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NCI 新华保险

新華人壽保險股份有限公司

NEW CHINA LIFE INSURANCE COMPANY LTD.

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

(Stock Code：1336)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

CHAIRMAN'S LETTER TO SHAREHOLDERS

Into the Middlegame

Dear shareholders,

In 2014, New China Life Insurance Company Ltd. ("NCI") recorded gross premiums of RMB109.9 billion, including first year premiums of RMB44.1 billion, and achieved new business value of RMB4.9 billion and profit of RMB6.4 billion, representing an increase of 16.0% and 44.9%, respectively. Our return on investment was 5.8%, up by 0.6 percentage point.

Our business growth can be attributed to the improvements and enhancements we achieved in the areas of product structure, team capability, customer base and institution establishment. In 2014, for both the individual insurance agent channel and the service and business development channel, we saw a notable optimization of our product structure. Health insurance premiums grew by 89% year-on-year, and the traditional insurance premiums grew by 376% year-on-year, driving the health and traditional insurance of these two channels to account for more than half of their first year premiums. Meanwhile, driven by products with market-oriented insurance premium rates, the share of premiums with a payment period of 5 years or more in regular premiums from the bancassurance channel increased by 7 percentage points as compared to the last year. Our individual insurance agent channel expanded by more than 30% year-on-year in terms of qualified and high performing agents with a higher rate of qualification and high performance as well as a significant increase in the commissions of the sales team. We further optimized our customer base and structure: with respect to new customers, the percentage of "core customers"[1] rose significantly, indicating an evident trend of migration from low-end customers to core customers; with respect to institution establishment, our city branches gradually strengthened their strategic and competitive positions to become a major source of premiums.

At the time of public listing in late 2011, NCI's management promised no financing in the open market in the following two years. After three years, at the end of 2014, our solvency reached 226.53% – the highest point ever compared to the end of each previous years.

For this reason, we are pleased to see that NCI has gained recognition in the capital markets: through 2014, the Shanghai Composite Index rose 52.87% while NCI's A Share price jumped by 116.61%; for the same period, the Hang Seng Index rose 1.28% while NCI's H Share price surged by 50.58% – both were among the best of listed peers.

1 NCI internal definition

After experiencing low levels of new business value for the three consecutive years of 2011, 2012 and 2013, we can now offer a qualified answer to our shareholders.

My three previous letters to shareholders attracted some criticism for their philosophical flavour. In fact, I absolutely agree that business and management are ultimately about figures. Nevertheless, I also firmly believe that it would be impossible to advance the strategic transformation of a traditional financial institution with assets of hundreds of billions of yuan without devoting our full effort and downplaying the figures for a while. Indeed, faced with our 2014 results, our management has never believed that the transformation of NCI has been without challenges. Nevertheless, our management clearly recognizes these challenges. "The world has its principles... If you focus on agriculture and use resources sparingly, you will not be poor. If you care about health and take action at the right times, you will not be sick. If you cultivate your virtue and stick to the goal, you will not face disaster."[2] During the past few years, the efforts made and difficulties confronted by the management for the strategic transformation do not need to be mentioned, but the sense of insecurity in the face of market changes is ever present in our minds.

Earlier this year, I talked about "into the middlegame" and "middle size trap" with my colleagues at NCI's 2014 Work Conference.

If the formulation of a "customer-centric" corporate strategy, namely "adhering to the sustained and steady development of existing business, upholding reform and innovation, committing to value, and returning to the essence of insurance" and "seizing the historic Chinese opportunities arising from urbanization and aging population", prior to the public listing can be likened to "placement" in a game of Go, our design and preparation of the strategic initiatives in the two years after the public listing can be compared to the "opening" of the game. Initiating NCI's "Ten major systems, Six major platforms, Three core capacities and Two synergetic sectors"[3] since last year, accompanied by the aforementioned achievements, is going "into the middlegame". The "placement" is about choosing market positioning and implementation routes. The "opening" is an early show of ambition to expand territory and control key points, strengthening the forts and preparing the provisions. "Into the middlegame", one must judge the situation, weigh the pros and cons, think carefully and attack with unexpected moves, while contemplating whether to win by waging a full-fledged war or consolidating every step to break ambush on all sides.

For NCI, what is "into the middlegame"?

"Into the middlegame" is the all-around optimization and adjustment of traditional modes as well as the formation of a basic layout on the ten major systems centring on "whole-life-cycle customer service system" construction and both the synergetic health and senior care sectors. Thanks to three years of painstaking efforts, positive trends and achievements have begun unfold.

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2 Quote from *Xunzi: Discourse on the World*. Xunzi, ancient Chinese philosopher (b.c. 313-238).

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

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

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

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

For "whole-life-cycle customer service system" construction, successes have been achieved after three years of trial through the service and business development channel: we have strengthened awareness towards "customer-centric" service, formed a customer service distribution mechanism, established corresponding and continued team-customer service responsibilities, built whole-life-cycle services providing timely and proactive response, and utilized mobile internet technology to improve service efficiency and customer experience. Meanwhile, focusing on the "whole-life-cycle customer service system" construction, the system construction of corporate policy, team, institution, training, product, operation, IT, risk management, finance and other areas advanced further: NCI has fully reviewed the policy system to embrace "customer-centric" appeals; the construction of "team system" and "institution system" has been executed closely with the "central city strategy" to strengthen city agencies and teams through resource allocation and policy support, so that the branches in central cities can play a leading role in overall development; breakthroughs have been achieved in the construction of the training system, particularly in the curriculum system, teachers system, organizational system and management platform, with significantly improved team quality, service awareness and skills through intensive training; NCI also formed the "customer-centric" product system and R&D promotion processes while vigorously advancing the reform of the "customer-centric" operation process, IT system and construction of a risk management and financial system.

A few flagship projects of NCI's senior care sector have begun development: construction works at the Lianhuachi and Yanqing communities in Beijing and the Bo'ao community in Hainan have started construction. The health sector of NCI has also taken shape: health management centres appeared in 12 Chinese cities which generated operating income of nearly a hundred million yuan in 2014; the construction of Beijing Liuliqiao Rehabilitation Hospital and Shanghai Life Medical Centre steadily advanced. The synergy of senior care and health sectors with life insurance, which we have valued and emphasized, has gradually emerged.

"Into the middlegame" also refers to our exploration and pursuit of innovative models.

In 2014, the Company commenced the comprehensive implementation of the digital strategy of "One Pad, Two Backup Bases and Six Major Platforms".

"One Pad" refers to the mobile integrated terminal tool "E Bao Tong" which has been vigorously promoted by the Company among sales teams. In 2014, more than 76,000 units of E Bao Tong were equipped to sales teams and additional 25,000 units will be added in the fifth batch of orders. The total number of E Bao Tong in use is expected to exceed 100,000 units by the first half of 2015. As of 2014, the individual insurance agent channel and the service and business development channel achieved an E Bao Tong underwriting rate[4] of 93% and an E Bao Tong underwriting coverage rate[5] of 48%, and processed 1.136 million policies with premiums amounting to RMB5.25 billion. As of January 2015, the E Bao Tong underwriting rate approached 98% and the E Bao Tong underwriting coverage rate rose to 77.5%. E Bao Tong has become a popular distribution and service tool for NCI's sales teams and customers and will certainly play a greater role in underwriting, settling claims, customer communication and team training.

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4 E Bao Tong underwriting rate refers to the ratio of the total policies underwritten through E Bao Tong and the total policies underwritten by agents equipped with E Bao Tong during the evaluation period

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

The "Two Backup Bases", namely the Yizhuang Backup Base in Beijing and the Hefei Backup Base in Anhui province, are being planned and constructed by the Company. They are expected to provide strong support to NCI's digital transformation upon completion.

The "Six major platforms" were built by NCI to tackle challenges presented by technological innovation, and include the new core system platform, big data platform, e-commerce platform, payment platform, mobile platform and information exchange platform. In 2014, except for the new core system which is a long-term project, construction of the other five platforms started to bear fruit: the e-commerce platform was completed for operation and gained a strong momentum; the payment platform entered the testing stage and will soon be ready for operation; the mobile platform built in cooperation with a telecom operator was already in trial; the high-definition video conferencing and training systems covering 289 cities of the entire system were launched to make possible the timely and easy communication and interactive training among the institutions.

An additional subject is worth mentioning. Serving as a window to big data platform construction, the Phase I Management Cockpit System (管理駕駛艙一期系統), which includes distribution, customer, team and institution modules developed by NCI, successfully launched online late December last year to achieve synchronized display on PCs, mobile terminals and big screens. The Management Cockpit (管理駕駛艙) uses intuitive, accurate and real-time data presentation and preliminary analysis to replace large amounts of data extraction and tabulation work, offering strong support to the management team. In addition, our efforts to enhance customer experience were reflected in the record-high customer usage of the Pocket NCI (掌上新華), a mobile customer service application terminal independently developed by the Company, achieving a record-breaking number of followers of NCI on WeChat along with improved WeChat-based service and advertising functions.

As all of you may know, the Company's shares had been suspended for trading earlier this year. You may also be aware of our disclosure in the announcement on the resumption of trading: "... the Company is consistently of the view that Internet-based finance is an important direction for future development, and the Company will continue to research and actively explore strategies for synergistic cooperation between the insurance and Internet businesses."

For all businesses in today's world, the internet is as ubiquitous as sunshine and air. In China, when a few well-known internet enterprises have achieved great success and aggressively entered the financial industry to confront traditional finance, how to cope with these "barbarians at the gate" of the financial sector[6] has become an agenda for every leader of traditional financial firms.

Any research on internet thinking needs to pay attention to a few frequently-mentioned keywords: experience, participation, iteration, sharing, big data and mobility.

The application of internet technologies brings incredible convenience and huge time and cost savings to customers. These extraordinary experiences that internet products and services bring to customers are attained through the widest range of participation by all parties on a free-of-charge basis, and realized through constant perfection and sublimation via iteration. This kind of participation makes use of the internet's convenience and low cost to attract maximum attention

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6 Yi Huanhuan and Zhao Guodong's *Crossover and Overturning in the Big Data Era – Barbarians at the Gate of the Financial Sector*, 2013 (大數據時代的跨界與顛覆：金融業門外的野蠻人)

and mobilize the enthusiasm and intelligence of followers. Internet enterprises have broken the strict boundaries of the existing traditional business and are capable of absorbing resources for development from customers, partners and even competitors while in turn sharing their own resources with them in an open space, hence enjoying greater room for their own growth. Focusing on the application of big data, internet enterprises believe that they can establish a better way to connect to customers and businesses through intensive development of big data. Internet enterprises believe in the role and prospect of mobile terminals, sparing no efforts in capturing mobile terminals as an extension of their capacity and even turning them into essential operating platforms.

Meanwhile, traditional financial firms have also been making active attempts in such areas, including customer experience and mobile platforms. Nevertheless, due to various factors, such attempts often remain at a technical level. Only a few try to understand internet thinking further to truly embed it into their strategic, customer, organizational and logistical aspects. Without such understanding, internet technology and thinking would more often than not fail to demonstrate their full power in traditional finance.

We can offer more descriptions on internet enterprises and internet thinking, but our main concern is: technically speaking, which of the above keywords may become difficult obstacles for traditional finance to overcome, or may even overthrow traditional finance? My observation: none. In that case, can traditional finance merge harmoniously with internet technology and internet thinking to create a more viable business model? My view: doable.

The impact of internet enterprises on the traditional financial industry is not about technology. Rather, it is about ideology. With internet technology, such enterprises have an almost naturally close relationship with their customers, and the value of an internet company is often (in a certain period) determined by the number of customers attracted by and attached to it. Thus, the establishment and maintenance of such relationships have become a life-and-death issue for internet enterprises, such that they are inevitably customer-centric. All of the aforementioned keywords, namely experience, participation, iteration, sharing, big data and mobility, are actually the concrete realization of user-oriented paths and initiatives. To succeed, one must first attract and retain customers. However, a considerable number of internet enterprises are unable to offer a complete consumer experience in the real business sense to their customers and often have tight cash flows with red bottom lines. This is incompatible with basic commercial logic for many businesses. These enterprises can not be satisfied merely with the fanfare over user numbers, but instead need a stronger business operation to promote the influx of revenue. As a result, an ecosystem built under the leadership of internet enterprises can burn out rapidly. The interaction, coordination and transformation between the virtual and the physical, the illusory and the real, are necessary for their mutual enhancement, and businesses need to soar on the two wings of on-line and off-line. I believe this is a shared dream for both internet and traditional financial enterprises.

NCI's concept of transformation strategy is completely in line with the internet thinking.

The logic and essence behind our transformation of traditional models and exploration of innovative models is strategic focus on our customers. The term "customer-centric" is not a patent of internet enterprises – it has long been a fundamental principle of business. Successful business models, past and present, at home and abroad, all have a reverent attitude towards customers: China's ancient Shanxi merchants, Japan's artisan spirit, and "German manufacturing" are all manifestations of the respect for customer needs and the ultimate pursuit of customer experience and perfection of product and service. I have always believed that, though some business principles will be abandoned and forgotten due to economic growth and technological development, certain principles will remain forever. “Although the courtyard paths disappeared in wild grasses, pines always stand tall and chrysanthemums still blossom.”[7] In an era with rapid social and technological changes, we must also learn “when to stop” (知止) and respect timeless principles.

For NCI, what we need to do is to study the internet thinking and their operation and management modes and concepts, such as experience, participation, iteration, sharing, big data and mobility, and incorporate them into our organization and processes through constant adjustment, reorganization and optimization. In so doing, we can introduce our marketing of traditional life insurance products with low interaction frequency and high decision-making barrier into the internet ecosystem, thereby promoting and implementing the Company’s strategic vision for transformation.

Avoiding big leaps and huge campaigns, NCI’s strategic transformation aims at consistent improvement, steady advance and smooth transition to excellence through continuous fine-tuning and iterative moves.

We are injecting into NCI a new gene full of vitality to create an endogenous mechanism compatible with tradition in a harmonious way – there is no need for a fresh start or any fierce clash between the old and the new. Achieving new prosperity through subtle influence is precisely the philosophical choice of our strategic transformation.

“The Zhou Dynasty is old, but its mission is new to reform.”[8]

The biggest object that humans can observe and study is the universe. Human beings have studied the universe for thousands of years and the edge of the observable universe is approximately 10 billion light years away. Yet, the universe is still an inexhaustible space of mystery for us. The smallest object that human beings can observe and study, from molecule, atom to quark, remains a constantly moving target, despite the tremendous efforts made. The reality is, if we can identify a direction and stick to it, we will achieve something in the end without being confused by the grand or the tiny. However, resources are limited for any institution or individual. The ability to manage available resources is limited too, as are the time and opportunities that history offers us. Therefore, we must focus our limited resources, ability and time only on the real historical opportunities to stand a chance of success.

7 Quote from Tao Yuanming’s *Returning to the Fields*. Tao Yuanming, ancient Chinese poet (a.d. circ.365-427)

8 Quote from *King Wen, Major Court Hymns, The Classic of Poetry*. The ancient Chinese poem collection (b.c.1100-1000)

"As an old man in a dim and cool night playing the endgame, the reflections of six dynasties may start emerging."[9] The game of Go has long been a mirror of history. One often wins or loses in the middlegame with a single move. It is a stage at which strategies are implemented with great intensity: the winner receives all blessings, and the loser is a hero held captive. With a single careless move, the whole game can end. History's lesson for us is that if the environment changes, past prosperity and winning models will not guarantee an equally fortuitous future. New technologies such as internet finance, big data, mobile marketing and O2O[10], are exerting ever more impact upon the traditional insurance industry. Whoever seizes first-mover advantage will gain the edge in the new competitive landscape. As "Into the middlegame" suggests, NCI is not only highly focusing on strategic transformation but has also commencing an important placement for seizing first-mover advantages with a clear direction of iterative evolution. The key to success lies only in concentration.

"Concentration" is to stick to our strategy and beliefs despite challenges and temptations, to "stay calm even if Mount Tai collapses and not glance even if the elk dances."[11]

"Concentration" is to reject opportunism. The rewards and punishments one deserves will be handed out by the market in the end, and shortcuts often go awry.

"Concentration" is to adhere to innovation. In an era full of opportunities and challenges, any denial or rejection of innovation will result in missed opportunities for development.

"Into the middlegame" also means accumulating risks. At this time, the player will often "contemplate" (長考), as any trivial mistake can reverse the whole situation. For a company, concentration is the key. As for NCI, the concerted and united efforts of all stakeholders are needed. Therefore, the understanding and support of shareholders, the consensus and cooperation of management, the comprehension and devotion of the execution teams, as well as the uninterrupted order of all policies, measures and processes are essential for a successful transformation.

Transformation is just like walking on a tightrope. Being a traditional financial enterprise, we need to think through a series of intricate management issues, such as balance, proportion, scale and rhythm, in the course of out transformation, leaving us no time to enjoy the landscape. In a certain sense, to achieve success, aside from contributing our utmost efforts, we can only pray for fate to provide us all the necessary elements as well as their synergy.

Entering "into the middlegame" in the year 2015, NCI will unswervingly strive to build a solid customer base, train a quality team with strong cultural identity, and seek reasonable modes of operation and good profitability to achieve optimization and reorganization of traditional models. This will build our unshakable competitive advantages for the future.

Experience has taught me that every seemingly winning momentum is a result of pre-strategizing and previous extraordinary efforts. There is no such thing as a free lunch, and efforts may not necessarily pay off. Nonetheless, my principle is to "follow your heart and realise yourself". My team and I will remain vigorously committed to our mission and will note dare to take it lightly for even a single moment. With the ongoing support of shareholders and our team and customers, I look forward to embracing a brighter future for NCI.

Accompanied with the beautiful spring blossoms, rain and breeze, I wish you and your family good health and success.

Kang Dian
25 March 2015

9 A poem by Qian Qianyi (a.d. 1582-1664)

10 O2O: Online to Offline

11 A poem by Su Xun (a.d. 1009-1066)

MANAGEMENT DISCUSSION AND ANALYSIS

As a major life insurance company in the PRC, the Company is primarily engaged in provision of life insurance products and services to individuals and institutions through its national branch network. Meanwhile, the Company also manages and utilizes its insurance assets through its subsidiaries New China Asset Management Co., Ltd. and New China Asset Management (Hong Kong) Limited.

Financial data and indicators in this announcement are prepared in accordance with IFRS. Unless otherwise specified, the management discussion and analysis in this section is based on the consolidated financial data of the Company, and is presented in Renminbi ("RMB").

I. KEY OPERATIONAL INDICATORS

Unit: RMB in millions

For the 12 months ended 31 December	**2014**	2013	Change
Gross written premiums and policy fees	**110,067**	104,073	5.8%
Total investment income[1]	**32,323**	24,734	30.7%
Net profit for the year attributable to shareholders of the Company	**6,406**	4,422	44.9%
Value of one year's new business	**4,912**	4,236	16.0%
Market share[2]	**8.7%**	9.6%	decreased by 0.9 percentage point
Persistency ratio			
Individual life insurance business 13-month persistency ratio[3]	**86.43%**	89.19%	decreased by 2.76 percentage point
Individual life insurance business 25-month persistency ratio[4]	**84.21%**	85.59%	decreased by 1.38 percentage point

As of 31 December	**2014**	2013	Change
Total assets	**643,709**	565,849	13.8%
Net assets	**48,364**	39,318	23.0%
Investment assets	**625,718**	549,596	13.9%
Equity attributable to shareholders of the Company	**48,359**	39,312	23.0%
Embedded value	**85,260**	64,407	32.4%
Number of customers (in thousands)			
of which: individual customers[5]	**26,147**	25,485	2.6%
of which: institutional customers	**64**	62	3.2%

Notes:

1. Total investment income = interest income from cash and cash equivalents, term deposits, debt securities and other investment assets + dividend income from equity securities + realized gains/(losses) + unrealized gains/(losses) + impairment losses on financial assets + share of results of associates.

2. Market share: represents the data published by the CIRC.

3. 13-month persistency ratio: premiums under in-force regular premium life insurance policies 13 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.

4. 25-month persistency ratio: premiums under in-force regular premium life insurance policies 25 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.

5. Individual customers: to comprehensively drive the transformation of the customer-oriented strategy, the Company has developed and launched the customer analysis system which re-rationalises the rules of individual customers' fundamental data and statistics. Accordingly, the comparative figures have been recalculated on the base line of the reporting period.

II. BUSINESS ANALYSIS

(I) Life insurance business

In 2014, driven by the favorable policies of marketization reform regarding premium rates of traditional insurance products and cutting interests rates etc., the life insurance market grew rapidly. In the second half of the year, the State Council issued Several Opinions on Accelerating the Development of the Modern Insurance Service Industry (《關於加快發展現代保險服務業的若干意見》), which generated tremendous growth potential for the insurance industry.

In 2014, insisting on the "customer-centric" strategy, the Company thoroughly executed the strategic direction of "sustaining steady growth of existing businesses, adhering to reform and innovation, emphasizing value and returning to the essence of insurance" and steadily pushed forward various strategic initiatives of "Ten major systems, Three core capacities, Six major platforms, and Two synergetic sectors".

In 2014, insisting on the management concept of focusing on value as well as considering scale, the Company achieved rapid business growth. Firstly, the value of new business grew steadily. The Company realized the value of new business of RMB4,912 million in 2014, representing an increase of 16.0% as compared to the last year. Secondly, the Company recorded a gross life insurance business income of RMB109,868 million, continuously ranking the third in the life insurance market and representing a year-on-year increase of 6.0%. Thirdly, the core businesses including individual insurance agent channel business and service and business development channel business achieved rapid growth, of which the Company recorded a year-on-year increase of 27.4% and 64.1% for the new business in individual insurance agent channel and service and business development channel, respectively. Fourthly, the Company further improved the product system, optimized the product structure and promoted the sales of annuity insurance to drive rapid business growth. Fifthly, to drive fast development of channels, the Company strengthened the team construction of high performing individual insurance agents by adhering to the basics.

At the same time, the strategic transformation of the Company has been progressing well. The "whole life-cycle customer service system" has initially formulated a set of management systems and technology standards for customer operations through the pilot program implemented at the service and business development channel. Firstly, the customer service system is classified by department and group, which takes corresponding and ongoing service responsibility for the customers. Secondly, the management system is strengthened by utilizing the CRM technology platform and E-Insurance mobile terminals. The team are now accustomed to working with the CRM system and E-Insurance. Thirdly, the whole life-cycle service procedures serve as the "gold standards" for regulating the daily operations of the team and performance-based service operations. Fourthly, the Company is engaged in organising comprehensive and systematic customer operational events. The systematic operation in these aspects has helped strengthen customer relationship, enhance customer experience and gradually increase the renewal rate, up-selling rate and referral rate. Centering on the "whole life-cycle customer service system", the Company simultaneously carried out system development in areas including policies, institutions, teams, training, products, operations, IT, risk management and finance to form strong forces for the "customer-centric" strategic transformation.

1. Analysis by distribution channels

Unit: RMB in millions

For the 12 months ended 31 December	**2014**	2013	Change
Individual life insurance	**108,424**	102,214	6.1%
Of which:			
Individual insurance agent channel	**47,292**	42,792	10.5%
First year premiums	**9,171**	7,200	27.4%
Regular premiums	**7,258**	5,909	22.8%
Single premiums	**1,913**	1,291	48.1%
Renewal premiums	**38,120**	35,592	7.1%
Bancassurance channel[(1)]	**53,434**	53,336	0.2%
First year premiums	**31,226**	23,174	34.7%
Regular premiums	**2,766**	3,090	-10.5%
Single premiums	**28,460**	20,083	41.7%
Renewal premiums	**22,208**	30,162	-26.4%
Service and business development channel[(2)]	**7,698**	6,086	26.5%
First year premiums	**2,302**	1,403	64.1%
Regular premiums	**1,911**	1,265	51.1%
Single premiums	**391**	138	182.7%
Renewal premiums	**5,397**	4,683	15.2%
Group insurance	**1,444**	1,426	1.3%
Total	**109,868**	103,640	6.0%

Notes:

1. The bancassurance channel absorbs the pre-existing wealth channel. The comparative figures have been recalculated on the base line of the reporting period.
2. The service and business development channel was presented separately. The premiums of each channel have been adjusted accordingly. The comparative figures have been recalculated on the base line of the reporting period.
3. Numbers may not be additive due to rounding.

(1) Individual life insurance business

① Individual insurance agent channel

In 2014, the individual insurance agent channel of the Company grew rapidly. The GWP from the individual insurance agent channel was RMB47,292 million of the year 2014, representing an increase of 10.5% as compared to the last year, of which the first year premiums amounted to RMB9,171 million, representing an increase of 27.4% as compared to the last year, and the renewal premiums amounted to RMB38,120 million, representing an increase of 7.1% as compared to the last year.

In 2014, the Company continued to drive the transformation of individual insurance agent channel. On one hand, based on the Fundamental Management Measures on Individual Insurance Agents (2014 Edition) (《個人業務保險營銷員管理基本辦法(2014版)》), the Company continued to optimize and improve team structure and to drive the development of qualified individual insurance agents[1] and high performing individual insurance agents[2] under the precondition of maintaining a stable team. As of 31 December 2014, the total number of individual insurance agents was 175,000, which was basically at the same level as the last year. The monthly average number of qualified individual insurance agents was 74,000, representing an increase of 10% as compared to the last year. The monthly average number of high performing individual insurance agents was 34,000, representing an increase of 30% as compared to the last year. On the other hand, while maintaining the sales efforts of the protection-type products including health insurance, the Company further optimized the product structure and continuously enhanced the team productivity through the systematic operation of annuity insurance products. As of 31 December 2014, the monthly average productivity of the individual insurance agent channel increased by 7.7% as compared to the last year.

In 2014, the business structure of the individual insurance agent channel of the Company continued to optimize and the sales of high value products achieved rapid growth. The first year regular premiums of the Company amounted to 7,258 million, representing an increase of 22.8% as compared to the last year, of which the first year premiums from regular premium products with premium payment periods of ten years or more amounted to RMB6,139 million, representing an increase of 22.7% as compared to the last year. The first year premiums from traditional insurance products amounted to RMB1,239 million, representing an increase of 279.2% as compared to the last year. The first year premiums from health insurance products amounted to RMB3,581 million, representing an increase of 84.2% as compared to the last year, which drives the fast growth of the value of the overall new business of the Company. The first year premiums from traditional insurance products and health insurance products as a percentage of the total increased by 21 percentage points and reached 53%.

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

2 High performing individual insurance agents refers to those who sold at least one insurance policy calculated on a monthly basis on an individual basis, of which the payment term is more than one year and individual insurance first year commission of not less than RMB2,000. The comparative figures have been recalculated on the basis line of the reporting period.

② Bancassurance channel

The GWP from the bancassurance channel was RMB53,434 million in 2014, representing an increase of 0.2% as compared to the last year, of which the first year premiums was RMB31,226 million, representing an increase of 34.7% as compared to the last year and the renewal premiums was RMB22,208 million, representing a decrease of 26.4% as compared to the last year.

In 2014, through the systematic operation of products and the innovation of operating model, the bancassurance channel of the Company performed well in general. On one hand, driven by the favorable policies such as premium rates marketization, the sales of "Huifubao" (惠福寶) series, a single premium product, and "Huixinbao" (惠鑫寶) series, a regular premium product, were promoted, which resulted in the fast growth of the traditional bancassurance channel. As of 31 December 2014, the monthly average number of active branch outlets from the bancassurance channel and the monthly average number of active individual insurance agents increased by 2.1% and 1.5% respectively as compared to the last year, of which the monthly average number of active branch outlets for regular premium products and the monthly average number of active individual insurance agents for regular premium products increased by 28.1% and 23.5%, respectively, as compared to the last year. On the other hand, the Company explored the new operating model for the bancassurance regular premium business and strengthened the construction of wealth management team to provide whole life cycle services for customers. As of 31 December 2014, the number of wealth management agents was 3,737 and the regular premium contribution as a percentage of the total was 21.6%. The falling trend of the regular premiums from the bancassurance channel, to a certain extent, was alleviated.

③ Service and business development channel

In 2014, the GWP from the service and business development channel of the Company was RMB7,698 million, representing an increase of 26.5% as compared to the last year, of which the first year premiums was RMB2,302 million, representing an increase of 64.1% as compared to the last year and the renewal premiums was RMB5,397 million, representing an increase of 15.2% as compared to the last year. The first year premiums from regular premium products with premium payment periods of ten years or more amounted to RMB1,408 million, representing an increase of 52.79% as compared to the last year.

In 2014, service and business development channel of the Company continued to deepen the customer management capacity with the construction of "whole life-cycle customer service system". The Company enhanced service efficiency and customer experience through the service distribution mechanism centered on customers and the regionalization service management organized by groups. As of 31 December 2014, 32 branches and over 85% of the sub-branches have realized regionalization operation. Through setting standardized operational procedures, sustaining customer relationships and utilizing modern techniques, the Company guided the orderly and effective operation of teams and achieved the continuous growth of both team and performance. As of 31 December 2014, the number of agents of the service and business development channel was approximately 31,000, representing an increase of 28.4% as compared to the last year. The monthly average actual turnover rate[1] increased by 6 percentage points as compared to the last year.

(2) Group insurance business

In 2014, the GWP from the group insurance business of the Company was RMB1,444 million, representing an increase of 1.3% as compared to the last year.

2. *Analysis by types of insurance products*

Unit: RMB in millions

For the 12 months ended 31 December	2014	2013	Change
GWP	**109,868**	103,640	6.0%
Traditional insurance	**31,331**	14,351	118.3%
First year premiums	**30,669**	13,798	122.3%
Renewal premiums	**662**	553	19.7%
Participating insurance[1]	**66,128**	80,377	-17.7%
First year premiums	**7,049**	14,984	-53.0%
Renewal premiums	**59,079**	65,393	-9.7%
Universal insurance	**39**	39	-0.3%
First year premiums	**–[2]**	–[2]	–
Renewal premiums	**39**	39	-0.3%
Unit-linked insurance	**–[2]**	–[2]	-14.0%
First year premiums	**–[2]**	–[2]	–
Renewal premiums	**–[2]**	–[2]	-14.0%
Health insurance	**11,175**	7,633	46.4%
First year premiums	**5,238**	3,147	66.5%
Renewal premiums	**5,937**	4,486	32.3%
Accident insurance	**1,195**	1,240	-3.7%
First year premiums	**1,149**	1,200	-4.2%
Renewal premiums	**46**	40	13.1%

Notes:

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

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

3. Numbers may not be additive due to rounding.

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

In 2014, the Company realized life insurance GWP of RMB109,868 million, representing an increase of 6.0% as compared to the last year, of which the premiums from traditional insurance business was RMB31,331 million, representing an increase of 118.3% as compared to the last year, which was mainly due to the substantial increase in the sales of products with market-oriented insurance premium rates launched through the bancassurance channel; the premiums from health insurance business was RMB11,175 million, representing an increase of 46.4% as compared to the last year and the percentage increased by 2.8 percentage points; the premiums from participating insurance business was RMB66,128 million, accounting for 60.2% of the total GWP, which is down by 17.4 percentage points as compared to the last year; the premiums from other insurance businesses was RMB1,234 million, accounting for 1.1% of the total GWP.

3. *Analysis by geographic regions*

Unit: RMB in millions

For the 12 months ended 31 December	**2014**	2013	Change
GWP	**109,868**	103,640	6.0%
Eastern China	**23,528**	21,628	8.8%
Central China	**22,316**	21,827	2.2%
Northern China	**20,893**	19,571	6.8%
Southern China	**16,273**	13,998	16.2%
Other regions	**26,858**	26,616	0.9%

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

In 2014, approximately 75.6% of the GWP of the Company were derived from the four regions that are relatively developed or with larger population, namely, Eastern China, Central China, Northern China and Southern China.

(II) Asset management business

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

In 2014, based on the liability nature of the insurance business and the fluctuation cycle of capital markets, the Company proactively broadened and innovated its investment channels and optimized its investment portfolio to enhance net investment yield and to maintain the stable and sustainable returns from the investment portfolio. The Company has also increased the allocation in high-yield financial products, which effectively raised the level of the overall investment income of existing assets. In 2014, the overseas investment business of the Company also achieved relatively good investment results.

In 2014, due to the timely structural adjustment of the Company and the upturn of domestic capital market, the Company realized gains on investment assets of RMB3,714 million.

In 2014, under the precondition of controlling risks of non-standard financial products, the Company seized the opportunities to allocate quasi-fixed non-standard financial products with high quality of which the risks and gains are matching. As of the end of December 2014, the Company's investment in non-standard assets was RMB121,433 million (with an increase of RMB52,690 million in 2014). In terms of the type of investment products, the Company's investment in non-standard assets included the asset categories such as assembled fund trust plans, infrastructure and real estate investment plans, asset funding plans, special asset management plans, commercial banking wealth management products. The assembled fund trust plans accounted for the largest part as 49.0% of the total investment in non-standard assets.

The Company's investment in non-standard assets mainly comprised high-rated financial products with quasi-fixed income. Categorized by types of the underlying assets, the Company's non-standard asset investments cover various areas such as financial institutions, infrastructure and real estate, among which financial institutions and infrastructure facilities jointly accounted for 78.16%. In terms of assembled fund trust plans, financial institutions and real estate took up the largest share and jointly accounted for 90.4%.

To strengthen the risk management measures regarding investment in non-standard assets, the Company has established a comprehensive set of investment risk management procedures covering pre-investment assessment, counterparty assessment, post-investment management and credit granting control. Through regular scenario analysis and stress test, the Company fully assesses the risk exposure and the extreme expected loss.

The non-standard assets invested by the Company generally possess high credit rating, of which AAA rating accounted for 95.58% and AA rating or above accounted for 99.95% (excluding equity financial products and commercial banking wealth management products). The non-standard assets held by the Company incorporated a proper credit enhancement measure. In assembled fund trust plans, except where leading enterprises in the industry or parent companies of large financial institutions act as direct repayment parties, the remaining are covered by solid arrangements of credit enhancement by way of guarantee, security and repurchase terms to effectively safeguard the Company against credit risk. The infrastructure and real estate investment plans guaranteed by banks accounted for 65.27% of the total, and the remaining infrastructure and real estate investment plans were all provided with irrevocable guarantee of joint liability by large state-owned enterprises. All of the asset funding plans and special asset management plans incorporated credit enhancement arrangements by way of repurchase agreement, joint management of assets and guarantee of joint liability.

1. *Investment portfolio*

Unit: RMB in millions

As of 31 December	2014	2013	Change
Investment assets	**625,718**	549,596	13.9%
Classified by investment type			
Term deposits[(1)]	**167,297**	163,137	2.6%
Debt securities	**345,518**	305,558	13.1%
– Bonds	**237,403**	245,438	-3.3%
– Trust Plan	**59,475**	25,641	132.0%
– Debt Plan[(2)]	**24,823**	4,380	466.7%
– Project Asset Support Plan	**20,000**	20,000	0.0%
– Others[(3)]	**3,817**	10,099	-62.2%
Equity securities	**70,553**	41,589	69.6%
– Funds	**22,309**	13,067	70.7%
– Stocks[(4)]	**34,141**	19,118	78.6%
– Investments in associates	**10,150**	9,404	7.9%
– Others[(5)]	**3,953**	–	N/A
Cash and cash equivalents[(1)]	**14,503**	18,570	-21.9%
Other investment assets[(6)]	**27,847**	20,742	34.3%
Classified by investment purpose			
Financial assets at fair value through income	**8,677**	2,439	255.8%
Available-for-sale financial assets	**175,502**	127,895	37.2%
Held-to-maturity securities	**175,997**	183,008	-3.8%
Loans and other receivables[(7)]	**255,392**	226,850	12.6%
Investments in associates	**10,150**	9,404	7.9%

Notes:

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

2. Debt plan mainly consists of infrastructure and real estate funding projects.

3. Others include debt asset management products and wealth management products.

4. Stocks include common stocks and preferred stocks.

5. Others include equity asset management products, private equity, trust plans and wealth management products.

6. Other investment assets mainly include statutory deposits, policy loans, financial assets purchased under agreements to resell, dividends receivable and interests receivable, etc.

7. Loans and other receivables mainly include term deposits, cash and cash equivalents, statutory deposits, policy loans, financial assets purchased under agreements to resell, dividends receivable, interests receivable, loans and receivables, etc.

As of the end of the reporting period, the Company had investment assets of RMB625,718 million, representing an increase of 13.9% as compared to the end of last year. This increase was mainly attributable to the cash inflows from the Company's insurance business.

As of the end of the reporting period, term deposits amounted to RMB167,297 million and accounted for 26.7% of the total investment assets, representing a decrease of 3.0 percentage points as compared to the end of last year, which was mainly due to the increase of non-standard assets, stocks and funds.

As of the end of the reporting period, debt securities amounted to RMB345,518 million and accounted for 55.2% of the total investment assets, which was basically the same as compared to the end of last year. As the Company increased the allocation of non-standard investment assets in the trust plans and debt plans among debt securities, debt securities decreased slightly.

As of the end of the reporting period, equity securities accounted for 11.3% of the total investment assets, representing an increase of 3.7 percentage points as compared to the end of last year, which was mainly due to the increase of stocks, funds and asset management plan investment among equity securities.

As of the end of the reporting period, cash and cash equivalents accounted for 2.3% of the total investment assets, representing a decrease of 1.1 percentage points as compared to the end of last year, which was mainly due to the allocation of investment assets and the requirements for liquidity management.

As of the end of the reporting period, other investment assets accounted for 4.5% of the total investment assets, representing an increase of 0.7 percentage point as compared to the end of last year, which was mainly due to the increase in policy loans and accrued investment income.

In terms of investment purposes, as of the end of the reporting period. Available-for-sale financial assets increased by 4.7 percentage points as compared to the end of last year, mainly due to the increase in trust plans, stocks and funds.

2. *Investment income*

Unit: RMB in millions

For the 12 months ended 31 December	**2014**	2013	Change
Interest income from cash and cash equivalents	**220**	81	171.6%
Interest income from term deposits	**8,611**	8,835	-2.5%
Interest income from debt securities	**17,789**	12,616	41.0%
Dividend income from equity securities[1]	**1,635**	1,630	0.3%
Interest income from other investment assets[2]	**782**	411	90.3%
Net investment income[3]	**29,037**	23,573	23.2%
Realized gains/(losses) on investment assets	**3,714**	2,414	53.9%
Unrealized gains/(losses)	**324**	(31)	N/A
Impairment losses on financial assets	**(1,023)**	(1,318)	-22.4%
Share of results of associates[1]	**271**	96	182.3%
Total investment income[4]	**32,323**	24,734	30.7%
Net investment yield (%)[5]	**5.2%**	5.0%	increased by 0.2 percentage point
Total investment yield (%)[5]	**5.8%**	5.2%	increased by 0.6 percentage point

Notes:

1. Cash dividend received from associates is included in dividend income from equity securities.

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

3. Net investment income includes interest income from cash and cash equivalents, term deposits, debt securities and other investment assets and dividend income from equity securities.

4. Total investment income = net investment income + realized gains/(losses) on investment assets + unrealized gains/(losses) + impairment losses on investment assets + share of results of associates under equity method.

5. Investment yield = (Investment income − Interest expense of items sold under agreements to repurchase)/(monthly average investment assets − monthly financial assets sold under agreements to repurchase − monthly interest receivables). The comparative figures have been recalculated on the base line of this period.

The Company achieved a total investment income of RMB32,323 million during the reporting period, representing an increase of 30.7% as compared to the last year. The total investment yield was 5.8%, representing an increase of 0.6 percentage point as compared to the last year, which was mainly due to an increase in realized gains on investment assets and an increase in interest income from equity securities.

The Company achieved a net investment income of RMB29,037 million, representing an increase of 23.2% as compared to the last year; the net investment yield was 5.2%, representing an increase of 0.2 percentage point as compared to the last year, which was mainly due to the increase in interest income from debt securities.

The realized gains, unrealized gains and losses on investment assets and impairment losses on investment assets amounted to a gain of RMB3,015 million in aggregate, a substantial improvement compared to the gain of RMB1,065 million in aggregate for the last year. Mainly due to the capital market volatility, the Company reached an increase in realized gains/(losses) on investment assets and turn around of unrealized gains/(losses) on tradable financial assets from losses to profits.

3. *External Equity Securities*

(1) Securities investment

No.	Type of securities	Security code	Abbreviated security name	Initial investment amount (RMB in millions)	Number of Securities held (in millions)	Carrying amount at the end of the period (RMB in millions)	As a percentage of total investments in securities at the end of the period (%)	Profits/ losses for the reporting period (RMB in millions)
1	Stock	03366X	OCT (Asia) (Limited)	128.84	40.00	127.80	16.30	3.26
2	Stock	601628	China Life	55.36	2.85	97.43	12.43	55.17
3	Convertible bond	113501	CMOC CB	76.43	0.77	96.98	12.37	28.55
4	Stock	600153	C&D	43.81	7.93	80.77	10.30	39.28
5	Stock	600436	Pien Tze Huang	48.07	0.56	49.08	6.26	1.01
6	Stock	000333	Midea Group	37.18	1.78	48.77	6.22	13.85
7	Stock	600686	King Long Motor	49.72	3.91	46.60	5.95	-3.12
8	Stock	002292	GD Alpha	37.87	1.25	36.87	4.70	-1.00
9	Stock	002236	Dahua Technology	38.81	1.65	36.21	4.62	1.26
10	Stock	600276	Hengrui Medicine	18.14	0.63	23.68	3.02	1.92
Investments in other securities held at the end of the reporting period				134.69	/	139.76	17.83	5.26
Profits/losses of investments in securities sold during the reporting period				/	/	/	/	202.16
Total				**668.92**	**/**	**783.95**	**100.00**	**347.60**

Notes:

1. Securities investments stated in this table represent investments such as stock, options and convertible bonds, etc, are ordered in accordance with the carrying amount at the end of the period, for stock and convertible bonds, only the parts of tradable financial assets are presented.

2. Investments in other securities represent investments in other securities apart from the top ten securities.

3. Profits/losses during the reporting period in this table are comprised of interest income, dividend income, realized gains/(losses) and unrealized gains/(losses).

(2) *Shareholding in other listed companies*

Security code	Abbreviated security name	Initial investment amount (RMB in millions)	As a percentage of equity interests in that company at the beginning of the period (%)	As a percentage of equity interests in that company at the end of the period (%)	Carrying amount at the end of the period (RMB in millions)	Profits/ losses during the reporting period (RMB in millions)	Changes of Equity Ownership during the reporting period (RMB in millions)	Accounting classification	Source of securities
601989X	CSICL (Limited)	848.00	0.29	1.10	1,859.54	21.24	1,036.39	Available for sale	Purchase
600705X	AVIC CAPITAL (Limited)	631.70	0.45	2.22	1,479.80	11.17	861.72	Available for sale	Purchase
000333	Midea Group	967.88	0.45	1.16	1,341.67	21.14	333.40	Available for sale	Purchase
601318	Ping An	802.65	0.17	0.18	1,174.30	53.68	359.35	Available for sale	Purchase
000651	Gree Electric Appliances	726.49	0.54	0.80	895.43	51.80	114.53	Available for sale	Purchase
002415	Hikvision	661.01	0.00	0.86	775.43	–	114.42	Available for sale	Purchase
000423	Dong-E E-Jiao	744.21	1.07	2.92	711.64	8.69	-4.00	Available for sale	Purchase
000002	Vanke A	543.11	0.71	0.46	700.59	-109.25	459.32	Available for sale	Purchase
600690	Haier ELEC	619.56	0.09	1.14	645.87	10.84	23.58	Available for sale	Purchase
600153	C&D	378.62	1.51	1.95	563.87	18.72	203.42	Available for sale	Purchase
Other securities held at the end of the reporting period		20,613.93	/	/	23,338.42	2,190.76	3,147.82		
Total		**27,537.16**	**/**	**/**	**33,486.56**	**2,278.79**	**6,649.95**		

Notes:

1. The table presents the shareholding in other listed companies by the Company as classified under available-for-sale financial assets ordered in accordance with the carrying amount at the end of the reporting period.

2. All carrying amount of The CSICL (Limited) is with selling restrictions.

3. The AVIC CAPITAL (Limited) stock includes a carrying amount of RMB245.39 million in the AVIC CAPITAL stock without selling restrictions.

4. Profits/losses during the reporting period in this table are comprised of dividend income, realized gains/(losses) and impairment losses on equity securities.

(3) *Shareholdings in unlisted financial enterprises*

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

(4) Trading of shares in other listed companies

	Shares purchased/ sold during the reporting period (in millions)	**Amount of Capital utilized (RMB in millions)**	**Investment gains incurred (RMB in millions)**
Purchase	2,611.54	28,563.45	N/A
Sale	2,085.75	N/A	2,818.78

III. PRINCIPAL CONTENTS AND ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS

(I) Analysis of principal components of balance sheet

1. *Principal assets*

Unit: RMB in millions

Component	**31 December 2014**	31 December 2013	Change
Property, plant and equipment	**5,917**	4,471	32.3%
Debt securities	**345,518**	305,558	13.1%
– Held-to-maturity	**175,997**	183,008	-3.8%
– Available-for-sale	**117,490**	96,449	21.8%
– At fair value through profit or loss	**6,286**	1,700	269.8%
– Loans and receivables	**45,745**	24,401	87.5%
Equity securities	**60,403**	32,185	87.7%
– Available-for-sale	**58,012**	31,446	84.5%
– At fair value through profit or loss	**2,391**	739	223.5%
Term deposits	**167,297**	163,137	2.6%
Policy loans	**14,903**	8,841	68.6%
Deferred tax assets	**36**	1,040	-96.5%
Other assets	**4,251**	3,101	37.1%
Other assets not included in the above assets	**45,384**	47,516	-4.5%
Total	**643,709**	565,849	13.8%

Property, plant and equipment

As of the end of the reporting period, property, plant and equipment increased by 32.3% as compared to the end of 2013, mainly due to the development of Yanqing Retirement Village Project and the increase in branch office purchases.

Debt securities

As of the end of the reporting period, debt securities increased by 13.1% as compared to the end of 2013, mainly due to the increase in trust plans and debt plans.

Equity securities

As of the end of the reporting period, equity securities increased by 87.7% as compared to the end of 2013, mainly due to the upturn of the capital markets and the increase in investment of stocks and funds.

Term deposits

As of the end of the reporting period, term deposits increased by 2.6% as compared to the end of 2013, mainly due to the increase in large-sum agreed deposits as at the end of the year.

Policy loans

As of the end of the reporting period, policy loans increased by 68.6% as compared to the end of 2013, mainly due to an increase in demand for policy loans.

Deferred tax assets

As of the end of the reporting period, deferred tax assets decreased by 96.5% as compared to the end of 2013, mainly due to the upturn of the capital market with fluctuation and the excess of taxable temporary differences over deductible temporary differences as a result of the increase in carrying amount of available-for-sale financial assets of the Company in 2014. Net amount of deferred tax is stated as deferred tax liabilities accordingly.

Other assets

As of the end of the reporting period, other assets increased by 37.1% as compared to the end of 2013, mainly due to the increase in prepaid taxes and prepayment for property purchase.

2. *Principal liabilities*

Unit: RMB in millions

Component	**31 December 2014**	31 December 2013	Change
Insurance contracts liabilities	**480,100**	426,881	12.5%
Long-term insurance contracts liabilities	**478,406**	425,394	12.5%
Short-term insurance contracts liabilities			
– Outstanding claims liabilities	**562**	520	8.1%
– Unearned premiums liabilities	**1,132**	967	17.1%
Investment contracts	**28,213**	25,933	8.8%
Financial assets sold under agreements to repurchase	**59,234**	52,211	13.5%
Benefits, claims and surrenders payable	**1,301**	959	35.7%
Premiums received in advance	**2,246**	432	419.9%
Provisions	**29**	458	-93.7%
Current income tax liabilities	**48**	19	152.6%
Deferred tax liabilities	**17**	–	N/A
Other liabilities not included in the above liabilities	**24,157**	19,638	23.0%
Total	**595,345**	526,531	13.1%

Insurance contracts liabilities

As of the end of the reporting period, insurance liabilities increased by 12.5% as compared to the end of 2013, primarily due to the growth of insurance business and the accumulation of insurance obligations. As at the balance sheet date, liabilities for all insurance contracts of the Company had passed adequacy tests.

Investment contracts

As of the end of the reporting period, investment contracts increased by 8.8% as compared to the end of 2013, primarily due to the increase of non-insurance business.

Financial assets sold under agreements to repurchase

As of the end of the reporting period, financial assets sold under agreements to repurchase increased by 13.5% as compared to the end of 2013, primarily due to the requirements for investment assets allocation and liquidity management.

Benefits, claims and surrenders payable

As of the end of the reporting period, benefits, claims and surrenders payable increased by 35.7% as compared to the end of 2013, primarily due to increase in maturities and surrenders.

Premiums received in advance

As of the end of the reporting period, premiums received in advance increased by 419.9% as compared to the end of 2013, mainly due to the difference in timing of underwriting policies of the insurance business.

Provisions

As of the end of the reporting period, provisions decreased by 93.7% as compared to the end of 2013, primarily due to the reversal of provisions made with respect to the litigation of Shenzhen Airlines in previous years by the Company in 2014.

Current income tax liabilities

As of the end of the reporting period, the current income tax liabilities increased by 152.6% as compared to the end of 2013, mainly due to the increase in taxable income.

Deferred tax liabilities

As of the end of the reporting period, the deferred tax liabilities amounted to RMB17 million, primarily due to the upturn of the capital market with fluctuation and the excess of taxable temporary differences over deductible temporary differences as a result of the increase in carrying amount of available-for-sale financial assets of the Company in 2014. The net amount of deferred tax is stated as deferred tax liabilities accordingly.

3. Shareholders' equity

As of the end of the reporting period, equity attributable to shareholders of the Company amounted to RMB48.359 billion, representing an increase of 23.0% as compared to the end of 2013, mainly due to the cumulative growth of investment income and the insurance business.

(II) Analysis of Principal Components of the Income Statement

1. *Revenues*

Unit: RMB in millions

For the 12 months ended 31 December	2014	2013	Change
Component			
Gross written premiums and policy fees	**110,067**	104,073	5.8%
Less: premiums ceded out	**(404)**	(293)	37.9%
Net written premiums and policy fees	**109,663**	103,780	5.7%
Net change in unearned premiums liabilities	**(193)**	(165)	17.0%
Net premiums earned and policy fees	**109,470**	103,615	5.7%
Investment income	**31,784**	24,374	30.4%
Other income	**840**	228	268.4%
Total	**142,094**	128,217	10.8%

Gross written premiums and policy fees

During the reporting period, gross written premiums and policy fees amounted to RMB110,067 million, representing an increase of 5.8% as compared to the last year, mainly due to the increase in premium income from the individual insurance agent channel.

Premiums ceded out

During the reporting period, premiums ceded out amounted to RMB404 million, representing an increase of 37.9% as compared to the last year, mainly due to the growth of the reinsurance business and the decrease in policy surrenders recovered from reinsurers.

Investment income

During the reporting period, investment income amounted to RMB31,784 million, representing an increase of 30.4% as compared to the last year, mainly due to the increase in interest income of debt investments, increase in realized gains/(losses) on investment assets and turnaround of unrealized gains/(losses) on tradable financial assets from losses to profits.

Other income

During the reporting period, other income amounted to RMB840 million, representing an increase of 268.4% as compared to the last year, mainly due to the reversal of provisions made with respect to the litigation of Shenzhen Airlines in previous years by the Company in 2014.

2. *Insurance business expenditures and other expenses*

Unit: RMB in millions

For the 12 months ended 31 December	**2014**	2013	Change
Component			
Insurance benefits and claims	**(112,017)**	(103,741)	8.0%
Claims and net change in outstanding claims liabilities	**(1,115)**	(1,186)	-6.0%
Life insurance death and other benefits	**(64,883)**	(36,601)	77.3%
Increase in long-term insurance contracts liabilities	**(46,019)**	(65,954)	-30.2%
Investment contracts benefits	**(1,144)**	(869)	31.6%
Commission and brokerage expenses	**(7,641)**	(6,422)	19.0%
Administrative expenses	**(11,335)**	(9,977)	13.6%
Other expenses	**(543)**	(643)	-15.6%
Total	**(132,680)**	(121,652)	9.1%

Claims and net change in outstanding claims liabilities

During the reporting period, claims and net change in outstanding claims liabilities amounted to RMB1,115 million, representing a decrease of 6.0% as compared to the last year, mainly due to the increase in both short-term insurance claim expenses recovered from reinsurers and outstanding claims liabilities recovered from reinsurers.

Life insurance death and other benefits

During the reporting period, life insurance death and other benefits amounted to RMB64,883 million, representing an increase of 77.3% as compared to the last year, mainly due to the increase in surrenders, maturities and annuities.

Increase in long-term insurance contracts liabilities

During the reporting period, increase in long-term insurance contracts liabilities amounted to RMB46,019 million, representing a decrease of 30.2% as compared to the last year, mainly due to the increase in surrenders and claims.

Investment contracts benefits

During the reporting period, investment contracts benefits amounted to RMB1,144 million, representing an increase of 31.6% as compared to the last year, mainly due to the increase interest expenses as a result of the growth of the Company's universal insurance business.

Commission and brokerage expenses

During the reporting period, commission and brokerage expenses amounted to RMB7,641 million, representing an increase of 19.0% as compared to the last year, mainly due to the increase in first year premiums.

Administrative expenses

During the reporting period, administrative expenses amounted to RMB11,335 million, representing an increase of 13.6% as compared to the last year, mainly due to the expanding business scale and the increase in salary and welfare expenses.

3. ***Income tax***

During the reporting period, income tax expenses were RMB1,375 million, representing an increase of 157.0% as compared to the last year, mainly due to the increase in taxable income.

4. ***Net profit***

During the reporting period, the Company achieved RMB6,406 million of the net profit attributable to the shareholders of the Company, representing an increase of 44.9% as compared to the last year, mainly due to the growth of investment income and the cumulative increase in insurance business.

5. ***Other comprehensive income***

During the reporting period, other comprehensive income was RMB3,107 million as compared to a loss of RMB980 million for the same period of last year, mainly due to the increase of other comprehensive income as a result of the increase in carrying amount of available-for-sale financial assets in the reporting period.

(III) Analysis of consolidated statement of cash flows

Unit: RMB in millions

For the 12 months ended 31 December	2014	2013	Change
Component			
Net cash flows from operating activities	**25,052**	56,205	-55.4%
Net cash flows from investing activities	**(38,544)**	(57,118)	-32.5%
Net cash flows from financing activities	**9,414**	(5,525)	N/A

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

Net cash flows from operating activities of the Company for the year 2014 and 2013 amounted to RMB25,052 million and RMB56,205 million respectively. Cash inflows from operating activities of the Company were primarily comprised of cash premiums received and the net increase in investment contracts. Cash premiums received from the existing insurance contracts for the year of 2014 and 2013 amounted to RMB111,720 million and RMB103,528 million respectively. Increase in cash premiums was primarily due to the continuous growth in premiums income as a result of consistent development of the Company's insurance business.

Cash outflows from operating activities of the Company in 2014 and 2013 amounted to RMB88,581 million and RMB55,490 million respectively. Cash outflows from operating activities of the Company were primarily comprised of benefits and claims expenses, commission and brokerage expenses paid in cash, cash paid to or for employees, tax paid and other cash payments related to operating activities. Benefits and claims expenses in cash from the existing insurance contracts for the year of 2014 and 2013 amounted to RMB65,848 million and RMB37,880 million respectively, the above changes were primarily due to the Company's business growth and the influence of both benefits and claims expenses paid.

2. Net cash flows from investing activities

Net cash flows from investing activities of the Company in 2014 and 2013 amounted to negative RMB38,544 million and negative RMB57,118 million respectively. Cash inflows from investing activities of the Company in 2014 and 2013 amounted to RMB233,451 million and RMB214,768 million respectively. Cash inflows from investing activities of the Company were primarily comprised of cash received from recovery of investments, cash received from investment returns and cash received from the sale of financial assets purchased under agreement to resell, etc.

Cash outflows from investing activities of the Company in 2014 and 2013 amounted to RMB271,995 million and RMB271,886 million respectively. Cash outflows from investing activities of the Company were primarily comprised of cash paid for investments, net increase in policy loans, cash paid for financial assets purchased under agreements to resell and cash paid for the purchase of fixed assets, intangible assets and other long-term assets, etc.

3. Net cash flows from financing activities

Net cash flows from financing activities of the Company in 2014 and 2013 amounted to RMB9,414 million and negative RMB5,525 million respectively. Cash inflows from financing activities of the Company in 2014 and 2013 amounted to RMB4,537,368 million and RMB4,815,740 million respectively. Cash inflows from financing activities of the Company were primarily comprised of cash received from the sale of financial assets under agreements to repurchase and received from issuing debts, etc.

Cash outflows from financing activities of the Company in 2014 and 2013 amounted to RMB4,527,954 million and RMB4,821,265 million respectively. Cash outflows from financing activities of the Company were primarily comprised of cash paid for financial assets sold under agreements to repurchase.

4. Source and use of liquidity

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

The cash and bank deposits of the Company provide us with liquidity resources to satisfy the requirements of cash outflows. As of the end of the reporting period, cash and cash equivalents amounted to RMB14,503 million. In addition, substantially all of the Company's term deposits were available for utilization, subject to penalty interest. As of the end of the reporting period, the term deposits of the Company amounted to RMB167,297 million. The investment portfolio of the Company also provides us with liquidity resources to satisfy the requirements of unexpected cash outflows. As of the end of the reporting period, the fair value of debt securities amounted to RMB347,337 million, and the fair value of equity securities amounted to RMB60,403 million.

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

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

IV. ANALYSIS BY COMPONENT

(I) Solvency

The Company calculated and disclosed actual capital, minimum capital and solvency margin ratio according to relevant 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 2014	As of 31 December 2013	**Reason(s) of Change**
Actual capital	**51,541**	34,782	issuance of subordinated term debts, gains and losses for the current period, changes in fair value of investment assets and investment structure
Minimum capital	**22,753**	20,502	growth in insurance business
Surplus	**28,788**	14,280	
Solvency margin ratio	**226.53%**	169.66%	

(II) Gearing ratio

	31 December 2014	31 December 2013
Gearing ratio	**92.5%**	93.1%

Note: Gearing ratio = Total liabilities/Total assets

(III) Reinsurance business

The Company's reinsurance business currently includes business ceded through quota share, surplus and catastrophe reinsurance contracts, the current reinsurance contracts cover almost all products with risks and obligations. Reinsurers of the Company mainly include Swiss Reinsurance Company Ltd., Beijing Branch, and China Life Reinsurance Company Ltd.[(1)] etc.

Unit: RMB in millions

For the 12 months ended 31 December	2014	2013
Swiss Reinsurance Company Ltd., Beijing Branch	**304**	198
China Life Reinsurance Company Ltd.	**88**	86
Others[(2)]	**12**	9
Total	**404**	293

Notes:

1. China Life Reinsurance Corporation changed its name to China Life Reinsurance Company Ltd. on February 10, 2015.

2. Others primarily included Hannover Rueckversicherung AG, Shanghai Branch; SCOR Global Life SE, Singapore Branch; Munich Reinsurance Company, Beijing Branch and General Reinsurance Corporation, Shanghai Branch; etc.

(IV) Operation of the top 5 insurance products in terms of GWP

Unit: RMB in millions

Rank	Product name	Gross premium income	Standard premium for new policies
1	Huifubao endowment insurance	19,641	471
2	Hongshuangxi New Type C endowment insurance (Participating)	12,145	7
3	Zunxiangrensheng Annuity insurance (Participating)	8,056	291
4	Huifubao II Annuity insurance	7,443	268
5	Hongshuangxi Jinqiangui Annuity insurance (Participating)	4,673	38

V. ANALYSIS OF MAJOR SUBSIDIARIES AND ASSOCIATES

Profiles of major subsidiaries and associates of the Company as of 31 December 2014 are as follows:

Unit: RMB in millions

Company name	Major business scope	Registered capital	Shareholding percentage	Total assets	Net assets	Net profit
Asset Management Company	Management and utilisation of self-owned capital and insurance funds; entrusted capital management; consultation business relevant to the assets management business; other asset management business permitted by applicable PRC laws and regulations.	500	99.4%	973	759	107
Asset Management Company (Hong Kong)	Advise on security transactions and asset management	HKD50 million	99.64%	90	63	22
Health Technology	Real estate development, technology development, job skill training (excluding motor vehicle driver training), human resources training, conference services, exhibitions, organisation of culture exchange activities, sports training, and information consultancy (excluding agency services).	632	100%	574	548	3
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	0[9]
Xinhua Seniors[1]	Corporate management.	562	100%	580	506	(27)
Shanggu Real Estate	Real estate development.	15	100%	16	16	0[9]
Tanzhou Real Estate[2]	Real estate development.	10	95%	10	10	0[9]
New China Health	Investment management; asset management; project investment; economic information consultation; software development; undertaking of exhibition and conference services; technology promotion; technical services; design, production, agency and publication of advertisements; sales of computer software, hardware and ancillary equipment, stationeries and artwares.	500	100%	470	383	(90)
Wuhan Clinic[3]	Prevention and healthcare, internal medicine, surgery, gynecology, ophthalmology and otolaryngology, stomatology, Chinese medicine, Chinese and Western medicine, clinicallaboratory, medical imaging (X-ray diagnosis; ultrasonic diagnosis; ECG diagnosis).	20	100%	27	3	(6)
Xi'an Clinic[3]	Prevention and healthcare, internal medicine, surgery, gynecology, ophthalmology, Chinese medicine, Chinese and Western medicine, stomatology, otolaryngology, clinicallaboratory, medical imaging and health examination, provision of consulting services regarding health management for members.	20	100%	24	(1)	(8)
Electronic Commerce[4]	Commercial brokerage business; sales of electronic products; economic information consultation; technology promotion; the computer system services; data processing; software design, software development.	100	100%	90	86	(14)
Hefei Supporting Operation[5]	Project investment, real estate management, housing rental.	8	100%	174	8	0[9]
Hainan Seniors[6]	Investment, operation and management of Pension residential and infrastructure.	760	100%	535	535	(1)

Company name	Major business scope	Registered capital	Shareholding percentage	Total assets	Net assets	Net profit
Guangzhou Yuerong[7]	Property management, operation of self-owned real estate, house lease, space lease (excluding storage)	10	100%	10	10	0[9]
Haoran Power[8]	Air power equipment, technical development of oil thermal recovery equipment, technology transfer, technical consultation, technical training; asset management.	20	100%	436	54	4
Zijin Century	Real estate development; sales of self-developed commercial property; hotel management and enterprise management; motor vehicle parking services; commercial consultation; undertaking of exhibitions, and conference services.	2,500	24%	4,227	2,804	(6)
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%	62	46	3

Notes:

1. The 10th Meeting of the fifth session of the board of directors of the Company considered and approved the "Proposal on the Project Investment of Lotus Pool Senior Apartment", agreeing to inject Lotus Pool Building into Xinhua seniors (a wholly-owned subsidiary of the company), through physical capital increase in accordance with the fair value of the fixed assets after evaluation. The physical capital increase amount is RMB350.22 million. At the same time, the first meeting of the Executive Committee of the Company in 2014 considered and approved the increase of Xinhua seniors capital by RMB196.673 million in cash. The above capital increase issue was filed for record with the CIRC in April 2014.

2. The eighth meeting of the executive committee of the Company in 2014 considered and approved the "Reporting on the Dissolution of Xinhua Village Tanzhou (Beijing) Real Estate Co., Ltd.". Tanzhou Real Estate started liquidation in the second half of 2014, and as of the date of this announcement, Tanzhou Real Estate has not yet completed liquidation.

3. The 24th Meeting of the fifth session board of directors of the Company considered and approved the "Proposal on the injection of Wuhan Clinic and Xi'an Clinic into New China Health through capital increase, agreeing to inject 100% shares of Wuhan Clinic and 100% shares Xi'an Clinic into New China Health through capital increase, thus Wuhan Clinic and Xi'an Clinic become wholly-owned subsidiaries of New China Health.

4. Electronic Commerce is a subsidiary newly established in March 2014, of which the Company holds 100% shares.

5. Hefei Supporting Operation is a project company newly established in May 2014, of which the Company holds 100% shares.

6. Hainan Seniors is a project company newly established in May 2014, of which the Company holds 100% shares. It's registered capital is RMB760 million and paid-up capital as of December 31, 2014 is RMB535 million.

7. Guangzhou Yuerong is a project company newly established in July 2014, of which the Company holds 100% shares.

8. Haoran Power is a project company acquired by the Company in September 2014, of which the Company holds 100% shares.

9. The amount ranged from RMB0 to RMB500,000 in the reporting period.

10. The 7th extraordinary general meeting of the Company in 2011 considered and approved the "Proposal on the Application for the Dissolution of Chongqing New China Insurance Agency Co., Ltd.", Chongqing Agency started liquidation at the beginning of 2013. On 25 August 2014, Chongqing Agency obtained approval notice of the cancellation of registration issued by the Yubei district branch of the Administrative Bureau for Industry and Commerce of Chongqing City, which approved its cancellation of registration.

VI. FUTURE PROSPECTS

In 2015, from a macroeconomic perspective, the economy of China will attain a new normal from high GDP growth in the past to growth driven by structural upgrade. Monetary easing policy and the upturn of the capital market will further facilitate the growth of life insurance business and increase investment income. Pursuant to Several Opinions of the State Council on Accelerating the Development of the Modern Insurance Service Industry (《關於加快發展現代保險服務業的若干意見》), the implementation of various policies will bring the industry to a new phase of fast growth.

While presenting opportunities, the policies also bring about challenges to the operation of life insurance company in many aspects. Firstly, the gradual implementation of insurance premium rates marketization policies will result in fiercer market competition. Secondly, facing such new opportunities, major life insurance companies will have to lay a stronger foundation and make further improvement in various areas including overall layout, management and innovation. Thirdly, risk management remains an imminent issue. Prominent issues including maturity, surrender and sales of third party wealth management products all pose challenges to the operation and management of life insurance companies.

Facing future opportunities and challenges, the Company will endeavor to promote customer strategy transformation and accelerate the development of the whole life cycle service system for customers to facilitate the fundamental change in the operating model of customers and build a healthy and sustainable business foundation. Meanwhile, through effectively combining the core channel strategies and resource allocation, the Company will actively adjust the asset allocation strategy in response to the changing market trends, strictly monitor credit risks and continue to promote steady value growth. The Company will insist on balanced development between value and scale. On one hand, the Company will focus on the development of regular premium business, endeavor to increase the percentage of core businesses and optimize business structure. On the other hand, the Company will stabilize overall scale through management of scale-oriented products from the bancassurance channel in order to achieve steady growth in GWP, new business value and net profit in 2015.

ANNUAL RESULTS[1]

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME-AUDITED

For the year ended 31 December 2014

Unit: RMB in millions

	Notes	**For the year ended 31 December 2014**	2013
REVENUES			
Gross written premiums and policy fees	*1*	**110,067**	104,073
Less: premiums ceded out		**(404)**	(293)
Net written premiums and policy fees		**109,663**	103,780
Net change in unearned premiums liabilities		**(193)**	(165)
Net premiums earned and policy fees		**109,470**	103,615
Investment income	*2*	**31,784**	24,374
Other income	*3*	**840**	228
Total revenues		**142,094**	128,217
BENEFITS, CLAIMS AND EXPENSES			
Insurance benefits and claims			
Claims and net change in outstanding claims liabilities	*4*	**(1,115)**	(1,186)
Life insurance death and other benefits	*4*	**(64,883)**	(36,601)
Increase in long-term insurance contract liabilities	*4*	**(46,019)**	(65,954)
Investment contracts benefits		**(1,144)**	(869)
Commission and brokerage expenses		**(7,641)**	(6,422)
Administrative expenses	*5*	**(11,335)**	(9,977)
Other expenses	*6*	**(543)**	(643)
Total benefits, claims and expenses		**(132,680)**	(121,652)
Share of profits and losses of associates		**539**	364
Finance costs	*7*	**(2,171)**	(1,970)
Profit before income tax		**7,782**	4,959
Income tax expense	*8*	**(1,375)**	(535)
Net profit for the year		**6,407**	4,424
Net profit for the year attributable to:			
– Owners of the parent	*9*	**6,406**	4,422
– Non-controlling interests		**1**	2
Earnings per share (RMB)			
Basic and diluted	*10*	**2.05**	1.42

Note:

1. The Group in the section includes the New China Life Insurance Company Ltd. and its subsidiaries.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME-AUDITED (CONTINUED)

For the year ended 31 December 2014

Unit: RMB in millions

	For the year ended 31 December **2014**	2013
Net profit for the year	**6,407**	4,424
Other comprehensive income/(losses) to be reclassified to profit or loss in subsequent periods		
Available-for-sale securities		
Gains/(losses) arising from fair value changes	**13,672**	(1,249)
Losses transferred to profit or loss from other comprehensive income	**(3,605)**	(2,910)
Impairment transferred to profit or loss from other comprehensive income	**1,023**	1,318
Changes in liabilities for insurance and investment contracts arising from net unrealized (gains)/losses	**(6,955)**	1,537
Currency translation differences	**–**	(1)
Share of other comprehensive income of associates under the equity method	**5**	–
Income tax relating to components of other comprehensive income	**(1,033)**	325
Total other comprehensive income/(losses) for the year, net of tax	**3,107**	(980)
Total comprehensive income for the year	**9,514**	3,444
Total comprehensive income for the year attributable to:		
– Owners of the parent	**9,513**	3,442
– Non-controlling interests	**1**	2

Notes:

1 GROSS WRITTEN PREMIUMS AND POLICY FEES

Unit: RMB in millions

For the year ended 31 December	**2014**	2013
Gross written premiums		
– Long-term insurance contracts	**107,128**	101,000
– Short-term insurance contracts	**2,740**	2,640
Subtotal	**109,868**	103,640
Policy fees		
– Investment contracts	**199**	433
Gross written premiums and policy fees	**110,067**	104,073

2 INVESTMENT INCOME

Unit: RMB in millions

For the year ended 31 December	**2014**	2013
Held-to-maturity securities		
– Interest income	**8,387**	8,323
Available-for-sale securities		
– Interest income	**6,637**	3,525
– Dividend income	**1,337**	1,264
– Net realized gains	**3,583**	2,884
– Impairment losses on equity securities	**(1,023)**	(1,318)
Securities at fair value through profit or loss		
– Interest income	**365**	68
– Dividend income	**30**	98
– Fair value gains/(losses)	**324**	(31)
– Net realized gains/(losses)	**131**	(470)
Interest income from loans and receivables		
– Interest income	**2,400**	700
Interest income from bank deposits	**8,858**	8,943
Interest income from policy loans	**718**	364
Interest income from financial assets purchased under agreements to resell	**37**	20
Others	**–**	4
Total	**31,784**	24,374
Including:		
Investment income based on the effective interest method	**27,402**	21,943
Investment income from listed investments	**4,439**	3,716
Investment income from unlisted investments	**27,345**	20,658
Total	**31,784**	24,374

3 OTHER INCOME

Unit: RMB in millions

For the year ended 31 December	2014	2013
Rental income from investment properties	**106**	70
Government grants	**20**	1
Reversal of provision	**429**	–
Exchange gain	**30**	–
Other	**255**	157
Total	**840**	228

4 INSURANCE BENEFITS AND CLAIMS

Unit: RMB in millions

For the year ended 31 December	2014	2013
Gross		
Claims and change in outstanding claims liabilities	**1,246**	1,273
Life insurance death and other benefits	**64,943**	36,845
Increase in long-term insurance liabilities	**46,113**	65,845
Total	**112,302**	103,963
Recovered from reinsurers		
Claims and change in outstanding claims liabilities	**(131)**	(87)
Life insurance death and other benefits	**(60)**	(244)
Increase in long-term insurance liabilities	**(94)**	109
Total	**(285)**	(222)
Net		
Claims and change in outstanding claims liabilities	**1,115**	1,186
Life insurance death and other benefits	**64,883**	36,601
Increase in long-term insurance liabilities	**46,019**	65,954
Total	**112,017**	103,741

5 ADMINISTRATIVE EXPENSES

Unit: RMB in millions

For the year ended 31 December	**2014**	2013
Employee benefit expenses (including directors' emoluments) [(1)]	**7,457**	6,344
Operating lease expense	**740**	695
Travel and conference fees	**644**	582
Entertainment fees	**522**	481
Depreciation and amortization	**401**	351
Official fees	**302**	317
Promotional printing cost	**212**	227
Insurance guarantee fund	**185**	188
Postal fees	**136**	128
Advertising fees	**116**	115
Electronic equipment operating costs	**94**	60
Vehicle use fees	**76**	74
Supervision fees	**47**	70
Auditors' remuneration	**16**	16
Others	**387**	329
Total	**11,335**	9,977

(1) Employee benefit expenses are presented below:

Unit: RMB in millions

For the year ended 31 December	**2014**	2013
Salary and welfare expenses	**6,106**	5,129
Social security costs- pension	**540**	465
Social security costs – other	**388**	363
Including:		
Supplementary defined contribution pension expense	**44**	89
Supplementary medical expense	**13**	2
Housing fund	**286**	251
Employee education and labor union fees	**137**	136
Total	**7,457**	6,344

6 OTHER EXPENSES

Unit: RMB in millions

For the year ended 31 December	**2014**	2013
Business tax and surcharges	**235**	113
Depreciation and amortization	**54**	41
Exchange losses	**–**	299
Reversal of provision for prepayment for Taizhou and Yongzhou cases	**–**	(9)
Others	**254**	199
Total	**543**	643

7 FINANCE COST

Unit: RMB in millions

	2014	2013
Interest expenses for financial assets sold under agreements to repurchase	**1,400**	1,225
Interest expenses for the subordinated debts	**771**	745
Total	**2,171**	1,970

8 TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relate to the same tax authority. Most of income taxes shown below are taxes incurred in the PRC.

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

For the year ended 31 December	**2014**	2013
Current tax	**1,387**	387
Deferred tax	**(12)**	148
Total income tax	**1,375**	535

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

For the year ended 31 December	**2014**	2013
Profit before income tax	**7,782**	4,959
Tax computed at the statutory tax rate in China	**1,946**	1,240
Non-taxable income (i)	**(933)**	(814)
Expenses not deductible for tax purpose (i)	**322**	89
Effect of unrecognized deferred tax assets arising from deductible temporary differences	**44**	20
Adjustment to the current tax of prior year	**(2)**	–
Effect of different tax rate of a subsidiary	**(2)**	–
Income tax computed at effective tax rate	**1,375**	535

(i) Non-taxable income mainly includes government bond interest income and stock dividend income. Expenses not deductible for tax purposes mainly include those expenses such as commission and brokerage expense, penalties, donations and entertainment fees that do not meet the criteria for deduction under relevant tax regulations issued by tax authority.

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

Group

	Financial assets	**Insurance liability and others**	**Total**
Net deferred tax assets			
As at 1 January 2013	(171)	1,034	863
(Charged)/Credited to net profit	7	(155)	(148)
Charged to other comprehensive income	710	(385)	325
As at 31 December 2013	546	494	1,040
As at 1 January 2014	**–**	**16**	**16**
(Charged)/Credited to net profit	**–**	**22**	**22**
Charged to other comprehensive income	**(2)**	**–**	**(2)**
As at 31 December 2014	**(2)**	**38**	**36**
Net deferred tax liabilities			
As at 1 January 2014	**546**	**478**	**1,024**
(Charged)/Credited to net profit	**(81)**	**71**	**(10)**
Charged to other comprehensive income	**(2,770)**	**1,739**	**(1,031)**
As at 31 December 2014	**(2,305)**	**2,288**	**(17)**

	As at 31 December	
	2014	2013
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	**1,997**	1,375
– deferred tax assets to be recovered after 12 months	**134**	457
Subtotal	**2,131**	1,832
Deferred tax liabilities		
– deferred tax liabilities to be settled within 12 months	**(2,023)**	(477)
– deferred tax liabilities to be settled after 12 months	**(89)**	(315)
Subtotal	**(2,112)**	(792)
Total net deferred tax assets	**36**	1,040
Total net deferred tax liabilities	**(17)**	–

Company

	Financial assets	Insurance liability and others	Total
As at 1 January 2013	(172)	1,018	846
Credited/(Charged) to net profit	7	(156)	(149)
Charged to other comprehensive income	710	(383)	327
As at 31 December 2013	545	479	1,024
As at 1 January 2014	**545**	**479**	**1,024**
(Charged)/Credited to net profit	**(81)**	**71**	**(10)**
Charged to other comprehensive income	**(2,770)**	**1,739**	**(1,031)**
As at 31 December 2014	**(2,306)**	**2,289**	**(17)**

	As at 31 December	
	2014	2013
Deferred tax assets		
– deferred tax assets to be recovered within 12 month	**1,959**	1,358
– deferred tax assets to be recovered after 12 month	**134**	457
Subtotal	**2,093**	1,815
Deferred tax liabilities		
– deferred tax liabilities to be settled within 12 month	**(2,021)**	(476)
– deferred tax liabilities to be settled after 12 month	**(89)**	(315)
Subtotal	**(2,110)**	(791)
Total net deferred tax assets	**–**	1,024
Total net deferred tax liabilities	**(17)**	–

(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 income is probable. The amount of deductible temporary differences and unused tax losses for which no deferred tax asset is recognized is as follows:

	As at 31 December	
	2014	2013
Deductible losses	**305**	139
Deductible temporary differences	**475**	475
Total	**780**	614

9 NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The net profit attributable to shareholders of the Company for the year ended 31 December 2014 was RMB6,406 million (2013: RMB4,422 million) which is included in the consolidated financial statements of the Group.

10 EARNINGS PER SHARE

(1) Basic

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares issued during the year.

Net profit attributable to shareholders of the Company *(RMB in millions)*	**6,406**	4,422
Weighted average number of ordinary shares issued *(in millions)*	**3,120**	3,120
Basic earnings per share *(RMB)*	**2.05**	1.42

(2) Diluted

The Company has no dilutive potential ordinary shares. Diluted earnings per share are the same as basic earnings per share for the year ended 31 December 2014 (2013: same).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION-AUDITED
As at 31 December 2014

Unit: RMB in millions

	As at 31 December	
	2014	2013
ASSETS		
Property, plant and equipment	**5,917**	4,471
Investment properties	**1,665**	1,594
Intangible assets	**1,559**	1,512
Investments in associates	**10,150**	9,404
Debt securities	**345,518**	305,558
– Held-to-maturity	**175,997**	183,008
– Available-for-sale	**117,490**	96,449
– At fair value through profit or loss	**6,286**	1,700
– Loans and receivables	**45,745**	24,401
Equity securities	**60,403**	32,185
– Available-for-sale	**58,012**	31,446
– At fair value through profit or loss	**2,391**	739
Term deposits	**167,297**	163,137
Statutory deposits	**716**	716
Policy loans	**14,903**	8,841
Financial assets purchased under agreements to resell	**1,584**	1,336
Accrued investment income	**10,644**	9,849
Premiums receivable	**1,543**	1,581
Deferred tax assets	**36**	1,040
Reinsurance assets	**3,020**	2,954
Other assets	**4,251**	3,101
Cash and cash equivalents	**14,503**	18,570
Total assets	**643,709**	565,849

CONSOLIDATED STATEMENT OF FINANCIAL POSITION-AUDITED (CONTINUED)

As at 31 December 2014

Unit: RMB in millions

	As at 31 December	
	2014	2013
LIABILITIES AND EQUITY		
Liabilities		
Insurance contracts		
Long-term insurance contract liabilities	**478,406**	425,394
Short-term insurance contract liabilities		
– Outstanding claims liabilities	**562**	520
– Unearned premiums liabilities	**1,132**	967
Investment contracts	**28,213**	25,933
Borrowings	**19,000**	15,000
Financial assets sold under agreements to repurchase	**59,234**	52,211
Benefits, claims and surrenders payable	**1,301**	959
Premiums received in advance	**2,246**	432
Reinsurance liabilities	**67**	54
Provisions	**29**	458
Other liabilities	**5,090**	4,584
Current income tax liabilities	**48**	19
Deferred tax liabilities	**17**	–
Total liabilities	**595,345**	526,531
Shareholders' equity		
Share capital	**3,120**	3,120
Reserves	**30,300**	25,903
Retained earnings	**14,939**	10,289
Equity attributable to owners of the parent	**48,359**	39,312
Non-controlling interests	**5**	6
Total equity	**48,364**	39,318
Total liabilities and equity	**643,709**	565,849

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY-AUDITED

For the year ended 31 December 2014

Unit: RMB in millions

	Attributable to owners of the parent					
	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
For the year ended 31 December 2013						
As at 1 January 2013	3,120	25,967	6,783	35,870	8	35,878
Net profit for the year	–	–	4,422	4,422	2	4,424
Other comprehensive income	–	(980)	–	(980)	–	(980)
Total comprehensive income	–	(980)	4,422	3,442	2	3,444
Dividends paid	–	–	–	–	(4)	(4)
Appropriation to reserves	–	916	(916)	–	–	–
Total transactions with owners	–	916	(916)	–	(4)	(4)
As at 31 December 2013	3,120	25,903	10,289	39,312	6	39,318
For the year ended 31 December 2014						
As at 1 January 2014	**3,120**	**25,903**	**10,289**	**39,312**	**6**	**39,318**
Net profit for the year	**–**	**–**	**6,406**	**6,406**	**1**	**6,407**
Other comprehensive income	**–**	**3,107**	**–**	**3,107**	**–**	**3,107**
Total comprehensive income	**–**	**3,107**	**6,406**	**9,513**	**1**	**9,514**
Effect on capital injection to subsidiary	**–**	**2**	**–**	**2**	**(2)**	**–**
Dividends paid	**–**	**–**	**(468)**	**(468)**	**–**	**(468)**
Appropriation to reserves	**–**	**1,288**	**(1,288)**	**–**	**–**	**–**
Total transactions with owners	**–**	**1,288**	**(1,756)**	**(468)**	**–**	**(468)**
As at 31 December 2014	**3,120**	**30,300**	**14,939**	**48,359**	**5**	**48,364**

CONSOLIDATED STATEMENT OF CASH FLOWS-AUDITED
For the year ended 31 December 2014

Unit: RMB in millions

	For the year ended 31 December 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**7,782**	4,959
Adjustments for:		
Investment income	**(31,784)**	(24,374)
Finance costs	**2,171**	1,970
Net change in outstanding claims liabilities	**30**	67
Net change in unearned premiums liabilities	**193**	165
Increase in long-term insurance contract liabilities	**46,019**	65,954
Investment contract benefits	**1,144**	869
Policy fees	**(199)**	(433)
Depreciation and amortization	**455**	392
Impairment losses on other receivables	**1**	(8)
Losses on disposal of property, plant and equipment	**5**	9
Changes in operational assets and liabilities:		
Receivables and payables	**(639)**	2,612
Investment contracts	**1,256**	4,780
Income tax paid	**(1,382)**	(757)
Net cash flows from operating activities	**25,052**	56,205
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of securities investments		
Proceeds from sales of debt securities	**14,416**	1,229
Proceeds from maturities of debt securities	**37,242**	37,387
Proceeds from sales of equity securities	**51,807**	67,013
Purchases of securities investments		
Purchase of debt securities	**(87,750)**	(112,534)
Purchase of equity securities	**(68,673)**	(74,648)
Proceeds from disposal of property, plant and equipment, intangible assets and other assets	**19**	6
Purchase of property, plant and equipment, intangible assets and other assets	**(2,278)**	(1,995)
Interests received	**26,410**	22,920
Dividends received	**1,261**	1,326
Term deposits, net	**(4,142)**	8,474
Financial assets purchased under agreements to resell,net	**(293)**	(1,321)
Others	**(6,563)**	(4,975)
Net cash flows from investing activities	**(38,544)**	(57,118)

CONSOLIDATED STATEMENT OF CASH FLOWS-AUDITED (CONTINUED)
For the year ended 31 December 2014

Unit: RMB in millions

	For the year ended 31 December 2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Received from borrowings	**4,000**	–
Interests and dividends paid	**(1,202)**	(745)
Financial assets sold under agreements to repurchase, net	**6,616**	(4,780)
Net cash flows from financing activities	**9,414**	(5,525)
Effect of foreign exchange rate changes	**11**	(58)
Net decrease in cash and cash equivalents	**(4,067)**	(6,496)
Cash and cash equivalents		
Beginning of the year	**18,570**	25,066
End of the year	**14,503**	18,570
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	**12,691**	16,476
Short deposits	**1,812**	2,094
Total of cash and cash equivalents	**14,503**	18,570

SEGMENT INFORMATION

(1) Operating segments

The Group mainly has the following three segments:

(i) ***Individual insurance business***

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

(ii) ***Group insurance business***

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

(iii) ***Other business***

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

(2) Allocation basis of income and expense

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

(3) Allocation basis of assets and liabilities

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

(4) All of the Group's operating revenues are deemed as external except for those presented as inter-segment revenue

Substantially all of the Group's 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 2014, no gross written premiums and policy fees from transactions with a single external customer amounted to 1% or more of the Group's total gross written premiums and policy fees.

(5) The transfer prices among operating segments are priced at fair value with reference to transactions with third parties.

Unit: RMB in millions

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

Other segment information for the year ended 31 December 2014:

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

Unit: RMB in millions

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

Other segment information for the year ended 31 December 2013:

Other segment information	**Insurance**		**Others**	**Elimination**	**Total**
	Individual	**Group**			
Capital expenditure	–	–	1,951	–	1,951
Depreciation and amortization	(311)	(30)	(10)	–	(351)
Interest income	21,414	424	105	–	21,943
Impairment	(1,298)	(12)	–	–	(1,310)
Share of profit of associates under equity method	284	6	74	–	364

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.

Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), amendments to IFRSs and interpretations issued by the International Accounting Standards Board (the "IASB"). The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of consolidated financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The Consolidated Financial Statements have been prepared under the historical cost convention except for financial instruments measured at fair value and insurance contract liabilities measured based on actuarial methods.

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

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

(1) New accounting standards, amendments and interpretation adopted by the Group for the first time for the financial year beginning 1 January 2014

Standards/amendments/ interpretation	Content	Effective Date
IAS 32 Amendments	*Offsetting Financial Assets and Financial Liabilities*	1 January 2014
IAS 36 Amendments	*Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
IAS 39 Amendments	*Novation of Derivatives and Continuing of Hedge Accounting*	1 January 2014
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	*Investment Entities*	1 January 2014
IFRIC 21	*Levies*	1 January 2014
IFRS 2 Amendments (i)	*Definition of Vesting Condition*	1 July 2014
IFRS 3 Amendments (i)	*Accounting for Contingent Consideration in a Business Combination*	1 July 2014
IFRS 13 Amendments (i)	*Short-term Receivables and Payables*	1 July 2014
IAS 27 Amendments	*Equity Method in Separate Financial Statements*	1 January 2016
IFRS 1 Amendments (ii)	*Meaning of Effective IFRSs*	1 July 2014

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

(ii) The amendment belongs to Annual Improvements 2011-2013 Cycle.

IAS 32 Amendments – Offsetting Financial Assets and Financial Liabilities

The amendment to IAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. The amendments have no significant impact on the Group's consolidated financial statements.

IAS 36 Amendments – *Recoverable Amount Disclosures for Non-Financial Assets*

The amendments to IAS 36 remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, the amendments require disclosure of the recoverable amounts for the assets or each cash-generating unit for which an impairment loss has been recognised or reversed during the period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments have no significant impact on the Group's consolidated financial statements.

IAS 39 Amendments – *Novation of Derivatives and Continuing of Hedge Accounting*

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments have no significant impact on the Group's consolidated financial statements.

IFRS 10, IFRS 12 and IAS 27(Revised) Amendments – *Investment Entities*

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statement*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments to IFRS 12 also set out the disclosure requirements for investments entities. The amendments have no significant impact on the Group's consolidated financial statements.

IFRIC 21 – *Levies*

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. This interpretation has no significant impact on the Group's consolidated financial statements.

IFRS 2 Amendments – *Definition of Vesting Condition*

The amendments to IFRS 2 clarify various issues relating to the definitions of performance and service condition which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has no significant impact on the Group's consolidated financial statements.

IFRS 3 Amendments – *Accounting for Contingent Consideration in a Business Combination*

The amendments to IFRS 3 clarify that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 or IAS 39. The amendment has no significant impact on the Group's consolidated financial statements.

IFRS 13 Amendments – *Short-term Receivables and Payables*

The amendments to IFRS 13 clarify that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has no significant impact on the Group's consolidated financial statements.

IAS 27 Amendments – *Equity Method in Separate Financial Statements*

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRSs and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Company has decided to early adopt such amendments in the Company's separate financial statements for the year ended31 December 2014, and account for the investments in associates using the equity method retrospectively. The early adoption only affects the Company's separate financial statements and has no impact on the Group's consolidated financial statements.

IFRS 1 Amendments – *Meaning of Effective IFRSs*

The amendments to IFRS 1 clarify in the Basis for Conclusion that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permit early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. The amendments have had no effect on the financial position or performance of the Group.

(2) New accounting standards and amendments and new disclosure requirements of Hong Kong Companies Ordinance issued but are not effective for the financial year beginning 1 January 2014

Standards/Amendments	Content	Effective for annual periods beginning on or after
IAS 19 Amendments	*Defined Benefit Plans: Employee Contributions*	1 July 2014
IFRS 14	*Regulatory Deferral Accounts*	1 January 2016
IFRS 11 Amendments	*Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
IFRS 10 and IAS 28 Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
IAS 16 Amendments and IAS 38 Amendments	*Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
IFRS 15	*Revenue from Contracts with Customers*	1 January 2017
IFRS 9	*Financial Instruments*	1 January 2018
IAS 1 Amendments	*Disclosure Initiative*	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Amendments	*Investment Entities: Applying the Consolidation Exception*	1 January 2016
Annual Improvements 2010-2012 Cycle	*Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38*	1 July 2014
Annual Improvements 2011-2013 Cycle	*Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40*	1 July 2014
Annual Improvements 2012-2014 Cycle	*Amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34*	1 January 2016

In addition, the new Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Except for IAS 27 Amendments, the Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

IFRS 15 – *Revenue from Contracts with Customers*

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard supersede all current revenue recognition requirements under IFRS. IFRS 15 is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. IFRS 15 is not applied to the insurance contracts and financial instruments, which are the main source of the Group's revenue.The Group is currently assessing the impact on the Group's consolidated financial statements.

IFRS 9 – *Financial Instruments*

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

EMBEDDED VALUE

1. KEY ASSUMPTIONS

In determining the embedded value and the value of one year's new business as at 31 December 2014, we have assumed that the Company continues to operate as a going concern under the current economic and regulatory environment, and the current method for determining solvency reserves and statutory minimum solvency margin levels remains unchanged. The operational assumptions are mainly based on the results of experience analyses, together with reference to the overall experience of the Chinese life insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimates of the future based on information currently available at the valuation date.

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%.

Investment Returns

The investment return assumptions as at 31 December 2014 are shown below for the different funds respectively.

	Investment Return Assumptions for VIF and VNB as at 31 December 2014			
	2015	**2016**	**2017**	**2018+**
Non-participating	5.00%	5.10%	5.20%	5.20%
Participating	5.00%	5.10%	5.30%	5.50%
Universal life	5.00%	5.20%	5.50%	5.60%
Unit-linked	7.60%	7.60%	7.80%	7.90%

Note: Investment return assumptions are applied to calendar year.

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 Individual Life and Annuity Products (accumulation phase) and Group Life and Annuity Products (accumulation phase) mentioned above in the first and second policy year. Ultimate rates are applicable thereafter.

Morbidity

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

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.

Expenses

Unit cost assumptions have been developed based on our actual experience in 2014 and expected future outlook. Future inflation of 2.0% p.a. has been assumed in respect of per policy expenses.

Commission and Handling Fees

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

Policyholder Bonuses and Dividends

The assumptions regarding policyholder dividends have been derived in accordance with our current policyholder bonus and dividend policy, whereby 70% of surplus arising from participating business is paid to policyholders.

Tax

Tax has been assumed to be payable at 25% of profits with allowance for the exemption of certain investment income, including Chinese government bonds, and dividend income from equities and equity investment funds. Tax is assumed to be calculated on taxable income using reserves calculated on the PRC solvency basis.

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

Cost of Holding Required Capital

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

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

Other Assumptions

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

Our current reinsurance arrangements have been assumed to remain unaltered.

2. EMBEDDED VALUE RESULTS

The table below shows our embedded value and value of one year's new business as at 31 December 2014 and their corresponding results as at prior valuation date.

Unit: RMB in millions

Valuation Date	**31 December 2014**	31 December 2013
Adjusted Net Worth	**42,976**	29,077
Value of In-Force Business Before Cost of Capital	**54,292**	46,320
Cost of Capital	**(12,007)**	(10,990)
Value of In-Force Business After Cost of Capital	**42,284**	35,330
Embedded Value	**85,260**	64,407
Value of One Year's New Business		
Value of One Year's New Business Before Cost of Capital	**6,234**	5,334
Cost of Capital	**(1,322)**	(1,099)
Value of One Year's New Business After Cost of Capital	**4,912**	4,236

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

Note 2: The first year premiums used to calculate the Value of One Year's New Business as at 31 December 2014 and 31 December 2013 were RMB42,843 million and RMB40,068 million respectively.

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

Unit: RMB in millions

Valuation Date	**31 December 2014**	31 December 2013
Value of One Year's New Business by Distribution Channel		
Individual insurance agent channel	**4,713**	3,847
Bancassurance channel	**282**	472
Group insurance channel	**(83)**	(83)
Total	**4,912**	4,236

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

Note 2: The first year premiums used to calculate the Value of One Year's New Business as at 31 December 2014 and 31 December 2013 were RMB42,843 million and RMB40,068 million respectively.

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

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

3. ANALYSIS OF CHANGE

The analysis of change in Embedded Value from 31 December 2013 to 31 December 2014, calculated at a risk discount rate of 11.5%, is shown below.

Unit: RMB in millions

Analysis of Change in EV from 31 December 2013 to 31 December 2014 at a Risk Discount Rate of 11.5%

1.	**EV at the beginning of period**	**64,407**
2.	Impact of Value of New Business	4,912
3.	Expected Return	7,793
4.	Operating Experience Variances	(1,630)
5.	Economic Experience Variances	11,567
6.	Operating Assumption Changes	(893)
7.	Economic Assumption Changes	(582)
8.	Capital Injection/Shareholder Dividend Payment	(468)
9.	Others	185
10.	Value Change Other Than Life Insurance Business	(31)
11.	**EV at the end of period**	**85,260**

Note: Numbers may not be additive due to rounding.

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

2. Value of New Business as measured at the point of issuing.

3. Expected Return on ANW and value of in-force business during the relevant period.

4. Reflects the difference between the actual operating experience in the period (including mortality, morbidity, discontinuance rates and expenses) and the assumed.

5. Reflects the difference between actual and expected investment returns in the period.

6. Reflects the change in operating assumptions between valuation dates.

7. Reflects the change in economic assumptions between valuation dates.

8. Capital Injection and other dividend payment to shareholders.

9. Other miscellaneous items.

10. Value change other than those arising from the life insurance business.

4. SENSITIVITY TESTS

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

Unit: RMB in millions

VIF and Value of One Year's New Business Sensitivity Results as at 31 December 2014

Scenarios	VIF after CoC	VNB after CoC
Base Scenario	42,284	4,912
Risk Discount Rate at 12%	40,052	4,525
Risk Discount Rate at 11%	44,668	5,330
Investment Return 50bps higher	49,482	6,015
Investment Return 50bps lower	35,068	3,805
Expenses 10% higher (110% of Base)	40,986	4,223
Expenses 10% lower (90% of Base)	43,583	5,602
Discontinuance Rates 10% higher (110% of Base)	41,634	4,545
Discontinuance Rates 10% lower (90% of Base)	42,909	5,257
Mortality 10% higher (110% of Base)	42,091	4,888
Mortality 10% lower (90% of Base)	42,478	4,937
Morbidity and Loss Ratio 10% higher (110% of Base)	41,182	4,679
Morbidity and Loss Ratio 10% lower (90% of Base)	43,391	5,146
Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30%	37,463	4,715
Statutory Minimum Solvency Margin 50% higher (150% of Base)	41,896	4,251
Taxable Income Based on China Accounting Standards	41,311	4,497

CORPORATE GOVERNANCE

The third meeting of the fifth session of the Board held by the Company on 22 February 2013 resolved to establish the executive committee system and the position of Chief Executive Officer. Mr. KANG Dian, Chairman of the Board, was appointed as the Chief Executive Officer. The Board of the Company is of the view that the roles of Chairman and Chief Executive Officer being performed by the same individual could further streamline the Company's management system, improve the Company's operation efficiency, and is conducive to the business development and strategy implementation of the Company. Except for the above, during the reporting period, the Company observed all the other code provisions in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and adopted most of the best practices set out therein.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

RECOMMENDATION OF 2014 ANNUAL DIVIDEND

The Company plans to distribute an annual dividend of RMB0.21 (including tax) per share to all of the H Shareholders and A Shareholders for 2014, totaling approximately RMB655 million, representing approximately 10.16% of the distributable profit of the Company achieved within the year as contained in the 2014 financial statements of the Company, which meets the minimum percentage requirement of cash distribution as stipulated in the articles of association of the Company.

This proposal is subject to the consideration and approval of general meeting. For the detailed arrangement of the declaration and distribution of the annual dividend, the Company will announce separately.

SUBSEQUENT EVENTS

To further enhance the Company's solvency adequacy ratio, the Company's annual general meeting of 2013 held on 20 May 2014 considered and approved the *Proposal on the Plan of Issuing Debt Financing Instruments for the Year 2014*, agreeing to issue debt financing instruments with a period of more than 5 year and a total amount of not more than RMB5 billion. The related regulatory policy of debt financing instruments issuance was introduced in early 2015 and the issuance of 2014 debt financing instruments of the Company hasn't been carried out.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Board of the Company, in conjunction with the Company's external auditors, have reviewed the Company's consolidated financial statements for the year ended 31 December 2014, including the accounting principles and practices.

PUBLICATION OF ANNUAL REPORT

The Company's 2014 annual report will be published on the Company's website (www.newchinalife.com) and the HKExnews website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) in due course.

By Order of the Board
New China Life Insurance Company Ltd.
KANG Dian
Chairman

Beijing, China, 25 March 2015

As at the date of this announcement, the Executive Directors of the Company are KANG Dian and WAN Feng; the Non-executive Directors are ZHAO Haiying, MENG Xingguo, LIU Xiangdong, WU Kunzong, LIU Lefei and DACEY John Robert; and the Independent Non-executive Directors are CAMPBELL Robert David, CHEN Xianping, WANG Yuzhong, ZHANG Hongxin, ZHAO Hua and FONG Chung Mark.