to:			
– Owners of the parent	30	**5,383**	4,942
– Non-controlling interests		**1**	1
Earnings per share (RMB)			
Basic	31	**1.73**	1.58
Diluted	31	**1.73**	1.58

The notes on pages 119 to 268 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2017	2016
Net profit for the year	**5,384**	4,943
Other comprehensive income		
to be reclassified to profit or loss in subsequent periods		
Available-for-sale financial assets		
Gains/(Losses) arising from fair value changes	**2,588**	(10,964)
Gains transferred to profit or loss from other comprehensive income	**(1,855)**	(1,333)
Impairment transferred to profit or loss from other comprehensive income	**1,097**	1,356
Changes in liabilities for insurance and investment contracts arising from net unrealized gains	**(1,056)**	7,416
Currency translation differences	**(13)**	9
Share of other comprehensive income of associates and joint ventures under the equity method and the effect on liabilities for insurance and investment contracts	**144**	(143)
Income tax relating to components of other comprehensive income	**(229)**	918
Total other comprehensive income for the year, net of tax	**676**	(2,741)
Total comprehensive income for the year	**6,060**	2,202
Total comprehensive income for the year attributable to:		
– Owners of the parent	**6,059**	2,201
– Non-controlling interests	**1**	1

The notes on pages 119 to 268 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

	Attributable to owners of the parent					
	Share capital	Reserves (Note 22)	Retained earnings	Total	Non-controlling interests	Total equity
For the year ended 31 December 2016						
As at 1 January 2016	3,120	33,536	21,179	57,835	6	57,841
Net profit for the year	–	–	4,942	4,942	1	4,943
Other comprehensive income	–	(2,741)	–	(2,741)	–	(2,741)
Total comprehensive income	–	(2,741)	4,942	2,201	1	2,202
Effect of the introduction of strategic investors to New China Health	–	(20)	20	–	–	–
Others	–	(45)	–	(45)	–	(45)
Dividends paid	–	–	(873)	(873)	–	(873)
Appropriation to reserves	–	916	(916)	–	–	–
Total transactions with owners	–	916	(1,789)	(873)	–	(873)
As at 31 December 2016	3,120	31,646	24,352	59,118	7	59,125
For the year ended 31 December 2017						
As at 1 January 2017	**3,120**	**31,646**	**24,352**	**59,118**	**7**	**59,125**
Net profit for the year	**–**	**–**	**5,383**	**5,383**	**1**	**5,384**
Other comprehensive income	**–**	**676**	**–**	**676**	**–**	**676**
Total comprehensive income	**–**	**676**	**5,383**	**6,059**	**1**	**6,060**
Others	**–**	**35**	**–**	**35**	**–**	**35**
Dividends paid (Note 32)	**–**	**–**	**(1,497)**	**(1,497)**	**–**	**(1,497)**
Appropriation to reserves	**–**	**1,038**	**(1,038)**	**–**	**–**	**–**
Total transactions with owners	**–**	**1,038**	**(2,535)**	**(1,497)**	**–**	**(1,497)**
As at 31 December 2017	**3,120**	**33,395**	**27,200**	**63,715**	**8**	**63,723**

The notes on pages 119 to 268 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**7,330**	6,482
Adjustments for:		
Investment income	**(34,380)**	(32,134)
Finance costs	**1,714**	1,454
Net change in outstanding claims liabilities	**203**	75
Net change in unearned premiums liabilities	**102**	77
Increase in long-term insurance contract liabilities	**30,663**	27,298
Investment contract benefits	**1,273**	1,067
Policy fees	**(62)**	(88)
Depreciation and amortization	**679**	578
Impairment losses on other receivables	**4**	(14)
Losses on disposal of property, plant and equipment	**(18)**	3
Changes in operational assets and liabilities:		
Receivables and payables	**(408)**	1,956
Investment contracts	**2,640**	1,976
Income tax paid	**(1,875)**	(1,400)
Net cash flows from operating activities	**7,865**	7,330
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of financial asset investments		
Proceeds from sales of debt financial assets	**7,353**	5,151
Proceeds from maturities of debt financial assets	**98,968**	34,164
Proceeds from sales of equity financial assets	**88,630**	114,207
Purchases of financial assets investments		
Purchase of debt financial assets	**(135,692)**	(124,036)
Purchase of equity financial assets	**(106,186)**	(121,400)
Proceeds from disposal of property, plant and equipment, intangible assets and other assets	**409**	3
Purchase of property, plant and equipment, intangible assets and other assets	**(3,994)**	(1,932)
Interests received	**29,274**	25,846
Dividends received	**6,222**	5,532
Term deposits, net	**38,036**	47,833
Financial assets purchased under agreements to resell, net	**(548)**	(2,232)
Others	**(3,187)**	(9,450)
Net cash flows from investing activities	**19,285**	(26,314)

The notes on pages 119 to 268 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings repaid	**(10,000)**	(5,000)
Interests and dividends paid	**(2,140)**	(1,814)
Acquisition of non-controlling interest	**–**	(10)
Financial assets sold under agreements to repurchase, net	**(20,222)**	25,759
Net cash flows from financing activities	**(32,362)**	18,935
Effect of foreign exchange rate changes	**(206)**	375
Net increase/(decrease) in cash and cash equivalents	**(5,418)**	326
Cash and cash equivalents		
Beginning of the year	**14,230**	13,904
End of the year	**8,812**	14,230
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	**8,812**	14,230
Total of cash and cash equivalents	**8,812**	14,230

The notes on pages 119 to 268 form an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended 31 December 2017 (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 overallotment in overseas markets, and issued 2,586,600 shares of H shares of the overallotment 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 District, 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 2017, the Company has equity interests in subsidiaries and consolidated structured entities as set out in Note 36(4). 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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

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.

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

(a) Accounting standards' amendments adopted by the Group for the first time for the financial year beginning on 1 January 2017

Amendments	Content
IAS 7 Amendments	*Disclosure Initiative*
IAS 12 Amendments	*Recognition of Deferred Tax Assets for Unrealized Losses*
IFRS 12 Amendments Included in *Annual Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

IAS 7 Amendments – Disclosure Initiative

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in Note 16 and Note 17 to the Group's consolidated financial statements.

IAS 12 Amendments – Recognition of Deferred Tax Assets for Unrealized Losses

Amendments to IAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group has adopted the amendments retrospectively. However, the amendments have had no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(a) *Accounting standards' amendments adopted by the Group for the first time for the financial year beginning on 1 January 2017 (Continued)*

IFRS 12 Amendments Included in Annual Improvements 2014-2016 Cycle – Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12

Amendments to IFRS 12 clarify that the disclosure requirements in IFRS 12 apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no significant impact on the Group's consolidated financial statements given that the Group has no interests in other entities that is classified as held for sale.

(b) *New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2017*

Standards/ Amendments	Content	Effective for annual periods beginning on or after
IFRS 2 Amendments	*Classification and Measurement of Share-based Payment Transactions*	1 January 2018
IFRS 4 Amendments	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*	1 January 2018
IFRS 9	*Financial Instruments*	1 January 2018
IFRS 15	*Revenue from Contracts with Customers*	1 January 2018
IFRS 15 Amendments	*Clarifications to IFRS 15 Revenue from Contracts with Customers*	1 January 2018
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*	1 January 2018
IAS 40 Amendments	*Transfers of Investment Property*	1 January 2018
Annual Improvements *2014-2016 Cycle*	*Amendments to IFRS 1 and IAS 28*	1 January 2018
IFRS 9 Amendments	*Prepayment Features with Negative Compensation*	1 January 2019
IFRS 16	*Leases*	1 January 2019
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*	1 January 2019
IFRS 17	*Insurance Contracts*	1 January 2021
IFRS 10 and IAS 28 Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	*Note*

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017 (Continued)

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.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

IFRS 2 Amendments – Classification and Measurement of Share-based Payment Transactions

In June 2016, the IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligations associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017 (Continued)

IFRS 4 Amendments – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

Amendments to IFRS 4, address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard. The amendments introduce two alternative options that allow entities issuing contracts within the scope of IFRS 4 for the adoption of IFRS 9, notably a temporary exemption and an overlay approach. The temporary exemption enables entities whose activities are predominantly connected with insurance to defer the implementation date of IFRS 9 until the earlier of the effective date of the new insurance contracts standard and annual reporting periods beginning on or after 1 January 2021. The overlay approach allows entities applying IFRS 9 from 2018 onwards to remove from profit or loss the effects arising from the adoption of IFRS 9 and reclassify the amounts to other comprehensive income for designated financial assets. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018, or apply the overlay approach when it applies IFRS 9 for the first time. The Group performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2015. Since 31 December 2015, there had been no significant change in the activities of the Group that requires reassessment. The Group intends to apply the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, bringing together all phases of the financial instruments project to replace 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. According to the assessment performed by the Group, the Group reached the conclusion that its activities are predominantly connected with insurance. The Group intends to apply the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018. Based on the current assessment, the Group expects the adoption of IFRS 9 will have a material impact on the Group's consolidated financial statements.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017 (Continued)

IFRS 9 – Financial Instruments (Continued)

Classification and measurement

IFRS 9 requires that the Group classifies debt instruments based on the combined effect of application of business model (hold to collect contractual cash flow, hold to collect contractual cash flow and sell financial assets or other business model) and contractual cash flow characteristics (sole payments of principal and interest on the principal amount outstanding or not). Debt instruments not giving rise to cash flows that are sole payments of principal and interest on the principal amount outstanding would be measured at fair value through profit and loss. Other debt instruments giving rise to cash flows that are sole payments of principal and interest on the principal amount outstanding would be measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"), based on their respective business model. The Group is in the process of analyzing the contractual cash flow characteristics of financial assets and assessing the application of business model.

Equity instruments would generally be measured at fair value through profit or loss unless the Group elects to measure at FVOCI for certain equity investments not held for trading. This will result in unrealized gains and losses on equity instruments currently classified as available-for-sale securities being recorded in income going forward. Currently, these unrealized gains and losses are recognized in other comprehensive income ("OCI"). Should we elect to record equity investments at FVOCI, gains and losses would never be recognized in income except for the received dividends not representing a recovery of part of the investment cost.

Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group is in the process of developing and testing the key models required under IFRS 9 and analyzing the impact on the collective provision.

Hedge accounting

The Group does not apply the hedge accounting currently, so the new hedge accounting model under IFRS 9 has no impact on the Group's consolidated financial statements.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017 (Continued)

IFRS 15 – Revenue from Contracts with Customers and IFRS 15 Amendments

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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. IFRS 15 and the amendments are effective for annual periods beginning on or after 1 January 2018. Given insurance contracts are scoped out of IFRS 15, the main impact of the new standard is on the accounting treatment of income from investment management and other services. The Group does not expect the impact to be significant.

IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration

IFRIC Interpretation 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognizes a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognizing the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. 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 2017 (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 2017 (Continued)

IAS 40 Amendments – Transfers of Investment Property

IAS 40 Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements 2014-2016 Cycle – Improvements Amendments to IFRS 1 and IAS 28

Annual Improvements to IFRSs 2014-2016 Cycle, issued in March 2017, set out amendments to IFRS 1, IFRS 12 and IAS 28. Except for the amendments to IFRS 12 which have been adopted by the Group for the current year's financial statements, the Group expects to adopt the amendments from 1 January 2018. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments to IFRS 1 and IAS 28 are as follows:

IFRS 1 *First-time Adoption of International Financial Reporting Standards* deletes the short-term exemptions for first-time adopters because the reliefs provided in the exemptions are no longer applicable.

IAS 28 *Investments in Associates and Joint Ventures* clarifies that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries when applying the equity method. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (i) the investment entity associate or joint venture is initially recognized; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent. These amendments should be applied retrospectively.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017 (Continued)

IFRS 9 Amendments – Prepayment Features with Negative Compensation

Amendments to IFRS 9, issued in December 2017, allow financial assets with prepayment features that permit or require either the borrower or the lender to pay or receive reasonable compensation for the early termination of the contract to be measured at amortised cost or at fair value through other comprehensive income. The amendments clarify that a financial asset passes the "solely payments of principal and interest on the principal amount outstanding" criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for that early termination. Any difference between the previous carrying amount and the adjusted carrying amount will be recognized in the opening balance of equity. In addition, as clarified in the amendments to the basis for conclusions on IFRS 9, the gain or loss arising on modification of a financial liability that does not result in derecognition (calculated by discounting the change in contractual cash flows at the original effective rate) is immediately recognized in profit or loss. According to the assessment performed by the Group, the Group reached the conclusion that its activities are predominantly connected with insurance. The Group intends to apply the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017 (Continued)

IFRS 16 – Leases

IFRS 16 replaces IAS 17 *Leases*, the standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019.The Group is currently assessing the impact of IFRS 16 on its consolidated financial statements.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017 (Continued)

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments

IFRIC Interpretation 23, issued in June 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The Group is currently assessing the impacts on the Group's consolidated financial statements.

IFRS 17 – Insurance Contracts

On 18 May 2017, the IASB issued IFRS 17 Insurance Contracts. IFRS 17 replaces IFRS 4, which was brought in as an interim standard in 2004. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. Insurance obligations will be accounted for using current values instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. The Group is currently assessing the impact of the standard upon adoption.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017 (Continued)

IFRS 10 and IAS 28 Amendments – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture

The Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The Group is currently assessing the impacts on the Group's consolidated financial statements.

(2) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. 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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

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.

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 above. 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.

(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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(a) Subsidiaries (Continued)

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.

(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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(c) Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights. Significant influence is the power of participate in the financial and operating policy decisions of the investee.

Joint ventures are the type of joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures 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 and joint ventures 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 and joint ventures' 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 or joint venture equals or exceeds its interest in the associate or the joint venture, 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 or joint venture. Investments in associates and joint ventures are assessed for impairment (Note 2 (8)).

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(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 2017 (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 2017 (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)).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(6) Investment properties

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

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

	Estimated useful 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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(7) Intangible assets

Intangible assets are purchased computer software and 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)).

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, joint ventures 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 and joint ventures 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 and joint ventures 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 or a joint venture 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 2017 (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 2017 (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 2017 (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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial assets (Continued)

(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.

(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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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)

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.

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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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)

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 contacts. 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 2017 (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. Premium are recognized as revenue when due from policyholders.

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:

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts (Continued)

(i) Recognition and measurement (Continued)

Long-term insurance contracts (Continued)

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

- The guaranteed benefits based on contractual terms, including payments for deaths, disabilities, diseases, survivals, maturities and surrenders.

- Additional non-guaranteed benefits, such as policyholder dividends.

- Reasonable expenses incurred to manage insurance contracts or to process claims, including maintenance expense and claim settlement expense. Future administration expenses are included in the maintenance expense. Expenses are determined based on an expense analysis with consideration of estimate of future inflation and the likely impact of the Group's expense management.

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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)

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. The residual margin is the liabilities appropriated by the Group for not being recognized as "Day-one" gain at the inception of the contracts, and will be amortized over the life of the contracts, whereas on the other hand, "Day-one" loss is recognized as incurred. 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.

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 is inadequate, the insurance contract liabilities will be adjusted accordingly, and any changes of the insurance contract liabilities will be recognized in the net profit.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts (Continued)

(iii) Reinsurance contracts held

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

(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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(13) Derivative instruments

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

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

(14) Employee benefits

Employee benefits represent all forms of returns or reimbursement that the Group pays employees for their services or for termination of labor relationship. The compensation includes 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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(15) Share capital

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

(16) Revenue recognition

(a) Premium and policy fee

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

(b) Investment income

Investment income is comprised of interest income from term deposits, cash and cash equivalents, debt 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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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 2017 (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 the percentage of the benefits to be paid when the insured event occurs divided by the amounts to be paid when the insured event does not occur minus 100%.

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 2017 (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).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(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.

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 judgments about the decline in value to determine whether there is an impairment that should be recognized in profit or loss.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(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.

(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 Mr. GUAN Guoliang 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 Mr. GUAN Guoliang Irregularities

The former chairman Mr. GUAN Guoliang of the Company, who served as Chairman from 1998 to 2006 (the "Former Chairman Mr. GUAN Guoliang"), was allegedly involved in the misuse of insurance funds and other violations of regulations (the "Former Chairman Mr. GUAN Guoliang 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 Mr. GUAN Guoliang, 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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(6) Former Chairman Mr. GUAN Guoliang Irregularities (Continued)

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.

In 2015, the Company received RMB170 million plus additional interest accrued during settlement period from New Industry. The amount was related to the 170 million shares of China Minzu Securities Co., Ltd. which were entrusted by New Industry in 2001 and 2002. According to the information available to the Company, the Company believed the amounts received from New Industry should form part of the receivables of the Former Chairman Mr. GUAN Guoliang Irregularities.

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 Former Chairman Mr. GUAN Guoliang, 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.

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. 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 Co., Ltd. and issued a plan. On 25 May 2016, the Company received RMB16 million.

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 RMB915 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 RMB915 million was made as at 31 December 2017 (as at 31 December 2016: RMB915 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(7) Taxation

The Group pays value added 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 2017, 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 RMB8,282 million, and profit before income tax decreased by RMB8,282 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 20 March 2018.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017 (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 2017					
	Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
Product Name	Amount	% of total	Amount	% of total	Amount	% of total
Hongshuangxi New Type C endowment insurance (Participating) (i)	92,719	16.18%	214	0.20%	7,783	11.03%
Zunxiang Rensheng annuity insurance (Participating) (ii)	36,082	6.30%	2,656	2.52%	1,495	2.12%
Jixinggaozhao Type A endowment insurance (Participating) (iii)	31,850	5.56%	3,903	3.70%	455	0.64%
Furudonghai Type A whole life insurance (participating) (iv)	29,385	5.13%	3,069	2.91%	279	0.40%
Huifubao Second Generation annuity insurance (v)	23,905	4.17%	–	–	15,748	22.32%
Others	359,229	62.66%	95,606	90.67%	44,789	63.49%
Total	573,170	100.00%	105,448	100.00%	70,549	100.00%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2016					
	Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
Product Name	Amount	% of total	Amount	% of total	Amount	% of total
Hongshuangxi New Type C endowment insurance (Participating) (i)	96,339	17.79%	1,583	1.45%	9,705	11.81%
Zunxiang Rensheng annuity insurance (Participating) (ii)	33,239	6.14%	2,939	2.69%	1,886	2.29%
Jixinggaozhao Type A endowment insurance (Participating) (iii)	27,084	5.00%	3,964	3.62%	450	0.55%
Furudonghai Type A whole life insurance (Participating) (iv)	25,269	4.67%	3,153	2.88%	237	0.29%
Huifubao Second Generation annuity insurance (v)	38,763	7.16%	19,909	18.21%	6,594	8.02%
Others	320,730	59.24%	77,800	71.15%	63,323	77.04%
Total	541,424	100.00%	109,348	100.00%	82,195	100.00%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

(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, death 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 specific accident before the payment period, benefit is calculated based on the following formula: death benefit = 3 x effective sum insured x effective policy years/duration of insurance; for death due to specific accident after the payment period, benefit is three times of the total of basic insured and dividend accumulation; for death due to general 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 general accident after the payment period, benefit is two times of the total of basic insured and dividend accumulation. 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, occurrence of exemption events, transfer of causes, maturity or other conditions which leads to the termination or optional termination of contracts.

(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 on the insurance effective date of the year when the insured is 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 policy holders between 18 and 60 years old who encountered with death or complete disability, the insured would be exempt from the renewal of insurance premium from the date of death or complete disability was affirmed. 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, occurrence of exemption events, maturity or other conditions which leads to the termination or optional termination of contracts.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

(iii) 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 = base insured amount x10%+premium paid; for death due to illness and completely disability after the 1st year, benefits is calculated based on the following formula: benefit = 2 x sum of base insured amount and accumulated dividend; for death and completely disability due to accident, benefits is calculated based on the following formula: benefit = 2 x sum of base insured amount and accumulated dividend; for maturity, benefit is the total of base insured amount and dividend accumulation. 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.

(iv) Furudonghai Type A whole life insurance (Participating)

Furudonghai Type A whole life insurance (Participating) is whole life insurance with regular premium payment. The insurance expires when the insured die. For death due to illness within 1st year, the sum of 10% of the base insured amount and premium (interest excluded) is refunded. For death due to illness after the 1st year or death due to accident, benefit is the sum of base insured amount and dividend accumulation. For death or complete disability due to accident, benefit is the sum of base insured amount and dividend accumulation. 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, occurrence of exemption events, maturity or other conditions which leads to the termination or optional termination of contracts.

(v) 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 circumstances, the refund payment would be the maximum of premium insured or cash value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(c) Sensitivity analysis

(i) Sensitivity analysis of long-term insurance contracts

Liabilities for life and long-term health insurance contracts are calculated based on significant assumptions including 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.

Change in discount rates	For the year ended 31 December	
	2017	2016
+50 basis points ("bps")	**20,520**	16,593
-50bps	**(23,605)**	(18,754)

Change in mortality and morbidity rates	For the year ended 31 December	
	2017	2016
+10%	**(5,435)**	(4,177)
-10%	**5,564**	4,394

Change in lapse rates	For the year ended 31 December	
	2017	2016
+10%	**(3,813)**	(3,520)
-10%	**3,996**	3,741

Change in expenses	For the year ended 31 December	
	2017	2016
+10%	**(2,820)**	(2,086)
-10%	**2,816**	2,147

Key assumptions are disclosed in Note 14.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(c) Sensitivity analysis (Continued)

(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 RMB32 million for the year ended 31 December 2017 (for the year ended 31 December 2016: RMB25 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.

(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:

	Accident year					
Cumulative claims	2013	2014	2015	2016	**2017**	Total
End of current year	1,276	1,272	1,252	1,393	**1,912**	7,105
1 year later	1,265	1,239	1,242	1,401	**–**	5,147
2 years later	1,249	1,224	1,236	–	**–**	3,709
3 years later	1,249	1,224	–	–	**–**	2,473
4 years later	1,249	–	–	–	**–**	1,249
Estimated claims expenses	1,249	1,224	1,236	1,401	**1,912**	7,022
Less: cumulative claims paid	(1,249)	(1,224)	(1,236)	(1,350)	**(1,175)**	(6,234)
Subtotal	–	–	–	51	**737**	788
Add: claims handling expenses	–	–	–	2	**37**	39
Unpaid claims expenses	–	–	–	53	**774**	827

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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* (Continued)

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

	Accident year					
Cumulative claims	2013	2014	2015	2016	**2017**	Total
End of current year	1,186	1,166	1,137	1,292	**1,810**	6,591
1 year later	1,157	1,124	1,130	1,301	**–**	4,712
2 years later	1,137	1,107	1,123	–	**–**	3,367
3 years later	1,137	1,107	–	–	**–**	2,244
4 years later	1,137	–	–	–	**–**	1,137
Estimated claims expenses	1,137	1,107	1,123	1,301	**1,810**	6,478
Less: cumulative claims paid	(1,137)	(1,107)	(1,123)	(1,251)	**(1,094)**	(5,712)
Subtotal	–	–	–	50	**716**	766
Add: claims handling expenses	–	–	–	2	**37**	39
Unpaid claims expenses	–	–	–	52	**753**	805

(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).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(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.

Change in market interest rates	**Impact on profit before income tax For the year ended 31 December**	
	2017	2016
+50bps	**(7)**	(6)
-50bps	**7**	6

Change in market interest rates	**Impact on reserves (before income tax) For the year ended 31 December**	
	2017	2016
+50bps	**(489)**	(344)
-50bps	**507**	355

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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.

Change in equity financial assets' prices	**Impact on profit before income tax For the year ended 31 December**	
	2017	2016
+10%	**377**	512
-10%	**(377)**	(512)

Change in equity financial assets' prices	**Impact on reserves (before income tax) For the year ended 31 December**	
	2017	2016
+10%	**4,578**	3,494
-10%	**(4,578)**	(3,494)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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, Hong Kong dollar, or European dollar.

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

31 December 2017	**USD**	**HKD**	**EUR**	**Others**	**Total**
Cash and cash equivalents	**1,404**	**292**	**–**	**–**	**1,696**
Accrued investment income	**28**	**–**	**–**	**–**	**28**
Held-to-maturity investments	**1,561**	**–**	**–**	**–**	**1,561**
Available-for-sale financial assets	**2,651**	**6,969**	**2,546**	**969**	**13,135**
Total	**5,644**	**7,261**	**2,546**	**969**	**16,420**

31 December 2016	USD	HKD	EUR	Others	Total
Cash and cash equivalents	3,135	2,778	–	–	5,913
Accrued investment income	28	–	–	–	28
Financial assets at fair value through profit or loss	–	127	–	–	127
Held-to-maturity investments	1,656	–	–	–	1,656
Available-for-sale financial assets	633	3,987	–	–	4,620
Total	5,452	6,892	–	–	12,344

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(iii) Currency risk

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

For the year ended 31 December 2017, if RMB had strengthened or weakened by 10% against USD dollar and other foreign currencies 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 RMB305 million (for the year ended 31 December 2016: RMB610 million),other comprehensive income would have been decreased or increased by RMB1,117 million (for the year ended 31 December 2016: RMB441 million) mainly as a result of foreign exchange losses or gains from the translation of USD dollar and other foreign currencies denominated financial assets other than equity financial assets.

(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 2017: (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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(b) Credit risk (Continued)

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.

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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(b) Credit risk (Continued)

Credit quality (Continued)

Proportion	As at 31 December	
	2017	2016
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	**96.59%**	77.08%

(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)).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(c) Liquidity risk (Continued)

The following tables set forth the contractual or expected undiscounted cash flows for major financial assets, insurance assets, financial liabilities and insurance liabilities:

As at 31 December 2017	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	463,468	–	54,261	177,830	136,340	264,067
Equity financial assets	131,370	131,370	–	–	–	–
Term deposits	41,809	–	3,427	14,263	30,274	–
Statutory deposits	915	–	95	819	60	–
Policy loans	27,000	–	27,000	–	–	–
Financial assets purchased under agreements to resell	2,872	–	2,877	–	–	–
Accrued investment income	7,173	–	7,138	35	–	–
Premiums receivable	2,338	–	2,338	–	–	–
Reinsurance assets	2,195	–	339	(251)	777	1,704
Cash and cash equivalents	8,812	–	8,812	–	–	–
Total financial and insurance assets	687,952	131,370	106,287	192,696	167,451	265,771
Financial and insurance liabilities						
Long-term insurance contracts	(573,170)	–	(832)	19,999	24,537	(1,457,773)
Short-term insurance contracts	(2,107)	–	(1,486)	–	–	–
Investment contracts	(33,928)	–	(3,772)	(7,588)	(4,365)	(44,620)
Borrowings	(4,000)	–	(224)	(4,224)	–	–
Financial liabilities at fair value through profit or loss	(9)	(9)	–	–	–	–
Financial assets sold under agreements to repurchase	(19,925)	–	(19,934)	–	–	–
Benefits, claims and surrenders payable	(3,176)	–	(3,176)	–	–	–
Reinsurance liabilities	(237)	–	(237)	–	–	–
Total financial and insurance liabilities	(636,552)	(9)	(29,661)	8,187	20,172	(1,502,393)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(c) Liquidity risk (Continued)

As at 31 December 2016	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	436,810	–	104,918	112,212	120,554	257,853
Equity financial assets	107,693	107,693	–	–	–	–
Term deposits	79,845	–	46,863	12,277	21,055	6,521
Statutory deposits	816	–	196	676	–	–
Policy loans	23,831	–	23,831	–	–	–
Financial assets purchased under agreements to resell	2,325	–	2,326	–	–	–
Accrued investment income	9,669	–	9,655	14	–	–
Premiums receivable	1,846	–	1,846	–	–	–
Reinsurance assets	2,693	–	1,028	(203)	(193)	2,405
Cash and cash equivalents	14,230	–	14,230	–	–	–
Total financial and insurance assets	679,758	107,693	204,893	124,976	141,416	266,779
Financial and insurance liabilities						
Long-term insurance contracts	(541,424)	–	(12,927)	(26,644)	3,553	(1,213,071)
Short-term insurance contracts	(1,804)	–	(1,241)	–	–	–
Investment contracts	(30,071)	–	(3,720)	(5,418)	(5,552)	(35,361)
Borrowings	(14,000)	–	(10,684)	(4,448)	–	–
Financial liabilities at fair value through profit or loss	(9)	(9)	–	–	–	–
Financial assets sold under agreements to repurchase	(39,246)	–	(39,252)	–	–	–
Benefits, claims and surrenders payable	(2,950)	–	(2,950)	–	–	–
Reinsurance liabilities	(215)	–	(215)	–	–	–
Total financial and insurance liabilities	(629,719)	(9)	(70,989)	(36,510)	(1,999)	(1,248,432)

SECTION 13

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 RMB33,913 million as at 31 December 2017, payable within one year (as at 31 December 2016: RMB30,029 million).

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

The Group's investments in trust products, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management products, private equity 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, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management product, private equity 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.

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

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

Category of investment	Classification of investment	Carrying amount	Types of income	Amount of income
Debt financial assets				
Trust products	Available-for-sale financial assets	63,756	Interest income	3,986
Debt investment plans	Loans and receivables	40,200	Interest income	2,217
Asset funding plans	Loans and receivables	20,000	Interest income	1,373
Perpetual bonds	Available-for-sale financial assets	5,000	Interest income	262
Wealth investment products	Available-for-sale financial assets	70,730	Interest income	3,330
Equity financial assets				
Equity investment plans	Available-for-sale financial assets	4,700	Dividend income	230
Asset management products	Available-for-sale financial assets	17,864	Dividend income	897
Other unlisted equity investments	Available-for-sale financial assets	14,585	Dividend income	462
Private equity	Available-for-sale financial assets	4,128	Dividend income	28

(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 2017 (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 of 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 structure, and the asset quality and allocation so as to enhance the profitability in relation to solvency margin.

The table below summarises the solvency ratios, actual capital and minimum capital of the Company:

	As at 31 December	
	2017	2016
Core capital	**192,528**	168,616
Actual capital	**196,528**	182,616
Minimum capital	**69,773**	64,917
Core solvency margin ratio	**275.93%**	259.74%
Comprehensive solvency margin ratio	**281.67%**	281.30%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(f) Capital management (Continued)

According to the solvency ratios results mentioned above, and the unquantifiable evaluation results of operational risk, strategic risk, reputational risk and liquidity risk, CIRC evaluates the comprehensive solvency of insurance companies and supervises insurance companies in four categories:

(i) Category A: solvency ratios meet the requirements, and the operational risk, strategic risk, reputational risk and liquidity risk are low;

(ii) Category B: solvency ratios meet the requirements, and the operational risk, strategic risk, reputational risk and liquidity risk are relatively low;

(iii) Category C: solvency ratios do not meet the requirements or solvency ratios meet the requirements but one or several risks in operation, strategy, reputation and liquidity are high;

(iv) Category D: solvency ratios do not meet the requirements or solvency ratios meet the requirements but one or several risks in operation, strategy, reputation and liquidity are severe.

According to Financial Department Letter [2017] No.1519 released by the Financial Department of CIRC, "Notification on the results of the classification of regulatory evaluation in the third quarter of 2017", the latest comprehensive risk assessment result of the Company is A.

(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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

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.

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 2017. 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 2017.

Available-for-sale financial assets	Fair value	Valuation technique	Significant unobservable inputs	Range	Relationship between unobservable inputs and fair value
Trust products	63,756	Discounted cash flow	Discount rate	4.7%-8.0%	The higher the discount rate, the lower the fair value.
Wealth investment products	70,730	Discounted cash flow	Discount rate	2.8%-5.5%	The higher the discount rate, the lower the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017 and 2016:

As at 31 December 2017	Inputs to fair value measurement			
	Quoted prices in active markets Level 1	**Significant observable inputs Level 2**	**Significant unobservable inputs Level 3**	**Total**
Assets				
Available-for-sale financial assets				
– Equity financial assets	**100,902**	**1,191**	**500**	**102,593**
– Debt financial assets	**848**	**54,045**	**134,486**	**189,379**
Financial assets at fair value through profit or loss				
Held for trading				
– Equity financial assets	**5,201**	**163**	**–**	**5,364**
– Debt financial assets	**404**	**764**	**–**	**1,168**
Designated as at fair value through profit or loss				
– Equity financial assets	**–**	**–**	**–**	**–**
– Debt financial assets	**–**	**–**	**–**	**–**
Total	**107,355**	**56,163**	**134,986**	**298,504**
Liabilities				
Financial liabilities at fair value through profit or loss	**–**	**9**	**–**	**9**
Unit-linked contracts	**–**	**217**	**–**	**217**
Total	**–**	**226**	**–**	**226**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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)

As at 31 December 2016	Inputs to fair value measurement			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Assets				
Available-for-sale financial assets				
– Equity financial assets	80,240	1,032	500	81,772
– Debt financial assets	1,806	43,499	133,740	179,045
Financial assets at fair value through profit or loss				
Held for trading				
– Equity financial assets	8,398	32	–	8,430
– Debt financial assets	317	499	–	816
Designated as at fair value through profit or loss				
– Equity financial assets	–	–	–	–
– Debt financial assets	–	–	2,588	2,588
Total	90,761	45,062	136,828	272,651
Liabilities				
Financial liabilities at fair value through profit or loss	–	9	–	9
Unit-linked contracts	–	251	–	251
Total	–	260	–	260

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2016 and 2017.

For the year ended 31 December 2017	**Level 1**	**Level 2**
Available-for-sale financial assets		
Equity financial assets		
– Transfer in	**399**	**839**
– Transfer out	**(839)**	**(399)**
Debt financial assets		
– Transfer in	**401**	**1,251**
– Transfer out	**(1,251)**	**(401)**
Financial assets at fair value through profit or loss		
Held for trading		
Equity financial assets		
– Transfer in	**–**	**12**
– Transfer out	**(12)**	**–**

For the year ended 31 December 2016	Level 1	Level 2
Available-for-sale financial assets		
Equity financial assets		
– Transfer in	1,028	634
– Transfer out	(634)	(1,028)
Debt financial assets		
– Transfer in	552	–
– Transfer out	–	(552)
Financial assets at fair value through profit or loss		
Held for trading		
Equity financial assets		
– Transfer in	–	12
– Transfer out	(12)	–

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017 but could not obtain quoted prices (unadjusted) in active markets as at 31 December 2016 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 2017 but could obtain quoted prices (unadjusted) in active markets as at 31 December 2016 were transferred to Level 2 from Level 1.

There were no transfers into or out of Level 3 for the years ended 31 December 2017 and 2016.

The changes in Level 3 financial assets are analyzed below:

	Available-for-sale			At fair value through profit or loss	
	Equity financial assets	**Debt financial assets**	**Subtotal**	**Designated as at fair value through profit or loss**	**Total**
1 January 2016	500	67,159	67,659	2,588	70,247
Purchase	–	91,599	91,599	–	91,599
Maturity	–	(25,018)	(25,018)	–	(25,018)
31 December 2016	500	133,740	134,240	2,588	136,828
1 January 2017	**500**	**133,740**	**134,240**	**2,588**	**136,828**
Purchase	**–**	**78,216**	**78,216**	**–**	**78,216**
Maturity	**–**	**(77,470)**	**(77,470)**	**(2,588)**	**(80,058)**
31 December 2017	**500**	**134,486**	**134,986**	**–**	**134,986**

There are no material gains or losses recognized in other comprehensive income or profit or loss for the year ended 31 December 2017 that are attributable to Level 3 financial assets held by the Group as at 31 December 2017 (as at 31 December 2016: Nil).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017and 31 December 2016:

	As at 31 December 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Held-to-maturity	**16,283**	**185,909**	**–**	**202,192**
Loans and receivables	**–**	**–**	**61,600**	**61,600**
Investment Properties	**–**	**–**	**6,002**	**6,002**
Total	**16,283**	**185,909**	**67,602**	**269,794**
Liabilities				
Borrowings	**–**	**(4,015)**	**–**	**(4,015)**
Total	**–**	**(4,015)**	**–**	**(4,015)**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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

	As at 31 December 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Held-to-maturity	19,587	186,446	–	206,033
Loans and receivables	–	–	54,235	54,235
Investment properties	–	–	4,421	4,421
Total	19,587	186,446	58,656	264,689
Liabilities				
Borrowings	–	(14,100)	–	(14,100)
Total	–	(14,100)	–	(14,100)

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.

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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

(2) Allocation basis of income and expense

Insurance business income and expense directly attributable to segments will be allocated to each segment; 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.

(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. Substantially all of the Group's assets are located in the PRC.

For the year ended 31 December 2017, 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 2017 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2017				
	Insurance				
	Individual	Group	Others	Elimination	Total
Revenues					
Gross written premiums and policy fees	107,223	2,133	–	–	109,356
Less: premiums ceded out	(1,113)	(151)	–	–	(1,264)
Net written premiums and policy fees	106,110	1,982	–	–	108,092
Net change in unearned premiums liabilities	(49)	(53)	–	–	(102)
Net premiums earned and policy fees	106,061	1,929	–	–	107,990
Investment income	33,881	330	168	1	34,380
Including: inter-segment revenue	(1)	–	–	1	–
Other income	449	12	906	(655)	712
Including: inter-segment revenue	16	1	638	(655)	–
Total revenues	140,391	2,271	1,074	(654)	143,082
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(706)	(1,057)	–	–	(1,763)
Life insurance death and other benefits	(69,864)	(191)	–	–	(70,055)
Increase in long-term insurance contract liabilities	(30,588)	(75)	–	–	(30,663)
Investment contract benefits	(1,070)	(203)	–	–	(1,273)
Policyholder dividends resulting from participation in profits	–	–	(4)	–	(4)
Commission and brokerage expenses	(15,503)	(405)	–	–	(15,908)
Administrative expenses	(12,560)	(1,169)	(704)	656	(13,777)
Including: inter-segment expenses	(583)	(55)	(18)	656	–
Other expenses	(471)	(33)	(387)	–	(891)
Total benefits, claims and expenses	(130,762)	(3,133)	(1,095)	656	(134,334)
Share of results of associates and joint ventures	293	3	–	–	296
Finance costs	(1,436)	(278)	–	–	(1,714)
Net profit before income tax	8,486	(1,137)	(21)	2	7,330
Segment assets	679,928	6,799	23,754	(206)	710,275
Segment liabilities	632,018	6,598	8,142	(206)	646,552

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

Other segment information for the year ended 31 December 2017:

	Insurance				
Other segment information	**Individual**	**Group**	**Others**	**Elimination**	**Total**
Capital expenditure	**–**	**–**	**3,994**	**–**	**3,994**
Depreciation and amortization	**(590)**	**(56)**	**(33)**	**–**	**(679)**
Interest income	**26,940**	**264**	**121**	**–**	**27,325**
Impairment	**(1,089)**	**(12)**	**–**	**–**	**(1,101)**
Share of results of associates and joint ventures	**293**	**3**	**–**	**–**	**296**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2016				
	Insurance				
	Individual	Group	Others	Elimination	Total
Revenues					
Gross written premiums and policy fees	111,053	1,595	–	–	112,648
Less: premiums ceded out	(802)	(134)	–	–	(936)
Net written premiums and policy fees	110,251	1,461	–	–	111,712
Net change in unearned premiums liabilities	2	(79)	–	–	(77)
Net premiums earned and policy fees	110,253	1,382	–	–	111,635
Investment income	31,419	309	65	341	32,134
Including: inter-segment revenue	(2)	–	(339)	341	–
Other income	771	23	820	(587)	1,027
Including: inter-segment revenue	44	4	539	(587)	–
Total revenues	142,443	1,714	885	(246)	144,796
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(589)	(632)	–	–	(1,221)
Life insurance death and other benefits	(80,003)	(372)	–	–	(80,375)
Increase in long-term insurance contract liabilities	(27,380)	82	–	–	(27,298)
Investment contract benefits	(987)	(80)	–	–	(1,067)
Commission and brokerage expenses	(13,274)	(264)	–	–	(13,538)
Administrative expenses	(12,186)	(912)	(568)	585	(13,081)
Including: inter-segment expenses	(498)	(38)	(49)	585	–
Other expenses	(208)	(62)	(158)	–	(428)
Total benefits, claims and expenses	(134,627)	(2,240)	(726)	585	(137,008)
Share of results of associates and joint ventures	146	2	–	–	148
Finance costs	(1,344)	(110)	–	–	(1,454)
Net profit before income tax	6,618	(634)	159	339	6,482
Segment assets	672,883	6,427	20,023	(152)	699,181
Segment liabilities	616,121	6,317	17,770	(152)	640,056

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

Other segment information for the year ended 31 December 2016:

	Insurance				
Other segment information	Individual	Group	Others	Elimination	Total
Capital expenditure	–	–	1,932	–	1,932
Depreciation and amortization	(516)	(39)	(23)	–	(578)
Interest income	26,068	269	315	–	26,652
Impairment	(1,315)	(27)	–	–	(1,342)
Share of results of associates and joint ventures	146	2	–	–	148

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2017	6,284	1,166	180	1,557	9,187
Additions	24	132	3	2,923	3,082
Transfers upon completion	388	12	–	(400)	–
Reclassification	(35)	35	–	–	–
Transfer to investment properties	(422)	–	–	(1,064)	(1,486)
Transfer to intangible assets	–	–	–	(169)	(169)
Transfer to construction in progress	(45)	–	–	45	–
Transfer to other assets	(9)	–	–	(82)	(91)
Disposals	(2)	(443)	(11)	(235)	(691)
Others	–	–	–	(12)	(12)
As at 31 December 2017	6,183	902	172	2,563	9,820
Accumulated depreciation					
As at 1 January 2017	(557)	(699)	(82)	–	(1,338)
Charges for the year	(157)	(140)	(13)	–	(310)
Reclassification	2	(2)	–	–	–
Transfer to investment properties	40	–	–	–	40
Disposals	1	296	8	–	305
As at 31 December 2017	(671)	(545)	(87)	–	(1,303)
Net book value					
As at 1 January 2017	5,727	467	98	1,557	7,849
As at 31 December 2017	5,512	357	85	2,563	8,517

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2016	4,424	1,184	185	2,261	8,054
Additions	40	127	1	2,572	2,740
Transfers upon completion	2,277	51	–	(2,328)	–
Transfer from investment properties	96	–	–	–	96
Transfer to investment properties	(553)	–	–	(861)	(1,414)
Transfer to intangible assets	–	–	–	(71)	(71)
Disposals	–	(80)	(2)	–	(82)
Effect of change of consolidation scope	–	(116)	(4)	–	(120)
Others	–	–	–	(16)	(16)
As at 31 December 2016	6,284	1,166	180	1,557	9,187
Accumulated depreciation					
As at 1 January 2016	(473)	(682)	(72)	–	(1,227)
Charges for the year	(107)	(124)	(14)	–	(245)
Transfer from investment properties	(18)	–	–	–	(18)
Transfer to investment properties	41	–	–	–	41
Disposals	–	75	3	–	78
Effect of change of consolidation scope	–	32	1	–	33
As at 31 December 2016	(557)	(699)	(82)	–	(1,338)
Net book value					
As at 1 January 2016	3,951	502	113	2,261	6,827
As at 31 December 2016	5,727	467	98	1,557	7,849

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 RMB765 million as at 31 December 2017 (as at 31 December 2016: RMB1,473 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENT PROPERTIES

	For the year ended 31 December	
	2017	2016
Cost		
Beginning of the year	**3,728**	2,409
Transfers from property, plant and equipment (Note 6)	**1,486**	1,414
Transfer to property, plant and equipment (Note 6)	**–**	(96)
Additions	**–**	1
End of the year	**5,214**	3,728
Accumulated depreciation		
Beginning of the year	**(333)**	(232)
Transfers from property, plant and equipment (Note 6)	**(40)**	(41)
Transfer to property, plant and equipment (Note 6)	**–**	18
Charges for the year	**(100)**	(78)
End of the year	**(473)**	(333)
Net book value		
Beginning of the year	**3,395**	2,177
End of the year	**4,741**	3,395

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 2017 was RMB6,002 million (as at 31 December 2016: RMB4,421 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.

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 RMB273 million as at 31 December 2017 (as at 31 December 2016: RMB827 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017	Significant unobservable inputs	Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units-Shanghai	1,942	Unit price	Office RMB61,500-75,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Commercial RMB93,000-100,000 per square meter	The higher the unit price, the higher the fair value.
		Rental value	Garage RMB1,000-1,600 per month per unit	The higher the rental value, the higher the fair value.
Rental units-Beijing-NCI Tower	1,040	Rental value	RMB10.85-12.11 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6%-7%	The higher the market yield, the lower the fair value.
Idle units-Xi'an	676	Rental value	RMB3.5-4 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6%-7%	The higher the market yield, the lower the fair value.
Rental Units- Hangzhou	668	Rental value	RMB4.5-5 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6%-7%	The higher the market yield, the lower the fair value.
Rental units-Shandong	434	Rental value	RMB2.7-3.3 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	7.5%-8%	The higher the market yield, the lower the fair value.
Rental units-Beijing-Deshengshangcheng	225	Rental value	RMB7.8-8.5 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6%-6.5%	The higher the market yield, the lower the fair value.
Rental units-Beijing-Xinhuajiayuan	215	Rental value	RMB5-6 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	RMB6-6.5 per day per square meter	The higher the market yield, the lower the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017	Significant unobservable inputs	Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units-Shenzhen	163	Unit price	RMB46,000-49,000 per square meter	The higher the unit price, the higher the fair value.
Rental units- Zhengzhou	147	Rental value	Office RMB2 per day per square meter	The higher the rental value, the higher the fair value.
		Rental value	Commercial RMB5-5.33 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	Office 5%-6%	The higher the market yield, the lower the fair value.
		Market yield	Commercial 5-5.5%	The higher the market yield, the lower the fair value.
Rental units-Guangxi	133	Rental value	RMB4-4.3 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6.5%-7%	The higher the market yield, the lower the fair value.
Rental units-Wuhan	110	Rental value	RMB8.33-8.73 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	5.5%-6%	The higher the market yield, the lower the fair value.
Rental units-Nanjing	108	Rental value	RMB8-8.3 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	5%-6%	The higher the market yield, the lower the fair value.
Rental units-Hohhot	48	Rental value	RMB1.7-2.1 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6. 5%-7%	The higher the market yield, the lower the fair value.
Rental units-Weifang	29	Rental value	RMB1.3-1.5 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	7%-8%	The higher the market yield, the lower the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017	Significant unobservable inputs	Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units-Fuzhou	26	Rental value	RMB2.3-2.33 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	5.5%-6.5%	The higher the market yield, the lower the fair value.
Idle units-Shenyang- Zhongrun International Building	25	Rental value	RMB1.4-1.6 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	4.5%-5.5%	The higher the market yield, the lower the fair value.
Idle units-Shenyang- Zhonghui Plaza	10	Rental value	RMB2.67-2.85 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-Yantai	3	Rental value	RMB1.4-1.6 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	5.5%-6%	The higher the market yield, the lower the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017	757	1,585	2,342
Additions	25	–	25
Transfers upon completion	169	–	169
Disposals	(1)	–	(1)
As at 31 December 2017	950	1,585	2,535
Accumulated amortization			
As at 1 January 2017	(427)	(123)	(550)
Amortization	(114)	(40)	(154)
As at 31 December 2017	(541)	(163)	(704)
Net book value			
As at 1 January 2017	330	1,462	1,792
As at 31 December 2017	409	1,422	1,831

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

8 INTANGIBLE ASSETS (Continued)

	Computer software	Land use rights	Total
Cost			
As at 1 January 2016	676	1,426	2,102
Additions	20	159	179
Transfers upon completion	71	–	71
Effect of change of consolidation scope	(10)	–	(10)
As at 31 December 2016	757	1,585	2,342
Accumulated amortization			
As at 1 January 2016	(325)	(84)	(409)
Amortization	(104)	(39)	(143)
Effect of change of consolidation scope	2	–	2
As at 31 December 2016	(427)	(123)	(550)
Net book value			
As at 1 January 2016	351	1,342	1,693
As at 31 December 2016	330	1,462	1,792

The Group has obtained the legal title in respect of the entire ownership of land use rights as at 31 December 2017. 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 RMB1,277 million as at 31 December 2016.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	For the year ended 31 December	
	2017	2016
Beginning of the year	**4,575**	3,626
Additions	**–**	287
Difference of cost of purchasing associates and the portion of fair value of net identifiable asset	**–**	45
Effect of the introduction of strategic investors to New China Life Excellent Health Investment Management Co., Ltd. ("New China Health")	**–**	765
Share of other reserves	**48**	(63)
Share of profit	**296**	148
Cash dividend from investments in associates and joint ventures	**(166)**	(85)
Share of other comprehensive income	**149**	(148)
Currency translation differences	**(6)**	–
End of the year	**4,896**	4,575

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Details of investments in associates and joint ventures:

Name of entity	Country of incorporation	Particulars of issued shares held	Interest held	Principal activities	Measurement method
Associates					
China Jinmao Holdings Group Limited ("China Jinmao")	Hong Kong, the PRC	N/A	9.96%	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")	Cayman Islands	N/A	39.86%	Asset management	Equity
Nanjing Weiyuanzhou Real Estate Co., Ltd. ("Weiyuanzhou") (2)	Nanjing, the PRC	RMB19.1 million	40%	Education investment, etc.	Equity
Joint venture					
New China Health	Beijing, the PRC	RMB1,127 million	45%	Asset management, etc.	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) On 22 September 2015, the Company signed a share transfer agreement with Weiyuanzhou and Tang Wei, the shareholder of Weiyuanzhou, for the purchase of 40% of the shares of Weiyuanzhou. On 14 April 2016, the business license of Weiyuanzhou had been revised according to the share transfer transaction. The Company needs to pay RMB192 million according to the agreement, as at 31 December 2017, the Company has paid RMB154 million.

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

Except China Jinmao, the above investments in associates and joint ventures are non-public entities, and there is no quoted market price available. As at the last trading day in 2017, the stock price of China Jinmao was HKD3.44 per share.

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (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	
	2017	2016
	China Jinmao	China Jinmao
Current assets	**117,018**	86,283
Non-current assets	**104,987**	80,621
Total assets	**222,005**	166,904
Current liabilities	**107,158**	71,382
Non-current liabilities	**48,433**	39,778
Total liabilities	**155,591**	111,160
Equity attributable to shareholders of the Group	**32,764**	31,626
Less: perpetual convertible securities	**–**	(2,638)
Equity attributable to shareholders of the company after adjustment	**32,764**	28,988
Group's share of net assets of the associates	**3,265**	2,890
Adjustments	**(86)**	(57)
Carrying amount of the investment in China Jinmao	**3,179**	2,833
Revenues	**31,075**	27,304
Profit for the year	**5,150**	4,574
Total comprehensive income for the year	**5,260**	3,112
Dividends received	**158**	71

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 2017 (All amounts in RMB millions unless otherwise stated)

9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Material associate investment (Continued)

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	
	2017	2016
Aggregate carrying amount of the Group's investments in the associates	**1,042**	1,027
Total of Group's share of the following items of the associates		
Profit for the year	**29**	45
Other comprehensive income	**–**	–
Total comprehensive income for the year	**29**	45

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Material joint venture investment

The following tables illustrate the summarized financial information in respect of the material joint venture 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	
	2017 New China Health	2016 New China Health
Current assets	**955**	1,118
Non-current assets	**241**	123
Total assets	**1,196**	1,241
Current liabilities	**177**	134
Non-current liabilities	**–**	–
Total liabilities	**177**	134
Equity attributable to shareholders of the Group	**1,019**	1,107
Group's share of net assets of the joint venture	**459**	499
Adjustments	**216**	216
Carrying amount of the investment in New China Health	**675**	715
Revenues	**230**	221
Loss for the year	**(88)**	(112)
Total comprehensive income for the year	**(88)**	(112)

New China Health, focused on health management business, is a material joint venture investment of the Group accounted for using the equity method. The investment is strategic to the Group's activities.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

10 FINANCIAL ASSETS

(1) Held-to-maturity investments

	As at 31 December 2017	As at 31 December 2016
Debt financial assets		
Government bonds	**71,474**	62,359
Financial bonds	**31,050**	34,639
Corporate bonds	**45,030**	42,913
Subordinated bonds	**58,767**	55,215
Total	**206,321**	195,126
Debt financial assets		
Listed	**65,248**	53,763
Unlisted	**141,073**	141,363
Total	**206,321**	195,126

The fair value of the held-to-maturity investments as at 31 December 2017 was RMB202,192 million (as at 31 December 2016: RMB206,033 million).

The fair value of listed held-to-maturity investments was RMB63,834 million as at 31 December 2017 (as at 31 December 2016: RMB41,443 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 2017**	As at 31 December 2016
Within 1 year (including 1 year)	**13,057**	6,730
After 1 year but within 3 years (including 3 years)	**22,163**	27,898
After 3 years but within 5 years (including 5 years)	**41,772**	26,047
After 5 years	**129,329**	134,451
Total	**206,321**	195,126

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

10 FINANCIAL ASSETS (Continued)

(2) Available-for-sale financial assets

	As at 31 December 2017	As at 31 December 2016
Debt financial assets		
Government bonds	**1,693**	300
Financial bonds	**16,515**	3,523
Corporate bonds	**24,690**	28,917
Subordinated bonds	**11,995**	12,565
Perpetual bonds	**5,000**	5,000
Trust products	**63,756**	62,534
Wealth investment products	**70,730**	71,126
Asset management products	**–**	80
Subtotal	**194,379**	184,045
Equity financial assets		
Funds	**45,623**	39,105
Stock	**37,772**	27,642
Preferred stock	**1,171**	1,256
Asset management products	**17,864**	13,769
Private equity	**4,128**	2,728
Equity investment plans	**4,700**	3,700
Other unlisted equity investments	**14,585**	11,063
Others	**163**	–
Subtotal	**126,006**	99,263
Total	**320,385**	283,308
Debt financial assets		
Listed	**6,423**	5,980
Unlisted	**187,956**	178,065
Subtotal	**194,379**	184,045
Equity financial assets		
Listed	**42,426**	33,827
Unlisted	**83,580**	65,436
Subtotal	**126,006**	99,263
Total	**320,385**	283,308

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017**	As at 31 December 2016
Within 1 year (including 1 year)	**9,400**	80,542
After 1 year but within 3 years (including 3 years)	**87,901**	37,636
After 3 years but within 5 years (including 5 years)	**62,016**	39,402
After 5 years	**35,062**	26,465
Total	**194,379**	184,045

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 2017 (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 2017	As at 31 December 2016
Held for trading		
Debt financial assets		
Government bonds	**308**	216
Financial bonds	**18**	19
Corporate bonds	**442**	168
Subordinated bonds	**400**	413
Debt financial assets subtotal	**1,168**	816
Equity financial assets		
Funds	**4,195**	7,924
Stocks	**1,169**	506
Equity financial assets subtotal	**5,364**	8,430
Subtotal	**6,532**	9,246
Designated as at fair value through profit or loss		
Debt financial assets		
Asset management products	**–**	2,588
Debt financial assets subtotal	**–**	2,588
Subtotal	**–**	2,588
Total	**6,532**	11,834
Debt financial assets		
Listed	**505**	317
Unlisted	**663**	3,087
Subtotal	**1,168**	3,404
Equity financial assets		
Listed	**1,206**	992
Unlisted	**4,158**	7,438
Subtotal	**5,364**	8,430
Total	**6,532**	11,834

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

10 FINANCIAL ASSETS (Continued)

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

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.

(4) Loans and receivables

	As at 31 December 2017	As at 31 December 2016
Asset funding plans (i)	**20,000**	20,000
Debt investment plan (ii)	**40,200**	32,835
Subordinated debts	**1,400**	1,400
Total	**61,600**	54,235

(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, which 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 2017 (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 2017**	As at 31 December 2016
Within 1 year (including 1 year)	**2,209**	45,036
After 1 year but within 3 years (including 3 years)	**11,100**	9,209
After 3 years but within 5 years (including 5 years)	**28,500**	19,100
More than 5 years	**–**	6,500
Total	**41,809**	79,845

(6) Statutory deposits

The due dates of the statutory deposits are as follows:

Maturity	**As at 31 December 2017**	As at 31 December 2016
Within 1 year (including 1 year)	**95**	195
After 1 year but within 3 years (including 3 years)	**770**	621
After 3 years but within 5 years (including 5 years)	**50**	–
Total	**915**	816

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

10 FINANCIAL ASSETS (Continued)

(7) Accrued investment income

	As at 31 December 2017	As at 31 December 2016
Bank deposits	**785**	2,641
Debt financial assets	**5,732**	6,500
Others	**656**	528
Total	**7,173**	9,669
Current	**7,138**	9,653
Non-current	**35**	16
Total	**7,173**	9,669

11 PREMIUMS RECEIVABLE

Premiums receivable is due within 3 months.

12 REINSURANCE ASSETS

	As at 31 December 2017	As at 31 December 2016
Claims and claims adjustment expenses ceded (Note 14)	**22**	38
Unearned premiums liabilities ceded (Note 14)	**71**	57
Long-term insurance contracts ceded (Note 14)	**1,904**	1,878
Due from reinsurance companies	**198**	720
Total	**2,195**	2,693
Current	**629**	1,070
Non-current	**1,566**	1,623
Total	**2,195**	2,693

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

13 OTHER ASSETS

	As at 31 December 2017		
	Book value balance	**Provision for impairment**	**Net book value**
Investment clearing account (1)	**245**	**–**	**245**
Prepaid and deferred expenses	**1,370**	**–**	**1,370**
Receivable from Off-balance Sheet Repurchase Transactions (Note 3(6))	**915**	**(915)**	**–**
Prepaid taxes (2)	**102**	**–**	**102**
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)	**4**	**–**	**4**
Others	**585**	**(4)**	**581**
Total	**3,300**	**(998)**	**2,302**

	As at 31 December 2016		
	Book value balance	Provision for impairment	Net book value
Investment clearing account (1)	353	–	353
Prepaid and deferred expenses	615	–	615
Receivable from Off-balance Sheet Repurchase Transactions (Note 3(6))	915	(915)	–
Prepaid taxes (2)	165	–	165
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)	4	–	4
Others	371	(4)	367
Total	2,502	(998)	1,504

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

13 OTHER ASSETS (Continued)

	As at 31 December 2017	As at 31 December 2016
Current	**1,951**	1,142
Non-current	**351**	362
Total	**2,302**	1,504

(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 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. Since 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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

13 OTHER ASSETS (Continued)

(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.

(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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

13 OTHER ASSETS (Continued)

(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.

14 INSURANCE CONTRACT LIABILITIES

(1) Process used to determine assumptions

Assumptions listed below are reasonable estimates (risk margin excluded).

(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 of the Group as at 31 December 2017 and 31 December 2016 are as follows:

	Discount rate assumption
31 December 2017	4.50%~5.00%
31 December 2016	4.50%~5.00%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

14 INSURANCE CONTRACT LIABILITIES (Continued)

(1) Process used to determine assumptions (Continued)

(a) *Discount rate assumption (Continued)*

For life insurance contracts whose future insurance benefits are not affected by investment yields of corresponding investment portfolios, the Group uses 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, in combine with comprehensive premium, with consideration of liquidity spreads, taxation impacts and other relevant factors, the expected discount rates of the Group as at 31 December 2017 and 31 December 2016 are as follows:

	Discount rate assumption
31 December 2017	3.16%~6.42%
31 December 2016	3.23%~5.32%

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.

(b) *Mortality and morbidity assumptions*

The Group bases its mortality assumption on the China Life Insurance Life Mortality Table (2010-2013), 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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

14 INSURANCE CONTRACT LIABILITIES (Continued)

(1) Process used to determine assumptions (Continued)

(c) Expenses assumptions

The Group's expenses assumptions are determined based on actual experience analysis, with consideration of future inflation, including assumptions of acquisition costs and maintenance costs. The Group's expenses assumptions are affected by certain factors, such as inflation and market competition. The Group determines expenses assumptions based on the information obtained at the end of each reporting period with the consideration of risk margin.

(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 2017 (All amounts in RMB millions unless otherwise stated)

14 INSURANCE CONTRACT LIABILITIES (Continued)

(2) Net liabilities of insurance contracts

	As at 31 December 2017	As at 31 December 2016
Gross		
Long-term insurance contract liabilities	**573,170**	541,424
Short-term insurance contract liabilities		
– Outstanding claims liabilities	**827**	640
– Unearned premiums liabilities	**1,280**	1,164
Total, gross	**575,277**	543,228
Recoverable from reinsurers		
Long-term insurance contracts (Note 12)	**(1,904)**	(1,878)
Short-term insurance contracts		
– Outstanding claims liabilities (Note 12)	**(22)**	(38)
– Unearned premiums liabilities (Note 12)	**(71)**	(57)
Total, ceded	**(1,997)**	(1,973)
Net		
Long-term insurance contract liabilities	**571,266**	539,546
Short-term insurance contract liabilities		
– Outstanding claims liabilities	**805**	602
– Unearned premiums liabilities	**1,209**	1,107
Total, net	**573,280**	541,255

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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	
	2017	2016
Beginning of the year – Gross	**640**	559
Cash paid for claims settled in the year		
– Cash paid for current year claims	**(1,175)**	(823)
– Cash paid for prior year claims	**(561)**	(469)
Claims incurred in the year		
– Claims arising in the current year	**1,950**	1,423
– Claims adjusted for prior years	**(27)**	(50)
End of the year – Gross	**827**	640

The table below presents the movements in unearned premiums liabilities:

	Gross	Ceded	Net
As at 1 January 2016	1,083	(53)	1,030
Increase	3,212	(149)	3,063
Release	(3,131)	145	(2,986)
As at 31 December 2016	1,164	(57)	1,107
Increase	3,846	(202)	3,644
Release	(3,730)	188	(3,542)
As at 31 December 2017	1,280	(71)	1,209

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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	
	2017	2016
Beginning of the year	**541,424**	522,799
Premiums	**105,448**	109,348
Release of liabilities (i)	**(109,250)**	(115,823)
Accretion of interest	**22,516**	24,026
Changes in assumption (ii)	**8,282**	6,245
Other movements (iii)	**4,750**	(5,171)
End of the year	**573,170**	541,424

(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 2017 (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	
	2017	2016
Investment contracts excluding unit-linked contracts		
Beginning of the year	**29,820**	26,881
Deposits received	**9,043**	10,609
Deposits paid and liabilities transferred out	**(6,381)**	(8,615)
Policy fees deducted from account balances	**(62)**	(88)
Interest and benefits accredited	**1,285**	1,085
Changes in investment contracts recorded in other comprehensive income	**6**	(52)
End of the year	**33,711**	29,820
Unit-linked contracts		
Beginning of the year	**251**	285
Deposits received	**1**	1
Deposits paid and liabilities transferred out	**(23)**	(19)
Fair value changes	**(12)**	(16)
End of the year	**217**	251
End of the year – Gross	**33,928**	30,071

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 aggregated principal amount of RMB5,000 million, and with an interest rate of 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. The Company redeemed the above subordinated debt wholly in September 2016.

Upon the approval of the CIRC in July 2012, the Company completed an offering of 10-year subordinated debt in an aggregated principal amount of RMB10,000 million, and with an interest rate of 4.6% per annum. The Company has the right to redeem the debt partially or wholly at the end 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. The Company redeemed the above subordinated debt wholly in July 2017.

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 of 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 repayments of principals and interests of the subordinated debts are subordinated to policy liabilities and other liabilities but prior to the Company's equity capital.

The fair value of borrowings as at 31 December 2017 was RMB4,015 million, which are within Level 2 of the fair value hierarchy.

For the year ended 31 December 2017, the Group's cash flow arising from financing activities included subordinated debts redemption, with the amount of RMB10,000 million in the consolidated statement of cash flows (for the year ended 31 December 2016: RMB5,000 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

17 FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

	As at 31 December 2017	As at 31 December 2016
By market		
Inter-bank market	**1,500**	6,531
Stock exchange	**18,425**	32,715
Total	**19,925**	39,246
By collateral		
Bonds	**19,925**	39,246
Total	**19,925**	39,246

Maturity:

	As at 31 December 2017	As at 31 December 2016
Within 3 months (including 3 months)	**19,925**	39,246
Total	**19,925**	39,246

As at 31 December 2017, bonds with par value of RMB1,695 million (as at 31 December 2016: RMB6,563million) 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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

17 FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE (Continued)

As at 31 December 2017, the amount of financial assets deposited in the collateral pool amounted to RMB64,160 million (as at 31 December 2016: RMB57,103million).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.

For the year ended 31 December 2017, the Group's cash outflow arising from financing activities included RMB20,222 million from financial assets sold under agreements to repurchase. For the year ended 31 December 2016, the Group's cash inflow arising from financing activities included RMB25,759 million from financial assets sold under agreements to repurchase.

18 PROVISIONS

	Lawsuits and disputes
As at 1 January 2017	**29**
Increase	**–**
Decrease	**–**
As at 31 December 2017	**29**
As at 1 January 2016	29
Increase	–
Decrease	–
As at 31 December 2016	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 Group 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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

19 OTHER LIABILITIES

	As at 31 December 2017	As at 31 December 2016
Salary and welfare payable	**2,522**	2,078
Commission and brokerage payable	**1,801**	1,713
Security deposits by agent for holding the Company's documents	**309**	275
Investment clearing account (Note 13(1))	**293**	100
Taxes payable other than income tax	**199**	237
Unrealized output value added tax	**109**	166
Repayment payable for non-insurance contracts	**76**	92
Unallocated receipts	**69**	49
Insurance security fund payable	**50**	55
Purchase payment for Heilongjiang branch's building (Note13(3))	**37**	37
Others	**1,159**	1,097
Total	**6,624**	5,899
Current	**6,278**	5,587
Non-current	**346**	312
Total	**6,624**	5,899

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

20 TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax 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	
	2017	2016
Current tax	**1,914**	1,707
Deferred tax	**32**	(168)
Total income tax	**1,946**	1,539

(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	
	2017	2016
Profit before income tax	**7,330**	6,482
Tax computed at the statutory tax rate in China	**1,833**	1,621
Non-taxable income (i)	**(2,069)**	(1,837)
Expenses not deductible for tax purpose (i)	**2,167**	1,729
Effect of unrecognized deferred tax assets arising from deductible temporary differences	**25**	29
Use of deductible tax losses of prior years	**(4)**	–
Past due income tax paid	**(1)**	–
Effect of different tax rate of a subsidiary	**(5)**	(3)
Income tax computed at effective tax rate	**1,946**	1,539

(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 2017 (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 2016	(3)	9	6
Charged to net profit	(3,780)	3,149	(631)
Charged to other comprehensive income	2,736	(1,818)	918
Charged to other reserve	–	15	15
As at 31 December 2016	(1,047)	1,355	308
As at 1 January 2017	**(1,047)**	**1,355**	**308**
Charged to net profit	**(77)**	**45**	**(32)**
Charged to other comprehensive income	**(457)**	**228**	**(229)**
Charged to other reserve	**–**	**(11)**	**(11)**
As at 31 December 2017	**(1,581)**	**1,617**	**36**
Net deferred tax liabilities			
As at 1 January 2016	(3,875)	3,022	(853)
Charged to net profit	3,875	(3,076)	799
Charged to other comprehensive income	–	–	–
As at 31 December 2016	–	(54)	(54)
As at 1 January 2017	**–**	**(54)**	**(54)**
Charged to net profit	**–**	**–**	**–**
Charged to other comprehensive income	**–**	**–**	**–**
As at 31 December 2017	**–**	**(54)**	**(54)**

SECTION 13

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017	As at 31 December 2016
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	**1,445**	1,132
– deferred tax assets to be recovered after 12 months	**376**	511
Subtotal	**1,821**	1,643
Deferred tax liabilities		
– deferred tax liabilities to be settled within 12 months	**(1,297)**	(831)
– deferred tax liabilities to be settled after 12 months	**(542)**	(558)
Subtotal	**(1,839)**	(1,389)
Total net deferred income tax assets	**36**	308
Total net deferred income tax liabilities	**(54)**	(54)

(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 unused tax losses for which no deferred tax asset is recognized is as follows:

	As at 31 December 2017	As at 31 December 2016
Deductible losses	**405**	364
Total	**405**	364

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017	As at 31 December 2016
Number of shares registered, issued and fully paid at RMB1 per share (million)	**3,120**	3,120

22 RESERVES

	Share premium (a)	Other reserve	Unrealized income/ (losses)	Surplus reserve (b)	Reserve for general risk (c)	Total
As at 1 January 2016	23,964	–	3,662	2,955	2,955	33,536
Other comprehensive income	–	–	(2,741)	–	–	(2,741)
Effect of the introduction of strategic investors to New China Health	–	–	–	(10)	(10)	(20)
Others	–	(45)	–	–	–	(45)
Appropriation to reserve	–	–	–	458	458	916
As at 31 December 2016	23,964	(45)	921	3,403	3,403	31,646
Other comprehensive income	**–**	**–**	**676**	**–**	**–**	**676**
Others	**–**	**35**	**–**	**–**	**–**	**35**
Appropriation to reserve	**–**	**–**	**–**	**519**	**519**	**1,038**
As at 31 December 2017	**23,964**	**(10)**	**1,597**	**3,922**	**3,922**	**33,395**

(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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

22 RESERVES (Continued)

(b) Surplus reserve (Continued)

(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 RMB519 million for the year ended 31 December 2017 to the statutory surplus reserve (for the year ended 31 December 2016: RMB458 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 2017 (for the year ended 31 December 2016: 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 2017, 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 2016: 10%).

23 GROSS WRITTEN PREMIUMS AND POLICY FEES

	For the year ended 31 December	
	2017	2016
Gross written premiums		
– Long-term insurance contracts	**105,448**	109,348
– Short-term insurance contracts	**3,846**	3,212
Subtotal	**109,294**	112,560
Policy fees		
– Investment contracts	**62**	88
Gross written premiums and policy fees	**109,356**	112,648

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

24 INVESTMENT INCOME

	For the year ended 31 December	
	2017	2016
Held-to-maturity investments		
– Interest income	**9,277**	8,584
Available-for-sale financial assets		
– Interest income	**10,117**	7,758
– Dividend income	**6,105**	5,036
– Net realized gains	**1,877**	1,221
– Impairment losses on equity financial assets	**(1,097)**	(1,356)
Financial assets at fair value through profit or loss		
– Interest income	**272**	236
– Dividend income	**157**	446
– Fair value gains/(losses)	**124**	(373)
– Net realized gains/(losses)	**(111)**	22
Loans and receivables		
– Interest income	**3,672**	3,410
Interest income from bank deposits	**2,708**	5,607
Interest income from policy loans	**1,164**	1,030
Interest income from financial assets purchased under agreements to resell	**115**	27
Effect of the introduction of strategic investors to New China Health	**–**	481
Others	**–**	5
Total	**34,380**	32,134
Including:		
Investment income based on the effective interest method	**27,325**	26,652
Investment income from listed investments	**5,621**	2,360
Investment income from unlisted investments	**28,759**	29,774
Total	**34,380**	32,134

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

25 OTHER INCOME

	For the year ended 31 December	
	2017	2016
Rental income from investment properties	**260**	173
Government grants	**36**	11
Exchange gain	**–**	475
Difference of cost of purchasing associates and the portion of fair value of net identifiable asset	**–**	45
Others	**416**	323
Total	**712**	1,027

26 INSURANCE BENEFITS AND CLAIMS

	For the year ended 31 December	
	2017	2016
Gross		
Claims and change in outstanding claims liabilities	**1,923**	1,372
Life insurance death and other benefits	**70,549**	82,195
Increase in long-term insurance liabilities	**30,689**	25,996
Total	**103,161**	109,563
Recovered from reinsurers		
Claims and change in outstanding claims liabilities	**(160)**	(151)
Life insurance death and other benefits	**(494)**	(1,820)
Increase/(Decrease) in long-term insurance liabilities	**(26)**	1,302
Total	**(680)**	(669)
Net		
Claims and change in outstanding claims liabilities	**1,763**	1,221
Life insurance death and other benefits	**70,055**	80,375
Increase in long-term insurance liabilities	**30,663**	27,298
Total	**102,481**	108,894

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

27 ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2017	2016
Employee benefit expenses (including directors' emoluments) (1)	**10,252**	9,721
Operating lease expense	**909**	848
Depreciation and amortization	**556**	496
Entertainment fees	**391**	360
Travel and conference fees	**345**	347
Official fees	**283**	279
Insurance guarantee fund	**197**	197
Electronic equipment operating costs	**152**	102
Promotional printing cost	**142**	159
Postal fees	**137**	126
Advertising fees	**87**	73
Vehicle use fees	**45**	50
Supervision fees	**24**	48
Auditors' remuneration and consulting fees	**21**	20
Others	**236**	255
Total	**13,777**	13,081

(1) Employee benefit expenses are presented below:

	For the year ended 31 December	
	2017	2016
Salary and welfare expenses	**8,221**	7,888
Social security costs – pension	**784**	714
Social security costs – other	**593**	535
Including:		
Supplementary defined contribution pension expense	**118**	110
Supplementary medical expense	**22**	13
Housing fund	**441**	389
Employee education and labor union fees	**213**	195
Total	**10,252**	9,721

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

28 OTHER EXPENSES

	For the year ended 31 December	
	2017	2016
Tax and surcharges	**169**	168
Depreciation and amortization	**123**	82
Reversal of provision for receivable from Tianhuan Real Estate (Note 3(6))	**–**	(16)
Exchange losses	**321**	–
Others	**278**	194
Total	**891**	428

29 FINANCE COSTS

	For the year ended 31 December	
	2017	2016
Interest expenses for financial assets sold under agreements to repurchase	**1,240**	558
Interest expenses for the subordinated debts	**474**	896
Total	**1,714**	1,454

30 NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The net profit attributable to shareholders of the Company for the year ended 31 December 2017 was RMB5,383 million, compared with RMB4,942 million for the year ended 31 December 2016, which is included in the consolidated financial statements of the Group.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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	
	2017	2016
Net profit attributable to shareholders of the Company (RMB in millions)	**5,383**	4,942
Weighted average number of ordinary shares issued (in millions)	**3,120**	3,120
Basic earnings per share (RMB)	**1.73**	1.58

(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 2017 (for the year ended 31 December 2016: same).

32 DIVIDENDS

Pursuant to a resolution passed at the shareholders' general meeting on 27 June 2017, a final dividend of RMB0.48 per ordinary share (inclusive of tax) totalling RMB1,497 million was declared.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) Related parties

Significant related parties	Relationships
New China Asset Management Co., Ltd. ("Asset Management Company")	Subsidiary of the Company
New China Village Health Technology (Beijing) Co., Ltd. ("Health Technology")	Subsidiary of the Company
Xinhua Village Seniors Service (Beijing) Co., Ltd. ("Xinhua Seniors Service")	Subsidiary of the Company
Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd. ("Shanggu Real Estate")	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
New China Asset management (Hong Kong) Co., Ltd. ("Asset Management Company (Hong Kong)")	Subsidiary of the Company
Xinhua Village Seniors Investment Management (Hainan) Co., Ltd. ("Hainan Seniors")	Subsidiary of the Company
Beijing Century Haoran Power Technology Development Co., Ltd. ("Haoran Power")	Subsidiary of the Company
Guangzhou Yuerong Project Construction Management Co., Ltd. ("Guangzhou Yuerong")	Subsidiary of the Company
New China Pension Co., Ltd. ("New China Pension")	Subsidiary of the Company
Orient No.1 Funding Plan	Subsidiary of the Company
Huarong No.1 Funding Plan	Subsidiary of the Company
New China Asset – Mingdao Appreciation Asset Management Product ("Mingdao Fund")	Subsidiary of the Company
Lujiazui Trust – Zhongwei Thermoelectricity Perpetual Bond	Subsidiary of the Company
Lujiazui Trust – Zhongwei New Energy Perpetual Bond	Subsidiary of the Company
New China Asset – Mingde No.1 Asset Management Product ("Mingde Fund")	Subsidiary of the Company
New China Asset – Mingxin No.1 Asset Management Product ("Mingxin 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
Weiyuanzhou	Associate of the Company
New China Health	Joint venture 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 2017 (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	
	2017	2016
Transactions between the Group and other related parties		
– Interests from bonds issued by Huijin (i)	**32**	30
– Cash dividends received from MJ Health	**–**	1
– Cash dividends from New China Capital International (ii)	**8**	13
– Cash dividends received from China Jinmao (ii)	**158**	71
– Health check and service fee paid to New China Health (iii)	**13**	20
– Rent earned from New China Health (iv)	**19**	10
– Additional capital contribution to China Jinmao	**–**	95
– Additional capital contribution to Weiyuanzhou(Note 9(2))	**–**	192
Transactions between the Company and its subsidiaries		
– Investment management fee to Asset Management Company (v)	**469**	466
– Investment management fee to Asset Management Company (Hong Kong) (v)	**118**	55
– Rent earned from Asset Management Company (iv)	**14**	9
– Rent earned from Xinhua Seniors Service	**–**	7
– Rent earned from New China Pension (iv)	**3**	1
– Rent paid to Haoran Power (vi)	**31**	31
– Additional capital contribution to Hainan Seniors (Note 36(4)(iv))	**–**	329
– IT service fee charged to Electronic Commerce (vii)	**10**	11
– Conference and training fees charged to Health Technology (viii)	**8**	6
– Capital contribution to Hefei Supporting Operation (Note 36(4)(iii))	**648**	–
– Additional capital contribution to Xinhua Seniors Service	**–**	102
– Additional capital contribution to New China Pension (Note 36(4)(iv))	**495**	495
– Additional capital contribution to Electronic Commerce (Note 36(4)(i))	**100**	–
– Dissolution of Yunnan New China Insurance Agency Co., Ltd. ("Yunnan New China") ((ix)/Note 36(4))	**2**	Not applicable

SECTION 13

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 held 31.34% of the Company's shares as at 31 December 2017. 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, 2015 and 2017, the Company purchased bonds issued by Huijin at a par value of RMB300 million, RMB500 million and RMB400 million from the inter-bank market respectively. As at 31 December 2017, the carrying value of these bonds was RMB1,200 million (as at 31 December 2016: RMB800 million). The recognized bond interest for the year ended 31 December 2017 was RMB32 million (for the year ended 31 December 2016: RMB30 million).

(ii) Cash dividends received

In 2017, the Company received cash dividends amounted to RMB8 million and RMB158 million respectively from New China Capital International, and China Jinmao (for the year ended 31 December 2016: RMB13 million, and RMB71 million respectively from New China Capital International and China Jinmao).

(iii) Health service fee paid to New China Health

The Company entered into a contract with New China Health. 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 RMB13 million of expenses were incurred in 2017 (for the year ended 31 December 2016: RMB20 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties (Continued)

(iv) Office rental contracts

The Company leased part of New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to Asset Management Company as its office. The annual rentals were approximately RMB14 million (for the year ended 31 December 2016: RMB9 million).

The Company leased part of the office building located in Blue Ocean Unit A, Green Central Plaza at Hohhot, part of the office building located in International City Unit AB at Wuhan, part of the office building located in Xianglong Building at Yantai, and part of the office building located in European City at Nanjing to New China Health. The annual rentals were about RMB9 million (for the year ended 31 December 2016: RMB10 million).

Xinhua Seniors Service, the subsidiary of the Company, leased part of the office building located at #8 Lianhuachixili Road, Fengtai District, Beijing to New China Health. The annual rentals fee were appropriately RMB10 milion (for the year ended 31 December 2016: Nil).

The Company leased part of New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to New China Pension as its office. The annual rentals were approximately RMB3 million (for the year ended 31 December 2016: RMB1 million).

(v) Investment management service agreement

The Company and Asset Management Company entered into an annual investment management service agreement for entrusted investments in 2017. According to this agreement, Asset Management Company 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. The Company has the right to deduct fees based on the performance of Asset Management Company 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 2017. 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 2017 (All amounts in RMB millions unless otherwise stated)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties (Continued)

(vi) Rent paid to Haoran Power

The Company entered into a lease contract with Haoran Power for six months in January, 2017. The Company renewed the lease contract for the next six months in July, 2017.According to the contract, the Company rent part of the office building located at No.137 Jinghaisan Avenue, Yi Zhuang, Daxing District, Beijing from Haoran Power. The annual rent expenses were RMB31 million (for the year ended 31 December 2016: RMB31 million).

(vii) IT service fee paid to Electronic Commerce

In January 2017, the Company signed an annual framework agreement, a cooperation agreement and a supplementary agreement on cooperation with Electronic Commerce for 1 year. According to the contract, Electronic Commerce would provide support on marketing on channel of cooperation, human outsourcing service, IT service and other e-commerce service. Approximately RMB10 million of expenses were incurred in 2017 (for the year ended 31 December 2016: RMB11 million).

(viii) Conference and training fees charged to Health Technology

The Company paid for conference and training service fees to Health Technology. Approximately RMB8 million of expenses were incurred in 2017 (for the year ended 31 December 2016: RMB6 million).

(ix) Dissolution of Yunnan New China

On 12 September 2017, the dissolution of Yunnan New China was completed. The Company recognized investment loss of RMB2 million (for the year ended 31 December 2016: Nil).

The office rentals of New China Health, Asset Management Company and New China Pension are based on the prices agreed by both of the deal. The investment management fee to Asset Management Company and Asset Management Company (Hong Kong) is calculated based on the negotiated service charge rate and the scale of investments. The health service fee to New China Health is calculated based on market value. The rent paid to Haoran Power is based on the price agreed by both of the deal. The IT service fee to Electronic Commerce and the conference and training fees to Health Technology are based on the prices agreed by transaction parties. All other transactions are calculated based on the negotiated price between transaction parties.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(3) Related party balances

Balances of related party transactions	**As at 31 December 2017**	As at 31 December 2016
Interest receivable		
Huijin	**14**	9
Other receivables		
New China Health	**19**	8
Other payables		
New China Health	**3**	2

	As at 31 December 2017	As at 31 December 2016
Receivables from subsidiaries		
Hefei Supporting Operation	**–**	236
Xinhua Seniors Service	**300**	348
Hainan Seniors	**–**	48
Health Technology	**16**	17
New China Pension	**–**	495
Total	**316**	1,144
Payables to subsidiaries		
Asset Management Company	**135**	132
Asset Management Company (Hong Kong)	**71**	15
Total	**206**	147

No provisions were held against receivables from related parties as at 31 December 2017.

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 2017 (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	
	2017	2016
Payroll and welfare	**41**	39

The annual performance bonus of key management for 2017 has not been finalized. Detailed information will be disclosed separately after it has been finalized.

(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 2017, 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 2017, 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 2017 (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 2017	As at 31 December 2016
Contracted, but not provided for	**3,587**	1,541
Authorized, but not contracted for	**–**	43
Total	**3,587**	1,584

(2) Operating lease commitments

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

	As at 31 December 2017	As at 31 December 2016
Within 1 year (including 1 year)	**317**	406
Between 1 and 5 years (including 5 years)	**327**	484
More than 5 years	**29**	49
Total	**673**	939

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017	As at 31 December 2016
Within 1 year (including 1 year)	**197**	165
Between 1 and 5 years (including 5 years)	**183**	265
More than 5 years	**–**	8
Total	**380**	438

(4) Investment commitments

The Group has signed contracts to purchase equity investments. As at 31 December 2017, a total amount of RMB460 million was disclosed as an investment commitment contracted but not provided for (as at 31 December 2016: RMB2,007 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017	31 December 2016
ASSETS			
Property, plant and equipment	36(1)	**5,955**	5,054
Investment properties	36(2)	**4,540**	3,395
Intangible assets	36(3)	**1,633**	1,595
Investments in subsidiaries	36(4)	**30,843**	29,349
Investments in associates and joint ventures	36(5)	**4,602**	4,303
Debt financial assets		**437,327**	411,517
– Held-to-maturity	36(6a)	**206,262**	195,126
– Available-for-sale	36(6b)	**188,428**	178,754
– At fair value through profit or loss	36(6c)	**1,137**	3,402
– Loans and receivables	36(6d)	**41,500**	34,235
Equity financial assets		**130,214**	107,429
– Available-for-sale	36(6b)	**125,767**	99,090
– At fair value through profit or loss	36(6c)	**4,447**	8,339
Term deposits	36(6e)	**41,369**	79,245
Statutory deposits	36(6f)	**715**	715
Policy loans		**27,000**	23,831
Financial assets purchased under agreements to resell		**2,660**	2,214
Accrued investment income	36(6g)	**7,127**	9,646
Premiums receivable	11	**2,338**	1,846
Deferred tax assets	36(9)	**2**	290
Reinsurance assets	12	**2,195**	2,693
Other assets	36(7)	**2,383**	2,508
Cash and cash equivalents		**8,263**	12,732
Total assets		**709,166**	698,362

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017	31 December 2016
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contract liabilities	*14*	**573,170**	541,424
Short-term insurance contract liabilities			
– Outstanding claims liabilities	*14*	**827**	640
– Unearned premiums liabilities	*14*	**1,280**	1,164
Investment contracts	*15*	**33,928**	30,071
Borrowings	*16*	**4,000**	14,000
Financial assets sold under agreements to repurchase	*17*	**19,925**	39,246
Benefits, claims and surrenders payable		**3,176**	2,950
Premiums received in advance		**1,941**	3,042
Reinsurance liabilities		**237**	215
Provisions	*18*	**29**	29
Other liabilities	*36(8)*	**6,239**	5,606
Current tax liabilities		**1,297**	1,271
Total liabilities		**646,049**	639,658
Shareholders' equity			
Share capital		**3,120**	3,120
Reserves	*36(10)*	**33,380**	31,623
Retained earnings		**26,617**	23,961
Total equity		**63,117**	58,704
Total liabilities and equity		**709,166**	698,362

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017	4,565	1,072	173	508	6,318
Additions	21	129	3	2,571	2,724
Transfers upon completion	308	10	–	(318)	–
Reclassification	(35)	35	–	–	–
Transfer to investment properties	(215)	–	–	(1,064)	(1,279)
Transfer to intangible assets	–	–	–	(165)	(165)
Transfer to other assets	(9)	–	–	(6)	(15)
Disposals	(2)	(441)	(11)	–	(454)
As at 31 December 2017	4,633	805	165	1,526	7,129
Accumulated depreciation					
As at 1 January 2017	(520)	(664)	(80)	–	(1,264)
Charges for the year	(108)	(125)	(13)	–	(246)
Reclassification	2	(2)	–	–	–
Transfer to investment properties	34	–	–	–	34
Disposals	–	295	7	–	302
As at 31 December 2017	(592)	(496)	(86)	–	(1,174)
Net book value					
As at 1 January 2017	4,045	408	93	508	5,054
As at 31 December 2017	4,041	309	79	1,526	5,955

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2016	3,957	1,025	175	1,511	6,668
Additions	38	124	–	956	1,118
Transfers upon completion	1,027	3	–	(1,030)	–
Transfer from investment properties	96	–	–	–	96
Transfer to investment properties	(553)	–	–	(861)	(1,414)
Transfer to intangible assets	–	–	–	(68)	(68)
Disposals	–	(80)	(2)	–	(82)
As at 31 December 2016	4,565	1,072	173	508	6,318
Accumulated depreciation					
As at 1 January 2016	(448)	(620)	(69)	–	(1,137)
Charges for the year	(95)	(119)	(13)	–	(227)
Transfer from investment properties	(18)	–	–	–	(18)
Transfer to investment properties	41	–	–	–	41
Disposals	–	75	2	–	77
As at 31 December 2016	(520)	(664)	(80)	–	(1,264)
Net book value					
As at 1 January 2016	3,509	405	106	1,511	5,531
As at 31 December 2016	4,045	408	93	508	5,054

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(2) Investment Properties

	For the year ended 31 December	
	2017	2016
Cost		
Beginning of the year	**3,728**	2,409
Transfers from property, plant and equipment Note (36(1))	**1,279**	1,414
Transfer to property, plant and equipment Note (36(1))	**–**	(96)
Additions	**–**	1
End of the year	**5,007**	3,728
Accumulated depreciation		
Beginning of the year	**(333)**	(232)
Transfers from property, plant and equipment Note (36(1))	**(34)**	(41)
Transfer to property, plant and equipment Note (36(1))	**–**	18
Charges for the year	**(100)**	(78)
End of the year	**(467)**	(333)
Net book value		
Beginning of the year	**3,395**	2,177
End of the year	**4,540**	3,395

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(3) Intangible assets

	Computer software	Land use rights	Total
Cost			
As at 1 January 2017	**736**	**1,393**	**2,129**
Additions	**18**	**–**	**18**
Transfers upon completion	**165**	**–**	**165**
As at 31 December 2017	**919**	**1,393**	**2,312**
Accumulated amortization			
As at 1 January 2017	**(418)**	**(116)**	**(534)**
Amortization	**(110)**	**(35)**	**(145)**
As at 31 December 2017	**(528)**	**(151)**	**(679)**
Net book value			
As at 1 January 2017	**318**	**1,277**	**1,595**
As at 31 December 2017	**391**	**1,242**	**1,633**

	Computer software	Land use rights	Total
Cost			
As at 1 January 2016	651	1,393	2,044
Additions	17	–	17
Transfers upon completion	68	–	68
As at 31 December 2016	736	1,393	2,129
Accumulated amortization			
As at 1 January 2016	(316)	(81)	(397)
Amortization	(102)	(35)	(137)
As at 31 December 2016	(418)	(116)	(534)
Net book value			
As at 1 January 2016	335	1,312	1,647
As at 31 December 2016	318	1,277	1,595

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(4) Investments in subsidiaries

	As at 31 December 2017	As at 31 December 2016
Unlisted investments at cost	**30,843**	29,349

Details of the Company's subsidiaries as at 31 December 2017 are as follows:

	Place of incorporation and operation	**Principal activities**	**Registered capital**	**Group's interest %**
Asset Management Company	Beijing, China	Asset management	RMB500 million	99.40%
Health Technology	Beijing, China	Real estate property development and training	RMB632 million	100%
Electronic Commerce (i)	Beijing, China	Electronic commerce	RMB200 million	100%
Shanggu Real Estate	Beijing, China	Real estate property development	RMB15 million	100%
Xinhua Seniors Service (ii)	Beijing, China	Service	RMB664 million	100%
Hefei Supporting Operation (iii)	Hefei, China	Real estate property investment and management	RMB3,200 million	100%
Asset Management Company (Hong Kong)	Hong Kong, China	Asset management	HKD50 million	99.64%
Hainan Seniors (v)	Qionghai, China	Real estate	RMB1,908 million	100%
Haoran Power (v)	Beijing, China	Technological development	RMB500 million	100%
Guangzhou Yuerong	Guangzhou, China	Real estate property investment and management	RMB10 million	100%
New China Pension (iv)	Beijing, China	Insurance service	RMB1 billion	99.99%
Orient No.1 Funding Plan	Not applicable	Project investment	RMB10 billion	100%
Huarong No.1 Funding Plan	Not applicable	Project investment	RMB10 billion	100%
Mingdao Fund	Not applicable	Project investment	RMB169 million	94.02%
Lujiazui Trust – Zhongwei Thermoelectricity Perpetual Bond	Not applicable	Project investment	RMB1 billion	100%
Lujiazui Trust – Zhongwei New Energy Perpetual Bond	Not applicable	Project investment	RMB4 billion	100%
Mingde Fund	Not applicable	Project investment	RMB257 million	100%
Mingxin Fund	Not applicable	Project investment	RMB0.02 million	99.70%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(4) Investments in subsidiaries (Continued)

Details of the Company's subsidiaries at 31 December 2017 are as follows (continued):

(i) On 28 October 2016, the sixth meeting of the sixth session of the Board of Directors of the Company approved to increase the registered capital of Electronic Commerce from RMB100 million to RMB200 million. On 9 May 2017, the eighth meeting of executive committee of the Company has approved to change the registered legal representative of Electronic Commerce from Sun Yuchun to Yu Zhigang. As at 31 December, the Company has paid the capital contribution and Electronic Commerce has registered the change.

(ii) On 28 October, 2016, the sixth meeting of the sixth session of the Board of Directors considered and approved the increased capital contribution of RMB300 million to Xinhua Seniors Service. Upon the capital contribution, the registered capital of Xinhua Seniors Service changed to RMB964 million. As at 31 December 2017, the Company has completed the cash contribution, and the Company's actual contribution was RMB964million. As at 31 December 2017, Xinhua Seniors Service has not registered the change yet. On 27 February 2018, Xinhua Seniors Service registered the change.

(iii) On 20 December 2016, the Company's seventh meeting of the sixth Board of Directors approved the proposal of "Increasing the registered capital of subsidiaries of Hefei Supporting Operation – related party transactions", which decided to increase the registered capital of Hefei Supporting Operation from RMB500 million to RMB3,200 million. Hefei Supporting Operation has registered the change on 25 July 2017. The Company injected RMB330 million, RMB140 million and RMB178 million on 28 February 2017, 29 June 2017 and 31 December 2017 respectively. As at 31 December 2017, the Company's actual contribution was RMB656 million.

(iv) On 28 October 2016, the sixth meeting of the sixth session of the Board of Directors of the Company considered and approved the increased capital contribution of RMB500 million to New China Pension. As at 31 December 2016, the Company has contributed the increased capital of RMB495 million and Asset Management Company has contributed the increased capital of RMB5 million to New China Pension. The total capital contributions were RMB990 million from the Company and RMB10 million from Asset Management Company. On 20 April 2017, New China Pension has registered the change.

(v) On 9 May 2017, the eighth meeting of executive committee of the Company approved to change the registered legal representative of Hainan Seniors from Chen Jun to Wang Jue. On 29 June 2017, Hainan Seniors registered the change. On 7 February 2017, the third meeting of executive committee of the Company approved the request on the implementation of general manager responsibility system for some of the wholly-owned subsidiaries. The committee decided and approved that the general manager of Haoran Power acted as legal representative. On 18 May 2017, the registered legal representative of Haoran Power changed from Chi Yunqiang to Jiang Zongxu.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(4) Investments in subsidiaries (Continued)

Dissolution of subsidiaries

Name of the entity	Place of incorporation	Principal activities	Group's interest
Yunnan New China	Kunming, China	Insurance agency	100%

The fifteenth meeting of the executive committee of the Company in 2015 approved the "Reporting on the Dissolution of Yunnan New China." On 12 September 2017, the dissolution of Yunnan New China was completed.

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.

(5) Investments in associates

	For the year ended 31 December	
	2017	2016
Beginning of the year	**4,303**	3,600
Additions	**–**	287
Difference of cost of purchasing associates and the portion of fair value of net identifiable asset	**–**	45
Effect of the introduction of strategic investors to New China Health	**–**	549
Share of profit	**260**	105
Cash dividend from investments in associates	**(158)**	(72)
Share of other comprehensive income	**149**	(148)
Share of other reserves	**48**	(63)
End of the year	**4,602**	4,303

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(6) Financial assets

(a) Held-to-maturity investments

	As at 31 December 2017	As at 31 December 2016
Debt financial assets		
Government bonds	**71,474**	62,359
Financial bonds	**31,050**	34,639
Corporate bonds	**44,971**	42,913
Subordinated bonds	**58,767**	55,215
Total	**206,262**	195,126
Debt financial assets		
Listed	**65,208**	53,763
Unlisted	**141,014**	141,363
Total	**206,262**	195,126

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

Maturity	**As at 31 December 2017**	As at 31 December 2016
Within 1 year (including 1 year)	**13,057**	6,730
After 1 year but within 3 years (including 3 years)	**22,163**	27,898
After 3 years but within 5 years (including 5 years)	**41,753**	26,047
After 5 years	**129,289**	134,451
Total	**206,262**	195,126

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(6) Financial assets (Continued)

(b) Available-for-sale financial assets

	As at 31 December 2017	As at 31 December 2016
Debt financial assets		
Government bonds	**1,693**	300
Financial bonds	**16,495**	3,523
Corporate bonds	**24,643**	28,917
Subordinated bonds	**11,995**	12,565
Trust products	**63,624**	62,481
Wealth investment products	**69,978**	70,888
Asset management products	**–**	80
Subtotal	**188,428**	178,754
Equity financial assets		
Funds	**45,479**	39,017
Stocks	**37,772**	27,642
Preferred stock	**1,171**	1,256
Asset management products	**17,864**	13,769
Private equity	**4,128**	2,728
Equity investment plans	**4,650**	3,650
Other equity investments	**14,539**	11,028
Others	**164**	–
Subtotal	**125,767**	99,090
Total	**314,195**	277,844
Debt financial assets		
Listed	**6,395**	5,980
Unlisted	**182,033**	172,774
Subtotal	**188,428**	178,754
Equity financial assets		
Listed	**42,423**	33,803
Unlisted	**83,344**	65,287
Subtotal	**125,767**	99,090
Total	**314,195**	277,844

SECTION 13

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(6) Financial assets (Continued)

(b) 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 2017**	As at 31 December 2016
Within 1 year (including 1 year)	**9,187**	80,353
After 1 year but within 3 years (including 3 years)	**87,512**	37,586
After 3 years but within 5 years (including 5 years)	**56,955**	34,402
After 5 years	**34,774**	26,413
Total	**188,428**	178,754

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 2017 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(6) Financial assets (Continued)

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

	As at 31 December 2017	As at 31 December 2016
Held for trading		
Debt financial assets		
Government bonds	**277**	214
Financial bonds	**18**	19
Corporate bonds	**442**	168
Subordinated bonds	**400**	413
Debt financial assets subtotal	**1,137**	814
Equity financial assets		
Funds	**3,676**	7,907
Stocks	**771**	432
Equity financial assets subtotal	**4,447**	8,339
Subtotal	**5,584**	9,153
Designated as at fair value through profit or loss		
Debt financial assets		
Asset management products	**–**	2,588
Debt financial assets subtotal	**–**	2,588
Subtotal	**–**	2,588
Total	**5,584**	11,741
Debt financial assets		
Listed	**474**	315
Unlisted	**663**	3,087
Subtotal	**1,137**	3,402
Equity financial assets		
Listed	**802**	913
Unlisted	**3,645**	7,426
Subtotal	**4,447**	8,339
Total	**5,584**	11,741

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 2017 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(6) Financial assets (Continued)

(d) Loans and receivables

	As at 31 December 2017	As at 31 December 2016
Debt investment plan	**40,100**	32,835
Subordinated debt	**1,400**	1,400
Total	**41,500**	34,235

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.

(e) Term deposits

Maturity	**As at 31 December 2017**	As at 31 December 2016
Within 1 year (including 1 year)	**2,209**	44,836
After 1 year but within 3 years (including 3 years)	**10,700**	8,909
After 3 years but within 5 years (including 5 years)	**28,460**	19,000
More than 5 years	**–**	6,500
Total	**41,369**	79,245

(f) Statutory deposits

	As at 31 December 2017	As at 31 December 2016
Maturity		
Within 1 year (including 1 year)	**95**	195
After 1 year but within 3 years (including 3 years)	**620**	520
Total	**715**	715

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(6) Financial assets (Continued)

(g) Accrued investment income

	As at 31 December 2017	As at 31 December 2016
Bank deposits	**764**	2,625
Debt financial assets	**5,380**	6,166
Others	**983**	855
Total	**7,127**	9,646
Current	**7,092**	9,645
Non-current	**35**	1
Total	**7,127**	9,646

(7) Other assets

	As at 31 December 2017		
	Book value balance	**Provision for impairment**	**Net book value**
Prepaid and deferred expenses	**1,265**	**–**	**1,265**
Receivable from Off-balance Sheet Repurchase Transactions (Note 3(6))	**915**	**(915)**	**–**
Receivables from subsidiaries (Note 33(3))	**316**	**–**	**316**
Investment clearing account (Note 13(1))	**245**	**–**	**245**
Prepaid taxes (Note 13(2))	**102**	**–**	**102**
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))	**4**	**–**	**4**
Others	**455**	**(4)**	**451**
Total	**3,381**	**(998)**	**2,383**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Other assets (Continued)

	As at 31 December 2016		
	Book value balance	Provision for impairment	Net book value
Receivables from subsidiaries (Note 33(3))	1,144	–	1,144
Receivable from Off-balance Sheet Repurchase Transactions (Note 3(6))	915	(915)	–
Prepaid and deferred expenses	590	–	590
Investment clearing account (Note 13(1))	294	–	294
Prepaid taxes (Note 13(2))	162	–	162
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))	4	–	4
Others	318	(4)	314
Total	3,506	(998)	2,508

	As at 31 December 2017	As at 31 December 2016
Current	**2,137**	2,264
Non-current	**246**	244
Total	**2,383**	2,508

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(8) Other liabilities

	As at 31 December 2017	As at 31 December 2016
Salary and welfare payable	**2,109**	1,781
Commission and brokerage payable	**1,801**	1,713
Security deposits by agent for holding the Company's documents	**309**	275
Investment clearing account (Note 13(1))	**292**	100
Taxes payable other than income tax	**182**	220
Unrealized output value added tax	**109**	166
Repayment payable for non-insurance contracts	**76**	92
Unallocated receipts	**69**	49
Insurance security fund payable	**50**	55
Purchase payment for Heilongjiang branch's building (Note 13(3))	**37**	37
Others	**1,205**	1,118
Total	**6,239**	5,606
Current	**5,893**	5,294
Non-current	**346**	312
Total	**6,239**	5,606

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(9) Taxation

The movements in deferred tax assets and deferred tax liabilities during the year are as follows:

	Financial assets	Insurance liabilities and others	Total
As at 1 January 2016	(3,875)	3,022	(853)
Charged to net profit	94	118	212
Charged to other comprehensive income	2,734	(1,818)	916
Charged to other reserve	–	15	15
As at 31 December 2016	(1,047)	1,337	290
As at 1 January 2017	**(1,047)**	**1,337**	**290**
Charged to net profit	**(77)**	**29**	**(48)**
Charged to other comprehensive income	**(457)**	**228**	**(229)**
Charged to other reserve	**–**	**(11)**	**(11)**
As at 31 December 2017	**(1,581)**	**1,583**	**2**

	As at 31 December 2017	As at 31 December 2016
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	**1,438**	1,129
– deferred tax assets to be recovered after 12 months	**348**	496
Subtotal	**1,786**	1,625
Deferred tax liabilities		
– deferred tax liabilities to be settled within 12 months	**(1,296)**	(831)
– deferred tax liabilities to be settled after 12 months	**(488)**	(504)
Subtotal	**(1,784)**	(1,335)
Total net deferred tax assets	**2**	290

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(10) Reserves

	Share premium	Other reserve	Unrealized income/ (losses)	Surplus reserve	Reserve for general risk	Total
As at 1 January 2016	23,962	–	3,651	2,955	2,955	33,523
Other comprehensive income	–	–	(2,751)	–	–	(2,751)
Effect of the introduction of strategic investors to New China Health	–	–	–	(10)	(10)	(20)
Others	–	(45)	–	–	–	(45)
Appropriation to reserve	–	–	–	458	458	916
As at 31 December 2016	23,962	(45)	900	3,403	3,403	31,623
Other comprehensive income	**–**	**–**	**684**	**–**	**–**	**684**
Others	**–**	**35**	**–**	**–**	**–**	**35**
Appropriation to reserve	**–**	**–**	**–**	**519**	**519**	**1,038**
As at 31 December 2017	**23,962**	**(10)**	**1,584**	**3,922**	**3,922**	**33,380**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017 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
Feng Wan	–	4,737	–	–	–	–	4,737
Zongjian Li	–	2,921	–	–	–	–	2,921
Xiangdong Liu	–	–	–	–	–	–	–
Lianhua Xiong (i)	–	–	–	–	–	–	–
Kunzong Wu	–	–	–	–	–	–	–
Aimin Hu	–	–	–	–	–	–	–
John Robert DACEY	–	–	–	–	–	–	–
Yulong Peng (i)	–	–	–	–	–	–	–
Xianglu Li	320	–	–	–	–	–	320
Wei Zheng	320	–	–	–	–	–	320
Lie Cheng	270	–	–	–	–	–	270
Anthony Francis Neoh	270	–	–	–	–	–	270
Jianxin Geng (ii)	55	–	–	–	–	–	55
Yuanling Chen (iii)	–	–	–	–	–	–	–
Guozheng Zhang (iv)	–	–	–	–	–	–	–
Chung Mark Fong (v)	212	–	–	–	–	–	212

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

(i) The Company held the first extraordinary general meeting of 2017 on 28 April 2017. Lianhua Xiong and Yulong Peng were elected as directors for the sixth session of the Board of Directors.

(ii) The Company held the annual general meeting of 2016 on 27 June 2017. Jianxin Geng was elected as a director for the sixth session of the Board of Directors.

(iii) Resigned on 12 June 2017.

(iv) Resigned on 15 March 2017.

(v) His term expired on 2 September 2017.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2016 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
Feng Wan (i)	–	4,917	–	–	–	–	4,917
Zongjian Li (i)	–	522	–	–	–	–	522
Xiangdong Liu (i)	–	–	–	–	–	–	–
Yuanling Chen (i)	–	–	–	–	–	–	–
Kunzong Wu (i)	–	–	–	–	–	–	–
Aimin Hu (i)	–	–	–	–	–	–	–
John Robert Dacey (i)	–	–	–	–	–	–	–
Xianglu Li (i)	252	–	–	–	–	–	252
Wei Zheng (i)	252	–	–	–	–	–	252
Chung Mark Fong (i)	266	–	–	–	–	–	266
Lie Cheng (i)	109	–	–	–	–	–	109
Anthony Francis Neoh (i)	81	–	–	–	–	–	81
Dian Kang (i)	–	1,236	–	–	–	–	1,236
Haiying Zhao (i)	–	–	–	–	–	–	–
Xingguo Meng (i)	–	–	–	–	–	–	–
Xianping Chen (i)	53	–	–	–	–	–	53
Yuzhong Wang (i)	53	–	–	–	–	–	53
Hongxin Zhang (i)	53	–	–	–	–	–	53
Hua Zhao (i)	64	–	–	–	–	–	64
Guozheng Zhang (i) (iii)	–	–	–	–	–	–	–
Robert David Campbell (i) (ii)	182	–	–	–	–	–	182

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

(i) The Company held the first extraordinary general meeting of 2016 on 4 March 2016. Feng Wan, Zonjian Li, Xiangdong Liu, Yuanling Chen, Kunzong Wu, Aimin Hu, John Robert Dacey, Guozheng Zhang, Xianglu Li, Anthony Francis Neoh, Wei Zheng, Robert David Campbell and Chung Mark Fong were elected or re-elected as directors for the sixth session of the Board of Directors. Dian Kang, Haiying Zhao, Xingguo Meng, Xianping Chen, Yuzhong Wang, Hongxin Zhang, and Hua Zhao, as directors of the fifth session of the Board of Directors, ceased to be directors of the Company.

(ii) Resigned on 25 August 2016.

(iii) Resigned on 15 March 2017.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017 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	**3,303**	**–**	**–**	**–**	**–**	**3,303**
Zhongzhu Wang	**1,304**	**643**	**–**	**–**	**–**	**1,947**
Tao Bi	**804**	**523**	**–**	**–**	**–**	**1,327**
Zhiyong Liu (i)	**–**	**–**	**–**	**–**	**–**	**–**

(i) Ceased to fulfill his supervising duty since 25 January 2018.

The aggregate amounts of emoluments of supervisors of the Company for the year ended 31 December 2016 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 (i)	–	–	–	–	–	–
Zhiyong Liu (i)	–	–	–	–	–	–
Zhongzhu Wang (i)	942	546	–	–	–	1,488
Tao Bi (i)	602	275	–	–	–	877
Bo Ai (i)	–	–	–	–	–	–
Xiaojun Chen (i)	–	–	–	–	–	–
Hongbo Lv (i)	–	–	–	–	–	–
Yiying Liu (i)	84	–	–	–	–	84
Tao Zhu (i)	192	230	–	–	–	422
Jing Yang (i)	236	93	–	–	–	329
Chi Fai Desmond Lin (i) (ii)	–	–	–	–	–	–

(i) The Company held the first extraordinary general meeting of 2016 on 4 March 2016. Chengran Wang, Zhiyong Liu, Zhongzhu Wang, Tao Bi and Chi Fai Desmond Lin were appointed or re-appointed as supervisors of the sixth session of the Board of Supervisors. Bo Ai, Xiaojun Chen, Hongbo Lv, Yiying Liu, Tao Zhu, and Jing Yang, as supervisors of the fifth session of the Board of Supervisors, ceased to be supervisors of the Company on the date when the sixth session of the Board of Supervisors was formed.

(ii) Resigned on 31 July 2016.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (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 2017, the five individuals whose emoluments were the highest in the Group include 1 (for the year ended 31 December 2016: Nil) director whose emolument was reflected in the analysis presented above.

Details of remuneration of the remaining 4 (for the year ended 31 December 2016: 5) highest paid individuals are as follows: (in RMB thousands)

	For the year ended 31 December	
	2017	2016
Salaries, allowances and benefits in kind	**14,078**	17,686
Bonuses	**18,381**	15,990
Pension scheme contributions	**2,438**	1,825
Total	**34,897**	35,501

The emoluments of the five members of senior management fell within the following bands:

	As at 31 December	
	2017	2016
HK$5,000,001 - HK$5,500,000	**1**	–
HK$6,000,001 - HK$6,500,000	**–**	2
HK$7,000,001 - HK$7,500,000	**1**	–
HK$8,000,001 - HK$9,000,000	**1**	1
HK$9,000,001 - HK$10,000,000	**–**	1
HK$10,000,001 - HK$11,000,000	**–**	1
HK$12,000,001 - HK$13,000,000	**2**	–

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 2017 (All amounts in RMB millions unless otherwise stated)

38 EVENTS AFTER THE REPORTING PERIOD

(1) Dividend

In accordance with the profit distribution plan for the year 2017 approved by the Board on 20 March 2018, with the appropriation to its discretionary surplus reserve of RMB519 million (10% of the net profit for 2017), the Company proposed to distribute cash dividends amounting to RMB1,622 million to all shareholders of the Company at RMB0.52 per share (inclusive of tax). The foregoing profit distribution plan is subject to the approval by the Annual General Meeting.

39 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on 20 March 2018.

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