NCI 新华保险

新華人壽保險股份有限公司
NEW CHINA LIFE INSURANCE COMPANY LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 01336)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

Financial data and indicators in this announcement are prepared in accordance with International Financial Reporting Standards ("**IFRSs**"). Unless otherwise specified, this announcement is based on the consolidated financial data of New China Life Insurance Company Ltd. (the "**Company**", "**NCI**"), and is presented in Renminbi ("**RMB**").

THE LETTER TO SHAREHOLDERS

Dear Shareholders,

China faced complex and severe economic and financial situations in 2018. The domestic and international environments for economic operation have undergone profound changes. Great efforts were made in financial industry to forestall risks and to strengthen regulatory inspection and punishment. The insurance industry witnessed negative growth in the jump start period of 2018 after years of rapid development. Under the fickle market environment, the Company stayed committed to the path of high-quality development, actively prevented operational risks, practically strengthened the supply-side reform and improved customer services. As of the end of 2018, the Company's total assets reached RMB733,929 million, increasing by 3.3% year on year. In 2018, the net profit attributable to shareholders of the Company realized RMB7,922 million, increasing by 47.2% year on year. The Company realized the value of one year's new business of RMB12,210 million, growing by 1.2% year on year. In conclusion, the Company has yielded fruitful results in 2018.

First, market ranking moved up. The Company's renewal-premium-driven growth model has achieved remarkable results against a flat premium growth of life insurance industry in 2018. The renewal premiums amounted to RMB95,860 million in 2018, growing by 24.9% year on year, pushing the Company's gross written premiums (**GWP**) to RMB122,286 million, increasing by 11.9% year on year and market ranking rising by 1 place. As of the end of 2018, its net assets reached RMB65,587 million, growing by 2.9% year on year. The high-quality growth model has laid a solid foundation for the Company's long-term, healthy and stable development.

Second, protection business strengthened. In 2018, under the business strategy of "promoting the sales of primary insurance through riders", protection business of the Company has witnessed a rapid growth. The first year premiums (FYP) from long-term health insurance accounted for 58.7% of FYP from long-term insurance business, growing by 26.0 percentage points year on year, which was leading the insurance industry. The increasing coverage of riders propelled the significant improvement of customer's risk prevention. According to the claim settlement data of 2018, the Company handled 1.72 million cases for 1.08 million customers with the total claim payment of RMB8,060 million. The payment for critical illness insurance increased by 39.2% year on year, and the payment for medical insurance rose by 44.0% year on year. The Company's approach to win reputation through claim settlement has achieved initial results.

Third, business quality improved. Benefiting from the development of health insurance and other protection business, the Company's new business margin increased significantly to 47.9%, rising by 8.2 percentage points year on year. Meanwhile, the persistency ratio continued to rise. The 13-month persistency ratio was 90.7%, increasing by 1.3 percentage points year on year. The 25-month persistency ratio was 84.9%, increasing by 1.9 percentage points year on year.

Fourth, sales team strengthened. In 2018, the Company enhanced both the quality and quantity of its sales team and their capabilities to develop protection business significantly improved. As of the end of 2018, the number of total individual agents reached 370,000, growing by 6.3% year on year. The monthly average performance rate was 52.8%, increasing by 6.0 percentage points year on year.

Fifth, customer service optimized. In terms of the products supply, the Company enriched product pipeline and innovated protection services. In respect of primary insurance, the Company upgraded the popular anti-cancer product Kangaiwuyou. As for riders, we launched a new protection type product for cardiovascular and cerebrovascular disease, which has filled the market gap and been popular among customers. **In terms of the service efficiency**, the core operating indicators saw constant improvement. The average time for underwriting has been shortened to 0.56 days, 12.7% shorter than that of last year. The average time for claim settlement has been cut by 11.9% to 2.07 days. The average time for updating information was 1.04 days, ensuring high and stable efficiency. **In terms of the application of new technologies**, buying insurance via WeChat, artificial intelligence Q&A robot, customer follow-up via WeChat, facial recognition, voice recognition and other new technologies have been widely adopted. Customer service efficiency and customer experience have been improved. **In terms of counter building**, 305 new generation customer-service centers were built throughout the whole year and window service significantly improved.

Sixth, investment business remained stable. The Company adhered to a prudent investment philosophy. The total investment yield of 2018 was 4.6% and there was not a single default in investment business of the Company in 2018. The risk management measures in investment business have withstood the market test.

Seventh, industry supply expanded. On the basis of strengthening main business, the Company actively extended to the health and pension industry and further widened customer base. **In the pension industry**, New China Pension Co., Ltd. has obtained the qualification of investment manager and account manager. Xinhua Village Seniors Service (Beijing) Co., Ltd. was put into operation. The seniors lived there have been looked after well. **In the health industry**, 16 health management centers of New China Life Excellent Health Investment Management Co., Ltd. have completed construction and offered services for nearly 420,000 people annually. Another 3 health management centers are in the process of construction preparation. At the same time, New China Excellent Rehabilitation Hospital Co., Ltd. was officially put into operation and qualified for physical examination, which laid a new foundation for the Company's rehabilitation business.

Eighth, public welfare carried on. The Company has promoted the project of donating insurance to sanitation workers across the country and launched targeted poverty alleviation program. In 2018, 515,000 sanitation workers benefited from the project in 56 cities with accumulative sum assured of personal accident insurance worth RMB51,500 million. Forty-five claim cases were settled in 2018 with the total claim payment of RMB4.01 million. The project was highly praised by local governments and regulatory departments and well recognized by sanitation workers. The Company set up cards and files for a total of nearly 30,000 poor households under the targeted poverty alleviation program and the sum assured donated exceeded RMB3,000 million.

The path towards high-quality development is the flesh of NCI's growth, while loyalty to the Company, grasping opportunities and courage to fight are the spirits of NCI's development. The integration of both flesh and spirit enabled us to hand over this satisfying answersheet. On behalf of the Company's management team, I would like to pay tributes to all colleagues and express my sincere gratitude to shareholders, customers, partners and all sectors of society for your attention and support. It is your support that propels the Company to yield results step by step, to successfully transform the growth model and growth driver and to move persistently forward on the path of high-quality development.

Looking ahead, **there exist opportunities in changes and hopes in challenges for the macroeconomy**. In the short term, China's economy faces downward pressure. In the long run, China is still in the important period of strategic opportunities for development. From the perspective of growth driver, domestic demand is still the fundamental. The demands to preserve and increase the value of wealth, maintain health and care for the seniors will create huge space for the development of the insurance industry. **The financial sector will have both loosening and tightening policies**. Monetary policy will be eased or tightened to the right degree, regulation will continue to be strict and reform and opening up in the financial sector will continue to be deepened. There has been stricter regulation since the establishment of China Banking and Insurance Regulatory Commission ("**CBIRC**") and the regulatory concept has been further transformed into high-quality development. **The life insurance industry has both inheritance and innovation**. The industry will still be in the process of transformation and development with a rising trend of technology empowerment and industrial synergy. There is a broad prospect for product and service innovation in line with the market trend. In short, there coexist challenges and opportunities, difficulties and hopes in the Company's development. However, opportunities outweigh challenges and hopes outweigh difficulties. The life insurance industry is still in an important period of strategic opportunities with great potential. As long as life insurance companies follow the trend and seize opportunities, they are possible and promising to achieve development in changes, overcome difficulties in challenges and create new splendor in competition.

The year 2019 marks the 70th anniversary of the founding of the People's Republic of China. It will be a crucial year for the country to achieve the first Centenary Goal of building a moderately prosperous society in all respects. China's economy calls for higher-quality development. It is imperative for life insurance industry to embark on the path of high-quality development and to serve the country's high-quality development. In the new year, on the basis of strengthening the main life insurance business, the Company will accelerate its pace of high-quality development, actively extend to the health and pension industry and strive to meet the comprehensive needs to prevent risks for customers.

On the new starting point, the Company will make persistent efforts to actively explore a high-quality development path with NCI characteristics which is in line with market law, the industry trend, and meets customers' demands, and will achieve excellent results in return for your care and support.

Executive Director
LI Zongjian
(Acting Chairman)
20 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL ANALYSIS

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

Unit: RMB in millions

Key accounting data	2018	2017	Change	2016	2015	2014
Total revenues	**151,964**	143,082	6.2%	144,796	157,918	142,094
Gross written premiums and policy fees	**122,341**	109,356	11.9%	112,648	111,994	110,067
Profit before income tax	**10,510**	7,330	43.4%	6,482	11,782	7,782
Net profit attributable to shareholders of the Company	**7,922**	5,383	47.2%	4,942	8,601	6,406
Net cash flows from operating activities	**13,768**	7,865	75.1%	7,330	7,449	25,052

	As at 31 December 2018	As at 31 December 2017	Change	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Total assets	**733,929**	710,275	3.3%	699,181	660,560	643,709
Total liabilities	**668,333**	646,552	3.4%	640,056	602,719	595,345
Equity attributable to shareholders of the Company	**65,587**	63,715	2.9%	59,118	57,835	48,359

Key financial indicators	**2018**	2017	Change	2016	2015	2014
Basic weighted average earnings per share attributable to shareholders of the Company *(RMB)*	**2.54**	1.73	46.8%	1.58	2.76	2.05
Diluted weighted average earnings per share attributable to shareholders of the Company *(RMB)*	**2.54**	1.73	46.8%	1.58	2.76	2.05
Weighted average return on equity attributable to shareholders of the Company	**12.25%**	8.76%	3.49pt	8.45%	16.20%	14.63%
Weighted average net cash flows from operating activities per share *(RMB)*	**4.41**	2.52	75.0%	2.35	2.39	8.03

	As at 31 December 2018	As at 31 December 2017	Change	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Net assets per share attributable to shareholders of the Company *(RMB/share)*	**21.02**	20.42	2.9%	18.95	18.54	15.50

Note:

Pt represents percentage point(s), hereinafter the same.

2. Other key financial and regulatory indicators

Unit: RMB in millions

Indicators	**2018/ As at 31 December 2018**	2017/ As at 31 December 2017	Change	2016/ As at 31 December 2016	2015/ As at 31 December 2015	2014/ As at 31 December 2014
Investment assets	**699,826**	688,315	1.7%	679,794	635,688	625,718
Total investment yield[1]	**4.6%**	5.2%	-0.6pt	5.1%	7.5%	5.8%
Gross written premiums and policy fees	**122,341**	109,356	11.9%	112,648	111,994	110,067
Increase rate of gross written premiums and policy fees	**11.9%**	-2.9%	14.8pt	0.6%	1.8%	5.8%
Benefits, claims and expenses	**140,755**	134,334	4.8%	137,008	144,814	132,680
Surrender rate[2]	**4.8%**	5.2%	-0.4pt	6.9%	9.3%	9.2%

Notes:

1. Total investment yield = (total 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).

2. Surrender rate = Surrenders/(Balance of life insurance and long-term health insurance contract liabilities at the beginning of the period + Premium income of long-term insurance contracts).

3. The reasons of the change of main financial indicators.

Unit: RMB in millions

	2018 / As at 31 December 2018	2017 / As at 31 December 2017	**Change**	**Reason(s) for change**
Total assets	**733,929**	710,275	3.3%	The accumulation of insurance business
Total liabilities	**668,333**	646,552	3.4%	The increase of insurance liabilities
Equity in total	**65,596**	63,723	2.9%	The impact of profit for the period
Net profit attributable to shareholders of the Company	**7,922**	5,383	47.2%	Change in discount rate assumption for traditional insurance contract liabilities

4. 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 2018 and the consolidated equity of the Company as at 31 December 2018 as stated in the consolidated financial statements prepared in accordance with the PRC GAAP and the IFRS.

5. The items and reasons for the change beyond 30% in the consolidated financial statements

Unit: RMB in millions

Balance sheet	**As at 31 December 2018**	As at 31 December 2017	**Change**	**Reason(s) for change**
Property, plant and equipment	**11,794**	8,517	38.5%	The purchase of new properties
Investment properties	**7,044**	4,741	48.6%	The purchase of new investment properties
Intangible assets	**3,665**	1,831	100.2%	Increase of land use right
Financial assets measured at fair value through profit or loss	**9,971**	6,532	52.6%	Increase of the allocation of corporate bonds and funds measured at fair value through profit or loss
Term deposits	**64,690**	41,809	54.7%	Increase of allocation of agreement deposit
Statutory deposits	**1,715**	915	87.4%	Increase of paid-in capital of subsidiaries in insurance industry
Financial assets purchased under agreements to resell	**4,318**	2,872	50.3%	The allocation of investment assets and the requirement of liquidity management
Deferred tax assets	**1,777**	36	4836.1%	The increase of deductible temporary differences
Other assets	**4,825**	2,302	109.6%	Increase of receivable from investment clearing account
Unearned premiums liabilities	**1,805**	1,280	41.0%	Increase in short-term insurance business
Financial assets sold under agreements to repurchase	**12,959**	19,925	-35.0%	The allocation of investment assets and the requirement of liquidity management
Benefits, claims and surrenders payable	**5,318**	3,176	67.4%	Increase of maturity and survival benefits payable

Unit: RMB in millions

Income statement	**2018**	2017	**Change**	**Reason(s) for change**
Premiums ceded out	**(1,932)**	(1,264)	52.8%	Increase of business ceded out
Net change in unearned premiums liabilities	**(407)**	(102)	299.0%	Increase of short-term business
Claims and net change in outstanding claims liabilities	**(2,481)**	(1,763)	40.7%	Increase of short-term business
Other expenses	**(564)**	(891)	-36.7%	Exchange loss was included in this account last year, however, the fluctuation of exchange rate of assets in foreign currency resulted in exchange gain this year, which is no longer included in this account
Finance costs	**(1,103)**	(1,714)	-35.6%	Decrease of the interest expense for bond payable
Income tax expense	**(2,587)**	(1,946)	32.9%	Increase of taxable income
Net profit for the year	**7,923**	5,384	47.2%	Change in discount rate assumption for traditional insurance contract liabilities
Total other comprehensive income for the period, net of tax	**(4,388)**	676	N/A	The decrease in the fair value of available-for-sale financial assets due to the downward trend in the capital market
Total comprehensive income for the year	**3,535**	6,060	-41.7%	The decrease in the fair value of available-for-sale financial assets due to the downward trend in the capital market

II. BUSINESS ANALYSIS

i. Insurance business

In 2018, in the face of complicated changes in macroeconomic situation, insurance industry and regulation situation, the Company has pushed ahead with transformation, strengthened the development of protection business, given full play to the advantages of renewal-premium-driven growth model, promoted the steady growth of GWP, improved the business quality and structure constantly.

First, GWP grew rapidly. In 2018, the Company realized GWP of RMB122,286 million, increasing by 11.9% year on year, which was higher than the overall growth rate of the industry. Given that the growth of annuity business was bleak in the first quarter of 2018, the Company promptly adjusted the market strategy and strengthened the development of protection business. The FYP from long-term insurance business amounted to RMB20,811 million, representing the decrease of 27.3% year on year, which was much lower than early 2018. In 2018, the Company realized the value of one year's new business of RMB12,210 million, increasing by 1.2% year on year. The embedded value reached RMB173,151 million, increasing by 12.8% year on year. And the residual margin(1) was RMB195,637 million, increasing by 14.8% compared with RMB170,435 million at the end of last year.

Second, business structure constantly optimized. In terms of premium structure, the renewal premiums contributed 78.4% to GWP, increasing by 8.2 percentage points year on year. The renewal-premium-driven growth model was further consolidated. The first year regular premiums from long-term insurance business accounted for 99.6% of FYP from long-term insurance business. The advantages of transformation were prominent. With respect to term and product structure, FYP from long-term health insurance accounted for 58.7% of the total FYP from long-term insurance business, increasing by 26.0 percentage points year on year. Therefore, the first year premiums from regular premium products with payment periods of ten years or more accounted for 60.8% of first year regular premiums.

Third, business quality improved constantly. The persistency ratio increased, among which 13-month and 25-month persistency ratios of individual life insurance business were 90.7% and 84.9%, increasing by 1.3 and 1.9 percentage points respectively compared with the year 2017. The surrender rate dropped to 4.8%, decreasing by 0.4 percentage points with surrender value down by 2.6% 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.

Unit: RMB in millions

For the year ended 31 December	2018	2017	Change
GWP	**122,286**	109,294	11.9%
First year premiums from long-term insurance business	**20,811**	28,618	-27.3%
Single premiums	**77**	435	-82.3%
Regular premiums	**20,734**	28,183	-26.4%
Regular premiums with payment periods of ten years or more	**12,603**	18,311	-31.2%
Renewal premiums	**95,860**	76,725	24.9%
Premiums from short-term insurance business	**5,615**	3,951	42.1%

Note:

1. To better reflect the business structure, the Company separates out the premiums from short-term insurance business. Based on above changes, premiums in 2017 were restated.

1. Analysis by distribution channels

Unit: RMB in millions

For the year ended 31 December	**2018**	2017	Change
Individual insurance channel			
First year premiums from long-term insurance business	**16,078**	22,097	-27.2%
Regular premiums	**16,020**	21,731	-26.3%
Single premiums	**58**	366	-84.2%
Renewal premiums	**79,808**	63,272	26.1%
Premiums from short-term insurance business	**3,280**	1,914	71.4%
Total	**99,166**	87,283	13.6%
Bancassurance channel			
First year premiums from long-term insurance business	**4,718**	6,487	-27.3%
Regular premiums	**4,714**	6,451	-26.9%
Single premiums	**4**	36	-88.9%
Renewal premiums	**16,043**	13,446	19.3%
Premiums from short-term insurance business	**32**	4	700.0%
Total	**20,793**	19,937	4.3%
Group insurance			
First year premiums from long-term insurance business	**15**	34	-55.9%
Renewal premiums	**9**	7	28.6%
Premiums from short-term insurance business	**2,303**	2,033	13.3%
Total	**2,327**	2,074	12.2%
Gross Written Premiums	**122,286**	109,294	11.9%

Notes:

1. To better reflect the business structure, the Company separates out the premiums from short-term insurance business. Based on above changes, premiums in 2017 were restated.

2. Numbers may not be additive due to rounding.

(1) Individual life insurance business

① Individual insurance channel

In 2018, the individual insurance channel focused on protection business with its core on health insurance and put in place the strategy of "promoting the sales of primary insurance through riders". The individual insurance channel realized premiums of RMB99,166 million, increasing by 13.6% year on year. The first year regular premiums from long-term insurance business amounted to RMB16,020 million, decreasing by 26.3% year on year; and renewal premiums reached RMB79,808 million, growing by 26.1% year on year. Premiums from short-term insurance business reached RMB3,280 million, increasing by 71.4% year on year.

In 2018, the Company was the first to put forward and put into practice the concept of "risk manager" in the industry, reshaping the professional image and improving the professional knowledge of sales team. Their sales abilities were sharpened through protection business and their habits cultivated through riders. Both the quantity and quality of sales team improved steadily. As of the end of 2018, the number of total agents in individual insurance channel reached 370,000, increasing by 6.3% year on year. The monthly average number of performing agents(1) reached 175,000, increasing by 15.9% year on year. The monthly average performance rate(2) was 52.8%, increasing by 6.0 percentage points year on year. Because of the decrease of FYP of annuity insurance, monthly average comprehensive productivity per capita(3) was RMB4,372, decreasing by 24.6% year on year. However, premiums from health insurance have witnessed a rapid growth due to the constant improvement of business structure.

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 average performance rate = monthly average number of performing agents/monthly average number of agents * 100%. 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 2018, the bancassurance channel actively expanded cooperation scope and seized development opportunities. Through special cooperation and product upgrading, the bancassurance channel realized premiums of RMB20,793 million, increasing by 4.3% year on year. The first year regular premiums from long-term insurance business amounted to RMB4,714 million, decreasing by 26.9% year on year. Renewal premiums were RMB16,043 million, increasing by 19.3% year on year. The first year regular premiums from long-term insurance business in wealth management channel amounted to RMB1,241 million, decreasing by 46.4% year on year.

(2) Group insurance

In 2018, premiums from group insurance amounted to RMB2,327 million, increasing by 12.2% year on year. The Company continued to develope policy-oriented health insurance in 2018 with premiums from related health insurance amounting to RMB231 million. The business covered 5.877 million customers, increasing by 667,000 people compared with the end of last year.

2. *Analysis by types of insurance products*

Unit: RMB in millions

For the 12 months ended 31 December	2018	2017	Change
GWP	**122,286**	109,294	11.9%
Participating insurance[2]	**49,687**	51,860	-4.2%
First year premiums from long-term insurance business	**3,045**	11,755	-74.1%
Renewal premiums	**46,642**	40,105	16.3%
Premiums from short-term insurance business	**–**	–	–
Health insurance	**42,571**	31,262	36.2%
First year premiums from long-term insurance business	**12,221**	9,359	30.6%
Renewal premiums	**26,804**	19,477	37.6%
Premiums from short-term insurance business	**3,546**	2,426	46.2%
Traditional insurance	**28,038**	24,712	13.5%
First year premiums from long-term insurance business	**5,545**	7,503	-26.1%
Renewal premiums	**22,373**	17,104	30.8%
Premiums from short-term insurance business	**120**	105	14.3%
Accident insurance	**1,949**	1,420	37.3%
First year premiums from long-term insurance business	**–**	–	–
Renewal premiums	**–**	–	–
Premiums from short-term insurance business	**1,949**	1,420	37.3%
Universal insurance[2]	**41**	40	2.5%
First year premiums from long-term insurance business	**–**	1	-100.0%
Renewal premiums	**41**	39	5.1%
Premiums from short-term insurance business	**–**	–	–
Unit-linked insurance	**–**	–	–
First year premiums from long-term insurance business	**–**	–	–
Renewal premiums	**–**	–	–
Premiums from short-term insurance business	**–**	–	–

Notes:

1. To better reflect the business structure, the Company separates out the premiums from short-term insurance business. Based on above change, premiums in 2017 were restated.

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

3. "–" means less than RMB500,000.

In 2018, the Company strengthened product transformation and witnessed the rapid growth of protection business. The FYP from long-term health insurance reached RMB12,221 million, increasing by 30.6% year on year. Premiums from accident insurance reached RMB1,949 million, increasing by 37.3% year on year.

3. *Analysis by branches*

Unit: RMB in millions

For the 12 months ended 31 December	**2018**	2017	Change
Gross written premiums	**122,286**	109,294	11.9%
Shandong Branch	**11,617**	9,976	16.4%
Henan Branch	**9,974**	8,678	14.9%
Beijing Branch	**9,451**	9,322	1.4%
Guangdong Branch	**7,707**	7,437	3.6%
Hubei Branch	**6,267**	5,707	9.8%
Zhejiang Branch	**5,899**	5,035	17.2%
Shaanxi Branch	**5,780**	4,896	18.1%
Jiangsu Branch	**5,422**	4,668	16.2%
Inner Mengolia Branch	**5,370**	4,857	10.6%
Hunan Branch	**4,715**	4,232	11.4%
Other Branches	**50,084**	44,486	12.6%

As of the end of 2018, the Company has established 35 provincial branches across the country. In 2018, around 59.0% premiums came from 10 branches in economy-developed or populated regions, such as Shandong, Henan and Beijing.

4. *Operation information of insurance products*

(1) Operation of the top 5 insurance products in terms of gross written premiums

Unit: RMB in millions

Rank	Product name	Gross written premiums	Main distribution channel	Surrender value
1	FuxiangYisheng Whole Life annuity insurance (Participating)	10,183	Individual insurance channel	528
2	Jiankangwuyou Type C critical illness insurance	7,482	Individual insurance channel	93
3	Huixinbao Second Generation annuity insurance	6,295	Bancassurance channel	355
4	Jiankangwuyou Type C1 critical illness insurance	4,621	Individual insurance channel	9
5	Multiple Protection critical illness insurance	4,339	Individual insurance channel	8

Rank	Product name	First year premiums
1	Jiankangwuyou Type C1 critical illness insurance	3,835
2	Multiple Protection critical illness insurance	2,951
3	Fuxiang Jinsheng Type A Whole Life annuity insurance (Participating)	2,610
4	Huitianfu annuity insurance	2,480
5	Huitianli endowment insurance	2,081

5. *Business quality and market share*

For the 12 months ended 31 December	2018	2017	Change
Market share[(1)]	**4.7%**	4.2%	0.5pt
Persistency ratio of individual life insurance business			
13-month persistency ratio[(2)]	**90.7%**	89.4%	1.3pt
25-month persistency ratio[(3)]	**84.9%**	83.0%	1.9pt

Notes:

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

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 in millions

For the 12 months ended 31 December	**2018**	2017	Change
Surrender value	**33,039**	33,906	-2.6%
Insurance benefits and claims	**51,135**	38,379	33.2%
Claims	**2,334**	1,736	34.4%
Annuity benefits	**9,865**	8,031	22.8%
Maturity and survival benefits	**33,885**	24,498	38.3%
Casualty and medical benefits	**5,051**	4,114	22.8%
Claims recoverable	**(754)**	(670)	12.5%
Policy dividend	**126**	4	3050.0%
Net change in insurance contract liabilities	**26,422**	30,866	-14.4%
Total	**109,968**	102,485	7.3%

The surrender value decreased by 2.6% year on year mainly due to the decrease of the surrender of participating products.

The claim payment increased by 34.4% year on year mainly due to the steady rise of the accident insurance and short-term health insurance business.

The annuity benefits increased by 22.8% year on year mainly due to the accumulative increase of annuity business.

The maturity and survival benefits increased by 38.3% year on year mainly due to the rise of the maturity of certain participating products.

Casualty and medical benefits increased by 22.8% year on year mainly due to the steady rise of long-term health insurance business.

7. Analysis on commission and brokerage expense

Unit: RMB in millions

For the 12 months ended 31 December	**2018**	2017	Change
Commission and brokerage expense[1]	**16,708**	15,905	5.0%
Participating insurance[2]	**1,816**	4,457	-59.3%
Health insurance	**13,111**	9,373	39.9%
Traditional insurance	**1,143**	1,653	-30.9%
Accident insurance	**637**	416	53.1%
Universal insurance[2]	**1**	6	-83.3%

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 2018, the commission and brokerage expense increased by 5.0% year on year, due to the adjustment of product structure and the increase of first year premiums from long-term health insurance.

8. Analysis on insurance contract liabilities

Unit: RMB in millions

Component	**As at 31 December 2018**	As at 31 December 2017	Change
Unearned premiums liabilities	**1,805**	1,280	41.0%
Outstanding claims liabilities	**1,064**	827	28.7%
Life insurance liabilities	**527,494**	523,016	0.9%
Long-term health insurance liabilities	**64,257**	50,154	28.1%
Insurance contract liabilities in total	**594,620**	575,277	3.4%
Participating insurance[1]	**463,222**	459,875	0.7%
Health insurance	**51,693**	38,254	35.1%
Traditional insurance	**78,743**	76,462	3.0%
Accident insurance	**917**	651	40.9%
Universal insurance[1]	**45**	35	28.6%
Insurance contract liabilities in total	**594,620**	575,277	3.4%

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 2018 increased by 3.4% compared with the end of 2017 due to the increase of insurance business and the accumulation of insurance 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 moderate principle in accordance with the liability feature of insurance business and the fluctuation circle of capital market in terms of asset management business. While stressing on investment return and risk management, the Company optimized investment portfolios and sought steady and sustainable returns under projecting the economic situation and investment climate.

In 2018, the total investment yield was 4.6% and the net investment yield was 5.0%. The main reason for the decrease in the total investment yield is the fluctuation of capital market.

The debt financial assets amounted to RMB459,902 million, accounting for 65.7% of total investment assets, decreasing by 1.6 percentage points compared with the end of last year. Credit risks were released at an accelerated pace in capital market and defaults occurred frequently in 2018. The Company attached great importance to risk prevention and safety, closely followed and eliminated the risks of assets and strictly controlled the qualification of newly-added assets, which effectively avoided the impact of credit risks. There has been no single credit risk event occurred throughout the whole year for the Company. The Company grasped the opportunity in bond investment during interest rate changes, increased the allocation of interest rate bonds and railway bonds. We actively allocated financial products and term deposits when the interest rate was high while balancing yield and principal security.

The equity financial assets amounted to RMB116,058 million, accounting for 16.6% of the total investment assets, reducing by 2.5 percentage points compared with the end of last year. The stock market plummeted in 2018 with gloomy mood among investors. The Company was committed to defensive strategy instead of blindly increasing positions in equity financial assets. We continued to take value investment as criterion rather than speculation, adhered to time the market and actively seized the structural opportunities. The Company pursued investment certainty in stock investment, built up investment portfolio through carefully selecting stocks, strengthened the strategic stocks research and grasped the investment opportunity. We enhanced retracement mechanism in fund investment, maintained low volatility and gained earnings through swing trading.

Furthermore, the Company continued to research domestic and abroad equity investment and domestic real estate investment and prudently carried out relevant investment to explore the diversification of asset allocation.

1. Investment portfolio

Unit: RMB in millions

As at 31 December	**2018** Amount	**2018** Proportion	2017 Amount	2017 Proportion	Change
Investment assets	**699,826**	**100.0%**	688,315	100.0%	1.7%
Classified by investment type					
Term deposits[(1)]	**64,690**	**9.2%**	41,809	6.1%	54.7%
Debt financial assets	**459,902**	**65.7%**	463,468	67.3%	-0.8%
– Bonds	**275,213**	**39.3%**	263,782	38.3%	4.3%
– Trust products	**66,281**	**9.5%**	63,756	9.3%	4.0%
– Debt plans[(2)]	**39,109**	**5.6%**	40,200	5.8%	-2.7%
– Asset funding plans	**10,000**	**1.4%**	20,000	2.9%	-50.0%
– Others[(3)]	**69,299**	**9.9%**	75,730	11.0%	-8.5%
Equity financial assets	**116,058**	**16.6%**	131,370	19.1%	-11.7%
– Funds	**42,298**	**6.1%**	49,818	7.3%	-15.1%
– Stocks[(4)]	**32,243**	**4.6%**	40,112	5.8%	-19.6%
– Others[(5)]	**41,517**	**5.9%**	41,440	6.0%	0.2%
Investments in associates and joint ventures	**4,792**	**0.7%**	4,896	0.7%	-2.1%
Cash and cash equivalents[(1)]	**9,005**	**1.3%**	8,812	1.3%	2.2%
Other investment assets[(6)]	**45,379**	**6.5%**	37,960	5.5%	19.5%
Classified by investment purpose					
Financial assets at fair value through profit or loss	**9,971**	**1.4%**	6,532	0.9%	52.6%
Available-for-sale financial assets	**300,949**	**43.0%**	320,385	46.6%	-6.1%
Held-to-maturity investments	**214,531**	**30.7%**	206,321	30.0%	4.0%
Loans and other receivables[(7)]	**169,583**	**24.2%**	150,181	21.8%	12.9%
Investment in associates and joint ventures	**4,792**	**0.7%**	4,896	0.7%	-2.1%

Notes:

1. Term deposits exclude those with maturity of three months or less, while cash and cash equivalents include term deposits with maturity of three months or less.

2. Debt plans mainly consist of infrastructure and real estate funding projects.

3. Others include 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 and so on.

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 in millions

For the 12 months ended 31 December	**2018**	2017	Change
Interest income from cash and cash equivalents	**138**	113	22.1%
Interest income from term deposits	**2,613**	2,564	1.9%
Interest income from debt financial assets	**23,856**	23,338	2.2%
Dividend income from equity financial assets	**6,235**	6,262	-0.4%
Interest income from other investment assets(1)	**1,486**	1,310	13.4%
Net investment income(2)	**34,328**	33,587	2.2%
Realized gains/(losses) on investment assets	**(932)**	1,766	N/A
Unrealized gains/(losses)	**(379)**	124	N/A
Impairment losses on financial assets	**(1,835)**	(1,097)	67.3%
Share of results of associates and joint ventures	**404**	296	36.5%
Total investment income(3)	**31,586**	34,676	-8.9%
Net investment yield (%)(4)	**5.0%**	5.1%	-0.1 pt
Total investment yield (%)(4)	**4.6%**	5.2%	-0.6 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.

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

As of the end of 2018, the investment in non-standard assets amounted to RMB226,081 million, accounting for 32.3% of the total investment assets, decreasing by 2.7 percentage points compared with the end of last year. In 2018, the Company allocated in real estate investment plan and collective fund trust plans with eligible return and controllable risk, which increased the overall investment yield of the assets. More than 80% of the existing non-standard assets were invested in industries including financial institutions, real estate, infrastructure and etc. The non-standard assets that the Company held had good credit increment measures. In addition to financing entities that regulatory authorities eliminate credit increment requirements, most non-standard assets are taken following credit increment measures, such as mortgage and pledge, joint guarantee, general guarantee, repurchase agreement, imbalance payment commitment and co-managing assets, so the overall credit risks of the non-standard assets are within control.

(1) Ratings

Excluding commercial banking wealth management products, equity financial products and portfolio insurance asset management products not requiring external ratings, the existing non-standard assets of the Company with AAA ratings accounted for 95.1%. The overall credit risk was limited.

Ratings of Financial Products

Credit rating	**Proportion**
AAA	95.1%
AA+	3.2%
AA	1.7%
Total	**100.0%**

(2) Investment portfolio

Unit: RMB in millions

As at 31 December 2018	Amount	Proportion	Proportion change compared with the end of last year	Amount change compared with the end of last year
Non-standard debt investments	184,689	81.7%	-1.2pt	(14,997)
– Trust products	66,281	29.3%	2.8pt	2,525
– Debt plan	39,109	17.3%	0.6pt	(1,091)
– Project asset support plan	10,000	4.4%	-3.9pt	(10,000)
– Wealth management product	64,299	28.5%	-0.8pt	(6,431)
– Perpetual Bond	5,000	2.2%	0.1pt	–
Non-standard equity investments	41,392	18.3%	1.2pt	115
– Asset management plan	13,568	6.0%	-1.4pt	(4,296)
– Private equity	4,443	1.9%	0.2pt	315
– Unlisted equity	18,565	8.2%	2.1pt	3,980
– Equity investment plan	4,700	2.1%	0.2pt	–
– Wealth management product	116	0.1%	0.1pt	116
Total	226,081	100%		(14,882)

(3) Major management institutions

Unit: RMB in millions

Top 10 management institutions of financial products	**Paid Amount**	**Proportion**
Shanghai Pudong Development Bank Co., Ltd.	34,980	15.5%
New China Asset Management Co., Ltd.	20,403	9.0%
Huarong International Trust Co., Ltd.	18,453	8.2%
Industrial Bank Co., Ltd.	16,498	7.3%
Zhongrong International Trust Co., Ltd.	14,543	6.4%
Beijing International Trust Co., Ltd.	8,629	3.8%
Huaneng Guicheng Trust Co., Ltd.	8,194	3.6%
Generali China Asset Management Co., Ltd.	5,697	2.5%
China CITIC Bank Corporation Limited	5,500	2.4%
PICC Capital Investment Management Company Limited	5,070	2.3%
Total	137,967	61.0%

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 CBIRC.

Unit: RMB in millions

	31 December 2018	31 December 2017	Reason(s) for Change
Core capital	**221,299**	192,528	Profit earned for the current period, changes in fair value of available-for-sale financial assets and growth in insurance business
Actual capital	**225,299**	196,528	
Minimum capital	**82,072**	69,773	Growth and structural change of insurance and investment business
Core solvency margin ratio[1]	**269.64%**	275.93%	
Comprehensive solvency margin ratio[1]	**274.51%**	281.67%	

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 2018	31 December 2017
Gearing ratio	**91.1%**	91.0%

2) *Liquidity*

Unit: RMB in millions

For the 12 months ended 31 December	**2018**	2017	Change
Net cash flows from operating activities	**13,768**	7,865	75.1%
Net cash flows from investing activities	**(3,246)**	19,285	N/A
Net cash flows from financing activities	**(10,443)**	(32,362)	-67.7%

The net inflow from operating activities increased by 75.1%, mainly due to the increase of premiums of existing insurance contracts.

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

The net outflow from financing activities decreased by 67.7%, mainly due to the decrease of redemption of financial assets sold under agreements to repurchase and bonds.

3) *Source and use of liquidity*

The principal cash inflows of the Company are 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 arise from surrenders of contract holders and policyholders, defaults by debtors, as well as the fluctuation of interest rate and other market fluctuations. 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 RMB9,005 million. The term deposits of the Company amounted to RMB64,690 million. Substantially all of the Company's term deposits were available for utilization subject to interest losses. Moreover, the investment portfolio of the Company also provided 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 RMB459,902 million, and the book value of equity financial assets amounted to RMB116,058 million.

The principal cash outflows of the Company are 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 in millions

Premiums ceded out	**2018**	2017
Swiss Reinsurance Company Ltd. Beijing Branch	**1,093**	831
China Life Reinsurance Company Ltd.	**571**	377
Others[1]	**268**	56
Total	**1,932**	1,264

Note:

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

IV. FUTURE PROSPECT

Looking into the future, China's economy will maintain a long-term positive trend, and the sustained release of domestic demand will provide strong support for the smooth operation of the economy. In 2019, China will intensify its efforts to cut taxes and fees, which will effectively stimulate the resilience, potential and innovation vitality of economic development. The external environment facing the insurance industry will improve with increasing market competition.

From the perspective of regulation, greater requirements can be expected for high-quality development of the industry. The regulator's power has strengthened since the establishment of CBIRC. It is expected that a series of regulatory measures will be launched one after another, and the high-quality development of the industry will speed up. At the same time, risk prevention efforts will also maintain a high-handed posture.

From the perspective of demand, unleash of residents' security demand will accelerate. As residents' income rises, people will have a stronger desire for a better life, and customers' risk awareness and risk prevention ability will gradually improve, and their ability to select insurance products will be further strengthened. Health insurance, accident insurance and other protection businesses will be the industry's biggest growth point. Long-term saving products will continue to rise, and annuity insurance will occupy a certain proportion in the first-year business.

From the perspective of supply, the supply-side reform of the industry will be deepened. Protection-type products will be further enriched and customer service improved. In 2018, transforming product structure, broadening service supply and improving service quality were the main measures for the industry to pursue high-quality development. It is expected that the above measures will be further implemented in 2019, and protection business will see more fierce competition.

In 2019, the Company will resolutely implement the central government's general requirements of "steady growth, structural adjustment, risk prevention", adhere to the general principle of "maintaining steady growth". We will intensify the supply-side reform, give full play to the advantages of life insurance business, strengthen its synergy with health and pension insurance, continue to optimize products pipeline, sales team and service, and explore the path of high-quality development with NCI characteristics to ease the concern of health care, pension and wealth preservation and appreciation for customers.

The Company will take the following measures in 2019:

First, speed up the development of core business. The Company will respond to customer demands in time, enrich the supply of protection products with the “whole-life, comprehensive and family-wide” principle. We will focus on sales of health insurance and riders to lay a solid foundation for deepening product transformation.

Second, strengthen and enlarge the sales team. With an objective to build a team featuring “high performance rate, high retention rate and high productivity”, we will continue to forge a team with NCI characteristics and advance the transformation towards “risk managers”. On the basis of improving the existing sales team, the Company will actively recruit new agents, strengthen training and enhance management system.

Third, improve customer experience. The Company will apply more new technologies to enhance operation efficiency and expand service to win customers recognition and offer sense of gain.

Fourth, enhance investment management. The Company will stick to prudent investment strategy and proactively prevent and control risks. We will beef up the study of macro-economy, regulatory policies and market trends, grasp investment opportunities and deepen the synergy between assets and liabilities at both strategic and tactical levels.

Fifth, actively and prudently prevent and control risks. The Company will firmly implement the Central Party Committee’s risk prevention requirements, step up efforts to prevent and control risks, continue to improve the risk control system, innovate risk management tools, and clarify risk prevention and control responsibilities while keeping stringent auditing and inspection.

ANNUAL RESULTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – AUDITED

For the year ended 31 December 2018

Unit: RMB in millions

	Notes	For the year ended 31 December **2018**	2017
REVENUES			
Gross written premiums and policy fees	*1*	**122,341**	109,356
Less: premiums ceded out		**(1,932)**	(1,264)
Net written premiums and policy fees		**120,409**	108,092
Net change in unearned premiums liabilities		**(407)**	(102)
Net premiums earned and policy fees		**120,002**	107,990
Investment income	*2*	**31,185**	34,380
Other income	*3*	**777**	712
Total revenues		**151,964**	143,082
BENEFITS, CLAIMS AND EXPENSES			
Insurance benefits and claims	*4*		
Claims and net change in outstanding claims liabilities		**(2,481)**	(1,763)
Life insurance death and other benefits		**(81,182)**	(70,055)
Increase in long-term insurance contract liabilities		**(26,179)**	(30,663)
Policyholder dividends resulting from participating in profits		**(126)**	(4)
Investment contract benefits		**(1,544)**	(1,273)
Commission and brokerage expenses		**(16,711)**	(15,908)
Administrative expenses	*5*	**(11,968)**	(13,777)
Other expenses	*6*	**(564)**	(891)
Total benefits, claims and expenses		**(140,755)**	(134,334)

Note: The Group in this section includes New China Life Insurance Company Ltd., its subsidiaries and its consolidated structured entities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – AUDITED (CONTINUED)

For the year ended 31 December 2018

Unit: RMB in millions

	Notes	**For the year ended 31 December 2018**	2017
Share of profits and losses of associates and joint ventures		**404**	296
Finance costs	*7*	**(1,103)**	(1,714)
Profit before income tax		**10,510**	7,330
Income tax expense	*8*	**(2,587)**	(1,946)
Net profit for the year		**7,923**	5,384
Net profit for the year attributable to:			
– Owners of the parent	*9*	**7,922**	5,383
– Non-controlling interests		**1**	1
Earnings per share (RMB)			
Basic	*10*	**2.54**	1.73
Diluted	*10*	**2.54**	1.73

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – AUDITED (CONTINUED)

For the year ended 31 December 2018

Unit: RMB in millions

	For the year ended 31 December	
	2018	2017
Net profit for the year	**7,923**	5,384
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		
Available-for-sale financial assets		
Gains/(losses) arising from fair value changes	**(16,635)**	2,588
Gains/(losses) transferred to profit or loss from other comprehensive income	**905**	(1,855)
Impairment transferred to profit or loss from other comprehensive income	**1,835**	1,097
Changes in liabilities for insurance and investment contracts arising from net unrealized gains	**8,173**	(1,056)
Currency translation differences	**11**	(13)
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)**	144
Income tax relating to components of other comprehensive income	**1,467**	(229)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**–**	–
Total other comprehensive income for the year, net of tax	**(4,388)**	676
Total comprehensive income for the year	**3,535**	6,060
Total comprehensive income for the year attributable to:		
– Owners of the parent	**3,534**	6,059
– Non-controlling interests	**1**	1

NOTES:

1 GROSS WRITTEN PREMIUMS AND POLICY FEES

Unit: RMB in millions

	For the year ended 31 December	
	2018	2017
Gross written premiums		
– Insurance contracts	**122,286**	109,294
Policy fees		
– Investment contracts	**55**	62
Gross written premiums and policy fees	**122,341**	109,356

2 INVESTMENT INCOME

Unit: RMB in millions

	For the year ended 31 December 2018	2017
Held-to-maturity investments		
– Interest income	**9,536**	9,277
– Net realized gains/(losses)	**178**	–
Available-for-sale financial assets		
– Interest income	**10,479**	10,117
– Dividend income	**6,048**	6,105
– Net realized gains	**(840)**	1,877
– Impairment losses on equity financial assets	**(1,835)**	(1,097)
Financial assets at fair value through profit or loss		
– Interest income	**81**	272
– Dividend income	**187**	157
– Fair value gains/(losses)	**(379)**	124
– Net realized gains/(losses)	**(269)**	(111)
Loans and receivables		
– Interest income	**3,760**	3,672
Interest income from bank deposits	**2,797**	2,708
Interest income from policy loans	**1,368**	1,164
Interest income from financial assets purchased under agreements to resell	**72**	115
Others	**2**	–
Total	**31,185**	34,380
Including:		
Investment income based on the effective interest method	**28,093**	27,325
Investment income from listed investments	**1,574**	5,621
Investment income from unlisted investments	**29,611**	28,759
Total	**31,185**	34,380

3 OTHER INCOME

Unit: RMB in millions

	For the year ended 31 December **2018**	2017
Rental income from investment properties	**251**	260
Government grants	**31**	36
Exchange gain	**95**	–
Others	**400**	416
Total	**777**	712

4 INSURANCE BENEFITS AND CLAIMS

Unit: RMB in millions

	For the year ended 31 December **2018**	2017
Gross		
Claims and change in outstanding claims liabilities	**2,571**	1,923
Life insurance death and other benefits	**81,840**	70,549
Increase in long-term insurance liabilities	**26,515**	30,689
Total	**110,926**	103,161
Recovered from reinsurers		
Claims and change in outstanding claims liabilities	**(90)**	(160)
Life insurance death and other benefits	**(658)**	(494)
Increase/(Decrease) in long-term insurance liabilities	**(336)**	(26)
Total	**(1,084)**	(680)
Net		
Claims and change in outstanding claims liabilities	**2,481**	1,763
Life insurance death and other benefits	**81,182**	70,055
Increase in long-term insurance liabilities	**26,179**	30,663
Total	**109,842**	102,481

5 ADMINISTRATIVE EXPENSES

Unit: RMB in millions

	For the year ended 31 December **2018**	2017
Employee benefit expenses (including directors' emoluments)[1]	**8,788**	10,252
Operating lease expense	**911**	909
Depreciation and amortization	**586**	556
Entertainment fees	**374**	391
Travel and conference fees	**324**	345
Official fees	**281**	283
Insurance guarantee fund	**229**	197
Electronic equipment operating costs	**163**	152
Promotional printing cost	**150**	142
Postal fees	**128**	137
Advertising fees	**75**	87
Auditors' remuneration and consulting fees	**36**	21
Vehicle use fees	**32**	45
Supervision fees	**–**	24
Less: Expenses recoverable from insurers	**(593)**	(273)
Others	**484**	509
Total	**11,968**	13,777

(1) Employee benefit expenses are presented below:

Unit: RMB in millions

	For the year ended 31 December **2018**	2017
Salary and welfare expenses	**6,514**	8,221
Social security costs – pension	**844**	784
Social security costs – other	**700**	593
Including:		
Supplementary defined contribution pension expense	**201**	118
Supplementary medical expense	**20**	22
Housing fund	**503**	441
Employee education and labor union fees	**227**	213
Total	**8,788**	10,252

6 OTHER EXPENSES

Unit: RMB in millions

	For the year ended 31 December **2018**	2017
Tax and surcharges	**166**	169
Depreciation and amortization	**177**	123
Exchange losses	**–**	321
Reversal of provision for receivable from Tian huan Real Estate	**(41)**	–
Others	**262**	278
Total	**564**	891

7 FINANCE COSTS

Unit: RMB in millions

	For the year ended 31 December **2018**	2017
Interest expenses for financial assets sold under agreements to repurchase	**879**	1,240
Interest expenses for the subordinated debts	**224**	474
Total	**1,103**	1,714

8 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:

Unit: RMB in millions

	For the year ended 31 December **2018**	2017
Current tax	**2,843**	1,914
Deferred tax	**(256)**	32
Total income tax	**2,587**	1,946

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

Unit: RMB in millions

	For the year ended 31 December 2018	2017
Profit before income tax	**10,510**	7,330
Tax computed at the statutory tax rate in China	**2,628**	1,833
Non-taxable income (i)	**(2,059)**	(2,069)
Expenses not deductible for tax purpose (i)	**2,009**	2,167
Effect of unrecognized deferred tax assets arising from deductible temporary differences	**28**	25
Use of deductible tax losses of prior years	**(4)**	(4)
Past due income tax paid	**(12)**	(1)
Effect of different tax rate of a subsidiary	**(3)**	(5)
Income tax computed at effective tax rate	**2,587**	1,946

(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.

(3) The movements in deferred tax assets and deferred tax liabilities during the year are as follows:

Unit: RMB in millions

	Financial assets	Insurance liabilities and others	Total
Net deferred tax assets			
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
As at 1 January 2018	(1,581)	1,617	36
Charged to net profit	248	13	261
Charged to other comprehensive income	3,474	(2,007)	1,467
Charged to other reserve	–	13	13
As at 31 December 2018	2,141	(364)	1,777
Net deferred tax liabilities			
As at 1 January 2017	–	(54)	(54)
Charged to net profit	–	–	–
Charged to other comprehensive income	–	–	–
As at 31 December 2017	–	(54)	(54)
As at 1 January 2018	–	(54)	(54)
Charged to net profit	1	(6)	(5)
Charged to other comprehensive income	–	–	–
As at 31 December 2018	1	(60)	(59)

Unit: RMB in millions

	As at 31 December 2018	As at 31 December 2017
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	**3,194**	1,445
– deferred tax assets to be recovered after 12 months	**604**	376
Subtotal	**3,798**	1,821
Deferred tax liabilities		
– deferred tax liabilities to be settled within 12 months	**(1,414)**	(1,297)
– deferred tax liabilities to be settled after 12 months	**(666)**	(542)
Subtotal	**(2,080)**	(1,839)
Total net deferred income tax assets	**1,777**	36
Total net deferred income tax liabilities	**(59)**	(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:

Unit: RMB in millions

	As at 31 December 2018	As at 31 December 2017
Deductible losses	**524**	405
Total	**524**	405

9 NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The net profit attributable to shareholders of the Company for the year ended 31 December 2018 was RMB7,922 million (for the year ended 31 December 2017: RMB5,383 million) which is included in the consolidated financial statements of the Group.

10 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	
	2018	2017
Net profit attributable to shareholders of the Company (RMB in millions)	**7,922**	5,383
Weighted average number of ordinary shares issued (in millions)	**3,120**	3,120
Basic earnings per share (RMB)	**2.54**	1.73

(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 2018 (for the year ended 31 December 2017: same).

11 DIVIDENDS

Pursuant to a resolution passed at the shareholders' general meeting on 27 June 2018, a final dividend of RMB0.52 per ordinary share (inclusive of tax) totalling RMB1,622 million was declared.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – AUDITED

As at 31 December 2018

Unit: RMB in millions

	As at 31 December	
	2018	2017
ASSETS		
Property, plant and equipment	**11,794**	8,517
Investment properties	**7,044**	4,741
Intangible assets	**3,665**	1,831
Investments in associates and joint ventures	**4,792**	4,896
Debt financial assets	**459,902**	463,468
– Held-to-maturity	**214,531**	206,321
– Available-for-sale	**191,773**	194,379
– At fair value through profit or loss	**3,089**	1,168
– Loans and receivables	**50,509**	61,600
Equity financial assets	**116,058**	131,370
– Available-for-sale	**109,176**	126,006
– At fair value through profit or loss	**6,882**	5,364
Term deposits	**64,690**	41,809
Statutory deposits	**1,715**	915
Policy loans	**31,327**	27,000
Financial assets purchased under agreements to resell	**4,318**	2,872
Accrued investment income	**8,019**	7,173
Premiums receivable	**2,307**	2,338
Deferred tax assets	**1,777**	36
Reinsurance assets	**2,691**	2,195
Other assets	**4,825**	2,302
Cash and cash equivalents	**9,005**	8,812
Total assets	**733,929**	710,275

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – AUDITED (CONTINUED)

As at 31 December 2018

Unit: RMB in millions

	As at 31 December	
	2018	2017
LIABILITIES AND EQUITY		
Liabilities		
Insurance contracts		
Long-term insurance contract liabilities	**591,751**	573,170
Short-term insurance contract liabilities		
– Outstanding claims liabilities	**1,064**	827
– Unearned premiums liabilities	**1,805**	1,280
Investment contracts	**40,492**	33,928
Borrowings	**4,000**	4,000
Financial liabilities at fair value through profit or loss	**92**	9
Financial assets sold under agreements to repurchase	**12,959**	19,925
Benefits, claims and surrenders payable	**5,318**	3,176
Premiums received in advance	**1,808**	1,941
Reinsurance liabilities	**462**	237
Provisions	**29**	29
Other liabilities	**7,242**	6,624
Current income tax liabilities	**1,252**	1,352
Deferred tax liabilities	**59**	54
Total liabilities	**668,333**	646,552
Shareholders' equity		
Share capital	**3,120**	3,120
Reserves	**31,056**	33,395
Retained earnings	**31,411**	27,200
Equity attributable to owners of the parent	**65,587**	63,715
Non-controlling interests	**9**	8
Total equity	**65,596**	63,723
Total liabilities and equity	**733,929**	710,275

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – AUDITED

For the year ended 31 December 2018

Unit: RMB in millions

	Attributable to owners of the parent					
	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
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	–	–	(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
For the year ended 31 December 2018						
As at 1 January 2018	**3,120**	**33,395**	**27,200**	**63,715**	**8**	**63,723**
Net profit for the year	**–**	**–**	**7,922**	**7,922**	**1**	**7,923**
Other comprehensive income	**–**	**(4,388)**	**–**	**(4,388)**	**–**	**(4,388)**
Total comprehensive income	**–**	**(4,388)**	**7,922**	**3,534**	**1**	**3,535**
Others	**–**	**(40)**	**–**	**(40)**	**–**	**(40)**
Dividends paid	**–**	**–**	**(1,622)**	**(1,622)**	**–**	**(1,622)**
Appropriation to reserves	**–**	**2,089**	**(2,089)**	**–**	**–**	**–**
Total transactions with owners	**–**	**2,089**	**(3,711)**	**(1,622)**	**–**	**(1,622)**
As at 31 December 2018	**3,120**	**31,056**	**31,411**	**65,587**	**9**	**65,596**

CONSOLIDATED STATEMENT OF CASH FLOWS – AUDITED

For the year ended 31 December 2018

Unit: RMB in millions

	For the year ended 31 December 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**10,510**	7,330
Adjustments for:		
Investment income	**(31,185)**	(34,380)
Finance costs	**1,103**	1,714
Net change in outstanding claims liabilities	**243**	203
Net change in unearned premiums liabilities	**407**	102
Increase in long-term insurance contract liabilities	**26,179**	30,663
Investment contract benefits	**1,544**	1,273
Policy fees	**(55)**	(62)
Depreciation and amortization	**763**	679
Impairment losses on other receivables	**(38)**	4
Losses on disposal of property, plant and equipment	**3**	(18)
Changes in operational assets and liabilities:		
Receivables and payables	**1,918**	(408)
Investment contracts	**5,319**	2,640
Income tax paid	**(2,943)**	(1,875)
Net cash flows from operating activities	**13,768**	7,865
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of financial asset investments		
Proceeds from sales of debt financial assets	**24,866**	7,353
Proceeds from maturities of debt financial assets	**32,076**	98,968
Proceeds from sales of equity financial assets	**95,482**	88,630
Purchases of financial assets investments		
Purchase of debt financial assets	**(50,378)**	(135,692)
Purchase of equity financial assets	**(101,249)**	(106,186)
Proceeds from disposal of property, plant and equipment, intangible assets and other assets	**2**	409
Purchase of property, plant and equipment, intangible assets and other assets	**(7,806)**	(3,994)
Interests received	**26,966**	29,274
Dividends received	**6,183**	6,222
Term deposits, net	**(22,881)**	38,036
Financial assets purchased under agreements to resell, net	**(1,446)**	(548)
Others	**(5,061)**	(3,187)
Net cash flows from investing activities	**(3,246)**	19,285

CONSOLIDATED STATEMENT OF CASH FLOWS – AUDITED (CONTINUED)

For the year ended 31 December 2018

Unit: RMB in millions

	For the year ended 31 December 2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings repaid	**–**	(10,000)
Interests and dividends paid	**(1,793)**	(2,140)
Acquisition of non-controlling interest	**115**	–
Financial assets sold under agreements to repurchase, net	**(8,760)**	(20,222)
Others	**(5)**	–
Net cash flows from financing activities	**(10,443)**	(32,362)
Effect of foreign exchange rate changes	**114**	(206)
Net increase/(decrease) in cash and cash equivalents	**193**	(5,418)
Cash and cash equivalents		
Beginning of the year	**8,812**	14,230
End of the year	**9,005**	8,812
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	**9,005**	8,812
Total of cash and cash equivalents	**9,005**	8,812

SEGMENT INFORMATION

(1) Operating segments

The Group mainly has the following three segments:

(i) Individual insurance business

Individual insurance business relates primarily to the sale of insurance contracts and investment contracts to individuals.

(ii) Group insurance business

Group insurance business relates primarily to the sale of insurance contracts and investment contracts to group entities.

(iii) Other business

Other business relates primarily to the Group's asset management and unallocated income and expenses.

(2) Allocation basis of income and expense

Insurance business income and expense directly attributable to segments will be allocated to each segment; income and expense, such as investment income, which are indirectly attributable to operating segments, will be allocated to each segment in proportion to the respective segment's average insurance contract liabilities and investment contract liabilities at the beginning and end of the accounting period. Non-operating income and expenses and income tax expenses are not allocated but assigned to other business operating segments directly.

(3) Allocation basis of assets and liabilities

Insurance business assets and liabilities directly attributable to operating segments will be allocated to each segment; investment assets and liabilities indirectly attributable to operating segments will be allocated to each segment in proportion to the respective segment's insurance contract liabilities and investment contract liabilities at the end of the accounting period. Statutory deposits, investment properties, property, plant and equipment, intangible assets, other assets, borrowings, provision, deferred tax assets, deferred tax liabilities and current income tax liabilities are not allocated but assigned to other business operating segments directly.

(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 2018, 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

Unit: RMB in millions

	For the year ended 31 December 2018				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	120,014	2,327	–	–	122,341
Less: premiums ceded out	(1,789)	(143)	–	–	(1,932)
Net written premiums and policy fees	118,225	2,184	–	–	120,409
Net change in unearned premiums liabilities	(392)	(15)	–	–	(407)
Net premiums earned and policy fees	117,833	2,169	–	–	120,002
Investment income	30,751	301	84	49	31,185
Including: inter-segment revenue	(45)	(4)	–	49	–
Other income	521	12	798	(554)	777
Including: inter-segment revenue	14	1	539	(554)	–
Total revenues	149,105	2,482	882	(505)	151,964
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(1,102)	(1,379)	–	–	(2,481)
Life insurance death and other benefits	(81,037)	(145)	–	–	(81,182)
Increase in long-term insurance contract liabilities	(26,138)	(41)	–	–	(26,179)
Policyholder dividends resulting from participation in profits	(126)	–	–	–	(126)
Investment contract benefits	(1,385)	(159)	–	–	(1,544)
Commission and brokerage expenses	(16,327)	(384)	–	–	(16,711)
Administrative expenses	(10,809)	(1,075)	(616)	532	(11,968)
Including: inter-segment expenses	(466)	(47)	(19)	532	–
Other expenses	(174)	(21)	(390)	21	(564)
Including: inter-segment expense	–	–	(21)	21	–
Total benefits, claims and expenses	(137,098)	(3,204)	(1,006)	553	(140,755)
Share of results of associates and joint ventures	400	4	–	–	404
Finance costs	(990)	(113)	–	–	(1,103)
Net profit before income tax	11,417	(831)	(124)	48	10,510
Segment assets	688,755	6,850	38,387	(63)	733,929
Segment liabilities	653,705	5,746	8,945	(63)	668,333

Other segment information for the year ended 31 December 2018:

Unit: RMB in millions

Other segment information	**Insurance**		**Others**	**Elimination**	**Total**
	Individual	**Group**			
Capital expenditure	–	–	7,806	–	7,806
Depreciation and amortization	(660)	(67)	(36)	–	(763)
Interest income	27,683	271	104	35	28,093
Impairment	(1,777)	(20)	–	–	(1,797)
Share of results of associates and joint ventures	400	4	–	–	404

Unit: RMB in millions

	For the year ended 31 December 2017				
	Insurance		Others	Elimination	Total
	Individual	Group			
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)
Policyholder dividends resulting from participation in profits	–	–	(4)	–	(4)
Investment contract benefits	(1,070)	(203)	–	–	(1,273)
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

Other segment information for the year ended 31 December 2017:

Unit: RMB in millions

Other segment information	Insurance		Others	Elimination	Total
	Individual	Group			
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

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 IFRSs, amendments to IFRSs and interpretations issued by the International Accounting Standards Board (the "**IASB**"). The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention except for financial instruments measured at fair value and insurance contract liabilities measured based on actuarial methods.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise professional judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the notes to the Group's consolidated financial statements.

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 2018

Amendments	Content
IFRS 2 Amendments	*Classification and Measurement of Share-based Payment Transactions*
IFRS 4 Amendments	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 15	*Revenue from Contracts with Customers*
IFRS 15 Amendments	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
IAS 40 Amendments	*Transfers of Investment Property*
Annual Improvements 2014-2016 Cycle	*Amendments to IFRS 1 and IAS 28*

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

Amendments to IFRS 2 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. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

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 IFRS 17. The amendments introduce two options for entities issuing contracts within the scope of IFRS 4 upon 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, reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2015, for the reason that:

(i) the carrying amount of its liabilities arising from contracts within the scope of IFRS 4, which includes any deposit components or embedded derivatives unbundled from insurance contracts is significant compared to the total carrying amount of all its liabilities;

(ii) the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent.

Since 31 December 2015, there had been no significant change in the activities of the Group that requires reassessment. The Group has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

The associates of the Group, China Jinmao Holdings Group Limited ("**China Jinmao**") and New China Capital International Management Limited ("**New China Capital International**") adopted Hong Kong Financial Reporting Standards 9 Financial Instruments or IFRS 9 Financial instruments for the financial year beginning on 1 January 2018. The Group elected not to make adjustments for the consistency with accounting policies when using equity method.

The additional disclosures about the temporary exemption from IFRS 9 are as follows:

(i) Fair value of financial assets

The table below presents the fair value of the following groups of financial assets (Note) under IFRS 9 as at 31 December 2018 and fair value changes for the year ended 31 December 2018:

	Fair value as at 31 December 2018	**Fair value changes for the year ended 31 December 2018**
Held for trading financial assets (A)	9,971	(604)
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	–	–
Non-Class-A and Non-Class-B financial assets		
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("**SPPI**") (C)	373,821	17,443
– Financial assets with contractual terms that do not meet SPPI terms (D)	207,216	(17,117)
Total	591,008	(278)

Note: Only including financial asset at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets and loans and receivables. All other financial assets held by the Group are financial assets that meet SPPI terms.

(ii) Credit risk exposure

For the financial assets that meet SPPI criterion classified as C, the credit rating of financial assets is assessed by qualified rating agencies in the PRC except for oversea bonds. The credit risk exposure is listed below:

Credit rating of financial assets that meet SPPI criterion	**Carrying amount as at 31 December 2018**
AAA	352,935
AA+	5,941
AA	2,258
Total	361,134

For the oversea bonds that meet SPPI criterion classified as C, Moody's credit rating is used, since there is no domestic rating. The credit risk exposure is listed below:

Credit rating of financial assets that meet SPPI criterion	**Carrying amount as at 31 December 2018**
Baa2	649
Total	649

	As at 31 December 2018	
	Carrying amount	**Fair value**
Financial assets that do not have low credit risk *(Note)*	8,199	8,221

Note: Financial assets that do not have low credit risk refer to financial assets with either credit rating below AAA or Moody's credit rating below Baa3.

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

IFRS 15 and its amendments replace IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised 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 IFRS15 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 judgements and estimates.

The Group has adopted IFRS 15 using the modified retrospective method of adoption since 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

Given insurance contracts are scoped out of IFRS 15, the main impacts of the new standard are on the accounting treatment of income from investment management and other services. Therefore, the adoption of IFRS 15 has had no significant impact on the Group's consolidated financial statements.

IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Considerations

IFRIC 22 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 recognises 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 recognises 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 recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

IAS 40 Amendments – Transfers of Investment Property

The 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. These amendments have had no impact on the Group's consolidated financial statements.

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

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. These amendments are not applicable to the Group's consolidated financial statements.

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 have had no impact on the Group's consolidated financial statements.

(b) New accounting standards and amendments that are effective but temporary exemption is applied by the Group for the financial year beginning on 1 January 2018

Standards/Amendments	**Content**
IFRS 9	*Financial Instruments*

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 has applied the temporary exemption from IFRS 9 and, therefore, continues 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.

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 or 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 models. 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 the Group elects 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 impacts 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.

(c) New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2018

Standards/Amendments	**Content**	**Effective for annual periods beginning on or after**
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
IAS19 Amendments	*Plan Amendment, Curtailment or Settlement*	1 January 2019
IAS 28 Amendments	*Long Term Interest in Associates and Joint Ventures*	1 January 2019
Annual Improvements 2015-2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*	1 January 2019
IFRS 3 Amendments	*Definition of a Business*	1 January 2020
IAS 1 and IAS 8 Amendments	*Definition of Material*	1 January 2020
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

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 9 Amendments – Prepayment Features with Negative Compensation

Amendments to IFRS 9 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 a contract to be measured at amortised cost or at fair value through other comprehensive income, rather than at fair value through profit of loss. 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 recognised in the opening balance of equity. The amendments do not apply to the Group as the Group does not have any debt instruments with prepayment features along with compensation for early termination. 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 recognised in profit or loss. As there is no specific relief on this clarification, this requirement shall be applied retrospectively. According to the assessment performed by the Group, the Group reached the conclusion that its activities are predominantly connected with insurance. The Group has applied the temporary exemption from IFRS9 and, therefore, continues to apply IAS39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

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 elective recognition exemptions for lessees – leases of low-value assets (e.g., personal computers) and short-term leases (i.e., leases with a term of 12 months or less). At the commencement date of a lease, a lessee will recognize liabilities to make lease payments (i.e., the lease liabilities) and assets representing the right to use the underlying assets during the lease term (i.e., the right-of-use assets). The right-of-use assets is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use assets 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 liabilities are subsequently increased to reflect the interest on the lease liabilities and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets. Lessees will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g., a change in the lease term, a 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 liabilities as an adjustment to the right-of-use assets. 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, which is effective for annual periods beginning on or after 1 January 2019, 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 will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effective of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use assets will be measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application and lease contracts of low-value assets. The Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of RMB1,050 million and lease liabilities of RMB892 million will be recognised at 1 January 2019 while other assets will be reduced by RMB158 million respectively, with no corresponding adjustment to the opening balance of retained earnings.

IAS 28 Amendments – Long Term Interest in Associates and Joint Ventures

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

IFRS 17 – Insurance Contracts

IFRS 17 Insurance Contracts, is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS17 is effectively for reporting period beginning on or after 1 January 2021. Early application is permitted, provided the entity also applies IFRS9 and IFRS15 on or before the date it first applies IFRS17. In November 2018, the IASB has tentatively decided to defer the effective date of IFRS 17 by one year to reporting period beginning on or after 1 January 2022. The IASB also tentatively decided to allow insurers qualifying for deferral of IFRS 9 an additional year of deferral, meaning the first time in reporting periods beginning on or after 1 January 2022. At the time of issuance of these consolidated financial statements, the changes to the effective dates have not yet been finalized by the IASB. The Group is currently assessing the impact of the standard upon adoption.

EMBEDDED VALUE

1. KEY ASSUMPTIONS

In determining the value of in-force business and the value of one year's new business as at 31 December 2018, 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 the value of one year's new business is 11.5% p.a.

(2) Investment Returns

The annual investment return assumptions as at 31 December 2018 are shown below for the different funds respectively.

Annual Investment Return Assumptions for VIF and the Value of One Year's New Business as at 31 December 2018

	2019	2020	2021	**2022+**
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, and taking into consideration future morbidity deterioration trend. 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 CBIRC 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.

2. EMBEDDED VALUE RESULTS

The table below shows our embedded value and value of one year's new business as at 31 December 2018 and their corresponding results as at prior valuation date.

Unit: RMB in millions

Valuation Date	**31 December 2018**	31 December 2017
Adjusted Net Worth	**98,892**	93,210
Value of In-Force Business Before Cost of Required Capital Held	**93,183**	79,347
Cost of Required Capital Held	**(18,924)**	(19,083)
Value of In-Force Business After Cost of Required	**74,259**	60,264
Embedded Value	**173,151**	153,474

Notes:

1. Numbers may not be additive due to rounding.

2. The impact of major reinsurance contracts has been reflected in the embedded value.

Unit: RMB in millions

Valuation Date	**31 December 2018**	31 December 2017
Value of One Year's New Business		
Value of One year's New Business Before Cost of Required Capital Held	**14,216**	14,924
Cost of Required Capital Held	**(2,006)**	(2,861)
Value of One year's New Business After Cost of Required Capital Held	**12,210**	12,063

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 2018 and 31 December 2017 were RMB25,467 million and RMB30,419 million respectively.

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

Unit: RMB in millions

Valuation Date	**31 December 2018**	31 December 2017
Value of One Year's New Business by Distribution Channel		
Individual insurance channel	**11,725**	11,440
Bancassurance channel	**579**	683
Group insurance channel	**(94)**	(61)
Total	**12,210**	12,063

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 2018 and 31 December 2017 were RMB25,467 million and RMB30,419 million respectively.

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

3. ANALYSIS OF CHANGE

The analysis of change in Embedded Value from 31 December 2017 to 31 December 2018, calculated at a risk discount rate of 11.5%, is shown below.

Unit: RMB in millions

Analysis of Change in EV from 31 December 2017 to 31 December 2018 at a Risk Discount Rate of 11.5%

1.	**EV at the beginning of period**	153,474
2.	Impact of Value of New Business	12,210
3.	Expected Return	14,129
4.	Operating Experience Variances	3,108
5.	Economic Experience Variances	(5,891)
6.	Operating Assumption Changes	(1,392)
7.	Economic Assumption Changes	(1,096)
8.	Capital Injection/Shareholder Dividend Payment	(1,622)
9.	Others	145
10.	Value Change Other Than Life Insurance Business	88
11.	**EV at the end of period**	173,151

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, taxes and etc.) 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.

4. SENSITIVITY TESTS

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

Unit: RMB in millions

VIF and Value of One Year's New Business Sensitivity Results as at 31 December 2018	**VIF after Cost of Required Capital Held**	**the Value of One Year's New Business after Cost of Required Capital Held**
Scenarios		
Base Scenario	74,259	12,210
Risk Discount Rate at 12%	70,846	11,697
Risk Discount Rate at 11%	77,898	12,756
Investment Return 50bps higher	87,696	13,596
Investment Return 50bps lower	60,770	10,817
Expenses 10% higher (110% of Base)	72,983	11,188
Expenses 10% lower (90% of Base)	75,535	13,232
Discontinuance Rates 10% higher (110% of Base)	72,998	11,596
Discontinuance Rates 10% lower (90% of Base)	75,499	12,837
Mortality 10% higher (110% of Base)	73,556	12,055
Mortality 10% lower (90% of Base)	74,965	12,365
Morbidity and Loss Ratio 10% higher (110% of Base)	71,723	11,382
Morbidity and Loss Ratio 10% lower (90% of Base)	76,802	13,033
Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30%	69,366	12,142

CORPORATE GOVERNANCE

The Company has established the executive committee system and the role of chief executive officer since February 2013. Since March 2016, Mr. WAN Feng, chairman of the board of directors of the Company (the "**Board**"), has been appointed as chief executive officer. The Board was of the view that the roles of chairman and chief executive officer being performed by the same individual could further streamline the Company's management system, improve the Company's operation efficiency, and was conducive to the business development and strategy implementation of the Company. Except for the above, during the reporting period, the Company complied with all the other code provisions in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, and adopted most of the best practices set out therein.

The Board received Mr. WAN Feng's resignation letter on 16 January 2019. Mr. WAN Feng resigned as the chairman of the Board, chief executive officer and all other positions of the Company due to his age. The resignation took effect on 16 January 2019. At the 29th meeting of the sixth session of the Board held on 16 January 2019, Mr. LI Zongjian has been elected to act as the acting chairman of the Board, until the new chairman is elected by the Board. Mr. YANG Zheng has been designated to perform the duties of the chief executive officer of the Company until the appointment of the new chief executive officer.

ANNUAL GENERAL MEETING

The specific arrangements of the annual general meeting will be separately disclosed in the circular for annual general meeting.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

RECOMMENDATION OF 2018 ANNUAL DIVIDEND

The Company plans to distribute an annual dividend of RMB0.77 (including tax) per share to all the A shareholders and H shareholders of the Company for 2018, totaling approximately RMB2,402 million, representing approximately 30.3% of the net profit attributable to shareholders of the Company as contained in the 2018 financial statements of the Company, which meets the minimum percentage requirement of cash distribution as stipulated in the articles of association of the Company.

The aforementioned proposal will be proposed to the shareholders for consideration and approval on the annual general meeting. The Company expects that 2018 annual dividend will be distributed on Friday, 9 August 2019 to all the H Shareholders.

SUBSEQUENT EVENTS

There is no material subsequent event undertaken by the Company after 31 December 2018.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2018. Ernst & Young, the external auditor of the Company, has audited the Company's consolidated financial statements for the year ended 31 December 2018.

The announcement of annual results is based on the Group's audited consolidated financial statements for the year ended 31 December 2018 as agreed with the auditor of the Company.

PUBLICATION OF ANNUAL REPORT

The Company's annual report 2018 will be published on the Company's website (www.newchinalife.com) and the HKExnews website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) in due course.

By Order of the Board
New China Life Insurance Company Ltd.
LI Zongjian
Executive Director, Vice President

Beijing, China, 20 March 2019

As at the date of this announcement, the executive director of the Company is LI Zongjian; the non-executive directors are LIU Xiangdong, XIONG Lianhua, YANG Yi, WU Kunzong, HU Aimin, DACEY John Robert and PENG Yulong; and the independent non-executive directors are LI Xianglu, ZHENG Wei, CHENG Lie, NEOH Anthony Francis and GENG Jianxin.