



NCI 新华保险

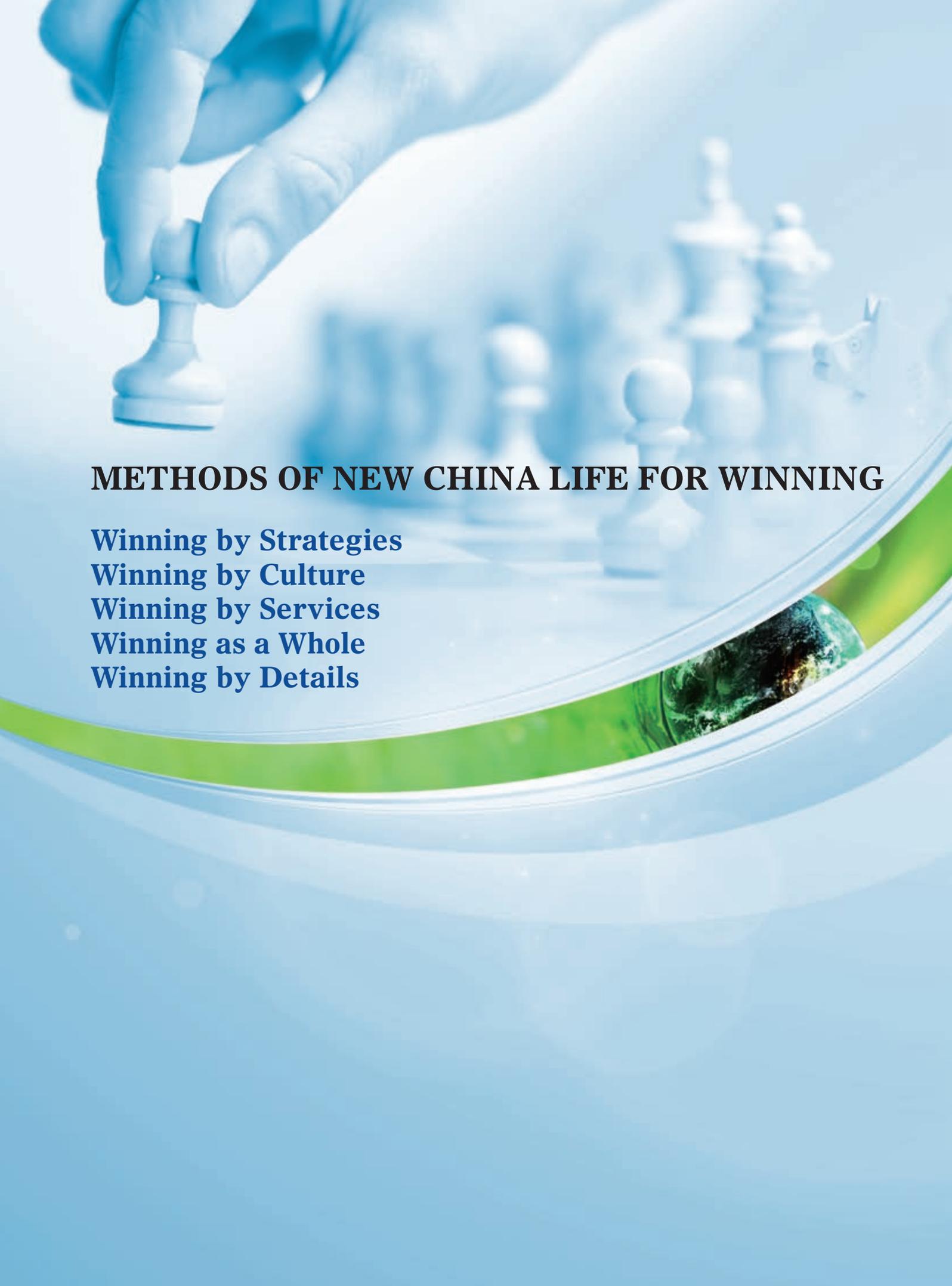
New China Life Insurance Company Ltd.
新华人壽保險股份有限公司

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

Stock Code: 1336



Annual Report 2011

A hand is shown in the upper left corner, moving a white chess piece on a board. The board is white with a green curved border at the bottom. In the background, there are several other chess pieces, a globe, and a cow's head. The overall color scheme is light blue and green.

METHODS OF NEW CHINA LIFE FOR WINNING

Winning by Strategies

Winning by Culture

Winning by Services

Winning as a Whole

Winning by Details

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Cautionary Statements:

In addition to the facts stated herein, this report includes forward-looking statements and analysis, which may differ from the actual results of the Company in the future. The Company does not guarantee its future performance.

You are advised to exercise caution.

SECTION 1 IMPORTANT INFORMATION AND DEFINITIONS

IMPORTANT INFORMATION

1. The board of directors, the board of supervisors and directors, supervisors, and members of senior management of the Company warrant that there are no false representations, misleading statements or material omissions in the contents of the 2011 Annual Report, and are jointly and severally liable for the authenticity, accuracy and completeness of the 2011 Annual Report.
2. The 2011 Annual Report of the Company was considered and approved at the 44th meeting of the fourth session of the Board of the Company on 28 March 2012, which 14 directors were required to attend and 12 of them attended in person. Director ZHAO Haiying and Director WANG Chengran respectively authorized Director MENG Xingguo to attend the meeting and vote on behalf of them.
3. PricewaterhouseCoopers conducted the audit on the 2011 consolidated financial statements of the Company in accordance with International Standards on Auditing and issued the standard unqualified audit report.
4. Mr. KANG Dian, the chairman of the Company, Mr. CHEN Guogang, the Chief Financial Officer, Mr. GONG Xingfeng, the Chief Actuary of the Company and Ms. MENG Xia, the officer in charge of the Accounting Department of the Company warrant the authenticity and completeness of the financial report in the 2011 Annual Report.

SECTION 1 IMPORTANT INFORMATION AND DEFINITIONS

DEFINITIONS

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

“the Company, New China Life”	New China Life Insurance Company Ltd.
“Asset Management Company”	New China Asset Management Co., Ltd., a subsidiary of the Company
“Chongqing Agency”	Chongqing New China Insurance Agency Co., Ltd., a subsidiary of the Company
“Yunnan Agency”	Yunnan New China Insurance Agency Co., Ltd., a subsidiary of the Company
“New China Xiadu”	New China Xiadu Technology Training (Beijing) Co., Ltd., a subsidiary of the Company
“Zijin Century”	Beijing Zijin Century Real Estate Co., Ltd.
“MJ Screening”	Beijing MJ Health Screening Co.,Ltd.
“Huijin”	Central Huijin Investment Ltd.
“Baosteel Group”	Baosteel Group Corporation
“Zurich Insurance”	Zurich Insurance Company Ltd
“CIRC”	China Insurance Regulatory Commission
“CSRC”	China Securities Regulatory Commission
“CBRC”	China Banking Regulatory Commission
“SSF”	the National Council for Social Security Fund of the PRC
“SSE”	Shanghai Stock Exchange
“Hong Kong Stock Exchange or HKSE”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi
“PRC, China or People’s Republic of China”	The People’s Republic of China, excluding for purposes of this report only, Hong Kong, Macao and Taiwan
“Company Law”	The Company Law of the PRC
“Insurance Law”	The Insurance Law of the PRC
“Securities Law”	The Securities Law of the PRC
“PRC GAAP”	China Accounting Standards for Business Enterprises issued by Ministry of Finance of the PRC, and the application guide, interpretation and other related regulations issued afterwards
“Interpretation No. 2”	Interpretation No.2 on Accounting Standards for Business Enterprises issued by China’s Finance Ministry on August 7th, 2008.
“Articles of Association”	The Articles of Association of New China Life Insurance Company Ltd.
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Model Code for Securities Transactions”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“Code on Corporate Governance Practice”	Code on Corporate Governance Practice as set out in Appendix 14 to the Hong Kong Listing Rules
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

SECTION 2 CORPORATE INFORMATION

Legal Name in Chinese: 新華人壽保險股份有限公司

Abbreviation in Chinese: 新華保險

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

Abbreviation in English: NCI

Legal Representative: KANG Dian

Board Secretary and Joint Company Secretary: ZHU Ying

Securities Representative: WANG Hongli

Tel: 86-10-85213233

Fax: 86-10-85213219

Email: ir@newchinalife.com

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

Joint Company Secretary: MOK Ming Wai

Tel: 852-35898678

Fax: 852-35898555

Email: mandy.mok@kcs.com

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

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

Postal Code: 102100

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

Postal Code: 100022

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

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

Email: ir@newchinalife.com

SECTION 2 CORPORATE INFORMATION

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

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

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

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

Stock Exchange for A Share Listing: The Shanghai Stock Exchange

Stock Name for A Share: 新華保險

Stock Code for A Share: 601336

A Share Registrar: China Securities Depository and Clearing Corporation Limited, Shanghai Branch

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

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

Stock Name for H Share: NCI

Stock Code for H Share: 1336

H Share Registrar: Computershare Hong Kong Investor Services Limited

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

Date of Initial Registration: 28 September 1996

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

Registration Number of Business License: 110000009900854

Tax Registration Number: Jing Shui Zheng Zi: 110229100023875

Organization Code: 10002387-5

Domestic Auditor: PricewaterhouseCoopers Zhong Tian Certified Public Accountants Limited Company

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

International Auditor: PricewaterhouseCoopers

Address: 22/F Prince's Building, Central, Hong Kong

PRC Legal Advisor for Securities Matters: Commerce & Finance Law Offices

Address: 6th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC

Hong Kong Legal Advisor for Securities Matters: Davis Polk & Wardwell, Hong Kong Solicitors

Address: 18th Floor, The Hong Kong Club Building, 3A Chater Road, Hong Kong

SECTION 3 SUMMARY OF ACCOUNTING DATA AND OPERATING DATA

I. KEY FINANCIAL DATA FOR THE REPORTING PERIOD

Unit: RMB in millions

Item	Amount
Net profit before income tax	3,275
Net profit attributable to shareholders of the Company	2,799
Net cash flows from operating activities	56,045

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

Unit: RMB in millions

Key accounting data	2011	2010	Year-on-year increase/decrease (%)	2009	2008
Gross written premiums and policy fees	95,151	91,956	3.5%	65,422	47,266
Total revenues	108,610	102,709	5.7%	73,906	48,979
Net profit before income tax	3,275	2,255	45.2%	2,651	182
Net profit for the year	2,800	2,250	24.4%	2,661	651
Net cash flows from operating activities	56,045	61,594	-9.0%	40,800	30,228

	As of 31 December 2011	As of 31 December 2010	Year-end to year-end increase/decrease (%)	As of 31 December 2009	As of 31 December 2008
Total assets	386,771	304,566	27.0%	206,618	164,959
Equity attributable to shareholders of the Company	31,306	6,567	376.7%	4,238	1,380

Section 3 SUMMARY OF ACCOUNTING DATA AND OPERATING DATA

Key financial indicators	2011	2010	Year-on-year increase/decrease (%)	2009	2008
Basic earnings per share (RMB/share)	1.24	1.87	-33.7%	2.22	0.54
Diluted earnings per share (RMB/share)	1.24	1.87	-33.7%	2.22	0.54
Weighted average return on equity (%)	16.84%	41.63%	N/A	94.70%	25.34%
Weighted average net cash flows from operating activities per share (RMB/share)	24.91	51.33	-51.5%	34.00	25.19

	As of 31 December 2011	As of 31 December 2010	Year-end to year-end increase/decrease (%)	As of 31 December 2009	As of 31 December 2008
Net assets per share attributable to shareholders of the Company (RMB/share)	10.04	5.47	83.5%	3.53	1.16

III. OTHER KEY FINANCIAL AND REGULATORY INDICATORS

Unit: RMB in millions

Indicator	2011/as of 31 December 2011	2010/as of 31 December 2010	Year-on-year increase/decrease (%)	2009/as of 31 December 2009	2008/as of 31 December 2008
Investment assets	373,956	292,866	27.7%	196,747	155,752
Total investment yield ⁽¹⁾	3.8%	4.3%	N/A	4.6%	1.1%
Gross written premiums and policy fees	95,151	91,956	3.5%	65,422	47,266
Increase rate of gross written premiums and policy fees	3.5%	40.6%	N/A	38.4%	N/A
Benefits, claims and expenses	104,531	100,192	4.3%	71,062	48,421

Notes:

- Total investment yield = Total investment income/Average investment assets.

IV. THE DISCREPANCY BETWEEN THE PRC GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("PRC GAAP") AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

There is no difference on the consolidated net profit of the Company for the year ended 31 December 2011 and the consolidated equity of the Company as of 31 December 2011 as stated in the consolidated financial statements prepared in accordance with the PRC GAAP and the IFRS.

SECTION 4 A LETTER TO SHAREHOLDERS FROM THE CHAIRMAN OF THE BOARD

KANG Dian
Chairman of the Board

Only those who always firmly stand tall can weather all kinds of temptations and turbulence. In this way, we will solely commit to the areas in which we excel while continuing to take the right course of action. I am fully confident that through our perseverance, New China Life will successfully accomplish the transformation and sustain healthy growth in the long run.



I. PERFORMANCE REVIEW

The year 2011 that just passed was not easy for any of those who engaged in the financial industry. This was especially true for China's life insurance sector, which had been growing rapidly for more than a decade. The insurance sector grew at a slower pace in 2011 compared with previous years, during which the CAGR of premium income almost reached 30%. At the same time, several life insurers experienced noticeable declines in solvency, and certain major indicators in the sector displayed negative growth. Despite facing a grim environment characterized by a slowdown in the life insurance sector and continued high volatility in capital markets, the Company has successfully listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange, raising total proceeds up to RMB12 billion, thanks to the Company's careful and comprehensive preparation and planning as well as the strong support received from the regulators, all of the shareholders and other relevant parties. The Company hence became the first ever Chinese insurer that achieved the "A+H" IPO offering structure simultaneously.

The successful dual listing further expanded the Company's sources of financing as well as improved its capital position and solvency, which has helped lay a solid foundation for the Company to further seize market opportunities, expand product lines, push forward strategic transformations and enhance its comprehensive capabilities.

As at the end of 2011, the total assets of the Company reached RMB386.771 billion, the shareholders' equity attributable to the Company reached RMB31.306 billion and the full-year net profit attributable to shareholders of the Company was RMB2.799 billion. In 2011, the Company continued to maintain growth in its insurance business. The full-year gross written premiums of the Company reached RMB94.797 billion, representing a market share of 9.92%, solidifying its top-three position among peers. The Company proactively drove forward strategic transformation, optimized the business structure and enhanced business quality, hence the proportion of insurance agent channel, the total number

SECTION 4 A LETTER TO SHAREHOLDERS FROM THE CHAIRMAN OF THE BOARD

of agents, the number of high performing agents and new business margin all improved. Faced with the continued volatility in the domestic capital market in 2011, the Company promptly adjusted its asset allocation, employed a defensive investment strategy and raised the proportion of fixed income assets. As a result, the Company maintained a steady and sustained portfolio income with the full-year net investment yield of 4.1%. Through pre-IPO capital raising and the A+H IPO, the capital position of the Company was enhanced substantially and its solvency margin ratio reached 155.95%, in line with adequate solvency level II required by the China Insurance Regulatory Commission ("CIRC"). Therefore, the previous restrictions over the Company's opening of new branches and exploring of more investment channels have been gradually lifted. Meanwhile, in pursuit of IPO, the Company further improved its corporate governance structure and established a transparent risk management and internal control system in compliance with related regulations. The Company had also continuously up-graded its management support system and centralized operation. The first "shared service center" has been put into operation, with a streamlined operational process to provide brand new customer experience.

II. CHALLENGES

Despite these achievements, I still feel as if approaching a deep abyss, or as if treading on thin ice. While the economic situation of the past year was quite turbulent and unpredictable, it is equally impossible to ascertain that the upward pointing dragon horns shown early in the Year of the Dragon will continue to be so in the clouds of uncertainties. Under the current domestic and overseas conditions, it is obviously unrealistic to expect any surprising rebounds in economic fundamentals or capital markets: the political and economic directions in the United States is fraught with uncertainty; the red alarm triggered by the European debt crisis still lingers and renders it difficult to remain optimistic about long-term economic trends; China's economy is facing the difficulty of weak exports and seems to require greater effort in bringing about economic transformation. Given the above factors, one can imagine the difficulties to be confronted by China's life insurance sector.

At the international level, the post-crisis financial industry has returned to a path of re-regulation after the pre-crisis deregulation period over a decade. China is also affected by this trend, which was reflected not

only in the enactment of the *Regulatory Guidelines for Bancassurance Business of Commercial Banks* as from March 2011 but also in the regulators' vision of "enhancing services, tightening regulation, preventing risks, and facilitating development". It is anticipated that the regulators will strengthen their supervision to prevent misleading sales, crack down on commercial bribery, and prevent vicious price wars. While such measures will undoubtedly be critical for the sustainable and sound development of life insurance sector, life insurers will need to adjust product mix and sales model and absorb the unavoidable short-term impacts over their bancassurance businesses that normally account for half of their market. In 2011, we invested significant management resources in the bancassurance business and successfully achieved a significant increase in the growth rate of the Company's gross premium later last year. Retrospectively, however, the impacts of the new regulatory policies were still huge.

The challenges encountered in insurance agent channel should also not be overlooked. New China Life has over 200,000 insurance agents whose average productivity could be described as excellent compared to that of their peers in the sector. However, their average income has not significantly increased from ten years ago despite the fact that China's GDP has grown by many times and its standard of living has improved materially over the time. We find it increasingly difficult to recruit excellent insurance agents. Last year, through initiatives such as recognizing high performing agents, enhancing training and raising individual productivity, as well as increasing the proportion of protection-type products, the new business value (NBV) realized within our insurance agent channel has increased dramatically. Nevertheless, the difficulties in expanding the scale of our team of agents are still evident.

In addition to the challenges facing our distribution channels, our existing customer structure is less than ideal: a significant proportion of our policyholders do not have particularly high incomes and possess a lower risk tolerance, and their demand for insurance products is still in the early stages. Meanwhile, our products and services are not fully differentiated from those of our peers. Consequently, the convergence in offerings across the sector result in vicious price wars being the first choice of action in the competition for customers. In the current financial circumstances, a lack of liquidity

SECTION 4 A LETTER TO SHAREHOLDERS FROM THE CHAIRMAN OF THE BOARD

has resulted in high lending rates as well as a boom in private lending, trust products and high-return wealth management products, all of which pose significant challenges for our not yet diversified savings-type products.

As with our asset management business, the pressure on investment returns resulting from uncertainties in capital markets will not only impact our profitability but also exert pressure on our solvency margin. The shortage of capital will haunt the life insurance sector for some time to not only restrict the investment flexibility but also raise the financing costs. The domestic investment channels currently available to insurance funds are still gradually broadening and to a certain extent life insurers' investment power is still constrained.

In addition, compared to our leading peers, we still lag behind in terms of certain essential capacities such as risk control, operation management, and customer service. Although we exerted quite a significant effort toward these areas in 2011, we will only be able to catch up to other leading life insurers by investing significantly more time, efforts, and capital.

I do believe that we have good reasons to feel confident despite all these challenges. I always believe that life insurance is a special sector compared to others in the financial industry: its business rationale, protection-oriented essence, and the characteristics of liabilities require it not to be a short-term, high-risk, high-volatile sector. I sincerely hope that our shareholders, together with us, will focus on long-term development instead of short-term gains or losses, in order to weather the current hard times and ultimately create a promising future.

III. STRATEGIC MEASURES

A year and a half ago, being aware that an enterprise's business model must comply with economic principles and business logic, New China Life realized the above challenges and embarked its strategic transformation. Our new development strategies have been explained in detail in the IPO prospectus. What I want to emphasize here again is the business logic underlying our "customer-centric strategy".

Being customer-centric

As is well known, the first life table in the world, the Halley's Table, was published in 1693 by Edmond Halley, an English astronomer and mathematician, who conducted analyses and researches on the data containing numbers of deaths and births of people across genders and age groups in Breslau, Germany between 1687 and 1691. The Table laid down the mathematical foundation for life insurance and was not adopted until about 30 years later by the London Insurance Co. for commercial use, reflecting the fact that no material change occurred to the livelihood and longevity of the people during that period of time. In today's China, the case may not apply: the dramatic changes in social forms during a single decade would have been beyond explanation – let alone three decades. Social diversification in China is reflected not only in the great differences in people's lifestyles but also in the unprecedented diversification of ideas and attitudes about life.

Borrowing from the Taoist saying but with a twist: "the unipolar Tao (metaphysics) has already been torn apart." Today we face an incredibly diverse body of life insurance customers. Thus, it is an irresistible trend that the entire sector must respect the basic principles of modern marketing and be customer-centric. That is, we must develop tailored products and services based on customer needs and formulate branding and marketing

SECTION 4 A LETTER TO SHAREHOLDERS FROM THE CHAIRMAN OF THE BOARD

strategies based on customer insight. Starting last year, New China Life began conducting intensive customer researches and mining enormous customer data, thus starting our preliminary customer segmentation. In 2012, we have started developing the differentiated customer strategies to apply and match to corresponding products, services, channels, sales forces and regional markets. We will initiate detailed analyses of all elements involved in the value chain, from front to back offices, and from operations, IT, product development to sales, in order to transform New China Life from a channel-demand driven company into a customer-demand driven one.

Sustaining steady growth of existing businesses

After New China Life's rapid growth over the past 15 years, the significant changes in the external market have brought the timing for its transformation. However, we believe that we should not make any sharp turns. The Company's existing business model, strong sales force and adaptability reflect a high degree of compatibility with China's market, particularly when considering the country's vast landscape, substantial regional differences and enormous population, as well as low life insurance penetration and density. New China Life is expected to maintain significant growth under its existing business model. We started to further improve the Company's operational efficiency two years ago: in 2011, we started to adopt comprehensive budget management, took steps to centralize operations, reinforced risk control and IT infrastructure, and enhanced training for personnel at various levels, all of which laid a solid foundation for our business development. This annual report has reflected our achievements on the above efforts despite the challenges we faced in the marketplace in 2011. Looking forward, we will seek to further improve our profitability and market share by continually optimizing and increasing the efficiency of existing businesses.

At the same time, this strategy is embodied in our continual focus: life insurance and the associated businesses. In choosing a strategy, sometimes deciding what not to do is more important than deciding what to do. As illustrated in *the Art of War*: "with a good knowledge of both ourselves and rivals, a hundred battles can be fought without defeat." Capital is never all-mighty; we are fully aware of the limits of our capacity. Thus, we must focus on the areas of our expertise, optimize the industry and value chain, and make appropriate industrial arrangements based on our core competence, keeping an attitude of a manager abiding by his or her fiduciary duties to shareholders.

Emphasizing value and returning to the essence of life insurance

Over the last decade, many life insurers, including New China Life, quickly captured market share by focusing on business expansion through establishing outlets and expanding sales force. However, providing returns to shareholders is always the ultimate aim that a joint-stock company is expected to achieve and the management must ensure to meet its shareholders' reasonable expectations. On behalf of the Board, I must also supervise, manage and control the processes and results of the management's execution. As we repeatedly emphasized to investors during our pre-listing road shows, we will be committed to increasing New China Life's new business margin, reinforcing cost management, and widening our profit margin. The key to achieving this aim is to return to the essence of life insurance.

We are living in a society that is changing at an unprecedented pace. We see too much chaotic coming and going, too many fast booms and quick busts, too many dazzling shooting stars and deceptively luring pitfalls. As for corporate operations, this type of vain and myopic zeitgeist brings nothing but systematic risks. While I do not wish to describe this era as "the best of times" and "worst of times" as Dickens did in the opening of *A Tale of Two Cities*, this is indeed an era when we must leverage upon our professional rationality and business ethics to steer our business in the right direction. We will ride the wave but not be carried away by the tide; we will strive to capture opportunities presented by trends but refuse to be seduced by luring and fleeting illusions.

Ultimately, successful enterprises strive to understand human nature. If it can be said that many financial companies operate by taking advantage of human greed, then the unique value of insurers is that they draw upon human apprehension to combat this greed. Insurance provides two irreplaceable functions compared with other financial institutions: the protection function of saving small amount constantly to protect against big loss and the long-term function of saving in pieces to withdraw as a whole. The fundamentals and essence of insurance are best described by the time-honored witty sayings, such as "shoring up the hay roof while the sun still shines", "storing grains against a lean year", and

SECTION 4 A LETTER TO SHAREHOLDERS FROM THE CHAIRMAN OF THE BOARD

“farming for three years to save a year’s grain”. In 2011, we began to increase the proportion of protection-type products, such as health insurance, through various measures, such as product combination and bundling; we were neither to compete with banks or trusts in high-return wealth management nor to compete with securities firms in risk-return profile. All these reflect our strategic vision. Looking forward, we will learn more to understand various customers’ different insurance demands, and match them with customized products and services in their preferred marketing approaches so to provide differentiated and unique insurance. This is the core competences of an insurer and only this will enable us to compete with banks and securities firms in the financial industry.

Adhering to reform and innovation

In a world driven by information technology, digital technology and globalization where Steve Jobs and Mark Zuckerberg have succeeded Dale Carnegie and Jack Welch as the business heroes, there seems no need to emphasize the importance of reform and innovation. However, such may not always be the case in China. Many people are satisfied with the follower’s advantage; innovators’ talent seems pale and dim in front of copycats’ counterfeits. In addition, what worries me even more is that I have yet to see any profound ideological or philosophical breakthrough in these dazzling innovations. In my opinion, those glittery and superficial “inventions” can only exert short-lived impacts on an enterprise. True innovation, on the other hand, calls for quiet thinking and continual input and should represent the process of returning to the essence. How much should an enterprise invest in innovation and research & development? How to find a balance between immediate benefits and long-term objectives? How to balance between the pursuit of growth and risk tolerance? I believe the management of every large Chinese enterprise are also searching for answers to these questions.

As discussed above, New China Life is now at the historical crossroads where transformation becomes a must. In the past, New China Life’s innovation capability has consistently been recognized by peers in the sector, which always makes me feel very proud of our outstanding team. Nonetheless, when an enterprise reaches a certain stage or grows into a certain size, its old habits can lead to laziness and inertia and its size can lead to clumsiness. We have always been reminding ourselves to avoid these. In fact, we have been encouraging a corporate culture of respecting innovation and dedication consistently. We encourage, discover and train young employees who are devoted and have the courage to explore, while at the same time fostering for them a tolerant, active, inspiring and promising career environment. In 2011, our innovative wealth management channel has achieved reasonable scale and value; we are also making continuous efforts to explore other opportunities. Since insurers are specialized in risk management, we have the ability to manage the risks arising from transformation and innovation. We are ambitious and confident to make appropriate investment in innovation. We firmly believe that these investments will profoundly boost New China Life as well as produce handsome long-term returns for its shareholders.

Capturing historic opportunities arising from urbanization and aging population

“According to UN forecasts, the proportion of urban population in China is expected to grow to 73% by 2050. The number of urban residents will increase by 382 million, representing an annual increase of 10 million. From 2011 to 2050, the net increase of population aged 65 or older will reach 298 million, representing an annual net increase of 7.64 million people.”

I have repeated the above words so many times in the one-on-one and lunch meetings during the IPO road show last year that I can easily recall all the figures. The

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increase in the Chinese urban population or population aged 65 or older in the next 40 years, in either case, will be equal to the total current population of the United States. Except this, I can cite many more convincing figures to support our strategic vision. I repeatedly require our branch entities to focus on expanding and solidifying their urban businesses, increase the average productivity across the firm-wide network, and raise the proportion of high-income urban residents within our customer base. In 2011, we officially entered the senior care and health care businesses: two health management centers have been established in Xi'an and Wuhan; two senior care projects in Yanqing and Miyun counties have been approved by the Board; the research and development for the corresponding insurance products is actively underway.

As far as the burgeoning senior care and health care businesses are concerned, we are not the adventurer who first discovers a new continent. Our business exploitation in these areas is not so simple as to recklessly rush into unfamiliar businesses. We plan to collaborate with the leading professional senior care and health care providers: we will leverage their successful experience and professional management with the aim to offer our customers quality and attentive services; we will also take advantage of our strong capital resources to leverage the entire industry chain to achieve tangible synergy and win-win situations.

As the Chinese saying goes: *jostling and joyous, the whole world comes after profit; racing and rioting, after profit the whole world goes*. Driven by profits, the commercial world is full of myopic noises. I require our management team to remain sober and focused, block out distractions and execute firmly even when standing alone, as long as the macro trends are ascertained. The insurance sector does not exist simply to pursue capital appreciation. More importantly, it plays a vital role of serving the society and bearing the pivotal social welfare responsibility. We should feel extremely honored to be able to engage in a great undertaking which is not only of commercial nature but also beneficial to a nation's well-being and livelihood.

IV. PROSPECTS

"The heaviest of burdens is therefore simultaneously an image of life's most intense fulfillment. The heavier the burden, the closer our lives come to the earth, the more real and truthful they become. Conversely, the absolute absence of a burden causes man to be lighter than air, to soar into the heights, take leave of the earth and his earthly being, and become only half real, his movements as free as they are insignificant." – Milan Kundera

As discussed above, although it is difficult for us to make the most precise forecast owing to future uncertainties in financial markets, I do believe that only those who always firmly stand tall can weather all kinds of temptations and turbulence. In this way, we will solely commit to the areas in which we excel while continuing to take the right course of action. I am fully confident that through our perseverance, New China Life will successfully accomplish the transformation and sustain healthy growth in the long run.

Following this letter are all the operation data of 2011. They reflect the results of the management and all employees' efforts and hard work throughout the year of 2011. As for the shareholders, I would like to thank you for your investments in New China Life, which allow us to manage the wealth that you created through hard work and entrepreneurship. Just as each insurance policy is a solemn deed containing New China Life's commitments to the policy holder, so too does New China Life's stock code showing on your stock account represent a contractual promise that we must honor. As ever, I myself together with the management will reward shareholders for their confidence with our most dedicated efforts, most professional practices, optimal decisions and utmost sincerity. I hereby share these words as mutual encouragement for us all.

Wish you a fine spring.



KANG Dian

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

(Financial data and indicators in this annual report are prepared in accordance with IFRS and, unless otherwise specified, are consolidated amounts of the Company and its subsidiaries.)

As a major life insurance company in the PRC, the Company is primarily engaged in provision of products and services concerning life insurance to individuals and groups via its national branch network. Meanwhile, the Company also manages its insurance assets through the Asset Management Company controlled by it.

I. KEY OPERATIONAL INDICATORS

Unit: RMB in millions

	For the year ended 31 December	
	2011	2010
Gross written premiums and policy fees	95,151	91,956
Total investment income ⁽¹⁾	12,677	10,426
Net profit for the year attributable to shareholders of the Company	2,799	2,249
Value of one year's new business	4,360	4,741
Market share ⁽²⁾	9.9%	8.9%
Persistency ratio		
Individual life insurance business 13-month persistency ratio (%) ⁽³⁾	91.45%	91.70%
Individual life insurance business 25-month persistency ratio (%) ⁽⁴⁾	88.33%	84.56%
	As of 31 December	
	2011	2010
Total assets	386,771	304,566
Net assets	31,313	6,573
Investment assets	373,956	292,866
Equity attributable to shareholders of the Company	31,306	6,567
Embedded value	48,991	28,084
Amount of customers (in thousands)	27,111	22,580
of which: individual customers	27,052	22,532
of which: institutional customers	59	48

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. Total investment income = interest income from cash and cash equivalents, term deposits, debt securities and other financial assets + dividend income from equity securities + realized gains/(losses) + unrealized gains/(losses) + impairment losses on financial assets.
2. Market share: represent the data from the CIRC, among which, the data for 2010 was not adjusted under Interpretation No. 2, while those for 2011 had reflected such adjustments.
3. 13-month persistency ratio: premiums under in-force regular premium life insurance policies 13 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.
4. 25-month persistency ratio: premiums under in-force regular premium life insurance policies 25 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.

II. BUSINESS ANALYSIS

(I) Life insurance business

In 2011, the world economy witnessed complicated uncertainties. As to the domestic economy, the PRC government has tightened its macro-economic policies in response to the constant high inflation pressure and the depression of capital markets, which affected the development of the life insurance industry. Meanwhile, the insurance industry was confronted with transformation of business model with promulgation of more stringent industrial regulations and further implementation of new bancassurance regulations. As such, market participants were faced with increasing competitions and constantly rising costs, and new challenges were brought to the life insurance business.

In 2011, the gross premium income of the PRC life insurance business has experienced a slowdown in its growth rate. As a large life insurance company in the PRC, the Company has been focusing on delivering excellent life insurance products and services, adhering to reform and innovation while maintaining stable growth for its existing business based on its customers' needs. The Company has also insisted on value and return to the essence of life insurance. With compliance operation and constant improvement in business quality, the Company continued to expand its market share and firmly solidified its market position.

According to data published by the CIRC, in terms of gross premium income (after adjustments made in accordance with Interpretation No. 2), the Company recorded the gross premium income of RMB94,797 million in 2011 and enhanced its market share to 9.9%, ranking the third in the PRC life insurance market.

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Since the first “Shared Service Center” of the Company was put into operation in 2011, the Company has obtained steady progress in centralized operating programmes. Particularly, the Company gradually provided consistent customer experiences by virtue of the gradually implemented centralized operation procedures and offered special services prominent with convenience and efficiency features by virtue of the application of innovative technologies, which has improved its customer services and operation management efficiency. As of 31 December 2011, the life insurance customers of the Company comprised of approximately 27 million individual customers and approximately 59 thousand institutional customers.

1. Analysis by distribution channels

Unit: RMB in millions

	For the year ended 31 December	
	2011	2010
Individual life insurance	93,495	90,599
Of which:		
Individual insurance agent channel	35,871	28,688
First year premiums	9,758	10,418
Regular premiums	8,878	9,526
Single premiums	880	893
Renewal premiums	26,113	18,270
Bancassurance channel	56,692	61,690
First year premiums	30,985	44,318
Regular premiums	7,562	12,214
Single premiums	23,423	32,105
Renewal premiums	25,707	17,372
Wealth management channel	932	221
First year premiums	818	221
Regular premiums	457	150
Single premiums	361	72
Renewal premiums	114	–
Group insurance	1,302	1,080
Total	94,797	91,679

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

(1) *Individual life insurance business*

① Individual insurance agent channel

As to the individual insurance agent channel, sales were conducted catering for customers' insurance requirements in 2011. The total number of individual insurance agents of the Company has been expanding on a stable basis, together with construction for high performing agent teams. As of 31 December 2011, its individual insurance agents amounted to approximately 202 thousand (representing an increase of 1.6% as compared to the end of last year), comprising high performing agents⁽¹⁾ of approximately 25 thousand (representing an increase of approximately 5 thousand as compared to the end of 2010 based on new measurement standards), showing constant reinforcement in the structure of individual insurance agent teams.

The GWP (gross written premiums) contributed by the individual insurance agent channel to the Company was RMB35,871 million in 2011, up by 25.0% as compared to the last year. Included in such income were first year premiums of RMB9,758 million, representing a decrease of 6.3% as compared to the last year. Such decrease was mainly attributable to the Company's business restructuring for individual insurance agent channel as well as its emphasis on the long-term regular products with higher value in 2011. The first year premiums contributed by such regular premium products with premium payment periods of ten years or above increased from RMB4,659 million in 2010 to RMB6,243 million, with the percentage in the first year premium up to 64.0% from 44.7%. Renewal premiums increased by 42.9% as compared to the last year to RMB26,113 million, mainly attributable to the Company's strengthening of the sales of regular premium products in recent years. In 2011, the Company continued to reinforce the renewal team's capacities in acquiring new policies. The first year premiums generated by its renewal team amounted to RMB1,351 million, representing a growth of 74.6% as compared to the last year.

¹ The number of high performing individual insurance agents for a reporting period is an average number calculated by dividing the sum of the monthly numbers of individual insurance agents in the reporting period who have sold at least one insurance policy, which has not been surrendered within one month of being underwritten, with a payment term of more than one year and with standard premiums of no less than RMB7,000 or RMB10,000 (depending on branch location), by the number of months in the reporting period. Standard premium means, with respect to first year premiums of different payment terms, product types and insured periods, the premium income calculated by weighing their respective contributions to the value of the life insurance company. The indicator of high performing individual insurance agents is an internal operational indicator of the Company. From 1 July 2011, the Company has adjusted the previous standard premiums of no less than RMB5,000 or RMB8,000 to the above mentioned standard.

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

② Bancassurance channel

In 2011, with respect of the bancassurance channel, the Company operated the business mainly by means of developing its teams, outlets and customers, in response to the market developments, which have solidified the Company's market position in the bancassurance channel.

The GWP contributed by the bancassurance channel to the Company was RMB56,692 million in 2011, decreased by 8.1% as compared to last year, among which, the first year premiums amounted to RMB30,985 million, representing a decrease of 30.1% as compared to last year, and renewal premiums amounted to RMB25,707 million, representing an increase of 48.0% as compared to last year. The bancassurance channel recorded negative growth, mainly due to the fact that the Notice on Further Strengthening Compliant Sales and Risk Management of Bancassurance Business of Commercial Banks issued by the China Banking Regulatory Commission in 2010 prohibits insurance company staff to be stationed in any bank outlet to sell insurance products, which had certain impact on the bancassurance business. In response to such development, the Company has already initiated adjustments to the development pattern for such business, and will continue to adopt effective measures to maintain the sustainable and healthy development of the bancassurance business.

③ Wealth management channel

The Company established a wealth management department in April 2010, providing insurance products and wealth management services for mid- to high-end customers. Since its establishment, emphasis has been put on such channel. In 2011, the wealth management channel recorded GWP of RMB932 million, representing an increase of 321.7% as compared to last year. Among which, the first year premiums amounted to RMB818 million, representing an increase of 270.1% as compared to last year, and the first year regular premiums amounted to RMB457 million, representing an increase of 204.7% as compared to last year.

(2) *Group insurance business*

In 2011, the GWP generated by the group insurance business amounted to RMB1,302 million, representing an increase of 20.6% as compared to last year.

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

2. Analysis by types of insurance products

Unit: RMB in millions

	For the year ended 31 December	
	2011	2010
GWP	94,797	91,679
Traditional life insurance	704	632
Participating life insurance	87,940	85,998
Universal life insurance	32	27
Unit-linked insurance	0 ⁽¹⁾	0 ⁽¹⁾
Health insurance	5,255	4,301
Accident insurance	866	721

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

In 2011, the Company realized GWP of RMB94,797 million, representing an increase of 3.4% as compared to the last year, among which, the premiums generated by participating insurance business amounted to RMB87,940 million, representing an increase of 2.3% as compared to the last year and accounting for 92.8% of the GWP, which indicated that participating insurance was still the core business of the Company. Premiums generated from health insurance business were RMB5,255 million, representing an increase of 22.2% as compared to the last year and accounting for 5.5% of the GWP. Premiums generated by other types of life insurance amounted to RMB1,602 million in aggregate, accounting for 1.7% of the GWP.

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

3. Analysis by geographic regions

Unit: RMB in millions

	For the year ended 31 December	
	2011	2010
GWP	94,797	91,679
Beijing	9,719	10,045
Guangdong	8,177	7,479
Henan	7,110	6,637
Shanghai	6,617	7,360
Shandong	6,315	5,321
Hubei	5,503	5,622
Sichuan	5,327	5,368
Jiangsu	4,571	4,449
Hunan	4,197	3,984
Hebei	3,265	3,737
Sub-total	60,801	60,002
Other regions	33,996	31,677
Total	94,797	91,679

In 2011, approximately 64.1% of the premiums were contributed by the regions with relatively developed economy or dense population, such as Beijing, Guangdong, Henan, Shanghai, Shandong, Hubei, Sichuan, Jiangsu, Hunan and Hebei, etc.

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Asset management business

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

In 2011, based on the characteristics of liabilities of insurance business and fluctuation cycles of capital markets, the Company proactively improved its allocation for investment portfolio, properly increased the proportion of fixed-income assets, in order to enhance net investment yield and maintain stable and sustainable investment income. As to the equity investment, the overall income from equity investments declined due to the fluctuation of domestic equity capital markets in 2011. However, the Company still recorded certain realized gains by timing the market.

1. Investment portfolio

Unit: RMB in millions

	As of 31 December	
	2011	2010
Investment assets	373,956	292,866
Classified by investment type		
Term deposits ⁽¹⁾	122,949	55,210
Debt securities	190,464	164,726
Equity securities ⁽²⁾	29,051	38,874
– Funds	12,077	16,356
– Stocks	16,974	22,518
Cash and cash equivalents ⁽¹⁾	21,095	27,368
Other investment assets ⁽³⁾	10,397	6,688
Classified by investment purpose		
Financial assets at fair value through income	5,529	6,895
Available-for-sale financial assets	72,876	74,689
Held-to-maturity securities	141,090	122,016
Loans and receivables ⁽⁴⁾	154,461	89,266

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. Cash and cash equivalents include term deposits with original maturity within 3 months, while term deposits exclude those with original maturity within 3 months.
2. Equity securities exclude investments in associates.
3. Other investment assets include statutory deposits, policy loans, financial assets purchased under agreements to resell and accrued investment income, etc.
4. Loans and receivables mainly include term deposits, cash and cash equivalents, statutory deposits, policy loans, financial assets purchased under agreements to resell and accrued investment income, etc.

As of the end of 2011, the Company had investment assets of RMB373,956 million, increased by 27.7% as compared to the end of last year. Such increase was mainly attributable to the cash inflows from the insurance business and the proceeds raised from the listing.

As of the end of 2011, term deposits accounted for 32.9% of the investment assets, representing an increase of 14.0 percentage points as compared to the end of last year, which was mainly due to the prompt adjustments of asset allocation strategies based on the trends of interest rates. The Company increased the proportion of term deposits, especially those with maturity of 5 years or above.

As of the end of 2011, debt securities accounted for 50.9% of the investment assets, representing a decrease of 5.3 percentage points as compared to the end of last year. Such decrease was mainly due to the decrease of proportion of financial bonds.

As of the end of 2011, equity securities accounted for 7.8% of the investment assets, representing a decrease of 5.5 percentage points as compared to the end of last year. Such decrease was mainly due to the reduction of equity assets positions as the Company promptly adjusted assets allocation strategies based on the prevailing market developments.

As of the end of 2011, cash and cash equivalents accounted for 5.6% of the investment assets, representing a decrease of 3.7 percentage points as compared to the end of last year. Such decrease was mainly attributable to the requirements for liquidity management. The increase of other investment assets was mainly arising from the increases in accrued investment income and policy loans.

In terms of investment purposes, as of the end of 2011, investment assets of the Company mainly comprised of loans and receivables and held-to-maturity securities. Investments in loans and receivables increased by 73.0% as compared to the end of last year, mainly due to the increase in term deposits.

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

2. *Investment income*

Unit: RMB in millions

	For the year ended 31 December	
	2011	2010
Interest income from cash and cash equivalents	110	66
Interest income from term deposits	4,842	1,764
Interest income from debt securities	7,639	6,638
Dividend income from equity securities	938	763
Interest income from other investment assets ⁽¹⁾	130	45
Net investment income ⁽²⁾	13,659	9,276
Realized gains	1,150	1,424
Unrealized losses	(1,228)	(158)
Impairment losses on financial assets	(904)	(116)
Total investment income ⁽³⁾	12,677	10,426
Net investment yield (%)	4.1%	3.8%
Total investment yield (%)	3.8%	4.3%

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

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

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

The Company achieved total investment income of RMB12,677 million in 2011, representing an increase of 21.6% as compared to last year; the total investment yield was 3.8%, representing a decrease of 0.5 percentage points as compared to last year.

The Company achieved net investment income of RMB13,659 million, representing an increase of 47.3% as compared to last year; the net investment yield was 4.1%, representing an increase of 0.3 percentage point as compared to last year. Such increase was mainly attributable to the significant increase in interest income from term deposits and debt securities.

Total realized and unrealized gains and losses, and impairment losses on financial assets amounted to RMB982 million, mainly because the fair value of equity securities held by the Company experienced a substantial decrease due to the volatility of the domestic equity market in 2011.

III. PRINCIPAL CONTENTS AND ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS

(I) Principal consolidated results

Unit: RMB in millions

	As of/For the year ended		Increase/ decrease (%)	Principal reason
	31 December 2011	2010		
Total assets	386,771	304,566	27.0%	Expanding business scale and proceeds from the listing
Total liabilities	355,458	297,993	19.3%	Expanding business scale
Total shareholders' equity	31,313	6,573	376.4%	Capital raising and proceeds from the listing
Net profit before income tax	3,275	2,255	45.2%	Improvement of the insurance business results
Net profit attributable to shareholders of the Company	2,799	2,249	24.5%	Improvement of the insurance business results

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS**(II) Analysis of principal components of consolidated statement of financial position****1. Principal assets**

Unit: RMB in millions

Component	As of 31 December	
	2011	2010
Debt securities	190,464	164,726
– Held-to-maturity	141,090	122,016
– Available-for-sale	46,866	38,119
– At fair value through income	2,488	4,591
– Loans and receivables	20	–
Equity securities	29,051	38,874
– Available-for-sale	26,010	36,570
– At fair value through income	3,041	2,304
Term deposits	122,949	55,210
Statutory deposits	522	242
Policy loans	2,055	820
Financial assets purchased under agreements to resell	79	640
Accrued investment income	7,741	4,986
Cash and cash equivalents	21,095	27,368
Other assets not included in the above assets	12,815	11,700
Total	386,771	304,566

Debt securities

As of the end of the reporting period, debt securities increased by 15.6% as compared to the last year, primarily due to the expanding scale of held-to-maturity securities.

Equity securities

As of the end of the reporting period, equity securities decreased by 25.3% as compared to the last year, primarily because the Company decreased the proportion of equity securities in the investment assets due to the increase in interest rates of term deposits and the fair value of equity securities declined due to the volatile equity market in the second half of 2011.

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Term deposits

As of the end of the reporting period, term deposits increased by 122.7% as compared to the last year, primarily because the Company increased the proportion of term deposits in the investment assets given the increase in interest rates of term deposits.

Statutory deposits

As of the end of the reporting period, statutory deposits increased by 115.7% as compared to the last year, primarily due to the increase in the registered capital arising from the capital injection of the shareholders prior to the listing.

Policy loans

As of the end of the reporting period, policy loans increased by 150.6% as compared to the last year, primarily because some policyholders chose policy loans for financing under the tightened monetary policy in 2011.

Financial assets purchased under agreements to resell

As of the end of the reporting period, financial assets purchased under agreements to resell decreased by 87.7% as compared to the last year, which was primarily due to the requirements for liquidity management.

Accrued investment income

As of the end of the reporting period, accrued investment income increased by 55.3% as compared to the last year, which was mainly due to the growth of total interest-earning investment assets.

Cash and cash equivalents

As of the end of the reporting period, cash and cash equivalents decreased by 22.9% as compared to the last year, mainly because of the transfer of the proceeds from shareholders' capital injection of approximately RMB14 billion from cash and cash equivalents upon the approval of such capital injection in March 2011 and of the requirements for liquidity management. Most of its cash and cash equivalents were denominated in RMB and assets denominated in HK and US dollars accounted for approximately 38.5% of the total cash and cash equivalents.

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS**2. Principal liabilities**

Unit: RMB in millions

Component	As of 31 December	
	2011	2010
Insurance contracts	293,814	234,625
Long-term insurance contracts liabilities	292,818	233,821
Short-term insurance contracts liabilities		
– Outstanding claims liabilities	392	274
– Unearned premiums liabilities	604	530
Investment contracts	19,001	19,912
Borrowings	5,073	–
Financial assets sold under agreements to repurchase	32,481	24,712
Other liabilities not included in the above liabilities	5,089	18,744
Total	355,458	297,993

Insurance contracts liabilities

As of the end of the reporting period, insurance contracts liabilities increased by 25.2% as compared to the last year, primarily due to the growth of the insurance business and the accumulation of the insurance obligations. As of the balance sheet date, liabilities for various insurance contracts of the Company passed adequacy tests.

Investment contracts liabilities

As of the end of the reporting period, investment contracts liabilities decreased by 4.6% as compared to the last year, mainly as a result of the decrease in the in-force investment contracts business.

Borrowings

As of the end of the reporting period, borrowings increased to approximately RMB5,073 million, primarily because the Company issued subordinated debt in an amount of RMB5,000 million in 2011, which is a 10-year debt with fixed rate, having an issue rate of 5.7%. The Company has the right to redeem the debt in whole or in part at the end of the fifth year. If the Company does not exercise the redemption right, the interest rate will be increased to 7.7% per annum beginning on the sixth year.

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Financial assets sold under agreements to repurchase

As of the end of the reporting period, financial assets sold under agreements to repurchase increased by 31.4% as compared to the last year, primarily due to the requirements for liquidity management.

3. *Shareholders' equity*

As of the end of the reporting period, the shareholders' equity attributable to the Company amounted to RMB31,306 million, representing an increase of 376.7% as compared to the last year, mainly because the Company completed the capital injection from the shareholders prior to the listing and completed the initial public offering during the reporting period respectively, which significantly expanded the Company's capital base.

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

1. *Revenues*

Unit: RMB in millions

Component	For the year ended 31 December	
	2011	2010
Gross written premiums and policy fees	95,151	91,956
Less: premiums ceded out	584	32
Net written premiums and policy fees	95,735	91,988
Net change in unearned premiums liabilities	(71)	(128)
Net premiums earned and policy fees	95,664	91,860
Investment income	12,754	10,521
Other income	192	328
Total	108,610	102,709

Gross written premiums and policy fees

During the reporting period, the growth rate of gross written premiums and policy fees was only 3.5%, representing a slowdown as compared to the last year, which was primarily due to the decrease in the bancassurance and the optimization of the business structure of the Company.

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Premiums ceded out

During the reporting period, premiums ceded out changed by 1,725.0% as compared to the last year. The change was mainly due to an increase in surrenders from a participating endowment insurance product we sold on a large scale since 2006 and such surrenders were proportionally recovered from reinsurers.

Net change in unearned premiums liabilities

During the reporting period, net change in unearned premiums liabilities decreased by 44.5% as compared to the last year, mainly because since 2010 the Company terminated a quota share reinsurance agreement which was applicable to all short-term insurance business, thus the net change in unearned premiums liabilities was higher in 2010.

Investment income

During the reporting period, investment income increased by 21.2% as compared to the last year, partially due to the fact that the interest income from term deposits and debt securities increased, with the increasing proportion of fixed-income products in the investment portfolio. It was also partially due to the sharp decrease in the fair value of the equity securities held by the Company as a result of the continued volatility of the domestic equity market in 2011, leading to a certain loss arising from fair value change and impairment losses on financial assets.

2. *Benefits, claims and expenses*

Unit: RMB in millions

Component	For the year ended	
	2011	2010
Insurance benefits and claims	(87,151)	(83,611)
Claims and net change in outstanding claims liabilities	(867)	(702)
Life insurance death and other benefits	(20,311)	(12,548)
Increase in long-term insurance contracts liabilities	(65,973)	(70,361)
Investment contracts benefits	(635)	(772)
Commission and brokerage expenses	(7,317)	(7,252)
Administrative expenses	(9,229)	(8,410)
Other expenses	(199)	(147)
Total	(104,531)	(100,192)

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Claims and net change in outstanding claims liabilities

During the reporting period, claims and net change in outstanding claims liabilities increased by 23.5%, primarily due to the business growth and the increase in the accumulated volume of policies of the Company.

Life insurance death and other benefits

During the reporting period, life insurance death and other benefits increased by 61.9%, primarily due to the increase in surrenders. The increase in surrenders was primarily arising from a participating endowment insurance product of the Company sold on a large scale since 2006. Since the cash value of such a participating product at the end of its fifth year exceeded its premium paid, in combination with the rising interest rate environment in the PRC, some policyholders chose to surrender their policies starting from the end of the fifth year, resulting in an increase of surrenders since 2011.

Increase in long-term insurance contracts liabilities

During the reporting period, increase in long-term insurance contracts liabilities decreased by 6.2% as compared to last year, partially due to a significant increase in surrenders of the Company in 2011 as compared to the last year, resulting in the decline in long-term insurance contracts liabilities. In addition, the business structure adjustment, especially the increasing proportion of long-term regular premium products, lead to the decline in increase in long-term insurance contracts liabilities to a certain extent as compared to last year.

Commission and brokerage expenses

During the reporting period, commission and brokerage expenses increased by 0.9% as compared to last year, primarily due to the business growth and structure adjustment.

Administrative expenses

During the reporting period, administrative expenses increased by 9.7% as compared to the last year, primarily due to the expanding business scale and the increase in salary and welfare expenses.

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS**3. Income tax**

During the reporting period, income tax amounted to RMB475 million, representing an increase of 9,400.0% as compared to the last year, primarily due to the increase in deferred income tax and current income tax. Deferred tax assets and liabilities of the Company primarily resulted from the difference between the carrying amount and the tax base of the financial assets carried at fair value and were therefore impacted by fluctuations in the fair value of the financial assets. The increase in current income tax was due to the change in the current taxable profit as a result of the increase in the current profit. The effective tax rate of the Company was 14.5% in 2011.

4. Net profit

During the reporting period, the Company achieved net profit attributable to the Company amounting to RMB2,799 million, representing an increase of 24.5% as compared to the last year, primarily due to the continued optimization of the business structure during the business development and the increase of investment income along with the expansion of investment assets and the enhanced efficiency of funds utilization.

5. Other comprehensive (losses)/income

During the reporting period, other comprehensive losses were RMB3,693 million, switched from a profit in the previous year, primarily due to the decrease in the fair value of the available-for-sale financial assets.

(IV) Analysis of consolidated statement of cash flows

Unit: RMB in millions

	For the year ended	
	31 December	
	2011	2010
Net cash flows from operating activities	56,045	61,594
Net cash flows from investing activities	(85,894)	(71,722)
Net cash flows from financing activities	23,677	24,921

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

1. *Net cash flows from operating activities*

Net cash flows from operating activities of the Company in 2011 and 2010 amounted to RMB56,045 million and RMB61,594 million respectively. Cash inflows from operating activities of the Company were primarily comprised of cash premiums received. Cash premiums received from existing insurance contract of the Company in 2011 and 2010 amounted to RMB94,444 million and RMB91,240 million respectively. Increase in cash premiums was primarily due to continuous growth in premiums income as a result of consistent development in the scale of the Company's insurance business.

Cash outflows from operating activities of the Company in 2011 and 2010 amounted to RMB39,497 million and RMB30,035 million respectively. Cash outflows from operating activities of the Company were primarily comprised of claims and benefits expenses, commission and brokerage expenses paid in cash, cash paid to or for employees, and other cash payments related to operating activities. Claims expenses from existing insurance contract of the Company in 2011 and 2010 amounted to RMB21,012 million and RMB12,981 million respectively. The change was due to the increase of benefits and claims paid out arising from the Company's business growth.

2. *Net cash flows from investing activities*

Net cash flows from investing activities of the Company in 2011 and 2010 amounted to negative RMB85,894 million and negative RMB71,722 million respectively. Cash inflows from investing activities of the Company in 2011 and 2010 amounted to RMB134,437 million and RMB167,161 million respectively. Cash inflows from investing activities of the Company were primarily comprised of cash received from recovery of investments, cash received from investment returns and cash received from financial assets purchased under agreement to resell, etc.

Cash outflows from investing activities of the Company in 2011 and 2010 amounted to RMB220,331 million and RMB238,883 million respectively. Cash outflows from investing activities of the Company were primarily comprised of cash paid for investments, net increase in policy loans, cash paid for purchase of property, plant and equipment, intangible assets and other assets, and cash paid for financial assets purchased under agreements to resell, etc.

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS**3. Net cash flows from financing activities**

Net cash flows from financing activities of the Company in 2011 and 2010 amounted to RMB23,677 million and RMB24,921 million respectively. Cash inflows from financing activities of the Company in 2011 and 2010 amounted to RMB1,354,725 million and RMB509,006 million respectively. Cash inflows from financing activities of the Company were primarily comprised of proceeds from share issuance and cash received from sale of financial assets under agreements to repurchase, etc. Prior to 31 December 2011, the Company received net proceeds of RMB11,633 million from listing of its A shares and H shares in Shanghai and Hong Kong respectively.

Cash outflows from financing activities of the Company in 2011 and 2010 amounted to RMB1,331,048 million and RMB484,085 million respectively. Cash outflows from financing activities of the Company were primarily comprised of cash paid for financial assets sold under agreements to repurchase and repayment of borrowings, etc.

IV. SOLVENCY

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

Unit: RMB in millions

	As of 31 December		Reason of change
	2011	2010	
Actual capital	23,866	4,402	Capital injection from shareholders, proceeds from the listing, issuance of subordinated debts, earnings for the current period and changes in fair value of financial assets
Minimum capital	15,304	12,583	Growth in insurance business
Surplus/(shortfall)	8,562	(8,181)	
Solvency margin ratio (%)	155.95%	34.99%	

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

V. GEARING RATIO

	31 December	
	2011	2010
Gearing ratio (%)	91.9%	97.8%

Note: Gearing ratio = Total liabilities/Total assets

VI. REINSURANCE BUSINESS

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

During 2011, premiums ceded out of the Company were set out as follows:

Unit: RMB in millions

	For the 12 months ended 31 December	
	2011	2010
China Life Reinsurance Company Ltd. ⁽¹⁾	(666)	(102)
Swiss Reinsurance Company Ltd., Beijing Branch	76	65
Others ⁽²⁾	6	5
Total	(584)	(32)

Notes:

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

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

VII. OPERATIONS OF MAJOR SUBSIDIARIES AND ASSOCIATES DURING THE REPORTING PERIOD

Profiles of subsidiaries and associates of the Company as of 31 December 2011 are as follows:

Unit: RMB in millions

Company name	Major business scope	Registered capital	Shareholding percentage	Total assets	Net assets	Net profit
Asset Management Company	Management and utilization of self-owned capital and insurance funds; entrusted capital management; consulting business relevant to the assets management business; other assets management business permitted by applicable PRC laws and regulations	100	97%	624	222	32
New China Xiadu	Job skill training (excluding motor vehicle driver training), human resources training, conference services, exhibitions and organization of culture exchange activities, sports training, and information consultancy (excluding agency services)	1	100%	395	(26)	(13)
Yunnan Agency	Agency for sales of insurance products; agency for receipt of premiums; agency for damage investigation and claim settlement of relevant businesses according to entrustment from insurance companies	5	100%	6	3	1
Chongqing Agency ⁽¹⁾	Agency for sales of insurance products; agency for receipt of premiums; agency for damage investigation and claim settlement of relevant businesses according to entrustment from insurance companies	5	99%	2	(7)	(2)
Zijin Century ⁽²⁾	Real estate development; sales of self-developed commodity houses; hotel management, and enterprise management; motor vehicle parking services; commercial consultation; undertaking of exhibitions, and conference services	2,500	24%	4,401	2,497	(0) ⁽³⁾
MJ Health	Provision of health examination services and related health consultation services; specific health examinations include: internal medicine, surgery, gynecology, pediatrics, stomatology, otolaryngology, ophthalmology, dermatology, medical imaging, and clinicallaboratory	USD4 million	30%	49	42	5

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. The seventh shareholders' extraordinary general meeting of 2011 has considered and approved the *Proposal on Application for Dissolution of Chongqing New China Insurance Agency Co., Ltd.* As of the end of the reporting period, Chongqing Agency has not yet completed the cancellation procedures.
2. The fifth shareholders' extraordinary general meeting of 2011 has considered and approved the *Proposal on Transfer of the Entire Equity Interests of Beijing Zijin Century Real Estate Co., Ltd.* As of the end of the reporting period, the transfer of the equity interests in Zijin Century held by the Company has not yet been completed.
3. The amount ranged from negative RMB500,000 to nil in the period.

VIII. OTHER MATTERS

Material acquisition and disposal of subsidiaries and associated companies

As approved at the fifth general meeting of 2011, the Company intended to transfer its 24% equity interests in Zijin Century. As of the end of the reporting period, the transfer of the equity interests in Zijin Century held by the Company has not yet been completed.

Employees' remuneration, remuneration policies and bonus

Details of employees' remuneration, remuneration policies and bonus are set out in Note 37 to the Consolidated Financial Statements in this annual report.

Charges on assets

As at 31 December 2011 and 2010, the Company had no charges on assets.

Exposure to fluctuations in exchange rates and related hedges

Details of exposure to fluctuations in exchange rates and related hedges of the Company are set out in Note 4(2)(a)(iii) – currency risk to the Consolidated Financial Statements in this annual report.

Contingent liabilities

Details of contingent liabilities are set out in Note 34 to the Consolidated Financial Statements in this annual report.

SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS

IX. FUTURE PROSPECTS

In general, global economies will continue to wander in the doldrums in 2012. European sovereign debt crisis is hard to be eased in a short-run; major developed economies lack growth momentum. Meanwhile, the growth rate in emerging economies slows down gradually. Furthermore, imbalanced development, uncoordinated expansion and unsustainable growth are still major problems in the PRC; and macro-economic control is in a more complicated situation. The Chinese central government will continue to follow a proactive fiscal policy and a prudent monetary policy in 2012, carry out timely and appropriate untreatpitory adjustments and fine-tuning, and make policies more targeted, flexible and forward-looking. Against this backdrop, changes in fiscal and monetary policies will bring significant influence over the domestic financial market.

In 2012, insurance industry is also confronted with great challenges. Up to the present, there are over 60 domestic and foreign-invested life insurance companies with business licenses, so that competition within the industry is increasingly intensified. Furthermore, the uncertainty of external environment may affect growth in premiums, solvency and operating efficiency. The industry showed sound growth as a whole, and therefore insurance companies have to bear higher pressure to prevent risks. However, in the long-run, foundation for sustainable and healthy economic development in the PRC remains solid, which, together with the urbanization and aging process in the PRC and the increasing insurance demand among its large population, will render ample room for growth to insurance industry. Life insurance industry is earnestly propelling compliance operation and growth in value, improving overall management level, expanding new business areas, and exploring new development modes, in order to realize a stable healthy growth within the industry in the long-run.

In 2012, the Company will fully promote its operation strategies that are based on its customer-focused principle to specify target customers and center on the Company's overall customer strategy to constantly improve customer management and business mode. The Company will solidify and enhance its existing business through various measures, including pursuit of professionalism in its distribution channels, expansion of its geographic coverage, and improvement of its asset management capabilities. Furthermore, it will actively develop innovative business to advance the implementation of its strategies by entering the senior care business and health care business with development of related insurance products, providing its mid- to high-end customers with insurance solutions and wealth management services through its wealth management channel and establishing online distribution channel. On the other hand, the Company will also focus on growth of its business value, and improve value management system. It will comprehensively improve overall management standard through continuous improvement in budget management mode and back office operational efficiency.

SECTION 6 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

I. CHANGES IN THE SHARE CAPITAL

(I) Table of Changes in the share capital

The table below shows the changes in our share capital as of 31 December 2011:

Unit: share

	31 December 2010		Increase or decrease during the reporting year (+ or -)				31 December 2011		
	Number	Percentage (%)	New shares issued	Bonus shares	Transfer from reserve	Others	Sub-total	Number	Percentage (%)
1. Shares with selling restrictions									
(1) State-owned shares	465,780,000	38.82%	543,410,000	-	-	-18,988,512	524,421,488	990,201,488	31.77%
(2) State-owned legal person shares	225,300,000	18.77%	262,850,000	-	-	-16,853,488	245,996,512	471,296,512	15.12%
(3) Other domestic shares held by:	210,120,000	17.51%	276,848,000	-	-	-	276,848,000	486,968,000	15.62%
legal entities	210,120,000	17.51%	276,848,000	-	-	-	276,848,000	486,968,000	15.62%
natural persons	-	-	-	-	-	-	-	-	-
(4) Foreign shares held by:	298,800,000	24.90%	561,126,600	-	-	-	561,126,600	859,926,600	27.59%
legal persons	298,800,000	24.90%	561,126,600	-	-	-	561,126,600	859,926,600	27.59%
natural persons	-	-	-	-	-	-	-	-	-
Total	1,200,000,000	100.00%	1,644,234,600	-	-	-35,842,000	1,608,392,600	2,808,392,600	90.10%
2. Shares without selling restrictions									
(1) Ordinary shares denominated in RMB	-	-	126,832,000	-	-	-	126,832,000	126,832,000	4.07%
(2) Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
(3) Overseas listed foreign shares (H share)	-	-	145,893,400	-	-	35,842,000	181,735,400	181,735,400	5.83%
(4) Others	-	-	-	-	-	-	-	-	-
Total	-	-	272,725,400	-	-	35,842,000	308,567,400	308,567,400	9.90%
3. Total number of shares	1,200,000,000	100%	1,916,960,000	-	-	-	1,916,960,000	3,116,960,000	100.00%

SECTION 6 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

Notes:

1. "Shares with selling restrictions" refer to the shares held by shareholders who are subject to restrictions on sale in accordance with laws, regulations and rules or undertakings.
2. "State-owned shares" refer to the shares held by Huijin and Account No.3 of SSF. "Other domestic shares" refer to the shares held by the then existing domestic shareholders before the Initial Public Offering and the allottees of A shares under off-line placement. "Foreign shares" refer to the shares held by the then existing foreign shareholders before the Initial Public Offering and the foreign cornerstone investors.
3. The reasons for the change of shares during the reporting period are the rights issue to existing shareholders and the Initial Public Offerings of A shares and H shares following the approval of relevant regulatory authorities. Please refer to the "Issue and listing of securities" in this section for details. The transfers of shares under the Initial Public Offerings were completed at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited and Computershare Hong Kong Investor Services Limited, respectively.
4. "Others" in the column "Increase or decrease during the reporting year" refer to the change in the shares due to the transfer of state-owned shares during the Initial Public Offering. According to the Replies to Relevant Questions Regarding the Transfer of State-owned Shares of New China Life Insurance Company Ltd. from the Ministry of Finance (Cai Jin Han No.[2011]61), Huijin and Baosteel Group performed their obligations by transferring ten percent of the total Initial Public Offering shares to SSF without consideration. The shares transferred to the A share account of SSF are still subject to the lock-up period imposed on the original state-owned shareholders. The shares transferred to the H share account of SSF are no longer subject to the lock-up period and become tradable shares listed overseas.
5. In January 2012, the Company over-allotted 2,586,600 H shares and thus the total number of its shares changed from 3,116,960,000 to 3,119,546,600.

SECTION 6 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

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

The table below shows the changes in the number of shares with selling restrictions as of 31 December 2011:

Unit: share

No.	Name of shareholders	Number of shares with selling restrictions at the beginning of the year	Decrease of the number of shares with selling restrictions during the year	Increase of the number of shares with selling restrictions during the year	Number of shares with selling restrictions at the end of the year	Reason for selling restrictions	Expiry date of selling restrictions (Y/M/D)
1	Central Huijin Investment Ltd.	465,780,000	34,842,512	543,410,000	974,347,488	Restriction upon issuance	2014/12/16
2	Baosteel Group Corporation	207,276,000	16,853,488	280,874,000	471,296,512	Restriction upon issuance	2012/12/16
3	Zurich Insurance Company Ltd	240,000,000	130,000,000	280,000,000	390,000,000	Restriction upon issuance	2012/12/15
4	Hebei Deren Investment Co., Ltd.	-	107,012,195	234,000,000	126,987,805	Restriction upon issuance	2012/12/16
5	Tianjin Xinshang Investment Management Limited	-	-	81,454,878	81,454,878	Restriction upon issuance	2012/12/16
6	Century Golden Resources Investment Group Co., Ltd.	36,000,000	-	42,000,000	78,000,000	Restriction upon issuance	2012/12/16
7	Fullerton Management Pte Ltd	36,000,000	-	42,000,000	78,000,000	Restriction upon issuance	2012/12/15
8	CICC Securities (HK) Limited	-	-	65,000,000	65,000,000	Restriction upon issuance	2012/12/15
9	Nomura Securities Co., Ltd.	-	-	65,000,000	65,000,000	Restriction upon issuance	2012/12/15
10	Shanghai Zendai Investment Management Co., Ltd.	21,630,000	-	25,235,000	46,865,000	Restriction upon issuance	2012/12/16
11	Xiamen United Credit Investment Co., Ltd.	-	-	40,426,829	40,426,829	Restriction upon issuance	2012/12/16
12	Standard Chartered Principal Finance (Cayman) Ltd.	18,000,000	-	21,000,000	39,000,000	Restriction upon issuance	2012/12/15
13	Vats Group Company Limited	32,490,000	38,650,000	37,905,000	31,745,000	Restriction upon issuance	2012/12/16
14	Beijing Taiji Huaqing Information System Co., Ltd.	12,000,000	-	14,000,000	26,000,000	Restriction upon issuance	2012/12/16
15	Shanghai Fosun Industrial Technology Development Company Limited	-	-	23,780,488	23,780,488	Restriction upon issuance	2012/12/16
16	International Finance Corporation	4,800,000	-	5,600,000	10,400,000	Restriction upon issuance	2012/12/16
17	Zurich Insurance Plc	-	110,000,000	110,000,000	-	-	-
18	Asset Management Company of Sinopec Group	18,024,000	18,024,000	-	-	-	-
19	Shanghai Asiabiz Holding Co. Ltd.	108,000,000	108,000,000	-	-	-	-
20	The National Council for Social Security Fund of the PRC ⁽¹⁾	-	-	15,854,000	15,854,000	Restriction upon issuance	2014/12/16
21	The allottees of A shares under off-line placement	-	-	31,708,000	31,708,000	Restriction upon issuance	2012/12/16
22	The Cornerstone Investors of H shares ⁽²⁾	-	-	212,526,600	212,526,600	Restriction upon issuance	2012/3/16
						Restriction upon issuance	2012/6/15
Total		1,200,000,000	563,382,195	2,171,774,795	2,808,392,600		

SECTION 6 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

Notes:

1. The expiry date of selling restrictions for the 10,685,414 A shares held by SSF, transferred from Huijin, is 16 December 2014, and the expiry date of selling restrictions for the 5,168,586 A shares held by SSF, transferred from Baosteel Group, is 16 December 2012. The 35,842,000 H shares held by SSF are not subject to selling restrictions.
2. The four cornerstone investors of the Company, Great Eastern Holdings Limited, Teluk Intan Investments (Cayman Islands) Limited, D.E. Shaw Valence International, Inc. and Longevity Inc. subscribed for 212,526,600 H shares of the Company in total, which are all deposited at HKSCC Nominees Limited. According to the cornerstone investment agreements entered into by the Company, the four cornerstone investors and the Joint Global Coordinators for the Company's Initial Public Offering of H shares (i.e. China International Capital Corporation Hong Kong Securities Limited, UBS AG Hong Kong Branch and Goldman Sachs (Asia) L.L.C.), each of the cornerstone investors has agreed that, without the prior written consent of the Company and such Joint Global Coordinators, it will not, whether directly or indirectly, at any time during a period of six months starting from and inclusive of the H share listing date, dispose of any of the H shares subscribed for by it pursuant to the relevant cornerstone investment agreement.
3. Please refer to The Prospectus of New China Life Insurance Company Ltd. for Initial Public Offering of A Shares, published on 15 December 2011, for the details of the changes of the shares held by the existing shareholders before the Initial Public Offerings of the Company.

(III) Issue and listing of securities

1. *Issue of securities in the past three years*

(1) *Capital Injection in 2010*

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

SECTION 6 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

(2) Initial Public Offerings and Listing in 2011

Unit: share

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

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

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

2. Shares held by employees

As of 31 December 2011, no shares issued by the Company has been placed to its employees.

SECTION 6 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

II. SHAREHOLDERS

(I) Number of shareholders and their shareholdings

At the end of the reporting period, there are 8,377 shareholders of the Company, including 7,847 A shareholders and 530 H shareholders.

Shares held by top ten shareholders

Unit: share

Names of the shareholders	Classes of the shares	Percentage of the shareholding (%)	Total number of shares held	Increase or decrease of shareholding during the reporting period (+,-)	Number of shares held with selling restrictions	Number of shares pledged or frozen	Types of shares
Central Huijin Investment Ltd.	State-owned shares	31.26	974,347,488	50,8567,488	974,347,488	-	A
Baosteel Group Corporation	State-owned legal person shares	15.12	471,296,512	264,020,512	471,296,512	-	A
HKSCC NOMINEES LIMITED ⁽¹⁾	Overseas legal person shares	12.64	393,968,100	393,968,100	212, 526,600	-	H
Zurich Insurance Company Ltd	Overseas legal person shares	12.51	390,000,000	150,000,000	390,000,000	-	H
Hebei Deren Investment Co., Ltd	Domestic legal person shares	4.07	126,987,805	126,987,805	126,987,805	-	A
Tianjin Xinshang Investment Management Limited	Domestic legal person shares	2.61	81,454,878	81,454,878	81,454,878	-	A
Century Golden Resources Investment Group Co., Ltd. ⁽²⁾	Domestic legal person shares	2.50	78,000,000	42,000,000	78,000,000	38,856,632	A
Fullerton Management Pte Ltd.	Overseas legal person shares	2.50	78,000,000	78,000,000	78,000,000	-	H
CICC Securities (HK) Limited	Overseas legal person shares	2.09	65,000,000	65,000,000	65,000,000	-	H
Nomura Securities Co., Ltd.	Overseas legal person shares	2.09	65,000,000	65,000,000	65,000,000	-	H
Description of connected relations or concerted action among the aforesaid shareholders	Huijin holds 43.35% equity interest in China International Capital Corporation Limited. An overseas fund operated by an overseas subsidiary of China International Capital Corporation Limited holds 100% equity interest in CICC Securities (HK) Limited, and CICC Securities (HK) Limited holds 2.09% equity interest in the Company. Except this, the Company is not aware of any connections among the shareholders or whether they are parties acting in concert.						

Notes:

- HKSCC Nominees Limited is a company that holds shares on behalf of the clients of the Hong Kong stock brokers and other participants of CCASS system. The relevant regulations of the HKSE do not require such persons to declare whether their shareholdings are pledged or frozen. Therefore, HKSCC Nominees Limited is unable to calculate or provide the number of shares pledged or frozen.
- Century Golden Resources Investment Group Co., Ltd pledged the other 39,143,368 shares of the Company held by it on 6 January 2012.

SECTION 6 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

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

Name of shareholders	Number of shares held without selling restrictions	Types of shares
Hua Xia Growth Securities Investment Fund	6,344,643	A
Bank of Communications – Hua An Tactically Well-selected Equity Securities Investment Fund	5,862,371	A
Industrial and Commercial Bank of China – Bo Shi Well-selected Equity Securities Investment Fund	5,714,888	A
Bank of China – Jia Shi Safely Open-ended Securities Investment Fund	5,354,590	A
Bank of Communications – Jian Xin Advantaged Motive Equity Securities Investment Fund	4,371,140	A
Industrial and Commercial Bank of China – Jing Shun Chang Cheng Well-selected Blue-chip Share Equity Securities Investment Fund	4,246,438	A
Agricultural Bank of China – Jiao Yin and Schrodgers Growth Equity Securities Investment Fund	4,189,907	A
Industrial and Commercial Bank of China – Jian Xin Inner-motive Equity Securities Investment Fund	3,732,200	A
China Construction Bank – Yin Hua Fortune-subject Equity Securities Investment Fund	2,899,920	A
Industrial and Commercial Bank of China – Jian Xin Optimized Allocation Mixed Securities Investment Fund	2,899,891	A
Description of connected relations or concerted action among the aforesaid shareholders	Some of the shareholders mentioned above were managed by a same entity. Except this, the Company is not aware of any connections among the shareholders or whether they are parties acting in concert.	

As of 29 February 2012, there were 7,966 shareholders of the Company, including 7,541 A shareholders and 425 H shareholders.

SECTION 6 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

(II) Particulars of substantial shareholders

During the reporting period, there was no change to the controlling shareholder and the actual controller of the Company.

1. *Controlling shareholder*

The controlling shareholder of the Company is Huijin. Huijin is a wholly state-owned company established in Beijing on 16 December 2003 under the Company Law with the approval of the State Council. The registered capital of Huijin is RMB828,208,627,183.88 and the registered address is New Poly Plaza, 1 Chaoyangmen Beidajie, Dongcheng District, Beijing, PRC. The legal representative of Huijin is LOU Jiwei. Huijin, in accordance with authorization by the State, makes equity investments in major state-owned financial enterprises, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not conduct any other business or commercial activity, and does not intervene in the daily operations of the major state-owned financial enterprises which it controls.

2. *Other corporate shareholders holding 10% or more of the shares in the Company*

(1) *Baosteel Group*

Baosteel Group, established on 1 January 1922, is a legally established wholly state-owned corporation for which the State-owned Assets Supervision and Administration Commission under the State Council performs the duties of investor on behalf of the State Council. The registered capital of Baosteel Group is RMB51,082,621,000 and the registered address is No.370 Pudian Road, Pudong New District, Shanghai, PRC. The legal representative of Baosteel Group is XU Lejiang. The business scope of Baosteel Group includes operation of state-owned assets to the extent of authorization by the State Council and relevant investment businesses, and operations in industry sectors such as iron and steel, metallurgy and mining, chemical industry (except hazardous substances), electricity, ports, logistics, transportation, iron and steel related business, and technology development, technology transfer, technology service and management consultancy, import and export approved by relevant government departments, domestic and overseas trade (non-special) and services.

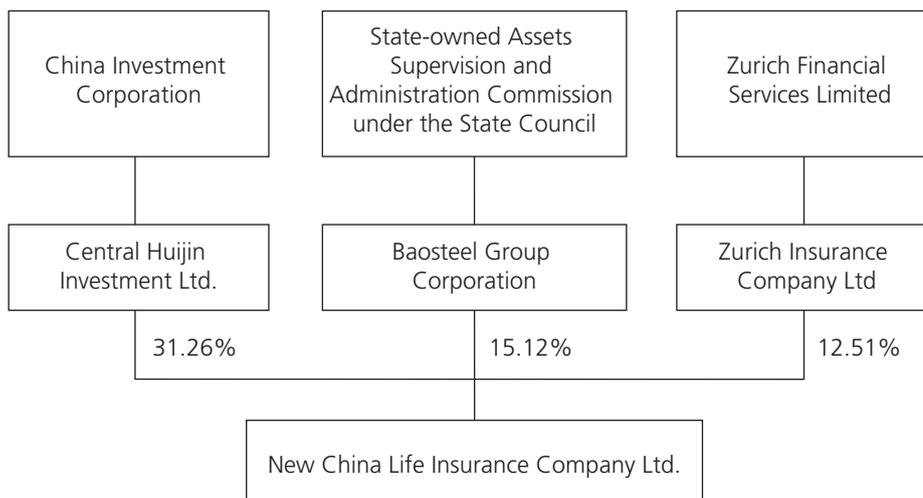
SECTION 6 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

(2) Zurich Insurance

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

Saved as disclosed above, as at 31 December 2011, there was no other corporate shareholders holding 10% or more of the shares in the Company (excluding HKSCC Nominees Limited).

The following chart sets forth the connections between the Company and the ultimate controllers of our substantial shareholders as of 31 December 2011:



SECTION 6 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

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

So far as the directors of the Company are reasonably aware of, as of 31 December 2011, Huijin held 974,347,488 A shares of the Company, which accounted for 31.26% of the total issued shares of the Company, and 46.72% of the total issued A shares of the Company. Baosteel Group held 471,296,512 A shares of Company, which accounted for 15.12% of the total issued shares of the Company, and 22.60% of the total issued A shares of the Company.

In addition to the above, so far as the directors of the Company are aware of, as of 31 December 2011, the following persons (other than the directors, supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and have been entered into the register maintained by the Company pursuant to Section 336 of the SFO:

	Name of substantial shareholders	Types of shares	Capacity	Number of shares	Percentage	Percentage	Percentage	Long Position/ Short Position/ Interest in a lending pool
					of the total shares issued	of the A shares issued	of the H shares issued	
					%	%	%	
1	XU Minsheng	A share	Interests of controlled corporation	126,987,805 (Note 1)	4.07	6.09	–	Long Position
2	Chinese Academy of Science	A share	Interests of controlled corporation	126,987,805 (Note 1)	4.07	6.09	–	Long Position
3	Chinese Academy of Sciences Holdings Co., Ltd.	A share	Interests of controlled corporation	126,987,805 (Note 1)	4.07	6.09	–	Long Position
4	Beijing Hony 2010 Equity Investment Center (Limited Partnership)	A share	Interests of controlled corporation	126,987,805 (Note 1)	4.07	6.09	–	Long Position
5	Hony Capital (Tianjin) Co., Ltd.	A share	Interests of controlled corporation	126,987,805 (Note 1)	4.07	6.09	–	Long Position
6	Hony Capital (Beijing) Co., Ltd.	A share	Interests of controlled corporation	126,987,805 (Note 1)	4.07	6.09	–	Long Position
7	Hony Investment Management (Tianjin) (Limited Partnership)	A share	Interests of controlled corporation	126,987,805 (Note 1)	4.07	6.09	–	Long Position
8	Hebei Deren Investment Co., Ltd.	A share	Beneficial owner	126,987,805 (Note 1)	4.07	6.09	–	Long Position
9	Legend Holdings Ltd.	A share	Interests of controlled corporation	126,987,805 (Note 1)	4.07	6.09	–	Long Position

SECTION 6 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

	Name of substantial shareholders	Types of shares		Number of shares	Percentage of the total	Percentage of the A shares	Percentage of the H shares	Long Position/ Short Position/ Interest in a lending pool
		Capacity	shares issued		%	%	%	
10	Zurich Insurance Company Ltd	H share	Beneficial owner	390,000,000 (Note 2)	12.51	-	37.81	Long Position
11	Zurich Financial Services Ltd	H share	Interests of controlled corporation	390,000,000 (Note 2)	12.51	-	37.81	Long Position
12	UBS AG	H share	Beneficial owner, Person having a security interest in shares	155,054,100	4.97	-	15.04	Long Position
			Beneficial owner	103,538,600	3.32	-	10.04	Short Position
13	HSBC Holdings Plc	H share	Interests of controlled corporation	53,763,000 (Note 1)	1.72	-	5.21	Long Position
14	HSBC Finance (Netherlands)	H share	Interests of controlled corporation	53,763,000 (Note 3)	1.72	-	5.21	Long Position
15	HSBC Holdings BV	H share	Interests of controlled corporation	53,763,000 (Note 3)	1.72	-	5.21	Long Position
16	HSBC Asia Holdings (UK) Limited	H share	Interests of controlled corporation	53,763,000 (Note 3)	1.72	-	5.21	Long Position
17	HSBC Asia Holdings BV	H share	Interests of controlled corporation	53,763,000 (Note 3)	1.72	-	5.21	Long Position
18	The Hongkong and Shanghai Banking Corporation Limited	H share	Beneficial owner	53,763,000 (Note 3)	1.72	-	5.21	Long Position
19	Overseas-Chinese Banking Corporation Limited	H share	Interests of controlled corporation	103,538,600 (Note 4)	3.32	-	10.04	Long Position
20	Great Eastern Holdings Limited	H share	Interests of controlled corporation	103,538,600 (Note 4)	3.32	-	10.04	Long Position
21	The Great Eastern Life Assurance Company Limited	H share	Beneficial owner	63,158,500 (Note 4)	2.03	-	6.12	Long Position
22	Temasek Holdings (Private) Limited	H share	Interests of controlled corporation	78,000,000	2.50	-	7.56	Long Position
23	Nomura Holdings, Inc.	H share	Interests of controlled corporation	65,000,000	2.09	-	6.30	Long Position
			Interests of controlled corporation	65,000,000	2.09	-	6.30	Short Position

SECTION 6 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

	Name of substantial shareholders	Types of shares		Number of shares	Percentage of the total	Percentage of the A shares	Percentage of the H shares	Long Position/ Short Position/ Interest in a lending pool	
		Capacity	shares issued		issued	issued			
					%	%	%		
24	Deutsche Bank Aktiengesellschaft	H share	Investment manager, Person having a security interest in shares, Community of interest	76,935,575	2.47	-	7.46	Long Position	
			Community of Interest	53,763,000	1.72	-	5.21	Short Position	
25	China International Capital Corporation Limited	H share	Interests of controlled corporation	118,763,000	3.81	-	11.52	Long Position	
			Interests of controlled corporation (Note 5)	53,763,000	1.72	-	5.21	Short Position	
26	China International Capital Corporation (Hong Kong) Limited	H share	Interests of controlled corporation	118,763,000	3.81	-	11.52	Long Position	
			Interests of controlled corporation (Note 5)	53,763,000	1.72	-	5.21	Short Position	
27	China International Capital Corporation Hong Kong Securities Limited	H share	Community of interest	53,763,000	1.72	-	5.21	Long Position	
			Community of interest (Note 5)	53,763,000	1.72	-	5.21	Short Position	
28	CICC Investment Group Company Limited	H share	Interests of controlled corporation (Note 5)	65,000,000	2.09	-	6.30	Long Position	
29	CICC Growth Capital Fund GP, Ltd.	H share	Interests of controlled corporation (Note 5)	65,000,000	2.09	-	6.30	Long Position	
30	CICC Principal Fund GP, Ltd.	H share	Interests of controlled corporation (Note 5)	65,000,000	2.09	-	6.30	Long Position	
31	CICC Principal Fund I, L.P.	H share	Interests of controlled corporation (Note 5)	65,000,000	2.09	-	6.30	Long Position	
32	CICC Securities (HK) Limited	H share	Beneficial owner (Note 5)	65,000,000	2.09	-	6.30	Long Position	

SECTION 6 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

Notes:

1. The 126,987,805 A shares refer to the same shareholding interest.
2. Zurich Financial Services Ltd directly holds 100% equity interest in Zurich Insurance Company Ltd and is therefore deemed to be interested in the 390,000,000 H shares directly held by Zurich Insurance Company Ltd.
3. The 53,763,000 H shares refer to the same shareholding interest.
4. Overseas-Chinese Banking Corporation Limited directly holds interest in Great Eastern Holdings Limited, and is therefore deemed to be interested in the 103,538,600 H shares held by Great Eastern Holdings Limited. Great Eastern Holdings Limited directly holds interest in The Great Eastern Life Assurance Company Limited, The Overseas Assurance Corporation Limited and The Great Eastern Trust Private Limited separately, and is therefore deemed to be interested in the 63,158,500 H shares held by The Great Eastern Life Assurance Company Limited, the 9,318,500 H shares held by The Overseas Assurance Corporation Limited and the 31,061,600 H shares held by The Great Eastern Trust Private Limited.
5. China International Capital Corporation Limited directly holds 100% equity interest in China International Capital Corporation (Hong Kong) Limited. China International Capital Corporation (Hong Kong) Limited separately holds 100% equity interest in China International Capital Corporation Hong Kong Securities Limited and CICC Investment Group Company Limited. CICC Investment Group Company Limited directly holds 100% equity interest in CICC Growth Capital Fund GP, Ltd.. CICC Growth Capital Fund GP, Ltd. directly holds 100% equity interest in CICC Principal Fund GP, Ltd.. CICC Principal Fund GP, Ltd. directly holds 100% equity interest in CICC Principal Fund I, L.P.. CICC Principal Fund I, L.P. directly holds 100% equity interest in CICC Securities (HK) Limited.

Save as disclosed above, as of 31 December 2011, the Company was not aware that there was any person (other than the directors, supervisors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered into the register maintained by the Company.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

(I) Directors

Unit: 10 thousand RMB

Name	Position	Gender	Date of birth	Term of office	Total after tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether also compensated by a shareholder company or other connected parties
KANG Dian	Chairman and Executive Director	Male	July 1948	Since December 2009	351.69	202.32	No
HE Zhiguang	President and Executive Director	Male	August 1959	Since March 2010	297.94	193.65	No
ZHAO Haiying	Non-Executive Director	Female	January 1965	Since December 2009	-	-	Yes
MENG Xingguo	Non-Executive Director	Male	November 1955	Since December 2009	-	-	Yes
LIU Xiangdong	Non-Executive Director	Male	June 1969	Since October 2010	-	-	Yes
CHEN Johnny	Non-Executive Director	Male	October 1959	Since December 2009	-	-	Yes
CHEONG Chee Meng	Non-Executive Director	Male	November 1952	Since June 2010	-	-	Yes
WANG Chengran	Non-Executive Director	Male	April 1959	Since December 2009	-	-	Yes
HUAN Guocang	Non-Executive Director	Male	October 1949	Since December 2009	-	-	No
CAMPBELL Robert David	Independent Non-Executive Director	Male	August 1954	Since December 2009	25.00	5.00	No
CHEN Xianping	Independent Non-Executive Director	Female	November 1954	Since December 2009	20.93	4.07	No
WANG Yuzhong	Independent Non-Executive Director	Male	May 1949	Since December 2009	20.93	4.07	No
ZHANG Hongxin	Independent Non-Executive Director	Male	December 1965	Since December 2009	20.93	4.07	No
ZHAO Hua	Independent Non-Executive Director	Male	June 1954	Since December 2009	25.00	5.00	No
FONG Chung Mark	Independent Non-Executive Director	Male	June 1951	Since July 2011	6.86	1.47	No

Notes:

- The above table listed the directors as of 31 December 2011.
- Each director of the Company is appointed for a term of 3 years and is eligible for re-election and re-appointment. Each independent non-executive director is not allowed to serve a consecutive term of more than 6 years.
- According to the Proposal on Adjusting Allowance of Independent Directors which was approved by the First Extraordinary General Meeting of 2011, the allowance for the independent non-executive director who was the chairman of the board committee was RMB300,000 (before tax) per year, and the allowance for the other independent non-executive directors was RMB250,000 (before tax) per year.
- Mr. FONG Chung Mark was elected as an Independent Non-Executive Director of the Fourth Session of the Board of the Company by the Fourth Extraordinary General Meeting of 2011 held in July, 2011. His qualification was approved by the CIRC in September 2011. His allowance was paid since September 2011 according to the standard of RMB250,000 (before tax) per year.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(II) Supervisors

Unit: 10 thousand RMB

Name	Position	Gender	Date of birth	Term of office	Total after tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether also compensated by a shareholder company or other connected parties
CHEN Jun	Supervisor and Chairman of the Board of Supervisors	Male	February 1960	Since January 2010	274.12	171.78	No
Ai Bo	Shareholder Representative Supervisor	Female	February 1971	Since January 2010	-	-	Yes
ZHU Nansong	Shareholder Representative Supervisor	Male	November 1966	Since January 2010	-	-	Yes
CHEN Xiaojun	Shareholder Representative Supervisor	Male	March 1959	Since January 2010	-	-	No
LIU Yiyi	Employee Representative Supervisor	Female	April 1960	Since January 2010	160.63	91.63	No
ZHU Tao	Employee Representative Supervisor	Male	April 1958	Since January 2010	81.31	24.19	No
YANG Jing	Employee Representative Supervisor	Female	June 1962	Since January 2010	56.78	14.81	No

Notes:

1. The above table listed the supervisors as of 31 December 2011.
2. Each supervisor of the Company is appointed for a term of 3 years and is eligible for re-election and re-appointment.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(III) Members of senior management

Unit: 10 thousand RMB

Name	Position	Gender	Date of birth	Term of office	Total after tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether also compensated by a shareholder company or other connected parties
HE Zhiguang	President	Male	August 1959	Since February 2010	297.94	193.65	No
HUANG Ping	Vice President	Male	March 1956	Since April 2011	256.70	157.33	No
LIU Yigong	Vice President and Compliance Officer	Male	September 1959	Since December 2004 Since April 2010	253.51	156.25	No
LI Dan	Vice President	Female	July 1957	Since July 2011	212.93	125.37	No
CHEN Guogang	Vice President and Chief Financial Officer	Male	December 1959	Since July 2011 Since April 2010	214.45	126.38	No
YUE Ran	Chief Human Resource Officer	Male	February 1963	Since April 2010	206.44	120.49	No
GONG Xingfeng	Chief Actuary	Male	October 1970	Since September 2010	169.19	92.18	No
YUAN Chaojun	Assistant to President	Male	April 1972	Since July 2011	88.54	46.60	No
SUN Yuchun	Assistant to President	Male	April 1967	Since July 2011	84.85	43.57	No
ZHU Ying	Board Secretary	Male	February 1971	Since July 2011	72.68	43.32	No
CHEUNG Wing Kuen Samuel	Chief Information Officer	Male	September 1964	Since November 2011	20.22	9.22	No

Notes:

- The above table listed the senior management as of 31 December 2011.
- Mr. YUAN Chaojun and Mr. SUN Yuchun were appointed as assistants to president and Mr. ZHU Ying was appointed as board secretary by the Board of the Company in July, 2011. The above table listed their remuneration from July to December of 2011.
- Mr. Cheung Wing Kuen Samuel was appointed as our Chief Information Officer in November, 2011. The above table listed the remuneration of Mr. Cheung Wing Kuan Samuel from November to December of 2011.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

II. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

(I) Directors

Mr. KANG Dian, Age 63, Chinese (Hong Kong Resident)

Mr. KANG Dian has been the Chairman of the Board and an Executive Director of the Company since December 28, 2009. Mr. Kang has also served as chairman of Asset Management Company since January 2010. Prior to joining the Company, Mr. Kang served as chairman of the board of supervisors of Shenzhen Development Bank Company Limited, chairman of Springridge Investment Management Limited, director and vice president of the Guangdong Enterprises (Holdings) Limited, chairman of the board of the Guangdong Securities Limited and Guangdong Capital Holdings Ltd., vice president of China National Packaging Corporation, and vice president of China Agribusiness Trust & Investment Corporation. Mr. Kang is currently an independent non-executive director of Silver Grant International Industries Limited. Mr. Kang graduated from Beijing Steel and Iron Institute in 1982. He also received a master's degree in economics from the Graduate School of the Chinese Academy of Social Sciences in 1984.

Mr. HE Zhiguang, Age 52, Chinese

Mr. HE Zhiguang has been the President and an Executive Director of the Company since February 4 and March 23, 2010, respectively. Mr. He also serves as non-executive director of Asset Management Company. Mr. He has 28 years of experience in the insurance industry. Prior to joining the Company, Mr. He served as vice president of China Taiping Insurance Group Co. and chairman of board of directors in Taiping Life Insurance Co., Ltd., and executive director of China Taiping Insurance Holdings Company Limited. He was responsible for the establishment of Taiping Life Insurance Co., Ltd. and served as its general manager. He was responsible for the establishment of Sino Life Insurance Co., Ltd. He also served as vice president of the life insurance business in Ping An Insurance (Group) Company of China, Ltd., assistant of general manager and deputy general manager in the Shanghai Branch of Ping An Insurance (Group) Company of China, Ltd. Mr. He is a senior economist. He received a master's degree in business administration jointly granted by the East China University of Science and Technology and the University of Canberra, Australia in 2002.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. ZHAO Haiying, Age 47, Chinese

Ms. ZHAO Haiying has been a Non-Executive Director of the Company since December 28, 2009. She currently serves as executive vice president of Huijin and director general of its department of non-banking financial institutions. Ms. Zhao serves as a committee member of the 11th National Committee of the Chinese People's Political Consultative Conference. Prior to that, Ms. Zhao served as head of the department of asset allocation and strategic research of China Investment Corporation, a director of the Industrial and Commercial Bank of China Limited, head of the department of research and legal affairs of Huijin. Ms. Zhao also served as deputy director of the department of public offering supervision of the China Securities Regulatory Commission and a commissioner of the strategy and development commission of the China Securities Regulatory Commission, and served as a consultant for the Asian Development Bank. Ms. Zhao taught at the School of Economics and Finance of the University of Hong Kong and the Business School of Hong Kong University of Science and Technology. Ms. Zhao received a bachelor's degree in precision instrument from Tianjin University in 1984 and a doctorate degree in economics from the University of Maryland in 1992.

Mr. MENG Xingguo, Age 56, Chinese

Mr. MENG Xingguo has been a Non-Executive Director of the Company since December 28, 2009. He is currently employed by Huijin. He also serves as a non-executive director of Asset Management Company and a council member of Beijing Financial Education Center. Prior to that, he served as the director of the insurance division in the department of non-banking financial institutions of Huijin, a director of China Reinsurance Group Co., Ltd. appointed by Huijin, a senior consultant to the China Advisory Panel of the Financial Planning Standards Board, the senior vice president of Sun Life Everbright Life Insurance Company, the executive vice president of Allianz Dazhong Life Insurance Co.,Ltd., assistant investigator of the Shenzhen branch of People's Bank of China, and principal staff member of the reinsurance department of People's Insurance Company of China. Mr. Meng received a doctorate degree from the School of Business and Management of Temple University in 1994.

Mr. LIU Xiangdong, Age 42, Chinese

Mr. LIU Xiangdong has been a Non-Executive Director of the Company since October 14, 2010. He is currently employed by Huijin and previously served as a senior manager of the financial group and strategic research department of Huijin. Mr. Liu served in the General Office of the State Council Development Research Center as vice directorate secretary, directorate secretary and assistant inspector. He also served as principal staff member, assistant researcher and vice division director of the administrative department of the State Council Office for Restructuring the Economic Systems, as well as a staff member of the personnel department in the State Commission for Restructuring the Economic Systems. He received a master's degree in western economics from Peking University in 1999 and a doctorate degree in finance from Renmin University of China in 2009.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. CHEN Johnny, Age 52, American

Mr. CHEN Johnny became a Non-Executive Director of the Company since July 19, 2005. He is currently serving as the chief executive officer for general insurance, Asia Pacific of Zurich Insurance Company Ltd. Mr. Chen has served as an executive director of Zurich Insurance (Taiwan) Ltd., and has served as an executive director of Zurich Australian Insurance Ltd and Zurich Financial Services Australia Ltd. In addition, Mr. Chen was appointed as an independent non-executive director of Viva China Holdings Limited and an independent non-executive director of Stella International Holdings Limited. Prior to that, Mr. Chen served as the chief executive officer of Greater China and South East Asia of Zurich Insurance Company Ltd, a board member of PricewaterhouseCoopers LLP's China and Hong Kong offices and the managing partner of PricewaterhouseCoopers Zhong Tian CPAs Limited Company Beijing branch. He also served as a manager of KPMG's Audit Division. Mr. Chen holds a United States CPA license and he received a master's degree in accounting from the University of Rhode Island in 1983.

Mr. CHEONG Chee Meng, Age 59, Australian

Mr. CHEONG Chee Meng has been a Non-Executive Director of the Company since June 29, 2010. He is currently serving as chief distribution officer of Asia-Pacific and Middle East region and chief executive officer of Malaysian Assurance Alliance Berhad (a wholly owned subsidiary of Zurich Insurance Company Ltd). Prior to joining Zurich Life Insurance Company Ltd, Mr. Cheong served as deputy chief executive officer of ING Asia/Pacific Ltd., the chief executive officer of PCA Life Assurance Co. Ltd. in Taiwan, the chief executive officer of AXA Group in the Philippines, Indonesia and China. Mr. Cheong received a bachelor's degree in mechanical engineering (first class honors) in 1975 and a master's degree in business administration (distinction) in 1985, both from the University of Melbourne. Mr. Cheong was appointed a member of the board of directors of Melbourne Business School on July 5, 2010.

Mr. WANG Chengran, Age 52, Chinese

Mr. WANG Chengran has been a Non-Executive director of the Company since December 28, 2009. He currently serves as assistant general manager of Baosteel Group, a non-executive director of Asset Management Company, a non-executive director of Huatai Insurance Group Co., Ltd., a non-executive director of China Bohai Bank Co., Ltd., a non-executive director of China CSSC Holdings Limited and a non-executive director of China Pacific Insurance (Group) Co., Ltd. Prior to that, Mr. Wang served as the chairman of Fortune Investment Co., Ltd. He also served at Baosteel Group as vice director and then director of the asset management division of the finance department, vice director and then director of the asset management department, business director and director of the audit department. Mr. Wang is an economist. He received a bachelor's degree in economic information management from Renmin University of China in 1982.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. HUAN Guocang, Age 62, American

Mr. HUAN Guocang has been a Non-Executive Director of the Company since December 28, 2009. He currently serves as president of Primus Pacific Partners Ltd. and chairman of Primus Financial Holdings Limited, an independent non-executive director of Beijing Development (Hong Kong) Limited and a director of Qatar Financial Centre Authority. Prior to that, Mr. Huan served as head of investment banking of HSBC in Asia-Pacific, co-head of investment banking of Citibank in Asia Pacific, the managing director of Barclays Bank, as well as senior economist of J.P. Morgan and economic analyst of Deutsche Bank in the US. Mr. Huan received a doctorate degree in international politics and economics from Princeton University in the US in 1987.

Mr. CAMPBELL Robert David, Age 57, English

Mr. CAMPBELL Robert David has been an Independent Non-Executive Director of the Company since December 28, 2009. Mr. Campbell currently serves as an independent non-executive director of China Life Insurance (Overseas) Company Limited. Prior to that, Mr. Campbell acted as a consultant to PricewaterhouseCoopers (Thailand), head of the Asia Pacific insurance business of PricewaterhouseCoopers LLP, a partner of PwC Consultants (Shenzhen) Ltd. Shanghai Branch, a partner of the actuarial business of PricewaterhouseCoopers LLP (UK), as well as an actuarial consultant and then a partner of Bacon & Woodrow. Mr. Campbell is a fellow of the Institute of Actuaries of England. He received a master's degree in mathematics and statistics from Oxford University in 1976.

Ms. CHEN Xianping, Age 57, Chinese

Ms. CHEN Xianping has served as an Independent Non-Executive Director of the Company since December 28, 2009. She is currently a vice president of Beijing Financial Education Co., Ltd.. Prior to that, Ms. Chen served as deputy secretary general of FPSB China Advisory Panel, the deputy secretary general of the Financial Planning Standards Council under the China Foundation for Development of Financial Education. She was also the head of Beijing Financial Training Center, the chief operating officer of Winsure net of Beijing Simplex Netech Co., Ltd., the deputy general manager of Beijing Zhonglian Consultancy Joint Stock Company, as well as the manager of division and assistant department general manager of People's Insurance Company of China. Ms. Chen is an economist and received a master's degree in money and banking from the Graduate School of the People's Bank of China in 1985.

Mr. WANG Yuzhong, Age 62, Chinese

Mr. WANG Yuzhong has been an Independent Non-Executive Director of the Company since December 28, 2009. Mr. Wang retired from Sinochem Group in 2009 after working at various financial enterprises over an extensive period of time. Prior to that, he served as vice general manager of Manulife-Sinochem Life Insurance Company, executive vice president of Sinochem Asia Holdings (Co.) Ltd., the general manager of Sino-Heath Co. Ltd., as well as a deputy division director of the International Economics Research Institute of the Ministry of Foreign Trade and Economics, and a staff member of the Beijing Import and Export Administration Committee. Mr. Wang is a senior international business engineer and a fellow of Life Office Management Institute US (FLMI). He received a master's degree in international management from the Universite Catholique de Louvain in Belgium in 1989.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. ZHANG Hongxin, Age 46, Chinese

Mr. ZHANG Hongxin has been an Independent Non-Executive Director of the Company since December 28, 2009. Mr. Zhang is currently the chairman of the Zhongzi Assets Appraisal Co., Ltd. Prior to that, Mr. Zhang was a department manager, deputy general manager and the general manager of the Zhongzi Assets Appraisal Office of the China International Engineering Consulting Corporation, an engineer in the department of economic and legal affairs of the China International Engineering Consulting Corporation. Mr. Zhang is a director of the China Appraisal Society and an executive director of the Beijing Institute of Certified Public Accountants. Mr. Zhang is an engineer, a real estate appraiser and a certified public valuer. He received a master's degree in economics from Tianjin College of Finance and Economics in 1999.

Mr. ZHAO Hua, Age 57, Chinese

Mr. ZHAO Hua has been an Independent Non-Executive Director of the Company since December 28, 2009. He is currently a vice general manager of China National Investment and Consulting Co., Ltd., a subsidiary of State Development & Investment Corporation. Prior to that, Mr. Zhao served as director of the consulting department of China Investment Association, chairman of Beijing Zhongzi North Investment Advisory Consultants Ltd. of China International Engineering Consulting Corporation, the assistant general manager of China International Engineering Consulting Corporation. He also served as the general manager of Hainan Economic Construction Consulting Corporation of China International Engineering Consulting Corporation, a senior engineer of the textile department of China International Engineering Consulting Corporation, and an engineer of Beijing Institute of Aeronautical Materials under the Ministry of Aviation Industry. Mr. Zhao is a senior engineer and a registered consulting engineer. He graduated from the Graduate School of the Chinese Academy of Social Sciences with a major in money and banking in 1998.

Mr. FONG Chung Mark, Age 60, Chinese (Hong Kong Resident)

Mr. FONG Chung Mark has been an Independent Non-Executive Director of the Company since August 4, 2011. Mr. FONG currently serves as an executive director for China development of Grant Thornton International Ltd., an independent non-executive director of Sinopec Kantons Holdings Limited, and an independent non-executive director of Worldsec Limited (a company listed on the London Stock Exchange). Prior to that, he served as a partner in Grant Thornton, a managing partner in Moores Rowland in Hong Kong, and as an assistant to partner in Kwan Wong Tan & Fong. Mr. Fong is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Institute of Chartered Accountants in England and Wales, as well as a Fellow of the Hong Kong Institute of Certified Public Accountant (Practising). Mr. Fong received his bachelor degree in electronic & electrical engineering from University College London in 1972 and received his master's degree in biomechanics from University of Surrey in 1973.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(II) Supervisors

Mr. CHEN Jun, Age 52, Chinese

Mr. CHEN Jun has been a Supervisor and Chairman of the Board of Supervisors of the Company since January 14, 2010. He has also been serving as chairman of the board of supervisors of Asset Management Company since February 2010. Before joining the company, Mr. Chen served as the chief representative of the Beijing office of Zurich Insurance Company and the investment director of its China region. He also served as chief representative of AEGON Life Insurance Company's Beijing representative office, the secretary of the board of AEGON-CNOOC Life Insurance Company, the chief representative of Clemente Capital (Asia) Co., Ltd. and the deputy manager of the audit department of CITIC Accountant Company. Mr. Chen holds the qualification of certified public accountant. He received a bachelor's degree in English literature from Sichuan University in 1982.

Ms. AI Bo, Age 41, Chinese

Ms. AI Bo has been a Shareholder Representative Supervisor of the Company since January 14, 2010 and currently serves as a senior manager of the Department of Institutional Integrity of China Investment Corporation. Prior to that, Ms. Ai served as senior deputy manager of the Department of Institutional Integrity of China Investment Corporation, a principal staff member and then vice director of the No. 2 Inspection Office of the Discipline Commission of the Communist Party of China. Ms. Ai graduated from the undergraduate program of the Central University of Finance and Economics with a major in money and banking in 2001.

Mr. ZHU Nansong, Age 45, Chinese

Mr. ZHU Nansong has been a Shareholder Representative Supervisor of the Company since January 14, 2010 and currently serves as chairman and president of Shanghai Zendai Investment Management Co., Ltd. He has also been serving as an executive director of Shanghai Zendai Property Limited, a director of China Society of Economic Reform, a director of Xi'an International Trust Company Limited and chairman of Hong Kong Tiandi Asset Management Co., Ltd. Mr. Zhu established Shanghai Zendai Investment Management Co., Ltd. in 1993 and has been engaged in equity investment and asset management ever since. Mr. Zhu is a part-time professor at the International College of Renmin University of China. Mr. Zhu received a doctorate degree in philosophy from Fudan University in 2008.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. CHEN Xiaojun, Age 53, Chinese

Mr. CHEN Xiaojun has been a Shareholder Representative Supervisor of the Company since January 14, 2010. He currently serves as chairman of Zhenjiang KF Mobile System Company, and serves as a supervisor of Asset Management Company. Prior to that, Mr. Chen served as China representative of the World Wheelchair Foundation, chairman and general manager of Beijing Keland Technology Co., Ltd., chairman and general manager of Beijing Honlink Technology Co., Ltd., and a staff officer of the Technology Equipment Bureau of General Logistics Department of the People's Liberation Army (the "PLA"). Mr. Chen graduated from the PLA Nanjing Institute of Communications Engineering with a major in radio communications engineering in 1983.

Ms. LIU Yiying, Age 51, Chinese

Ms. LIU Yiyi has been an Employee Representative Supervisor of the Company since January 11, 2010. She currently serves as general manager of the Audit Department of the Company. Ms. Liu joined the Company in 1997, and has held various positions including assistant general manager and deputy general manager of the Discipline and Investigation Department, general manager of the Inspection Department and general manager of the Compliance Department ever since. Prior to joining the Company, Ms. Liu served as a vice director of the planning department, finance department and inspection department of Peoples' Insurance Company of China. Ms. Liu holds the Certified Diploma in accounting and finance granted by the Association of Chartered Certified Accountants and is also a senior economist. Ms. Liu graduated in 1983 and received a bachelor's degree in economics from the Beijing Finance and Trade Institute. She obtained an EMBA degree from Tsinghua University in 2011.

Mr. ZHU Tao, Age 53, Chinese

Mr. ZHU Tao has been an Employee Representative Supervisor of the Company since January 11, 2010, and currently serves as the deputy general manager of our Tianjin Branch. Mr. Zhu joined the Company in 1999, and has held various positions in our Tianjin Branch, including vice manager of the human resources department, manager of the health insurance department, manager of the administrative management department and assistant general manager of our Tianjin Branch. Prior to joining the Company, Mr. Zhu worked at Tianjin Social Insurance Company as vice director of its life insurance department. He served as a vice regiment-level secretary of the political department of the PLA Navy Press. Mr. Zhu is a senior political advisor. He completed his studies at the Risk Management and Insurance Department of Nankai University and graduated from the Party School of Tianjin Municipal Committee of the Communist Party of China majoring in history of the communist party of China in 1999 and 2000, respectively.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. YANG Jing, Age 49, Chinese

Ms. YANG Jing has been an Employee Representative Supervisor of the Company since January 11, 2010 and currently serves as chairman of the Institutional Labor Union of the Company. Ms. Yang joined the Company in 1997, and has held various positions including vice director at the general office of the Training Department, assistant to the manager of the administration and human resources division of our Tianjin Branch, manager of the Department of Human Resources of the company. From 2001 to 2004, she was stationed at the Insurance Association of China as a director of its secretariat. Prior to joining the Company, Ms. Yang served as an instructor at the Beijing Institute of Economics (now known as Capital University of Economics and Business). In 1984, Ms. Yang graduated from the Beijing Institute of Economics and obtained a bachelor's degree in economics. Ms. Yang completed advanced graduate studies in finance at the Central University of Finance and Economics in 2000.

(III) Members of senior management

Mr. HE Zhiguang, See "(I) Directors" in this section.

Mr. HUANG Ping, Age 56, Chinese

Mr. HUANG Ping has been a Vice President of the Company since April 26, 2001. Mr. Huang joined the Company as assistant to the President in September 2000. Prior to joining the company, Mr. Huang served in Ping An Insurance (Group) Co. of China, Ltd. as general manager of the life insurance department, general manager of Shenzhen branch, vice president of life insurance business and chief life insurance supervisor. He also served as vice director of the life insurance division of the Hunan branch of the People's Insurance Company of China, and the director of the general office of the Changsha Municipal Committee of the China Communist Youth League. Mr. Huang is a senior economist.

Mr. LIU Yigong, Age 52, Chinese

Mr. LIU Yigong has been a Vice President of the Company since December 22, 2004 and has served as compliance officer of the Company since April 2010. Mr. Liu served as assistant to the President and general manager of our Beijing Branch after he joined us in October 2004. Prior to joining the Company, Mr. Liu served in Ping An Insurance (Group) Co. of China, Ltd. as senior director of financial investment department, deputy general manager of its industrial investment department, deputy general manager of its securities investment department, general manager of its human resources department, general manager of its Qingdao branch, deputy director general of its new business channels department. Mr. Liu is a senior economist and a Certified Senior Enterprise Risk Manager (CSERM). He received a master's degree in economics from Zhongnan University of Finance and Economics in 1996.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. LI Dan, Age 54, Chinese

Ms. LI Dan was appointed as the Vice President of the Company on July 18, 2011. Since joining us in July 1997, Ms. Li has held various positions in the Company, including director of the general manager's office and director of the board office, Board Secretary and director of the board office. Prior to that, Ms. Li worked at the Beijing branch of Ping An Insurance (Group) Co. of China Ltd. as a manager and assistant to general manager of its accounting and finance department, and as director of its Beijing representative office, among other positions. Ms. Li is a senior economist. She graduated from the graduate program of Central University of Finance and Economics with a major in money and banking in 1998.

Mr. CHEN Guogang, Age 52, Chinese

Mr. CHEN Guogang was appointed as the Vice President of the Company on July 18, 2011 and has been the Chief Financial Officer of the Company since April 2010. He also serves as a non-executive director of Asset Management Company. Prior to joining us in April 2010, Mr. Chen served as the deputy chief financial officer of Sinochem Group, the general manager of the finance department of Sinochem Group, the chief financial officer of Sinochem Group. He was also vice president of China International United Petroleum and Chemicals Co., Ltd., the general manager of the petroleum accounting department of Sinochem Group, as well as the vice director of the finance department of Sinochem Group, the financial manager of its U.S. agrichemical subsidiary, the deputy chief financial officer of Hino Company in Hong Kong. Mr. Chen is a senior accountant and a certified public accountant. He received a doctorate degree in economics from Xiamen University in 1988.

Mr. YUE Ran, Age 49, Chinese

Mr. YUE Ran has been the Chief Human Resources Officer of the Company since April 8, 2010. Since joining the Company in January 2010, Mr. Yue has been acting as director of our Inspection Office. Prior to joining us Mr. Yue served as the deputy General Manager of the human resources department at China Unicom Group, the deputy general manager of the human resources department at China Netcom Group, the director of human resources at China Netcom (Holdings) Company Limited, the manager of human resources department at Pulead Technology Industry Co., Ltd., the manager of human resources department at Beijing Coca-Cola Beverage Co., Ltd., the principal staff officer at the organization department of Beijing Municipal Committee of the Communist Party of China, among other positions. Mr. Yue obtained a bachelor's degree in philosophy from Beijing Normal University in 1984. He completed graduate studies in enterprise management at the University of International Business and Economics in 2003.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. GONG Xingfeng, Age 41, Chinese

Mr. GONG Xingfeng has been the Chief Actuary of the Company since September 21, 2010. Since joining us in January 1999, Mr. Gong has served in various positions in the Company, such as the assistant general manager of the Actuarial Department, vice general manager of the Underwriting Approval and Claims Settlement Department, general manager of the Customer Service Department, chief actuary, and head of investment business of Asset Management Company. Prior to joining the Company, Mr. Gong worked at the People's Bank of China and the CIRC as principal staff member. Mr. Gong is a senior economist and an actuary. He received a master's degree in economics majoring in economics from Central University of Finance and Economics in 1996.

Mr. YUAN Chaojun, Age 39, Chinese

Mr. YUAN Chaojun was appointed as Assistant President of the Company on July 18, 2011. Mr. Yuan has served in various positions since he joined the Company in November 2002, including the general manager of the central branch in Weifang, the assistant to the general manager, the vice general manager, the general manager and the senior general manager of our Shandong branch, and the director of the individual business of the Company. Before joining us, Mr. Yuan worked in the central branch in Weifang of the CPIC and the Weifang branch of Bank of Communications. Mr. Yuan graduated from Shandong TV University with a major in economic management in 1995, and received a master's degree in executive master of business administration from Zhongnan University of Economics and Law in 2011.

Mr. SUN Yuchun, Age 44, Chinese

Mr. SUN Yuchun was appointed as the Assistant President of the Company on July 18, 2011. Mr. Sun joined the Company in July 1996, since then he has served in various positions in the Company, including the vice director of the general office, the head of the Research and Development Center, the general secretary of New China International Insurance Research Institute, the assistant general manager of the Finance Planning Department, head of the Enterprise Planning Department, the general manager of Shanghai branch, the director of the Strategic Management Center and the chief strategic officer. Before joining us, Mr. Sun was the head of the secretary division of Management Institute of the People's Bank of China. Mr. Sun is a senior economist. He received his master's degree in finance from Zhongnan University of Economics and Law in 2007.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. ZHU Ying, Age 41, Chinese

Mr. ZHU Ying was appointed as the Board Secretary of the Company on July 18, 2011. Before joining us, Mr. ZHU served in the CIRC successively as the principal staff member of the Life Insurance Supervision Department, a deputy-director-level secretary and then a director-level secretary of the General Office, the assistant to the director general and the deputy director general of its Tianjin Bureau. Mr. Zhu is a Chinese certified public accountant and a non-practicing member of the Chinese Institute of Certified Public Accountants. Mr. Zhu received his bachelor's degree from Banking & Finance Institute of China with a major in international finance in 1993, and received his master's degree in economics from the graduate program of the Banking and Finance Research Institute of People's Bank of China in 1996.

Mr. Cheung Wing Kuen Samuel, Age 47, Chinese

Mr. Cheung Wing Kuen Samuel was appointed as the Chief Information Officer of the Company on November 4, 2011. Before joining us, Mr. Cheung served in various positions, including the general manager of system planning of the head office and the general manager of electronic business of head office of Ping An Life Insurance Company of China, Ltd., the senior manager of systems development of corporate solutions department of MLC (Hong Kong), Limited and the head of application development and maintenance of Asia District of its corporate solutions department, the project manager of information technology department of Canadian Eastern Life Assurance, whose name has been changed to MLC (Hong Kong) Limited afterwards. He was also a senior system analyst in information technology department of the Prudential Assurance Co. Ltd, and a senior business analyst in the regional corporate system department of American International Assurance Co. Ltd. Mr. Cheung is a certified information system auditor and information system security professional. He is also certified in enterprise IT governance and project management. Mr. Cheung received his bachelor's degree in quantitative analysis for business from City University of Hong Kong in 1989 and received his master's degree of e-commerce from the Hong Kong Polytechnic University in 2002.

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

(I) Positions in corporate shareholders

Name	Name of shareholders	Position held	Term
ZHAO Haiying	Central Huijin Investment Ltd.	Executive Vice President and Director General of Department of Non-Banking Financial Institutions	Since October 2009
MENG Xingguo	Central Huijin Investment Ltd.	Employee	Since December 2006
LIU Xiangdong	Central Huijin Investment Ltd.	Employee	Since December 2009
CHEN Johnny	Zurich Insurance Company Ltd.	Chief Executive Officer for general insurance of Asia Pacific	Since October 2010
WANG Chengran	Baosteel Group Co., Ltd.	Assistant General manager	Since May 2009
ZHU Nansong	Shanghai Zendai Investment Management Co., Ltd	Chairman and President	Since November 2009

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(II) Major positions in other entities

Name	Name of Other Entities	Position Held	Term
KANG Dian	New China Asset Management Co., Ltd.	Chairman	Since January 2010
	Silver Grant International Industries Limited	Independent Non-Executive Director	Since May 1998
HE Zhiguang	New China Asset Management Co., Ltd.	Non-Executive Director	Since May 2010
MENG Xingguo	New China Asset Management Co., Ltd.	Non-Executive Director	Since January 2010
CHEN Johnny	VIVA China Holdings Limited	Independent Non-Executive Director	Since June 2010
	Stella International Holdings Limited	Independent Non-Executive Director	Since February 2009
	Zurich Australian Insurance Ltd	Executive Director	Since October 2011
	Zurich Financial Services Australia Ltd	Executive Director	Since October 2011
CHEONG Chee Meng	Zurich Insurance (Taiwan) Ltd.	Executive Director	Since June 2008
	Zurich Life Insurance Company Ltd	Chief Distribution Officer of Asia-Pacific and Middle East Region	Since May 2010
	Malaysian Assurance Alliance Berhad	Chief Executive Officer	Since September 2011
WANG Chengran	New China Asset Management Co., Ltd.	Non-Executive Director	Since January 2010
	China CSSC Holding Limited	Non-Executive Director	Since May 2009
	CSSC:China State Shipbuilding Corporation		
	China Pacific Insurance (Group) Co., Ltd.	Non-Executive Director	Since June 2010
HUAN Guocang	Huatai Insurance Group	Non-Executive Director	Since April 2008
	Beijing Development (Hong Kong) Limited	Independent Non-Executive Director	Since 2009
CAMPBELL Robert David	China Life Insurance (Overseas) Company Limited	Independent Non-Executive Director	Since January 2010
FONG Chung Mark	Sinopec Kantons Holdings Limited	Independent Non-Executive Director	Since September 2004
	Worldsec Limited	Independent Non-Executive Director	Since February 1997
CHEN Jun	New China Asset Management Co., Ltd.	Chairman of the Board of Supervisors	Since January 2010
AI Bo	China Investment Corporation	Senior Manager of the Department of Institutional Integrity	Since June 2010
ZHU Nansong	Shanghai Zendai Property Limited	Executive Director	Since May 2003
CHEN Xiaojun	New China Asset Management Co., Ltd.	Supervisor	Since January 2010
CHEN Guogang	New China Asset Management Co., Ltd.	Non-Executive Director	Since April 2011

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

IV. COMPENSATION OF DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

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

During the reporting period, the aggregate amount of after tax remuneration that all directors, supervisors and members of senior management received from the Company is RMB29,216,300 and the total amount of individual income tax paid is RMB16,427,700. For detailed remuneration of each individual, please refer to "Directors, Supervisors and Members of Senior Management" in this section of this annual report.

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

V. CHANGES IN THE COMPANY'S DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

(I) Changes in Directors

Name	Position Held	Change
FONG Chung Mark	Independent Non-executive Director	Mr. FONG Chung Mark was elected to serve as Independent Non-Executive Director by the Fourth Session of the Board at the Fourth Extraordinary General Meeting of 2011 on 26 July 2011; the appointment was approved by the CIRC on 2 September 2011.

Note: Director HUAN Guocang submitted his resignation report to the Board to resign as Non-executive Director on 12 March 2012. His resignation became effective from 12 March 2012 upon the Board's receipt of his resignation report. The Company made an announcement on his resignation on 13 March 2012.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(II) Changes in Supervisors

During 2011, there is no change of supervisors of the Company.

(III) Changes in members of senior management

Name	Position Held	Change
TIAN Huimin	Chief Information Officer	Approved by the Fourth Session Board at the Twenty-sixth Meeting on 12 April 2011, Mr. TIAN Huimin resigned as Chief Information Officer.
LI Dan	Vice President	Ms. LI Dan was appointed as Vice President by the Fourth Session Board at the Thirty-third Meeting on 18 July 2011 and no longer serves as Board Secretary; the appointment was approved by the CIRC on 29 August 2011.
CHEN Guogang	Vice President and Chief Finance Officer	Mr. CHEN Guogang was appointed as Vice President by the Fourth Session Board at the Thirty-third Meeting on 18 July 2011; the appointment was approved by the CIRC on 29 August 2011.
YUAN Chaojun	Assistant President	Mr. YUAN Chaojun was appointed as Assistant to President by the Fourth Session Board at the Thirty-third Meeting on 18 July 2011; the appointment was approved by the CIRC on 29 August 2011.
SUN Yuchun	Assistant President	Mr. SUN Yuchun was appointed as Assistant to President by the Fourth Session Board at the Thirty-third Meeting on 18 July 2011; the appointment was approved by the CIRC on 29 August 2011.
ZHU Ying	Board Secretary	Mr. ZHU Ying was appointed as Board Secretary by the Fourth Session Board at the Thirty-third Meeting on 18 July 2011; the appointment was approved by the CIRC on 22 August 2011.
CHEUNG Wing Kuen Samuel	Chief Information Officer	Mr. CHEUNG Wing Kuen Samuel was appointed as Chief Information Technology Officer by the Fourth Session Board at the Forty-first meeting on 4 November 2011; the appointment was approved by the CIRC on 5 January 2012.
SUN Tongyue	Vice President	Mr. SUN Tongyue no longer served as the Vice President of the Company because he has reached the statutory retirement age since 31 December 2011.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

VI. SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

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

Mr. ZHU Nansong, a supervisor of the Company, held 49.25% of equity interests in Shanghai Zendai Investment Management Co., Ltd. which held 46,865,000 A shares of the Company as of December 31 2011, of which 29,525,000 shares were pledged. Except the above shareholding, no directors, supervisors or members of senior management held any share of the Company directly or indirectly during the reporting period.

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

As of 31 December 2011, according to the information available to the Company and the information our directors are aware of, except that our supervisor Mr. ZHU Nansong was deemed to be interested in 46,865,000 A shares of the Company held by Shanghai Zendai Investment Management Co., Ltd., there are no interests or short positions held by our directors, supervisors and chief executive in our Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which shall have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are deemed to be held under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

VII. THE COMPANY'S EMPLOYEE

As of 31 December 2011, a total of 49,031 employees entered into employment contracts with the Company. Their expertise and education background are set out below:

(I) Expertise

Expertise	Number	Percentage(%)
Management	1,593	3.25%
Professional ⁽¹⁾	2,113	4.31%
Marketing	38,554	78.63%
Other	6,771	13.81%
Total	49,031	100%

Note:

1. Staff with expertise mainly include staff of the Company in actuarial business, information business, underwriting business, claims settlement business, accounting and investment business, etc.

(II) Education background

Education background	Number	Percentage(%)
Master's Degree and Above	1,078	2.20%
Bachelor's Degree	16,617	33.89%
Lower than Bachelor's Degree	31,336	63.91%
Total	49,031	100%

SECTION 8 CORPORATE GOVERNANCE REPORT

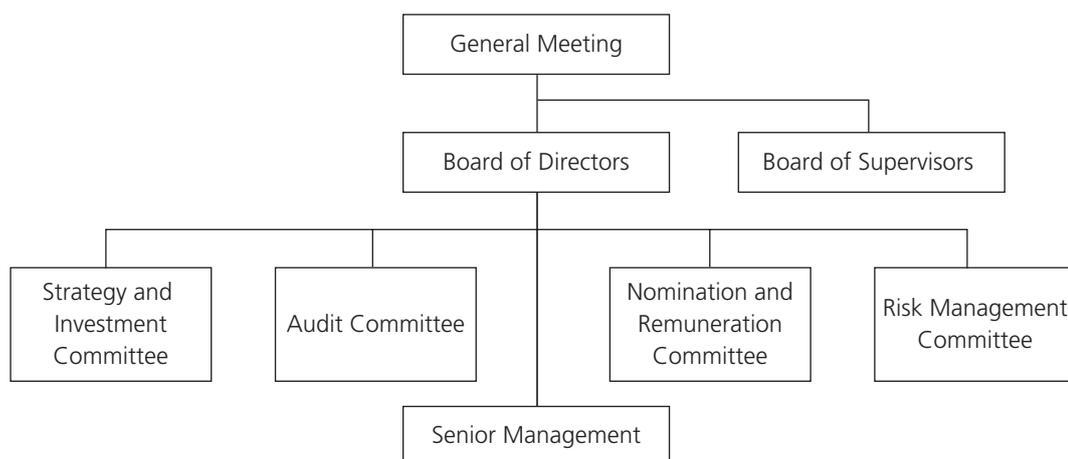
I. OVERVIEW OF CORPORATE GOVERNANCE

The Company has been in strict accordance with the *Company Law*, *Insurance Law* and *Securities Law* and other applicable laws and regulations as well as the requirements from the domestic and overseas regulatory authorities, and has established and improved the corporate governance system consisting of the shareholders' general meeting, Board of Directors ("the Board"), the Board of Supervisors and senior management and formed an operating mechanism under which the authorities, decision-making organs, supervising organs and executive organs support and coordinate with each other with appropriate checks and balances.

During the reporting period, the Company, in accordance with regulatory requirements, has promptly amended the *Articles of Association*, the rules of procedure of general meeting, the Board and the Board of Supervisors and the working rules of the Board committees, formulated a set of rules and systems in respect of information disclosure and connected transactions and established a comprehensive and effective corporate governance system. General meeting, the Board, the Board of Supervisors and senior management, in accordance with laws, all operate independently and exercise their respective functions and powers as granted by the *Articles of Association* and various systems. The Company established and improved the system of independent non-executive directors ("INEDs"). Over one third members of the Board are INEDs. The majority of members of Audit Committee and Nomination and Remuneration Committee under the Board are INEDs and the chairman of such committees are served by INEDs.

From the listing date of the Company to the end of the reporting period, the Company was in compliance with all principles and provisions set out in the *Code on Corporate Governance Practices* and has adopted substantially all of the recommended best practices set out in the *Code on Corporate Governance Practices*.

Governance Structure of the Company



SECTION 8 CORPORATE GOVERNANCE REPORT

(i) General meeting

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

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

According to the regulations of the *Articles of Association*, shareholders may obtain the information such as the register of members, individual profiles of directors, supervisors and senior management, share capital and minutes of general meetings. Shareholders shall make requests in writing and provide evidence of equity interests for inspection of or access to relevant information. The Company shall provide such information as required by shareholders after shareholder identities are verified. Shareholders are entitled to supervise and manage, advise on or enquire about the business and operations of the Company. Shareholders individually or jointly holding no less than 3% of the shares in the Company may make proposals 10 days prior to the convening of general meeting and notify the convener in writing. The convener shall, within two days after the receipt of such proposal, give supplementary notice for the general meeting, and announce the subjects of such proposal. (The relevant contact information of the Company is set out in section 2 "Corporate Information" of this annual report.)

SECTION 8 CORPORATE GOVERNANCE REPORT

In 2011, the Company convened eight general meetings in total. The procedures of giving meeting notices, calling for these meetings, convening the meetings and voting at the meetings were in compliance with the *Company Law*, the *Articles of Association* and relevant regulations. The general meetings established and improved the effective channels of communicating with shareholders, actively gathered comments and suggestions from shareholders, ensured that the shareholders have the right to know, participate in and vote on major matters of the Company, and created a sound environment for shareholders to fully participate in decision-making and to equally exercise rights. Details about general meetings are set out in Section 9 “General Meetings of Shareholders” in this annual report.

(ii) Directors, the Board and Board committees

As of the end of the reporting period, the Board has 15 directors consisting of two executive directors, seven non-executive directors and six INEDs (see brief introduction to incumbent directors in Section 7 “Directors, Supervisors, Senior Management and Employees” in this annual report). Directors serve a term of three years and are eligible for re-election, but the consecutive terms of INEDs shall not exceed six years. Number of directors and composition of the Board are in compliance with the regulatory requirements and the *Articles of Association*.

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

In accordance with the *Articles of Associations*, the Board shall be accountable to the general meeting and perform the following duties: to convene general meetings and report its work to the general meetings; to implement the resolutions passed at the general meetings; to determine the Company's business and investment plans, to control and supervise the Company's financial position and use of funds; to formulate the Company's development strategies; to prepare the annual financial budget plan and final account plan of the Company; to prepare the profit distribution plan and loss recovery plan of the Company; to formulate the plan for increase or reduction of the Company's registered capital, plan for issue of bonds or other securities and plan of listing; to formulate plans for material acquisitions, share repurchase, merger, division, dissolution or change of form of the Company; to decide on the external investment, disposal and purchase of assets, external guarantee and donations, etc. within the scope of authority granted by the general meeting; to appoint or remove the Company's president, Board secretary, appoint or remove other senior management including vice presidents, financial officers and chief actuary based on the nomination by the president, decide on and implement the plans concerning their annual performance evaluation, annual remuneration, awards and punishments, which shall be the basis of incentive, reappointment and replacement of them; to formulate amendments to the *Articles of Association*; to make proposal of any appointment or replacement of the accounting firm which audits the Company's accounts at the general meeting, and review reports of external auditors on a regular basis and from time to time; to consider and approve related party transactions which, in accordance with laws, regulations and regulatory documents, shall be approved by the Board; to receive the work report of the president of the Company and examine the president's work; to manage matters such as information disclosure, comprehensive risk management, internal control and compliance; and to exercise other functions and powers as stipulated by laws, regulations, regulatory documents or the *Articles of Association* or conferred by the general meetings.

In 2011, the Board convened 23 meetings in total. All directors fulfilled their duties diligently, attended the meetings in person or by proxies, made decisions based on deep understanding of the situation and emphasized the protection of interests of the Company and all shareholders.

SECTION 8 CORPORATE GOVERNANCE REPORT

Attendance of the directors is given as follows:

Name of director	Number of scheduled attendance	Number of attendance in person	Number of attendance by proxy	Number of absence	Remarks
Executive directors					
KANG Dian	23	22	1	0	KANG Dian could not attend the 35th meeting for business reasons but appointed director HE Zhiguang to attend and exercise the voting right on behalf thereof
HE Zhiguang	23	23	0	0	
Non-executive directors					
ZHAO Haiying	23	18	5	0	ZHAO Haiying could not attend the 23rd, 24th, 29th, 36th and 39th meetings for business reasons but appointed director MENG Xingguo to attend and exercise the voting right on behalf thereof
MENG Xingguo	23	23	0	0	
LIU Xiangdong	23	23	0	0	
CHEN Johnny	23	18	5	0	CHEN Johnny could not attend the 26th, 30th, 33rd, 36th and 42nd meetings for business reasons but appointed director CHEONG Chee Meng to attend and exercise the voting right on behalf thereof
CHEONG Chee Meng	23	19	4	0	CHEONG Chee Meng could not attend the 19th, 34th, 38th and 39th meetings for business reasons but appointed director CHEN Johnny to attend and exercise the voting right on behalf thereof
WANG Chengran	23	21	2	0	WANG Chengran could not attend the 35th and 42nd meetings for business reasons but appointed director ZHAO Haiying to attend and exercise the voting right on behalf thereof
HUAN Guocang	23	19	4	0	HUAN Guocang could not attend the 33rd, 34th, 38th and 39th meetings for business reasons but appointed director KANG Dian to attend and exercise the voting right on behalf thereof
Independent non-executive directors (INEDs)					
CAMPBELL Robert David	23	21	2	0	CAMPBELL Robert David could not attend the 30th and 42nd meetings for business reasons but appointed INEDs WANG Yuzhong and ZHAO Hua respectively to attend and exercise the voting right on behalf thereof
ZHAO Hua	23	22	1	0	ZHAO Hua could not attend the 36th meeting for business reasons but appointed INED ZHANG Hongxin to attend and exercise the voting right on behalf thereof
WANG Yuzhong	23	22	1	0	WANG Yuzhong could not attend the 41st meeting for business reasons but appointed INED CHEN Xianping to attend and exercise the voting right on behalf thereof
CHEN Xianping	23	23	0	0	
ZHANG Hongxin	23	23	0	0	
FONG Chung Mark	5	4	1	0	FONG Chung Mark could not attend the 42nd meeting for business reasons but appointed INED ZHANG Hongxin to attend and exercise the voting right on behalf thereof

SECTION 8 CORPORATE GOVERNANCE REPORT

The Board has four committees which are Strategy and Investment Committee, Audit Committee, Nomination and Remuneration Committee and Risk Management Committee. The committees are accountable to the Board, assist the Board in performing duties based on the authorization of the Board, consider relevant proposals and submit professional opinions to the Board.

1. Strategy and Investment Committee

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

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

In 2011, Strategy and Investment Committee held two meetings to give opinions and suggestions on issues such as the listing plan and development strategies of the Company. Attendance of the members of Strategy and Investment Committee is given as follows:

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

SECTION 8 CORPORATE GOVERNANCE REPORT

2. *Audit Committee*

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

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

In 2011, Audit Committee held 11 meetings in total to audit the annual financial report, internal control evaluation report and internal auditing report of 2010. Attendance of the members of Audit Committee is given as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
CAMPBELL Robert David	11	11	0
LIU Xiangdong	11	11	0
CHEN Johnny	11	6	5
ZHANG Hongxin	11	11	0
CHEN Xianping	11	10	1
WANG Yuzhong	11	9	2
FONG Chung Mark	2	2	0

Fulfillment of the duties of Audit Committee is set out in "Report on fulfillment of the duties by Audit Committee under the Board" under Section 10 "Report of the Board" of this annual report.

SECTION 8 CORPORATE GOVERNANCE REPORT

3. *Nomination and Remuneration Committee*

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

Nomination and Remuneration Committee performs the following duties: to formulate the standard and plan of appointing directors and senior management and submit suggestions to the Board; to regularly evaluate the reasonability of the structure, number of positions and composition of the Board and the management, and submit suggestions to the Board; to carry out initial examination on the candidates of directors, president and other senior management, and the candidates of directors, supervisors, president and other senior management assigned to subsidiaries, and submit suggestions to the Board; to formulate evaluation measures and remuneration plans of directors and senior management, and evaluate the performance and conducts of directors and submit suggestions to the Board; to consider the Company's overall human resources and remuneration strategies and basic systems thereof and submit suggestions to the Board; to consider president's evaluation of the performance and remuneration of heads of the Company's departments and branches, and submit suggestions to the Board; to consider the setting of internal organizational structure of the Company and submit suggestions to the Board; and to exercise other relevant functions and powers authorized by the Board or stipulated in the *Hong Kong Listing Rules*.

In respect of the nomination of directors, Nomination and Remuneration Committee examines the candidates of directors according to laws, regulations, regulatory documents, regulatory requirements and the *Articles of Association*, and submits examination opinions to the Board.

In 2011, Nomination and Remuneration Committee held eight meetings in total to review performance evaluation of senior management, and the nomination and appointment of directors and senior management. Attendance of the members of Nomination and Remuneration Committee is given as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
ZHAO Hua	8	8	0
ZHAO Haiying	8	7	1
CHEN Johnny	8	4	4
WANG Chengran	8	5	3
CAMPBELL Robert David	8	7	1
WANG Yuzhong	8	7	1
HUAN Guocang ⁽¹⁾	6	3	3
CHEN Xianping ⁽¹⁾	2	2	0

Note: 1. The 33rd meeting of the Fourth Session of the Board held on 18 July 2011 considered and approved the *Proposal on Adjusting the Members of the Nomination and Remuneration Committee* and elected INED CHEN Xianping as a member of the Nomination and Remuneration Committee, and director HUAN Guocang no longer served as a member of the Nomination and Remuneration Committee.

Fulfillment of the duties of Nomination and Remuneration Committee is set out in "Report on fulfillment of the duties by Nomination and Remuneration Committee under the Board" under Section 10 "Report of the Board" of this annual report.

SECTION 8 CORPORATE GOVERNANCE REPORT**4. Risk Management Committee**

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

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

In 2011, Risk Management Committee held three meetings in total to review the annual comprehensive risk management report and annual compliance report of 2010. Attendance of the members of Risk Management Committee is given as follows:

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

SECTION 8 CORPORATE GOVERNANCE REPORT

(iii) Chairman and president

The chairman and president of the Company hold positions separately, and their functions and powers are specified in the *Articles of Association*.

Mr. KANG Dian, serving as the chairman and legal representative of the Company, is in charge of presiding over general meetings, convening and presiding over Board meetings, examining the implementation of the Board resolutions and other relevant matters.

Mr. HE Zhiguang, serving as the president of the Company, is in charge of implementing the Board resolutions, operation and management of the Company and other relevant matters.

(iv) Supervisors and the Board of Supervisors

The Board of Supervisors consists of seven supervisors, including three employee representatives (brief introduction to incumbent supervisors is set out in Section 7 "Directors, Supervisors, Senior Management and Employees" of this annual report). The number and composition of the Board of Supervisors are in compliance with the regulatory requirements and the *Articles of Association*.

In 2011, the Board of Supervisors held three meetings in total to examine and supervise the operation, financial activities and internal auditing of the Company through reviewing meeting documents, hearing special reports, on-site investigations and inspections in branches. All the supervisors, in accordance with the principle of honesty, earnestly performed the duty of supervising and effectively protected the interests of shareholders, the Company and employees. Attendance of supervisors is given as follows:

Name of supervisor	Number of scheduled attendance	Number of attendance in person	Number of attendance by proxy	Number of absence
CHEN Jun	3	3	0	0
AI Bo	3	3	0	0
ZHU Nansong	3	3	0	0
CHEN Xiaojun	3	3	0	0
LIU Yiyang	3	3	0	0
ZHU Tao	3	3	0	0
YANG Jing	3	3	0	0

In addition, supervisors attended the Board meetings held during the reporting period as non-voting delegates to supervise the duty performance of the Company's directors and senior management, so as to ensure the constant, stable and healthy development of the Company. Work of the Board of Supervisors is given in Section 11 "Report of the Board of Supervisors" of this annual report.

SECTION 8 CORPORATE GOVERNANCE REPORT

(v) Investigations conducted by directors and supervisors

From April to September 2011, 74 individuals by visit count of directors and supervisors of the Company investigated 13 branches and some sub-branches located in Liaoning, Heilongjiang, Shanghai, Hubei, Shandong, Zhejiang, Henan, Guangdong, Beijing, Shaanxi, Xinjiang, Sichuan and Chongqing. During the investigations, directors and supervisors gathered comments and suggestions of the employees of the branches through holding symposiums and separate talks. They listened to work reports for 15 times and held 16 discussions with mid-level managers or above of the branches. While encouraging front-line employees, the directors and supervisors looked into the difficulties and problems faced by the local branches. The Board of Supervisors immediately reported the problems found in the investigations to the management of the Company, drawing close attention from the management, which facilitated the improvement of the management level of Company.

From July to August 2011, the Board of Supervisors investigated the Company's tendering and bidding process. Through talking with relevant persons and entrusting relevant departments for investigations, the Board of Supervisors looked into the weak points in the tendering and bidding process and proposed suggestions for improvements, which facilitated the standardization of the tendering and bidding of the Company.

(vi) Securities trading of directors or supervisors

The Company has adopted and implemented Appendix 10 *Model Code for Securities Transactions* of the *Hong Kong Listing Rules* to supervise the securities transactions of directors and supervisors. After making specific enquiries with all directors and supervisors, it is confirmed that they have observed the code of conduct set out in the *Model Code for Securities Transactions* during the reporting period. During the reporting period, the Company was not aware of any director or supervisor not fully complying with the *Model Code for Securities Transactions*.

(vii) Remuneration of auditors

Remuneration of auditors is specified in Section 13 "Significant Events" of this annual report.

(viii) Responsibilities of directors towards financial statements

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

SECTION 8 CORPORATE GOVERNANCE REPORT

(ix) Amendments to the *Articles of Association*

During the reporting period, the Company has in total amended the *Articles of Association* for three times, respectively as follows: amending the clause of the shareholding structure in the *Articles of Association* due to changes in shareholders of the Company; amending the *Articles of Association* in accordance with the regulatory rules of the listing place for the purpose of listing; and amending the dividend distribution policy clause in the *Articles of Association*.

(x) Information disclosure and transparency

The Company has actively adapted to a new regulatory environment after the dual listings of A shares and H shares, strictly observed regulatory rules of the listing places and established sound and effective system of information disclosure, ensuring that domestic and foreign investors can obtain true, accurate and complete information.

The Company has, in accordance with the information disclosure requirements of domestic and offshore securities regulatory authorities, stock exchanges and industrial regulatory authorities, immediately amended the *Administrative Provisions of Information Disclosure of New China Life Insurance Company Ltd.* and the *Insider Registration and Filing Measures of New China Life Insurance Company Ltd.*, and established a sound mechanism of information disclosure; formulated rules on annual report disclosure such as the *Working Rules of Audit Committee of the Board of New China Life Insurance Company Ltd. on Annual Report*, the *Working Rules of Independent Directors of New China Life Insurance Company Ltd. on Annual Report*, the *System of Accountability for Major Errors in Information Disclosure in Annual Report of New China Life Insurance Company Ltd.*, improving the quality of the Company's annual reports. During the reporting period, the Company, in strict accordance with internal and external regulations, finished the work on information disclosure and guaranteed the truthfulness, accuracy and completeness of the disclosed information.

II. DUTY PERFORMANCES OF INEDS

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

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

SECTION 8 CORPORATE GOVERNANCE REPORT**(i) Attendance of INEDs in Board meetings**

INEDs actively participated in Board meetings held during the reporting period. The details are as below:

Name of INED	Number of scheduled attendance	Number of attendance in person	Number of attendance by proxy	Number of absence	Remarks
CAMPBELL Robert David	23	21	2	0	CAMPBELL Robert David could not attend the 30th and 42nd meetings for business reasons but appointed INEDs WANG Yuzhong and ZHAO Hua respectively to attend and exercise the voting right on behalf thereof
ZHAO Hua	23	22	1	0	ZHAO Hua could not attend the 36th meeting for business reasons but appointed INED ZHANG Hongxin to attend and exercise the voting right on behalf thereof
WANG Yuzhong	23	22	1	0	WANG Yuzhong could not attend the 41st meeting for business reasons but appointed INED CHEN Xianping to attend and exercise the voting right on behalf thereof
CHEN Xianping	23	23	0	0	
ZHANG Hongxin	23	23	0	0	
FONG Chung Mark	5	4	1	0	FONG Chung Mark could not attend the 42nd meeting for business reasons but appointed INED ZHANG Hongxin to attend and exercise the voting right on behalf thereof

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

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

(iii) Confirmation of independence of INEDs

The Company has, according to the *Hong Kong Listing Rules*, obtained written confirmation of each INED on his/her independence from the Company. The Company considers all INEDs were independent from the Company as of 31 December 2011.

SECTION 8 CORPORATE GOVERNANCE REPORT

III. THE INDEPENDENCE OF THE COMPANY FROM CONTROLLING SHAREHOLDERS IN RESPECT OF ASSETS, PERSONNEL, FINANCE, INSTITUTIONS AND BUSINESSES

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

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

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

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

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

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

IV. APPRAISAL AND INCENTIVES FOR SENIOR MANAGEMENT

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

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

SECTION 8 CORPORATE GOVERNANCE REPORT

V. ESTABLISHMENT AND IMPROVEMENT OF THE COMPANY'S INTERNAL CONTROL SYSTEM

The Company has committed to establishing and improving internal control to promote sustainable development. The objectives of the internal control are to provide reasonable assurance that the Company complies with relevant laws and regulations; assets of the Company are properly safeguarded; reported financial and other information is true and complete; the Company operates efficiently and effectively; and business development strategies are properly implemented and to guarantee that the Company operates compliantly, soundly and effectively.

The Board of the Company is responsible for the establishment, improvement and effective implementation of internal control, as well as evaluating its effectiveness. The Audit Committee of the Board is responsible for supervising implementation and self-assessment of internal control, engagement of and coordination with external auditing institutions. The Board of Supervisors of the Company is responsible for overseeing the establishment and implementation of internal control by the Board. The management is responsible for organizing and leading daily operations of the internal control.

The Company has established a three-line defense mechanism, made up of respective operational department and business unit, internal control department, and auditing department and has further clarified the internal control management roles and responsibilities assumed by each defense line. Based on effective cooperation and coordination among three defense lines, the Company has established the internal control system which consists of three parts (basis, procedures and assurance of internal control) and five elements (internal environment, risk assessment, control activities, information and communication, and internal monitoring), so that the risks could be prevented in advance, or be controlled during the process and monitored afterwards.

Based on the internal control requirements such as the *Basic Standard for Enterprise Internal Control* (Cai Kuai [2008] No.7) and the *Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control* (Cai Kuai [2010] No.11) published jointly by the MOF, CSRC, National Audit Office, CBRC and CIRC, and the *Basic Standards for Internal Control of Insurance Companies* (Bao Jian Fa [2010] No.69) of the CIRC, the Company established a whole set of internal control policies which covers the internal control of financial reports. The Company established and improved internal controls focusing on sales, operations, fundamental management and capital utilization through foreground control, background control and basic control, formed an internal control management mechanism of joint actions between headquarters and branch entities and function-line management, and further defined the responsibility of internal control, guaranteed resources input in functions of accounting and finance which are relating to internal control of financial reports, strictly regulated the information disclosure of annual reports by formulating accountability mechanism for significant errors, positively propagated the culture and concept of internal control, and implemented internal control programs, so as to constantly improve and enhance the internal control system.

According to the self-assessment of the effectiveness of internal control performed by the Board of Directors of the Company in compliance with the *Basic Standard for Enterprise Internal Control* (Cai Kuai [2008] No.7) and the *Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control* (Cai Kuai [2010] No.11) as of 31 December 2011, the Board is of the view that the establishment and operation of the Company's internal control system were effective as a whole. The auditor has issued an audit report on this.

SECTION 8 CORPORATE GOVERNANCE REPORT

VI. RISK MANAGEMENT OF THE COMPANY

The Company identified, evaluated and addressed risks in operation and management by establishing a sound risk management and internal control structure and defining roles and responsibilities of different levels, so as to support strategic and business decision-making and guarantee the Company's sustainable and sound operations. The Board of Directors of the Company has established Audit Committee and Risk Management Committee; the headquarters have established operational departments including Internal Control and Compliance Department, Legal Department, Audit Department, and Disciplines Inspection and Supervision Office, and the branches have established risk control and management departments to perform risk management duties in respect of internal control and compliance, legal affairs, and auditing.

In 2011, the Company continued to reinforce risk management system and mechanism construction, and completed the implementation and design of risk management strategic planning. The Company further enhanced the building of company-wide risk management organizations and professional risk management teams, and improved professional capability of risk management personnel. The risk management and internal control systems as well as risk inspection, risk response and emergency management systems were further improved. The Company continuously improved the effectiveness of risk management and internal control system covering various aspects of the operation such as sales, operations, fundamental management and capital utilization as well as further promoted internal control and compliance and propagated risk culture to raise the compliance and risk awareness of the staff.

The Company has preliminarily established annual risk assessment mechanism, which performed comprehensive and systematic identification and analysis of internal and external risk elements encountered by operation and management and business activities to identify risks and focused on changes of significant risks, so as to make qualitative and quantitative assessment on significant risks, and to formulate countermeasures accordingly.

The Company established regular self-check and self-correction mechanism to timely evaluate the status of risks and positively impel rectification; based on risk assessment, the Company duly issued warnings and regularly reported risk assessment results to the management and the Board; the Company reinforced auditing and other supervisions, required periodic rectification for deficiencies detected and improved management systems and internal control procedures accordingly; and the Company reinforced risk management performance evaluation and accountability mechanism as well as penalty on violations.

For the analysis of main risk factors of the Company, please refer to the Note ("Risk Management") to the Consolidated Financial Statements in this annual report.

SECTION 9 GENERAL MEETINGS OF SHAREHOLDERS

I. SHAREHOLDERS' ANNUAL GENERAL MEETINGS

On 28 June 2011, the Company held the annual shareholders' general meeting 2010 in Beijing, and considered and approved the *Proposal on 2010 Annual Report of the Board*, *Proposal on 2010 Annual Report of the Board of Supervisors*, *Proposal on '2010 Due Diligence Report of Directors'*, *Proposal on '2010 Due Diligence Report of Independent Directors'*, *Proposal on Revisions to 'Interim Measures for the Administration of Independent Directors of the Company'*, *Proposal on '2010 Annual Business Report of the Company'*, *2010 Financial Statement and Audit Report*, *Proposal on '2010 Final Accounting Report'*, *Profit Distribution Plan for 2010 of the Company*, *Proposal on Applying for Supplementing Capital Expenditure Budget of the Company for 2011*, *Proposal on Report on Related Party Transactions and Implementation of Management System of Related Party Transactions for the Year 2010*, *Proposal on Purchasing 7th Office Building at Shanghai Port International Cruise Terminal*, *Proposal on Applying for Qualification of Overseas Investment*, and *Proposal on Increasing Capital and Related Party Transactions to New China Asset Management Co., Ltd.*

II. SHAREHOLDERS' EXTRAORDINARY GENERAL MEETINGS

In 2011, the Company held seven shareholders' extraordinary general meetings in total.

1. On 31 March 2011, the Company held the first shareholders' extraordinary general meeting of 2011 in Beijing, and considered and approved the *Proposal on Initial Public Offering and Listing Plans*, *Proposal on Authorized Issues Relating to Initial Public Offering and Listing*, *Proposal on Distribution Plan for Accumulated Profits in the Initial Public Offering and Listing*, *Proposal on Revisions to the Articles of Association and Rules of Procedure of Three Meetings (Shareholders' General Meeting, Board Meeting, and Meeting of Board of Supervisors)*, *Proposal on Revisions to 'Administrative Measures for Related Party Transactions of the Company'*, *Proposal on 2011 Annual Business Plan*, *Proposal on 'Five-Year Strategic Plan of the Company'*, *Proposal on Financial Budget Report for the year 2011 of the Company*, *Proposal on Adjustment of Allowance Standard for Independent Directors*, *Proposal on Plans for Issuing Subordinated Term Debts of the Company*, *Proposal on Entrusted Investment Management Agreement and the Investment Guidance for the Use of Insurance Funds of the Company for the Year 2011*, *Proposal on the Company's Participation in the Urbanization Cooperation Project of China Investment Corporation*, and *Proposal on Dividend Distribution Plan for the year 2010 of Participating Business*.
2. On 22 March 2011, the Company held the second shareholders' extraordinary general meeting of 2011 by circulation of written resolution, and considered and approved the *Proposal on Confirming Shareholding Structure of New China Life Insurance Company Ltd.*⁽¹⁾

¹ Meetings held by circulation of written resolution should be deemed as held on the date of issuance of notice. The Company held the second extraordinary general meeting of 2011 by circulation of written resolution prior to the formal commencement, but after the issuance of the notice of the first extraordinary general meeting of 2011, hence the date of the meeting was earlier than that of the first meeting.

SECTION 9 GENERAL MEETINGS OF SHAREHOLDERS

3. On 9 June 2011, the Company held the third shareholders' extraordinary general meeting of 2011 by circulation of written resolution, and considered and approved the *Proposal on Amendments to Relevant Provisions of the Articles of Association*.
4. On 26 July 2011, the Company held the fourth shareholders' extraordinary general meeting of 2011 by circulation of written resolution, and considered and approved the *Proposal on Election of New Directors of the Fourth Session of the Board*.
5. On 23 August 2011, the Company held the fifth shareholders' extraordinary general meeting of 2011 in Beijing, and considered and approved the *Proposal on the Transfer of All Shares held by the Company in Beijing Zijin Century Real Estate Co., Ltd.*, *Proposal on Pilot Construction of the Senior Care Community in Yanqing County*, and *Proposal on Pilot Construction of the Senior Care Community in Miyun County*.
6. On 7 October 2011, the Company held the sixth shareholders' extraordinary general meeting of 2011 in Beijing, and considered and approved the *Proposal on Special Dividend Distribution and Public Investor Protection Mechanism of New China Life Insurance Company Ltd.*
7. On 13 December 2011, the Company held the seventh shareholders' extraordinary general meeting of 2011 in Beijing, and considered and approved the *Proposal on Revisions to 'Interim Measures for Asset Administrative Authority and Authorization Management'*, *Proposal on Signing 'Supplementary Agreement to Entrusted Investment Management Agreement for 2011' and Related Party Transactions with New China Asset Management Co., Ltd.*, *Proposal on Revisions to Percentage Restriction for Term Deposit Assets of Participating Accounts and Related Party Transactions in 'the Investment Guidance for the Use of Insurance Funds for 2011'*, *Proposal on Revisions to the Scope of Asset Allocation for Subordinated Debt Accounts in 'the Investment Guidance for the Use of Insurance Funds for 2011'*, and *Proposal on Application for the Dissolution of Chongqing New China Insurance Agency Co., Ltd.*

SECTION 10 REPORT OF THE BOARD

I. MAIN BUSINESSES AND RESULTS ANALYSIS

As approved by the regulatory authorities and the company registration authorities, the business scope of the Company is: to execute RMB and foreign-currency life insurance (including various life insurance, health insurance, and casualty and accident insurance); to undertake insurance, examination and claim settlement for domestic and overseas insurance institutions; to provide insurance consultancy; and to engage in fund utilization pursuant to relevant laws and regulations, and other businesses approved by the CIRC.

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

II. PRINCIPAL CUSTOMERS

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

III. DIVIDENDS

(i) Profit distribution plan for the year 2011

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

According to the business performance in the year 2011, the Company proposes to distribute 10% of its net profit of the year 2011 in line with PRC GAAP to shareholders in the form of cash, i.e. to distribute a cash dividends of RMB0.09 (including tax) per share to the shareholders of the total issued 3,119,546,600 shares of the Company, which will amount to RMB280,759,194. The dividends will be denominated and announced in RMB, while the dividends of H shares will be paid in HKD. The exchange rate will be calculated according to the average closing price of the exchange between RMB and HKD published by the People's Bank of China in the week before the date when the general meeting makes the distribution announcement. The Company will withhold and pay the relevant taxes in connection with the dividend in accordance with the requirements of laws and regulations.

This dividend plan has been reviewed at the 44th meeting of the Fourth Session of the Board, and will be submitted to the annual general meeting to be held on 20 June 2012. The plan will be implemented following the approval by the general meeting.

The Company has no plan of increasing shares with the use of capital reserve this year.

SECTION 10 REPORT OF THE BOARD

(ii) Dividend of the recent three years

As the Company failed to meet the minimum solvency adequacy ratio of 100% required by the CIRC in each of the years 2008, 2009 and 2010, the distribution of dividends of the Company was under restriction, thus no dividend was distributed.

IV. RESERVES

See Note 22 to the Consolidated Financial Statements for details of reserves (including distributable reserves).

V. PROPERTY AND EQUIPMENT

See Note 6 to the Consolidated Financial Statements for details of property and equipment.

VI. SUMMARY OF FINANCIAL INFORMATION

See Section 3 "Summary of Accounting Data and Operating Data" of this annual report for the summary of financial information.

VII. USE OF PROCEEDS

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

VIII. SHARE CAPITAL AND PUBLIC FLOAT

See Section 6 "Changes in Share Capital and Shareholders' Profile" of this annual report for details of changes in share capital.

According to the data obtained from public resources by the Company and according to the knowledge of the directors as of the latest practicable date before the publication of this annual report, from 15 December 2011, the date of listing of the Company's H shares, no less than 25% of the issued share capital and no less than 15% of the H shares of the Company have been held by the public, in compliance with the minimum requirement of the *Hong Kong Listing Rules*.

IX. POST-BALANCE SHEET EVENTS

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

SECTION 10 REPORT OF THE BOARD

X. CONNECTED TRANSACTIONS

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

XI. BANK LOANS

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

XII. CHARITABLE DONATIONS AND OTHER DONATIONS

During the reporting period, the charitable donations and other donations of the Company approximated to RMB4,120,000.

XIII. MANAGEMENT CONTRACTS

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

XIV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the biographical details of the directors, supervisors and senior management, please refer to Section 7 "Directors, Supervisors, Senior Management and Employees" of this annual report.

XV. INTERESTS OF DIRECTORS OR SUPERVISORS ON COMPETITIVE BUSINESSES

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

SECTION 10 REPORT OF THE BOARD

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

Save as disclosed above, as of 31 December 2011, no director or supervisor of the Company had any competing interest, which competes or is likely to compete, either directly or indirectly, with the Company's business.

XVI. SERVICE CONTRACTS AND REMUNERATIONS OF DIRECTORS AND SUPERVISORS

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

For remunerations of the directors and supervisors, please refer to Section 7 "Directors, Supervisors, Senior Management and Employees" of this annual report.

XVII. BOARD COMMITTEES

There are four committees established under the Board of the Company, which are Strategy and Investment Committee, Audit Committee, Nomination and Remuneration Committee and Risk Management Committee. For information of the Board committees, please refer to Section 8 "Corporate Governance Report" of this annual report.

SECTION 10 REPORT OF THE BOARD

XVIII. INTERESTS OF DIRECTORS AND SUPERVISORS IN THE CONTRACTS OF SIGNIFICANCE

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

XIX. RIGHTS OF DIRECTORS OR SUPERVISORS TO ACQUIRE SHARES

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

XX. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

XXI. PRE-EMPTIVE RIGHT

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

XXII. IMPLEMENTATION OF MANAGEMENT SYSTEM FOR INSIDERS

According to the relevant requirements of the CSRC, the Company formulated the *Insider Registration and Filing Measures of New China Life Insurance Company Ltd.*, in which it specifies the scope and confidentiality control of inside information and the scope, registration and filing of insiders, which it strictly observes. From the date of the Company's listing to the end of the reporting period, the Company was not aware of any insider trading of shares of the Company by using inside information.

XXIII. CHANGES IN SIGNIFICANT ACCOUNTING ESTIMATES

Changes in accounting estimates of the Company for 2011 mainly involved changes in actuarial assumptions, and there was no other change in major accounting estimates. The Company determined actuarial assumptions, including discount rates, mortality rates, morbidity rates, expense assumptions, lapse rates, and policy dividend assumptions, based on information that can be acquired as at the balance sheet date, to measure liabilities for various insurance contracts as at the balance sheet date.

The Company re-determined the above assumptions on 31 December 2011 according to the information then available. Movements in liabilities for various insurance contracts arising from changes in the above assumptions were included in income statement for 2011. Such change in the above assumptions resulted in an increase of RMB275 million in life insurance contract liabilities as at 31 December 2011, an increase of RMB20 million in long-term health insurance contract liabilities and a decrease of RMB295 million in total in profit before income tax for 2011.

SECTION 10 REPORT OF THE BOARD

XXIV. PLAN FOR THE OPTIMIZATION AND IMPROVEMENT OF THE INTERNAL CONTROL SYSTEM

Based on the requirements such as the *Basic Standard for Enterprise Internal Control* (Cai Kuai [2008] No.7) and the *Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control* (Cai Kuai [2010] No.11) published by the MOF, CSRC, National Audit Office, CBRC and CIRC, and the *Basic Standards for Internal Control of Insurance Companies* (Bao Jian Fa [2010] No.69) published by the CIRC, the Company, dually listed domestically and overseas, has employed external consulting agencies to implement internal control programs and conduct internal control benchmarking and testing, and impel rectification on deficiencies detected and ensure to comply with internal control requirements.

Based on testing results from internal control programs, the Company updated the *Internal Control Practice Manual (2010 Edition)* and formulated the *Internal Control Practice Manual (2011 Edition)*, which further specified the terminology (definitions, objectives and basic principles) of the Company's internal control, and defined key control functions of the headquarters, branch and sub-branch entities in sales, operations, fundamental management and capital utilization, thus laying a foundation for the improvement of internal control system.

The Company has formulated the *Internal Control Self-assessment Manual (Trial)*, which has specified the principles, standards, assignment of responsibilities, contents, procedures, deficiencies identification, and self-assessment reports, thus guaranteeing the standardization and overall compliance of internal control self-assessment after the Company's listing of shares; and it established a series of templates including the self-assessment work plan and the final self-assessment report, which have covered all the areas of self-assessment and have improved the practicability of the manual, and provided guarantee for performing internal control self-assessment effectively.

The Company plans to further optimize and improve internal control system and its management by enhancing the basis, procedure and assurance of the internal control system, so as to improve internal control management and transform it to professional, preventive and systematic management, and the specific measures include: to reinforce risk management of the entire system and improve capability of the internal control personnel; to improve and enhance operational risk monitoring and warning system and establish classification management mechanism of institutional risks; to continuously improve risk assessment and reporting mechanism and its technique; to refine the implementation of the *Basic Standard for Enterprise Internal Control* jointly issued by five ministries and its implementary guidelines, so as to impel internal control and compliance rectification, improve the Company's internal control system and enhance the level of internal control and compliance; and to improve the internal audit system and strengthen auditing in order to achieve added value by audit supervision and services.

SECTION 10 REPORT OF THE BOARD

XXV. STATEMENT OF THE BOARD ON INTERNAL CONTROL RESPONSIBILITY

The Board of Directors of the Company is responsible for the sound establishment and effective implementation of its internal control, and the Board of Supervisors is responsible for supervision on establishment and implementation of internal control by the Board of Directors, and the management is responsible for organization and leadership of daily operations of the Company's internal control. According to the self-assessment of the effectiveness of internal control performed as of 31 December 2011 by the Board of Directors of the Company in compliance with the *Basic Standard for Enterprise Internal Control* (Cai Kuai [2008] No.7) and the *Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control* (Cai Kuai [2010] No.11), the establishment and operation of the Company's internal control system were effective as a whole.

XXVI. WORK OF THE BOARD

(i) Meetings and resolutions of the Board

In 2011, the Company held 23 Board meetings in total.

1. On 12 January 2011, the 19th meeting of the Fourth Session of the Board was held in Beijing, at which the Board considered and approved the *Proposal on Plans for Issuing Subordinated Term Debts of the Company*, *Proposal on 'Measures for the Administration of Auditing of Directors and Senior Management'*, *Proposal on Formulating 'Measures for Evaluation of Due Diligence of Directors'*, and *Proposal Concerning Construction of Core Business Systems of the Company*.
2. On 25 February 2011, the 21st meeting of the Fourth Session of the Board was held in Shenzhen¹, at which the Board considered and approved the *Proposal Concerning 'Administrative Measures for Internal Audit of the Company'*, *Proposal on 'the Internal Control Practice Manual (2010 Edition) of the Company'*, *Proposal on Formulation of Systems Relating to Product Pricing Management, Dividend Management, Product Risk Management, and Solvency Management*, *Proposal Concerning Evaluation Plan of Senior Management for the year of 2010*, *Proposal on Engagement Agreement of Senior Management*, *Proposal on Adjustment of Allowance Standard for Independent Directors*, *Business Plan of the Company for the Year of 2011*, *Financial Budget of the Company for the Year of 2011*, *Proposal on 'Five-Year Strategic Plan of the Company'*, *Proposal on Plans for Issuing Subordinated Term Debts of the Company*, and *Proposal on Entrusted Investment Management Agreement and Guidelines for Insurance Fund Use and Investment of the Company for the Year of 2011*, and *Proposal Concerning Convening of 1st Shareholders' Extraordinary General Meeting for the Year of 2011*.

¹ Meetings held by circulation of written resolution should be deemed as held on the date of issuance of notice. Before the formal commencement of the 19th meeting of the Fourth Session of the Board and after the issuance of the notice, the Company held the 20th meeting of the Fourth Session of the Board by circulation of written resolution on 29 December 2010, which considered and approved the *Proposal on Branch Outlets in 2011*. As the time of commencement of the 20th meeting was in 2010, hence the 20th meeting was not included in Board meetings of 2011.

SECTION 10 REPORT OF THE BOARD

3. On 3 March 2011, the Company held the 22nd meeting of the Fourth Session of the Board by circulation of written resolution, and considered and approved the *Proposal on Dividend Distribution Scheme of Participating Insurance Business for the year of 2010*.
4. The 23rd meeting of the Fourth Session of the Board was held in Beijing on 15 March 2011, at which the Board considered and approved the *Proposal on Initial Public Offering and Listing Plans, Proposal on Authorizations Relating to Initial Public Offering and Listing, Proposal on Distribution Plan for Accumulated Profits from Initial Public Offering and Listing, Proposal on Revisions to the Articles of Association and Rules of Procedure of Three Meetings (Board Meeting, Meeting of Board of Supervisors and Shareholders' General Meeting), Proposal on Revisions to 'Administrative Measures for the Related Party Transactions of the Company', Proposal concerning Conclusion of Cooperation Agreement with Zurich Technical and Consulting Services (Beijing) Co. Ltd., Proposal on Nominating Directors to Asset Management Companies, and Proposal on the Company's Participation in the Urbanization Cooperation Project of China Investment Corporation*.
5. On 22 March 2011, the Company held by circulation of written resolution the 24th meeting of the Fourth Session of the Board, and considered and approved the *Proposal on Confirming Equity Structure of New China Life Insurance Company Ltd.*
6. On 25 March 2011, the Company held by circulation of written resolution the 25th meeting of the Fourth Session of the Board without any resolution formed.
7. On 12 April 2011, the Company held the 26th meeting of the Fourth Session of the Board in Beijing, and considered and approved the *Proposal on 'Financial Report of the Company for the year of 2010', Proposal on 'Company's Solvency Report for the year of 2010', Proposal on 'the Company's Compliance Report for the year of 2010', Proposal on 'Comprehensive Risk Management Report of the Company for the year of 2010', Proposal on 'Self-assessment Report on Internal Control of the Company for the year of 2010', Proposal on "Internal Audit Report of the Company for the year of 2010', Proposal on 'Corporate Governance Report of the Company for the year of 2010', Profit Distribution Plan of the Company for the year of 2010, Proposal concerning Amendments to Relevant Provisions of the Articles of Association, Proposal on Applying for Adding Capital Expenditure Budget of the Company for the year of 2011, Proposal on 'Annual Business Report of the Company for the year of 2010', Proposal on 'Report of Related Party Transactions and Implementation of Administrative Systems for Related Party Transactions of the Company for the year of 2010', Proposal on 'Directors' Due Diligence Report for the year of 2010', Proposal on Amendments to 'Interim Measures for the Administration of Independent Directors of the Company', Proposal on Purchasing 7th Office Building at Shanghai Port International Cruise Terminal, Proposal on 'Special Audit Report about Related Party Transactions of the Company for the year of 2010', Proposal on Evaluation Results of Senior Management for the year of 2010, Proposal on Solving Matters Relating to Tax Authority's Claim on Taxes and Temporary Proposal on TIAN Huimin's Resigning from Her Post as Chief IT Officer, and Proposal on Convening Annual Shareholders' General Meeting for the year of 2010*.

SECTION 10 REPORT OF THE BOARD

8. On 28 April 2011, the Company held the 27th meeting of the Fourth Session of the Board by circulation of written resolution, and considered and approved the *Proposal on the Company's 'Special Financial Report of Participating Insurance for the year of 2010' and Proposal on the Company's 'Information Disclosure Report for the year of 2010'*.
9. On 15 May 2011, the Company held the 28th meeting of the Fourth Session of the Board by circulation of written resolution, and considered and approved the *Proposal on the Appointment of Financial Adviser and Members of the Underwriting Syndicate for the IPO*.
10. On 18 May 2011, the Company held the 29th meeting of the Fourth Session of the Board in Beijing, and considered and approved the *Proposal concerning Amendments to the Company's Articles of Association (Draft) to be adopted after IPO, Proposal concerning Amendments to 'Administrative Provisions on Information Disclosure' of the Company, Proposal on Audit Report on Resignation of SUN Bing and YANG Zhicheng, Proposal on 'Final Accounting Report for the year of 2010', Proposal on '2010 Annual Report of the Board, Proposal on 'Group's Solvency Report for the year of 2010', Proposal on Applying for Qualification of Overseas Investment and Proposal on Increasing Capital and Related Party Transactions to New China Asset Management Co., Ltd.*
11. On 16 June 2011, the Company held the 30th meeting of the Fourth Session of the Board in Beijing, and considered and approved the *Proposal on Further Authorization Relating to Initial Public Offering and Listing of Shares, Proposal on Approval of Submitting A1 Form to Hong Kong Stock Exchange, Proposal on 'Financial Statements (A Shares) under the Accounting Standards for Business Enterprises for 2008, 2009, and 2010 and the three months ending at 31 March 2011', Proposal on 'Financial Statements under International Accounting Standards for 2008, 2009 and 2010', Self-assessment Report on Internal Control, Proposal on Amendments to the Relevant Corporate Governance Documents, Proposal on Pilot Construction of the Senior Care Community in Yanqing County, Proposal on Pilot Construction of the Senior Care Community in Miyun County and Proposal on Investing in Health Management Center.*
12. On 8 June 2011, the Company held the 31st meeting of the Fourth Session of the Board by circulation of written resolution⁽¹⁾, and considered and approved the *Proposal concerning Amendments to Relevant Provisions of the Articles of Association.*
13. On 27 June 2011, the Company held the 32nd meeting of the Fourth Session of the Board by circulation of written resolution, and considered and approved the *Proposal on the Company's Profit Forecast Report for the year of 2011 and Proposal on Joint Establishment of "Women's Charity Funds of New China Life Insurance" with China Women's Development Foundation and Donation.*

¹ Meetings held by circulation of written resolution should be deemed as held on the date of issuance of notice. The Company held the 31st meeting of the Fourth Session of the Board after the issuance of notice of the 30th meeting of the Fourth Session of the Board and prior to its commencement, hence the time of the 31st meeting was earlier than that of the 30th meeting.

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14. On 18 July 2011, the Company held the 33rd meeting of the Fourth Session of the Board in Beijing, and considered and approved the *Proposal on Adjustment of Members of the Nomination and Remuneration Committee, Proposal on Appointment of Senior Management and Financial Report under International Accounting Standards for the First Quarter of 2011*.
15. On 26 July 2011, the Company held the 34th meeting of the Fourth Session of the Board in Beijing, and considered and approved the *Proposal on co-option of Director Candidates of the Fourth Session of the Board*.
16. On 11 August 2011, the Company held the 35th meeting of the Fourth Session of the Board in Beijing, and considered and approved the *Proposal on the Transfer of All Shares held by the Company in Beijing Zijin Century Real Estate Co., Ltd.*
17. On 23 August 2011, the Company held the 36th meeting of the Fourth Session of the Board in Beijing, and considered and approved the *Proposal on 'Administrative Measures for the Use of Proceeds', Proposal on 'Self-assessment Report on Internal Control', Proposal on 'Financial Statements and Audit Report (A Shares) for 2008, 2009, 2010 and Six Months ending at 30 June 2011', Proposal on 'Financial Statements and Audit Report under International Accounting Standards for Six Months ending at 30 June 2011', Proposal on 'Profit Forecast Report and Audit Report (A Shares) 2011' and Proposal on 'Solvency Report of the Group for the First Half of 2011'*.
18. On 2 September 2011, the Company held the 37th meeting of the Fourth Session of the Board by circulation of written resolution, and considered and approved the *Proposal on the Company's Signing of the Underwriting Agreement of Subordinated Debts in 2011 and Related Party Transactions*.
19. On 16 September 2011, the Company held the 38th meeting of the Fourth Session of the Board in Beijing, and considered and approved the *Proposal on Revisions to 'Interim Measures for Asset Management Authority and Authorization Management', Proposal on Systems Relating to Corporate Governance, Proposal on Purchase of Liability Insurance for Directors, Supervisors and Senior Management and Prospectus Liability Insurance and Related Party Transactions, Proposal concerning Signing 'Supplementary Agreement to Entrusted Investment Management Agreement for 2011' and Related Party Transactions with New China Asset Management Co., Ltd., Proposal on Revisions to Percentage Restriction of Time Deposits in Dividend Accounts in the 'Guidelines for Insurance Fund Use and Investment for 2011' and Related Party Transactions, Proposal on Standards of Remunerations of Newly Appointed and Promoted Senior Management, Proposal on Establishing New China Senior Care Management Co., Ltd. and Proposal on Establishing New China Health Industry Management Co., Ltd.*

SECTION 10 REPORT OF THE BOARD

20. On 7 October 2011, the Company held the 39th meeting of the Fourth Session of the Board in Beijing, and considered and approved the *Proposal on the Distribution of Special Dividends and Establishment of Public Investor Protection Mechanism of New China Life Insurance Company Ltd.*
21. On 20 October 2011, the Company held the 40th meeting of the Fourth Session of the Board by circulation of written resolution, and considered and approved the *Proposal on 'Profit Forecast Report and Audit Report (A Shares) for the year of 2011'*.
22. On 4 November 2011, the Company held the 41st meeting of the Fourth Session of the Board in Beijing, and considered and approved the *Meeting Minutes and Resolutions on Confirming and Approving the H Shares Offering and Matters Relating to Listing, Proposal concerning Revisions to Asset Allocation Scope of Subordinated Debt Accounts in 'Guidelines for Insurance Fund Use and Investment for 2011', Proposal on 'Administrative Measures for Standardizing the Capital Transactions with the Related Parties', Proposal on Appointment of Chief IT Officer of the Company and its Remuneration Standards, Proposal on Distribution of Performance-based Bonus of Senior Management for the year of 2010, Proposal concerning Application for Dissolution of Chongqing New China Insurance Agency Co., Ltd. and Proposal on Audit Report on Resignation of the Former Chief IT Officer TIAN Huimin.*
23. On 8 November 2011, the Company held the 42nd meeting of the Fourth Session of the Board in Beijing, and considered and approved the *Proposal of New China Life Insurance Company Ltd. on Post-listing Dividend Policy and Amendments to Relevant Provisions of 'Articles of Association (Draft)'*.

(II) The implementation of resolutions passed at shareholders' general meetings by the Board

During the reporting period, in accordance with relevant laws and regulations and the *Articles of Association*, all the members of the Board of the Company dutifully implemented the resolutions passed at the shareholders' general meetings and carried out all the tasks designated by the general meetings.

SECTION 10 REPORT OF THE BOARD

(III) Report on fulfillment of the duties by Audit Committee under the Board

In 2011, the Audit Committee of the Board held 11 meetings in total.

1. On 11 January 2011, the Audit Committee of the Fourth Session of the Board held its 1st meeting in 2011, reviewed the *Proposal on 'Measures for the Administration of Auditing of Directors and Senior Management'*, and provided professional opinions to the Board.
2. On 23 February 2011, the Audit Committee of the Fourth Session of the Board held its 2nd meeting in 2011, reviewed the *Proposal on Entrusted Investment Management Agreement and Guidance for Insurance Fund Use and Investment of the Company for the Year 2011, Administrative Measures for Internal Audit of the Company, Internal Control Practice Manual of the Company (2010), Proposal concerning Formulation of Systems Relating to Product Pricing Management, Dividend Management, Product Risk Management and Solvency Management, Financial Budget Report 2011 of the Company, Proposal on Dividend Distribution Scheme 2010 of Participating Business, Proposal on Matters concerning Subsequent Treatment and Related Party Transactions of New China Xiadu Technology Training (Beijing) Co., Ltd., and Proposal on Conclusion of Cooperation Agreement with Zurich Technical and Consulting Services (Beijing) Co. Ltd.*, and provided professional opinions to the Board.
3. On 15 March 2011, the Audit Committee of the Fourth Session of the Board held its 3rd meeting in 2011 and listened to the report on promoting the implementation of the internal control practice manual.
4. On 8 April 2011, the Audit Committee of the Fourth Session of the Board held its 4th meeting in 2011, reviewed the *Proposal on Applying for Adding Capital Expenditure Budget of the Company for 2011, Proposal on 'Financial Report 2010 of the Company', Proposal on 'Report about the Company's Solvency in 2010', Proposal on 'Internal Control Evaluation Report of the Company in 2010', Proposal on 'Internal Audit Report of the Company in 2010', Proposal on 'Report about Related Party Transactions and Implementation of Management Systems for Related Party Transactions of the Company in 2010', and Proposal on 'Special Audit Report about Related Party Transactions of the Company in 2010'*, and provided professional opinions to the Board.
5. On 17 May 2011, the Audit Committee of the Fourth Session of the Board held its 5th meeting in 2011, reviewed the *Proposal on Increasing Capital and Related Party Transactions to New China Asset Management Co., Ltd., Proposal on 'Report about the Group's Solvency in 2010', Proposal on 'Final Accounting Report 2010', and Proposal on 'Audit Report on Resignation of SUN Bing and YANG Zhicheng'*, and provided professional opinions to the Board.

SECTION 10 REPORT OF THE BOARD

6. On 10 June 2011, the Audit Committee of the Fourth Session of the Board held its 6th meeting in 2011, reviewed the *Self-assessment Report on Internal Control, Work Rules for Audit Committee of the Board, Proposal on 'Financial Statements and Audit Report (A Shares) for 2008, 2009, 2010 and the three months ending at 31 March 2011', Proposal on 'Financial Statements and Audit Report (H Shares) for 2008, 2009, 2010 and the three months ending at 31 March 2011, Proposal on 'Financial Statements and Audit Report under International Accounting Standards for 2008, 2009 and 2010'*, reviewed materials (including *Special Report on Non-recurring Gain/Loss Details for the Recent Three Years and the First Phase, Difference Comparison Table and Special Report of Description of Taxation of Major Taxes for the Recent Three Years and the First Phase, Special Report on Calculation of ROE and EPS for the Recent Three Years and the First Phase, and Report on the Differences between the Original Financial Statements and Audited Financial Statements for the Recent Three Years*) relating to A-share listing, and provided professional opinions to the Board.
7. On 15 June 2011, the Audit Committee of the Fourth Session of the Board held its 7th meeting in 2011, reviewed the *Earnings Forecast and Audit Report for 2011*, and provided professional opinions to the Board.
8. On 15 July 2011, the Audit Committee of the Fourth Session of the Board held its 8th meeting in 2011, reviewed the *Proposal on Financial Statements under the International Accounting Standards for the First Quarter of 2011, and the Years 2007 and 2008*, and provided professional opinions to the Board.
9. On 22 August 2011, the Audit Committee of the Fourth Session of the Board held its 9th meeting in 2011, reviewed the listing-related financial reports, *Report about the Group's Solvency in the first half year of 2011 and Proposal on 'Self-assessment Report of Internal Control'*, and provided professional opinions to the Board.
10. On 15 September 2011, the Audit Committee of the Fourth Session of the Board held its 10th meeting in 2011, reviewed the *Proposal concerning Signing 'Supplementary Agreement to Entrusted Investment Management Agreement for 2011' and Related Party Transactions with New China Asset Management Co., Ltd., and Proposal on Revisions to Percentage Restriction for Time Deposit Assets of Dividend Accounts and Related Party Transactions in 'Guidance for Insurance Fund Use and Investment for 2011', and Proposal of Related Party Transactions on Purchase of Liability Insurance for Directors, Supervisors and Senior Management and Prospectus Liability Insurance*, and provided professional opinions to the Board.

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11. On 4 November 2011, the Audit Committee of the Fourth Session of the Board held its 11th meeting in 2011, reviewed the *Accountant's Report (H Shares) for the Recent Three Years and the First Phase (30 June 2011)*, *Memorandum of H-share Earnings Forecast in 2011*, *Memorandum of H-share Working Capital Forecast*, *Proposal concerning Revisions to the Scope of Asset Allocation for Subordinated Debt Accounts in 'Guidance for Insurance Fund Use and Investment for 2011'*, *Proposal on Audit Report on Resignation of the Former Chief IT Officer TIAN Huimin*, and *Proposal concerning Application for Dissolution of Chongqing New China Insurance Agency Co., Ltd.*, and provided professional opinions to the Board.

The Audit Committee paid special attention to the internal control of the Company, and the audit department of the Company submitted regular reports to the Audit Committee so that the Audit Committee can timely know about relevant major issues in daily operations of the Company.

According to requirements of annual reports, the Audit Committee consulted with external auditors on the arrangement for auditing the financial statements of this year, and kept full and timely communication with the external auditors. After the external auditors provided preliminary audit opinions, the Audit Committee held a meeting to review the Company's financial statements and produced written opinions. At the 3rd meeting in 2012, the Audit Committee formed professional opinions on the annual report of 2011, and agreed to submit it to the Board for consideration.

The Audit Committee audited the performance of external auditors in auditing annual reports, made an objective evaluation on their independence and objectivity, submitted to the Board the work report about external auditors in 2011, and showed its satisfaction at their overall performance.

(IV) Report on fulfillment of the duties by Nomination and Remuneration Committee under the Board

In 2011, the Nomination and Remuneration Committee of the Board held 8 meetings in total.

1. On 10 January 2011, the Nomination and Remuneration Committee of the Fourth Session of the Board held its 1st meeting in 2011, reviewed the *Proposal on Formulating 'Measures for Evaluation of Due Diligence of Directors'*, and provided professional opinions to the Board.
2. On 24 February 2011, the Nomination and Remuneration Committee of the Fourth Session of the Board held its 2nd meeting in 2011, reviewed the *Proposal on Adjustment of Allowance Standard for Independent Directors*, *Proposal on Appointment Agreement of Senior Management*, and *Proposal on Performance Evaluation Plan of Senior Management of the Company in 2010*, and provided professional opinions to the Board.

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3. On 14 March 2011, the Nomination and Remuneration Committee of the Fourth Session of the Board held its 3rd meeting in 2011, reviewed the *Proposal on Nominating Directors to Asset Management Companies*, and provided professional opinions to the Board.
4. On 11 April 2011, the Nomination and Remuneration Committee of the Fourth Session of the Board held its 4th meeting for 2011, reviewed the *Proposal on Directors' Due Diligence Report in 2010*, and *Proposal on Evaluation Results of Senior Management in 2010*, and provided professional opinions to the Board.
5. On 13 May 2011, the Nomination and Remuneration Committee of the Fourth Session of the Board held its 5th meeting in 2011, reviewed the *Proposal on Appointment of Senior Management*, and provided professional opinions to the Board.
6. On 15 July 2011, the Nomination and Remuneration Committee of the Fourth Session of the Board held its 6th meeting in 2011, reviewed the *Proposal on Co-option of Director Candidates*, *Proposal on Adjustment of Members of the Nomination and Remuneration Committee*, and *Proposal on Appointment of Senior Management*, and provided professional opinions to the Board.
7. On 15 September 2011, the Nomination and Remuneration Committee of the Fourth Session of the Board held its 7th meeting in 2011, reviewed the *Proposal on Standards for Remunerations of Newly Appointed and Promoted Senior Management*, and provided professional opinions to the Board.
8. On 4 November 2011, the Nomination and Remuneration Committee of the Fourth Session of the Board held its 8th meeting in 2011, reviewed the *Proposal on Appointment of Chief IT Officer of the Company and its Remuneration Standards*, and *Proposal on Issue of Performance-based Bonus of Senior Management in 2010*, and provided professional opinions to the Board.

By Order of the Board

KANG Dian

Chairman

SECTION 11 REPORT OF THE BOARD OF SUPERVISORS

I. PERFORMANCE OF THE BOARD OF SUPERVISORS

(I) Convening meetings of the Board of Supervisors in a timely manner and playing a role in supervision

Three meetings were held by the Board of Supervisors in 2011.

1. The seventh meeting of the Fourth Session of the Board of Supervisors was held on 30 March 2011 in Beijing. The meeting considered and approved the *Amendments to the Rules of Procedure for the Board of Supervisors of New China Life Insurance Company Ltd.* and listened to the annual due diligence report 2010 made by supervisors.
2. The eighth meeting of the Fourth Session of the Board of Supervisors was held on 18 May 2011 in Beijing. The meeting considered and approved the *Financial Statements and Audit Report of the Company for 2010, Special Audit Report on Related Party Transactions for 2010, Working Report of the Board of Supervisors for 2010* and other proposals.
3. The ninth meeting of the Fourth Session of the Board of Supervisors was held on 17 October 2011 in Beijing. The meeting considered and approved the *Financial Statements and Audit Report for Three Years and the First Phase (30 June 2011)* and other proposals, and reviewed the *2011 Semi-annual Compliance Working Report* and the *Audit Report on Resignation of the Former Chief IT Officer TIAN Huimin*.

(II) Carrying out supervision duties by various means

During the reporting period, the Board of Supervisors carried out effective supervision over relevant decision-making process and performance of duties of the Board and the management by various means and gave full play to the role of the Board of Supervisors in the Company's governance.

1. Attendance at meetings on a non-voting basis

During the reporting period, members of the Board of Supervisors attended the 2010 Annual General Meeting of Shareholders, four onsite extraordinary general meetings and 14 onsite Board meetings on a non-voting basis.

In addition, the Board of Supervisors had access to the Company's operations by attending the Company's management meetings such as the chairman's meetings, the president's meetings, meetings of respective management committees, the management's regular meetings, budget arrangement meetings and strategic seminars to perform its supervision duties.

SECTION 11 REPORT OF THE BOARD OF SUPERVISORS

2. *Convening working meetings and symposia of the Board of Supervisors*

During the reporting period, the Board of Supervisors carried out a number of special work regarding performance of their duties by convening working meetings, symposia, interviews, hearing of reports of the Board of Supervisors, the contents of which involved the Company's internal control compliance work, the selection of the Company's listing underwriter, the progress and compliance of the listing, the progress of the internal control rectification project, the implementation and promotion of the Company's strategy, the progress of the Company's pension industry and health industry project, and promoting the leaving senior management' audit and proposed improvement of the bidding management. It strengthened the supervision and evaluation of the behaviors of senior management to perform their duties by interviews of performance of duties of senior management. During the reporting period, it convened 21 working meetings and symposia in total.

3. *Issuing supervision proposals*

During the reporting period, the Board of Supervisors issued 5 supervision proposals targeting the Company's operation management conditions in a timely manner to the Company management, the contents of which involved urging the implementation of the rectification requirements of the CIRC's regulatory letter, urging the strengthening of the weak points in the Company's operation, and monitoring the improvement of the Board's proposals, which promoted the enhancement of the Company's management quality.

(III) **Deepening front-line investigations and studies and earnestly fulfilling supervisory functions**

From April to September 2011, the Board of Supervisors organized the on-site investigations and studies to 13 branches and some sub-branches in Liaoning, Heilongjiang, Shanghai, Hubei, Shandong, Zhejiang, Henan, Guangdong, Beijing, Shaanxi, Xinjiang, Sichuan and Chongqing, during which period they heard reports for 15 times and had concentrated discussions with cadres above middle-level of branches for 16 times. They motivated the morale of front-line teams and learned the difficulties and problems faced by local branches. The Board of Supervisors gave feedback on problems learned in the investigations to the management of the Company in a timely manner, to which the management attached great importance. It played a catalytic role in the rationalization of the salaries of employees and product structure optimization. A written research report was ultimately formed based on the surveys on branches and reported to the Board of the Company.

From July to August 2011, the Board of Supervisors conducted researches on the Company's bidding process, learned the weak points in the Company's bidding process through symposia with relevant staff and entrusting relevant departments with surveys, and proposed recommendations for the improvement of the bidding process, which promoted the Company's bidding work to get standardized increasingly.

SECTION 11 REPORT OF THE BOARD OF SUPERVISORS

(IV) Performing financial oversight duties on key aspects

During the reporting period, the Board of Supervisors carefully reviewed the proposals of the Company's annual financial statements and audit reports and other proposals, focused on the Company's significant financial revenues and expenditures, accounting matters that had a significant influence on the operating results, matters that had a significant influence on the owners' interests, and earnestly performed financial oversight duties.

(V) Strengthening risk and internal control supervision to facilitate the Company's legal and compliant operations

During the reporting period, the Board of Supervisors urged the Company to strengthen the internal control management by convening symposia with the internal control compliance department of the Company, hearing reports on the internal control work and issuing supervision proposals, established a more strict and standardized framework of compliance, and improved the awareness of legal and compliant operations, laying a foundation of compliance system for the Company's becoming a listed company.

II. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS ON RELEVANT MATTERS

(I) Compliant operation of the Company

During the reporting period, the Company adhered to legal and compliant operations; the Company's operating activities were consistent with the provisions of the *Company Law* and *Articles of Association*, etc.; the Company's governance structure was further improved; the decision-making process of the Board and the management was legitimate and valid; directors and senior management were faithful and diligent in the process of the operation and management; and no illegal or noncompliance conducts or behaviors that harmed the interests of shareholders were found.

(II) Truthfulness of the financial reports

The annual financial report for 2011 of the Company gives a true view of the financial position and operating results of the Company. The Company's 2011 annual financial report was audited by PricewaterhouseCoopers in accordance with the International Auditing Standards and a standard unqualified auditor's report was provided.

SECTION 11 REPORT OF THE BOARD OF SUPERVISORS

(III) Use of proceeds from listing

During the reporting period, as disclosed by the Board and the management, the use of proceeds of the Company was consistent with that committed in the IPO Prospectus, which have all been used for replenishing the Company's capital to support the sustainable development of business.

(IV) Acquisition and disposal of assets

The Board of Supervisors found no insider trading and any behaviors that damaged the interests of some shareholders or gave rise to the loss of assets of the Company in the major acquisitions and disposal of assets during the reporting period.

(V) Connected transactions

During the reporting period, the Company's connected transactions were fair and reasonable and no behaviors that harmed the interests of shareholders and the Company were found.

(VI) Review of the internal control reports

During the reporting period, the Company's management attached great importance to the internal control system construction. The Company established a relatively complete, reasonable and effective internal control system, and the internal control management was improved greatly. The Board of Supervisors reviewed the *2011 Annual Internal Control Evaluation Report* of the Company and had no objection to this Report.

(VII) Implementation of resolutions of general meetings of shareholders

During the reporting period, the members of the Board of Supervisors attended the general meetings of shareholders and Board meetings of the Company and had no objection to the proposals submitted by the Board to the general meetings of shareholders for review.

The Board of Supervisors supervised the implementation of resolutions approved by the general meetings of shareholders and is of the opinion that the Board of the Company could conscientiously implement the relevant resolutions of the general meetings of shareholders.

By Order of the Board of Supervisors

CHEN Jun

Chairman



CULTURAL SYSTEM OF NEW CHINA LIFE

Vision

The Most Excellent Financial Service Group in China Devoting to All-round Life Insurance Services

Mission

Providing the Guarantee of Happy Life for Customers
Offering Stable and Sustainable Rewards to Shareholders
Creating Opportunities for Staff to Realize their Value
Making Contribution to a Harmonious and Peaceful Society

Values

Honesty Responsibility Fairness Innovation Aggressiveness

Operational Philosophy

Creating value Steady and Sustainable

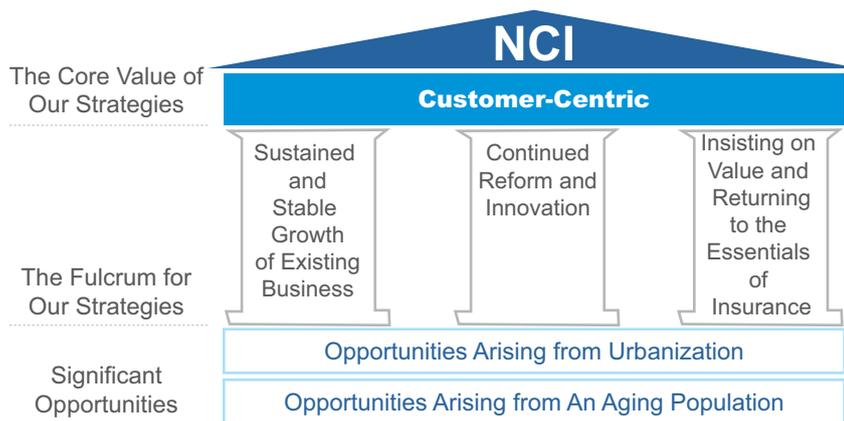
Working Principles

Briefness Objectiveness Cooperation Responsibility

SECTION 12 CORPORATE SOCIAL RESPONSIBILITY

I. COMMUNICATION SYSTEM OF STRATEGY, CULTURE AND CORPORATE SOCIAL RESPONSIBILITY OF THE COMPANY

(I) Strategy and culture of the Company



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

(II) Communication system of corporate social responsibility

In 2011, as China’s first insurance company that was successfully listed as A shares and H shares dually, the Company stands at a new development starting point and is dedicated to becoming an excellent public company with a strong sense of social responsibility. In 2011, on the one hand the Company went on learning in-depth the advanced experience and best practices in the management of corporate social responsibility from the international and domestic counterparts; on the other hand the Company actively communicated with all interested parties to understand their demands, on which basis, considering the characteristics of its own business and operation, the Company has built a complete communication system of corporate social responsibility through thorough analysis.

The interested parties of the Company include clients, shareholders, staff, government and communities, regulators and partners, environments and so on.

SECTION 12 CORPORATE SOCIAL RESPONSIBILITY

II. PROVIDING THE GUARANTEE OF HAPPY LIFE FOR CUSTOMERS

In 2011, the Company has fully commenced the strategic shift of “centering on customers” and preliminary effects have been obtained. In compliance with the trends of China’s urbanization process and constantly increasing wealth of residents, the Company has built a full set of customer-oriented operating system, created a leading service brand, and was dedicated to providing comprehensive and excellent services for customers.



As the Company deeply understood that customers’ insurance demands vary with stages of lives, the Company developed a product system with distinctive features, full functions and different varieties to meet customers’ comprehensive insurance and wealth management needs through providing different customer bases with differentiated products and services.

The Company further strengthened the systematic training for sales persons to improve their sincerity, sense of responsibility and compliance consciousness. During the life insurance marketing process, the Company strictly abided by customer orientation and provided customers with tailored insurance plans. In addition, the Company’s marketing process was under efficient, standardized, open, and transparent management and the management process and performance targets were effectively combined.

The Company has been continuously improving the construction of service platforms to offer convenient, prompt and heartwarming service experiences for customers: one-stop comprehensive service counters cover all the institutional networks of the Company; the 95567 nationally unified call center provides the nationwide customers with 24-hour services all year round of product consulting, insurance policy inquiry, and alterations of information of policy holders; the official website of the Company www.newchinalife.com provides the global customers with online services; SMS notification, greeting service and other e-services have been constantly improved; the Company also launched value added services such as specialist appointment registration, medical service guide and “Customer Service Day” series activities to make the customers feel the special care from the Company. In addition, the Company has conducted the “3.15” customer service featured activities, optimization project of policy loans and other featured activities to comprehensively improve service quality and customer service satisfaction and promote the overall upgrading of customer services.

In 2011, an aggregate of 190 branches of the Company passed the star certification of claims service for the first batch and were awarded different stars. The star certification, based on the satisfaction of customers who claim and their feelings regarding claims services and the “customer-oriented” development strategy, assesses the capacity of claims services of the branches scientifically and objectively in order to provide the customers with faster, simpler, and more caring claims services. By the end of 2011, the Company has accomplished 508,600 cases of claims with the satisfaction of claims having been improved remarkably. Among them, the quick response to the claims for the top ten cases including “7.23” Yongwen train crash accident and train overturns in Taiwan helped the Company win the recognition of all sectors of the community.

SECTION 12 CORPORATE SOCIAL RESPONSIBILITY

The Company constantly improves the service quality of claims according to the requirements of customers, and is dedicated to providing faster, simpler, and more caring claims services. The Company promises: the average time for dealing with claims shall not be more than three days; small claims less than RMB2,000 shall be resolved within one hour; complicated and significant claims cases shall be dealt with properly within 30 days. The Company also launched a series of innovative measures such as one-number insurance policy, barrier-free transfer of insurance policy, updating information without filling forms, guarantee for loss of policy when updating information, claims throughout the country, prepayment for claims, personal risk service management solution with globalization, star standard management mode for claims and so on.



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III. OFFERING STABLE AND SUSTAINABLE REWARDS TO SHAREHOLDERS

The Company insists on the operational philosophy of “creating value, steady and sustainable” and always regards the value as an important indicator in the management objectives and performance assessment of the Company. Since its foundation nearly 16 years ago, the Company has realized rapid growth in premiums and developed strong and powerful competitive advantages:

(I) Rapid growth in premiums and leading position in the market

Since its inception in 1996, the Company has always been sustaining rapid growth in premiums and ranked first in growth among the top five life insurance companies in China from 2008 to 2010. According to statistics of the CIRC and in the form of the original premium income (adjusted by No.2 Interpretation), the Company’s original premium income reached RMB94.797 billion in 2011 and continued to rank third in the Chinese life insurance market.

(II) Brave innovation, leading strategic planning and executive capability in the industry

In the development process, the Company is brave to innovate and has made correct development strategies many times at critical moments and carried them out successfully, laying solid foundation for obtaining a leading position in the market. In consideration of the present market situation, the development law of China’s life insurance industry and the Company’s advantages, the Company made new five-year development strategies and took an active role in implementation of them.

(III) Superior business structure and advanced product concepts

As a value-oriented company, the Company has always been devoting itself to the product innovation to meet the requirements of clients. The Company insists on customized innovation and devotes to developing the “sum insured amount dividend” products of the dividend-oriented life insurance products and has the first mover advantage in the designing of the product systems and the empirical data.

SECTION 12 CORPORATE SOCIAL RESPONSIBILITY

(IV) Wide and efficient multi-channel distribution networks

By the end of 2011, the Company has an aggregate of around 202,000 insurance marketing staff and the distribution network has covered most of provincial administrative regions (except Hong Kong, Macao, Taiwan and Tibet). The Company sold bank-based insurance products through major commercial banks in China, including five large commercial banks and Postal Savings Bank of China, etc. The Company set up a renewal business dedicated team responsible for collection and supervision of the regular premium of effective insurance policies, which contributed to the maintenance of a good relationship with clients.

(V) Wide customer base and well-known brand of life insurance in China

By the end of 2011, the Company had about 27 million individual clients and about 59,000 institutional clients. The Company was highly recognized by the market and has built a good brand image in the insurance industry of China.

(VI) Visionary management team and strong support from domestic and foreign shareholders

The senior management team of the Company has more than 15 years of management experience in the insurance and finance related fields on average. They are visionary and progressive and capable of making reasonable adjustments of strategies and business according to clients' requirements and market situations. The middle management team of the Company, including the general managers of subsidiaries and the general managers of divisions of the headquarters, has sturdy executive capability to promote the Company's strategies, and most of them have more than ten years of experience in the life insurance industry. The core staff of Asset Management Company, a subsidiary of the Company, has abundant investment and management experience. The Company has a good equity structure and major shareholders enjoy good reputation in their respective fields providing valuable industry experience and professional skills for the Company in improving the corporate structure and enhancing the management level.



KANG Dian, Chairman, HE Zhiguang, President, and CHEN Jun, Chairman of the Board of Supervisors, jointly awarding the Value Contribution Award of the Chairman Special Award in 2011 Ceremony

SECTION 12 CORPORATE SOCIAL RESPONSIBILITY

As a listed company, the Company has been continuously improving its business quality, optimizing the management platform and business pattern, making innovations in the sustainable business development model and trying hard to improve the core competitiveness. As a result, the Company's life insurance business grew faster than the market growth. By establishing a scientific and effective corporate governance structure, intensifying compliance operations, improving the risk control system and strictly normalizing the information disclosure system, the Company has brought stable investment returns to its shareholders, and realized the sustainable development of value as well as built a first-class public company.

IV. CREATING OPPORTUNITIES FOR STAFF TO REALIZE THEIR VALUE



By the end of 2011, the Company boasted around 202,000 marketing personnel of life insurance and nearly 50,000 official employees. The Company consistently provided the marketing personnel with good career development plans and effective incentive mechanisms to improve the professional skills of the marketing team. Excellent employees are the basis of the Company's development and prosperity and the sustaining growth of the Company depends on the ability and dedication spirit of the staff. Human resources are of great significance for the improvement of operating performance.

In 2011, by using the opportunity of the implementation of new five-year strategies and the listing, the Company devoted itself to building an equal and fair, scientific and reasonable, effective and normative, innovative and creative, and incentive human resources management system and employment culture, providing human resources guarantee for strategic transformation and realization of operating targets of the Company.

- Building preliminarily a human resources management system suitable for the Company's new five-year development strategies and realizing the stable connection of job system, career development system and salary system and thus creating a good environment to attract and retain employees and to promote morale of the staff.
- Regarding the standardized appointment of officers as the core to design human resources and appoint officers, ensuring the stable and effective supply of the management team.

SECTION 12 CORPORATE SOCIAL RESPONSIBILITY

- Building and improving the management system of organizational performance and staff performance characterized by “overall coverage, control over the whole process and participation of all employees”, emphasizing strategic direction, strengthening the incentive and restrictive mechanism, intensifying communication and maintaining resilience, thus promoting the realization of the annual operation target.
- Persisting in the principles of democracy, openness, competitiveness and preference to expand working ideas; making innovations in working methods, recruiting employees by various channels, ways, and manners, and optimizing the internal selection of employees, thus forming a fair, reasonable, normative and effective selection and employment mechanism.
- Linkage between the headquarters and the branches, steadily implementing such training programs as “core motivation”, “source motivation” and “win motivation” to move forward the training and cultivation work of cadre and staff in the system as a whole and improve their abilities.

V. MAKING CONTRIBUTION TO A HARMONIOUS AND PEACEFUL SOCIETY

As a responsible national insurance enterprise, the Company actively undertakes its corporate citizenship responsibility, strictly performs the duty of taxpayers and pays taxes initiatively according to the laws. The Company has been awarded “A-level Taxpayer Enterprise” for consecutive years. With the sustaining and rapid increase of revenues, the Company makes more contributions to tax revenues of the country. In addition, the speedy development of the Company has also brought about a large number of job opportunities nationwide and employed many university graduates as well as people of all levels from the society to undertake the work of management and marketing. Besides, the Company sets up a stage for the staff to fulfill their self-improvement and value of life while satisfying the need of development of the Company.

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

Moreover, the Company has also devoted itself to the career of public charity by extensively taking part in such public charity activities as donating money for education, helping the distressed, healthcare, environmental protection and sports, thus making positive contribution to the improvement of people’s livelihood and the construction of a harmonious society.

In 2006, the Company donated RMB10 million to the water-starved regions like Gansu and Inner Mongolia. Ten thousand “mother cisterns” were built, benefiting 11,333 families, or a population of 53,421.

In 2007, the Company established 100 “New China Life – Homes to Stay-at-home Pupils in Sichuan” by the Company’s donations in 16 cities of Sichuan province, which care about the stay-at-home children of peasant workers.

SECTION 12 CORPORATE SOCIAL RESPONSIBILITY

In 2008 during the snow disaster in the South and the Wenchuan earthquake in Sichuan, the Company was the first to look for customers for settlement of claims, making all efforts to provide support and rescue in various manners. The Company and its staff donated more than RMB15 million to relieve Wenchuan from the disaster and to rebuild the place after the earthquake and provided as a gift a total insured sum of RMB3.5 billion accident insurance for over 13,000 firefighters who went to the disaster areas for rescue.

In 2010 when the earthquake struck Yushu, Qinghai, the Company quickly responded and sponsored a “not one less” activity to look for customers in the disaster area. The Company and its staff donated over RMB6 million to the disaster area.

In 2011, the Company continued to devote itself to many public charity programs covering the areas such as education, environmental protection and sports, etc. About RMB4.12 million was donated in the year as well as many goods and materials like clothes and books.

VI. EXPLORING THE WAY OF THE HEALTHY DEVELOPMENT OF THE INDUSTRY

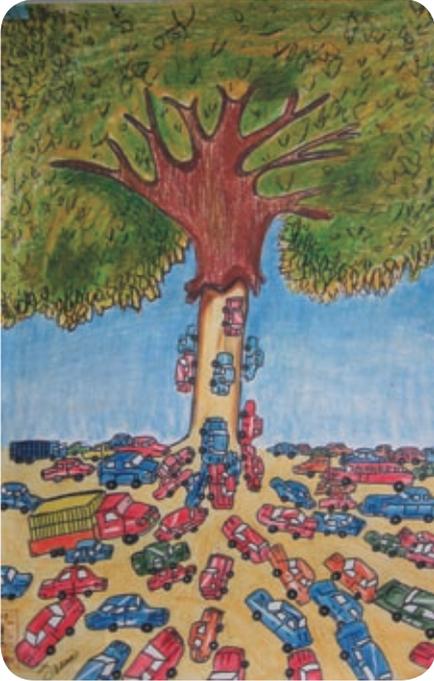


The awarding party of the 6th “The Top 10 Dutiful” in Shaanxi of “New China Life Cup”

The Company actively coordinated with supervisory authorities and industry associations, strictly abided by the laws, regulations and policies of the supervisory authorities, participated constantly in maintaining orders of the industry, gave play to its advantages in innovation of products, management and channels, positively explored new ideas and methods to promote the healthy development of the insurance industry. In the meantime, the Company endeavored to expand the depth and breadth of cooperation with partners to realize mutual benefit and harmonious win-win situations with partners.

SECTION 12 CORPORATE SOCIAL RESPONSIBILITY

VII. PROACTIVELY PARTICIPATING IN THE ENVIRONMENTAL PROTECTION



*The 11th customer service festival "New China Life Cup"
Cherishing the home planet – The work of the special prize of the children painting contest*

In the meantime, with modern and information-oriented means of office working, such printing consumables as papers and toner cartridges were less used; on the other hand, the Company further intensified the functions of SMS, multimedia messages, and call center to further decrease the environmental protection cost of customer services.

The Company was not only devoted to reducing energy and resources consumption, but also reducing carbon emissions in business operations by planting trees. During the Arbor Day in 2011, employees from different subsidiaries and the headquarters voluntarily participated in and organized various activities of tree planting, and customers and cooperative partners were motivated to participate in the activities, thus taking part in the tree planting action to the utmost.

The Company has been always regarding the environmental protection as a strategic issue concerning its self-development. The establishment of an "environmentally-friendly enterprise" has always been the operational concept and target of the Company. In 2011, apart from continuing to strengthen the environment consciousness of the staff, the Company organized nearly a hundred relevant activities nationwide to attract the upstream and downstream partners including customers and cooperative partners to participate in the environmental protection, thus strengthening people's awareness of environmental protection and further reducing carbon emission.

During the business operation and in the daily life of the staff, the Company encouraged its employees to travel by bike, bus or on foot and consume in an environmental protection manner through improving working environments, created an atmosphere of green living, and publicized the idea of environmental protection so as to make everyone protect the environment from everyday tips.

In 2011, the Company invested a large amount of funds into the corporate information construction so as to provide more caring, convenient and smooth services for customers and improved customer service quality. In the



Green energy – The photographing work of staff of the Company

SECTION 12 CORPORATE SOCIAL RESPONSIBILITY

VIII. GLORIES



SECTION 12 CORPORATE SOCIAL RESPONSIBILITY

- January 2011 The Company won the “Best Insurance Marketing Team of the Year” in the first session of the “Golden Censer Prize” sponsored jointly by National Business Daily and the Trust and Finance Research Institute of the Southwestern University of Finance and Economics.
- January 2011 The Company won the “Most Trusted Life Insurance Company of the Year 2010” in the eighth session of the “Top List of Finance and Economics Entities in China 2010” sponsored by Hexun.com.
- January 2011 The Company won the “Most Development Potential Insurance Brand of the Year 2010” in the awards ceremony of “Golden Cicada Prize 2010” held by China Times.
- January 2011 The Company won the “Most Customer Focus Insurance Brand of the Year 2010” in the fifth session of the “Insurance Innovation Prize of China 2010” held by Insurance Culture.
- March 2011 The Company won the “Enterprise with Excellent After-sales Service Quality (Public and Common)” granted by China Association for Quality Promotion in the “Forum of Right Protection for Quality and Consumption of China on 3.15 2011”.
- May 2011 Six products (chengzhangkuaile children double insurance (dividends), fushouankang lifelong health guarantee plan, haoliniannian double insurance (dividends), new C type of hongshuangxi double insurance (dividends), jixiangrui double insurance (dividends), rongxiangrensheng endowment annuity insurance) of the sum insured dividends series of the Company won the “Most Strategic Innovation Insurance Product Prize” and jiankangrongzun regular cancer prevention disease insurance won the “Best Health Insurance Product” during the “Creative Products of China Insurance Appraisal 2010” held by China Insurance News and Sinoins.com. The number of prizes of the Company ranked first among the winners.
- June 2011 President HE Zhiguang won the “Men of the Insurance Industry” and the Company won the “National Brand of Insurance Industry” and the “Best Service Corporation of Insurance Industry” during the “Brand Competitiveness Summit of China Insurance Industry” held by Jrj.com.
- June 2011 The Company listed the 110th in the “Top 500 Most Valuable Brands in China 2011” in the “World Brand Association” held by World Brand Lab.
- September 2011 In the appraisal of “Top 500 Enterprises in China”, the Company ranked the 90th of the top 500 enterprises in China in 2010, continuously holding a position in the top 100 enterprises in China, and ranked the 35th in the Top 500 Service Enterprises in China.

SECTION 12 CORPORATE SOCIAL RESPONSIBILITY

- October 2011 The Company won prizes of the “Most Trusted Life Insurance Company” and the “Excellent Brand Construction of China Insurance Industry” during the awards ceremony of “Top List of Finance and Economics Entities in China 2011” held by Hexun.com.
- November 2011 The Company won the “Creative Service Insurance Company with Excellent Competitiveness Prize” in the appraisal of “Financial Institutions with Excellent Competitiveness in China 2011” jointly sponsored by China Business Journal and other academic institutions, financial peers and finance and economics media.
- December 2011 The Company won the “Best Growing Value Insurance Company of the Year” in the appraisal of the second session of the “Golden Pixiu Prize” of the “Gold Medal Finance Top 10 in China 2011” of the “Best Wealth Management” jointly sponsored by the magazine Financial Money and the Institute of Finance and Banking of Chinese Academy of Social Sciences.
- December 2011 The Company won the “Best Marketing Case of Insurance Industry of the Year 2011” during the awards ceremony of “Oriental Fortune Billboard 2011” held by Eastmoney.com.
- December 2011 The Company won the “Listed Insurance Company with the Most Investment Value” during the awards ceremony of “Golden Cicada Prize 2011” held by China Times.
- December 2011 The Company won the “Excellent Corporate Citizenship in China 2011 Prize” granted by the Committee of Corporate Citizenship of China Association of Social Workers.

SECTION 13 SIGNIFICANT EVENTS

I. SIGNIFICANT LITIGATION AND ARBITRATION EVENTS

During the reporting period, the pending litigations and arbitrations in which the Company was a defendant or arbitration respondent and in which the amount of the subject matters was more than RMB50 million are referred to the dispute arising from the equity interest in China Minzu Securities Co., Ltd. held by the Company as disclosed in the IPO Prospectus. The disputed amount of such litigation was approximately RMB170 million. Such litigation had no material adverse effect on the Company's financial condition and continuous profitability.

II. ACQUISITION AND DISPOSAL OF ASSETS, MERGER AND DIVISION

(I) Acquisition of assets

On 16 August 2011, the Company signed the Shanghai Commodity Housing Pre-sale Contract and Supplemental Provisions with Shanghai Port International Cruise Terminal Development Co., Ltd., pursuant to which the Company purchased the "Shanghai Port International Cruise Terminal No.7 office building of the commercial supporting facilities project" (with a total construction area of 36,062.52 square meters) and basement parking garage located at No. 558, Dongdaming Road, Shanghai at an approximately total price of RMB2.3 billion. The Company has filed with the CIRC for record. As of 31 December 2011, approximately RMB1.3 billion of the contract consideration has been paid by the Company. The purchase as normal purchase of assets in the process of operations of the Company had no material effect on the Company's business, financial condition and results of operation.

(II) Disposal of assets

Upon review and approval by the fifth shareholders' extraordinary general meeting of 2011, the Company intended to dispose of 24% equity interest in Zijin Century. The Company conducted an asset evaluation on the equity interest proposed to be transferred and filed with the Ministry of Finance for record. On 29 August 2011, the equity interest was concurrently listed by the Company at Shanghai United Assets and Equity Exchange and Beijing Financial Assets Exchange for transfer at an appraised listing price of RMB2.150 billion. As of 8 October 2011 when the initial listing expired, the transfer failed to close. On 31 October 2011 and 1 November 2011, the equity interest was re-listed by the Company in Shanghai United Assets and Equity Exchange and Beijing Financial Assets Exchange, respectively, at a listing price of RMB2.0425 billion. As of 31 December 2011, the transfer was not completed. The Company regarded the disposal of equity interest in Zijin Century as a further measure to protect the interests of public investors, and the transfer had no material effect on the Company's business, financial condition and results of operation.

(III) Merger or Division

During the reporting period, the Company did not have any merge or division events.

SECTION 13 SIGNIFICANT EVENTS

III. SIGNIFICANT CONNECTED TRANSACTIONS

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

IV. SIGNIFICANT CONTRACTS AND THEIR PERFORMANCES

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

V. COMMITMENTS OF THE COMPANY OR SHAREHOLDERS WITH OVER 5% SHARES DURING THE REPORTING PERIOD OR TILL THE REPORTING PERIOD

Public investor protection mechanism

The Board and the shareholders reviewed and passed the "Resolution for Special Dividend Distribution and Public Investor Protection Mechanism of New China Life Insurance Company Ltd." in the 39th meeting of the Fourth Session of the Board in October 2011 and the sixth shareholders' extraordinary general meeting of 2011.

The Company will strive to complete the disposal of the equity interest in Zijin Century before 30 June 2012 and distribute the balance in full of the proceeds from the disposal of its equity interest in Zijin Century, net of applicable taxes and relevant surplus reserves and provisions ("Distributable Amount") as an additional guarantee for public investors. If the Distributable Amount is more than RMB1 billion, the Distributable Amount will be the amount of the special dividend distribution. If the Distributable Amount is less than RMB1 billion, the Company shall make up for any shortfall from the accumulated profits so that the special dividend distribution will be RMB1 billion. If the disposal of the equity interest in Zijin Century is not completed before 30 June 2012, the Company shall appropriate RMB1 billion from its accumulated profits as the amount for the special dividend distribution. If the disposal of the equity interest in Zijin Century is completed before the listing date of the Company, the special dividend distribution will be shared among all of the shareholders before the Company's IPO ("Existing Shareholders"). If the disposal of the equity interest in Zijin Century is completed after the listing date of the Company, the special dividend distribution will be shared among all of our shareholders at the time of the declaration of the dividend. The Company resolved to complete the special dividend distribution before 30 September 2012.

SECTION 13 SIGNIFICANT EVENTS

The Existing Shareholders of the Company have further undertaken that after the completion of the above described special dividend distribution, their share of the special dividend distribution will be deposited into custodial bank accounts designated by the Company as a "Special Appropriation." In the event that there are other actual losses, beyond the impairments and provisions disclosed in the IPO Prospectus of the Company, arising from the former chairman's misconduct within 36 months from the listing date of the Company, such losses will be covered with the funds deposited in such custodial bank accounts. Upon the expiration of the 36 month period, the remaining funds in such custodial bank accounts shall be paid out to the Existing Shareholders.

As of 31 December 2011, the disposal of the equity interest in Zijin Century has not been completed yet. During the reporting period, the Company and the Existing Shareholders were implementing the above described commitments and will make timely disclosure according to the listing rules.

VI. APPOINTMENT OF ACCOUNTING FIRMS

The Company appointed PricewaterhouseCoopers Zhong Tian CPAs Limited Company as its domestic auditor and PricewaterhouseCoopers as its international auditor for the year 2011. PricewaterhouseCoopers Zhong Tian CPAs Limited Company has been the domestic auditor of the Company for six years, and PricewaterhouseCoopers provided annual auditing service to the Company for the first time.

The Company paid RMB9.98 million to the auditors for the 2011 annual auditing and auditing-related service fees.

VII. PENALTY AND RECTIFICATION OF THE COMPANY AND THE COMPANY'S DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

During the reporting period, neither the Company, nor its directors, supervisors, members of senior management was subject to any investigation, administrative penalty or official censure by the CSRC, or public reprimand by stock exchanges.

SECTION 13 SIGNIFICANT EVENTS

VIII. EQUITY HELD BY THE COMPANY IN OTHER LISTED COMPANIES AND ITS SHAREHOLDING OF THE INVESTED FINANCIAL ENTERPRISES

(I) Investment in securities (included in securities at fair value through income)

Unit: RMB in millions

No.	Type of securities	Security code	Abbreviated security name	Initial investment costs	Number of securities held (in millions)	Carrying amount at the end of the period	As a percentage of total	Profit/loss for the reporting period
							investments in securities at the end of the period (%)	
1	Financial bond	113001	BOC CB	1,414.26	13.91	1,314.00	23.77%	-324.86
2	Financial bond	113002	ICBC CB	630.63	5.61	597.38	10.80%	-100.30
3	Subordinated bond	1120002	11 Huishang Bank Bond	389.61	3.90	350.60	6.34%	-19.89
4	Fund	100018	Fuguo Tianli Growth Bond	180.00	157.68	181.60	3.29%	1.60
5	Stock	600000	Pudong Development Bank	181.37	18.00	152.80	2.76%	-27.69
6	Stock	601088	China Shenhua	153.22	6.01	152.16	2.75%	-0.33
7	Fund	040019	Hua'an Stable Income Bond	130.00	127.95	133.71	2.42%	2.86
8	Stock	600153	Xiamen CD	128.94	16.50	105.27	1.90%	-24.16
9	Corporate bond	1080174	10 Fosun Bond	100.00	1.00	97.24	1.76%	3.24
10	Stock	600030	CITIC Securities	132.03	9.95	96.57	1.75%	-36.86
Profit/loss of investments in other securities held for the reporting period				2,684.14	N/A	2,347.83	42.46%	-617.90
Profit/loss of investments in securities sold during the reporting period				N/A	N/A	N/A	N/A	-19.65
Total				6,124.20	N/A	5,529.16	100%	-1,144.23

SECTION 13 SIGNIFICANT EVENTS

(II) Investment in securities (included in available-for-sale financial assets)

Unit: RMB in millions

No.	Security code	Abbreviated security name	Initial investment costs	As a percentage of equity interests in that company (%)	Carrying amount at the end of the period	Profit/loss for the reporting period	Changes in owners' equity during the reporting period	Source of securities
1	1125001	11 ABC 01	4,350.00	4.35%	4,350.00	129.78	1.24	Purchase
2	1180142	11 Railways 01	1,629.82	0.27%	1,726.99	19.49	97.57	Purchase
3	510180	180ETF	1,897.22	0.18%	1,661.89	-7.17	-255.68	Purchase
4	050502	05 ICBC 02	1,539.81	0.84%	1,569.38	68.03	8.19	Purchase
5	1110001	11 Industrial Bank Subordinated Bond	1,498.50	1.87%	1,518.04	43.36	20.02	Purchase
6	038018	03 CITIC Bond (2)	1,553.57	3.31%	1,470.81	77.90	-1.31	Purchase
7	1180143	11 Railways 02	1,323.88	0.23%	1,453.49	17.01	129.96	Purchase
8	1180148	11 Railways 04	1,294.19	0.21%	1,338.60	12.21	44.64	Purchase
9	1180164	11 Railways 08	1,249.15	0.20%	1,266.72	6.52	17.69	Purchase
10	1180156	11 Railways 06	1,198.80	0.19%	1,207.78	8.92	9.17	Purchase
Profit/loss of investments in other securities during the reporting period			64,252.13	N/A	55,312.73	2,699.80	-10,560.40	N/A
Total			81,787.07	N/A	72,876.43	3,075.85	-10,488.91	N/A

(III) Shareholdings in unlisted financial institutions

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

SECTION 13 SIGNIFICANT EVENTS**(IV) Trading of shares in other listed companies**

Unit: RMB in millions

Purchase/sell	Share name	Number of shares held at the beginning of the period (in millions)	Number of shares purchased/sold during the reporting period (in millions)	Number of shares at the end of the period (in millions)	Amount paid	Investment returns
Purchase	N/A	N/A	1,762.41	N/A	23,844.43	N/A
Sell	N/A	N/A	1,373.92	N/A	N/A	1,287.49

IX. ANALYSIS OF OTHER SIGNIFICANT EVENTS, THEIR INFLUENCE AND SOLUTIONS**(I) Issuance of subordinated term debts**

According to the resolution of the Company's first shareholders' extraordinary general meeting of 2012 on 20 March 2012, the Company planned to issue subordinated term debts with a period of more than 5 years and a total amount of no more than RMB10 billion in 2012 to replenish supplementary capital and enhance the Company's solvency adequacy ratio.

(II) Issuance of debt financing instruments

According to the resolution of the Company's first shareholders' extraordinary general meeting of 2012 on 20 March 2012, the Company planned to issue debt financing instruments with a period of more than 10 years and a total amount of no more than RMB5 billion (excluding subordinated term debts with a period of more than 5 years and a total amount of no more than RMB10 billion in 2012) in 2012 to replenish supplementary capital and enhance the Company's solvency adequacy ratio.

SECTION 14 EMBEDDED VALUE

1. BACKGROUND

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared our embedded value as at 31 December 2011 and disclosed the relevant information in this section.

Embedded value (EV) is an actuarially determined estimate of the economic value of the life insurance business of an insurance company based on a particular set of assumptions about future experience, excluding the contribution of economic value from future new business. The value of one year's new business (VNB) represents an actuarially determined estimate of the economic value arising from new life insurance business issued in one year. Hence, the embedded value method can provide an alternative measure of the value and profitability of a life insurance company.

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

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

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

SECTION 14 EMBEDDED VALUE

2. DEFINITIONS OF EMBEDDED VALUES

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

"Adjusted net worth" (ANW) is equal to the sum of:

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

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

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

The value of in-force business and the value of one year's new business have been determined using a traditional deterministic discounted cash flow methodology. This method is consistent with EV Guidelines and is also a common methodology used to determine EVs of life insurance companies in China at the current time. This methodology makes implicit allowance for all sources of risks, including the cost of investment guarantees and policyholder options, asset/liability mismatch risk, credit risk, risk that actual experience in future years being different from that assumed and the economic cost of capital, through the use of a risk-adjusted discount rate.

3. KEY ASSUMPTIONS

In determining the embedded value and the value of one year's new business as at 31 December 2011, we have assumed the Company continues to operate on a going concern basis under the current economic and regulatory environment, and that the current method for determining statutory policy reserves and statutory minimum solvency margin levels remain unchanged. The operational assumptions are mainly based on the results of experience analyses, together with reference to the overall experience of the Chinese life insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimate of the future based on information currently available at the valuation date.

(1) Risk Discount Rate

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

SECTION 14 EMBEDDED VALUE

(2) Investment Returns

The investment return assumptions as at 31 December 2011 are shown below respectively for the different funds.

	Investment Return Assumptions for VIF and VNB as at 31 December 2011			
	2012	2013	2014	2015+
Non-participating	5.00%	5.10%	5.20%	5.20%
Participating	5.00%	5.10%	5.30%	5.50%
Universal life	5.00%	5.20%	5.50%	5.60%
Unit-linked	7.60%	7.60%	7.80%	7.90%

(3) Mortality

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

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

Selection factors are applied to policy year 1 and policy year 2 to Individual Life and Annuity Products (accumulation phase) and Group Life and Annuity Products (accumulation phase) mentioned above. Ultimate rates are applicable thereafter.

(4) Morbidity

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

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

Selection factors are applied to policy year 1 and policy year 2 for these products. Ultimate rates are applicable thereafter.

SECTION 14 EMBEDDED VALUE

(5) Discontinuance Rates

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

(6) Expenses

Unit cost assumptions have been developed based on our actual 2011 experience. Future expense 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 has been based on the levels currently being paid for individual business. For group products and products sold via banks, allowance has been made for handling fees as part of our overall expenses.

(8) Policyholder Bonuses and Dividends

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

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

(10) Cost of Holding Required Capital

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

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

SECTION 14 EMBEDDED VALUE

(11) Other Assumptions

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

Our current reinsurance arrangements have been assumed to continue unaltered.

4. EMBEDDED VALUE RESULTS

Our embedded value and value of one year's new business as at 31 December 2011 and their corresponding results as at 31 December 2010 are shown below.

Unit: RMB in millions

Valuation Date	For the year ended 31 December	
	2011	2010
ANW	21,966	6,400
VIF before CoC	36,818	29,866
CoC	(9,793)	(8,181)
VIF after CoC	27,025	21,685
EV	48,991	28,084
VNB		
VNB before CoC	6,054	6,722
CoC	(1,694)	(1,981)
VNB after CoC	4,360	4,741

Note: Numbers may not be additive due to rounding.

SECTION 14 EMBEDDED VALUE

5. ANALYSIS OF CHANGE

The analysis of change of embedded value from 31 December 2010 to 31 December 2011, calculated at a risk discount rate of 11.5%, is shown below.

Unit: RMB in millions

Analysis of Change in EV from 31 December 2010 to 31 December 2011 at Risk Discount Rate of 11.5%

1.	EV at beginning of period	28,084
2.	Impact of new business	4,681
3.	Expected return	3,858
4.	Operating experience variances	(854)
5.	Economic experience variances	(11,905)
6.	Operating assumption changes	(213)
7.	Economic assumption changes	285
8.	Capital injection/shareholder dividend payment	25,621
9.	Others	(579)
10.	Value change other than life insurance business	11
11.	EV at end of period	48,991

Note: Numbers may not be additive due to rounding.

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

2. Value of one year's new business as measured as at the valuation date instead of as at point of sale.
3. Expected return on ANW and VIF during the relevant period.
4. Reflects the difference between actual operating experience in the period (including mortality, morbidity, discontinuance and expenses) and the start year assumptions.
5. Reflects the difference between actual and expected investment returns in the period.
6. Reflects the change in operational assumptions between valuation dates.
7. Reflects the change in economic assumptions between valuation dates.
8. Capital injection and other dividend payment to shareholders.
9. Other miscellaneous items.
10. Value change other than those arising from the life insurance business.

SECTION 14 EMBEDDED VALUE

6. SENSITIVITY TESTS

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

The sensitivity test results of value of in-force business and value of one year's new business as at 31 December 2011.

Unit: RMB in millions

VIF and VNB sensitivity results as at 31 December 2011

Scenario	VIF after CoC	VNB after CoC
Central Scenario	27,025	4,360
Risk discount rate at 12.0%	25,541	4,076
Risk discount rate at 11.0%	28,608	4,664
Investment return 0.5 percentage points higher	31,851	5,106
Investment return 0.5 percentage points lower	22,191	3,613
Expenses 10% higher (110% of base)	26,173	3,991
Expenses 10% lower (90% of base)	27,878	4,730
Discontinuance 10% higher (110% of base)	26,665	4,231
Discontinuance 10% lower (90% of base)	27,396	4,494
Mortality 10% higher (110% of base)	26,889	4,330
Mortality 10% lower (90% of base)	27,163	4,390
Morbidity and loss ratio 10% higher (110% of base)	26,465	4,239
Morbidity and loss ratio 10% lower (90% of base)	27,588	4,482
Profit sharing between participating policyholders and shareholders is assumed to be 75%/25% instead of 70%/30%	22,993	3,727
150% of statutory minimum solvency margin	23,979	3,513
Taxable income based on China accounting standard	26,093	4,103

SECTION 14 EMBEDDED VALUE

Towers Watson's Review Opinion Report on Embedded Value

To The Directors New China Life Insurance Company Ltd

New China Life Insurance Company Ltd ("NCI") has prepared embedded value results for the financial year ended 31 December 2011 ("EV Results"). The disclosure of these EV Results, together with a description of the methodology and assumptions that have been used, are shown in the Embedded Value section.

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

Scope of work

Our scope of work covered:

- A review of the methodology used to calculate the embedded value and the value of one year's sales as at 31 December 2011, in the light of the requirements of the "Life Insurance Embedded Value Reporting Guidelines" issued by the China Insurance Regulatory Commission ("CIRC") in September 2005;
- A review of the economic and operating assumptions used to calculate the embedded value and the value of one year's sales of as at 31 December 2011; and
- A review of the results of NCI's calculation of EV results.

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

SECTION 14 EMBEDDED VALUE

Opinion

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

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

Towers Watson confirms that the results shown in the Embedded Value section of NCI’s 2011 annual report are consistent with those reviewed by Towers Watson.

For and on behalf of Towers Watson

Adrian Liu, FIAA, FCAA

28 March 2012

SECTION 15 APPENDIX

AUDITED FINANCIAL REPORT FOR 2011



羅兵咸永道

Independent Auditor's Report

To the Shareholders of New China Life Insurance Company Ltd.

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

We have audited the consolidated financial statements of New China Life Insurance Company Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 136 to 264, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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



羅兵咸永道

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matters

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 March 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

	Notes	As of 31 December	
		2011	2010
ASSETS			
Property, plant and equipment	6	4,284	2,922
Investment properties	7	451	513
Intangible assets	8	65	57
Investments in associates	9	709	707
Financial assets			
Debt securities		190,464	164,726
– Held-to-maturity	10(1)	141,090	122,016
– Available-for-sale	10(2)	46,866	38,119
– At fair value through income	10(3)	2,488	4,591
– Loans and receivables		20	–
Equity securities		29,051	38,874
– Available-for-sale	10(2)	26,010	36,570
– At fair value through income	10(3)	3,041	2,304
Term deposits	10(4)	122,949	55,210
Statutory deposits	10(5)	522	242
Policy loans		2,055	820
Financial assets purchased under agreements to resell	10(6)	79	640
Accrued investment income	10(7)	7,741	4,986
Premiums receivable	11	1,395	979
Deferred tax assets	20	14	14
Reinsurance assets	12	4,202	4,535
Other assets	13	1,695	1,973
Cash and cash equivalents		21,095	27,368
Total assets		386,771	304,566

The notes on pages 145 to 264 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS OF 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

	Notes	As of 31 December	
		2011	2010
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contracts liabilities	14	292,818	233,821
Short-term insurance contracts liabilities			
– Outstanding claims liabilities	14	392	274
– Unearned premiums liabilities	14	604	530
Financial liabilities			
Investment contracts	15	19,001	19,912
Borrowings	16	5,073	–
Financial assets sold under agreements to repurchase	17	32,481	24,712
Benefits, claims and surrenders payable		499	349
Premiums received in advance		504	390
Reinsurance liabilities		31	48
Provisions	18	458	574
Other liabilities	19	3,405	17,371
Deferred tax liabilities	20	–	–
Current income tax liabilities		192	12
Total liabilities		355,458	297,993
Shareholders' equity			
Share capital	21	3,117	1,200
Reserves	22	22,468	1,889
Retained earnings		5,721	3,478
Total shareholders' equity		31,306	6,567
Non-controlling interests		7	6
Total equity		31,313	6,573
Total liabilities and equity		386,771	304,566

The notes on pages 145 to 264 form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

	Notes	As of 31 December	
		2011	2010
ASSETS			
Property, plant and equipment	6	3,897	2,532
Investment properties	7	451	513
Intangible assets	8	60	54
Investments in subsidiaries	36	109	109
Investments in associates	9	610	610
Financial assets			
Debt securities		190,454	164,726
– Held-to-maturity	10(1)	141,090	122,016
– Available-for-sale	10(2)	46,866	38,119
– At fair value through income	10(3)	2,488	4,591
– Loans and receivables		10	–
Equity securities		29,024	38,874
– Available-for-sale	10(2)	26,010	36,570
– At fair value through income	10(3)	3,014	2,304
Term deposits	10(4)	122,748	55,050
Statutory deposits	10(5)	520	240
Policy loans		2,055	820
Financial assets purchased under agreements to resell	10(6)	79	615
Accrued investment income	10(7)	7,737	4,982
Premiums receivable	11	1,395	979
Deferred tax assets	20	–	–
Reinsurance assets	12	4,202	4,535
Other assets	13	2,411	2,372
Cash and cash equivalents		20,744	27,344
Total assets		386,496	304,355

The notes on pages 145 to 264 form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS OF 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

	Notes	As of 31 December	
		2011	2010
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contracts liabilities	14	292,818	233,821
Short-term insurance contracts liabilities			
– Outstanding claims liabilities	14	392	274
– Unearned premiums liabilities	14	604	530
Financial liabilities			
Investment contracts	15	19,001	19,912
Borrowings	16	5,073	–
Financial assets sold under agreements to repurchase	17	32,481	24,712
Benefits, claims and surrenders payable		499	349
Premiums received in advance		504	390
Reinsurance liabilities		31	48
Provisions	18	458	574
Other liabilities	19	3,327	17,333
Deferred tax liabilities	20	–	–
Current tax liabilities		177	–
Total liabilities		355,365	297,943
Shareholders' equity			
Share capital	21	3,117	1,200
Reserves	22	22,420	1,841
Retained earnings		5,594	3,371
Total equity		31,131	6,412
Total liabilities and equity		386,496	304,355

The notes on pages 145 to 264 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

		For the year ended 31 December	
	Notes	2011	2010
REVENUES			
Gross written premiums and policy fees	23	95,151	91,956
Less: premiums ceded out		584	32
Net written premiums and policy fees		95,735	91,988
Net change in unearned premiums liabilities		(71)	(128)
Net premiums earned and policy fees		95,664	91,860
Investment income	24	12,754	10,521
Other income	25	192	328
Total revenues		108,610	102,709
BENEFITS, CLAIMS AND EXPENSES			
Insurance benefits and claims			
Claims and net change in outstanding claims liabilities	26	(867)	(702)
Life insurance death and other benefits	26	(20,311)	(12,548)
Increase in long-term insurance contracts liabilities	26	(65,973)	(70,361)
Investment contracts benefits		(635)	(772)
Commission and brokerage expenses		(7,317)	(7,252)
Administrative expenses	27	(9,229)	(8,410)
Other expenses	28	(199)	(147)
Total benefits, claims and expenses		(104,531)	(100,192)
Share of results of associates		2	1
Finance cost	29	(806)	(263)
Net profit before income tax		3,275	2,255
Income tax	20	(475)	(5)
Net profit for the year		2,800	2,250
Net profit for the year attributable to:			
– Shareholders of the Company	30	2,799	2,249
– Non-controlling interests		1	1
Earnings per share (RMB)			
Basic and diluted	31	1.24	1.87

The notes on pages 145 to 264 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

	Notes	For the year ended 31 December	
		2011	2010
Other comprehensive (losses)/income			
Available-for-sale financial assets			
(Losses)/Gains arising from fair value changes		(10,474)	1,332
Losses transferred to profit or loss		(15)	(1,086)
Changes in liabilities for insurance and investment contracts arising from net unrealized gains/(losses)		6,530	(204)
Share of other comprehensive income of associate		–	48
Income tax relating to components of other comprehensive income		266	(10)
Total other comprehensive (losses)/income		(3,693)	80
Total comprehensive (losses)/income		(893)	2,330
Total comprehensive (losses)/income for the year attributable to:			
– Shareholders of the Company		(894)	2,329
– Non-controlling interests		1	1

The notes on pages 145 to 264 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

	Attributable to shareholders of the Company				Non-controlling Interests	Total Equity
	Share capital (Note 21)	Reserves (Note 22)	Retained earnings	Total		
For the year ended 31 December 2010						
As of 1 January 2010	1,200	1,363	1,675	4,238	5	4,243
Net profit for the year	–	–	2,249	2,249	1	2,250
Other comprehensive income	–	80	–	80	–	80
Total comprehensive income	–	80	2,249	2,329	1	2,330
Appropriation to reserves	–	446	(446)	–	–	–
Total transactions with owners	–	446	(446)	–	–	–
As of 31 December 2010	1,200	1,889	3,478	6,567	6	6,573
For the year ended 31 December 2011						
As of 1 January 2011	1,200	1,889	3,478	6,567	6	6,573
Net profit for the year	–	–	2,799	2,799	1	2,800
Other comprehensive losses	–	(3,693)	–	(3,693)	–	(3,693)
Total comprehensive losses	–	(3,693)	2,799	(894)	1	(893)
Capital injection (Note 21)	1,400	12,600	–	14,000	–	14,000
Initial public offering (Note 21)	517	11,116	–	11,633	–	11,633
Appropriation to reserves	–	556	(556)	–	–	–
Total transactions with owners	1,917	24,272	(556)	25,633	–	25,633
As of 31 December 2011	3,117	22,468	5,721	31,306	7	31,313

The notes on pages 145 to 264 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

	For the year ended 31 December	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	3,275	2,255
Adjustments for:		
Investment income	(12,754)	(10,521)
Finance cost	806	263
Net change in outstanding claims liabilities	109	110
Net change in unearned premiums liabilities	71	128
Increase in long-term insurance contracts liabilities	65,973	70,361
Investment contracts benefits	635	772
Policy fees	(354)	(277)
Depreciation and amortization	290	257
Impairment losses on other receivables	(359)	(295)
Losses on disposal of property, plant and equipment	5	4
Changes in operational assets and liabilities:		
Receivables and payables	(586)	(317)
Investment contracts	(1,095)	(1,130)
Income tax paid	29	(16)
Net cash flows from operating activities	56,045	61,594
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of securities investment		
Proceeds from sales of debt securities	13,849	12,758
Proceeds from maturities of debt securities	6,209	2,718
Proceeds from sales of equity securities	36,072	20,259
Purchases of securities investment		
Purchase of debt securities	(45,368)	(42,043)
Purchase of equity securities	(36,536)	(34,972)
Proceeds from disposal of property, plant and equipment, intangible assets and other assets	4	4
Purchase of property, plant and equipment, intangible assets and other assets	(1,567)	(421)
Interests received	9,282	6,217
Dividends received	937	763
Term deposits, net	(68,122)	(36,319)
Financial assets purchased under agreements to resell, net	581	(212)
Others	(1,235)	(474)
Net cash flows from investing activities	(85,894)	(71,722)

The notes on pages 145 to 264 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

	For the year ended 31 December	
	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issuance (Note 21)	11,643	14,026
Received from borrowings	5,000	–
Interests paid	–	(6)
Financial assets sold under agreements to repurchase, net	7,034	12,251
Repayment of borrowings	–	(1,350)
Net cash flows from financing activities	23,677	24,921
Effect of foreign exchange rate changes	(101)	(33)
Net (decrease)/increase in cash and cash equivalents	(6,273)	14,760
Cash and cash equivalents		
Beginning of the year	27,368	12,608
End of the year	21,095	27,368
Analysis of balance of cash and cash equivalents		
Cash at bank and in hand	12,997	26,752
Short-term bank deposits	8,098	616
Total of cash and cash equivalents	21,095	27,368

The notes on pages 145 to 264 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

1 Background and principal activities

New China Life Insurance Company Ltd. (the “Company”) was incorporated as a joint stock limited company in September 1996 in Beijing, the People’s Republic of China (the “PRC”) with the authorization by the State Council of PRC and the approval by the People’s Bank of China. The Company’s initial registered capital on the date of incorporation was Renminbi (“RMB”) 500 million. The registered capital was increased to RMB1,200 Million in December 2000 and increased to RMB2,600 million in March 2011, with the approval by the China Insurance Regulatory Commission (the “CIRC”). In December 2011, the Company completed its initial public offering of 158,540,000 shares of A share in the Shanghai Stock Exchange, and issued 358,420,000 shares of H share in the Hong Kong Stock Exchange. Upon the approval of CIRC the registered capital was increased to RMB3,117 million. The address of the Company’s registered office is No.1 East Hunan Road, Yanqing County, Beijing, the PRC.

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

As of 31 December 2011, the Company has direct equity interests in the following subsidiaries: New China Asset Management Co., Ltd. (“New China Asset Management”), Yunnan New China Insurance Agency Co., Ltd. (“Yunnan New China”), Chongqing New China Insurance Agency Co., Ltd. (“Chongqing New China”) and New China Xiadu Technology Training (Beijing) Co., Ltd. (“New China Xiadu”) (Note 36). The Company and its subsidiaries are hereinafter collectively referred to as the “Group”.

These Consolidated Financial Statements have been approved for issue by the Board of Directors on 28 March 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies

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

(1) Basis of preparation

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

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

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

Changes in accounting policy and disclosures are as follows:

(a) *New and amended standards adopted by the Group*

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning on 1 January 2011.

- IFRS 3, "Business combinations – measurement of non-controlling interests", clarifies that only entities with present ownership instruments that entitle their holders to a pro rata share of the entity's net assets in the event of liquidation can choose to measure the non-controlling interest at fair value or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.
- IFRS 7, "Financial instruments: Disclosures", clarifies seven disclosure requirements for financial instruments, with a particular focus on the qualitative disclosures and credit risk disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)**(1) Basis of preparation (Continued)***(a) New and amended standards adopted by the Group (Continued)*

- IAS 1, "Presentation of financial statements", clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.
- IAS 34, "Interim financial reporting", provides guidance to illustrate how to apply disclosure principles in IAS 34, and add disclosure requirements around:
 - The circumstances likely to affect fair values of financial instruments and their classification;
 - Transfers of financial instruments between different levels of the fair value hierarchy,
 - Changes in classification of financial assets, and
 - Changes in contingent liabilities and assets.

(b) New and revised standards, amendments and interpretations mandatory for the first time for the financial year beginning on 1 January 2011 but not currently relevant to the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods but not currently relevant to the Group's operation.

Standard/ Amendment/ Interpretation	Content	Applicable for financial years beginning on/after
IFRIC 14 Amendment	Prepayments of a minimum funding requirement	1 Jan 2011
IFRS 1	First time adoption of International Financial Reporting Standards	1 Jan 2011
IFRIC 13 Amendment	Customer loyalty programmes	1 Jan 2011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(1) Basis of preparation (Continued)

(c) *New standards, amendments and interpretations have been issued but are not effective for the financial year beginning on 1 January 2011*

- IFRS 7 (Amendment), "Disclosures – Transfers of financial asset". This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The amendment will be effective for annual periods beginning on or after 1 July 2011. Early adoption is permitted.
- IAS 12 (Amendment), "Deferred tax: Recovery of underlying assets". IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes – recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The amendment will be effective for annual periods beginning on or after 1 January 2012. Early adoption is permitted.
- IAS 1 (Amendment) "Presentation of financial statements". The main change resulting from this amendment is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment will be effective for annual periods beginning on or after 1 July 2012. Early adoption is permitted.
- IFRS 10, "Consolidated financial statements". This standard was issued in May 2011, and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation-Special Purpose Entities" and will be effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(1) Basis of preparation (Continued)

(c) *New standards, amendments and interpretations have been issued but are not effective for the financial year beginning on 1 January 2011 (Continued)*

- IAS 27 (Revised 2011), "Separate financial statements". This standard contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. It requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 "Financial Instruments". The standard will be effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.
- IFRS 11, "Joint arrangements". Issued in May 2011, this new standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. IFRS 11 supersedes IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Ventures" and will be effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.
- IAS 28 (Revised 2011), "Investments in associates and joint ventures". IAS 28 (as amended in 2011) is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. It prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard will be effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.
- IFRS 12, "Disclosure of interests in other entities". IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard will be effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(1) Basis of preparation (Continued)

(c) *New standards, amendments and interpretations have been issued but are not effective for the financial year beginning on 1 January 2011 (Continued)*

- IFRS 13, "Fair value measurements", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The standard will be effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted. The disclosure requirements of the new guidance do not need to be applied in comparative information for periods before initial application of IFRS 13.
- IAS 19 (Amendment) "Employee benefits". The amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The amendment will be effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted.
- IFRS 7 (Amendment), "Disclosure: Offsetting Financial Assets and Financial Liabilities". The amendment does not change the current offsetting model in IAS 32, but clarifies the meaning of 'currently has a legally enforceable right of set-off' and clarifies that some (non-simultaneous) gross settlement systems would be considered equivalent to net settlement. The amendment will be effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.
- IAS 32 (Amendment), "Financial instruments: Presentation – Offsetting financial assets and financial liabilities" The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right of set-off'; and (ii) that some gross settlement systems may be considered equivalents to net settlement. The standard will be effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(1) Basis of preparation (Continued)

(c) *New standards, amendments and interpretations have been issued but are not effective for the financial year beginning on 1 January 2011 (Continued)*

- IFRS 9, "Financial instruments", IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The standard will be effective for annual periods beginning on or after 1 January 2015.
- IFRS 7 and IFRS 9 (Amendments), "Mandatory effective date and transition disclosures", delay the effective date to annual periods beginning on or after 1 January 2015, and also modify the relief from restating prior periods. As part of this relief, additional disclosures on transition from IAS 39 to IFRS 9 are required.

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

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

(2) Consolidation

(a) *Subsidiary*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(2) Consolidation (Continued)

(a) *Subsidiary (Continued)*

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

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

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

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

(b) *Transactions with non-controlling interests*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(2) Consolidation (Continued)

(b) *Transactions with non-controlling interests (Continued)*

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

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

(c) *Associates*

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(2) Consolidation (Continued)

(c) Associates (Continued)

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

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

(3) Segment reporting

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

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

(4) Foreign currency translation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)**(5) Property, plant and equipment**

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(5) Property, plant and equipment (Continued)

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

(6) Investment properties

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(7) Intangible assets

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(9) Financial assets

(a) Classification

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

(i) Held-to-maturity securities

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

(ii) Securities at fair value through income

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

(iii) Available-for-sale securities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(9) Financial assets (Continued)

(b) *Recognition and measurement*

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

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

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

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

(c) *Term deposits*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(9) Financial assets (Continued)

(d) *Policy loans*

Policy loans are carried at amortized cost less impairment.

(e) *Financial assets purchased under agreements to resell*

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

(f) *Offsetting financial instruments*

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)**(9) Financial assets (Continued)****(g) Impairment of financial assets other than securities at fair value through income (Continued)**

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

(10) Cash and cash equivalents

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

(11) Insurance contracts and investment contracts**(a) Classification**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(11) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts

(i) Recognition and measurement

Short-term insurance contracts

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

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

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

Long-term insurance contracts

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)**(11) Insurance contracts and investment contracts (Continued)****(b) Insurance contracts (Continued)****(i) Recognition and measurement (Continued)***Long-term insurance contracts (Continued)*

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(11) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts (Continued)

(i) Recognition and measurement (Continued)

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

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

Universal life contracts and unit-linked contracts

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

- Insurance components
- Non-insurance components

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(11) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts (Continued)

(ii) Liability adequacy test

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

(iii) Reinsurance contracts held

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(11) Insurance contracts and investment contracts (Continued)

(c) *Investment contracts*

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

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

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

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

(12) Financial liabilities

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

(a) *Financial assets sold under agreements to repurchase*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(12) Financial liabilities (Continued)

(b) *Liabilities of investment contracts*

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

(c) *Borrowings*

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

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

(13) Derivative instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(14) Employee benefits

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

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

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

(15) Share capital

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

(16) Revenue recognition

(a) *Premium and policy fee*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(16) Revenue recognition (Continued)

(b) *Investment income*

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

(17) Commission and brokerage expenses

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

(18) Income tax

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(19) Government grants

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

(20) Operating leases

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

(21) Provisions

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

(22) Contingencies

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

2 Summary of significant accounting policies (Continued)

(23) Earnings per share

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

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

3 Critical accounting estimates and judgments

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

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

The determination of liabilities under long-term insurance contracts is based on estimates of future benefit payments, premiums and relevant expenses made by the Group, and the margins. Assumptions about mortality rates, morbidity rates, lapse rates, discount rate, and expenses assumption are made based on the most recent historical analysis and current and future economic conditions. The liability uncertainty arising from uncertain future benefits payments, premiums and relevant expenses is reflected in the risk margin.

The residual margin relating to the long-term insurance contracts is amortized over the expected life of the contracts, based on the assumptions (mortality rates, morbidity rates, lapse rates, discount rate, and expenses assumption) that are determined at inception of the contracts and remain unchanged for the duration of the contracts.

The judgments exercised in the valuation of insurance contracts liabilities (including contracts with DPF) affect the amounts recognized in the Consolidated Financial Statements as insurance contracts benefits and insurance contracts liabilities.

The various assumptions are described in Note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

3 Critical accounting estimates and judgments (Continued)

(2) Financial assets and financial liabilities

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

Fair value is defined as the amount at which the financial assets and liabilities could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, rather than in a forced or liquidation sale. The methods and assumptions used by the Group in estimating the fair value of financial assets and liabilities are:

- Debt securities: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using either price observed in latest transactions or from current bid prices of comparable investments, or through valuation techniques when there is no active market.
- Equity securities: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using appropriate price earnings ratio or modified price/cash flow ratio reflecting the specific circumstances of the issuer. Equity securities, whose fair value cannot be reliably measured because the investee's business was at the early developing stage, are recognized at cost less impairment.
- Term deposits, financial assets purchased under agreements to resell, financial assets sold under agreements to repurchase, policy loans and borrowings: carrying amounts approximate fair values.
- Investment contracts: The fair value of investment contracts are determined using valuation techniques, with consideration of the present value of expected cash flows arising from contracts using a risk-adjusted discount rate, allowing for risk free rate available on valuation date, the Group's own credit risk and risk margin associated with the future cash flows.
- Other assets: The fair value of other assets, including investment clearing account and litigation deposit, approximates its carrying amount.

The Group considers a wide range of factors in the impairment assessment as described in Note 2(9)(g).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

3 Critical accounting estimates and judgments (Continued)**(2) Financial assets and financial liabilities (Continued)**

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

Carrying amount	As of 31 December	
	2011	2010
Financial assets		
Debt securities	190,464	164,726
Equity securities	29,051	38,874
Term deposits	122,949	55,210
Statutory deposits	522	242
Policy loans	2,055	820
Financial assets purchased under agreements to resell	79	640
Accrued investment income	7,741	4,986
Cash and cash equivalents	21,095	27,368
Total financial assets	373,956	292,866
Financial liabilities		
Unit-linked contracts	271	374
Investment contracts excluding unit-linked contracts	18,730	19,538
Borrowings	5,073	–
Financial assets sold under agreements to purchase	32,481	24,712
Total financial liabilities	56,555	44,624

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

3 Critical accounting estimates and judgments (Continued)

(2) Financial assets and financial liabilities (Continued)

Fair value	As of 31 December	
	2011	2010
Financial assets		
Debt securities	188,703	161,922
Equity securities	29,051	38,874
Term deposits	122,949	55,210
Statutory deposits	522	242
Policy loans	2,055	820
Financial assets purchased under agreements to resell	79	640
Accrued investment income	7,741	4,986
Cash and cash equivalents	21,095	27,368
Total financial assets	372,195	290,062
Financial liabilities		
Unit-linked contracts	271	374
Investment contracts excluding unit-linked contracts	15,137	17,756
Borrowings	5,073	–
Financial assets sold under agreements to purchase	32,481	24,712
Total financial liabilities	52,962	42,842

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

3 Critical accounting estimates and judgments (Continued)

(3) Contingencies and provisions

In the ordinary course of business, the Group may be involved in some contingencies including lawsuits and disputes. The adverse effects of the contingencies mainly include claims from insurance policies and other operations, including but not limited to the following: former chairman irregularities, defrauded funds by some of the Company's former employees (Note 13(2) and Note 19), and pending lawsuits and disputes (Note 18). Provisions have been made on those claims when losses are probable and can be reasonably estimated taking into consideration of legal advices. No provision has been made for events whose outcome cannot be reasonably estimated or contingencies that are unlikely to happen. Because these contingency events develop over time, provisions recognized currently may be significantly different from final payment amounts actually paid.

(4) Former Chairman Irregularities

The former Chairman of the Company, who served from 1998 to 2006 and resigned in December 2006 (the "Former Chairman"), was allegedly involved in the misuse of insurance funds and other matters in violation of regulations (the "Former Chairman Irregularities"), and was prosecuted by the relevant judicial authorities for the alleged illegal activities part of the Irregularities. The Company is proactively engaged in the follow-up recovery works in connection with the Irregularities mentioned above. The consolidated financial statement is prepared in accordance with the information available to and the best estimates made by the Company as well as the following important assumptions and judgments.

The former chairman pledged the Company's bonds and conducted repurchase transactions which were not authorized by the Company ("Off-balance sheet repurchase transactions") through bank accounts not reflected in the Company's financial records ("Off-balance sheet accounts"). Funds received through these Off-balance sheet repurchase transactions were transmitted to the former chairman for his unauthorized lendings. The Company was informed of these Off-balance sheet repurchase transactions after the CIRC's investigation and paid cash to settle these transactions and their related interest expense with a total amount of RMB2,910 million.

The Company received RMB1,455 million from Insurance Security Fund in 2007. Based on the instruction from Insurance Security Fund, the amount related to the transfer of equity interest in the Company from certain former shareholders of the Company to Insurance Security Fund was paid to the Company for settling the amounts due from the former shareholders and their related parties' liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

3 Critical accounting estimates and judgments (Continued)

(4) Former Chairman Irregularities (Continued)

The Company does not have complete information regarding these Off-balance sheet repurchase transactions or cash flows to or from those Off-balance sheet accounts. The Company is not able to assess the nature of these transactions or clearly identify receivable or payable balances between the Company and those aforementioned former shareholders. The Company tentatively netted funds received and paid described above and recorded a net amount of RMB1,455 million as other receivable. The Company's management anticipated major uncertainty in recovering this balance and recognized a full provision.

The Company has been in the process of recovering the amount through legal actions. In March 2011, the Company received approximately RMB354 million from New Industry Investment Co., Ltd., ("New Industry"). The Company considered the recovery was part of the other receivable of RMB1,455 million, and reversed RMB354 million of provision of impairment through other expenses accordingly (Note 28).

(5) Taxation

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

(6) Change of significant accounting estimates

Insurance contracts liabilities are calculated using various actuarial assumptions, including assumptions on discount rate, mortality rate, morbidity rate, lapse rate and expenses assumption. These assumptions are determined by the Group on basis of information obtained on the date of financial position. The Group redefined these assumptions as of 31 December 2011, and the effects of change in these assumptions are recorded in statement of comprehensive income of each period and disclosed in Note 14(4).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

4 Management of insurance and financial risk

The Group issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the Group manages them.

(1) Insurance risk

(a) *Types of insurance risk*

The risk under any one insurance contract is the possibility that an insured event occurs and there is uncertainty about the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This occurs when the frequency or severity of claims and benefits exceeds the estimates. Insured events are random and the actual number of claims and the amount of benefits paid will vary each year from estimates established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the more dispersive the risk will be, the smaller the relative variability about the expected outcome will be. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of policies to reduce the variability of the expected outcome.

The Group offers long term life insurance, critical illness insurance, annuity, accident and short term health insurance products. Social and economy development, widespread changes in lifestyle, epidemics and medical technology development could have significant influence to the Group's insurance business. Insurance risk is also affected by policyholders' rights to terminate the contract, reduce premiums, refuse to pay premiums or exercise annuity conversion rights etc. Thus, insurance risk is also subject to policyholders' behaviors and decisions.

The Group manages insurance risks through underwriting strategy, reinsurance agreements and claim management. The Group's reinsurance agreements include ceding on quota share basis, surplus basis or catastrophe excess of loss. The reinsurance agreements cover almost all products. These reinsurance agreements spread insured risk and stabilize financial results of the Group. However, the Group's responsibilities for direct insurance to policyholders are not relieved because of credit risk associated with the failure of reinsurance companies to fulfill their responsibilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

4 Management of insurance and financial risk (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk

Currently the Group's businesses are all from the PRC and insurance risk at each area has insignificant differences. Major products of long-term insurance contracts are listed below:

		As of/for the year ended 31 December 2011					
		Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
Product Name		Amount	% of total	Amount	% of total	Amount	% of total
i	Hongshuangxi New Type C endowment insurance (Participating)	59,408	20.29%	24,468	26.32%	1,609	7.91%
ii	Hongshuangxi Type A endowment insurance (Participating)	52,864	18.05%	5,282	5.68%	6,416	31.55%
iii	Hongshuangxi New Type A endowment insurance (Participating)	29,684	10.14%	756	0.81%	4,414	21.70%
iv	Hongshuangxi Type D endowment insurance (Participating)	12,537	4.28%	1,887	2.03%	2,992	14.71%
v	Hongshuangxi Jinqiangui Annuity insurance (Participating)	10,420	3.56%	5,763	6.20%	334	1.64%
	Others	127,905	43.68%	54,808	58.96%	4,575	22.49%
	Total	292,818	100.00%	92,964	100.00%	20,340	100.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

4 Management of insurance and financial risk (Continued)**(1) Insurance risk (Continued)***(b) Concentration of insurance risk (Continued)*

		As of/for the year ended 31 December 2010					
		Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
Product Name		Amount	% of total	Amount	% of total	Amount	% of total
i	Hongshuangxi New Type C endowment insurance (Participating)	38,529	16.48%	23,165	25.70%	529	4.21%
ii	Hongshuangxi Type A endowment insurance (Participating)	54,135	23.15%	11,377	12.62%	4,049	32.22%
iii	Hongshuangxi New Type A endowment insurance (Participating)	33,174	14.19%	2,426	2.69%	1,682	13.39%
iv	Hongshuangxi Type D endowment insurance (Participating)	13,699	5.86%	5,368	5.95%	3,554	28.29%
v	Hongshuangxi Jinqiangui Annuity insurance (Participating)	5,657	2.42%	4,875	5.41%	121	0.96%
	Others	88,627	37.90%	42,934	47.63%	2,630	20.93%
	Total	233,821	100.00%	90,145	100.00%	12,565	100.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

4 Management of insurance and financial risk (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

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

Hongshuangxi New Type C endowment insurance (Participating) is participating endowment insurance with three or five year premium installment. There are 4 types of durations: 10, 15, 20 and 30 years. Payments on maturity are total of basic sum insured and dividend accumulation. For death due to illness within the 1st year, premium (interest excluded) is refunded; for death due to illness after the 1st year, benefit is calculated based on the following formula: death benefit = effective sum insured x effective policy years/duration of insurance; for death due to illness after payment period and before maturity, benefit is the total of basic sum insured and dividend accumulation; for death due to accident before payment period, benefit is calculated based on the following formula: $2 \times \text{death benefit} = \text{effective sum insured} \times \text{effective policy years/duration of insurance}$; for death due to accident after payment period, benefit is the total of basic sum insured and dividend accumulation.

(ii) *Hongshuangxi Type A endowment insurance (Participating)*

Hongshuangxi Type A endowment insurance (Participating) is participating endowment insurance with single premium payment. There are four types of durations: 10, 15, 20 and 30 years. Payments on maturity are total of basic sum insured and dividend accumulation. For death due to illness within the 1st year, benefit equals to premium (interest excluded); for death due to illness after the 1st year or death due to accident, benefit is total of basic sum insured and dividend accumulation.

(iii) *Hongshuangxi New Type A endowment insurance (Participating)*

Hongshuangxi New Type A endowment insurance (Participating) is participating endowment insurance with single premium payment with a duration of 10 years. Payments on maturity are total of sum insured and dividend accumulation. For death due to illness within the 1st year, benefit equals to premium (interest excluded); for death due to illness after the 1st year, benefit is total of basic sum insured and dividend accumulation; for death due to accident, benefit are paid at 200% the total of basic sum insured and dividend accumulation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

4 Management of insurance and financial risk (Continued)**(1) Insurance risk (Continued)***(b) Concentration of insurance risk (Continued)**(iv) Hongshuangxi Type D endowment insurance (Participating)*

Hongshuangxi Type D endowment insurance (Participating) is participating endowment insurance with single premium payment. The duration of the policy is 5 years, and the renewal period is 3 years. Maturity benefit and death benefits are the same as Hongshuangxi endowment insurance Type A (Participating).

(v) Hongshuangxi Jinqiangui Annuity insurance (Participating)

Hongshuangxi Jinqiangui Annuity insurance (Participating) is participating annuity insurance with single premium payment and annual premium payment. There are two types of duration: 20 and 30 years. If the insured lives on the effective date of the insurance policy every year, the caring annuity is 1% of the down payment of the insurance policy. If the insured lives on the effective date of the insurance policy every five years, life benefit is 25% of the total of basic sum insured and dividend accumulation. If the insured dies of disease within one year since the contract comes into effect, the death benefit is the basic sum insured (interest excluded); if the insured dies of disease after one year since the contract comes into effect, the death benefit is the total of 110% of basic sum insured and cash value of dividend accumulation. If the insured dies from accidental harm, the death benefit is the total of 220% of basic sum insured and cash value of dividend accumulation. If the insured is full-body disabled because of accidental harms or disease after one year since the contract comes into effect, the renewal insurance premium of the whole year can be exempted since being full-body disable. If the insured dies from accidental harm the renewal insurance premium of the whole year can be exempted since dead.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

4 Management of insurance and financial risk (Continued)

(1) Insurance risk (Continued)

(c) Sensitivity analysis

(i) Sensitivity analysis of long-term insurance contracts

Liabilities for life and long-term health insurance contracts are calculated based on significant assumptions including discount rate, mortality rate, morbidity rate, lapse rate, expense assumption, etc. The analysis below is performed to demonstrate the reasonably possible movements in key assumptions with all other assumptions held constant, showing increase/(decrease) on pre-tax profit.

Change in discount rates	For the year ended 31 December	
	2011	2010
+50 basis points ("bps")	6,515	5,408
-50bps	(7,003)	(5,946)

Change in mortality and morbidity rates	For the year ended 31 December	
	2011	2010
+10%	(1,124)	(882)
-10%	1,115	904

Change in lapse rates	For the year ended 31 December	
	2011	2010
+10%	(1,534)	(1,342)
-10%	1,622	1,352

Change in expense assumption	For the year ended 31 December	
	2011	2010
+10%	(811)	(813)
-10%	903	734

Key assumptions are disclosed in Note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

4 Management of insurance and financial risk (Continued)**(1) Insurance risk (Continued)***(c) Sensitivity analysis (Continued)**(ii) Sensitivity analysis of short-term insurance contracts*

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

All other variables being constant, if the loss ratio increases or decreases 100bps, estimated pre-tax profit will decrease or increase by RMB10 million for the year ended 31 December 2011 (for the year ended 31 December 2010: RMB8 million).

Short-term insurance contracts liabilities are not directly sensitive to the level of investment returns, as they are undiscounted and contractually non-interest-bearing.

Key assumptions are disclosed in Note 14.

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

Claims development of the Group's non-life insurance contracts gross of reinsurance is as follows:

Cumulative claims	Accident year					Total
	2007	2008	2009	2010	2011	
End of current year	321	370	472	766	919	
1 year later	370	431	483	781		
2 years later	359	426	484			
3 years later	359	426				
4 years later	359					
Estimated claims expenses	359	426	484	781	919	2,969
Less: cumulative claims paid	(359)	(426)	(484)	(766)	(560)	(2,595)
Subtotal	–	–	–	15	359	374
Add: claims handling expenses	–	–	–	–	18	18
Unpaid claims expenses	–	–	–	15	377	392

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

4 Management of insurance and financial risk (Continued)

(1) Insurance risk (Continued)

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

Claims development of the Group's non-life insurance business net of reinsurance is as follows:

Cumulative claims	Accident year					2011	Total
	2007	2008	2009	2010			
End of current year	280	339	434	711		861	
1 year later	313	385	436	721			
2 years later	300	378	428				
3 years later	300	378					
4 years later	300						
Estimated claims expenses	300	378	428	721		861	2,688
Less: cumulative claims paid	(300)	(378)	(428)	(706)		(530)	(2,342)
Subtotal	–	–	–	15		331	346
Add: claims handling expenses	–	–	–	–		18	18
Unpaid claims expenses	–	–	–	15		349	364

(e) Matching risk of assets and liabilities

The Group uses asset-liability management techniques to manage assets and liabilities and the techniques used include: scenario analysis method, cash flow matching method and immunity method etc. The Group uses scenario analysis, through multi-angles, to understand the existing risk and the complex relationship, considering the timing and amount of future cash outflow and attributes of liabilities, to comprehensively and dynamically manage the Group's assets and liabilities and its solvency. The Group takes measures to enhance its solvency, including capital contribution by shareholders, issuing subordinated debts, arranging reinsurance, improving the performance of branches, optimizing business structure, establishing competitive cost structure etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

4 Management of insurance and financial risk (Continued)

(2) Financial risk

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

The Group manages financial risks by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any one specific industry or issuer. The structure of the main investment portfolio held by the Group is disclosed in Note 10.

The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated (for example, changes in interest rate and fair values).

(a) *Market risk*

(i) *Interest rate risk*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

4 Management of insurance and financial risk (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(i) Interest rate risk (Continued)

Change in market interest rates	Impact on pre-tax profit For the year ended 31 December	
	2011	2010
+50bps	(20)	(43)
-50bps	20	44

Change in market interest rates	Impact on pre-tax available for sale reserve in equity For the year ended 31 December	
	2011	2010
+50bps	(509)	(367)
-50bps	533	382

(ii) Price risk

Price risk arises mainly from the price volatility of equity securities held by the Group. Prices of equity securities are determined by market forces. Most of the equity securities of the Group are in Chinese capital markets. The Group is subject to increased market risk largely because the PRC's stock markets are relatively volatile.

The Group manages price risk by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any one specific industry or issuer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

4 Management of insurance and financial risk (Continued)**(2) Financial risk (Continued)****(a) Market risk (Continued)****(ii) Price risk (Continued)**

The analysis below is performed to show the impacts of changes in the Group's equity securities' prices by 10% with all other variables held constant, net of portion attributable to policyholders of participating and unit-linked products.

Change in equity securities' prices	Impact on pre-tax profit For the year ended 31 December	
	2011	2010
+10%	92	63
-10%	(92)	(63)

Change in equity securities' prices	Impact on pre-tax available for sale reserve in equity For the year ended 31 December	
	2011	2010
+10%	962	1,405
-10%	(962)	(1,405)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

4 Management of insurance and financial risk (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(iii) Currency risk

Currency risk is volatility of fair value or future cash flows of financial instruments resulting from changes in foreign currency exchange rates. The Group has cash and cash equivalents and term deposits denominated in US dollar ("USD") or Hong Kong dollar ("HK dollar" or "HKD").

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

31 December 2011	USD	HKD	Total
Cash and cash equivalents	26	8,086	8,112
Term deposits	2,238	60	2,298
Accrued investment income	39	1	40
Total	2,303	8,147	10,450
31 December 2010	USD	HKD	Total
Cash and cash equivalents	3,477	–	3,477
Term deposits	555	61	616
Total	4,032	61	4,093

Monetary assets are exposed to currency risk whereas non-monetary assets, such as equity securities, mainly expose themselves to price risk. Considering HK dollar exchange rate is pegged to USD exchange rate, the Group decided to merge the USD assets with the HK dollar assets and conduct the exchange risk analysis.

As of 31 December 2011, if RMB had strengthened or weakened by 10% against USD and HK dollar with all other variables being constant, considering the effect on insurance and financial liabilities for participating products and unit-linked products, pre-tax profit would have been decreased or increased by RMB1,045 million (as of 31 December 2010: RMB409 million), mainly as a result of foreign exchange losses or gains from the translation of USD and HK dollar denominated financial assets other than equity securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

4 Management of insurance and financial risk (Continued)

(2) Financial risk (Continued)

(b) Credit risk

Credit risk is the risk that one party to a financial transaction or the issuer of a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. In term of investment vehicles, a significant portion of the portfolio of the Group is in government bonds, government agency bonds, corporate bonds guaranteed by state-owned commercial banks and large industrial groups and bank deposits with state-owned or other national commercial banks. In term of counterparties, the majority of Group's counterparties are state policy-related banks, state-owned or other national commercial banks. Therefore the Group's overall exposure to credit risk is relatively low.

Credit risk exposure

The carrying amount of financial assets on the Group's consolidated statement of financial position represents the maximum credit exposure without taking into account of any collateral held or other credit enhancements attached.

Collateral and other credit enhancements

Financial assets purchased under agreements to resell are pledged by counterparties' debt securities of which the Group could take the ownership should the owner of the collateral defaults. Policy loans are pledged by their policies' cash value as collateral according to terms and conditions of policy loan contracts and policy contracts signed between the Group and policyholders.

Credit quality

The Group's debt securities include government bonds, central bank bills, financial bonds issued by state policy-related banks, financial institution bonds, corporate bonds and subordinated bonds/debts. The bond/debt's credit rating is assessed by qualified rating agencies in the PRC at the time of its issuance. Most of the Group's bank deposits are with the four largest state-owned commercial banks and other national commercial banks in the PRC. The Group's majority reinsurance agreements are with state-owned reinsurance companies or large international reinsurance companies. The Group believes these commercial banks and reinsurance companies have high credit quality. As a result, the Group concludes credit risk associated with debt securities, term deposits and accrued interest income thereof, statutory deposits, cash equivalents and reinsurance assets will not have a material impact on the Consolidated Financial Statements as of 31 December 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

4 Management of insurance and financial risk (Continued)

(2) Financial risk (Continued)

(b) Credit risk (Continued)

Proportion	As of 31 December	
	2011	2010
Financial institution bonds having credit rating of AA/A-2 or above	100%	100%
Corporate bonds having credit rating of AA/A-2 or above held by the Group	100%	100%
Subordinated bonds/debts having credit rating of AA/A-2 or above, or issued by national banking or insurance companies	99.39%	99.18%
Bank deposits with the four largest state-owned commercial banks and other national commercial banks in the PRC	94.48%	94.68%

The credit risk associated with financial assets purchased under agreements to resell and policy loans will not have a material impact on the consolidated statement of financial position taking into consideration of their collateral held and maturity that is within one year as of 31 December 2011.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not have access to sufficient funds to meet its liabilities as they become due. In the normal course of business, the Group attempts to match investment assets to insurance liabilities through asset-liabilities management to reduce liquidity risk (Note 4(1)(e)).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

4 Management of insurance and financial risk (Continued)**(2) Financial risk (Continued)***(c) Liquidity risk (Continued)*

As of 31 December 2011	Contractual or expected cash flows (undiscounted)					
	Carrying amount	No stated maturity	Within 1 year (including 1 year)	1-3 years (including 3 year)	3-5 years (including 5 year)	Over 5 years
Financial and insurance assets						
Debt securities	190,464	-	8,254	38,104	30,802	212,011
Equity securities	29,051	29,051	-	-	-	-
Term deposits	122,949	-	5,066	22,058	118,641	3,015
Statutory deposits	522	-	287	26	267	-
Policy loans	2,055	-	2,055	-	-	-
Financial assets purchased under agreements to resell	79	-	79	-	-	-
Accrued investment income	7,741	-	6,329	1,379	33	-
Premiums receivable	1,395	-	1,395	-	-	-
Reinsurance assets	4,202	-	1,508	231	1,775	1,475
Cash and cash equivalents	21,095	-	21,098	-	-	-
Total Financial and insurance assets	379,553	29,051	46,071	61,798	151,518	216,501
Financial and insurance liabilities						
Long-term insurance contracts liabilities	(292,818)	-	38,857	39,317	(39,017)	(825,757)
Short-term insurance contracts liabilities	(996)	-	(668)	-	-	-
Investment contracts	(19,001)	-	(1,711)	(3,307)	(2,816)	(40,582)
Borrowings	(5,073)	-	(285)	(570)	(570)	(6,925)
Financial assets sold under agreements to repurchase	(32,481)	-	(32,556)	-	-	-
Benefits, claims and surrenders payable	(499)	-	(499)	-	-	-
Reinsurance liabilities	(31)	-	(31)	-	-	-
Total financial and insurance liabilities	(350,899)	-	3,107	35,440	(42,403)	(873,264)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

4 Management of insurance and financial risk (Continued)

(2) Financial risk (Continued)

(c) Liquidity risk (Continued)

As of 31 December 2010

	Carrying amount	No Stated maturity	Contractual or expected cash flows (undiscounted)			
			Within 1 year (including 1 year)	1-3 years (including 3 year)	3-5 years (including 5 year)	Over 5 years
Financial and insurance assets						
Debt securities	164,726	-	11,044	27,320	28,899	175,984
Equity securities	38,874	38,874	-	-	-	-
Term deposits	55,210	-	7,807	14,322	42,623	-
Statutory deposits	242	-	242	1	-	-
Policy loans	820	-	820	-	-	-
Financial assets purchased under agreements to resell	640	-	640	-	-	-
Accrued investment income	4,986	-	4,062	924	-	-
Premiums receivable	979	-	979	-	-	-
Reinsurance assets	4,535	-	566	1,358	185	3,442
Cash and cash equivalents	27,368	-	27,369	-	-	-
Total Financial and insurance assets	298,380	38,874	53,529	43,925	71,707	179,426
Financial and Insurance liabilities						
Long-term insurance contracts liabilities	(233,821)	-	32,619	46,229	(17,251)	(715,541)
Short-term insurance contracts liabilities	(804)	-	(517)	-	-	-
Investment contracts	(19,912)	-	(164)	(1,712)	(3,464)	(47,894)
Financial assets sold under agreements to repurchase	(24,712)	-	(24,773)	-	-	-
Benefits, claims and surrenders payable	(349)	-	(349)	-	-	-
Reinsurance liabilities	(48)	-	(48)	-	-	-
Total financial and insurance liabilities	(279,646)	-	6,768	44,517	(20,715)	(763,435)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

4 Management of insurance and financial risk (Continued)**(2) Financial risk (Continued)****(c) Liquidity risk (Continued)**

The above table does not include RMB14,000 million of advances for capital injection in other liabilities which was transferred to equity account in March 2011 (Note 21).

The amounts set forth in the tables above for financial assets, borrowings, financial assets sold under agreements to repurchase, and benefits claims and surrenders payable are undiscounted contractual cash flows. The amounts for insurance and investment contracts in each column are the cash flows representing expected future benefit payments taking into consideration of future premiums payments or deposits from policyholders. The excess cash inflow from matured financial assets will be reinvested to cover any future liquidity exposures. The estimate is subject to assumptions related to mortality, morbidity, lapse rate, policy return ratio, loss ratio, expenses assumption and other assumptions. Actual experience may differ from estimates.

Although the contractual terms can be exercised immediately by all policyholders at once, the Group's expected cash flows as shown in the above tables are based on past experience and future expectations. The Group prepared another maturity analysis assuming that all investment contracts were surrendered immediately. This would cause a cash outflows of RMB18,720 million as of 31 December 2011, payable within one year (as of 31 December 2010: RMB19,632 million).

(d) Capital management

The Company's objectives when managing capital, which is actual capital, calculated as the difference between admitted assets and admitted liabilities as defined by the CIRC, are to comply with the insurance capital requirements by the CIRC to meet the minimum capital and safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company managed its capital requirements by assessing shortfalls, if any, between actual capital and minimum capital on a regular basis. The Company continuously and proactively monitors the business mix, the asset quality and allocation so as to enhance the profitability in relation to solvency margin.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

4 Management of insurance and financial risk (Continued)

(2) Financial risk (Continued)

(d) Capital management (Continued)

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

	As of 31 December	
	2011	2010
Actual capital	23,866	4,402
Minimum capital	15,304	12,583
Solvency margin ratio	155.95%	34.99%

According to "Solvency Regulations of Insurance Companies", the solvency margin ratio is computed by dividing the actual capital by the minimum capital. The CIRC closely monitors those insurance companies with solvency margin ratio less than 100% and may, depending on the individual circumstances, undertake certain regulatory measures, including but not limited to restricting the payment of dividends. Insurance companies with solvency margin ratio between 100% and 150% would be required to submit and implement plans preventing capital from being inadequate. And insurance companies with solvency margin ratio above 100% but significant solvency risk noticed would be required to take necessary rectification action.

(3) Fair value hierarchy

Level 1 fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can obtain at the measurement date.

Level 2 fair value is based on valuation technique using significant inputs, other than Level 1 quoted price, that are observable for the asset being measured, either directly or indirectly, for substantially the full term of the assets through corroboration with observable market data. Observable inputs generally used to measure the fair value of securities classified as Level 2 include quoted market prices for similar assets in active markets; quoted market prices in markets that are not active for identical or similar assets and other market observable inputs. This level includes the debt securities for which quotations are available from pricing service providers. Fair value provided by pricing service providers are subject to a number of validation procedures by management. These procedures include a review of the valuation models utilized and the results of these models, and as well as the recalculation of prices obtained from pricing service providers at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

4 Management of insurance and financial risk (Continued)**(3) Fair value hierarchy (Continued)**

Under certain conditions, the Group may not received price from independent third party pricing services. In this instance, the Group may choose to apply internally developed values to the assets being measured. In such cases, the valuations are generally classified as Level 3. Key inputs involved in internal valuation are not based on observable market data, and reflect assumptions made by management based on judgments and experience.

As of 31 December 2011, the Group has no financial assets measured at fair value on a recurring basis and classified as Level 3 (as of 31 December 2010: same).

As of 31 December 2011	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale securities				
– Equity securities	25,764	246	–	26,010
– Debt securities	3,240	43,626	–	46,866
Securities at fair value through income				
– Equity securities	3,030	11	–	3,041
– Debt securities	1,962	526	–	2,488
Total Assets	33,996	44,409	–	78,405
Liabilities				
Unit-linked contracts	–	271	–	271
Total Liabilities	–	271	–	271

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

4 Management of insurance and financial risk (Continued)

(3) Fair value hierarchy (Continued)

As of 31 December 2010	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale securities				
– Equity securities	33,513	3,057	–	36,570
– Debt securities	1,066	37,053	–	38,119
Securities at fair value through income				
– Equity securities	2,245	59	–	2,304
– Debt securities	4,491	100	–	4,591
Total Assets	41,315	40,269	–	81,584
Liabilities				
Unit-linked contracts	–	374	–	374
Total Liabilities	–	374	–	374

5 Segment Information

(1) Operating segments

The Group mainly has the following three segments:

(i) *Individual insurance business*

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

(ii) *Group insurance business*

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

(iii) *Other business*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

5 Segment Information (Continued)**(2) Allocation basis of income and expense**

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

(3) Allocation basis of asset and liability

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

(4) All of the Group's operating revenues are deemed as external except for those presented as inter-segment revenue.

Substantially all of the Group's revenue is derived from its operations in the PRC. All of the Group's assets are located in the PRC.

For the year ended 31 December 2011, no gross written premiums and policy fees from transactions with a single external customer amounted to 1% or more of the Group's total gross written premiums and policy fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

5 Segment Information (Continued)

	For the year ended 31 December 2011				Total
	Insurance		Others	Elimination	
	Individual	Group			
Revenues					
Gross written premiums and policy fees	93,838	1,313	–	–	95,151
Less: premiums ceded out	665	(81)	–	–	584
Net written premiums and policy fees	94,503	1,232	–	–	95,735
Net change in unearned premiums liabilities	(36)	(35)	–	–	(71)
Net premiums earned and policy fees	94,467	1,197	–	–	95,664
Investment income	12,482	263	9	–	12,754
Other income	150	9	240	(207)	192
Including: inter-segment revenue	6	–	201	(207)	–
Total revenues	107,099	1,469	249	(207)	108,610
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(362)	(505)	–	–	(867)
Life insurance death and other benefits	(20,153)	(158)	–	–	(20,311)
Increase in long-term insurance contracts liabilities	(65,757)	(216)	–	–	(65,973)
Investment contracts benefits	(602)	(33)	–	–	(635)
Commission and brokerage expenses	(7,220)	(98)	–	1	(7,317)
Including: inter-segment expenses	(1)	–	–	1	–
Administrative expenses	(8,440)	(826)	(169)	206	(9,229)
Including: inter-segment expenses	(184)	(16)	(6)	206	–
Other expenses	13	(51)	(161)	–	(199)
Total benefits, claims and expenses	(102,521)	(1,887)	(330)	207	(104,531)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

5 Segment Information (Continued)

	For the year ended 31 December 2011				Total
	Insurance		Others	Elimination	
	Individual	Group			
Share of results of associates	-	-	2	-	2
Finance cost	(765)	(41)	-	-	(806)
Net profit before income tax	3,813	(459)	(79)	-	3,275
Income tax	-	-	(475)	-	(475)
Net profit for the year	3,813	(459)	(554)	-	2,800
Segment assets	371,193	7,244	8,342	(8)	386,771
Segment liabilities	341,220	6,701	7,545	(8)	355,458

Other segment information for the year ended 31 December 2011:

	Insurance		Others	Elimination	Total
	Individual	Group			
Depreciation and amortization	231	23	5	-	259
Interest income	12,458	253	10	-	12,721
Impairment	(476)	(7)	-	-	(483)
Share of profit of associates under equity method	-	-	2	-	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

5 Segment Information (Continued)

	For the year ended 31 December 2010				Total
	Insurance		Others	Elimination	
	Individual	Group			
Revenues					
Gross written premiums and policy fees	90,863	1,093	–	–	91,956
Less: premiums ceded out	124	(92)	–	–	32
Net written premiums and policy fees					
Net change in unearned premiums liabilities	90,987	1,001	–	–	91,988
	(76)	(52)	–	–	(128)
Net premiums earned and policy fees					
Investment income	90,911	949	–	–	91,860
Other income	10,271	246	4	–	10,521
	148	8	374	(202)	328
Including: inter-segment revenue	–	–	202	(202)	–
Total revenues	101,330	1,203	378	(202)	102,709
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(224)	(478)	–	–	(702)
Life insurance death and other benefits	(12,410)	(138)	–	–	(12,548)
Increase in long-term insurance contracts liabilities	(70,090)	(271)	–	–	(70,361)
Investment contracts benefits	(699)	(73)	–	–	(772)
Commission and brokerage expenses	(7,178)	(77)	–	3	(7,252)
Including: inter-segment expenses	(3)	–	–	3	–
Administrative expenses	(7,735)	(715)	(159)	199	(8,410)
Including: inter-segment expenses	(180)	(14)	(5)	199	–
Other expenses	67	–	(214)	–	(147)
Total benefits, claims and expenses	(98,269)	(1,752)	(373)	202	(100,192)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

5 Segment Information (Continued)

	For the year ended 31 December 2010				Total
	Insurance		Others	Elimination	
	Individual	Group			
Share of results of associates	–	–	1	–	1
Finance cost	(243)	(20)	–	–	(263)
Net profit before income tax	2,818	(569)	6	–	2,255
Income tax	–	–	(5)	–	(5)
Net profit for the year	2,818	(569)	1	–	2,250
Segment assets	291,394	6,556	6,641	(25)	304,566
Segment liabilities	275,181	6,330	16,507	(25)	297,993

Other segment information for the year ended 31 December 2010:

	Insurance		Others	Elimination	Total
	Individual	Group			
Depreciation and amortization	203	16	4	–	223
Interest income	8,316	170	–	–	8,486
Impairment	(237)	(32)	–	–	(269)
Share of profit of associates under equity method	–	–	1	–	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

6 Property, plant and equipment

Group

	Buildings	Office equipments	Motor vehicles	Construction in progress	Total
Cost					
As of 1 January 2011	2,600	662	146	188	3,596
Additions	–	86	27	1,372	1,485
Transfers upon completion	1	26	–	(27)	–
Transfers from investment properties (Note 7)	174	–	–	–	174
Transfers to investment properties (Note 7)	(120)	–	–	–	(120)
Disposals	–	(34)	(10)	–	(44)
As of 31 December 2011	2,655	740	163	1,533	5,091
Accumulated depreciation					
As of 1 January 2011	(290)	(352)	(32)	–	(674)
Charges for the period	(62)	(90)	(13)	–	(165)
Transfers from investment properties (Note 7)	(20)	–	–	–	(20)
Transfers to investment properties (Note 7)	15	–	–	–	15
Disposals	–	32	5	–	37
As of 31 December 2011	(357)	(410)	(40)	–	(807)
Net book value					
As of 1 January 2011	2,310	310	114	188	2,922
As of 31 December 2011	2,298	330	123	1,533	4,284

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

6 Property, plant and equipment (Continued)**Group (Continued)**

	Buildings	Office equipments	Motor vehicles	Construction in progress	Total
Cost					
As of 1 January 2010	2,532	550	128	246	3,456
Additions	73	114	32	39	258
Transfers upon completion	79	18	–	(97)	–
Transfers to investment properties (Note 7)	(84)	–	–	–	(84)
Disposals	–	(20)	(14)	–	(34)
As of 31 December 2010	2,600	662	146	188	3,596
Accumulated depreciation					
As of 1 January 2010	(235)	(294)	(31)	–	(560)
Charges for the period	(60)	(76)	(11)	–	(147)
Transfers to investment properties (Note 7)	5	–	–	–	5
Disposals	–	18	10	–	28
As of 31 December 2010	(290)	(352)	(32)	–	(674)
Net book value					
As of 1 January 2010	2,297	256	97	246	2,896
As of 31 December 2010	2,310	310	114	188	2,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

6 Property, plant and equipment (Continued)

Company

	Buildings	Office equipments	Motor vehicles	Construction in progress	Total
Cost					
As of 1 January 2011	2,367	651	144	28	3,190
Additions	–	85	26	1,370	1,481
Transfers upon completion	1	26	–	(27)	–
Transfers from investment properties (Note 7)	174	–	–	–	174
Transfers to investment properties (Note 7)	(120)	–	–	–	(120)
Disposals	–	(34)	(10)	–	(44)
As of 31 December 2011	2,422	728	160	1,371	4,681
Accumulated depreciation					
As of 1 January 2011	(276)	(349)	(33)	–	(658)
Charges for the year	(57)	(88)	(13)	–	(158)
Transfers from investment properties (Note 7)	(20)	–	–	–	(20)
Transfers to investment properties (Note 7)	15	–	–	–	15
Disposals	–	32	5	–	37
As of 31 December 2011	(338)	(405)	(41)	–	(784)
Net book value					
As of 1 January 2011	2,091	302	111	28	2,532
As of 31 December 2011	2,084	323	119	1,371	3,897

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

6 Property, plant and equipment (Continued)**Company (Continued)**

	Buildings	Office equipments	Motor vehicles	Construction in progress	Total
Cost					
As of 1 January 2010	2,532	543	125	93	3,293
Additions	12	109	32	36	189
Transfers upon completion	79	18	–	(97)	–
Transfers to investment properties (Note 7)	(84)	–	–	–	(84)
Disposals	(172)	(19)	(13)	(4)	(208)
As of 31 December 2010	2,367	651	144	28	3,190
Accumulated depreciation					
As of 1 January 2010	(235)	(291)	(31)	–	(557)
Charges for the period	(60)	(75)	(11)	–	(146)
Transfers to investment properties (Note 7)	5	–	–	–	5
Disposals	14	17	9	–	40
As of 31 December 2010	(276)	(349)	(33)	–	(658)
Net book value					
As of 1 January 2010	2,297	252	94	93	2,736
As of 31 December 2010	2,091	302	111	28	2,532

The Group was in the process of obtaining legal title in respect of the ownership of buildings with aggregate net book value of approximately RMB169 million as of 31 December, 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

7 Investment Properties

Group and Company

	For the year ended 31 December	
	2011	2010
Cost		
Beginning of the year	561	477
Transfers from property plant and equipment (Note 6)	120	84
Transfers to property plant and equipment (Note 6)	(174)	–
End of the year	507	561
Accumulated depreciation		
Beginning of the year	(48)	(29)
Charges for the year	(13)	(14)
Transfers from property plant and equipment (Note 6)	(15)	(5)
Transfers to property plant and equipment (Note 6)	20	–
End of the year	(56)	(48)
Net book value		
Beginning of the year	513	448
End of the year	451	513

Rental income from investment properties are recognized in “Other income” (Note 25).

According to the asset valuation report issued by Jones Lang LaSalle Sallmanns Limited, the fair value of investment properties as of 31 December 2011 were RMB1,129 million (as of 31 December 2010: RMB1,071 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

8 Intangible assets

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

Group

	For the year ended	
	2011	2010
Cost		
Beginning of the year	181	156
Additions	31	25
End of the year	212	181
Accumulated amortization		
Beginning of the year	(124)	(104)
Amortization	(23)	(20)
End of the year	(147)	(124)
Net book value		
Beginning of the year	57	52
End of the year	65	57

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

8 Intangible assets (Continued)

Company

	For the year ended 31 December	
	2011	2010
Cost		
Beginning of the year	177	152
Additions	28	25
End of the year	205	177
Accumulated amortization		
Beginning of the year	(123)	(103)
Amortization	(22)	(20)
End of the year	(145)	(123)
Net book value		
Beginning of the year	54	49
End of the year	60	54

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

9 Investments in associates

Details of investments in associates, all unlisted, are as follows:

Group

	For the year ended 31 December	
	2011	2010
Beginning of the year	707	10
Share of results	2	1
Additional capital contribution to associates (1)	–	348
Transfer of prepaid investment in associates (1)	–	300
Other equity movements	–	48
End of the year	709	707

Company

	For the year ended 31 December	
	2011	2010
Beginning of the year	610	10
Additional capital contribution to associates (1)	–	300
Transfer of prepaid investment in associates (1)	–	300
End of the year	610	610

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

9 Investments in associates (Continued)

Assets, liabilities, revenue and profit/(loss) of associates are as follows:

As of/for the year ended 31 December 2011	Country of incorporation	Interest held	Assets	Liabilities	Revenue	Profit
Beijing Zijin Century Real Estate Co., Ltd. ("Zijin Century")	Beijing, the PRC	24%	4,401	1,904	–	–
Beijing MJ Health Screening Center Co., Ltd. ("MJ Health")	Beijing, the PRC	30%	49	7	55	5
Total			4,450	1,911	55	5

As of/for the year ended 31 December 2010	Country of incorporation	Interest held	Assets	Liabilities	Revenue	Profit/ (loss)
Zijin Century	Beijing, the PRC	24%	3,390	893	–	(2)
MJ Health	Beijing, the PRC	30%	45	8	52	3
Total			3,435	901	52	1

All investments in associates are directly held by the Group and the Company. The English names of the associates represented the best effort by management of the Company in translating their Chinese names as they do not have official English names.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

9 Investments in associates (Continued)

(1) Transfer of prepaid investment in associates

The balance mainly represented transfer of prepaid investment in Zijin Century.

In 2005, the Company entrusted Western Surety Co., Ltd. (hereinafter referred to as "Western Surety") and New Industry to invest RMB300 million each for a total of RMB600 million in Zijin Century for 60% of Zijin Century's initial registered capital shares. The Company recorded RMB600 million under "other receivable".

In October 2006, the Company signed equity transfer agreement with Western Surety and New Industry, respectively, which agreed to transfer their respective share of investment in Zijin Century to the Company. In 2006, New Industry returned the 30% equity interest in Zijin Century to the Company, and hence the Company recorded cost of this equity investment of RMB300 million and reversed the same amount from "other receivable". However, Western Surety failed to fulfill its obligation under the agreement. The Company's management anticipated significant uncertainty in receiving the shares or recovering the fund, and therefore the Company made a full provision amounted to RMB300 million (as disclosed in Note 28). During 2007 and 2008, Zijin Century issued additional shares twice while the Company did not exercise its right to further invest in Zijin Century. As a result, As of 31 December 2008, the Company's effective equity interest in Zijin Century was diluted to 12%. The Company ceased to have significant influence over Zijin Century's operations or financial reporting. Zijin Century is a real estate project development company and its main assets are construction in progress. Before 2010, the construction was in its early stage, and the variability in the range of reasonable fair value estimate was significant, the Company considered the fair value of Zijin Century could not be reliably estimated. Therefore, the Company recognized the investment in Zijin Century at cost.

In 2010, the Company obtained a court order and successfully recovered the 12% equity interest in Zijin Century from Western Surety for a total capital share of 24% in Zijin Century. The Company therefore reversed the provision in "other receivable" amounted to RMB300 million, and recorded it as "investments in associates". Thereafter the Company has significant influence on Zijin Century and recognized Zijin as an associate.

As approved by the 35th meeting of the fourth Board of directors and the fifth Shareholders' extraordinary general meeting of 2011, the Company plans to sell its share holdings of 24% of Zijin Century. As of the date of the Consolidated Financial Statements, the Company has not signed any transfer agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

10 Financial assets

(1) Held-to-maturity securities

Group and Company

	As of 31 December	
	2011	2010
Debt securities		
Government bonds	33,624	36,261
Financial bonds	26,558	26,887
Central bank bills	–	280
Corporate bonds	40,305	37,778
Subordinated bonds/debts	40,603	20,810
Total	141,090	122,016
Debt securities		
Listed in the PRC	24,458	25,915
Unlisted	116,632	96,101
Total	141,090	122,016

The estimated fair value of listed held-to-maturity securities is RMB24,862 million as of 31 December 2011 (as of 31 December 2010: RMB26,154 million).

The unlisted debt securities refer to debt securities not traded on stock exchanges and include both debt securities traded on the interbank market in the PRC and debt securities not publicly traded.

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

Maturity	As of 31 December	
	2011	2010
Within 1 year (including 1 year)	2,703	3,880
After 1 year but within 3 years(including 3 years)	15,929	10,284
After 3 years but within 5 years (including 5 years)	3,935	10,385
After 5 years	118,523	97,467
Total	141,090	122,016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

10 Financial assets (Continued)**(2) Available-for-sale securities****Group and Company**

	As of 31 December	
	2011	2010
Debt securities		
Government bonds	–	8
Financial bonds	5,214	10,733
Central bank bills	–	1,325
Corporate bonds	25,207	17,434
Subordinated bonds/debts	16,445	8,619
Subtotal	46,866	38,119
Equity securities		
Funds	11,252	15,271
Stocks	14,758	21,299
Subtotal	26,010	36,570
Total	72,876	74,689
Debt securities		
Listed in the PRC	4,460	2,849
Unlisted	42,406	35,270
Subtotal	46,866	38,119
Equity securities		
Listed in the PRC	19,061	22,844
Unlisted	6,949	13,726
Subtotal	26,010	36,570
Total	72,876	74,689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

10 Financial assets (Continued)

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

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

Maturity	As of 31 December	
	2011	2010
Within 1 year (including 1 year)	113	3,347
After 1 year but within 3 years (including 3 years)	4,726	5,148
After 3 years but within 5 years (including 5 years)	9,454	11,693
After 5 years	32,573	17,931
Total	46,866	38,119

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

10 Financial assets (Continued)**(3) Securities at fair value through income****Group**

	As of 31 December	
	2011	2010
Debt securities		
Financial bonds	1,911	4,470
Corporate bonds	226	121
Subordinated bonds/debts	351	–
Subtotal	2,488	4,591
Equity securities		
Funds	825	1,085
Stocks	2,216	1,219
Subtotal	3,041	2,304
Total	5,529	6,895
Debt securities		
Listed in the PRC	1,962	4,491
Unlisted	526	100
Subtotal	2,488	4,591
Equity securities		
Listed in the PRC	2,404	1,510
Unlisted	637	794
Subtotal	3,041	2,304
Total	5,529	6,895

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

10 Financial assets (Continued)

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

Company

	As of 31 December	
	2011	2010
Debt securities		
Financial bonds	1,911	4,470
Corporate bonds	226	121
Subordinated bonds/debts	351	–
Subtotal	2,488	4,591
Equity securities		
Funds	798	1,085
Stocks	2,216	1,219
Subtotal	3,014	2,304
Total	5,502	6,895
Debt securities		
Listed in the PRC	1,962	4,491
Unlisted	526	100
Subtotal	2,488	4,591
Equity securities		
Listed in the PRC	2,404	1,510
Unlisted	610	794
Subtotal	3,014	2,304
Total	5,502	6,895

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

10 Financial assets (Continued)**(3) Securities at fair value through income (Continued)**

The unlisted securities refer to debt/equity securities not traded on stock exchanges and include both debt securities traded on the interbank market in the PRC and securities not publicly traded. As of 31 December 2011 and 2010, the entire Group's and the Company's securities classified as at fair value through income were held for trading purpose.

(4) Term deposits

The due dates of the term deposits are as follows:

Group

Maturity	As of 31 December	
	2011	2010
Within 1 year (including 1 year)	2,386	6,850
After 1 year but within 3 years (including 3 years)	9,500	9,500
After 3 years but within 5 years (including 5 years)	108,063	38,860
After 5 years	3,000	–
Total	122,949	55,210

Company

Maturity	As of 31 December	
	2011	2010
Within 1 year (including 1 year)	2,385	6,850
After 1 year but within 3 years (including 3 years)	9,500	9,500
After 3 years but within 5 years (including 5 years)	107,863	38,700
After 5 years	3,000	–
Total	122,748	55,050

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

10 Financial assets (Continued)

(5) Statutory deposits

The due dates of the statutory deposits are as follows:

Group

Maturity	As of 31 December	
	2011	2010
Within 1 year (including 1 year)	281	241
After 1 year but within 3 years (including 3 years)	1	1
After 3 years but within 5 years (including 5 years)	240	–
After 5 years	–	–
Total	522	242

Company

Maturity	As of 31 December	
	2011	2010
Within 1 year (including 1 year)	280	240
After 1 year but within 3 years (including 3 years)	–	–
After 3 years but within 5 years (including 5 years)	240	–
After 5 years	–	–
Total	520	240

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

The share capital of the Company increased to RMB3,117 million after the initial public offering in December 2011. According to the related regulation, the Company increased RMB195 million statutory deposits in February 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

10 Financial assets (Continued)**(6) Financial assets purchased under agreements to resell****Group**

	As of 31 December	
	2011	2010
By market		
Stock exchange	79	–
Inter-bank market	–	640
Total	79	640
By collateral		
Bonds	79	65
Bills	–	575
Total	79	640

Company

	As of 31 December	
	2011	2010
By market		
Stock exchange	79	–
Inter-bank market	–	615
Total	79	615
By collateral		
Bonds	79	65
Bills	–	550
Total	79	615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

10 Financial assets (Continued)

(7) Accrued investment income

Group

	As of 31 December	
	2011	2010
Bank deposits	4,753	2,500
Debt securities	2,988	2,486
Total	7,741	4,986
Current	6,329	4,062
Non-current	1,412	924
Total	7,741	4,986

Company

	As of 31 December	
	2011	2010
Bank deposits	4,749	2,497
Debt securities	2,988	2,485
Total	7,737	4,982
Current	6,325	4,059
Non-current	1,412	923
Total	7,737	4,982

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

11 Premiums receivable

Premiums receivable are due within 3 months.

12 Reinsurance assets**Group and Company**

	As of 31 December	
	2011	2010
Claims and claim adjustment expenses ceded (Note 14)	28	19
Unearned premiums liabilities ceded (Note 14)	16	13
Long-term insurance contracts ceded (Note 14)	3,884	4,427
Due from reinsurance companies	274	76
Total	4,202	4,535
Current	1,222	123
Non-current	2,980	4,412
Total	4,202	4,535

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

13 Other assets

Group

	As of 31 December 2011		
	Book value balance	Provision for impairment	Net book value
Receivable from Off-balance repurchase transactions (Note 3 (4))	1,101	(1,101)	–
Prepaid taxes (1)	566	–	566
Prepaid and deferred expenses	485	–	485
Prepayment for Taizhou and Yongzhou cases (2)	288	(288)	–
Litigation deposit (3)	232	–	232
Entrusted fund receivable from liquidation group of Minfa Securities (4)	159	(104)	55
Prepayment for Heilongjiang branch's office building (5)	37	(37)	–
Receivable from Huaxinrong Company (6)	12	(12)	–
Others	363	(6)	357
Total	3,243	(1,548)	1,695

	As of 31 December 2010		
	Book value balance	Provision for impairment	Net book value
Receivable from Off-balance repurchase transactions (Note 3 (4))	1,455	(1,455)	–
Prepaid taxes (1)	143	–	143
Prepaid and deferred expenses	402	–	402
Prepayment for Taizhou and Yongzhou cases (2)	295	(295)	–
Litigation deposit (3)	316	–	316
Entrusted fund receivable from liquidation group of Minfa Securities (4)	166	(166)	–
Prepayment for Heilongjiang branch's office building (5)	37	(37)	–
Receivable from Huaxinrong Company (6)	12	(12)	–
Investment clearing account (7)	859	–	859
Others	257	(4)	253
Total	3,942	(1,969)	1,973

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

13 Other assets (Continued)**Company**

	As of 31 December 2011		
	Book value balance	Provision for impairment	Net book value
Receivable from Off-balance repurchase transactions (Note 3 (4))	1,101	(1,101)	–
Receivables from subsidiaries (Note 33 (3))	752	–	752
Prepaid taxes (1)	566	–	566
Prepaid and deferred expenses	463	–	463
Prepayment for Taizhou and Yongzhou cases (2)	288	(288)	–
Litigation deposit (3)	232	–	232
Entrusted fund receivable from liquidation group of Minfa Securities (4)	159	(104)	55
Prepayment for Heilongjiang branch's office building (5)	37	(37)	–
Receivable from Huaxinrong Company (6)	12	(12)	–
Others	349	(6)	343
Total	3,959	(1,548)	2,411

	As of 31 December 2010		
	Book value balance	Provision for impairment	Net book value
Receivable from Off-balance repurchase transactions (Note 3 (4))	1,455	(1,455)	–
Receivables from subsidiaries (Note 33 (3))	423	–	423
Prepaid taxes (1)	143	–	143
Prepaid and deferred expenses	383	–	383
Prepayment for Taizhou and Yongzhou cases (2)	295	(295)	–
Litigation deposit (3)	316	–	316
Entrusted fund receivable from liquidation group of Minfa Securities (4)	166	(166)	–
Prepayment for Heilongjiang branch's office building (5)	37	(37)	–
Receivable from Huaxinrong Company (6)	12	(12)	–
Investment clearing account (7)	859	–	859
Others	252	(4)	248
Total	4,341	(1,969)	2,372

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

13 Other assets (Continued)

Group

	As of 31 December	
	2011	2010
Current	1,072	1,744
Non-current	623	229
Total	1,695	1,973

Company

	As of 31 December	
	2011	2010
Current	1,400	2,164
Non-current	1,011	208
Total	2,411	2,372

(1) Prepaid Taxes

Prepaid taxes are prepaid business taxes and surcharges related to the Group's insurance and investment activities. They will be refunded to the Group or can be used as credits to offset future tax obligations after tax bureau's approval.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

13 Other assets (Continued)**(2) Prepayment for Taizhou and Yongzhou cases**

In 2009, certain former employees of the Company's Taizhou municipal branch of Jiangsu provincial branch and Yongzhou municipal branch of Hunan provincial branch allegedly sold counterfeit insurance products under the Company's brand, through which they illegally defrauded funds for personal use. The former employees have been under investigation by local police bureau. The Company set up special work force immediately after these cases were exposed and has fully cooperated with local government and police bureau on investigation, made prepayment to victims as well as conducted other stabilizing efforts. Based on current assessment, the Company estimated that the total amount of the unrealized principle and interest insufficiency to settle all claims from defrauded policyholders was RMB295 million, of which approximately RMB277 million is for Taizhou case and RMB18 million is for Yongzhou case, principal and interest included. The Company anticipated significant uncertainty in recovering the prepayment and recognized a full loss provision based on the best estimates of future cash flows. In 2011 the court reached a verdict on the Yongzhou case and concluded that the Company could indemnify RMB11 million from the former employee's criminal action. The Company updated its estimates according to the verdict and reversed approximately RMB7 million of provision for doubtful debts. As of 31 December 2011, the Company had settled claims amounted to RMB208 million, and estimated future claims amounted to RMB80 million for Taizhou and Yongzhou cases (Note 19).

(3) Litigation deposit

The Group is in the process of recovering fund relating to the irregularities of the former chairman through legal proceedings. Litigation deposit represents the deposit required by the court in legal process, and will be returned to the Group upon the conclusion of the cases.

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

Minfa Securities Co., Ltd. (hereinafter referred to as "Minfa Securities") was closed down by the China Securities Regulatory Commission and undertook administrative liquidation in 2005; and the Company's investments entrusted to Minfa Securities with carrying amount of RMB477 million were deemed uncollectible at the time of the liquidation. The Company reclassified these investments into other receivable at their carrying amount and recognized a full provision against such balance. During 2009 and 2010, the Company received the fund and reversed approximately RMB311 million allowances for doubtful debts according to the distribution arrangement as approved by the Court. In 2011, according to the Minfa Securities liquidation distribution arrangement, the Company reversed allowances for doubtful debts of RMB62 million, and received funds of RMB7 million and RMB55 million in July 2011 and January 2012 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

13 Other assets (Continued)

(5) Prepayment for Heilongjiang branch's office building

In 2005, the Company signed an office building purchase contract for RMB37 million with Heilongjiang Shida Real Estate Co., Ltd. The Company paid RMB37 million to Heilongjiang Guantong Investment Co., Ltd. (hereinafter referred to as "Guantong Investment") in 2005. Because the payment recipient is not a party of the contract, as of the date of this report, the Company was not able to obtain the office building ownership certificate, and to recover the payment made to Guantong Investment was significantly uncertain. Based on the best estimation of the future cash flow, the Company recognized a full provision for this prepayment.

(6) Receivable from Huaxinrong Company

In 2004, the Company signed an office building purchase contract with Shenzhen Lianjiuzhou Logistics Network Co., Ltd. ("Lianjiuzhou Company") amounted to RMB104 million. In 2004, the Company made a payment of RMB100 million to Beijing Huaxinrong Investment Co., Ltd. ("Huaxinrong Company") for the purpose of purchasing the office building, and then made a payment of RMB16 million to Lianjiuzhou Company directly. In 2007, the Company reached an agreement with Lianjiuzhou Company that the Company had fulfilled all obligations in respect of the office building purchase contract. The Company has obtained the building ownership certificate.

The Company anticipated that there are uncertainties in recovering the excess payment made to Huaxinrong Company of RMB12 million and recognized a full provision.

(7) Investment clearing account

Investment clearing account balance represents unsettled security in transit as at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

14 Insurance contracts liabilities**(1) Process used to determine assumptions****(a) Discount rate assumption**

For long-term insurance contracts whose future insurance benefits are affected by investment yields of corresponding investment portfolios, investment return assumptions are applied as discount rates to assess the time value impacts on liabilities computation.

In developing discount rate assumptions, the Group considers investment experience, current and future investment portfolio and trend of the yield curve. The discount rate reflects the future economic outlook as well as the Group's investment strategy. The expected discount rates with risk margins are as follows:

Discount rate assumption

31 December 2011	5.23%
31 December 2010	5.23%

For life insurance contracts whose future insurance benefits are not affected by investment yields of corresponding investment portfolios, the Group uses discount rate assumption to assess the time value impacts based on the "yield curve of liability computation benchmark for insurance contracts", published on the "China Bond" website, with consideration including liquidity spreads, taxation impacts and other relevant factors. The expected discount rates are as follows:

Discount rate assumption

31 December 2011	2.65%-5.66%
31 December 2010	2.61%-5.66%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

14 Insurance contracts liabilities (Continued)

(1) Process used to determine assumptions (Continued)

(b) *Mortality and morbidity assumption*

The Group bases its mortality assumption on the China Life Insurance Life Mortality Table (2000-2003), adjusted where appropriate to reflect the Group's historical mortality rate. The main source of uncertainty with life insurance contracts is that epidemics, such as bird flu, AIDS and SARS, and wide-ranging lifestyle changes could result in deterioration in future mortality rate, thus leading to an inadequate liability provision. Similarly, continuous advancements in medical care and social welfare could result in improvements in longevity that exceed that used in the estimates to determine the liabilities for contracts where the Group is exposed to longevity risk.

The Group bases its morbidity assumptions for critical illness products on analysis of historical experience and expectations of future developments. There are two main sources of uncertainty. First, wide-ranging lifestyle changes could result in future deterioration in morbidity rate. Second, future development of medical technologies and improved availability of medical facilities to policyholders may lead to early diagnosis of critical illness, which demands earlier payment of the critical illness benefits. Both could ultimately result in an inadequate liability provision if current morbidity assumptions do not properly reflect such secular trends.

Mortality and morbidity vary with the age of insured and types of contracts. Risk margin is considered in the Group's mortality and morbidity assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

14 Insurance contracts liabilities (Continued)**(1) Process used to determine assumptions (Continued)***(c) Expenses assumption*

The Group's expenses assumption is determined based on actual experience analysis, with consideration of future inflation and risk margin, expressed on both per-policy/insured and a percent-of-premium basis. The Group's expense assumption is affected by certain factors, such as inflation and market competition. The Company determines expense assumption based on the information obtained at the end of each reporting period with the consideration of risk margin.

	Individual life insurance		Group life insurance	
	RMB per Policy	% of Premium	RMB per Insured	% of Premium
31 December 2011	65-95	0.69%-1.05%	25	0.86%
31 December 2010	65-80	0.88%-1.17%	30	0.08%

(d) Policy dividend assumption

Policy dividend assumption is determined based upon the investment yields of participating account, contract terms, dividends policy enacted by the Group, reasonable expectation of policyholders and other factors. Pursuant to relevant contract terms, the Group is obligated to pay to the policyholders of participating contracts at least 70% of distributable surplus.

(e) Lapse rate and other assumptions

The lapse rates and other assumptions are affected by certain factors, such as future macro-economy, availability of financial substitutions, and market competition. The lapse rates and other assumptions are determined based on past experience, current conditions, future expectations and other information obtained at the end of each reporting period with consideration of risk margin.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

14 Insurance contracts liabilities (Continued)

(2) Net liabilities of insurance contracts

Group and Company

	As of 31 December	
	2011	2010
Gross		
Long-term insurance contracts liabilities	292,818	233,821
Short-term insurance contracts liabilities		
– Outstanding claims liabilities	392	274
– Unearned premiums liabilities	604	530
Total, gross	293,814	234,625
Recoverable from reinsurers		
Long-term insurance contracts (Note12)	(3,884)	(4,427)
Short-term insurance contracts		
– Outstanding claims liabilities (Note12)	(28)	(19)
– Unearned premiums liabilities (Note12)	(16)	(13)
Total, ceded	(3,928)	(4,459)
Net		
Long-term insurance contracts liabilities	288,934	229,394
Short-term insurance contracts liabilities		
– Outstanding claims liabilities	364	255
– Unearned premiums liabilities	588	517
Total, net	289,886	230,166

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

14 Insurance contracts liabilities (Continued)**(3) Movements in liabilities of short-term insurance contracts**

The table below presents movements in outstanding claims liabilities:

Group and Company

	For the year ended 31 December	
	2011	2010
Beginning of the year – Gross	274	159
Cash paid for claims settled in year		
– Cash paid for current year claims	(560)	(514)
– Cash paid for prior year claims	(262)	(149)
Claims incurred in the year		
– Claims arising in the current year	937	779
– Claims accrued/(adjusted) for prior years	3	(1)
End of the year – Gross	392	274

The table below presents the movement in unearned premiums liabilities:

Group and Company

	Gross	Ceded	Net
As of 1 January 2010	430	(41)	389
Increase	1,534	(64)	1,470
Release	(1,434)	92	(1,342)
As of 31 December 2010	530	(13)	517
Increase	1,833	(81)	1,752
Release	(1,759)	78	(1,681)
As of 31 December 2011	604	(16)	588

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

14 Insurance contracts liabilities (Continued)

(4) Movements in liabilities of long-term insurance contracts

The table below presents the movements in the liabilities of long-term insurance contracts:

Group and Company

	For the year ended 31 December	
	2011	2010
Beginning of the year	233,821	163,226
Premiums	92,964	90,145
Release of liabilities (i)	(39,175)	(29,815)
Accretion of interest	13,821	10,160
Changes in assumption (ii)	295	785
Other movements (iii)	(8,908)	(680)
End of the year	292,818	233,821

(i) The release of liabilities mainly consists of payments for death or other termination and related expenses, release of residual margin and change of outstanding claims liabilities of long-term insurance contracts.

(ii) Changes in assumption are impact of changes in discount rate assumption, mortality and morbidity assumption, expenses assumption, policy dividend assumption, and lapse rate and other assumptions.

(iii) Other movements includes accumulate realized but not yet announced policy dividend movement and change of shadow adjustments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

15 Liabilities of investment contracts

The table below presents the movement in liabilities of investment contracts:

Group and Company**Non-unit-linked contracts**

	For the year ended 31 December	
	2011	2010
Beginning of the year	19,538	20,162
Deposits received	2,259	2,190
Deposits paid and liabilities transferred out	(3,338)	(3,280)
Policy fees deducted from account balances	(354)	(275)
Interest credited	722	737
Changes in investment contracts recorded in other comprehensive income	(97)	4
End of the year	18,730	19,538

Unit-linked contracts

	For the year ended 31 December	
	2011	2010
Beginning of the year	374	381
Deposits received	8	14
Deposits paid and liabilities transferred out	(24)	(54)
Policy fees deducted from account balances	–	(2)
Fair value changes	(87)	35
End of the year	271	374
Total liabilities of investment contracts as at end of the year	19,001	19,912

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

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16 Borrowings

Upon the approval of the CIRC in September 2011, the Company completed an offering of 10-year subordinated debt in an aggregated principal amount of RMB5,000 million, and with an interest rate 5.7% per annum. The Company has the right to redeem the debts partially or wholly at the end of the fifth year. If the Company does not exercise the right, the interest rate will step up to 7.7% per annum beginning on the sixth year until the maturity date.

The repayment of principal and interests of the subordinated debt is subordinated to policy liabilities and other liabilities but prior to the Company's equity capital.

17 Financial assets sold under agreements to repurchase

Group and Company

	As of 31 December	
	2011	2010
By market		
Inter-bank market	14,619	12,568
Stock exchange	17,862	12,144
Total	32,481	24,712
By collateral		
Bond	32,481	24,712
Total	32,481	24,712

As of 31 December 2011, bonds with par value of RMB14,960 million (as of 31 December 2010: RMB13,043 million) were pledged as collateral for financial assets sold under agreements to repurchase resulted from repurchase transactions entered into by the Group in the inter-bank market. The collateral is restricted from trading during the period of the repurchase transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

17 Financial assets sold under agreements to repurchase (Continued)

For debt repurchase transactions through stock exchange, the Group and the Company is required to deposit certain exchange-traded bonds into a collateral pool and the fair value converted at a standard rate pursuant to stock exchange's regulation which should be no less than the balance of related repurchase transaction. As of 31 December 2011, the amount of securities deposited in the collateral pool was RMB28,221 million (as of 31 December 2010: RMB22,224 million). The collateral is restricted from trading during the period of the repurchase transaction. The Group and the Company can have the bonds from the collateral pool returned temporarily under the condition that the value of the collateral is no less than the balance of related repurchase transactions.

As of 31 December 2011, maturity for financial assets sold under agreements to repurchase was all within 3 months.

18 Provisions**Group and Company****Lawsuits and disputes**

	For the year ended	
	31 December	
	2011	2010
Beginning of the year	574	430
Increase	–	144
Decrease	(116)	–
End of the year	458	574

When future cash outflow is probable and can be reasonably measured, provision should be made based on the projected payment of current lawsuits and disputes. After taking consideration of specific circumstances and legal advice, the Company makes the best estimation according to the relevant accounting standards. The final payments of those lawsuits and disputes depends on the final investigation, judgment and settlement amount, thus it may differ from the current provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

19 Other liabilities

Group

	As of 31 December	
	2011	2010
Salary and welfare payable	1,004	970
Commission and brokerage payable	637	534
Repayment payable for non-insurance contracts	564	860
Taxes payable other than income tax	216	89
Unallocated receipts	210	184
Security deposits by agent for holding the Company's documents	169	171
Taizhou and Yongzhou cases outstanding payments (Note 13(2))	80	90
Insurance security fund payable	44	70
Purchase payment for Heilongjiang branch's building (Note 13(5))	37	37
Advance for capital injection (Note 21)	–	14,000
Others	444	366
Total	3,405	17,371
Current	2,747	16,612
Non-current	658	759
Total	3,405	17,371

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

19 Other liabilities (Continued)**Company**

	As of 31 December	
	2011	2010
Salary and welfare payable	947	917
Commission and brokerage payable	637	534
Repayment payable for non-insurance contracts	564	860
Taxes payable other than income tax	212	86
Unallocated receipts	210	184
Security deposits by agent for holding the Company's documents	169	171
Taizhou and Yongzhou cases outstanding payments (Note 13(2))	80	90
Insurance security fund payable	44	70
Purchase payment for Heilongjiang branch's building (Note 13(5))	37	37
Advance for capital injection (Note 21)	–	14,000
Others	427	384
Total	3,327	17,333
Current	2,669	16,574
Non-current	658	759
Total	3,327	17,333

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

20 Taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relate to the same fiscal authority. All of income taxes shown below are taxes in the PRC and no provision for Hong Kong profits tax has been made for the year.

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

	For the year ended 31 December	
	2011	2010
Current tax	209	25
Deferred tax	266	(20)
Total income tax	475	5

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

	For the year ended 31 December	
	2011	2010
Profit before income tax	3,275	2,255
Tax computed at the statutory tax rate	819	564
Non-taxable income (i)	(649)	(613)
Expenses not deductible for tax purpose (i)	64	89
Cumulative tax losses utilized	(273)	(230)
Effect on unrealized deferred tax assets arising from deductible temporary differences	497	190
Past due income tax paid	17	5
Income tax at effective tax rate	475	5

- (i) Non-taxable income mainly includes government bond interest income and dividend income. Expenses not deductible for tax purposes mainly include those expenses such as penalty, donation and hospitality expenses that do not meet the criteria for deduction set by relevant tax regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

20 Taxation (Continued)

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

Group

	Financial assets	Insurance and others	Total
As of 1 January 2010	(1,108)	1,112	4
Charged/(Credited) to net profit	28	(8)	20
Charged to other comprehensive income	(62)	52	(10)
As of 31 December 2010	(1,142)	1,156	14
As of 1 January 2011	(1,142)	1,156	14
Charged/(Credited) to net profit	264	(530)	(266)
Charged to other comprehensive income	1,897	(1,631)	266
As of 31 December 2011	1,019	(1,005)	14

	As of 31 December	
	2011	2010
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	1,461	872
– deferred tax assets to be recovered after more than 12 months	–	–
Subtotal	1,461	872
Deferred tax liabilities		
– deferred tax liabilities to be settled within 12 months	(1,447)	(858)
– deferred tax liabilities to be settled after more than 12 months	–	–
Subtotal	(1,447)	(858)
Total net deferred income tax assets	14	14

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

20 Taxation (Continued)

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

Company

	Financial assets	Insurance and others	Total
As of 1 January 2010	(1,108)	1,108	–
Charged/(Credited) to net profit	27	(17)	10
Charged to other comprehensive income	(62)	52	(10)
As of 31 December 2010	(1,143)	1,143	–
As of 1 January 2011	(1,143)	1,143	–
Charged/(Credited) to net profit	264	(530)	(266)
Charged to other comprehensive income	1,897	(1,631)	266
As of 31 December 2011	1,018	(1,018)	–

	As of 31 December	
	2011	2010
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	1,447	858
– deferred tax assets to be recovered after more than 12 months	–	–
Subtotal	1,447	858
Deferred tax liabilities		
– deferred tax liabilities to be settled within 12 months	(1,447)	(858)
– deferred tax liabilities to be settled after more than 12 months	–	–
Subtotal	(1,447)	(858)
Total net deferred income tax assets/(liabilities)	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

20 Taxation (Continued)

- (4) Deferred income tax assets are recognized for tax losses carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The amount of deductible temporary differences and unused tax losses for which no deferred tax asset is recognized is as follows:

	As of 31 December	
	2011	2010
Deductible temporary differences	5,670	786
Cumulative unused tax losses	–	1,092
Total	5,670	1,878

21 Share capital

All shares of the Company issued are fully paid common shares. The par value per share is RMB1. The Company's number of shares is as follows:

	As of 31 December	
	2011	2010
Number of shares registered, issued and fully paid at RMB1 per share (million)	3,117	1,200

Through private placement, the Company issued 1,400 million new shares, at a par value of RMB1 per share and subscription price of RMB10 per share in 2010. For the year ended 31 December 2010, the Company received the subscription proceeds of RMB14 billion and such amount was recognized as other liabilities as of 31 December 2010. Upon the approval from the CIRC (Baojianfagai [2011] No. 423) in March 2011, the Company recognized RMB1,400 million under "share capital" and RMB12,600 million as "share premium" (Note 22).

In December 2011, the Company completed its initial public offering of 158,540,000 shares of A share in the Shanghai Stock Exchange, and also issued 358,420,000 shares of H share in the Hong Kong Stock Exchange. The par value per share is RMB1, and the issuance prices were RMB23.25 and HKD28.5. Upon the approval from the CIRC (Baojianfagai [2011] No. 2029) as of 31 December 2011, the Company recorded RMB517 million under "share capital", and RMB11,116 million as "share premium" (Note 22), after the deduction of share issuance and listing expenses of RMB374 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

21 Share capital (Continued)

The Company received all fund from offering and was verified by PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. in PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. (2011) Capital Verification Report No. 489 and in PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. (2011) Capital Examination Report No. 496.

According to the regulations on the transfer of state shares, the state shareholders of the Company transferred 10% of shares to the National Social Insurance Fund Board in proportion with the shares held in the Company.

Upon the Company's A share offering, its shareholder, Central Huijin Investment Ltd. (hereinafter referred to as the "Huijin") committed that it would not transfer nor entrust others, directly or indirectly its shares in the Company within 36 months since the date of the Company's A share listing. And, it would not let the Company buy back the shares held by Huijin. Huijin will strictly comply with the above commitment.

In January 2012, the Company exercised the right of H share overallotment in the overseas markets, and issued 2,586,600 of H shares of overallotment shares, at a par value of RMB 1 per share. Upon the approval from the CIRC (Baojianfagai [2012] No. 255) at 6 March 2012, the Company's "share capital" increase to RMB3,120 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

22 Reserves**Group**

	Share premium (a)	Unrealized income/ (losses)	Surplus reserve (b)	Reserve for general risk (c)	Total
As of 1 January 2010	190	765	204	204	1,363
Other comprehensive income	–	80	–	–	80
Appropriation to reserves	–	–	223	223	446
As of 31 December 2010	190	845	427	427	1,889
Other comprehensive income	–	(3,693)	–	–	(3,693)
Appropriation to reserves	–	–	278	278	556
Capital increase (Note 21)	23,716	–	–	–	23,716
As of 31 December 2011	23,906	(2,848)	705	705	22,468

Company

	Share premium (a)	Unrealized income/ (losses)	Surplus reserve (b)	Reserve for general risk (c)	Total
As of 1 January 2010	190	765	204	204	1,363
Other comprehensive income	–	32	–	–	32
Appropriation to reserves	–	–	223	223	446
As of 31 December 2010	190	797	427	427	1,841
Other comprehensive income	–	(3,693)	–	–	(3,693)
Appropriation to reserves	–	–	278	278	556
Capital increase (Note 21)	23,716	–	–	–	23,716
As of 31 December 2011	23,906	(2,896)	705	705	22,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

22 Reserves (Continued)

(a) Share premium

Share premium represents the excess of the paid-in capital.

(b) Surplus reserve

Surplus reserve consist of the statutory surplus reserve and the discretionary surplus reserve.

(i) *Statutory surplus reserve*

In accordance with the Company Law and the Company's Article of Association, the Company should appropriate 10% of the net profit for the year to the statutory surplus reserve. The Company can cease appropriation when statutory surplus reserve has accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up losses or increase the Company's share capital after approval.

The Company appropriated RMB278 million for the year ended 31 December 2011 to the statutory surplus reserve (for the year ended 31 December 2010: RMB223 million).

(ii) *Discretionary surplus reserve ("DSR")*

After making necessary appropriations to the Statutory surplus reserve, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings. The DSR may be used to offset accumulated losses, if any, and may be converted into capital. The Company appropriated no DSR as of 31 December 2011 (as of 31 December 2010: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

22 Reserves (Continued)**(c) Reserve for general risk**

Pursuant to “Financial Standards of Financial Enterprises-Implementation Guide” issued by Ministry of Finance of People’s Republic of China on 20 March 2007, for the year ended 31 December 2011, the Company appropriated 10% of the net profit to general reserve for future uncertain disasters, which cannot be used for dividend distribution or share capital increment (for the year ended 31 December 2010: same).

23 Gross written premiums and policy fees

	For the year ended	
	31 December	
	2011	2010
Gross written premiums		
– Long-term insurance contracts	92,964	90,145
– Short-term insurance contracts	1,833	1,534
Subtotal	94,797	91,679
Policy fees		
– Investment contracts	354	277
Gross written premiums and policy fees	95,151	91,956

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

24 Investment income

	For the year ended 31 December	
	2011	2010
Held-to-maturity financial assets		
– Interest income	5,663	5,200
– Net realized gains	–	19
Available-for-sale financial assets		
– Interest income	1,917	1,426
– Dividend income	894	689
– Net realized gains	1,169	1,304
– Impairment losses on equity securities	(904)	(116)
Financial assets at fair value through income		
– Interest income	59	12
– Dividend income	44	74
– Net fair value losses	(1,247)	(57)
Interest income from bank deposits	4,970	1,835
Interest income from policy loans	62	22
Interest income from financial assets purchased under agreements to resell	50	18
Reversal of provision for entrusted fund receivable from Minfa Securities (Note 13(4))	62	90
Others	15	5
Total	12,754	10,521
Including:		
Investment income using the effective interest method	12,721	8,513
Investment income from listed investment	1,352	1,967
Investment income from unlisted investment	11,402	8,554
Total	12,754	10,521

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

25 Other income

	For the year ended 31 December	
	2011	2010
Rental income from investment property	60	61
Government grants (i)	–	110
Recovery of prepaid investment in Zijin Century (Note 9(1))	–	48
Other	132	109
Total	192	328

(i) Government grants

Government grants were received from Beijing Yanqing Economic Development Zone Management Committee for supporting ordinary operations of the Company.

26 Insurance benefits and claims

	For the year ended 31 December	
	2011	2010
Gross		
Claims and change in outstanding claims liabilities	940	778
Life insurance death and other benefits	20,340	12,565
Increase in long-term insurance contracts liabilities	65,430	70,395
Total	86,710	83,738
Recovered from reinsurers		
Claims and change in outstanding claims liabilities	(73)	(76)
Life insurance death and other benefits	(29)	(17)
Increase in long-term insurance contracts liabilities	543	(34)
Total	441	(127)
Net		
Claims and change in outstanding claims liabilities	867	702
Life insurance death and other benefits	20,311	12,548
Increase in long-term insurance contracts liabilities	65,973	70,361
Total	87,151	83,611

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

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27 Administrative expenses

	For the year ended 31 December	
	2011	2010
Employee benefit expenses (including directors' emoluments) (1)	5,543	4,981
Travel and conference fees	818	797
Operating lease expense	534	429
Official fees	430	505
Promotional printing cost	367	354
Entertainment fees	361	198
Depreciation and amortization	259	223
Advertising fees	185	116
Insurance guarantee fund	157	151
Postal fees	135	137
Vehicle use fees	85	110
Electronic equipment operating costs	63	116
Auditors' remuneration	10	12
Others	282	281
Total	9,229	8,410

(1) Employee benefit expenses are presented below:

	For the year ended 31 December	
	2011	2010
Salary and welfare expenses	4,690	4,503
Including:		
Supplementary defined contribution pension expense	75	61
Supplementary medical expense	15	12
Social security costs – pension	304	204
Social security costs – other	271	211
Housing fund	168	115
Employee education and labor union fees	110	82
Retirement benefits	–	(147)
Others	–	13
Total	5,543	4,981

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

28 Other expenses

	For the year ended 31 December	
	2011	2010
Exchange losses	206	52
Business tax and surcharges	140	128
Reversal of provision for other receivable from New Industry (Note 3(4))	(354)	–
Reversal of provision for prepaid investment in Zijin Century (Note 9(1))	–	(300)
Provisions (Note 18)	–	144
Others	207	123
Total	199	147

29 Finance cost

	For the year ended 31 December	
	2011	2010
Interest expenses for financial assets sold under agreements to repurchase	733	257
Interest expenses for the subordinated debts	73	6
Total	806	263

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

30 Net profit attributable to shareholders of the Company

The net profit attributable to shareholders of the Company for the year ended 31 December 2011 is RMB2,799 million (for the year ended 31 December 2010: RMB2,249 million) which is included in the Consolidated Financial Statements of the Group.

31 Earnings per share

(1) Basic

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares issued during the year.

	For the year ended 31 December	
	2011	2010
Net profit attributable to shareholders of the Company (RMB in millions)	2,799	2,249
Weighted average number of ordinary shares issued (in millions)	2,250	1,200
Basic earnings per share (RMB)	1.24	1.87

(2) Diluted

The Company has no diluted potential ordinary shares hence diluted earnings per share is same as basic earnings per share for the year ended 31 December 2011 (for the year ended 31 December 2010: same).

32 Dividend

In October 2011, both the Board and the Company's shareholders passed "the Resolution for the Special Profit Distribution and Public Investor Protection Mechanism of New China Life Insurance Company Ltd." during the 39th meeting of the fourth session of the Board and the sixth shareholders' extraordinary general meeting of 2011, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

32 Dividend (Continued)

Pursuant to this resolution, and to the extent permitted by relevant laws and regulations, the Company will distribute to all of its shareholders the total profit from the disposition of its equity interest in Zijin Century (Note 9 (1)), net of applicable taxes, relevant surplus reserves and provisions pursuant to relevant laws (hereinafter referred as "Distributable Amount"). If the Distributable Amount from such disposal exceeds RMB1 billion, the Distributable Amount will be the amount for the special dividend distribution. If the Distributable Amount is less than RMB1 billion, the Company will make up for any short-fall from its accumulated profits so that the special dividend distribution will be RMB1 billion. If the disposal of the equity interest in Zijin Century is not completed before 30 June 2012, the Company will appropriate RMB1 billion from its accumulated profits as the amount for the special dividend distribution. The special dividend distribution will be shared among all shareholders at the time of the declaration of the dividend. The Company plans to complete the special dividend distribution before September 30, 2012. Pursuant to the Administrative Provisions on the Solvency Margin of Insurance Companies, when the Company's solvency is inadequate, the CIRC may impose regulatory restrictions on our distribution of dividends.

The Company's shareholders prior to its initial public offering have further undertaken that to provide protection to public investors, after the completion of the above special dividend distribution, they will deposit their share of the special dividend distribution into custodial bank accounts designated by the Company as a "Special Appropriation", to compensate the Company for any actual losses from the former chairman irregularities within 36 months from the listing date of the Company, and that are in excess of the impairments or provisions that which have been disclosed in the Consolidated Financial Statements. Upon the expiration of the 36 month period, the funds remaining in such custodial bank accounts will be paid out to these shareholders.

33 Significant related party transactions**(1) Related parties**

The table set forth below summarizes the significant related parties of the Company in 2011:

Significant related parties	Relationships
New China Asset Management	Subsidiary of the Company
Chongqing New China	Subsidiary of the Company
Yunnan New China	Subsidiary of the Company
New China Xiadu	Subsidiary of the Company
MJ Health	Associate of the Company
Zijin Century	Associate of the Company
Central Huijin Investment Ltd. ("Huijin")	Shareholders that has significant influence over the Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

33 Significant related party transactions (Continued)

(1) Related parties (Continued)

The Company's shares held by Zurich Insurance Company Ltd. decrease from 20% to less than 13% in 2011. Zurich Insurance Company Ltd. and Zurich Technical and Consulting Services (Beijing) Co. Ltd. are not related parties with the Company as of 31 December 2011.

(2) Transactions with significant related parties

The table set forth below summarizes significant related parties' transactions:

	For the year ended	
	2011	2010
Transactions between the Group and the Company and other related parties		
– Interests from bonds issued by the Huijin (i)	12	4
– Capital increase from shareholders (ii)	–	8,234
– Consulting fees for Zurich Consulting (iii)	–	3
Transactions between the Company and its subsidiaries		
– Planned capital injection to New China Asset Management (iv)	310	–
– Investment management fee to New China Asset Management (v)	198	194
– Rent earned from New China Asset Management (vi)	6	5
– Commission fee to New China Asset Management (vii)	2	–
– Commission charged to the Company from agencies (viii)	1	3
– Assets purchase payment to New China Asset Management (ix)	–	3
– Assets and capital transferred to New China Xiadu (x)	–	277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

33 Significant related party transactions (Continued)**(2) Transactions with significant related parties (Continued)***(i) Bond interest from Huijin*

Huijin became shareholder of the Company in 2009 and it holds 31.26% of the Company's shares directly as of 31 December 2011. Huijin is a state-owned investment company approved by the State Council. The function of Huijin is to hold specific equity investment on behalf of the State Council. Huijin exercises the obligation and rights of the specific bank and financial investor on behalf of the state. The Group and Company conduct transactions with other entities that are controlled by, under common controls or significant influence of Huijin in the business, including deposit, investment trust, sales agency of insurance products and re-insurance transactions, etc.

In 2010, the Company purchased bonds issued by Huijin at a par value of RMB300 million from inter-bank market. As of 31 December 2011, the carrying value of these bonds is RMB299 million. The recognized bond interests for the year ended 31 December 2011 is RMB12 million (for the year ended 31 December 2010: RMB4 million).

(ii) Capital increase from shareholders

In accordance with shareholders' meeting resolution and Capital Increase Agreement, the Company issued 1,400 million common shares in 2010 (Note 21). This amount represents the capital increase from shareholders that have significant influence over the Company.

(iii) Consulting fees for Zurich Consulting

The Company and Zurich Consulting entered into service agreements in 2010, whereby Zurich Consulting provided consulting service to the Company. For the years ended 31 December 2010, the Company paid Zurich Consulting consulting fee at amount of RMB3 million (for the year ended 31 December 2011: nil).

(iv) Planned capital injection to New China Asset Management

In 2011 the Company paid New China Asset Management Company RMB310 million based on the planned capital injection agreement approved by the shareholders' Annual General Meeting of 2010. As of the issuance date of the Consolidated Financial Statements, the capital injection is still pending for the CIRC's approval.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

33 Significant related party transactions (Continued)

(2) Transactions with significant related parties (Continued)

(v) *Investment management service agreement*

The Company and New China Asset Management entered into an annual investment management service agreement for entrusted insurance funds in 2010-2011, respectively. According to this agreement, New China Asset Management provides investment management services to the Company and independently makes investment decisions and transactions in accordance with investment guidance stipulated by the Company. The Company was entitled to all investment returns and bore all losses (subject to negotiation on a case by case basis) from the entrusted insurance funds. The Company pays management fee to New China Asset Management which includes basic service fee and performance fee. The Company has the right to adjust the management fee according to performance of New China Asset Management or breaches of investment guidance, etc.

(vi) *Office rental contracts*

The Company rented parts of New China Life Building to New China Asset Management as its office space.

(vii) *Subordinated debt underwriting to New China Asset Management*

In September 2011 the Company issued subordinated debt at the issuance price of RMB5,000 million. According to the agreement on the subordinated debt underwriting, the Company should paid New China Asset Management, one of the underwriters, approximately RMB2 million underwriting fee.

(viii) *Agency contracts*

Yunnan New China and Chongqing New China acted as agencies for the Company's individual insurance business. According to the agency contracts, Yunnan New China and Chongqing New China charged commissions at 1% and 2% (for the year ended 31 December 2010: 1% and 2%) of standard premiums they generated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

33 Significant related party transactions (Continued)**(2) Transactions with significant related parties (Continued)***(ix) Assets transaction with New China Asset Management*

The Company entered an agreement with New China Asset Management to purchase fixed assets and intangible assets at book value of RMB3 million from New China Asset Management in 2010.

(x) Asset transfer with New China Xiadu

During 2010, the Company transferred fixed assets and construction in progress with a carrying value of RMB163 million, meanwhile, the Company lent New China Xiadu RMB114 million to pay for land use right and construction of Yanqing Training Center.

(3) Balance of related party transactions

Balance of related party transactions	As of 31 December	
	2011	2010
Group		
Interest receivables		
Receivable from investor that has significant influence on the Company		
Huijin	4	4
Other payables		
Payables to investor that has significant influence on the Company		
Huijin	–	5,434
Zurich Insurance Company Ltd.	–	2,800

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

33 Significant related party transactions (Continued)

(3) Balance of related party transactions (Continued)

Company	As of 31 December	
	2011	2010
Receivables from subsidiaries		
New China Xiadu	418	412
New China Asset Management	317	–
Chongqing New China	9	6
Yunnan New China	8	5
Payables to subsidiaries		
New China Asset Management	–	19
Yunnan New China	–	5
Chongqing New China	1	–

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

(4) Key management's remuneration

Key management members include directors, supervisors and senior management team members. Key management members' remuneration incurred by the Company is as follows:

	For the year ended 31 December	
	2011	2010
Payroll and welfare	51	54
Total	51	54

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

33 Significant related party transactions (Continued)

(5) Transactions with state-owned enterprises

Under IAS 24 (Amendment), business transactions between state-owned enterprises controlled by the PRC government are within the scope of related party transactions. The Group's key business is insurance relevant and therefore the business transactions with other state-owned enterprises are primarily related to insurance and investment activities. The related party transactions with other state-owned enterprises were conducted in the ordinary course of business. Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group. Nevertheless, the Group believes that the following captures the material related parties and applied IAS 24 (amendment) exemption and discloses only qualitative information.

As of 31 December 2011, most of bank deposits were with state-owned banks; the issuers of debt securities held by the Group were mainly state-owned enterprises; most investments were entrusted to state-owned enterprises. For the year ended 31 December 2011, a large portion of its group insurance business of the Group were with state-owned enterprises; the majority of bancassurance brokerage charges were paid to state-owned banks and postal office; almost all of the reinsurance agreements of the Group were entered into with a state-owned reinsurance company; most of bank deposit interest income were from state-owned banks.

34 Contingencies

The Group is involved in estimates for contingencies and legal proceedings in the ordinary course of business, including, but not limited to, being the plaintiff or the defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies, other claims, and litigation matters. Provision has been made for probable losses to the Group, including those claims where management can reasonably estimate the outcome of the lawsuits taking into account any legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability is low or remote. For these pending lawsuits, management also believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group or any of its subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

35 Commitments

(1) Capital commitments

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

	As of 31 December	
	2011	2010
Contracted but not provided for	955	6

(2) Operating lease commitments

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

	As of 31 December	
	2011	2010
Within 1 year (including 1 year)	296	229
Between 1 and 5 years (including 5 years)	370	341
More than 5 years	3	2
Total	669	572

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

36 Investment in subsidiaries**Company**

	As of 31 December	
	2011	2010
Unlisted investments at cost	109	109

The basic information of the Company's subsidiaries at 31 December 2011 and 31 December 2010 are as follow:

	Place of incorporation and operation	Principal activities	Registered capital	Group's interest %
New China Asset Management	Beijing, China	Asset management	RMB100 million	97%
Chongqing New China	Chongqing, China	Insurance agency	RMB5 million	100%
Yunnan New China	Kunming, China	Insurance agency	RMB5 million	100%
New China Xiadu	Beijing, China	Training	RMB1 million	100%

- (a) All companies comprising the Group have adopted 31 December as their financial year end date.
- (b) In 2011, the Company's shareholders' general meeting approved the application for dissolution of Chongqing New China. As of the issuance date of the Consolidated Financial Statements, Chongqing New China has not been closed.
- (c) The English names of certain subsidiaries represented the best effort by management of the Company in translating their Chinese names as they do not have official English names.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

37 Directors', supervisors' and senior management's remuneration

(1) Directors' emoluments

The Directors receive compensation in the form of directors' fees, salaries, allowances and benefits in kind, bonuses, pension scheme contributions, inducement fees and compensation for loss of office as director. Bonuses represent the variable components in the Directors' compensation and are linked to the performance of the Group and each of the individual Directors.

The aggregate amounts of emoluments of directors of the Company for the year ended of 31 December 2011 are as follows:

Name	Directors' fees	Salaries, Allowances and Benefits	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
		in kind		in RMB thousands		in RMB thousands	
KANG Dian	-	4,990	550	-	-	-	5,540
HE Zhiguang (i)	-	4,481	450	-	-	-	4,931
ZHAO Haiying	-	-	-	-	-	-	-
MENG Xingguo	-	-	-	-	-	-	-
LIU Xiangdong (ii)	-	-	-	-	-	-	-
WANG Chengran	-	-	-	-	-	-	-
CHEN Johnny	-	-	-	-	-	-	-
CHEONG Chee Meng (iii)	-	-	-	-	-	-	-
HUAN Guocang (iv)	-	-	-	-	-	-	-
CAMPBELL Robert David	300	-	-	-	-	-	300
CHEN Xianping	250	-	-	-	-	-	250
WANG Yuzhong	250	-	-	-	-	-	250
ZHANG Hongxin	250	-	-	-	-	-	250
ZHAO Hua	300	-	-	-	-	-	300
FONG Chung Mark (v)	83	-	-	-	-	-	83

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

37 Directors', supervisors' and senior management's remuneration (Continued)**(1) Directors' emoluments (Continued)**

The aggregate amounts of emoluments of directors of the Company for the year ended 31 December 2010 are as follows:

Name	Directors' fees	Salaries, Allowances and Benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
			in RMB thousands				
KANG Dian	-	5,882	918	-	-	-	6,800
HE Zhiguang	-	3,603	644	-	-	-	4,247
ZHAO Haiying	-	-	-	-	-	-	-
MENG Xingguo	-	-	-	-	-	-	-
LIU Haoling (vi)	-	-	-	-	-	-	-
LIU Xiangdong	-	-	-	-	-	-	-
WANG Chengran	-	-	-	-	-	-	-
GRECO Mario (vii)	-	-	-	-	-	-	-
CHEN Johnny	-	-	-	-	-	-	-
CHEONG Chee Meng	-	-	-	-	-	-	-
HUAN Guocang	-	-	-	-	-	-	-
CAMPBELL Robert David	200	-	-	-	-	-	200
CHEN Xianping	200	-	-	-	-	-	200
WANG Yuzhong	200	-	-	-	-	-	200
ZHANG Hongxin	200	-	-	-	-	-	200
ZHAO Hua	200	-	-	-	-	-	200

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

- (i) Appointed on 23 March 2010. Appointed as President in February 2010.
- (ii) Appointed on 14 October 2010.
- (iii) Appointed on 29 June 2010.
- (iv) Resigned on 12 March 2012.
- (v) Appointed on 4 August 2011.
- (vi) Resigned on 21 May 2010.
- (vii) Resigned on 30 September 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

37 Directors', supervisors' and senior management's remuneration (Continued)

(2) Supervisors' emoluments

The aggregate amounts of emoluments of supervisors of the Company for the period ended 31 December 2011 are as follows:

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
in RMB thousands						
CHEN Jun (i)	4,069	405	–	–	–	4,474
AI Bo (i)	–	–	–	–	–	–
ZHU Nansong (i)	–	–	–	–	–	–
CHEN Xiaojun (i)	–	–	–	–	–	–
LIU Yiyi (ii)	1,409	1,128	–	–	–	2,537
ZHU Tao (ii)	714	353	–	–	–	1,067
YANG Jing (ii)	499	231	–	–	–	730

The aggregate amounts of emoluments of supervisors of the Company for the year ended 31 December 2010 are as follows:

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
in RMB thousands						
WU Juren (iii)	219	–	–	–	–	219
WANG Ping (iii)	66	–	–	–	–	66
CHEN Jun	1,607	235	–	–	–	1,842
AI Bo	–	–	–	–	–	–
ZHU Nansong	–	–	–	–	–	–
CHEN Xiaojun	–	–	–	–	–	–
LIU Yiyi	1,619	945	–	–	–	2,564
ZHU Tao	996	374	–	–	–	1,370
YANG Jing	558	163	–	–	–	721

(i) Appointed on 14 January 2010.

(ii) Appointed on 11 January 2010.

(iii) Resigned on 14 January 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

37 Directors', supervisors' and senior management's remuneration (Continued)**(3) Five highest paid individuals**

For the year ended 31 December 2011, the five individuals whose emoluments were the highest in the Group include 1 (2010: 1) director whose emoluments are reflected in the analysis presented above.

Details of remuneration of the remaining 4 (2010: 4) highest paid individuals are as follows:

	For the year ended 31 December	
	2011 in RMB thousands	2010 in RMB thousands
Total	27,561	30,678

The emoluments fell within the following bands:

	For the year ended 31 December	
	2011	2010
HK\$6,500,001 – HK\$7,000,000	2	1
HK\$7,000,001 – HK\$7,500,000	2	1
HK\$7,500,001 – HK\$8,000,000	–	1
HK\$9,000,001 – HK\$9,500,000	–	1
HK\$12,000,001 – HK\$12,500,000	–	1
HK\$12,500,001 – HK\$13,000,000	1	–

No emoluments have been paid by the Company to the directors as an inducement to join or upon joining the Company or as compensation for loss of office. No emoluments have been paid by the Company to any of the five highest paid individual as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

(ALL AMOUNTS IN RMB MILLIONS UNLESS OTHERWISE STATED)

38 Subsequent Event

The following events took place subsequent to 31 December 2011:

(1) Dividend

Pursuant to a resolution passed at the meeting of the Board of Directors on 28 March 2012, a final dividend of RMB0.09 per ordinary share totaling approximately RMB281 million for the year ended 31 December 2011 was proposed for shareholders' approval at the Annual General Meeting.

(2) Issue of Subordinated term debts

As approved by the first shareholders' extraordinary general meeting of 2012 on 20 March 2012, the Company, on the basis of compliance with supervisory regulations, plans to issue of subordinated term debts in an aggregate principal amount of no more than RMB10 billion with an over 5-year-term in 2012, and the interest rate shall be determined according to the market interest rate.

(3) Issuance of Debt Financing Instruments

As approved by the first shareholders' extraordinary general meeting of 2012 on 20 March 2012, the Company, on the basis of compliance with supervisory regulations, plans to issue debt financing instruments in an aggregate principal amount of no more than RMB5 billion with an over 10-year-term in 2012, and the interest rate shall be determined referring to market interest rate.

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